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2022 Retirement Trends Study:

**Employee-centric  
retirement benefits.**

**An in-depth analysis  
of the needs and  
expectations of the  
American workforce.**

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Presented by: Retirement Innovation Research Center at Icon  
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## Letter from Laurie Rowley CEO Icon Savings

This year we launched the Retirement Innovation Research Center at Icon with a mission to improve retirement savings outcomes, support innovation, and arm decision-makers with actionable data and analysis they can use to affect policy change.

I've conducted original research for over a decade on these topics and this unique set of data provides historical trends, insights into the needs of businesses, and in-depth analysis of what drives employees' retirement savings behavior.

This year's study reveals surprising insights into how people view their retirement benefits, highlights the challenges in the current system and identifies opportunities for policy change. These findings are set against the backdrop of market trends and provide a narrative to statistics that would otherwise seem unrelated.

As a researcher, I look to other trusted data sources to provide a 360 view of what's happening in this massive retirement

savings industry. I've supplemented our study with this outside data to provide a more complete picture of the market trends that are shaping the world of work, consumer expectations, technological innovation, and opportunities to improve outdated systems.

What becomes clear when looking at this report is that our current retirement savings system (Defined Contribution Plans) has reached its limit. The system is buckling under the pressure to adapt to new realities and is failing to serve both businesses and workers.

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**The current retirement savings system is failing millions American workers and businesses.**

**There's a \$7 Trillion retirement savings gap in the United States.**

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**Americans shoulder  
100% of the  
responsibility and risk  
for their own retirement  
savings success  
and they rely on the  
retirement savings plans  
offered through their  
workplace to help  
shoulder this burden.**

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# Introduction

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Knowing how consequential retirement savings success is for individuals, families, communities and the economy in general—there's a parallel burden on the retirement industry to solve the challenges that exist within the current system.

The question that need to be answered is: How is the current retirement system performing and is it meeting the needs of the workers it was set up and designed to benefit?

The 2022 Icon Retirement Trends Study addresses this topic directly.

**The study was designed to accomplish several objectives:**

- 1. Establish the key drivers that influence savings and investing behavior.**
- 2. Understand how the current system impacts behavior and savings outcomes.**
- 3. Identify opportunities to improve the current system.**

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# Introduction

This Study is an analysis of consumer behaviors related to retirement saving and investing. The work is in-depth and quantitatively rich, yielding numerous original insights which provide a basis for concrete strategies designed to improve retirement savings outcomes.

Central to the Study is an analysis of the different paths people take on their retirement savings journey. We know that path is largely dependent on three areas:

- 1. Access to a work-based retirement plan.**
- 2. Retirement plan retainment at job change.**
- 3. Dealing with unexpected financial emergencies.**

This study is part of a comprehensive body of research that was first launched in 2013 with employers and employees. The study has been guided and nurtured through the collaborative efforts of academic and retirement industry experts.

To provide context, we examine and study the trends in the U.S. retirement system, adjacent industries, and broader macro trends to expand our thinking, to contextualize challenges and highlight opportunities. You'll find these data sources in the report.

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# A brief history of retirement plans.

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## How did we get here?

Fifty years ago, the 401k plan was created as a supplemental plan to a pension. These plans were initially used by large corporations and were never meant to be used as a one-size fits all solution for the entire US workforce. Consequently, most businesses don't offer a 401k. In fact, of the 6,155,000 businesses with 5 or more employees in the United States, there are currently only 600,000 which offer a 401k plan. That means 81 million people don't have access to a workplace retirement savings plan.

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**2,115 employers cover  
50% of all workers' retirement  
plans. (Morningstar)**

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## A brief history of retirement plans.

**Because 401k plans were modeled on pensions, they have structural bugs that prevent millions of businesses of all sizes from offering a plan.**

**When offering a 401k plan the employer becomes a fiduciary to their employees. This has led to a wave of lawsuits where employees sued their employer.**

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**401k's place an enormous compliance and regulatory burden on employers that can drive-up plan costs.**

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**Smaller plans are more expensive than large plans. In fact, participants that work for a small employer pay double the cost to invest.**

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**401k plans are not seamlessly portable. This problem has plagued the industry for years as an alarming amount of money is cashed out every year due to job-change and rollover friction.**

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## The Story in Numbers:

**81 Million**

Workers don't have access to a workplace retirement plan.<sup>1</sup>

**\$2,500**

Median retirement savings balance for all working-ages.<sup>2</sup>

**\$14,500**

Median retirement savings balance for pre-retirees ages 55-64.<sup>2</sup>

**\$92 Billion**

Assets cashed-out of 401k plans every year at job-change because plans are not seamlessly portable.<sup>3</sup>

**35 Million**

1099 workers are shut out from 401k plans.<sup>4</sup>

**\$1.3 Trillion**

Assets lost when people leave their job, become disconnected from their plan and end up losing track of where it is.<sup>5</sup>

1. [economicpolicyresearch.org/images/docs/research/retirement\\_security/Research\\_Note\\_1\\_2020\\_Retirement\\_Plan\\_Coverage\\_by\\_Industry\\_Firm\\_and\\_Worker\\_Characteristics.pdf](https://www.economicpolicyresearch.org/images/docs/research/retirement_security/Research_Note_1_2020_Retirement_Plan_Coverage_by_Industry_Firm_and_Worker_Characteristics.pdf)

2. [nirsonline.org/wp-content/uploads/2017/07/final\\_rsc\\_2015.pdf](https://www.nirsonline.org/wp-content/uploads/2017/07/final_rsc_2015.pdf)

3. [ebri.org/content/the-impact-of-auto-portability-on-preserving-retirement-savings-currently-lost-to-401\(k\)-cashout-leakage](https://www.ebri.org/content/the-impact-of-auto-portability-on-preserving-retirement-savings-currently-lost-to-401(k)-cashout-leakage)

4. [statista.com/statistics/918285/gig-economy-number-people-working-independently-frequency-us](https://www.statista.com/statistics/918285/gig-economy-number-people-working-independently-frequency-us)

5. [hicapitalize.com/resources/the-true-cost-of-forgotten-401ks](https://www.hicapitalize.com/resources/the-true-cost-of-forgotten-401ks)



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# Executive Summary: The 2022 Study

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Much has been written about the key determinants of participant behavior over the years. These studies have focused on factors such as age, income, gender, household cash-flow and other demographics. Studies have also focused on psychographics such as risk aversion, saving versus spending propensities, long term versus short term orientation, etc. However, there has never been a study about what employees actually want and need in a workplace retirement plan.

This study is in-depth and quantitatively rich, yielding numerous original insights which provide the basis for concrete solutions to secure more favorable outcomes for everyone.

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# Executive Summary: The 2022 Study

## **01. Trust impacts engagement.**

Trust is a key driver of engagement and is an important factor we've measured for the last decade.

This year, trust in financial institutions shows a 2-point increase to 16% while trust in state government was 14%. This has a material impact on participation in state facilitated retirement plans. Two-thirds (70%) of respondents would choose a retirement plan offered through a financial service provider over a state-run plan like CalSavers.

## **02. Americans want to save for retirement through their employer.**

Workers place a high value on their workplace retirement plan. People want to save for their retirement and will do so at high rates when offered a plan through their place of employment. Why?

- Two-thirds of workers don't trust their own financial decision-making.
- Only one-third say they understand investing principles.

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# Executive Summary: The 2022 Study

## 03. People want portable and personalized plans.

The way people manage their money is changing. New mobile tools have the power to deliver personalized, flexible, simplified experiences. It's not surprising the number one change retirement participants want in their retirement plan is: seamless portability.

- 83% now want their workplace retirement plan to travel with them from job-to-job without a rollover or change in plan. This is a 13 point jump from the 2020 study.
- 80% want more personalized investing choices with portfolios tailored to their needs and 80% want a more flexible and personal match that can be applied to other financial wellness priorities.

## 04. Financial stress is weighing people down.

Financial stress continues to weigh people down.

- 63% of respondents say they are “stressed about their finances.”
- Respondents aged 25-40 report the highest level of stress at 72%.

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# Executive Summary: The 2022 Study

## **05. Lack of access.**

Forty percent of people in this study do not have access to a workplace retirement plan. Those without access, report lower levels of financial knowledge (10%) compared to 26% of covered workers. There is a significant difference between covered and uncovered employees on the factors that contribute to financial courage and financial wellness.

## **06. Innovation and future-proofing.**

Employees are demanding innovation in their workplace savings plans. The requirement to rollover a plan from job-to-job is a massive point of friction for savers, costing billions in lost savings annually and trillions of lost savings in the future.

- 92% of participants are interested in a portable retirement plan.
- Nearly half (47%) of respondents in our study are interested in crypto.

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# The Study in Detail.

01. Trust is foundational to levating engagement.  
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02. People want their employer to help them save  
for retirement.  
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03. People want portability and personalization  
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04. Workers are stressed out about their financial situation.  
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05. Lack of access, a solvable problem.  
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06. Product Innovation

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# 01.

## Trust is foundational to elevating engagement.

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The single most powerful driver of trust (4 times more powerful than the second driver) is presenting information to participants in a way that is perceived as being in their best interests.

The second most powerful driver is motivating people to take action by maintaining a positive message around retirement savings in general (i.e. messages that avoid fearful negative tones).

The third most powerful driver is: fee transparency, i.e. presenting fee information in a way that is easy to understand.

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### 3 Top Factors that Build Trust with Participants



Education that is good for me.



Positive outlook and messaging.



Fee information is transparent.

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**Trust is a commodity, it's hard to build and easily lost.**

**Trusted financial institutions enjoy better levels of engagement with both employers and employees.**

# Overall Trust & Confidence with Financial Institutions

Confidence measures the competency to deliver a plan, trust measures the belief that the provider will “do the right thing.”



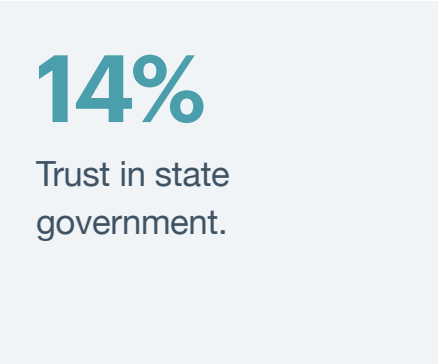
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# 01. Trust is foundational to elevating engagement.

## Trust and State Retirement Mandates

A handful of states have implemented retirement plan mandates that require employers to offer a plan to their employees. As part of the mandate, states have launched state-run retirement plans that employers can choose to use, or they can use a plan from a financial services provider.

**In 2022 we started measuring trust and confidence in state governments.**

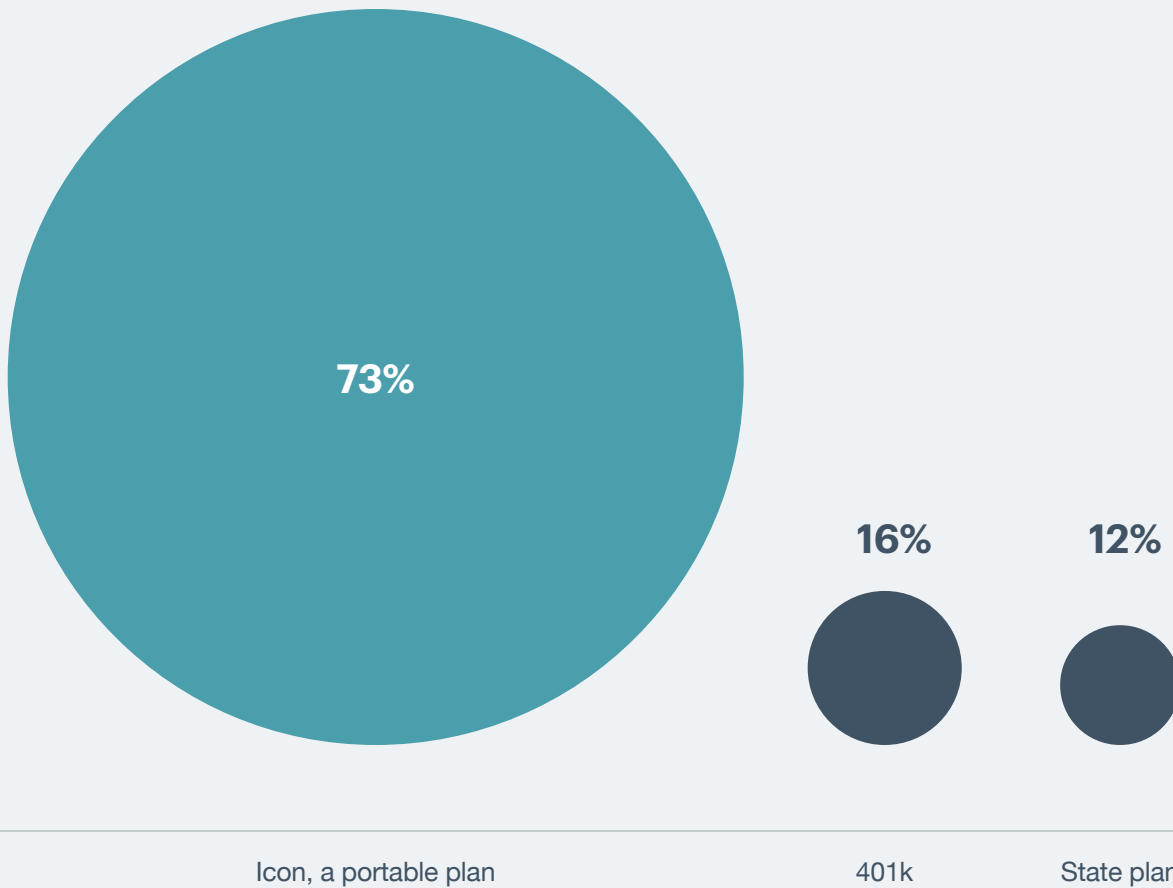




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## In our employer study, we find a similar outcome.

Seventy-three percent of businesses would choose a portable retirement plan over a state plan or 401k plan.



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# 02.

## People want their employer to help them save for retirement.

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Workers place a high value on their workplace retirement plan. People want to save, and they are relying on their employer to help them make good financial decisions.

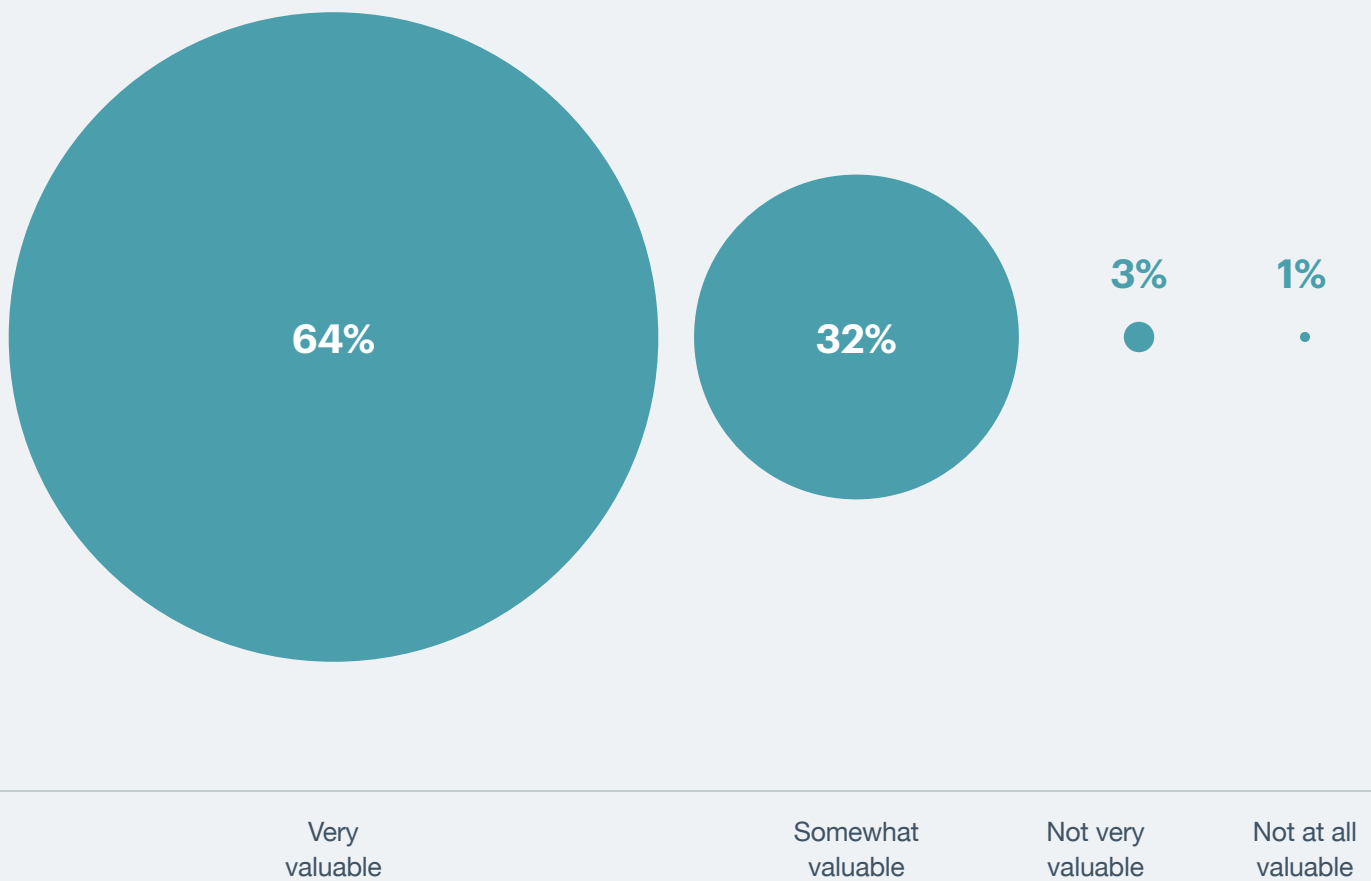
Two-thirds of workers don't trust their own financial decision making. This, along with low levels of financial literacy, place an additional burden on employers to ensure their workers are saving for retirement in a high-quality, low cost plan.

	Average
Overall knowledge about financial topics in general	52%
I understand the principles of investing	32%
I trust myself to make good financial decisions	30%
Thinking about my financial situation stresses me out	63%

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## Feelings About Retirement Benefit.

How valuable is your workplace retirement plan?



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# 03.

## People want portability and personalization.

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Lack of seamless portability continues to be a key source of friction and dissatisfaction with traditional retirement plans.

There was a significant increase (13 points) from 70% in 2020 to 83% in 2022 in 'plan portability' as the most important change to current traditional plans.

Plan portability is defined as a plan that follows you from job-to-job without requiring a rollover or change to plan investments.

**Other highly valued improvements that participants want include:**

**80%**

A personalized portfolio.

**80%**

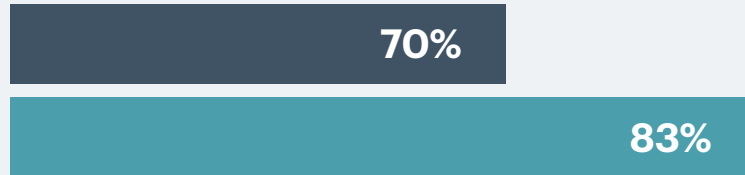
A cash bonus instead of an employer match.

**78%**

Access to emergency savings through their retirement.

# What employees want most from their plan.

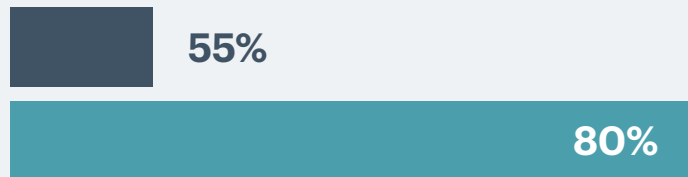
My plan stays with me from job to job,  
no rollover required.



My contributions are invested in a portfolio  
that's based on my goals.



A cash bonus instead of a match.



Access to emergency savings through  
my retirement plan.



● 2020 ● 2022

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## 03. People want portability and personalization.

### **Job change continues to be a massive point of failure for traditional plans.**

According to EBRI there is close to \$100 billion cashed out of 401k plans every single year. The data from the Study confirms this point of failure, particularly for workers ages 25-35.

- 25% of respondents aged 25-35 would cash out their plan instead of rolling it over. It's interesting to note that workers in this age group spend an average 3.2 years with each employer.

### **In a recent report there is an estimated 24.3 million forgotten 401k plans holding approximately \$1.3 trillion in assets.**

- 30% of respondents ages 30-45 have a plan left behind at a previous employer.

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## What employees do with their 401k at job change.

**14%**

Leave it behind at old employer.

**17%**

Cash it out.

**30%**

Roll it to an IRA.

**30%**

Roll it to next job.

**8%**

Don't know.

### Fees in Rollovers

According to PEW,\* rolling over a 401k to an IRA can be a financial risk because of the high fees retail investors pay on investments. The problem is that large companies can leverage their purchasing power to get lower fee shares, but individual investors often pay significantly higher fees for their investments.

In 2018, workers rolled \$516.7 billion from employer plans to traditional IRAs. Further analysis suggests that over a period of 25 years, those workers could see an aggregate reduction in savings of about \$45 billion, according to PEW.

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# 04.

## Workers are stressed out about their financial situation.

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### The data on financial stress are sobering.

In the past two years, there's been a 10-point jump in workers who report feeling stress about their financial situation from 53% in 2020 to 63% in 2022. The data shows that workers who don't have access to a workplace retirement savings plan have a higher level of financial stress 66%.

#### A recent FINRA study sheds light on why financial stress is spiking.

Major factors contributing to high levels of financial anxiety and stress include a lack of assets and insufficient income, high debt, money management challenges and low financial literacy.

#### Experts recommend the following to help reduce financial stress:

Workers should put a portion of their paycheck into an emergency savings account.

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Employers should offer workplace financial wellness programs and opportunities for workers to save.



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# 05.

## Lack of access, a solvable problem.

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Lack of access to a workplace retirement plan impacts all workers, of all ages and income levels. There are 81 million workers without access to a workplace retirement plan.

**Workers who lack access are a combination of full-time employees and independent contractors. In our study:**

**54%**

of uncovered workers are full-time, W-2 employees.

**30%**

are independent contractors.

**68%**

have some college, a college degree or an advanced degree.

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## 05. Lack of access, a solvable problem.

Lack of access to a workplace savings plan has measurable negative effects on workers, their families, communities and the economy. When comparing these workers to their counterparts who do have access to a workplace retirement plan, the uncovered workers have:

- 1. Higher levels of financial stress: 66% (uncovered) vs. 61% (covered)**
- 2. Lower levels of financial self-confidence: 66% of uncovered workers feel financially confident vs. 81% of covered workers who feel financially confident.**
- 3. Lower levels of wealth accumulation.**
- 4. Less likely to have emergency savings: 54% of uncovered workers have emergency savings vs. 79% of covered workers who have these types of accounts.**

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## Steps uncovered workers are taking to save on their own.

**48%**

Regular savings account

**17%**

Stock market

**16%**

Savings in IRA

**32%**

I'd like to start saving

**20%**

No steps to save

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We see in our study that uncovered workers place a priority on saving but without access to a workplace savings plan, people don't save for retirement. Not because they don't want to, but because they simply don't have the skills or the confidence to set up their own personal pension plan. There is a dizzying array of products, services, companies, investments and fees that have to be analyzed.

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# 06. Product Innovation.

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This study establishes that workers want to save in a workplace retirement plan and at the same time, highlights the shortcomings of the current traditional plan offerings. 80% of active plan participants want seamless portability and more personalization in their retirement plan.

Fifty years ago when 401k plans were created, the digital technology infrastructure did not exist that would enable a new generation of workplace retirement plans.

New to the study this year is a product test to gauge interest in a portable retirement plan. We asked workers currently participating in a 401k, their interest level in a portable retirement plan.

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## 06. Product Innovation.

**The following product description was used:**

**A new type of retirement plan that your employer offers in addition to your current plan, enables you to save an additional \$6,000 a year into a tax-advantaged account. This plan is similar to a 401k, but when you leave your employer, this account would seamlessly follow you, with no rollover required and no change in your investments.**

**Your savings in this account could be invested in a low-cost personalized portfolio, or you could choose your investments through an open-brokerage window and invest in individual stocks and crypto-currency.**

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## 06. Product Innovation

**The results were astonishing.**

**92% of participants would be interested using a portable retirement plan.**

**25-44**

The age group with the highest interest.

**70%**

This is the same age group that reports the highest level of financial stress at 70%.

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## 06. Product Innovation.

**Cryptocurrency is an area of interest with both covered and uncovered workers. There are challenges with adding crypto into a traditional plan. Portable retirement does not have the same constraints.**

Interested, I am currently holding cryptocurrency	<b>28%</b>
Interested, but I am not holding any cryptocurrency	<b>19%</b>
I plan on learning more about cryptocurrency, and maybe using it in the future	<b>17%</b>
I am not interested in cryptocurrency.	<b>18%</b>
I think cryptocurrency isn't safe	<b>11%</b>
I have no idea what cryptocurrency is	<b>7%</b>

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## 06. Product Innovation.

### **What these findings mean for employers, industry and policymakers.**

We see two changes to the current system that would result in increased savings rates, reduce leakages and increase access:

#### **1. Give people the ability to retain their retirement plan at job change.**

- People expect digital experiences that are tailored to their needs, easy-to-use and flexible.
- Across all demographics the #1 way to improve workplace retirement is to have a plan that is seamlessly portable with out the need to rollover and change plans.

#### **2. Increase the IRA contribution limits.**

IRA-based need the same level of savings as 401k plans. It is an outdated idea that by keeping IRA contributions low, more employers will offer 401k plans. IRA-based plans are flexible, can cover both W-2 and 1099 workers, and can be personalized to the individual needs of the saver.

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**With many states offering auto-IRA's the low level of annual contributions is widening the disparity between workers at large and small employers.**



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# Study Details: Demographics

### Age

21-24	11%
25-34	24%
35-44	29%
45-54	21%
55-64	15%

### Annual contribution

Under \$1,000	8%
\$1,001-\$3,000	23%
\$3,001- \$6,000	26%
\$6,001-\$10,000	21%
\$10,001-\$15,000	12%
\$15,000 or more	11%

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## Household income

Under \$25,000	<b>14%</b>
\$25,000 to under \$50,000	<b>28%</b>
\$50,000 to under \$100,000	<b>33%</b>
\$100,000 to under \$150,000	<b>15%</b>
\$150,000 to under \$300,000	<b>8%</b>
\$300,000 to under \$500,000	<b>1%</b>
\$500,000 or more	<b>1%</b>

## Percentage distribution of household income in the U.S.

Under \$15,000	<b>9.4%</b>
\$15,000 to \$24,999	<b>8.7%</b>
\$25,000 to \$34,999	<b>8.1%</b>
\$35,000 to \$49,999	<b>11.6%</b>
\$50,000 to \$74,999	<b>16.5%</b>
\$75,000 to \$99,999	<b>12.2%</b>
\$100,000 to \$149,999	<b>15.3%</b>
\$150,000 to \$199,999	<b>8%</b>
\$200,000 and over	<b>10.3%</b>

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## Marital Status

Married	<b>41%</b>
Living with a life partner	<b>13%</b>
Single	<b>34%</b>
Divorced	<b>10%</b>
Widowed	<b>1%</b>

## Highest Level of Education

Less than high school	<b>1%</b>
High school diploma or GED	<b>20%</b>
Some college	<b>28%</b>
College degree	<b>37%</b>
Advanced degree	<b>14%</b>

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# Methodology

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The study included 1,650 actively contributing retirement plan participants and actively employed workers without access to a plan, randomly selected from a nationwide pool. This study tracks, over time, certain attitudes and behavioral dynamics of savers. The sample was collected by digital survey through a Dynata panel. The data were collected in May 2022.

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