

Americans continuing to save for retirement despite pandemic

Americans continued to save for retirement for defined contribution (DC) plans during the first half of the year despite economic stresses brought about by the COVID-19 pandemic, according to recent research from the Investment Company Institute (ICI). The study, *Defined Contribution Plan Participants' Activities, First Half 2020*, found that only 2.0 percent of DC plan participants stopped contributing to their plans in the first half of 2020, a typical rate across the majority of the 12 years that ICI has tracked this data. That compares with 1.3 percent in the first half of 2019, and 4.6 percent in the first half of 2009 (another time of financial stress).

"These data reflect the long-term mindset of retirement savers," said Sarah Holden, ICI senior director of retirement and investor research. "We see a slight increase in withdrawal activity following the onset of economic volatility and hardship, but the increase is much smaller than you might expect, given the severity of the COVID-19 economic downturn. These assets represent a pot of money that savers have earmarked for retirement and they have consistently demonstrated that they generally stay the course to reach that financial goal, even during challenging economic situations."

The study also found the following:

- In the first half of 2020, 8.3 percent of DC plan participants changed the asset allocation of their account balances, and 5.0 percent changed the asset allocation of their contributions. ICI noted that these levels of activity were slightly higher than the activity observed in the same time frame a year earlier.
- In the first half of 2020, 2.8 percent of DC plan participants took withdrawals, compared with 2.5 percent in the first half of 2019. Levels of hardship withdrawal activity also were low, with only 1.1 percent of DC plan participants taking hardship withdrawals during the first half of 2020, the same share of participants as in the first half of 2019.
- At the end of June 2020, 15.6 percent of DC plan participants had loans outstanding, compared with 16.3 percent at the end of March 2020 and 16.1 percent at year-end 2019.

SOURCE: www.ici.org