

Retirement Savers Undeterred by COVID-19 Economic Downturn

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Recordkeeper data covering first three quarters of 2020 show continued contributions, small increase in withdrawal activity

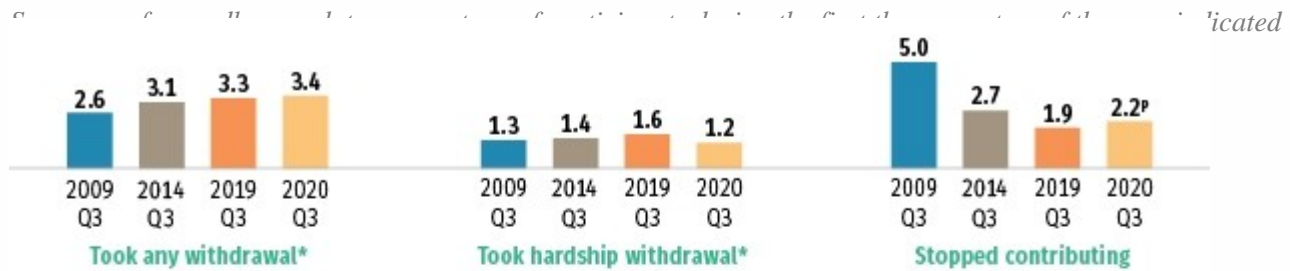
Washington, DC; November 19, 2020—Americans overwhelmingly continued saving for retirement through defined contribution (DC) plans during the first three quarters of 2020, undeterred by the economic downturn brought about by the COVID-19 pandemic, according to ICI’s “[Defined Contribution Plan Participants’ Activities, First Three Quarters of 2020](#).” The study tracks contributions, withdrawals, and other activity in 401(k) and other DC retirement plans, based on DC plan recordkeeper data covering more than 30 million participant accounts in employer-based DC plans at the end of September 2020. Like the [previous report](#) issued after the second quarter of 2020, this edition tracks coronavirus-related distributions (CRDs) among plan participants to provide insight into financial activity related to the pandemic.

“The data again show the long-term mindset of retirement savers,” said Sarah Holden, ICI senior director of retirement and investor research. “Even in a year of unprecedented economic volatility and increased financial hardship, savers clearly view their DC account as a special pot of money earmarked for retirement, which is only tapped as a last resort. Retirement savers consistently demonstrate that they are in it for the long haul and tend to stay the course.”

The latest recordkeeper data indicate that plan participants remained committed to saving and investing: a preliminary estimate indicates that only 2.2 percent of DC plan participants stopped contributing to their plans in the first three quarters of 2020, consistent with activity in the majority of the 12 years for which ICI has tracked these data. That compares with 1.9 percent in the first three

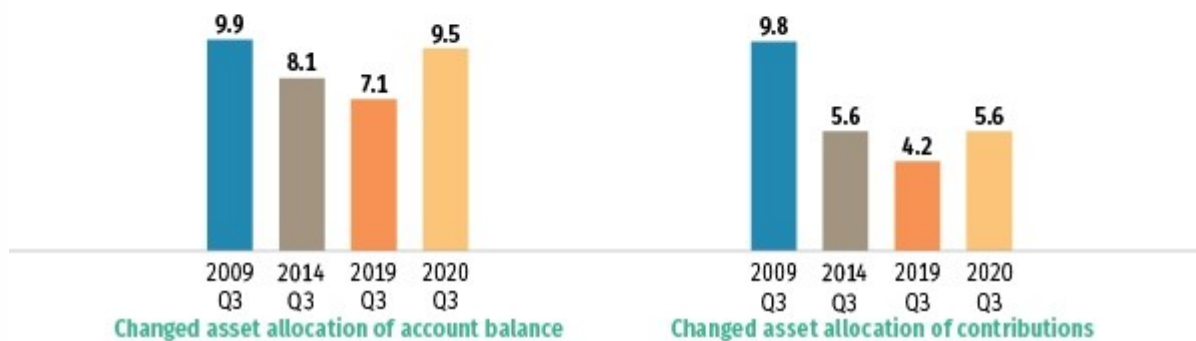
quarters of 2019, and 5.0 percent in the first three quarters of 2009—another time of financial stress.

Defined Contribution Plan Participants' Activities



Memo

During the first three quarters of 2020, recordkeepers identified 4.4 percent of DC plan participants taking coronavirus-related distributions (CRDs).



*These withdrawals do not include coronavirus-related distributions (CRDs) identified by the recordkeepers.

^P Data are preliminary based on a partial sample of DC plans in the survey.

Note: The samples include about 24 million DC plan participants for data covering January–September 2009; more than 25 million DC plan participants for data covering January–September 2014; and more than 30 million DC plan participants for data covering January–September 2019 and January–September 2020.

Source: ICI Survey of DC Plan Recordkeepers

Other findings include:

- Most DC plan participants stayed the course with their asset allocations despite high stock market volatility during the first quarter of 2020.** In the first three quarters of 2020, 9.5 percent of DC plan participants changed the asset allocation of their account balances, slightly higher than 7.1 percent in the first three quarters of 2019 but lower than 9.9 percent in the first three quarters of 2009 as the stock market started to recover from the global financial crisis. In the first three quarters of 2020, 5.6 percent changed the asset allocation of their contributions, slightly higher than 4.2 percent in the first three quarters of 2019 but lower than 9.8 percent in the first three quarters of 2009.

- **DC plan withdrawal activity in the first three quarters of 2020 remained low, although it was slightly higher than the activity observed in the first three quarters of recent years.** In the first three quarters of 2020, 3.4 percent of DC plan participants took withdrawals, compared with 3.3 percent in the first three quarters of 2019 and 2.6 percent in the first three quarters of 2009. Levels of hardship withdrawal activity also remained low. Only 1.2 percent of DC plan participants took hardship withdrawals during the first three quarters of 2020, compared with 1.6 percent in the first three quarters of 2019 and 1.3 percent in the first three quarters of 2009. Hardship withdrawal activity since 2019 may reflect increasing awareness of expanded hardship withdrawal availability from the Bipartisan Budget Act of 2018 and the onset of financial stresses relating to the COVID-19 pandemic.
- **In addition, the recordkeepers surveyed identified 4.4 percent of DC plan participants as taking CRDs during the first three quarters of 2020.** The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted March 27, 2020, provides penalty relief and increased flexibility in retirement plan withdrawals for individuals affected by COVID-19.
- **DC plan participants' loan activity edged down in the third quarter of 2020, perhaps partly reflecting the use of CRDs instead of loans.** At the end of September 2020, 15.4 percent of DC plan participants had loans outstanding, compared with 15.6 percent at the end of June 2020, and 16.3 percent at the end of March 2020. CRDs, like loans, can be repaid into a retirement account; however, unlike loans, they may have current tax implications.

ICI has been tracking DC plan participant activity through recordkeeper surveys since 2008. This update provides results from ICI's survey of a cross section of recordkeeping firms representing a broad range of DC plans. Please visit ICI's [401\(k\) Resource Center](#) for more information.

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