
Vanguard publishes 2021 'How America Saves'

By Editorial Staff Thu, Jun 17, 2021

In this 20th annual survey of its own 1,700 retirement plans and 4.7 million participants, the full-service plan provider and fund giant offers a detailed snapshot of plan design and participant behavior. (Photo: Vanguard CEO Tim Buckley.)



Vanguard has released its 2021 *How America Saves* [report](#). The report, now in its 20th annual iteration, provides the results, as of December 31, 2020, of a survey of 1,700 Vanguard defined contribution plans, sponsored by 1,400 clients, with 4.7 million participants for whom Vanguard keeps records.

Key findings in the report:

Automatic enrollment. At year-end 2020, 54% of Vanguard plans had adopted automatic enrollment, including 74% of plans with at least 1,000 participants. In 2020, 69% of participants were in plans with an automatic enrollment option. The adoption of automatic enrollment has more than tripled since year-end 2007, when the Pension Protection Act (PPA) of 2006 took effect.

Two-thirds of automatic enrollment plans automatically raise annual deferral rates. Fifty-seven percent of plans now default employees at a deferral rate of 4% or higher, up from 30% of plans in 2011. Almost all plans with automatic enrollment defaulted participants into a target-date fund.

Savings rates. The average deferral rate was 7.2% in 2020, up modestly from 6.9% in 2011. The median deferral rate was 6.0% in 2020—unchanged for as long as we have been tracking this metric. Including both employee and employer contributions, the average total participant contribution rate in 2020 was 11.1%, and the median was 10.2%. These rates have remained fairly stable for the past 15 years.

When including nonparticipants, employees hired under automatic enrollment plans saved an average of 10.7%, considering both employee and employer contributions. Employees hired under a voluntary enrollment design saved an average of 6.8%, due to lower participation.

Average and median accumulations. In 2020, the average account balance for Vanguard participants was \$129,157; the median balance was \$33,472. Vanguard participants' average account balances increased by 21% since 2019, driven primarily by the 18% increase in US equity markets over the year.

Managed accounts. The rising prominence of professionally managed allocations has been essential to improvements in portfolio construction. Participants with professionally managed allocations have their entire account balance invested in a single target-date or balanced fund or in a managed account advisory service.

At year-end 2020, 62% of all Vanguard participants were solely invested in diversified, professionally managed investment portfolios—compared with 7% at the end of 2004 and 33% at year-end 2011. Fifty-four percent of all participants were invested in a single target-date fund; another 1% held one other balanced fund; and 7% used a managed account program.

Target date funds. Ninety-five percent of plans offered target-date funds at year-end 2020, up from 82% in 2011. Nearly all Vanguard participants (99%) were in plans offering target-date funds; 80% of all participants used target-date funds. Two-thirds of participants owning target-date funds invested in a single target-date fund. About 4 in 10 single target-date investors chose the funds on their own, not through default.

Participation rates. The estimated plan-weighted participation rate in 2020 was 84%, up from 77% in 2011. The participant-weighted participation rate was 78% in 2020, up from 74% in 2011. Plans with automatic enrollment had a 92% participation rate, compared with a participation rate of 62% for plans with voluntary enrollment. Between 2011 and 2020, plans with automatic enrollment have had strong participation rates. Plans with voluntary enrollment have seen participation rates deteriorate.

Roth options. At year-end 2020, the Roth feature was adopted by 74% of Vanguard plans, and 14% of participants within these plans had elected the option. All plan sponsors with automatic enrollment defaulted to traditional pre-tax savings.

Balanced portfolios. Participant portfolio construction has improved dramatically over the past 15 years, with 76% of participants having a balanced strategy in 2020, compared with 39% in 2005. Three percent of participants held no equities and 3% of participants had more than 20% allocated toward company stock in 2020. In 2005, 13% of participants had no equities and 18% of participants held a concentration in company stock.

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