

Our proprietary data reveals how individuals in the U.S. have changed their savings behaviors over the course of the COVID-19 pandemic as business and travel restrictions disrupted our economy. Not surprisingly, we saw notable shifts in savings plan contributions and withdrawals in the first few months of the outbreak, as individuals experienced changes in employment and braced for the potential financial fallout.

States across our nation have since begun phased reopenings of businesses, and our data already suggests positive signs of savings recovery. Though their business environments have changed, employers that had made changes to their retirement plan match are beginning to revisit this decision. In addition, the majority of individuals continue to “stay the course,” with low withdrawal activity and a small percentage reducing savings.

## Retirement<sup>1</sup>

Ascensus is uniquely positioned to offer perspective on retirement plans of the business segment undoubtedly most impacted by the pandemic: small business. With our institutional and advisor partners, we help thousands of U.S. small business owners and their employees save for a more secure retirement. This analysis, which is based on plans with 500 employees or less, explores how temporary business closures and subsequent reopenings have impacted these employers and employees.

### The Plan Perspective

In June versus May 2020:



**1.5%** more plans with **25 or fewer savers** contributed<sup>2</sup>

- ▶ In the first few months of the COVID outbreak, we reported on a relatively small percentage of retirement plans that had stopped making contributions altogether due to business interruptions. Positively, as of the end of June, most of these plans have shown encouraging signs of recovery and have begun submitting contributions once again. Additionally, the most striking month-over-month improvements were seen among the smallest businesses and within industries that we previously reported as having the most significant drop-off in contribution activity. These plans do continue to see reduced amounts of employer contributions and/or less savers making contributions, but the fact that they are once again actively contributing represents a step in the right direction.<sup>2</sup>

Industries with the most notable recovery in total plan contributions in June 2020:



#### Accommodation & Food Services

**5.4%** more plans contributed, a 96% deficit reduction from May<sup>2</sup>



#### Health Care & Social Assistance

**3.8%** more plans contributed, a 75% deficit reduction from May



#### Retail Trade

**2.4%** more plans contributed, a 95% deficit reduction from May

## The Employer Perspective



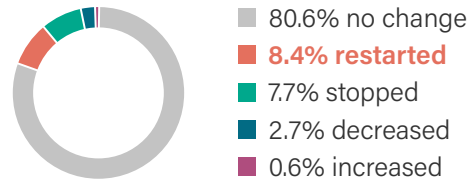
**7.4%** decrease in total amount of employer contributions March through June based on projections, a 4 percentage point improvement over May

- ▶ Improvements in total employer contributions were driven by employers reinstating matching contributions that they had previously stopped or decreased.

**10.4%** of employers have stopped or decreased their match as of the end of June.<sup>4</sup>

Positively, **9.0%** of employers that decreased their match in or after March **have since increased their match or returned to pre-March levels.**

Plan Match Changes Through June



## The Saver Perspective<sup>4</sup>



In January through June 2020:  
**1.3%** stopped their deferrals (0% savings rate)  
**1.9%** reduced their savings rate  
**3.7%** increased their savings rate

- ▶ Overwhelmingly, **93.1%** savers made no change to their savings rates, illustrating the positive value of automatic payroll deduction and suggesting that savers could be using other means to manage financial needs through this period.

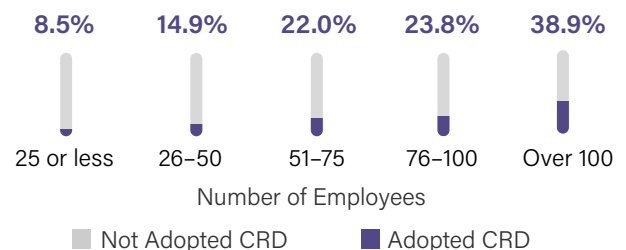


**3.3%** of savers stopped contributing, including **1.3%** who discontinued contributions and those who were furloughed or terminated. This is a 37.7% improvement over May, as furloughed employees began to return to work in June.<sup>2</sup>

## CARES Act Adoption

Employer adoption of coronavirus-related distributions (CRDs) and expanded loan options offered through the CARES Act slowed throughout the month of June, with adoption of loans lower than that of CRDs. In both cases, larger plans are adopting at a significantly higher rate than the smallest plans (25 or fewer savers).

CRD Adoption by Plan Size



**13.7%** of employers have adopted the **CRD option**

**41.8%** of employers that adopted CRDs have had at least one saver take advantage of the provision

**8.5%** of employers have adopted the **expanded loan option**

**27.1%** of employers that adopted expanded loans have had at least one saver take advantage of the provision

# CARES Act Adoption (continued)

Saver Utilization of CRDs		
As of	Cumulative % of Eligible Savers Taking CRDs	Incremental % of Eligible Savers Taking CRDs
April 2020	0.5%	0.5%
May 2020	0.9%	0.4%
June 2020	1.4%	0.5%
Through July 10, 2020	<b>1.6%</b>	0.2%

Only **1.6%** of all savers eligible to take CRDs are taking advantage of this option. The monthly CRD usage rate is slow but steady, as can be seen in the month-over-month analysis above.

## Education Savings<sup>5</sup>

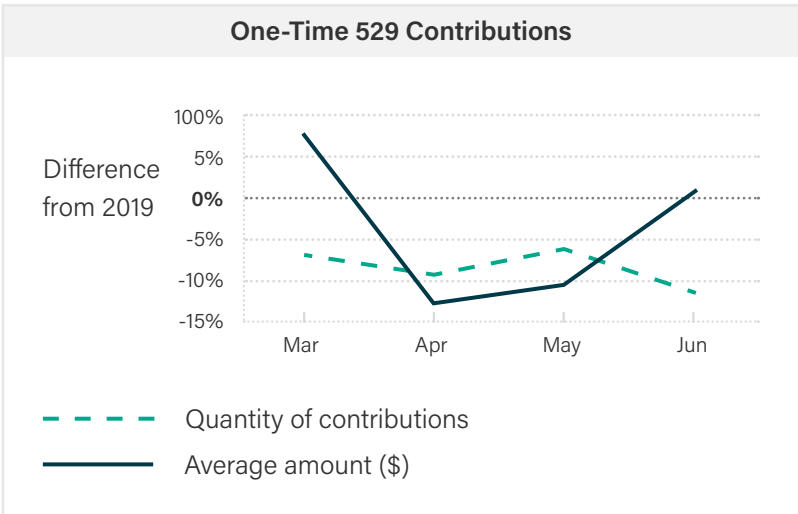
### The Saver Perspective

From the last week of March through June 2020:



**16.5%** decrease in total amount of one-time 529 account contributions, a 4 percentage point improvement over May

- ▶ This represents a partial improvement over May, which was primarily driven by higher average amounts per one-time contributions made in June. In fact, the average amount of each one-time contribution rebounded to 2019 levels, as you can see in the chart to the left.
- ▶ We continue to see a 9.5% decrease in the number of one-time 529 contributions made. While there may be fewer savers actively making these contributions, those who continue to invest in their 529 via one-time contributions are saving at pre-COVID levels.
- ▶ Alternatively, automated recurring 529 contributions have seen little change over this same period, affirming their benefits and the value of making savings automatic.



**29.6%** decrease in number of qualified 529 withdrawals



**35.1%** lower average qualified 529 withdrawal amount

- ▶ 529 withdrawal activity remains low, as schools and students continue to evaluate how their learning environment and expenses might shift in light of the pandemic.

# Health and Benefits<sup>6</sup>

## The Saver Perspective



**10.1%** increase in the number of COBRA qualifying events March through May

- ▶ Qualifying events as a percentage of eligible savers was in line with year-over-year projections at the start of 2020, but ramped up throughout the first few months of the pandemic. This was driven by an increased level of employer hardships and changes in employment status. **In June, qualifying events returned to 2019 levels.**



**21.1%** decrease in debit card transactions from consumer-directed healthcare accounts in March through May

- ▶ At the start of 2020, debit card transactions were 2.1% above 2019 levels, but then quickly dropped as the pandemic took hold and savers and businesses entered lockdown. **In June, these transactions returned to pre-COVID projections.**

Average amount per debit card transaction from consumer-directed healthcare accounts:



**8.3%** decrease from 2019 levels in March and April



**5.2%** increase over 2019 levels in May and June

- ▶ Savers increased the average amount of charges to debit cards linked to their healthcare accounts (including HSAs, HRAs, and FSAs) as healthcare providers began phased reopenings. This trend highlights the pent-up demand to access these services and leverage these savings.

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<sup>1</sup>Retirement analysis is based on traditional retirement plans on the Ascensus platform. (Excludes Balance Forward, Individual(k), and SEP and SIMPLE IRA.) Historical benchmarking data is from January 1, 2019 through June 30, 2020. Each month's calculations include plans active with a balance at the beginning of the month. Savers are defined as account holders with a balance. CARES analysis includes activity for these same plans through July 10, 2020.

<sup>2</sup>Contributions are defined at a plan level as all deposits by savers (including rollovers) and employers; for employers as all deposits funded by the employer (e.g., match, profit sharing) and for savers as deferrals only. "Stopped" is defined as no contribution activity in a given month. This stopped activity may be permanent or temporary. Contributors are savers with a deposit in the given month.

<sup>3</sup>Contribution projections are based on trending, taking seasonality into account, from the start of 2019 through the first two months in 2020 on a per-saver or contributor basis. For amount projections, per-business day was added to the methodology to cover variability in months' business days.

<sup>4</sup>Match analysis is performed on a subset of retirement plans, including those with consistent saver and employer match deposits between November 2019 through February 2020. The match per payroll was calculated to identify employers changing or stopping their match. Stopped match may be temporary or permanent.

<sup>5</sup>Education savings analysis is based on activity from all funded 529 accounts on the Ascensus platform. Calculations are made on a per-account basis including activity for both new accounts and plans converted to the Ascensus platform after January 2019. Changes in saver behavior are determined by comparison to the same time period in 2019.

<sup>6</sup>Health and benefits analysis is based on data from the Chard Snyder, an Ascensus company, platform from January 2019 and through June 2020. COBRA qualifying events are defined as any life events that impact benefits status (e.g., the birth of a child, marriage, divorce, and change in employment status).