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## Vanguard publishes 2021 'How America Saves'

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By Editorial Staff    Thu, Jun 17, 2021

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*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.)*

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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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