



RETIREMENT RESEARCH & INSIGHTS

401(k) Plans

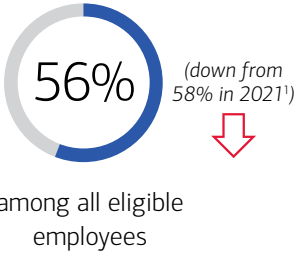
2023 Financial Life Benefits® Impact Report

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

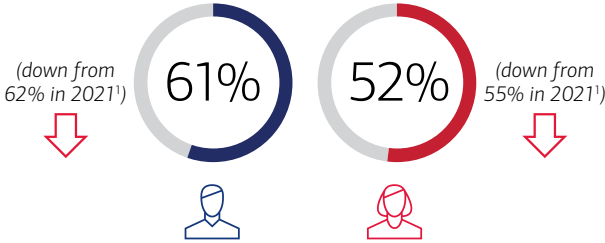
Employers who provide a workplace retirement plan offer their employees a key tool to help them pursue their own financial success. However, there are many opportunities to encourage employees to strengthen their retirement planning. Employers can promote greater use of workplace plans by offering features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

Participation rates are down slightly

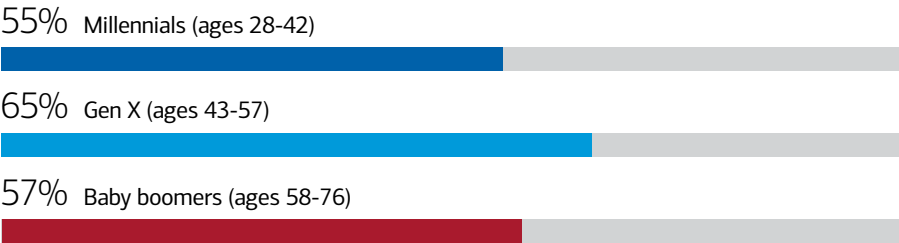
Participation rates



By gender



By generation



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

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See additional important information on next page.

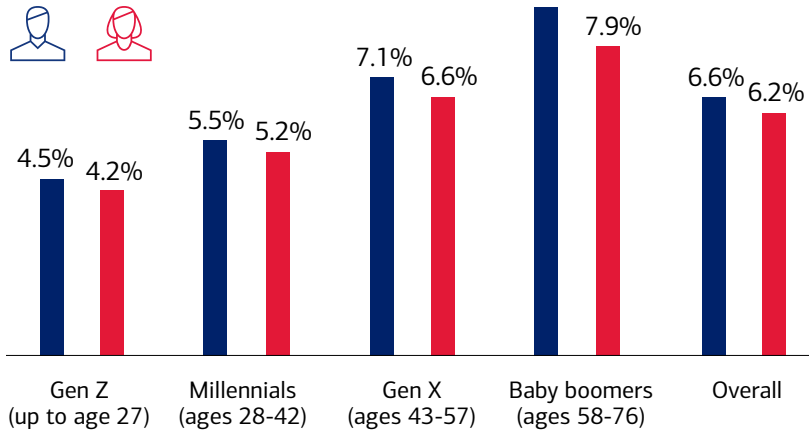
Contribution rates

Contribution rates are also down

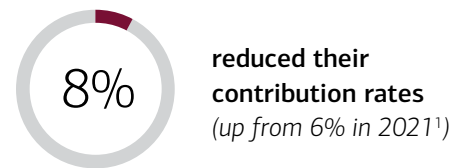
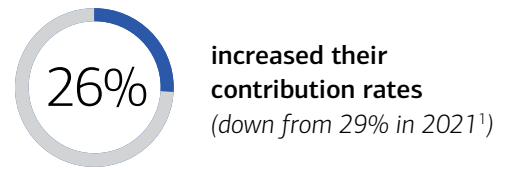
6.4% Average overall pretax contribution rate
(down from 6.6% in 2021¹)

Pretax contribution rates

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



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

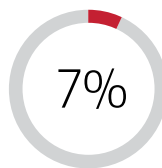
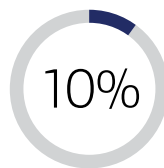


Few participants are taking full advantage of their 401(k) accounts

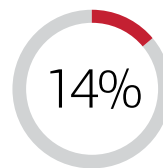
9%

of active participants contribute the maximum amount allowed

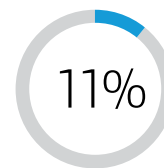
More men than women contribute the maximum amount



More baby boomers max out than members of any other generation, followed by Gen X



Baby boomers
(ages 58-76)



Gen X
(ages 43-57)

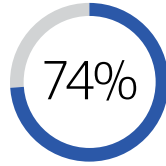
Contribution amounts

Most participants are contributing small amounts

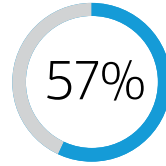
66%

contributed **less than \$5,000** in 2022 (versus 61% in 2021¹)

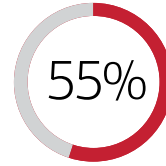
More millennials contributed **less than \$5,000**, compared to Gen X and baby boomers



Millennials (ages 28-42)



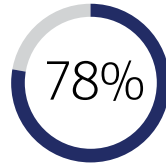
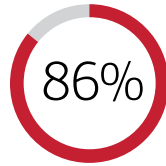
Gen X (ages 43-57)



Baby boomers (ages 58-76)

More women than men

contributed less than \$10,000



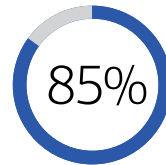
12%

contributed **more than \$15,000** (down from 14% in 2021¹)

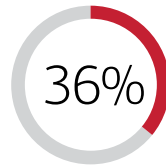
Auto-enroll with auto-increase is smart plan design

89%

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



of employees participate when plans have an **auto-enrollment feature**



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 2021¹)

2.2%

of participants **opt out** of auto-enroll

Account balances

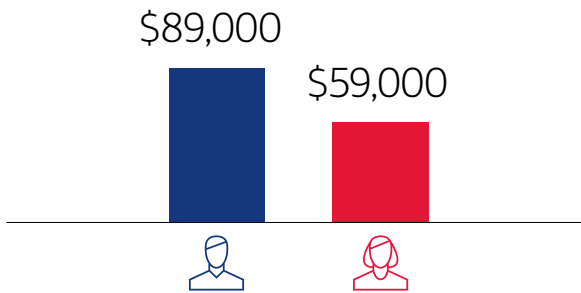
Participants' balances reflect the disparities in savings rates

\$15,000

17% decline

⚖️ Drop in the average overall account balance (to \$75,000 from \$90,000 in 2021¹), presumably due to the decline in the stock and bond markets

50% The amount by which men's average balance exceeds women's — overall



Millennial (ages 28-42)



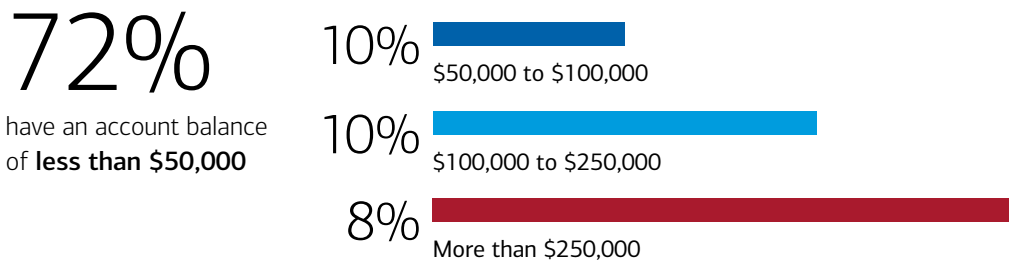
Gen X (ages 43-57)



Baby boomer (ages 58-76)



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

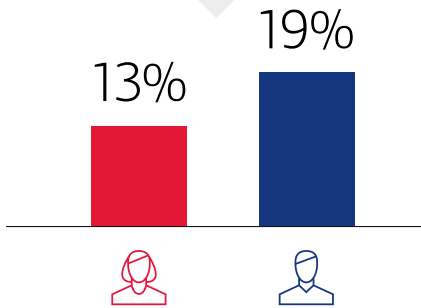


How are participants investing their account balances?

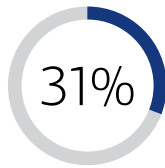
36%

of overall balances are held in **equity mutual funds**, the highest allocation

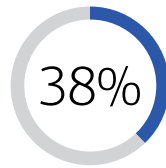
16% of participants use an advisory program



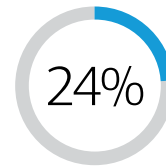
Percentages held in target-date funds by:



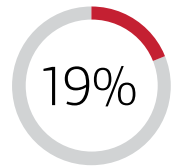
Gen Z
(up to age 27)



Millennials
(ages 28-42)



Gen X
(ages 43-57)



Baby boomers
(ages 58-76)

28% vs. 22%

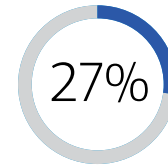
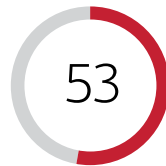
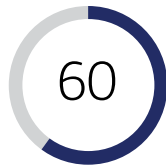


Percentages held by women vs. men overall in **target-date funds**

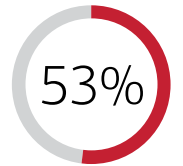
Participants continue to lag on measures of financial wellness

57

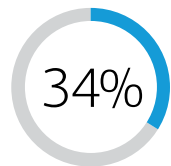
Average financial wellness score
(down from 64 in 2021¹)



have less than one month of **emergency savings**



are living **paycheck to paycheck**



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 2021¹*)

\$8,143 ↓

Average 401(k) loan balance (*down slightly*)

15% vs. 16%

Portion of men vs. women with a loan outstanding

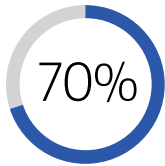
1.6% ↑

of participants took a hardship distribution in 2022 (*up from 1.2% in 2021¹*)

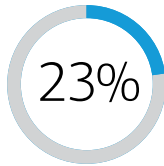
Gen X men and women (ages 43-57) take out more loans and carry larger balances than other generations

How participants like to learn and engage

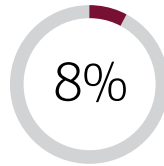
Employees are eager for education. Their top interests include:



Retirement planning



Budgeting



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

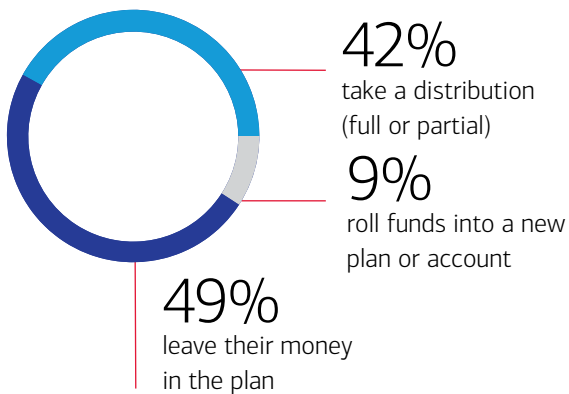
Rollover/ withdrawal

Funds transfer

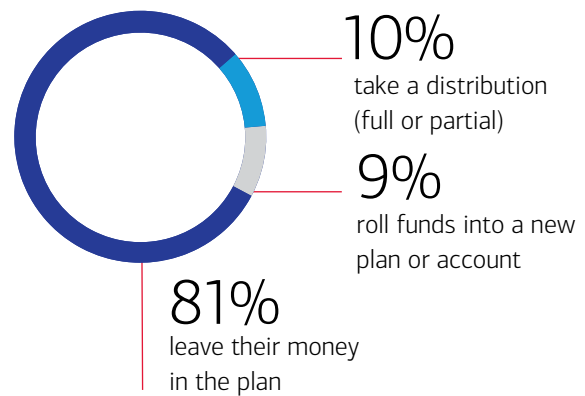
26% of Express Enrollments are conducted via mobile

When participants' employment ends, what do they do with their balances?

When they **retire**:



When they're **terminated**:



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.

Retirement plans* | Equity compensation plans* | Health and benefit accounts† | Employee banking† and investing*

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).

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