

PREVIEWING

How America Saves 2026



Vanguard® | VIEWPOINTS

Strong plan designs are helping participants stay on track

In 2025, participants continued to benefit from plan designs that make saving easier and more consistent. At the same time, solid market returns helped lift account balances to new highs. These and other trends will be explored in *How America Saves 2026*, the 25th edition of our comprehensive annual analysis of retirement saving behavior, scheduled for release in June.

Preliminary findings from this special edition reveal that, overall, participants remained resilient and stayed focused on their long-term financial goals throughout 2025. The continued enhancements in automatic solutions and the evolution of plan designs played a pivotal role in increasing employee saving rates, and the growing adoption of professionally managed allocations has further improved participants' age-appropriate equity exposure.

While there are some signs of heightened financial stress among certain workers, the broad trends in plan design and participant behavior remain strong.

Strategic improvements in plan design, particularly automatic features, continue to drive improved savings and investment outcomes.

The following preview of *How America Saves 2026* offers a first look at retirement plan data from participants on Vanguard's recordkeeping platform, highlighting notable trends that persisted, and reflected continued improvement, through 2025. We believe these insights will assist plan sponsors in further enhancing and refining plan design strategies.

2025 in perspective

In 2025, the U.S. economy remained strong, marked by sustained real GDP growth and moderation in inflation toward the Federal Reserve's target rate. Employment conditions were favorable, with low unemployment and rising real earnings supporting strong consumer spending throughout the year. Although the Federal Reserve lowered the federal funds rate in the latter half of 2025, mortgage rates stayed elevated, and household debt continued to rise. Meanwhile, investment returns were strong across many asset classes.

Despite increased volatility in the spring, the S&P 500 ended 2025 with a gain of 16%, international equities returned 32%, and the U.S. bond market rose 7%.¹ Overall, our initial metrics indicate that participant retirement plan behaviors were largely unaffected.

Account balance averages increased by 13%, driven primarily by positive market performance. Forty-five percent of participants increased their deferral rate (either on their own or as part of an automatic annual increase), consistent with last year's record high. The proportion of participants in professionally managed allocations remained strong, reaching an all-time high of 69%, and only 5% of nonadvised participants traded, in line with the record low in 2024.

Loan use was flat in 2024 and remained below prepandemic levels, while hardship withdrawal use increased modestly. Collectively, this data indicates that participants are generally resilient and maintain a long-term approach to retirement saving.

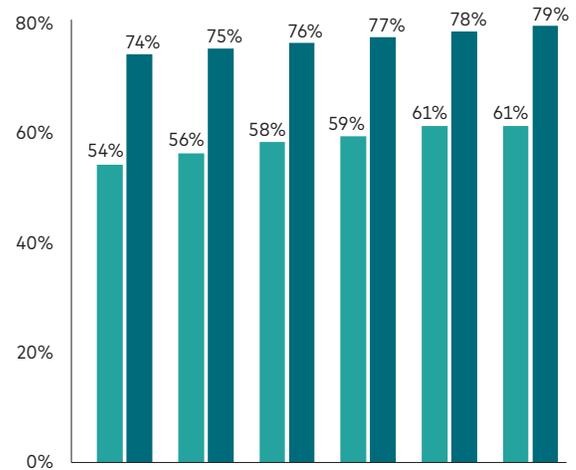
A deeper dive into the data

Plan design

As of year-end 2025, 61% of Vanguard plans permitting employee-elective deferrals had adopted automatic enrollment. Larger plans (at least 1,000 participants) were more likely to implement automatic enrollment, with 79% using the design—a record high. Plan sponsors are using automatic enrollment to help ensure that workers start saving for retirement early.

In addition, plan designs continued to improve in 2025. Sixty-two percent of plans with automatic enrollment defaulted their employees into the plan at a rate of 4% or higher, a trend that has increased every year. And 71% of plans with automatic enrollment had an annual escalation feature that increased their deferral percentage—the highest percentage in many years.

Automatic enrollment default rates (percentage of automatic enrollment plans)



	2020	2021	2022	2023	2024	2025
1% default	1%	1%	2%	2%	2%	2%
2% default	5%	5%	5%	5%	4%	4%
3% default	37%	36%	34%	33%	33%	32%
4% default	15%	14%	14%	14%	14%	14%
5% default	16%	17%	17%	17%	17%	17%
6%+ default	26%	27%	28%	29%	30%	31%

■ All plans ■ 1,000+ participants

Source: Vanguard, 2026.

Account balances

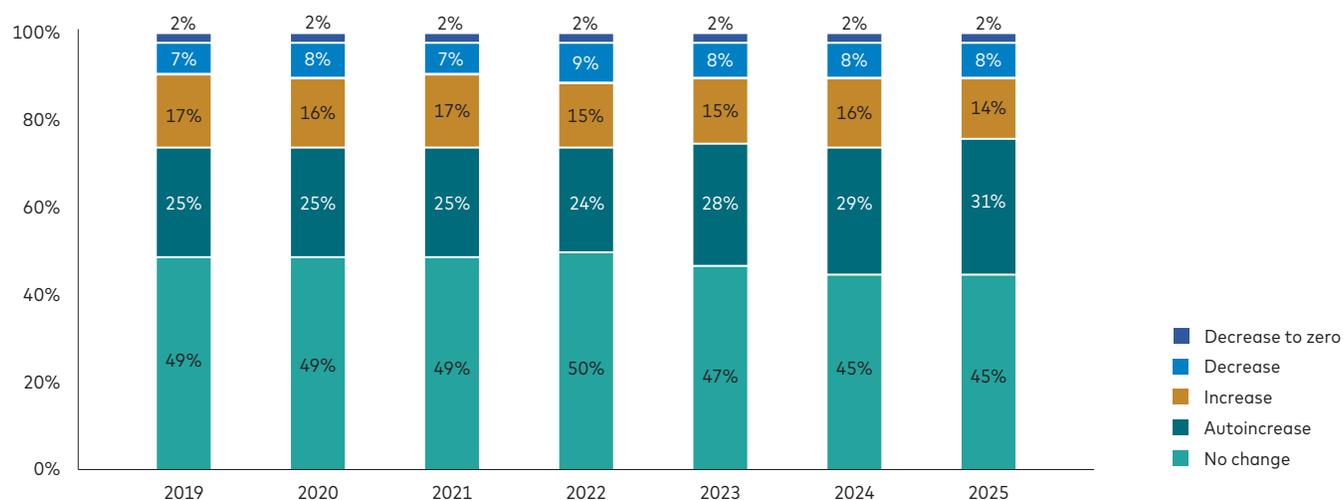
Account balances are widely accessible on statements and websites and are often cited as participants' primary tool for monitoring investment results. As equity markets increased in 2025, average participant account balances increased by 13% from year-end 2024 and reached an all-time high. The average participant account balance was \$167,970 as of year-end 2025. The median balance was \$44,115, a 16% increase since year-end 2024.

Average participant account balances increased by



¹ S&P 500 Index, Spliced Bloomberg USAgg Flt Adjix, FTSE Global All Cap ex US Index, as of December 31, 2025.

Trend in elected deferral changes
(percentage of participants)



Source: Vanguard, 2026.

Contributions

In typical defined contribution plans, employees are the primary source of funding. Therefore, how participants manage their payroll deferral percentages significantly affects their retirement savings. During 2025, 14% of participants increased their payroll deferral percentage, while 8% decreased it. An additional 31% of participants had their deferral percentage increased from an annual automatic escalation, leading to 45% of participants increasing their savings and matching the record high reached in 2024.

Allocations

Seventy-nine percent of plan contribution dollars were invested in equities during 2025, consistent with 2024. And nearly 2 of every 3 dollars contributed were invested in target-date funds. As of year-end 2025, 82% of participants had a balanced portfolio, in line with the year before.

Professionally managed allocations and portfolio construction

Underlying the improvements in participant investment allocations is the continued prominence of professionally managed allocations. Participants with professionally managed allocations have their entire account balance invested either in a single target-date, target-risk, or traditional balanced fund or in a managed account advisory service.

Sixty-nine percent of Vanguard participants were invested in a professionally managed allocation, up from 67% as of year-end 2024. Sixty-two percent of participants were in a single target-date (61%) or balanced fund (1%), and 7% of participants were in a managed account service. The percentage of participants using a professionally managed allocation has increased by nearly 50% over the past 10 years.

Use of professionally managed allocations in the last 10 years grew by nearly



Exchanges

Participant trading, or exchange activity, is the movement of account assets from one investment option to another. In 2025, only 5% of participants made a participant-directed trade, matching the record low from 2024 despite sizeable market volatility in the spring of 2025.

Pure target-date fund (TDF) investors are much less likely to trade—typically four to five times less likely than other participants, a rate considerably

lower than that of other investors. Pure TDF investors benefit from automatic age-appropriate equity allocations and ongoing rebalancing, and they also tend to trade far less often. The reduced trading among pure TDF investors suggests a focus on long-term growth and stability and less reactive behavior during periods of market fluctuation.

Access to plan assets

Before retirement, plan participants may be able to access their retirement savings in a number of ways. Some active participants can borrow from their account balance and may have the option of in-service withdrawals.

Thirteen percent of participants had a loan outstanding at year-end 2025, in line with 2024. Overall, hardship withdrawal activity increased modestly in 2025, with 6% of participants initiating a hardship withdrawal, up from 5% in 2024.

Given that it's now easier to request a hardship withdrawal and that automatic enrollment is helping more workers save for retirement, especially lower-income workers, a modest increase isn't surprising. And for a small subset of workers facing financial stress, hardship withdrawals may serve as a safety net that may not otherwise have been available without plan-implemented automatic solutions.

SECURE 2.0 optional provisions

In addition to a few mandatory provisions, SECURE 2.0 introduced several optional provisions for retirement plan sponsors. Early metrics show that plan sponsors are taking a selective approach to adopting these optional provisions.

Most plans have embraced the expanded catch-up contributions, allowing individuals ages 60 to 63 to invest up to \$11,250 in catch-up contributions for their retirement. When offered this option, 13% of eligible participants contributed above the standard \$7,500 catch-up limit.

Meanwhile, 7% of plans have adopted automatic portability, giving separated employees a clearer way to protect, and stay connected to, their retirement assets.

Among a few of the optional distribution options, qualified disaster recovery distributions had the highest adoption, with 16% of plans offering them. Six percent of plans offered withdrawals for domestic abuse, and 4% offered emergency expense withdrawals. When available, participant use of these withdrawal options was minimal, under 0.5%.

A continued need for financial well-being

While significant progress continues to be made in how American workers save and invest in their employer-sponsored retirement plans, there are still areas for improvement. Plan sponsors not yet offering automatic enrollment should consider it, and those that do have the feature should evaluate how effectively and quickly it helps participants reach a total saving rate of 12% to 15%. Thoughtful plan features, like automatic enrollment with gradual increases, high default contribution rates for employees, and strong employer contributions, can remove barriers to saving for retirement and help boost workers' retirement readiness.

It's also important to consider that employees often juggle multiple financial obligations, with retirement savings representing just one piece of a complex puzzle. Alongside saving for retirement, many workers must also manage student debt, health care expenses, credit card payments, and emergency funds. Plan sponsors can support employees by providing cost-effective advice and resources that promote overall financial well-being, including guidance on emergency savings and integrated financial wellness strategies.

We hope this preview of *How America Saves 2026* helps plan sponsors better support their participants on the path toward a more secure retirement.

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