

Retirement Trends and the Need for Emergency Savings To Reduce Withdrawals



American's Retirement Savings Continue to Increase¹

Average IRA balance	Average 401(k) balance	Average 403(b) balance
\$113,800	\$112,400	\$102,400
⬆️ +2.7% from Q2 2022	⬆️ +8.2% from Q2 2022	⬆️ +9.7% from Q2 2022

401(k) account balances increased across every generation²
Since Q2 2022, average account balances have increased:



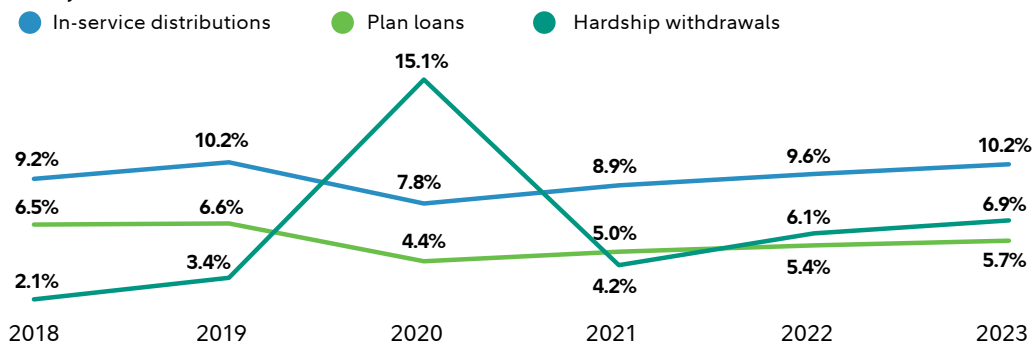
13.9% total 401(k) savings rate, trending toward Fidelity's recommended 15% (which includes employer contributions).

Despite savings increasing, many participants are tapping their retirement accounts to pay for immediate financial needs like paying a medical bill or repairing a car.

This trend has grown and the percentage of Fidelity plan participants who took an early withdrawal has more than tripled since 2018.

These withdrawals are expected to continue, as the passage of the SECURE 2.0 Act enabled more options for participants to take distributions from their retirement accounts. Taking early withdrawals can significantly impact an individual's long-term retirement security and overall well-being.

Early withdrawals are on the rise



Participants taking early withdrawals average less than \$3,000 per withdrawal³

Emergency Savings

More Americans need short-term or emergency savings to cover unexpected expenses



1/3

of U.S. households cannot come up with \$400 cash to cover an emergency expense.⁴



51%

of employees don't have enough to cover a financial emergency.⁵



Employees with access to short-term savings when they need it are more financially confident and more likely to be "on track" for retirement.

Emergency savings accounts can help workers gradually and consistently save for short-term expenses, while also ensuring their retirement savings continues to grow.

Fidelity is proud to have developed a solution, **Fidelity Goal BoosterSM**, an out-of-plan investing and saving experience designed to help people save smarter for important savings goals, including emergency savings. This is offered at no cost* to Fidelity clients and is utilized by tens of thousands of employees who have created over 150k emergency savings goals on our platform.⁶

We appreciate that Congress has recognized the importance of emergency savings by including an optional provision in the SECURE 2.0 Act to tackle the issue. Although this in-plan option has some roadblocks to implementation, we believe this is an evolving area ripe for innovation and more can be done to support the need for emergency savings and ensure Americans have a secure retirement.

Workplace emergency savings programs that include payroll integration and employer-sponsored savings incentives are key to employee overall financial wellness and should be offered by employers as a core workplace benefit.

We support enhancements including allowing auto-enrollment into out-of-plan accounts for emergency savings and making it possible for out-of-plan contributions to emergency savings accounts to be eligible for matching into a plan's retirement account.

We believe that an effective emergency savings option:



Is available to everyone and simple to use



Can provide employees immediate access to funds (liquid)



Ensures privacy at the time of withdrawal



Can move with the employee if they leave their employer (portable)



Start with \$1,000 in emergency savings

Not all employees are in the position to accumulate emergency saving. Fidelity recommends establishing a monthly or weekly savings goal and then building savings incrementally.



* While there is no cost to use Goal Booster itself, there could be fees associated with the investing options.

¹ Fidelity Investments Q2 2023 Retirement Trends Analysis data

² Generations as defined by Pew Research: Gen Z (born 1997-2012), Millennials (1981-1996), Gen X (1965-1980) and Boomers (1946-1964).

³ Fidelity's recordkept data as of September 30, 2022.

⁴ U.S. Federal Reserve, Economic Well-Being of U.S. Households in 2020-May 2021.

⁵ Fidelity Financial Wellness Checkup of more than 293,000 workplace participants from Jan. 1 – June 30, 2022

⁶ Fidelity Investment data as of October 2023

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

The Fidelity Cash Management account is a brokerage account designed for investing, spending, and cash management.

Investing excludes options and margin trading. For a more traditional brokerage account, consider the Fidelity account.

Fidelity is not a bank, and brokerage accounts are not FDIC-insured, but uninvested cash balances are eligible for FDIC insurance.

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Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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