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## How Vanguard participants save

By Editorial Staff    Thu, Jun 11, 2015

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*Vanguard has released its annual almanac on the savings habits of participants in its retirement plans. You can read highlights from "How America Saves 2015" and link to a download of the 106-page report from this article.*

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[\*\*\*How America Saves 2015\*\*\*](#), the newest iteration of Vanguard's annual compilation of data on its own substantial defined contribution retirement business was made available for download by the public. You can find the 106-page pdf document [here](#).

The press release that accompanied the report offered this takeaway: "Improved plan design will ultimately lead to better outcomes for retirement plan participants"—a suggestion that it might be easier to re-design a plan than to modify participants' values and behaviors.

Here are a few statistical highlights from the annual survey:

**Automatic investment.** At year-end 2014, 45% of all Vanguard participants were solely invested in an automatic investment program— compared with 25% at the end of 2009. Thirty-nine percent of all participants were invested in a single target-date fund; another 2% held one other balanced fund; and 4% used a managed account program.

**Use of target date funds.** Eighty-eight percent of plan sponsors offered target-date funds at year-end 2014, up 17% compared with year-end 2009. Nearly all Vanguard participants (97%) are in plans offering target-date funds. Sixty-four percent of all participants use target-date funds. Sixty percent of participants owning target-date funds have their entire account invested in a single target-date fund. Four in 10 Vanguard participants are wholly invested in a single target-date fund, either by voluntary choice or by default.

**Participation rate.** The plan participation rate was 77% in 2014. The average deferral rate was 6.9% and the median was unchanged at 6.0%. However, average deferral rates have declined slightly from their peak of 7.3% in 2007. The decline in average contribution rates is attributable to increased adoption of automatic enrollment.

**Contribution rate.** Taking into account both employee and employer contributions, the average total participant contribution rate in 2014 was 10.4% and the median was 9.5%.

**Use of automatic enrollment.** At year-end 2014, 36% of Vanguard plans had adopted

automatic enrollment, up two percentage points from 2013. In 2014, however, because larger plans were more likely to offer automatic enrollment, 60% of new plan entrants in 2014 were enrolled via automatic enrollment.

**Roth 401(k).** At year-end 2014, the Roth feature was adopted by 56% of Vanguard plans and 14% of participants within these plans had elected the option.

**Account balances.** In 2014, the median participant account balance was \$29,603 and the average was \$102,682. Vanguard participants' median account balances declined by 6% and average account balances rose by 1% during 2014.

**Rates of return.** Reflecting strong stock market performance in 2014, the median one-year participant total return was 7.2%. Five-year participant total returns averaged 9.9% per year.

**Index funds.** In 2014 half (52%) of Vanguard plans offered a set of options providing an index core. Over the past decade the number of plans offering an index core has grown by nearly 90%. Because large plans have adopted this approach more quickly, about two-thirds of all Vanguard participants were offered an index core as part of the overall plan investment menu. Factoring in passive target-date funds, 82% of participants hold equity index investments.

**Equity allocation.** The percentage of plan assets invested in equities rose to 72%, essentially unchanged from 71% in 2013.

**Trading behavior.** During 2014, only 10% of DC plan participants traded within their accounts, while 90% did not initiate any exchanges.

**Company stock positions.** Only 8% of all Vanguard participants held concentrated company stock positions in 2014, compared with 10% at the end of 2009.

**Loans and in-service withdrawals.** In 2014, 17% of participants had a loan outstanding (essentially no change from 2013) and the average loan balance was \$9,700. During 2014, 4% of participants took an in-service withdrawal, withdrawing about 30% of their account balances.

**Post-participation behavior.** The majority of former participants (85%) continued to preserve their plan assets for retirement by either remaining in their employer's plan or rolling over their savings to an IRA or new employer plan. In terms of assets, 97% of all plan

assets available for distribution were preserved and only 3% were taken in cash.

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