



# 401(k)s Slide, But Savers Stick in Q1

## INDUSTRY TRENDS AND RESEARCH By NAPA Net Staff, April 27, 2020

No surprise: the average 401(k), IRA and 403(b) lost ground in Q1—but not only did most 401(k) savers not reduce contributions, 15% actually increased that rate.

According to Fidelity, while the average 401(k) contribution rate remained steady at 8.9%, consistent with Q4 2019, 15% of 401(k) savers actually increased their contribution rate in the quarter. The average employer contribution was also steady at 4.7%, a slight increase from 4.6% in the previous quarter and consistent with 4.7% in Q1 2019.<sup>1</sup>

So, how much have 401(k) accounts lost?

Well, at Fidelity, the average 401(k) balance was \$91,400, down 19% from the record high of \$112,300 in Q4 2019, and the average IRA balance was \$98,900, a 14% decrease from last quarter. As for the average 403(b)/tax-exempt account balance—well, it came in at \$75,700, down 19% from last quarter.

### Millennial Movement(s)

The report notes that a growing number of Millennial investors are utilizing IRAs as a retirement savings vehicle, with contributions among Millennials increasing 41% over the last year, while the amount contributed by Millennials increased 64%. Among female Millennials, the number of IRAs increased 20% from Q1 2019, according to the report. Not only that, the number of Roth IRAs among Millennials also increased 41% over the last year, with the amount of Roth IRA contributions growing 64%.

Fidelity notes that only 7.3% of individuals made a change to their 401(k) allocation, though that was an increase from 5.2% in Q4 2019 (roughly 1 in 10 Boomers made a change, however—with most moving to more conservative options). Of those savers that made a change to their asset allocation, 60% made only one change in the quarter.

### Loans & Withdrawals

The report notes that prior to the enactment of the CARES Act on March 27, only 1.4% of individuals took a hardship withdrawal from their 401(k) in Q1 2020, less than half a percentage point more than the 0.9% that took a hardship withdrawal in Q1 2019.

The percentage of individuals initiating a 401(k) loan dropped to 2.3% in Q1, down from the 2.6% of 401(k) savers that initiated a loan in Q4 2019 and consistent with 2.3% that took a 401(k) loan in Q1 2019. All that, of course, prior to the enactment of the CARES Act.

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<sup>1</sup>The average amount contributed to an IRA in Q1 2020 grew to \$3,330, a 10% increase over the average contribution amount in Q1 2019. Contributions to 403(b)/tax-exempt accounts also increased to 6.9%, up from 5.6% in Q4 and 5.4% a year ago.