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## Vanguard publishes 'How America Saves,' its 401(k) almanac

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By Editorial Staff Thu, Jun 9, 2016

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The Vanguard Group, the full-service retirement plan provider that manages about 12% of the nation's \$6.7 trillion in defined contribution plan assets, has released the 2016 version of its annual report, [\*How America Saves: A report on 2015 Vanguard defined contribution plan data.\*](#)

First published in 2000, the report is based on the investments of 4.1 million participants in 5,900 plans. This year's report represents a special edition marking the tenth anniversary of the 2006 Pension Protection Act, which included provisions that allowed for auto-enrollment of participants and auto-escalation of contribution amounts, Vanguard said in a release.

The auto-enrollment feature, which entails enrolling all new employees who don't actively opt out, has gradually spreading through the DC industry. At year-end 2015, 41% of Vanguard plans used it, up from 10% a decade ago. Of those plans, 70% also featured automatic annual increases. Last year, 63% of new Vanguard participants were hired under automatic enrollment, up from 12% in 2006.

At year-end 2015, about half of all Vanguard participants were solely invested in an automatic investment program, up from 29% at the end of 2010; 42% of all participants were invested in a single target-date fund (TDF); another 2% held one other balanced fund; and 4% used a managed account program. Among participants entering Vanguard plans for the first time in 2015, about 80% were invested entirely in a professionally managed allocation. By 2020, the average will be about 68% for all participants, Vanguard predicts.

Nine in 10 plan sponsors offered TDFs at year-end 2015, up 14% at year-end 2010. Nearly all Vanguard plans offer TDFs and 69% of all participants use TDFs. Sixty-two percent of participants who own TDFs have their entire account invested in a single TDF. Four in 10 Vanguard participants are wholly invested in a single TDF, either by voluntary choice or by default.

The plan participation rate was 78% in 2015. The average deferral rate was 6.8% and the median was 5.9%. However, average deferral rates have declined slightly from their peak of 7.3% in 2007. Average contribution rates declined because of automatic enrollment, which leads to lower average when default deferral rates are set at low levels, such as 3% or lower. The average total participant contribution rate in 2015, including employer and employee contributions, was 9.5% and the median was 8.8%.

- At year-end 2015, the Roth feature was adopted by 60% of Vanguard plans and 15% of participants within these plans had elected the option.
- In 2015, the average account balance for Vanguard participants was \$96,288; the median balance was \$26,405. In 2015, Vanguard participants' average account balances declined by 6% and median account balances fell by 11%. Two factors drove the decline in balances: New plans converting to Vanguard in 2015 had lower account balances, and automatic enrollment, which results in more savers with smaller balances.
- The average one-year participant total return was -0.4%. Five-year participant total returns averaged 7.3% per year. Among participants with a balance at year-end 2010 and 2015, the median account balance rose by 105% over five years, reflecting the effect of ongoing contributions and rising markets.
- The percentage of plan assets invested in equities declined to 71%, essentially unchanged from 72% in 2014. Equity allocations continue to vary dramatically among participants. One in 8 participants has taken an extreme position, holding either
- 100% in equities (7% of participants) or no equities (5% of participants),
- During 2015, only 9% of participants traded within their accounts, while 91% did not initiate any exchanges. On a net basis, there was a shift of 0.8% of assets to fixed income in 2015, with most traders making small changes to their portfolios. Only 2% of participants holding a single TDF traded in 2015.
- The number of plans actively offering company stock declined to 10% in 2015 from 11% in 2010. Only 7% of all Vanguard participants held concentrated company stock positions in 2015, down from 10% at the end of 2010.
- In 2015, 16% of participants had a loan outstanding compared with 17% of participants in 2014. The average loan balance was \$9,900. Participants borrowed only about 2% of aggregate plan assets.
- During 2015, 4% of participants took an in-service withdrawal, withdrawing about 30% of their account balances. All in-service withdrawals during 2015 amounted to 1% of aggregate plan assets.
- During 2015, about 30% of all participants could have withdrawn their savings because they had separated from service. Most (85%) either remained in their employer's plan or rolled over their savings to an IRA or new employer plan. Three percent of assets (\$24 billion) was withdrawn in the form of cash distributions.

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