
Fidelity's average 401(k) balance: \$123,900

By Editorial Staff Thu, May 13, 2021

The average 401(k) employer contribution rate was 4.6%, and the average contribution was \$1,720. Among 403(b) accounts, the average employer contribution was 4.1% and the average amount was \$3,000.

Fidelity Investments' first-quarter 2021 analysis of retirement account balances, contributions and savings behaviors shows that average balances across more than 30 million IRA, 401(k), and 403(b) retirement accounts reached record levels despite the headwinds of the pandemic and related unemployment.

Retirement accounts reached record levels for the second consecutive quarter. The average IRA balance was \$130,000, a 1% increase from last quarter but a 31% increase from Q1 2020. The average 401(k) balance increased to \$123,900 in Q1, a 2% increase from Q4 and up 36% from a year ago. The average 403(b) account balance increased to a record \$107,300, an increase of 1% from last quarter and 42% higher than in Q1 2020.

IRA activity increased in the first quarter as many investors made contributions to their IRAs for 2020 tax filing purposes. Investors made contributions to 1.3 million IRA accounts in Q1, a 52% increase over Q1 2020. Total IRA contributions increased to \$4.3 billion in Q1 2021, nearly double the \$2.9 billion in contributions from a year earlier. In addition, 26% of overall IRA contributions were made by investors under the age of 35, up from 23% in Q1 2020. The percentage of contributions to Roth IRAs continues to increase, rising to 60% of all IRA contributions in Q1 2021.

Loans and withdrawals from 401(k) accounts dipped slightly in Q1. The percentage of workers with an outstanding 401(k) loan dropped to 17.5%, down from 19.7% in Q1 2020. Only 1.6% of 401(k) savers initiated a new loan in the first quarter, which was flat from Q4 2020 and down from 2.4% a year ago. The percentage of workers who withdrew from their 401(k), including hardship withdrawals, dropped to 2.4% in the quarter, down from 6.1% in Q4 and 3.0% a year ago.

The average 401(k) employer contribution rate was 4.6%, and the average amount contributed to employees' 401(k) was \$1,720. Among 403(b) accounts, the average employer contribution was 4.1% and the average amount was \$3,000.

Companies made matching 401(k) contributions to 83% of employees in the quarter. The most popular 401(k) match formula in the first quarter, which is used by 41% of employers

on Fidelity's platform, continues to be a 100% matching contribution for the first 3% of an employee's contribution and a 50% match for the employee's next 2%. Under this formula, a 5% employee contribution of \$100 would be eligible for an \$80 employer match.

More than a third (36.9%) of companies automatically enroll employees into their 401(k) plan. Among organizations with 50,000 or more employees, 62% use auto-enrollment. Of the employees automatically enrolled in their 401(k) plan, more than 90% stay enrolled in their plan.

While the most common default savings rate for auto-enrolled employees is 3%, a growing number of companies are steadily increasing this rate. As of Q1, one in five employers (20%) auto-enroll employees at a 6% savings rate.

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