401(k) Plans
2023 Financial Life Benefits® Impact Report

Insights to help employers make more informed decisions to support the financial wellness of their employees.

Employers who provide a workplace retirement plan offer their employees a key tool to help them pursue their own financial success. However, there are many opportunities to encourage employees to strengthen their retirement planning. Employers can promote greater use of workplace plans by offering features that participants value, including financial education, investing resources, and smart plan design such as auto-enrollment and auto-increase.

Participation rates are down slightly

<table>
<thead>
<tr>
<th>Participation rates</th>
<th>By gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>56% (down from 58% in 2021) among all eligible employees</td>
<td>61% (down from 62% in 2021)</td>
</tr>
<tr>
<td>52% (down from 55% in 2021)</td>
<td></td>
</tr>
</tbody>
</table>

By generation

- 55% Millennials (ages 28-42)
- 65% Gen X (ages 43-57)
- 57% Baby boomers (ages 58-76)

Gen X males participate at the highest rate, with 70% contributing to their 401(k).
Contribution rates

Contribution rates are also down

6.4%  Average overall pretax contribution rate
(down from 6.6% in 2021)

Pretax contribution rates
Older participants and men in general continue to contribute more than women and younger workers

<table>
<thead>
<tr>
<th></th>
<th>Gen Z (up to age 27)</th>
<th>Millennials (ages 28-42)</th>
<th>Gen X (ages 43-57)</th>
<th>Baby boomers (ages 58-76)</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pretax rate</td>
<td>4.5%</td>
<td>5.5%</td>
<td>7.1%</td>
<td>8.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Pretax rate</td>
<td>4.2%</td>
<td>5.2%</td>
<td>6.6%</td>
<td>7.9%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

More employees increased their contribution rates than decreased them—though the percentage of employees increasing them was down

- **26%** increased their contribution rates (down from 29% in 2021)
- **8%** reduced their contribution rates (up from 6% in 2021)

Few participants are taking full advantage of their 401(k) accounts

- **9%** of active participants contribute the maximum amount allowed

<table>
<thead>
<tr>
<th></th>
<th>More men than women contribute the maximum amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>More baby boomers max out than members of any other generation, followed by Gen X</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>14%</td>
</tr>
<tr>
<td>(ages 58-76)</td>
<td></td>
</tr>
<tr>
<td>Gen X (ages 43-57)</td>
<td>11%</td>
</tr>
</tbody>
</table>
Contribution amounts

Most participants are contributing small amounts

66% contributed less than $5,000 in 2022 (versus 61% in 2021)

- 74% Millennials (ages 28-42)
- 57% Gen X (ages 43-57)
- 55% Baby boomers (ages 58-76)

More millennials contributed less than $5,000, compared to Gen X and baby boomers

More women than men contributed less than $10,000

- 86% women
- 78% men

12% contributed more than $15,000 (down from 14% in 2021)

Auto-enroll with auto-increase is smart plan design

89% of auto-enroll plans use 3% or higher default rates

- 85% of employees participate when plans have an auto-enrollment feature
- 36% participate when they don't

- 55% of auto-enrollment plans default into an advisory program
- 57% of auto-enrollment plans also auto-increase (up from 55% in 2021)
- 2.2% of participants opt out of auto-enroll
In general, older men have the largest 401(k) account balances, and younger women have the smallest, though among younger employees, that gender imbalance is closing.

The amount by which men’s average balance exceeds women’s — overall $89,000 $59,000 50%

Drop in the average overall account balance (to $75,000 from $90,000 in 2021), presumably due to the decline in the stock and bond markets.

$15,000 17% decline

Millennial (ages 28-42)

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$29,218</td>
<td>$23,715</td>
</tr>
<tr>
<td>Difference</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

Gen X (ages 43-57)

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$123,177</td>
<td>$80,473</td>
</tr>
<tr>
<td>Difference</td>
<td>53%</td>
<td></td>
</tr>
</tbody>
</table>

Baby boomer (ages 58-76)

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$179,688</td>
<td>$95,839</td>
</tr>
<tr>
<td>Difference</td>
<td>87%</td>
<td></td>
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</tbody>
</table>

In general, older men have the largest 401(k) account balances, and younger women have the smallest, though among younger employees, that gender imbalance is closing.

72% have an account balance of less than $50,000

10% $50,000 to $100,000

10% $100,000 to $250,000

8% More than $250,000
How are participants investing their account balances?

36% of overall balances are held in equity mutual funds, the highest allocation.

16% of participants use an advisory program.

13% of Millennials (ages 28-42)
19% of Baby boomers (ages 58-76)

Percentages held by women vs. men overall in target-date funds:

28% vs. 22%

Percentages held in target-date funds by:

31% Gen Z (up to age 27)
38% Millennials (ages 28-42)
24% Gen X (ages 43-57)
19% Baby boomers (ages 58-76)

Participants continue to lag on measures of financial wellness:

57 Average financial wellness score (down from 64 in 2021)

60 have less than one month of emergency savings
53 are living paycheck to paycheck

34% of those who have completed the assessment have taken at least one suggested action

12% are on track for retirement (have saved at least 75% of their target savings)
Loans have held steady, while hardship distributions are up

15% of active participants have a loan (consistent with 2021)

$8,143 down

Average 401(k) loan balance (down slightly)

15% vs. 16%

Portion of men vs. women with a loan outstanding

1.6% up

of participants took a hardship distribution in 2022 (up from 1.2% in 2021)

Gen X men and women (ages 43-57) take out more loans and carry larger balances than other generations

How participants like to learn and engage

Employees are eager for education. Their top interests include:

- 70% Retirement planning
- 23% Budgeting
- 8% Savings goals

Preferred ways to learn about finances

- 69% Attend a webinar
- 36% Watch a short video
- 31% Visit a website
- 21% Receive an email

Most popular seminars

- Financial Tips for 50s and 60s
- Healthcare Costs in Retirement
- Planning for the Retirement You Want

How participants engage with us

- 63% online
- 22% mobile
- 15% call center
- 98% of calls are resolved on the spot

Digital and mobile engagement

Top 3 web/mobile activities

- Contribution rate change
- Rollover/withdrawal
- Funds transfer

- 26% of Express Enrollments are conducted via mobile
When participants’ employment ends, what do they do with their balances?

When they retire:
- 42% take a distribution (full or partial)
- 9% roll funds into a new plan or account
- 49% leave their money in the plan

When they’re terminated:
- 10% take a distribution (full or partial)
- 9% roll funds into a new plan or account
- 81% leave their money in the plan

We can help you improve the financial lives of all your employees

Financial Life Benefits® goes beyond traditional benefits to provide more of what employees need to manage their day-to-day finances and prepare for the future.

To learn more, visit go.bofa.com/FinancialLifeBenefits

Intended for plan sponsor and consultant audience.

1 Comparisons to 2021 reference data derived from Bank of America Retirement and Benefit Plan Services 401(k) data platform as of 12/31/2021.

* Investment products are available from Merrill Lynch, Pierce, Fenner & Smith Incorporated.

† Bank products are available from Bank of America, N.A., and affiliated banks.

This report monitors plan participants’ behavior and sponsors’ adoption of new plan design features and services in our proprietary employee benefits programs, which serve more than 25,000 companies and more than 6 million employees as of December 31, 2022.

All data is derived from Bank of America Retirement and Benefit Plan Services platform unless otherwise noted (as of 12/31/2022).

Investment products:

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<th>Are Not FDIC Insured</th>
<th>Are Not Bank Guaranteed</th>
<th>May Lose Value</th>
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