

# Participant Pulse Tracking the confidence of plan participants

4Q 2023 | Plan participants may access or make changes to their retirement and health savings accounts (HSAs) in response to many factors, and certain key metrics, in part, can signal participant confidence and sentiment. This quarter, more than 17% of participants increased their 401(k) contribution rate, and, overall, for the year, 7.7% contributed the maximum amount allowed to their 401(k) for 2023. Compared to last quarter, fewer participants took money out of their retirement plan, and when money was withdrawn, both average loan and hardship distribution amounts were lower than last quarter. HSA account balances were higher compared to last year, with nearly 4 in 10 accountholders contributing more than they withdrew. Financial wellness scores dropped in comparison to both last quarter and last year, and we still see a gender gap.



401(k) PLANS<sup>1</sup>

₩_	Contribution rate	
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Average contribution rate as of 4Q

6.5%

Up slightly from 6.4% year-end 2022

Average contribution 4Q

\$1,310

Down slightly from 3Q (\$1,430)

Average account balance year-end 2023

\$86,280

Up from \$75,045 year-end 2022

In 4Q, 1 in 5 participants changed their contribution rate; notably 17.7% increased & 3.1% decreased their rate (vs 9.3% and 2.2% respectively in 3Q)

In plans with automatic enrollment, only 2% of participants opted out

### Loans

Participants borrowing from

their workplace plan in 4Q

2.3%

Down from 2.5% in 3Q but up from 2.1% in 4Q22

Average loan per participant

\$8,210

Down from 3Q (\$8,530) but more than last year (\$7,500 in 4Q22)

Of participants with a loan, those with at least one loan in default as of 4Q

12.6%

Lowest quarterly average of 2023; down from 13% in 3Q

Generations with highest % of loans outstanding: Generation X<sup>2</sup> (23.5%) followed by Millennials<sup>2</sup> (15.4%)

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Participants taking a hardship distribution during 4Q

0.57%

Down from 0.59% in 3Q; and up from 0.40% a year earlier in 4Q22

Average participant hardship

\$4,370

Lowest quarterly average of 2023; down from 3Q (\$5,070) and 4Q22 (\$4,700)

Participants who contributed the maximum amount allowed in 2023

7.7%

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May Lose Value

Average account balance:

\$4,380

**Up from \$3,930** year-end 2022

Account holders who contributed more than they withdrew:

37%

**Down slightly from 38%** year-end 2022

How contributions were used:

76% Spent on health care expenses

24% Saved

Consistent with 3Q activity

**Millennials saved 34%** of their contributions, more than other generations

Account holders investing for future growth:

12%

Down slightly from 13% in 3Q

More men (17%) than women (11%) invest for the future, as do Baby Boomers (15%) compared to other generations



### FINANCIAL WELLNESS<sup>4</sup>

Average financial wellness score:

51 (out of a possible 100 points)

**Down from 55** in 3Q<sup>1</sup> and down from 57 year-end 2022; highest score achieved in area of managing long-term debt; lowest in preserving assets. Average financial wellness score 51 for participants with household income \$40K-\$100K

Women trail men in their feeling of financial wellness:

## 54 Men 47 Women

Four-point drop from last quarter for both men and women. Highest portion of men scored in the 71-80 range, while the highest portion of women scored in the 51-60 range

<u>Methodology</u>: This report monitors plan participants' behavior in Bank of America 401(k) recordkeeping and HSA clients' employee benefits programs, which comprise more than 4 million total participants with positive account balances as of December 31, 2023.

Investing involves risk, including the possible loss of the principal value invested.

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<sup>&</sup>lt;sup>1</sup> Comparisons to 2022 reference data derived from Bank of America Retirement and Benefit Plan Services 401(k) data platform as of 12/31/2022.

<sup>&</sup>lt;sup>2</sup> Generation defined by the following birth years: Baby Boomers 1946 – 1964; Gen X 1965 – 1980; Millennials 1981 – 2000, GenZ after 2000.

<sup>&</sup>lt;sup>3</sup> Reference data derived from Bank of America Retirement and Benefit Plan Services HSA data platform as of 12/31/2023.

<sup>&</sup>lt;sup>4</sup> The Financial Wellness Tracker is a proprietary assessment that calculates a financial wellness score based on an employee's answers to the assessment, and is a snapshot of the employee's current financial situation as it relates to six key behaviors (1) management of expenses (2) management of credit card debt (3) plans for the unexpected (4) preparedness for retirement and other identified goals (5) management of long term debt and (6) preparedness for preservation of assets.