Betterment at Work

THE
Retirement Readiness
ANNUAL REPORT

A Survey of Employee Retirement Readiness, Financial Wellness, and Benefits Needs and Expectations in 2024

Our fourth annual Retirement Readiness Report shows an American workforce benefiting from positive economic news.

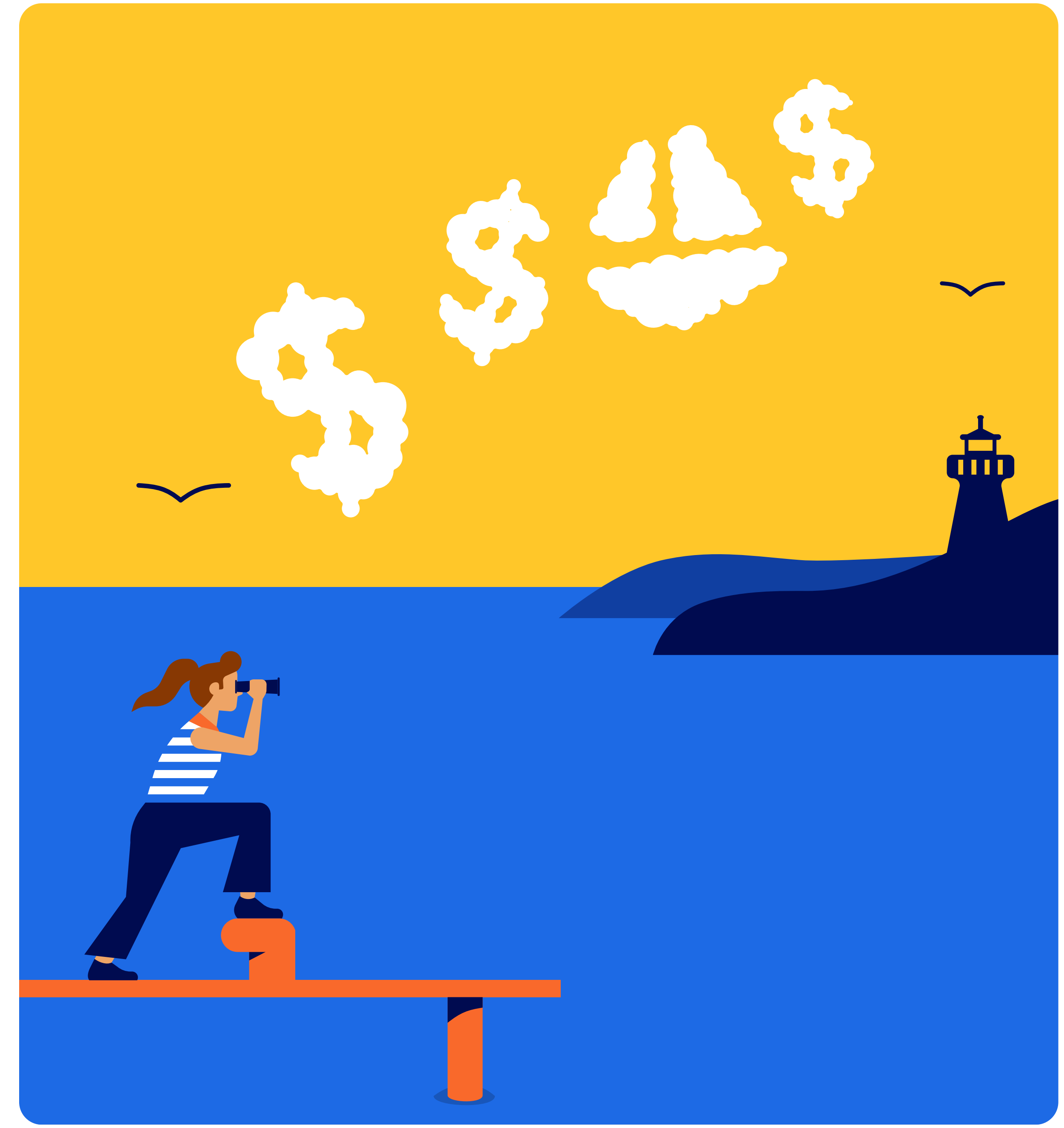
Stock markets are surging and inflation is cooling from the highs of previous years. The labor market is strong, with unemployment rates at historically low levels. As confidence in the markets warms, so does optimism about the future. The majority (72%) of respondents feel confident that they'll be able to save enough to support themselves in retirement. An increasing number of workers have built up emergency funds, and more are proactively contributing to their 401(k)s and are receiving employer matching benefits.

Although optimism about the future is increasing, respondents are still anxious about their day-to-day financial reality and continue to feel the effects of the elevated costs of housing and groceries. Our data finds this financial anxiety is on the rise—most sharply felt by younger generations and small business workers. Nearly one in five workers admits that this stress hangs over their jobs "all the time." The burden of student loan debt also remains prevalent, with 41% actively managing student debt and feeling that student loans impede their ability to save for retirement.

An alarming number of workers report tapping into their retirement accounts for emergencies, and although retirement confidence is on the rise, we still see evidence of a significant retirement savings gap.

All of these results provide clear signals that workers seek greater support and financial education as they work toward retirement—a gap that employers can help to fill. Workers expect strong financial benefits from their employers to help alleviate their financial concerns.

In the latest installment of Betterment at Work's Retirement Readiness Report, we examine how retirement readiness has evolved over the past 12 months, we look at the dichotomy of financial optimism and stress, and we share insights to help employers craft benefits packages that attract and retain talent in a changing financial landscape.



Betterment at Work surveyed 1,000 full-time employees to examine the state of their retirement readiness, financial concerns, and employee benefits preferences, and discover how these trends have changed over the past year.

SECTION 01

The State of Employee Financial Wellness

Although financial stability has risen, so has financial anxiety

At the time of last year's survey, financial instability was on the rise as workers dealt with heavy inflation and an uncertain economic picture. As the economy has begun to stabilize this year, employees report feeling more stable about their financial situation. However, financial anxiety persists, underscoring the importance of having a strong financial plan and sticking with it. Employers have a role to play by offering strong benefits packages and educating their workforce on best practices to help assuage financial stress and encourage positive behaviors.

Over half (58%) of respondents reported feeling "somewhat" or "very" financially stable this year—**a notable 18 percentage point jump from 2023**.

FIGURE 1

- I feel very financially stable: **20%**
- I feel somewhat financially stable: **38%**
- I face some financial instability: **24%**
- I face moderate financial instability: **10%**
- I face significant financial instability: **9%**

Although people may be feeling more stable overall, that stability doesn't negate the day-to-day stress of managing finances.

Well over half of respondents (62%) say finances cause them moderate to significant anxiety. The top financial concerns are largely the same as last year: **inflation and increased cost of living remains the top financial stressor by a wide margin**, followed by credit card debt, housing costs, and medical bills or debt.

However, the next most commonly cited concern illustrates the broader instability that we're continuing to see plague the job market: "job loss/stability" replaced "student loan debt" at #5.

FIGURE 2

What are the biggest financial stressors that you've faced in the last 12 months? Select all that apply.

Inflation increasing costs of living	62%
Credit card debt	34%
Housing costs	31%
Medical bills or debt	25%
Job loss/stability	17%
Stock market volatility	16%
How changing interest rates may impact my ability to borrow money or get a mortgage	15%
Student loan debt	13%
Buying a home	10%
None of the above	8%

Emergency Funds Grow in Importance

Although more respondents report having emergency funds, 37% still do not, and workers are increasingly dipping into retirement accounts for unexpected expenses like car repairs, medical bills, and living expenses when unemployed.

To keep retirement funds from becoming the new emergency safety net, employers can help arm workers with best practices around emergency savings. This includes educating workers on key principles such as how much money you need in order to start an emergency fund (even a small amount helps!), what emergency fund goals should look like, and the consequences of tapping into retirement savings early.

In 2024, 63% of respondents reported having an emergency fund, a jump up from 52% in 2023.

This includes 82% of those who reported being "very/somewhat financially stable," vs only 25% of those with "moderate/significant financial instability"—clearly showing the correlation between feeling financially stable and having an emergency fund.

FIGURE 3

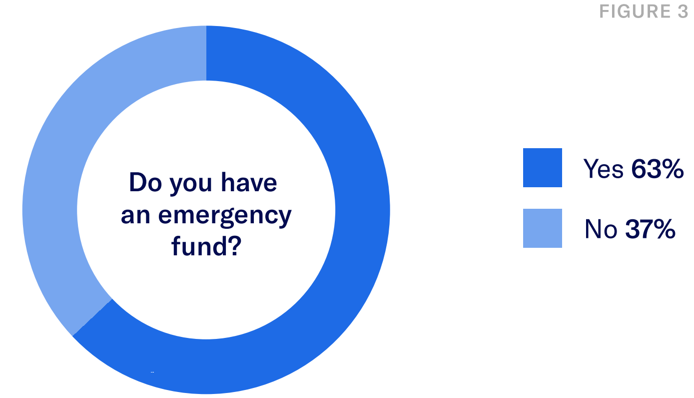
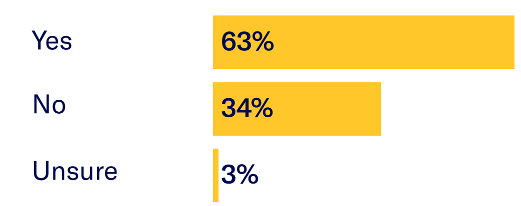


FIGURE 4

Do you currently have more money in your emergency fund than you did at this time last year?



Boomers are leading the pack by a wide margin, whereas Gen X is concerningly trailing the others: 76% of Boomers report having an emergency fund, compared to 66% of Millennials, 58% of Gen Z, and 57% of Gen X.

How long have you had your emergency fund?

FIGURE 5

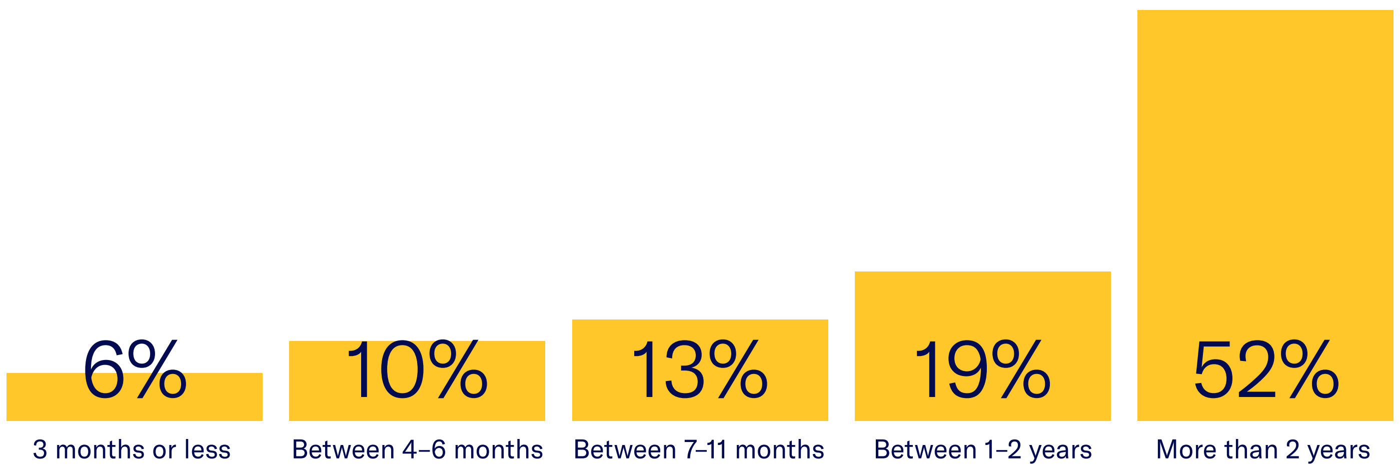
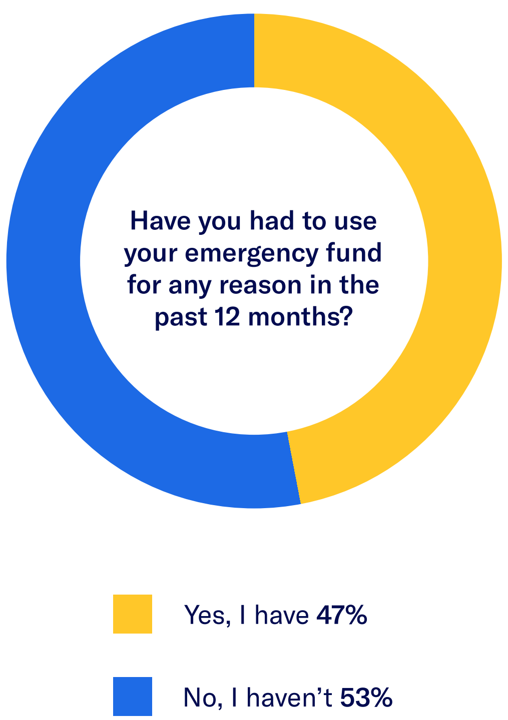
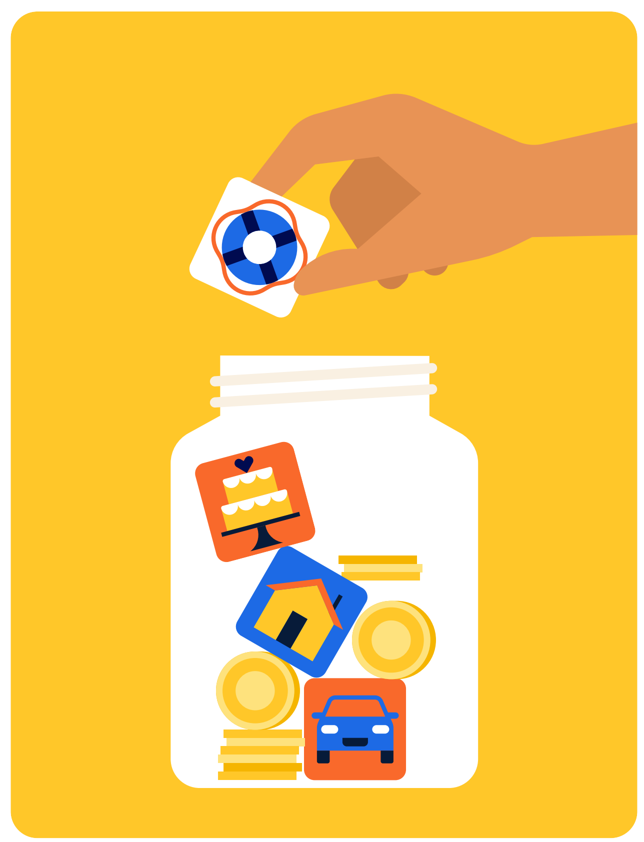


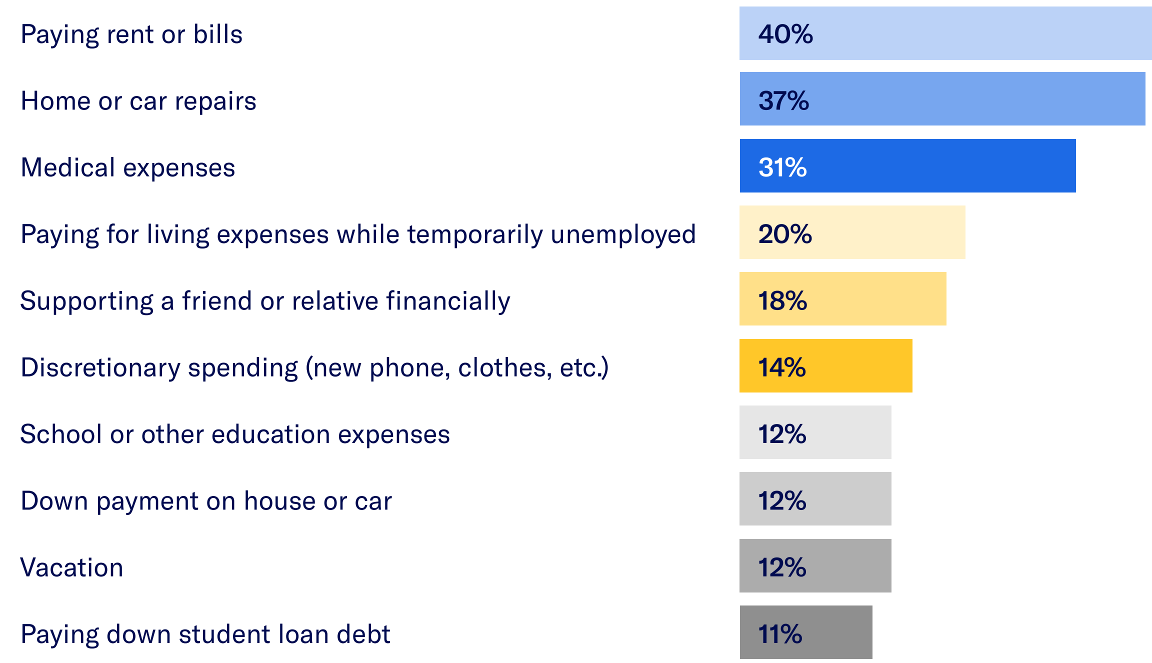
FIGURE 6





Why did you tap your emergency fund? Select all that apply.

FIGURE 7



Among the 37% of respondents who don't currently have an emergency fund, **the primary reason (86%) given is that they don't have the funds**. Although this reflects their financial reality and feelings of financial instability, there's an opportunity for employers to provide education on the basics of emergency funds. For example, 12% of employees don't know how to create an emergency fund, and 4% don't think they need one.

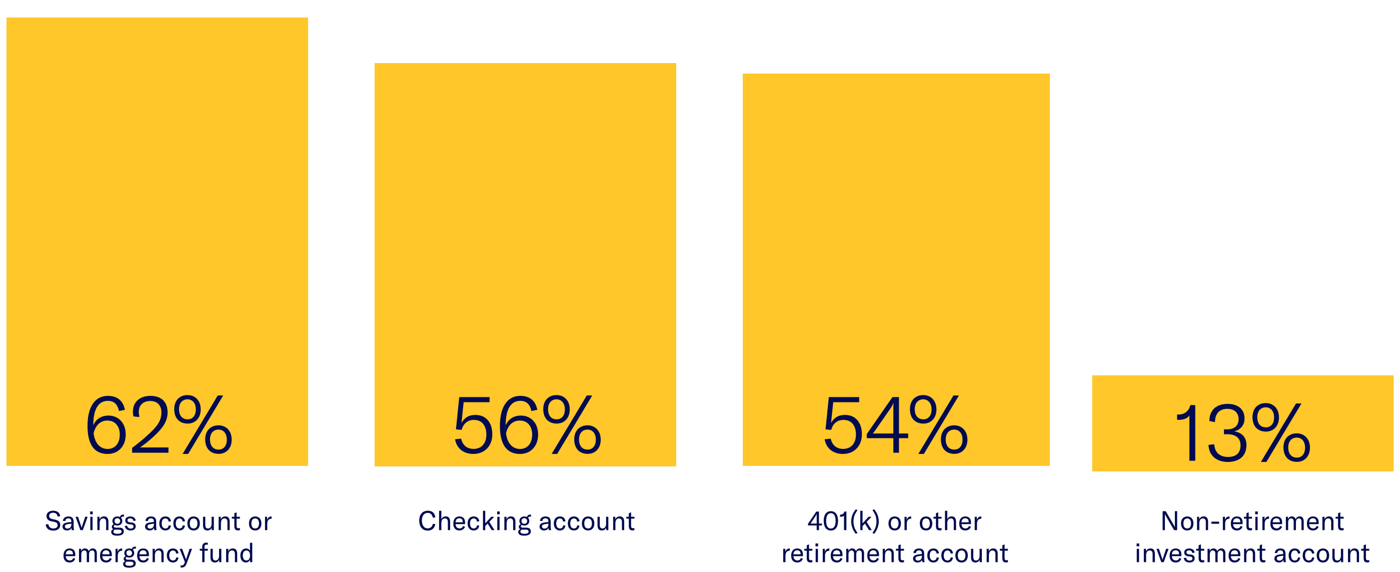
Although the majority of respondents have emergency funds, we're seeing some concerning behavioral trends when it comes to covering emergency expenses. Even though the primary account that respondents tap into is their savings or emergency fund, **a shockingly high 54% say they use their retirement account for emergency expenses.**

With SECURE 2.0 rules going into effect this year allowing individuals to cash out up to $1,000 from a 401(k) or IRA for emergency "hardship withdrawals," this trend may get worse.

- **Millennials were the most likely** to have tapped their emergency fund in the last 12 months (53%), and Boomers the least likely (35%).
- **Those with student debt** were almost twice as likely (62%) as those without student debt (37%) to have tapped their emergency fund.

FIGURE 8

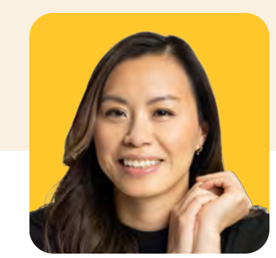
What type(s) of financial account(s) do you typically tap into for emergency expenses? Select all that apply.



"It's concerning to see that 54% of respondents tapped their retirement account for emergency financial needs, even though 63% reported that they have emergency savings.

This tells us that workers' current emergency savings might not be sufficient, or that they may be unaware of the consequences of early retirement account withdrawals. We always recommend having at least six months of expenses saved for a solid financial safety net. That may not be possible for everyone, but saving as much as you can, even if it's only a small amount of each paycheck, is important to help mitigate the need to use retirement savings, which can set you back for retirement and come with heavy fees."

Mindy Yu
CIMA®, Director of Investing, Betterment at Work

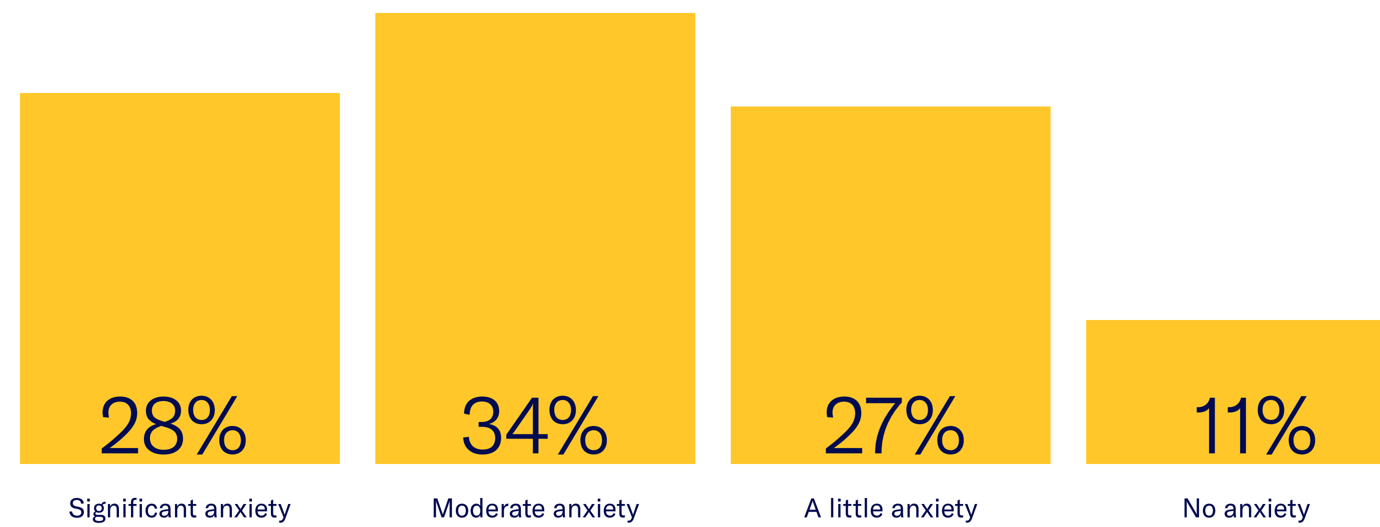


Financial Anxiety Levels on the Rise

Even though employees entered the year on stronger financial footing, financial anxiety still prevails—and has actually increased since 2023. Eighty-nine percent of respondents say their finances cause them at least some degree of anxiety, an 11 percentage point jump from 2023. What's more, **62% say that their financial anxiety is moderate to significant.**

How much anxiety do your finances cause you?

FIGURE 9



How is this impacting them in the workplace? Over half (51%) of respondents report that feelings of financial anxiety have made it difficult for them to focus or perform their best at work this year. Notably, this impact was strongest among small business employees (58%), compared to 50% and 47% of workers at midsize and large businesses, respectively. Nearly one in five respondents says that financial anxiety impacts their ability to do their jobs “all the time.”

Younger generations are feeling the stress of their finances most sharply, with 66% of Gen Z and 57% of Millennials reporting that financial anxiety impacts their ability to work “all” or “most” of the time, compared to 41% of Gen X and 28% of Boomers.

FIGURE 10

Have feelings of anxiety around your finances made it difficult for you to focus or do your best job at work this year?

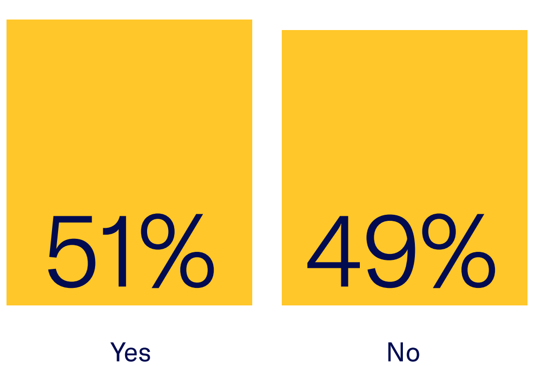
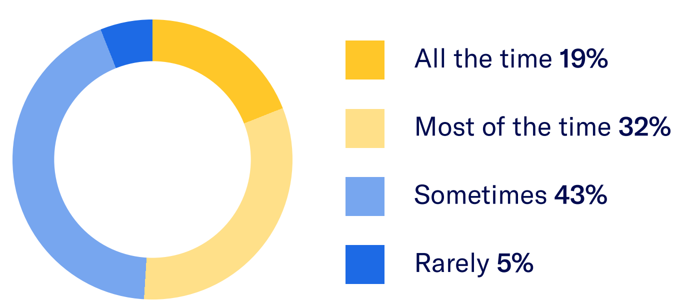


FIGURE 11

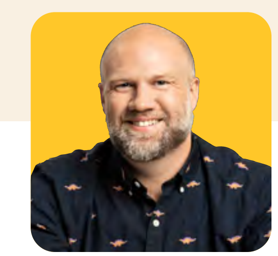
On average, how often would you say that financial anxiety impacts your ability to work?



“This data reveals a psychological dimension to financial wellness that we cannot afford to overlook: achieving greater financial stability doesn’t always translate to feeling emotionally secure about your finances.

We’ve seen year over year that this anxiety can impact workers in every aspect of their lives, including their capacity to perform effectively in their jobs. This underscores the critical role employers can play by offering strong financial benefits packages that meet the unique needs of their workforce and potentially extend beyond retirement funds.”

Dan Egan
VP of Behavioral Finance & Investing, Betterment



Employees are continuing to expect more from their employers when it comes to helping with their overall financial wellness.

Interestingly, they don’t see their employers as just retirement partners. When asked which workplace benefits would most reduce their financial anxiety, the number one selected option was an employer-sponsored emergency fund (23%). This was followed by a 401(k) matching program (18%), a 401(k) (14%), and a wellness stipend (11%).

SECTION 02

Employee Benefits Perceptions and Preferences

The 2024 job market has been marked by a relative sense of normalcy and stability in some sectors following pandemic-era challenges.

This includes a slight increase in employee turnover, both as workers seek new opportunities and more competitive offers, and as certain industry sectors look to reduce labor costs. Workers place a high premium on their employer offering strong financial benefits such as a 401(k) and would be willing to switch jobs for better benefits, underscoring their critical importance in the talent acquisition and retention landscape.

Although the vast majority of employees (83%) are currently with the same employer as last year, this number has decreased from 2023 by 6%. Ten percent of respondents left their jobs voluntarily, and 7% were let go within the past 12 months. Among those who left voluntarily, more than one in four did so in search of better employee benefits.

FIGURE 12

Among employees who left voluntarily:

- **42%** say it was for a job with higher pay
- **32%** say it was due to burnout
- **27%** say it was due to life changes
- **26%** say it was for a job with better benefits
- **25%** cite incompatibility with company culture

Employees continue looking to their employers for help navigating the new and emerging financial challenges they're facing, with **80% saying it's important that their employer provides them with strong financial benefits**.

In a positive sign, despite ongoing economic uncertainties, companies seem to be increasingly committed to better benefits in an effort to attract and retain top talent.

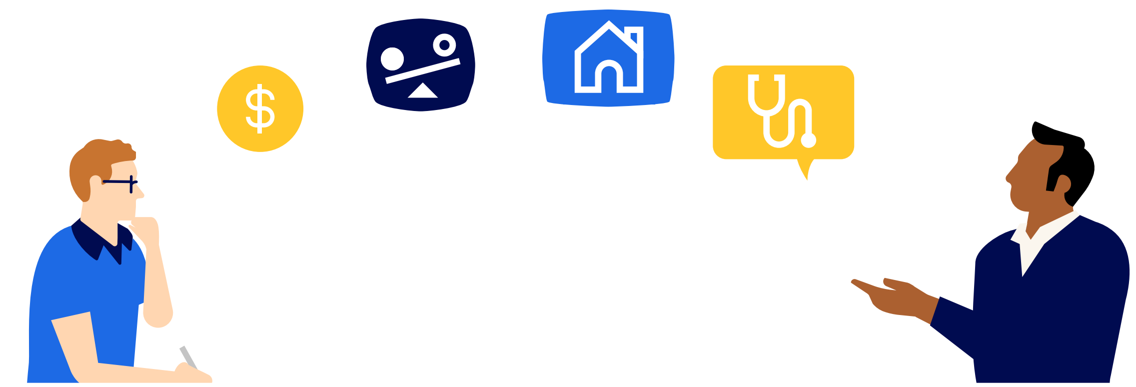
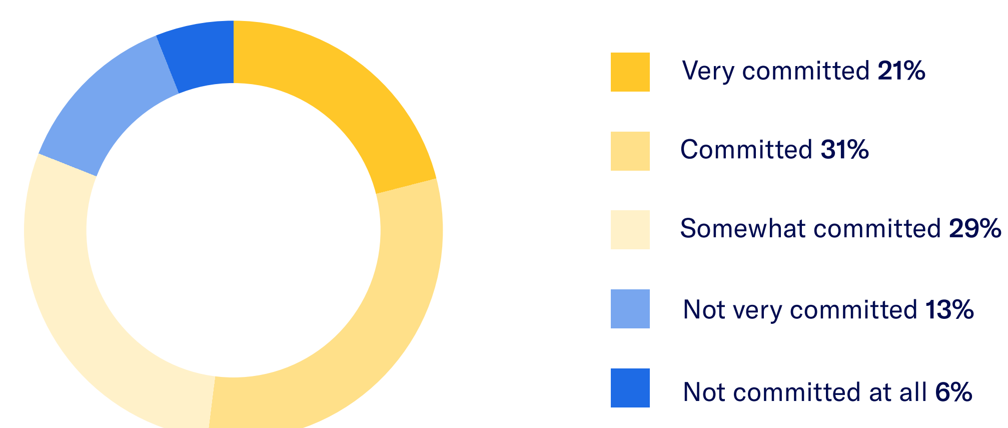


FIGURE 13

How would you measure your company's current commitment to supporting your financial wellness? For example, by offering benefits such as a 401(k), student loan assistance, and access to a financial advisor.



Perceptions of employer commitment have jumped: 52% state their company has strong levels of commitment to supporting their financial wellness, compared to just 41% who felt the same last year.

Employees at smaller companies want to see more commitment from their employers.

Although commitment levels have risen across the board, fewer than half (46%) still feel their company is "committed" or "very committed" to supporting their financial wellness, compared to 55% of workers at both midsize and large businesses. Amid a strong labor market, this gap underscores a critical area of opportunity for small businesses to shore up their benefits packages and become increasingly competitive as they look to attract and retain talent.

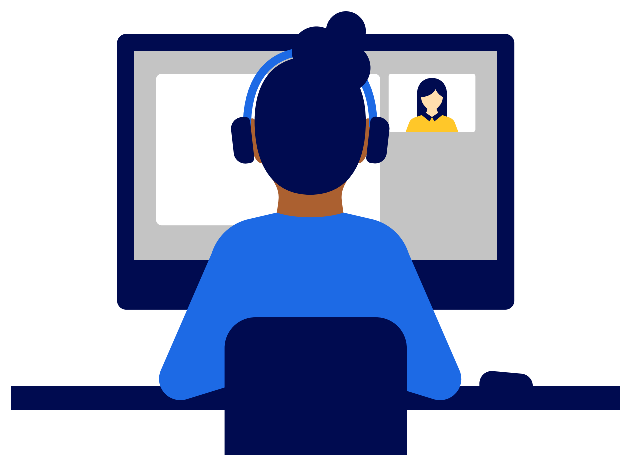
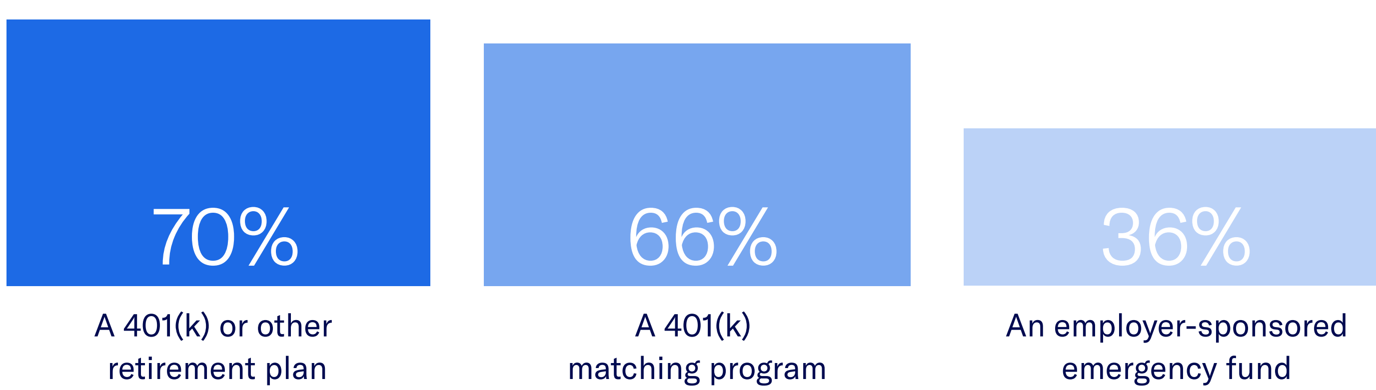


FIGURE 14

The top three benefits ranked "most important for financial wellbeing" were:



"It's encouraging to see that companies are being increasingly recognized for their commitment to financial wellness. This may be a contributing factor to the increase we see in overall worker financial stability.

Progress has been made, but we see room for small businesses to improve. Currently, a 401(k) and 401(k) matching program are by far the top benefits for financial well-being among employees. Notably, although an employer-sponsored emergency fund was cited as the benefit that would most reduce financial anxiety and near-term stress, workers prioritize the 401(k) for their holistic financial wellness needs, underscoring its importance in their long-term strategy."

Harlyn Kassardjian
Director of Strategy and Business Operations,
Betterment at Work

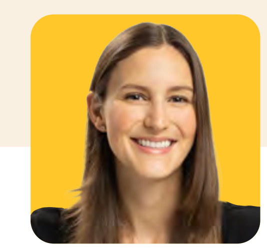
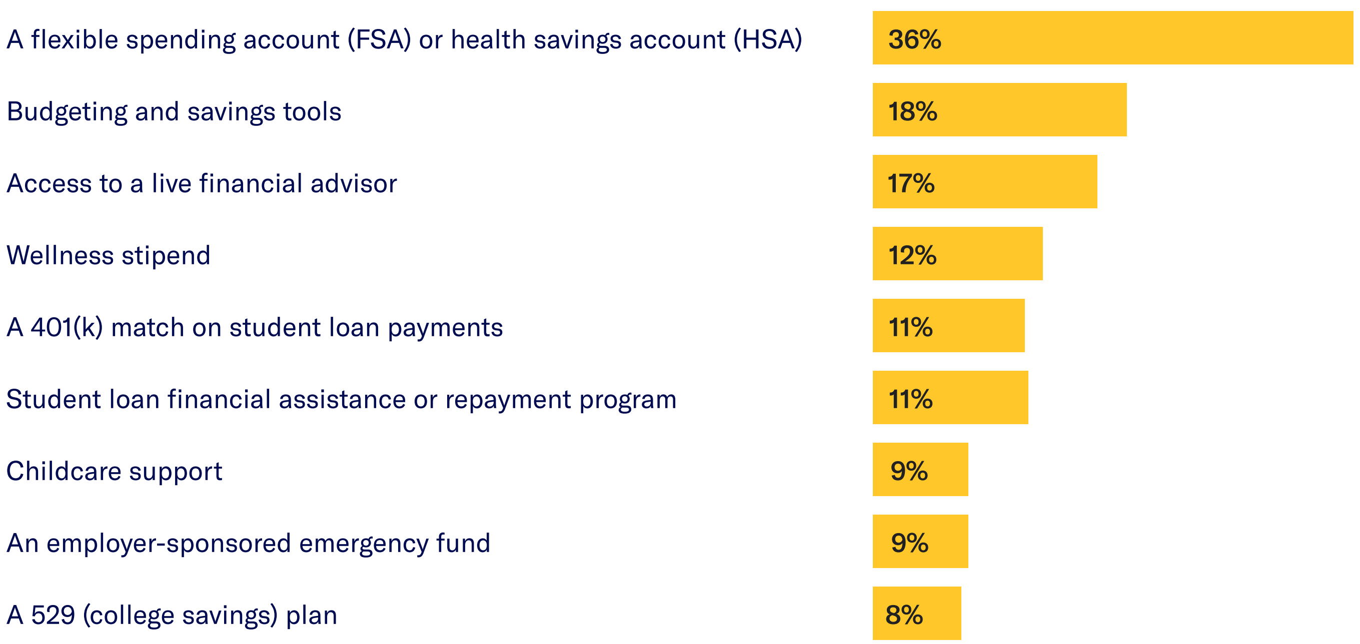
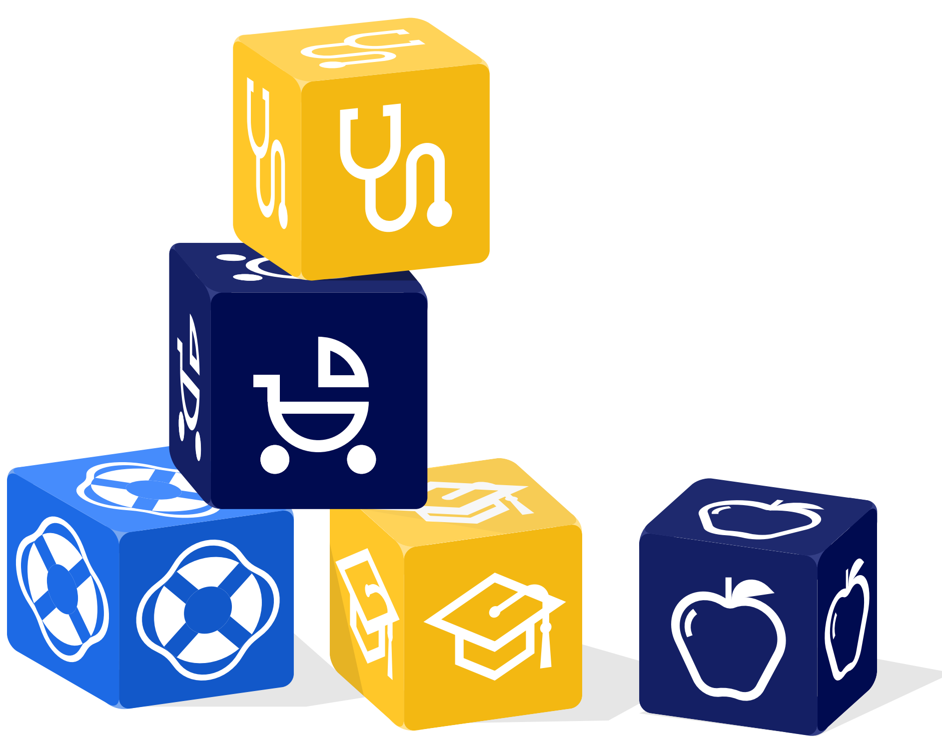


FIGURE 15

Seventy-nine percent of respondents say their employer offers a 401(k), and within this group, 75% receive a 401(k) match. What other financial benefits are employers offering?





Benefits continue to be a key contributor to workplace longevity.

57% of employees say they would be enticed to leave their job if a prospective employer offered better benefits than their current employer.

Employees at smaller companies would be more likely to jump ship: 61% said they would be enticed to leave their job if a prospective employer offered better financial benefits, compared to 58% and 53% of midsize and large business workers, respectively.

61%

of individuals at smaller companies said they would be enticed to leave their job if a prospective employer offered better financial benefits

Boomers are seemingly the least enticed to look elsewhere, with only 34% reporting that better benefits would motivate them to leave their job, compared to 65% of Millennials, 63% of Gen Z, and 55% of Gen X.

65%

of Millennials would be motivated by better benefits to leave their job

So what benefits would most tempt workers to consider a new employer?

What financial benefits would entice you to leave your job, if offered by a prospective employer?

FIGURE 16

401(k) match

55% want a higher 401(k) match than what their employer currently offers

18% want a 401(k) match on student loan payments

43% want a 401(k) matching program

40% want a 401(k) or other retirement plan

Wellness and support

33% want a wellness stipend

18% want childcare support

29% want a flexible spending account (FSA) or health savings account (HSA)

Tools and advice

21% want access to a live financial advisor

24% want budgeting and savings tools

Education

18% want student loan financial assistance or repayment programs

13% want a 529 (college savings) plan

Emergency fund

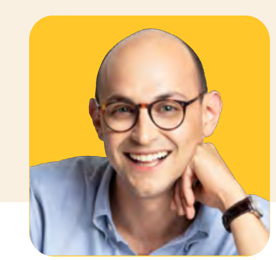
40% want an employer-sponsored emergency fund

A higher 401(k) match emerges as the number one benefit, demonstrating the emphasis workers place on competitive retirement savings benefits and the value of this form of additional compensation. Moreover, those who don't yet have access to a 401(k) or a 401(k) match rank those benefits high on the list, as workers seek further retirement security. Wellness stipends and accounts targeting health expenses (FSA and HSA) also feature prominently. Benefits such as student loan assistance and college savings plans understandably rank lower given their niche nature but are valued by the workers for whom they're relevant.

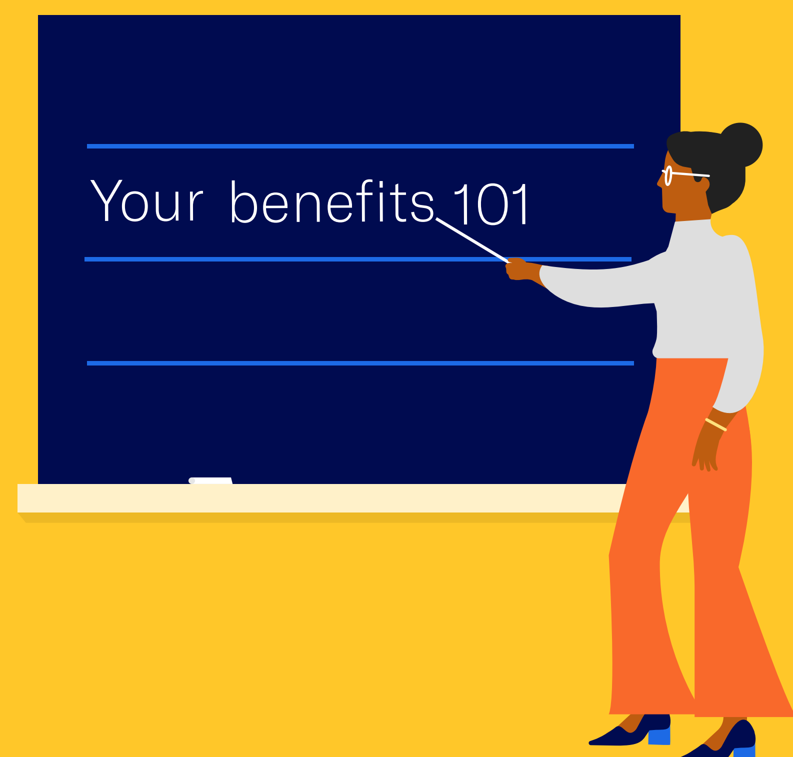
"We see some interesting trends among small business workers, compared to employees of midsize and large companies:

financial anxiety is most heavily impacting their ability to work, they want to see more commitment to financial wellness from their employers, and they would be most likely to jump ship to an employer with better financial benefits. These insights spotlight a crucial opportunity for small businesses to fortify the loyalty and focus of their teams by elevating their financial wellness packages, starting with the benefits workers want most."

Edward Gottfried
Senior Director of Product Management,
Betterment at Work



Benefits Usage Insights

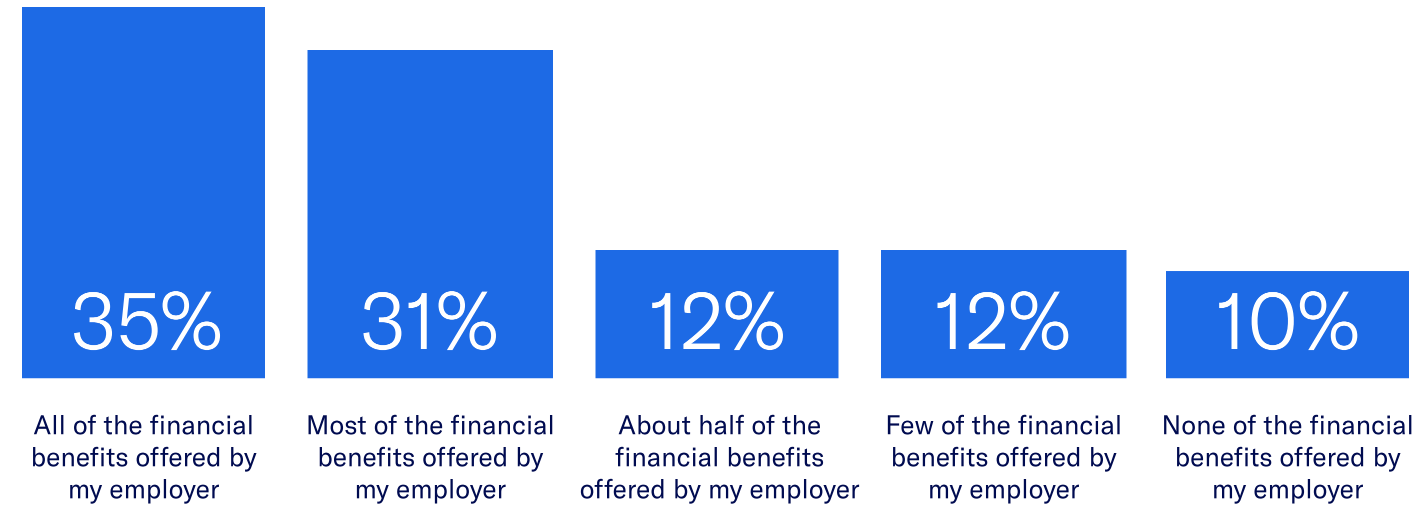


Sixty-six percent of respondents report that they use most or all of the financial benefits offered by their employer, whereas 24% use about half or less, and 10% report they use none at all.

Among those who don't use all their benefits, the primary reason is that they cannot afford to divert any more of their paycheck toward benefits (32%).

FIGURE 17

To what degree do you take advantage of the financial benefits offered by your employer?



Fifty-six percent feel their employer has communicated with them more regularly regarding their benefits over the past year; however, **64% would still like more proactive communication and education**.

With 39% indicating that they aren't using their benefits because of a combination of uncertainty, inertia, and confusion about how to sign up or leverage them, employers have the opportunity to do more to improve benefits literacy among their workforce.

What are the primary reasons that you don't use all of your financial benefits? Select all that apply.

32%
I can't afford to divert any more of my paycheck toward benefits

18%
I'm not sure what my employer offers

16%
I don't need them, or they don't apply to me

12%
I haven't gotten around to signing up for the benefit(s)

5%
I don't know how to sign up for the benefit(s)

4%
I find them too difficult to use

FIGURE 18

SECTION 03

The Impact of Education Expenses on Financial Wellness

It's been a big year for student loans.

We've seen student loan repayments resume alongside ongoing loan relief efforts. In September 2024, the student loan "on-ramp" period, which temporarily shielded borrowers from major financial consequences as a result of missed or late payments, came to an end.

Through it all, employees have readjusted and are once again tackling student loan debt. However, they express concerns about mental health and ability to save for retirement, and thus would be likely to switch jobs to an employer that helped them pay down that debt.

Two-in-five (41%) respondents report they are currently managing student debt—a combination of their own as well as loans they're paying on behalf of others. Nearly two-thirds (64%) owe more than $10,000 in debt, and 29% owe more than $50,000.

FIGURE 19

Do you currently have student loan debt that you're responsible for?

Yes, I am responsible for my own student debt.	28%
Yes, I am responsible for someone else's student debt.	8%
Yes, I am responsible for both my own and someone else's student debt.	5%
No, I am not responsible for any student debt—I previously paid it off.	19%
No, I am not responsible for any student debt—I never had any.	41%

FIGURE 20

Approximately how much student debt do you owe?

Less than $1,000	10%
$1,000–$4,999	9%
$5,000–$9,999	18%
$10,000–$49,999	35%
$50,000–$99,999	18%
$100,000–$249,999	9%
$250,000–$499,999	1%
$500,000 or more	1%

AMONG THIS GROUP

Gen Z holds the most debt by far: 63% of Gen Z have student debt, compared to 47% of Millennials, 33% of Gen X, and 12% of Boomers.

Just over half (56%) of respondents have restarted their student loan payments, and 76% report it's been "moderately" or "significantly" challenging to do so.

Nearly three-in-five (59%) did not qualify for any student loan forgiveness measures over the past year.

91% say their student loan debt causes them at least a little anxiety, with 68% reporting this anxiety is "moderate" or "severe."

89% say resuming loan payments has hurt their ability to save for retirement—a 25 percentage point jump from 64% in 2023.

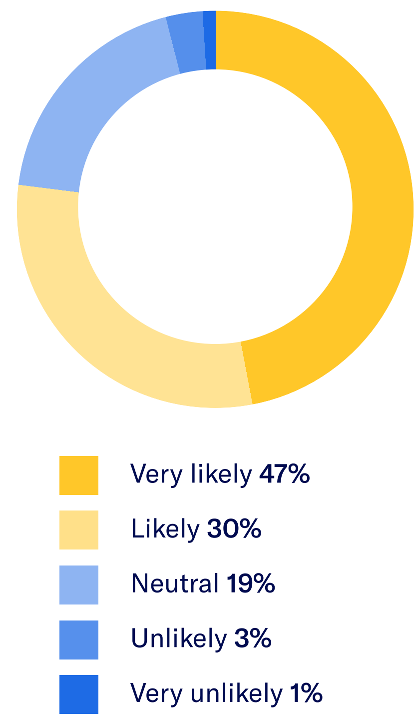
Facing financial anxiety and financial challenges, over three-quarters (77%) of employees with student debt indicate that they would be **more likely to accept a job offer from a prospective employer if they offered to help them pay down their student loans**.

The resumption of student loan payments has put added financial strain on employees, directly impacting their financial wellbeing and productivity. Within this climate, **over half (51%) of all respondents believe employers should play a role in helping** people pay off student loan debt.

In addition to paying down student debt, employees are hard at work saving for college: 36% report that they're currently putting money toward a college fund for themselves or someone else, **a 10 percentage point jump from 2023** (26%).

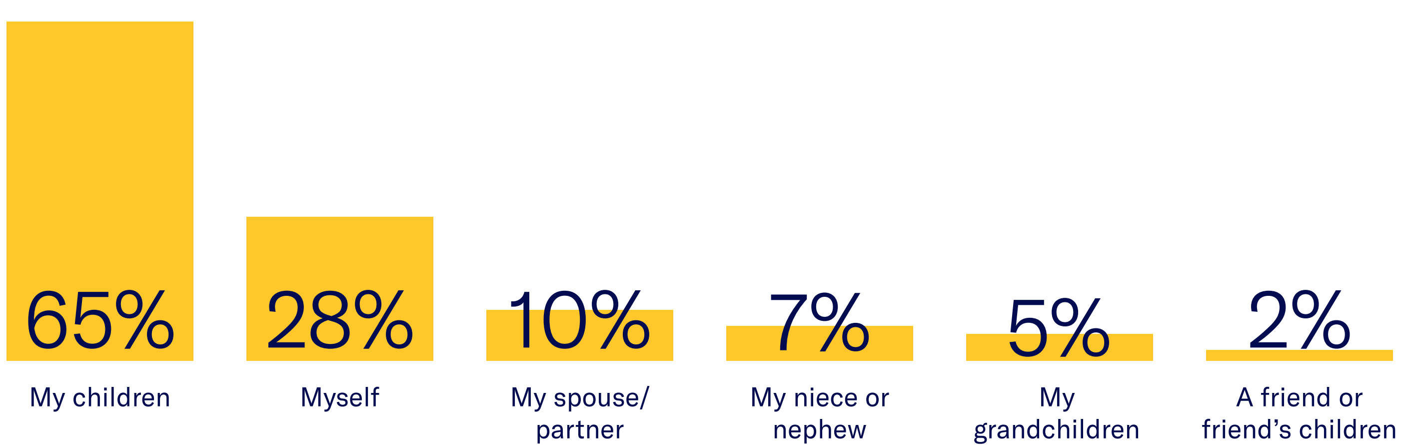
If a prospective employer offered to help you pay your student loans, how likely would you be to accept a job offer from them (as compared to a similar offer that did not include this)?

FIGURE 21



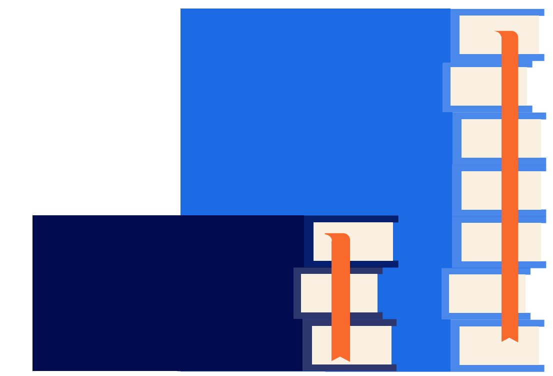
Who are you saving the college money for? Select all that apply.

FIGURE 22



Fifty-eight percent of workers saving for college education had to adjust or put their retirement savings plans on the back burner to do so. **This more than doubles for those with student debt** (73%) vs just 36% for those without student debt.

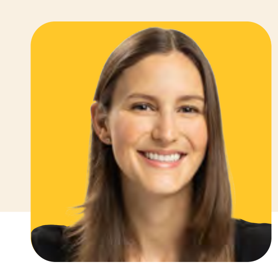
Forty-eight percent are using a 529 (college savings plan) to save for college, whereas 41% are not and 11% are unsure, presenting an opportunity for employers to educate workers on college savings best practices and account benefits.



"The burden of education expenses is a key source of financial strain and anxiety for many workers, particularly among the younger generations.

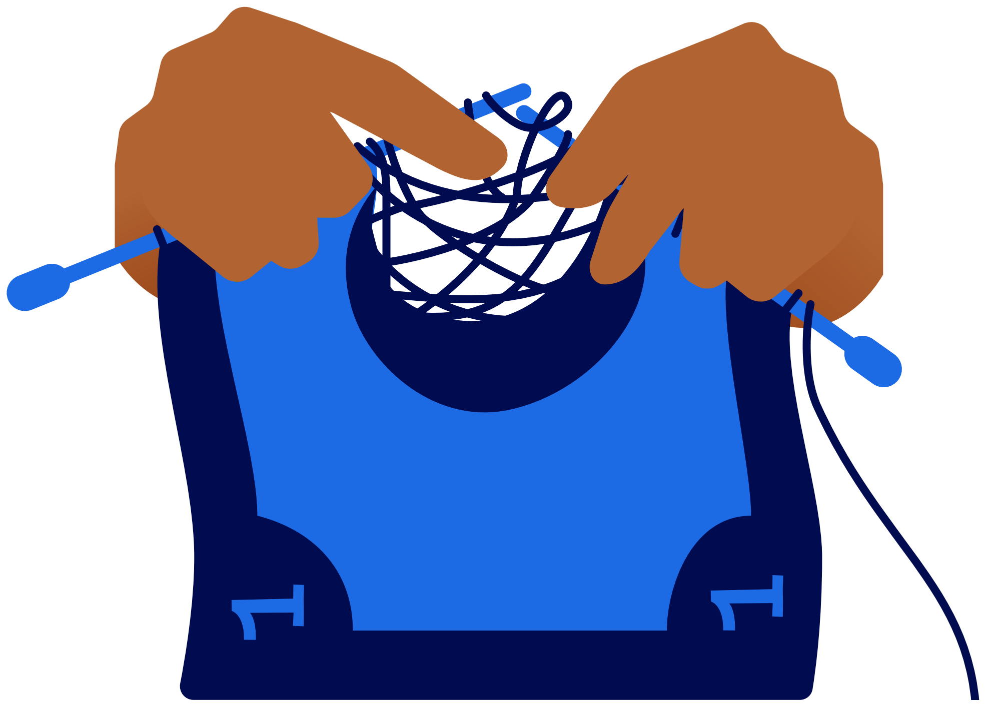
Because two in five are affected by student debt, this is a concern that employers shouldn't ignore. What's more, education expenses are even impacting workers' ability to save for retirement or forcing them to put those plans aside. It's incumbent on employers to help seek solutions, whether it's offering a financial advisor to provide coaching on repayment tactics, or even new solutions such as a 401(k) match on student loan payments, which can help workers save for both goals simultaneously. This is more than an act of support—it's an investment in cultivating a more productive and resilient workforce."

Harlyn Kassardjian
Director of Strategy and Business Operations
Betterment at Work



SECTION 04

Retirement Saving Attitudes and Behaviors



Retirement confidence and savings are up, but uncertainty remains.

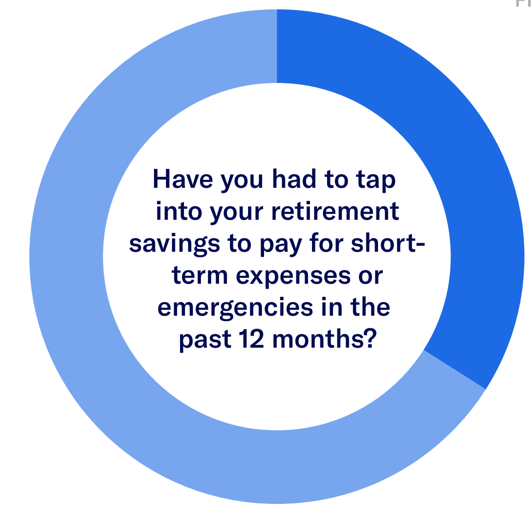
With workers juggling competing financial priorities—such as managing daily costs of living alongside long-term goals like student loan repayment and saving for college—saving for retirement has remained extremely challenging for many, as has preserving those funds for their intended end goal. Despite the rise in 401(k) contribution rates, there's a **notable gap between how much money workers expect to have saved and how much they think they'll need in retirement**.

What's more, we again see some concerning financial behaviors that could be curtailed with better education—**over one-third (34%) of respondents with an old 401(k) plan have withdrawn it as cash**, instead of rolling it into another retirement plan. This again presents a clear opportunity for employers to proactively arm their workforce with tools and tips to set them up for a successful retirement.

Although 54% of respondents say they tap their retirement account for emergency expenses, **over one-third (34%) have done so within the past year alone** to pay for short-term necessities such as rent, groceries, and medical bills, a small increase from last year (30%).

Student debt stands out as a significant factor, with 45% of respondents carrying student loans dipping into their retirement accounts for emergency expenses in the past year, compared to only 27% of those without student debt.

FIGURE 23



Yes **34%** No **66%**

FIGURE 24

What have you tapped your retirement savings for? Select all that apply.

57% Paying rent or bills

29% Home or car repairs

26% Medical expenses

25% Paying for living expenses while temporarily unemployed

15% Down payment on house or car

15% Supporting a friend or relative financially

12% Nonessential purchases

11% Paying down student loan debt

10% School or other education/training

10% Vacation

As happened last year, women are significantly less confident than men that they'll be able to save enough to support themselves in retirement (though the gap has narrowed slightly since 2023): 53% of men feel confident or very confident, compared with 34% of women feeling the same.

Notably, older generations show the least confidence in their retirement savings, with only 33% of Gen X and 36% of Boomers believing they'll be able to save enough for a secure retirement, compared to 50% of Millennials and 58% of Gen Z. And as they approach retirement, more than half of Boomers (58%) and Gen X (62%) have considered delaying their retirement plans because of financial concerns.

Nearly three-quarters (72%) of respondents feel at least somewhat confident that they'll be able to save enough to support themselves in retirement, compared to 68% who felt the same in 2023. However, 56% have considered postponing their retirement because of concerns about not having enough saved up to sustain their lifestyle, suggesting that although workers believe they'll be able to support their basic needs, they may not have enough to live in the way they do currently.

How confident do you feel that you'll be able to save enough to support yourself in retirement?

FIGURE 25

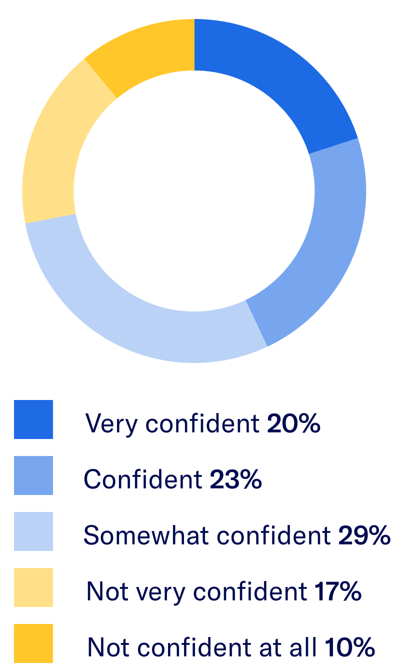
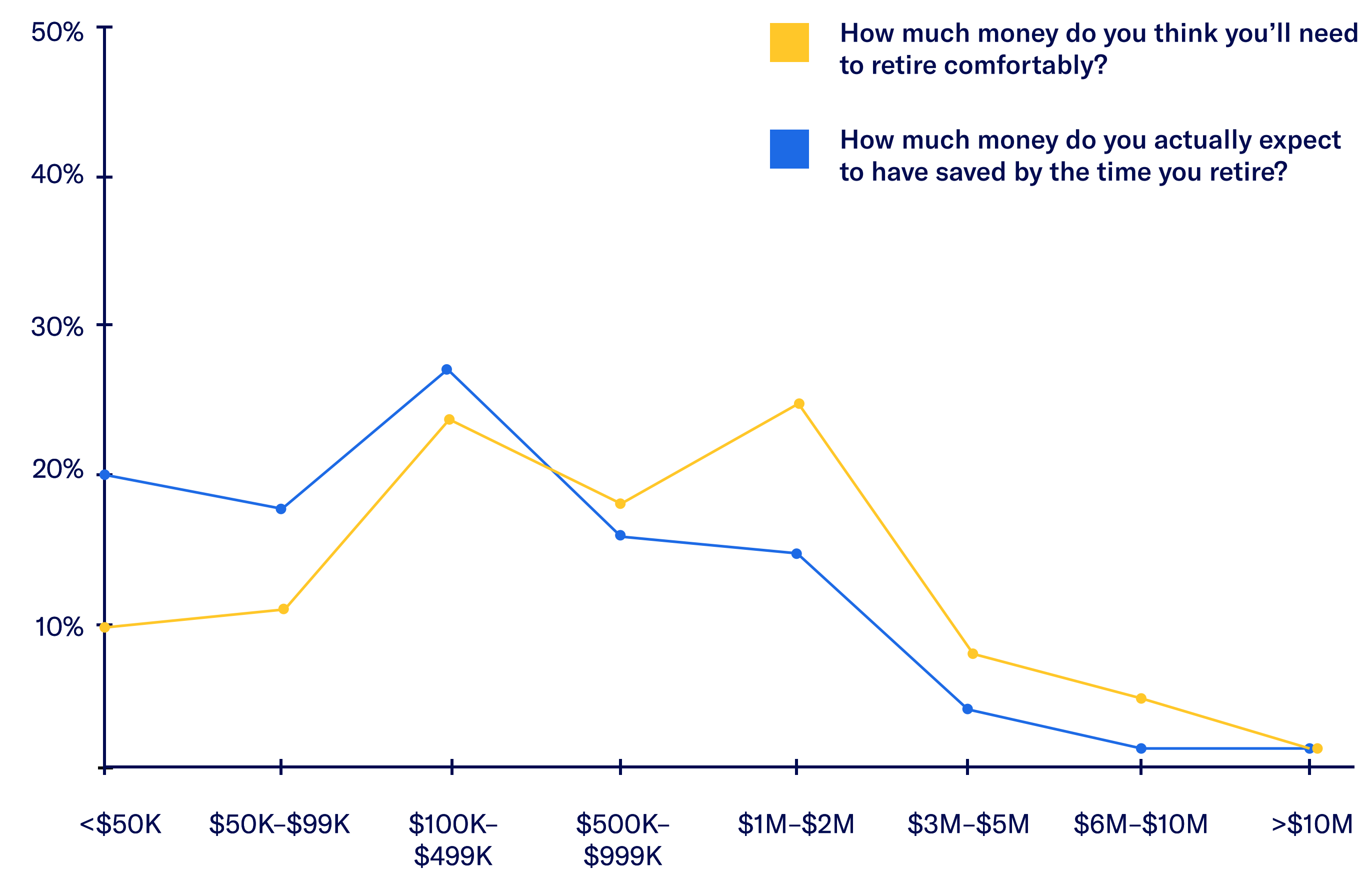


FIGURE 26



The number who expect to have less than $50K saved for retirement jumped by **10 percentage** points this year (to 20%, vs 10% in 2023).

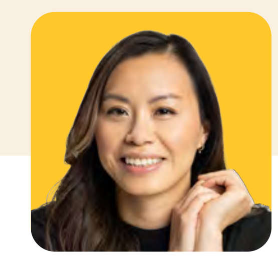
56% expect they'll need at least $500K saved to retire comfortably

yet only **38%** actually expect to have that much saved.

"We see the country's known retirement savings crisis clearly reflected in these findings, with many workers anticipating that their retirement savings will fall short of what they'll need during their golden years.

And despite common guidance encouraging people to save at least $1 million for a secure retirement, more than one-fifth (21%) of respondents think they'll need less than $100K, underscoring a broader education gap. Employers should prioritize arming workers with retirement best practices, from the importance of starting to save as early as possible, to providing digital tools that can help workers calculate how much money they'll need to support a successful retirement."

Mindy Yu
CIMA®, Director of Investing, Betterment at Work

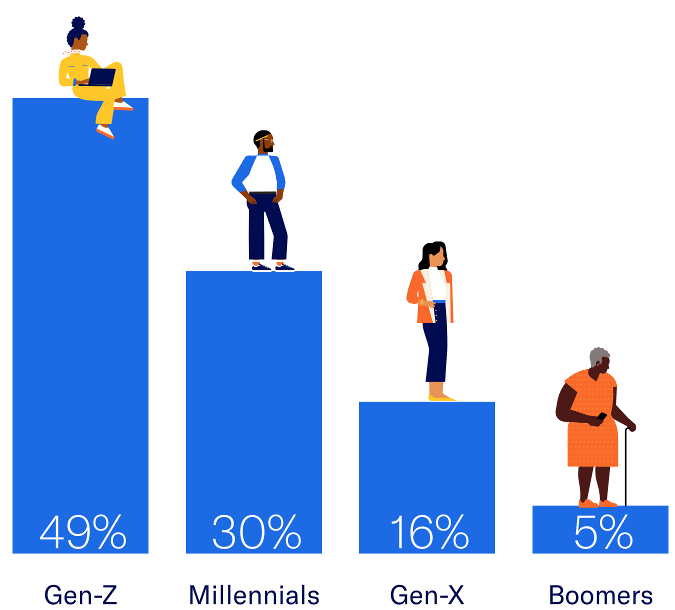


More than half (51%) would consider retiring abroad if it meant being able to afford a better retirement lifestyle than in the U.S. This sentiment is especially pronounced among younger generations, with 61% of Gen Z and 57% of Millennials open to the idea, compared to 47% of Gen X and just 31% of Boomers.

Almost a quarter (24%) of respondents have participated in social media challenges related to saving for retirement, such as the popular “no spend” challenge.

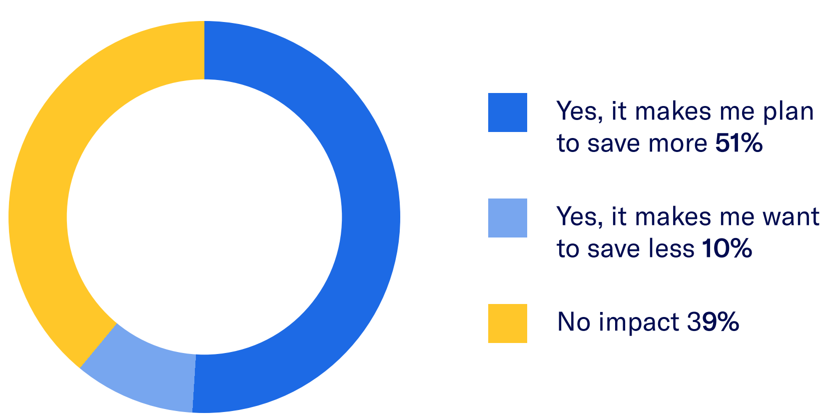
The majority (74%) of participants say that these challenges have helped with their retirement saving goals. Unsurprisingly, this trend is most prevalent among younger generations with the heaviest social media footprint: 49% of Gen Z have engaged in these challenges, followed by 30% of Millennials, 16% of Gen X, and just 5% of Boomers.

FIGURE 27



Does news about political or geopolitical instability impact the way you plan to save for retirement?

FIGURE 28



We were also curious what kind of impact the current macroeconomic environment might have on workers’ retirement savings plans, particularly amid an election year. Although a notable portion were indifferent, over half (51%) of respondents actually want to save more when faced with broader instability within the country.

The State of 401(k)s

Does your company offer a 401(k)?

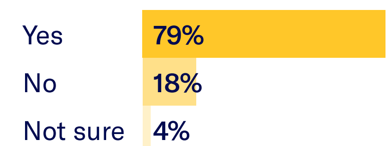


FIGURE 29

Do you contribute to your 401(k)?

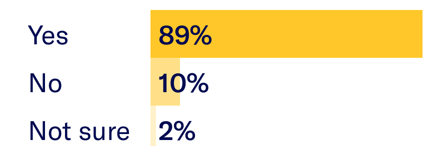


FIGURE 30

Does your employer match your 401(k) contributions?

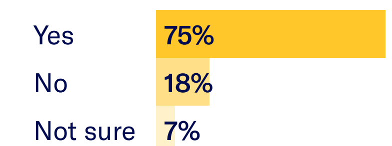


FIGURE 31

The majority of respondents (79%) say their employer offers a 401(k)—a promising number, but one that still highlights an access gap that is most pronounced for small business workers.

AMONG THIS GROUP

89% contribute to their 401(k), whereas 10% don’t and 2% are unsure whether they do. In 2023, 83% reported that they contributed, and just 70% did in 2022, showing that **401(k) contributions are on a clear upward trajectory.**

Gen Z is the least likely to contribute (79%), compared to 92% of Millennials, 90% of Gen X, and 86% of Boomers who contribute.

Small business workers have the least 401(k) access: 67% report having a 401(k) through their employer, compared to 81% and 86% of workers at midsize and large businesses, respectively.

“Overall, we’re seeing a mixture of trends here—an impressive 89% of respondents reported they contribute to their 401(k), a significant increase from years past and from other industry studies.

This can perhaps be attributed to SECURE 2.0’s auto-enrollment provision, which has started requiring new plans to automatically enroll workers into the company’s 401(k), helping to boost participation rates. However, there’s still a 401(k) gap for small business workers. According to data from the Small Business Administration Office of Advocacy, nearly 6.2 million U.S. workers are employed by small businesses. With 67% of small business worker respondents reporting they have access to a 401(k) in 2024, this still leaves millions without a retirement plan. SECURE 2.0 has made great strides in increasing 401(k) access across the U.S., but clearly there’s more work to be done—and employers have an opportunity to lead the charge here.”

Edward Gottfried
Senior Director of Product Management,
Betterment at Work

Seventy-five percent of respondents with a 401(k) receive an employer match. Again, we’re seeing a steady rise here—68% reported receiving matches in 2023, and just 62% in 2022.

- 90% of those with a match contribute enough to receive the match.
- Of those without a match, 96% wish they had one—and 84% believe having access to an employer match would encourage them to save more for retirement.

Looking at 401(k) contribution rates, a contribution rate between 5% and 9% appears to be the most common. Roughly one-fifth (21%) are contributing less than 5%, and 60% of respondents currently contribute less than 10%.

Millennials and Boomers report contributing the most, with 39% and 38%, respectively, contributing 10% or more—compared to 34% of Gen X and 29% of Gen Z who did the same. Notably, the percentage who reported being “unsure” of their contribution rate jumped to 10% for Boomers.

Respondents who make over $100K annually contribute the most, with 19% reporting they contribute 15% or more.

So, how does this translate to the amount of money people are actually saving?

FIGURE 32

What percentage of your paycheck do you contribute to retirement savings?

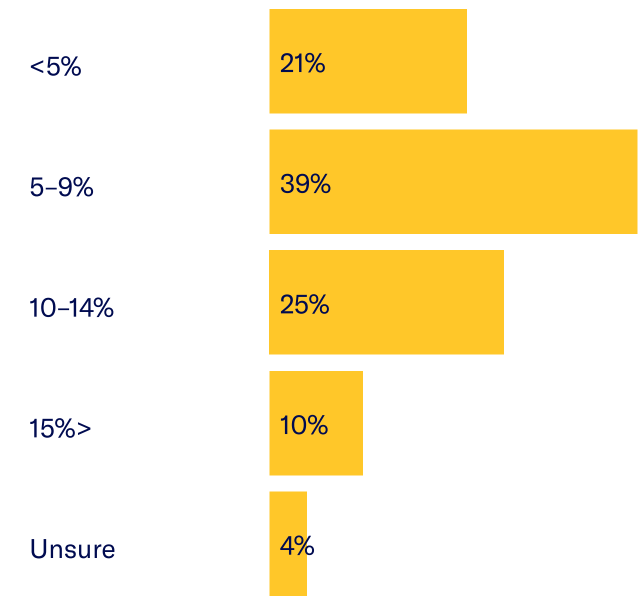
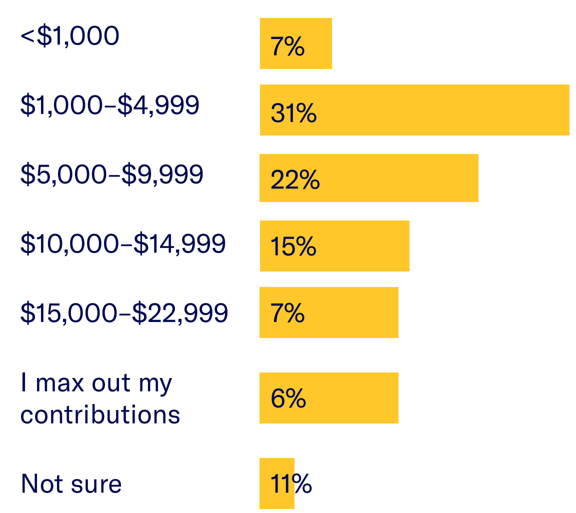


FIGURE 33

How much, on average, do you save in your 401(k) every year?



Thirty-eight percent contribute less than $5,000 annually, and only 6% of all respondents currently max out their 401(k) contributions. Predictably, this jumps for workers who make over $100K annually—14% of higher earners max out their contributions, compared to just 3% of those who make between $50–99K and 1% of those who make less than $50K.

The majority (62%) of those who make less than $50K contribute less than $5K annually. **But low numbers across the board show that access to a 401(k) isn’t enough; employees aren’t setting aside enough for retirement, regardless of income level.**

Keeping track of 401(k)s

Approximately $1.65 trillion is estimated to sit in 29.2 million "forgotten 401(k)s" in the U.S., according to industry analysis.

With job-hopping becoming increasingly common, some workers forget to roll over or consolidate their old 401(k) plans, leading to abandoned accounts that they don't actively manage and may not even remember. This can result in lost investment growth opportunities, higher fees, and even difficulty accessing funds down the line.

Currently, just over half (51%) of respondents are on their first 401(k). Meanwhile, 42% have had multiple 401(k)s during their career—and almost half (49%) within this group have had three or more.

Seven percent are unsure whether they've had more than one 401(k), showcasing the challenges people face keeping track of old retirement plans.

FIGURE 34

Have you had more than one 401(k) in your career? For example, you may have had a 401(k) at a previous job that you left.

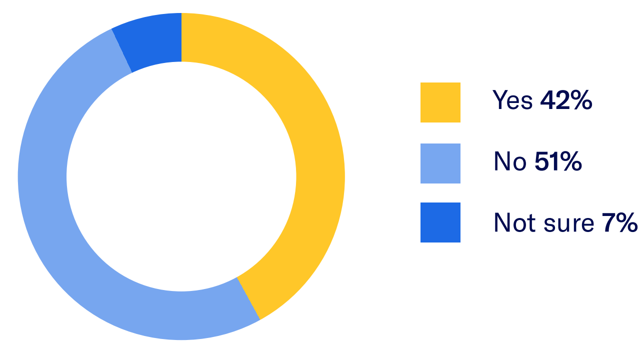


FIGURE 35

If you've had more than one, approximately how many 401(k)s have you had?

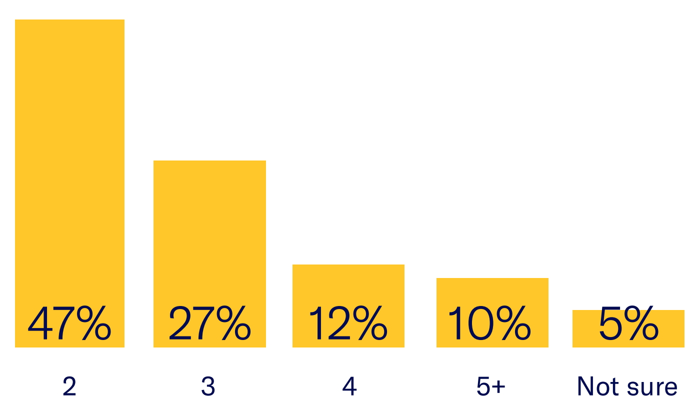
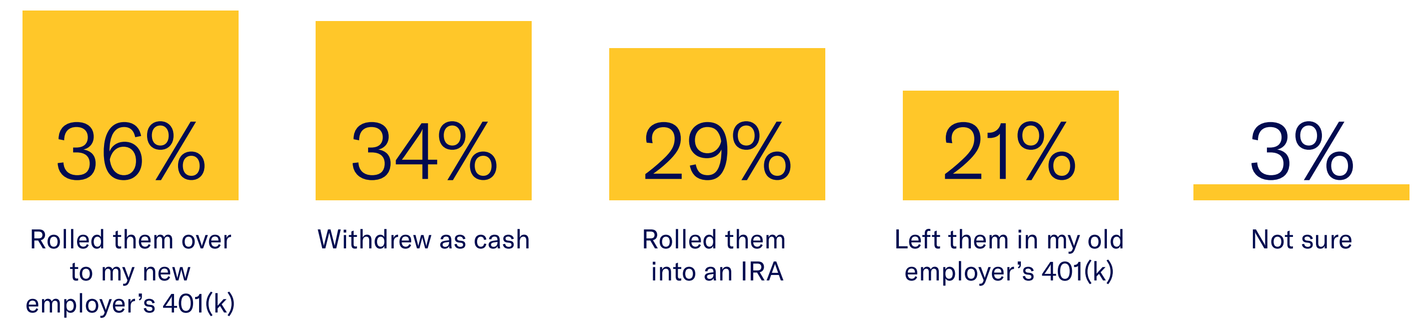


FIGURE 36

What have you done with your old 401(k)s? Select all that apply.



Although 65% of respondents have either rolled their old 401(k)s into their current employer's plan or into an IRA, an additional 34% report having withdrawn the funds as cash—a potentially worrying sign that workers are pulling out funds and spending the money elsewhere, instead of saving it for retirement.

We were curious to learn more about the 24% who reported being unsure what happened to their old 401(k)s or who left the funds with their old employer.

FIGURE 37

Why have you not rolled over or withdrawn one or more of your previous 401(k)s? Select all that apply.

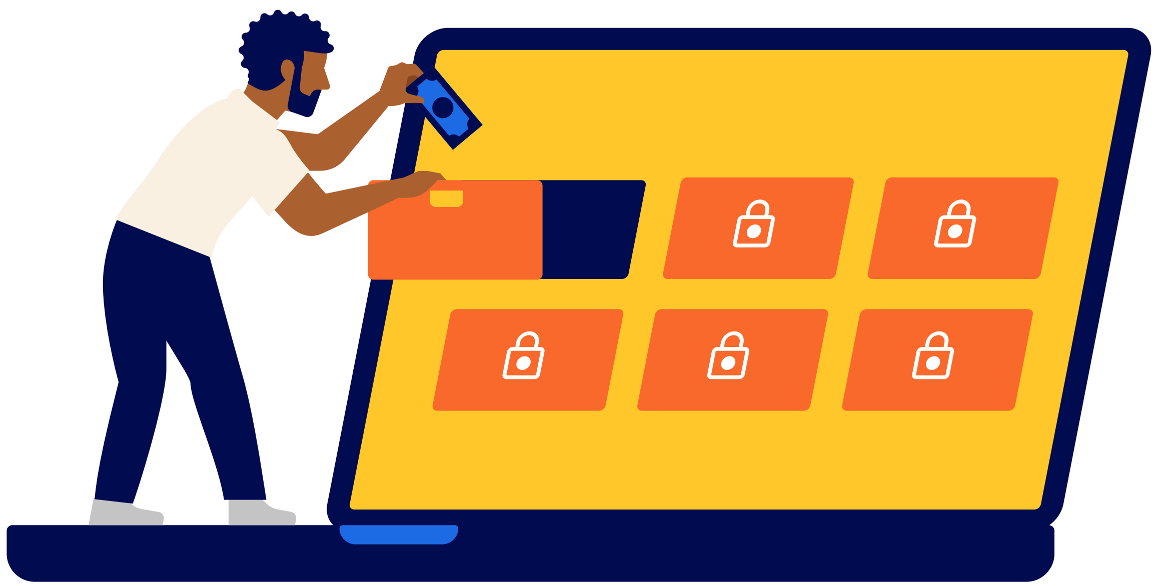
50% My old employer's 401(k) plan is better than my current plan, so it makes sense to leave the funds there

22% I don't know how to do a rollover

17% I don't know where my old 401k(s) are

16% I don't have time or inclination to deal with it

11% Not sure



28% of workers report not having access to all their old 401(k)s

Seventy-three percent report that they have access to all their old 401(k)s—meaning they know where they are and can log in to them. Thirteen percent only have access to some of them, and 15% do not have access to any of them or are unsure.

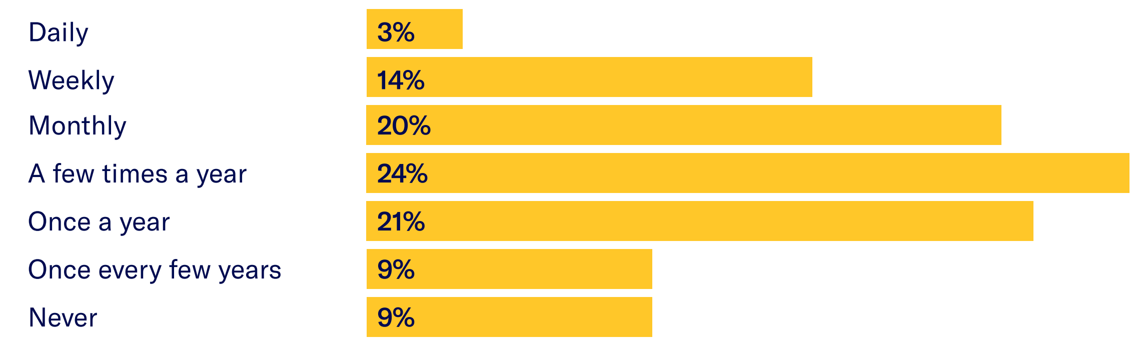
When it comes to engaging with their current 401(k), more than one-third (37%) of respondents report doing so at least once a month.

Encouragingly, the primary answer was that their past employer's plan was better than their current employer's plan, a sign that some workers are being thoughtful about this decision.

However, we see an opportunity for greater employee education here as well. **Nearly a quarter (22%) said they don't know how to do a rollover**, whereas others said they don't know where to find their old plans (17%) or didn't have the time to deal with it (16%).

FIGURE 38

How often do you typically engage with or make adjustments to your 401(k)?

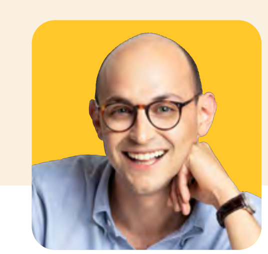


Just 16% can currently access their 401(k) via a mobile app—but 57% say they'd be more likely to regularly engage with their 401(k) if they could do so.

"We must strike the right balance on employee engagement with retirement products like a 401(k).

Retirement is best when approached as a sustained, long-term investment, so some degree of 'set it and forget it' isn't a bad thing. But we also see that when people don't regularly access their 401(k), it can become easy to lose track of it or lose interest in their savings goals. Some people enjoy logging in daily or weekly just to have reassurance that they're doing the right thing. By investing in tools like mobile-friendly visuals and projections, employers can promote positive behaviors and the right level of engagement by encouraging workers to log in periodically, ensure they're on track, and increase their contributions over time."

Edward Gottfried
Senior Director of Product Management
Betterment at Work



CONCLUSION

This year's report reveals a complex financial landscape for American workers, shaped by a juxtaposition of improved financial stability but increased financial anxiety.

We see a number of positive trends in financial readiness, including the increase in 401(k) contributions and emergency funds—yet we also see concerning patterns that could undermine future financial security, such as workers tapping retirement accounts for emergency expenses and cashing out old 401(k)s. The findings also highlight the heavy impact of education expenses on workers, which are hindering both their near-term wellbeing as well as long-term financial goals.

There's clearly more work and education to be done, but we see early signs that employers are being recognized for their efforts.

Over half of employees feel their company demonstrates high levels of commitment to their financial wellbeing, an increase from just 41% who felt the same last year.

With benefits showing up as a pivotal factor in job satisfaction and retention, employers of all sizes have an opportunity to enhance their offerings with benefits that address the unique needs of their employees—from retirement preparation to student loan repayment and more. In doing so, employers can attract and retain talent while paving the way for a more financially resilient workforce.

METHODOLOGY

An online survey was conducted with a panel of potential respondents from August 24, 2024, to August 30, 2024. The survey was completed by a total of 1,000 respondents who were 18 years and older and full-time employees. The sample was provided by Sago, a research panel company. All respondents were invited to take the survey via an email invitation. Panel respondents were incentivized to participate via the panel's established points program, regardless of positive or negative feedback. Participants were not required to be Betterment clients to participate. Findings and analysis are presented for informational purposes only and are not intended to be investment advice, nor is this indicative of client sentiment or experience.

Although the information provided about SECURE 2.0 is accurate based on Betterment's current understanding and analysis, the details described in Betterment's content are subject to change based on additional regulatory guidance. Betterment content should not be considered legal or tax advice.

MARGIN OF ERROR:

For this survey, a 95% confidence level was used. The margin of error associated with a sample size of 1,000 at a 95% confidence level is approximately ±3.16%. This means that if the survey were repeated multiple times with different random samples of 1000, we would expect the results to be within 3.16 percentage points of the true population values 95% of the time. In other words, the results are considered accurate within this range.