



PARTICIPANT REACTIONS AND TRENDS

2023 MIDYEAR REPORT

Confidential: This material is intended for plan sponsor clients as well as plan consultants and investment professionals who work with T. Rowe Price. It is not intended for plan participants.



HIGHLIGHTS

Participants generally stayed the course during the first half of 2023, with low exchange activity especially among target date investors and improved participant engagement driven by personalized communications. However, some participants are not taking full advantage of savings features, possibly because of inflationary challenges.

24x

more likely to stay the course when invested 100% in a target date product

2x

less likely to opt in to the auto-increase service when taking a loan or a hardship

<13%

of participants start making catch-up contributions when they're eligible at age 50

4%

increase in participants monitoring their accounts

5x

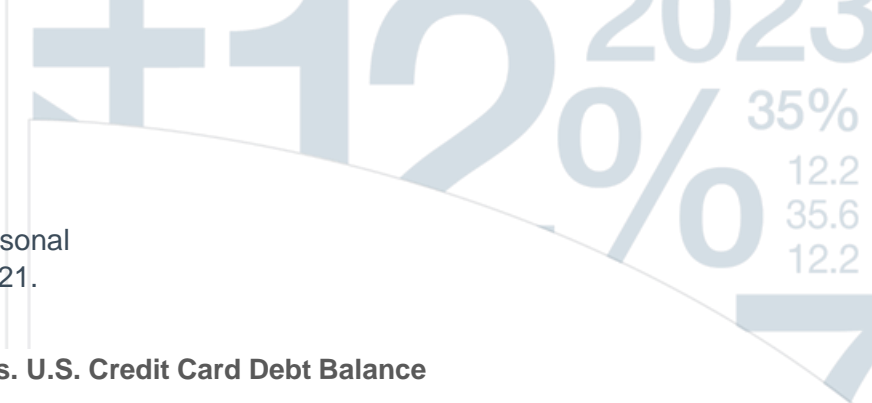
more likely to visit Planning Resource page after watching a personalized SmartVideo

ECONOMIC DATA HIGHLIGHTS

IN THIS SECTION:

- Consumer spending
- Consumer debt
- Employment trends

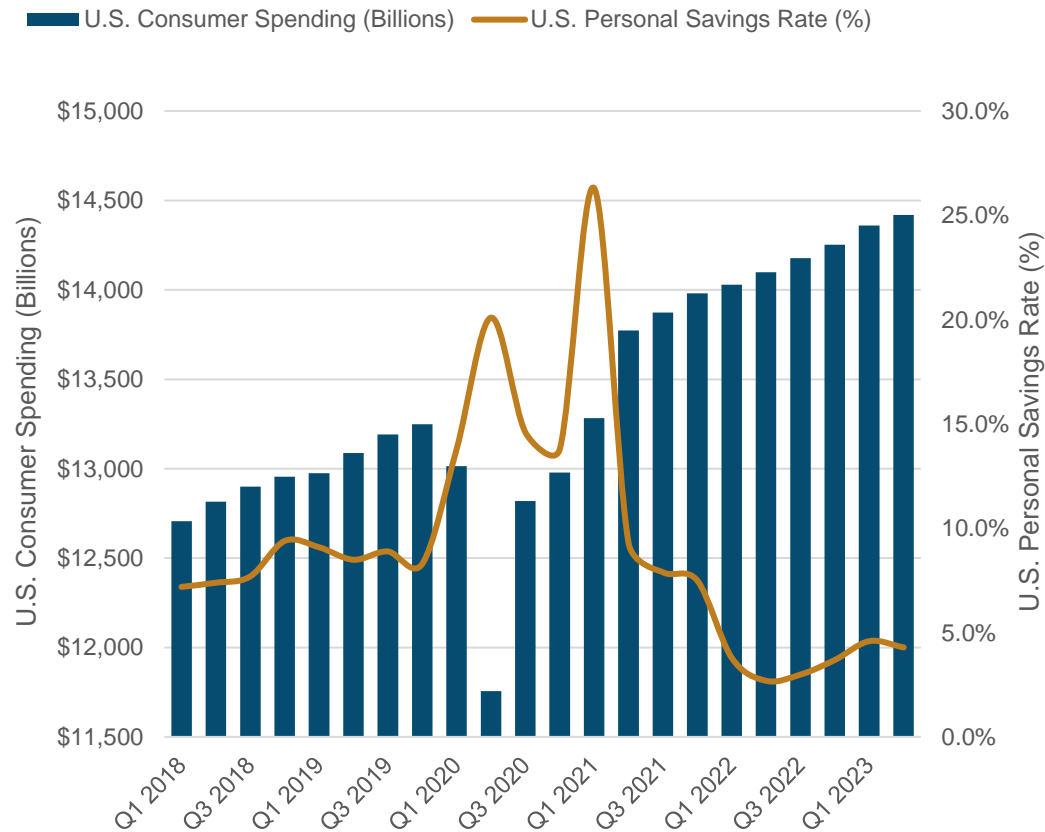




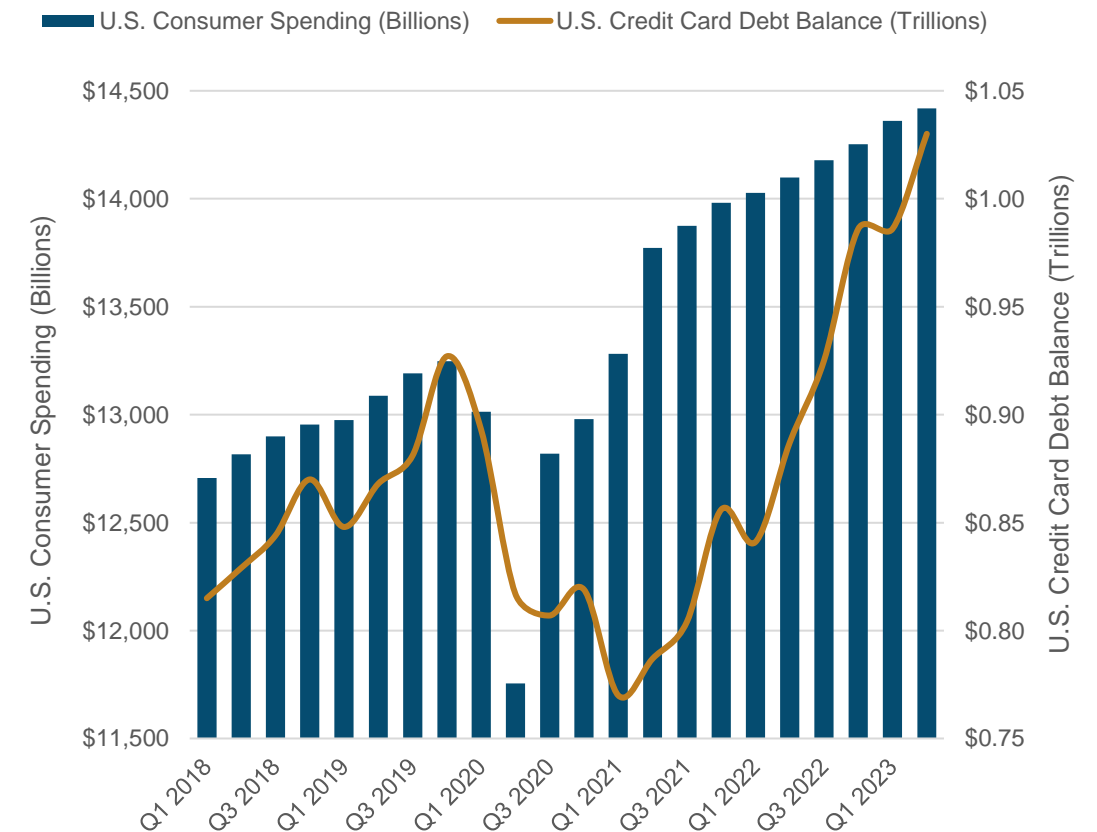
U.S. CONSUMER SPENDING TRENDS

While savings hit a high and spending dropped during the pandemic, those trends have since reversed. However, personal savings remain significantly lower than pre-pandemic levels. Credit card debt also has risen steadily since a low in 2021.

U.S. Consumer Spending vs. U.S. Personal Savings Rate



U.S. Consumer Spending vs. U.S. Credit Card Debt Balance



Source: U.S. Bureau of Economic Analysis.

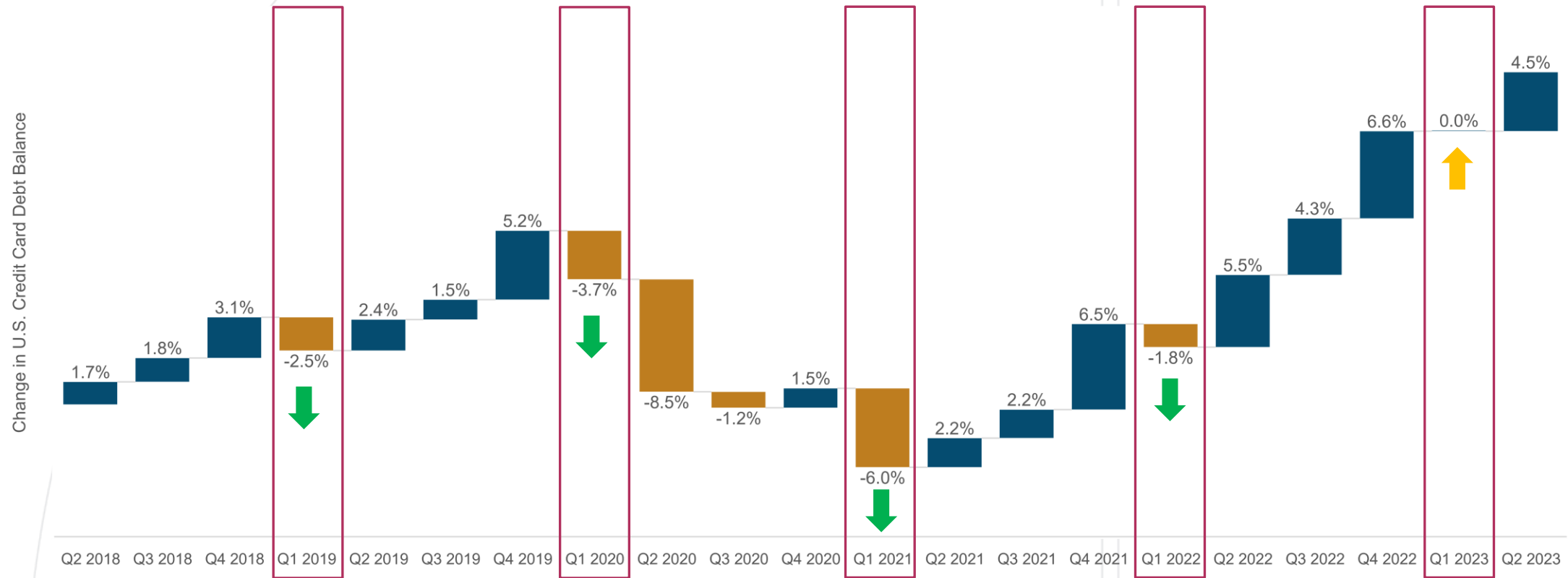
2023
35%
12.2
35.6
12.2

U.S. CREDIT CARD DEBT TRENDS

Since 2019, credit card debt traditionally has decreased during the first quarter of each year compared with the previous quarter. Only 2020 saw three consecutive quarters of declining balances, indicating that individuals may have focused on paying down debt when spending was down during the pandemic.

Change in U.S. Credit Card Debt Quarter Over Quarter

■ Increase ■ Decrease



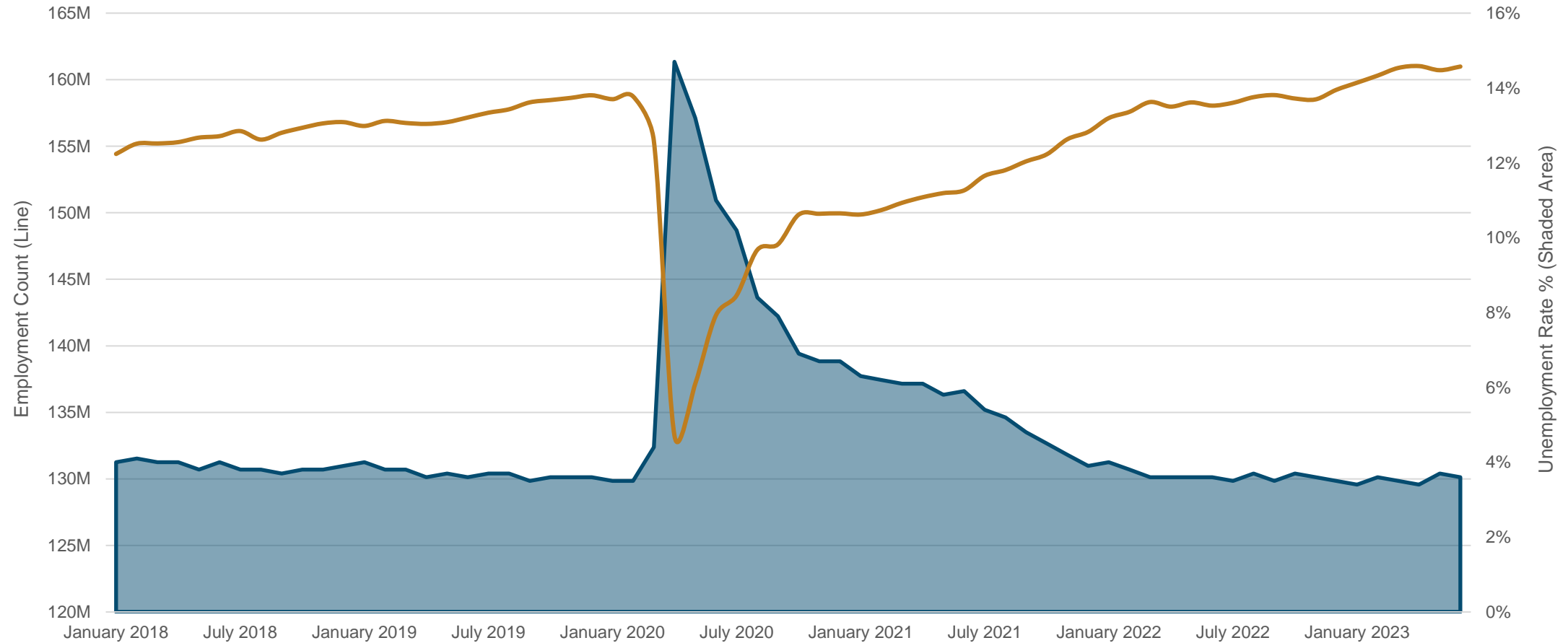
Source: U.S. Bureau of Economic Analysis.

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EMPLOYMENT TRENDS

Unemployment is at or even below pre-pandemic levels, after reaching a high in 2020. The employment rate has increased steadily since the low in 2020 and now exceeds pre-pandemic levels.

Unemployment Rate Employed



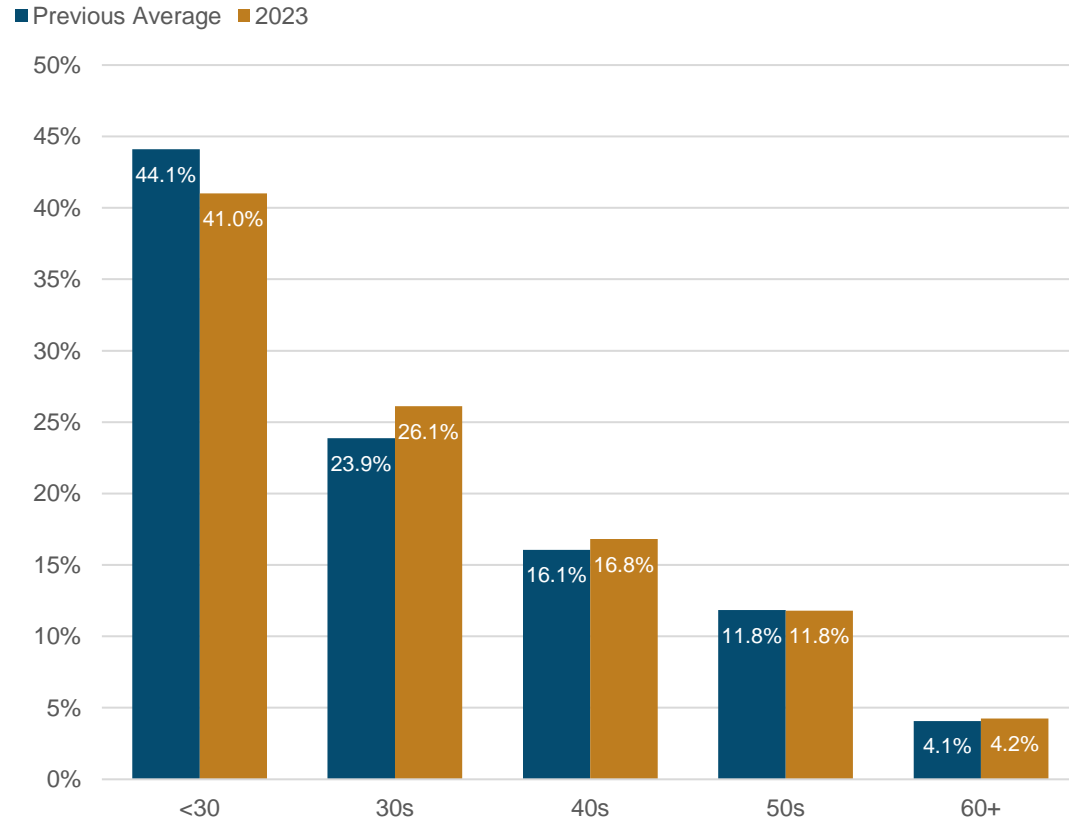
Source: U.S. Bureau of Labor Statistics.



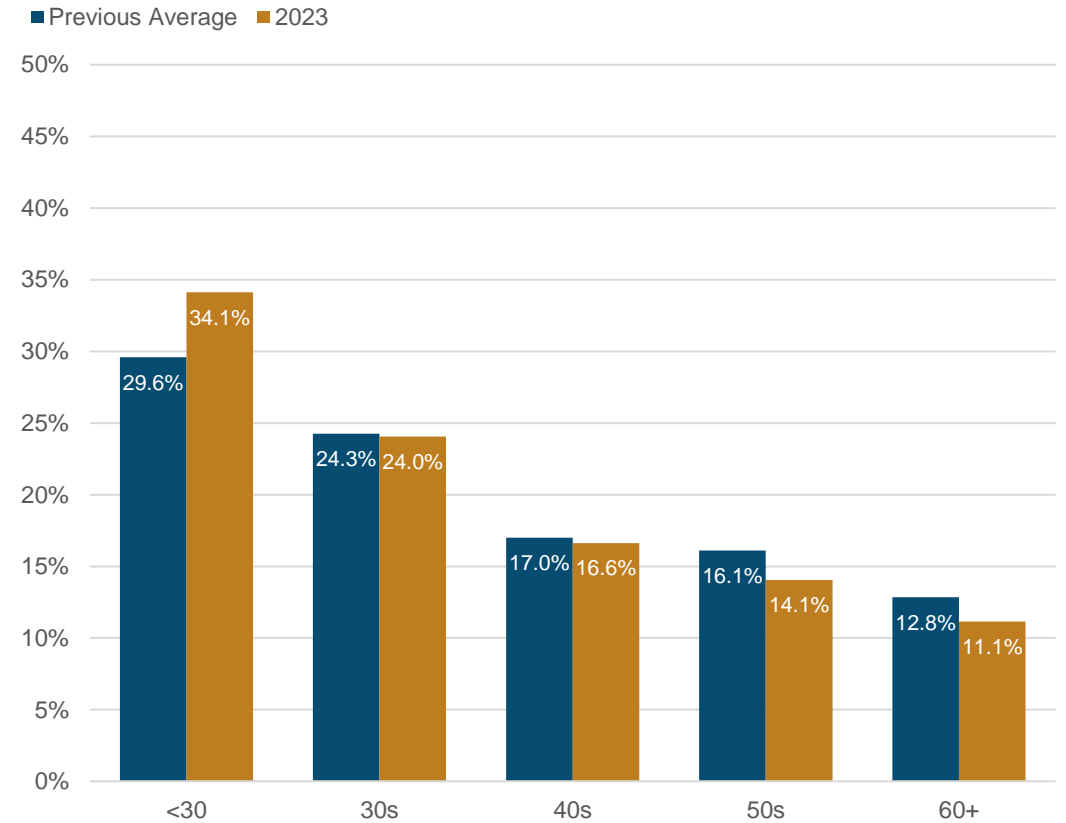
EMPLOYMENT BY AGE

In 2023, fewer workers age 50+ are terminating employment, which may indicate that older workers are working longer. This could be contributing to the trend of lower hire rates for workers under age 30.

Share of Participants Hired by Year and Age Segment



Share of Participants Terminated by Year and Age Segment



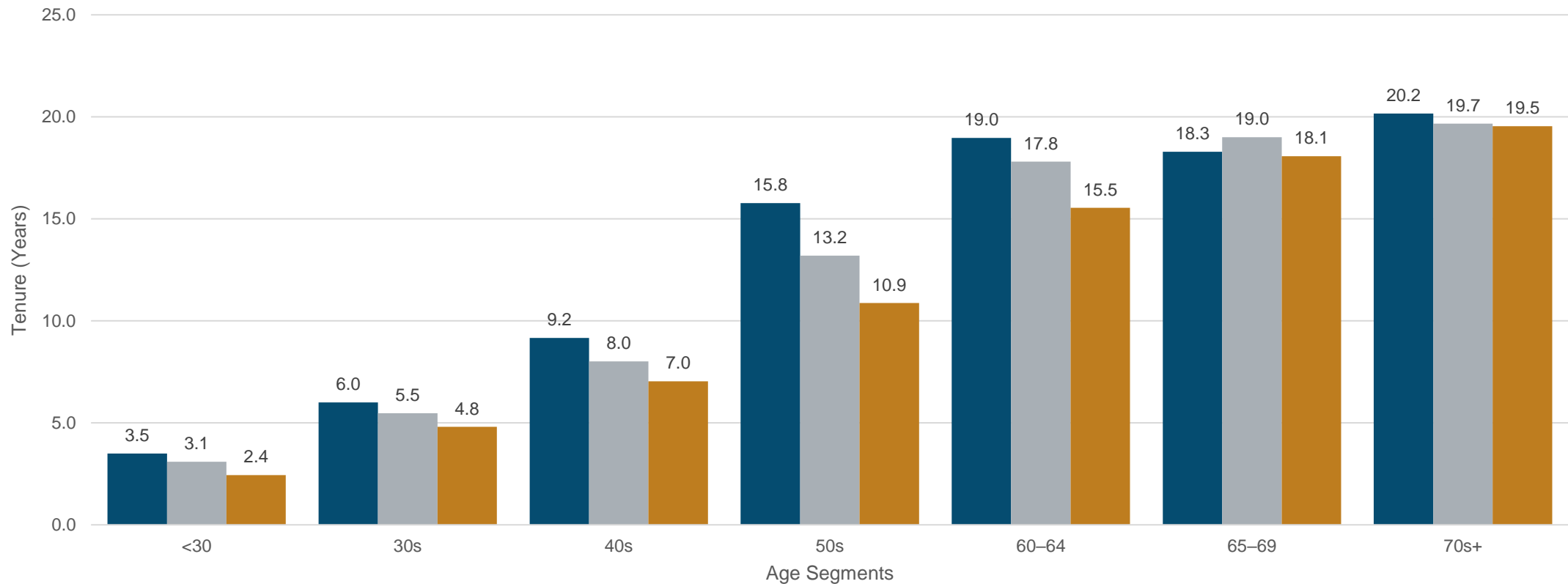
Previous average includes data from 2018 to 2022.

TENURE DECLINE

Across the board, average participant tenure is decreasing, with the biggest decline among participants in their 50s. In this age group, average tenure dropped by nearly five years from 2000 to present, a decline of 31%.

Average Tenure of Terminated Participants by Age Segment

■ 2000s ■ 2010s ■ 2020s



PARTICIPANT TRENDS

IN THIS SECTION:

- Exchange activity
- Deferral rates
- Loan activity

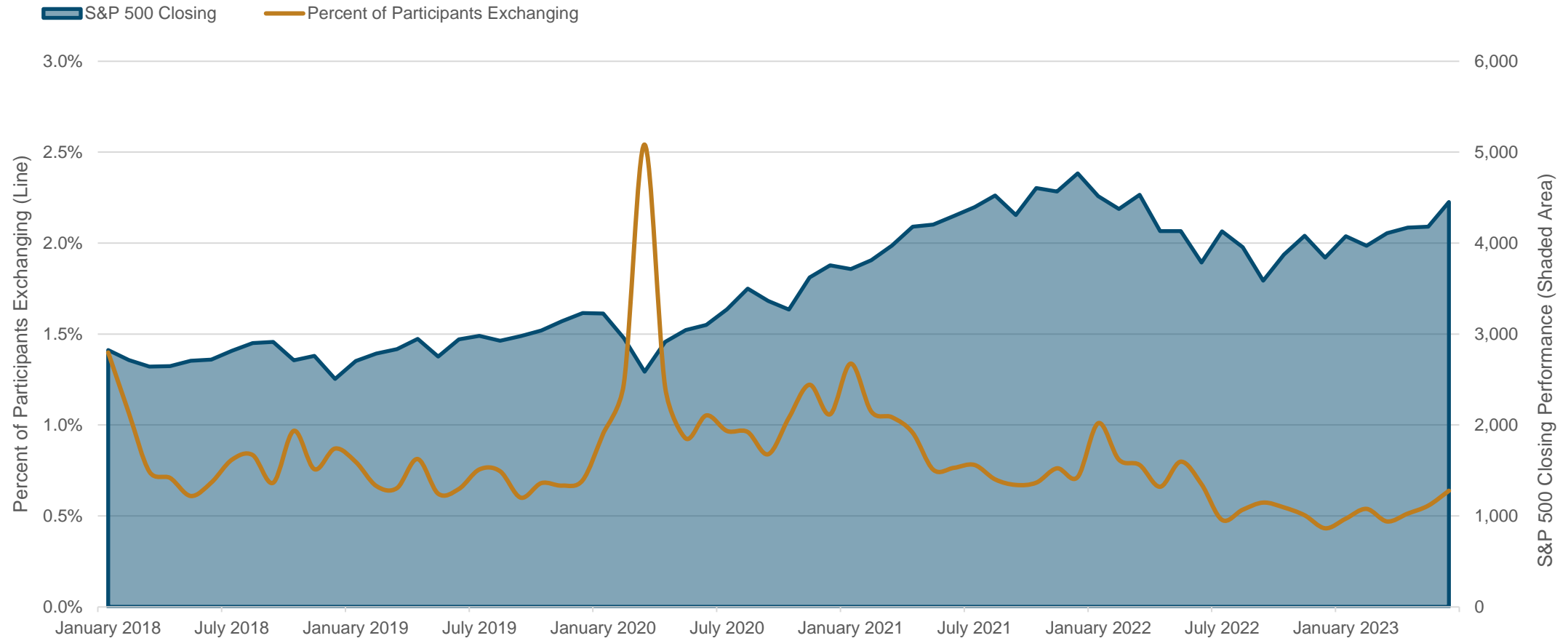


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PERCENT OF PARTICIPANTS EXCHANGING

The exchange rate has remained relatively stable since 2018, except during the period of market volatility in 2020.

Exchanges vs. S&P 500 Closing

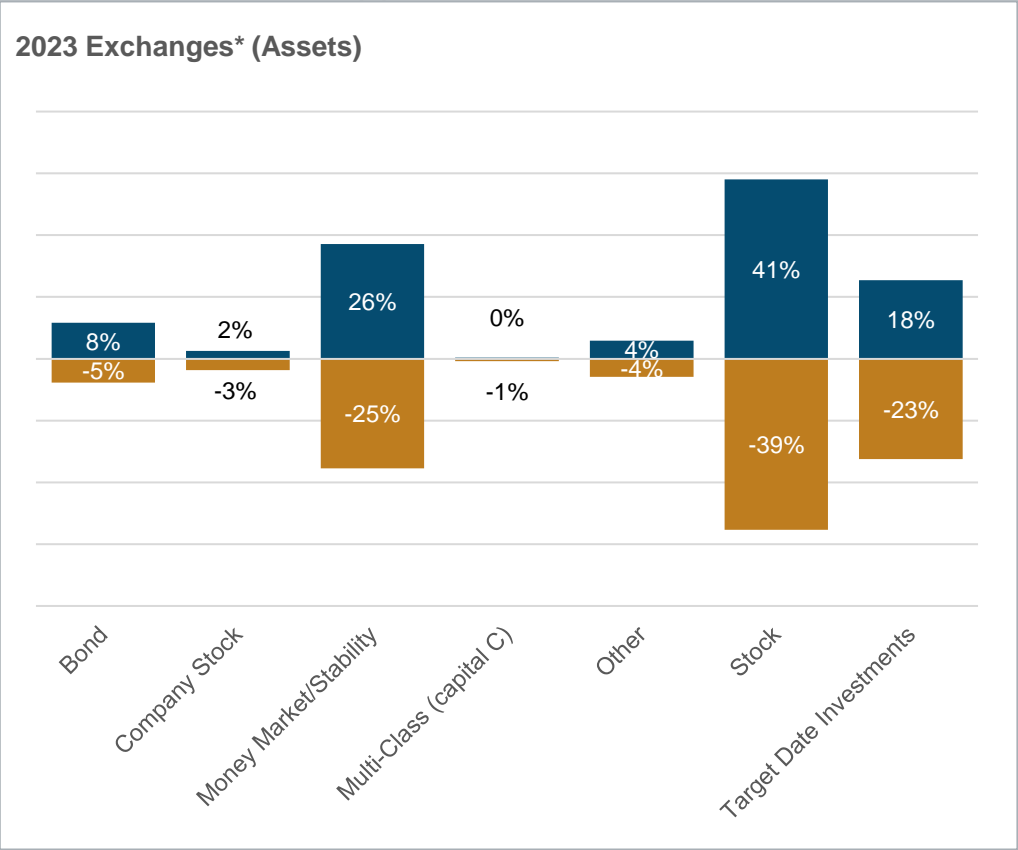
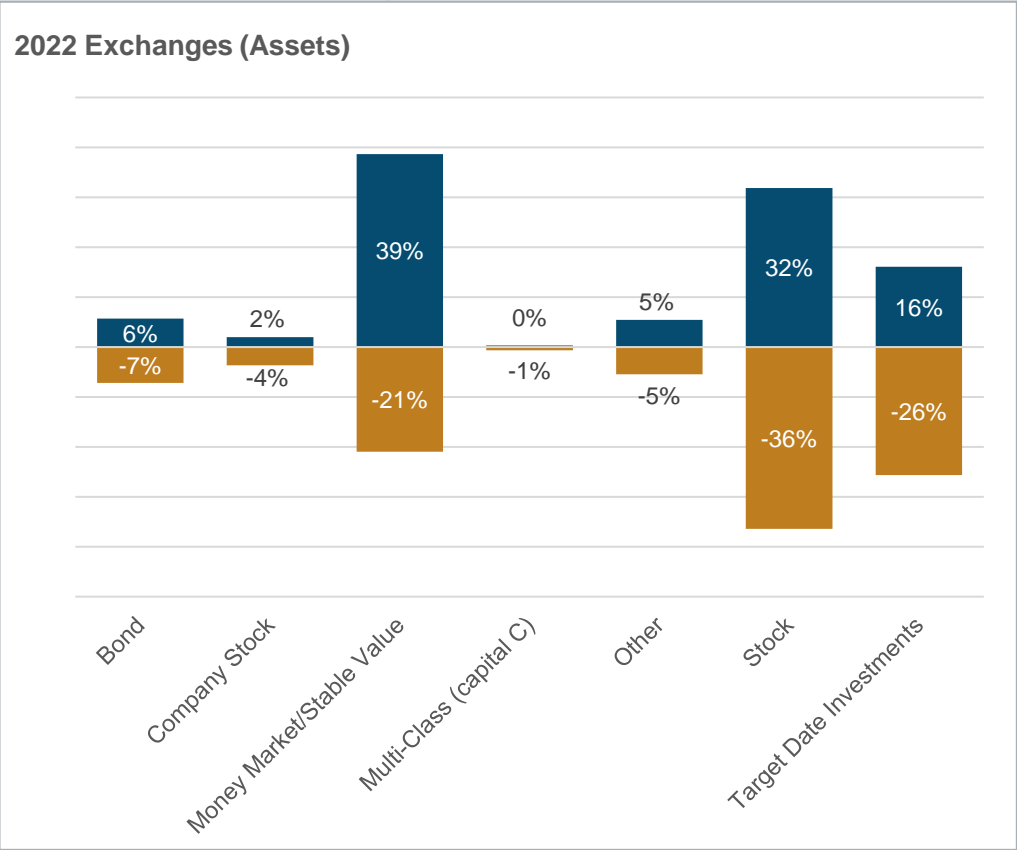




EXCHANGES BY ASSET CLASS

While just 2% of participants made an exchange in the first half of 2023, those who did primarily moved savings between lower-risk asset classes (money market and stable value) and stocks.

■ Exchange In ■ Exchange Out



*Data are for the first half of 2023.

EXCHANGE ACTIVITY: TARGET DATE VS. NON-TARGET DATE

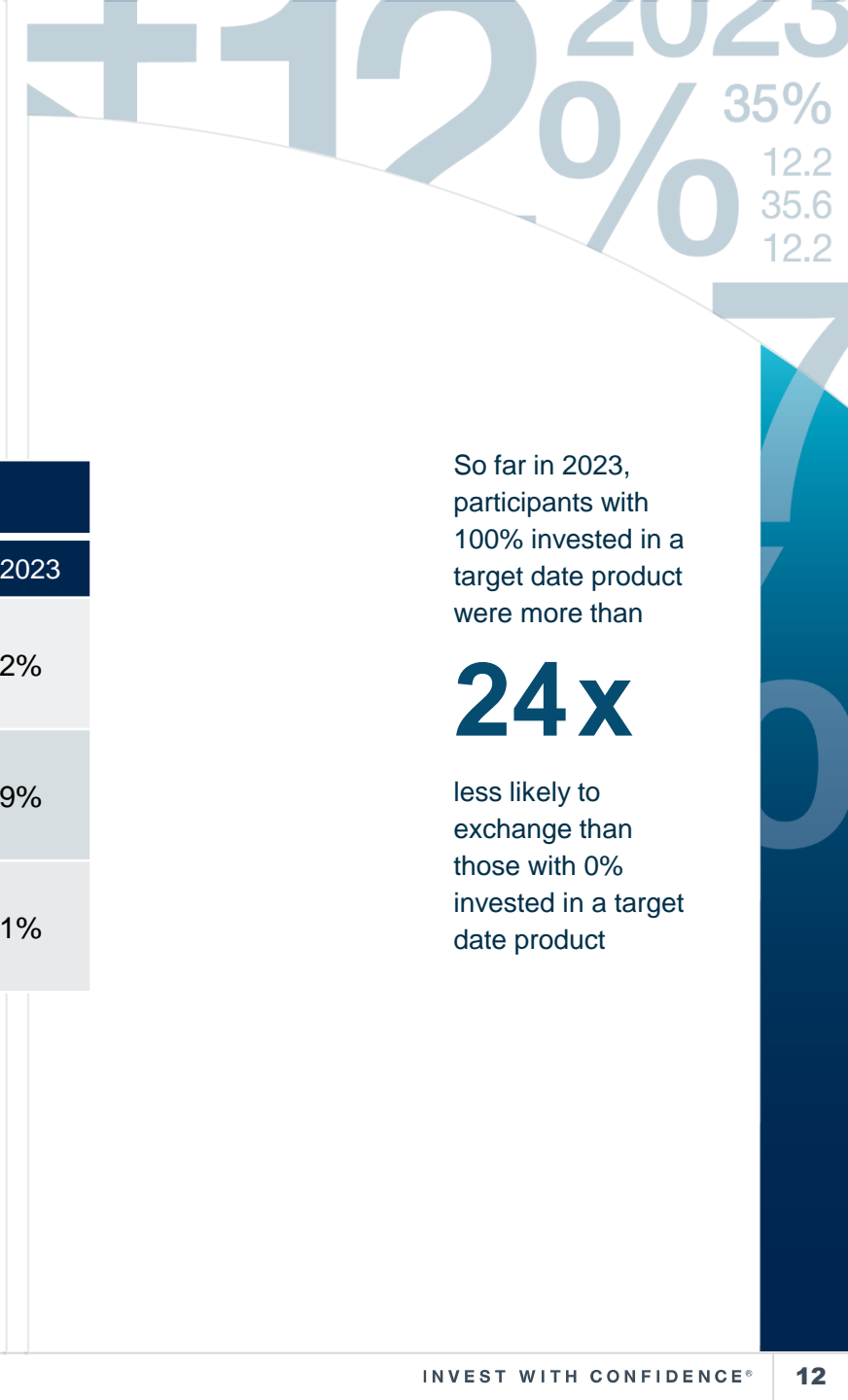
Participants who invest 100% in target date investments continue to have the lowest average exchange rate compared with participants who invest partially or 0% in a target date product. The highest exchange activity each quarter has been by participants who do not invest in target date products.

	Percentage of Participants Who Made an Exchange					
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Active Participants With 100% Invested in a Target Date Product	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%
Active Participants With 0% Invested in a Target Date Product	7.3%	6.4%	5.1%	4.6%	5.4%	4.9%
Active Participants Partially Invested in a Target Date Product	3.3%	2.5%	2.0%	1.7%	2.2%	2.1%

So far in 2023, participants with 100% invested in a target date product were more than

24x

less likely to exchange than those with 0% invested in a target date product

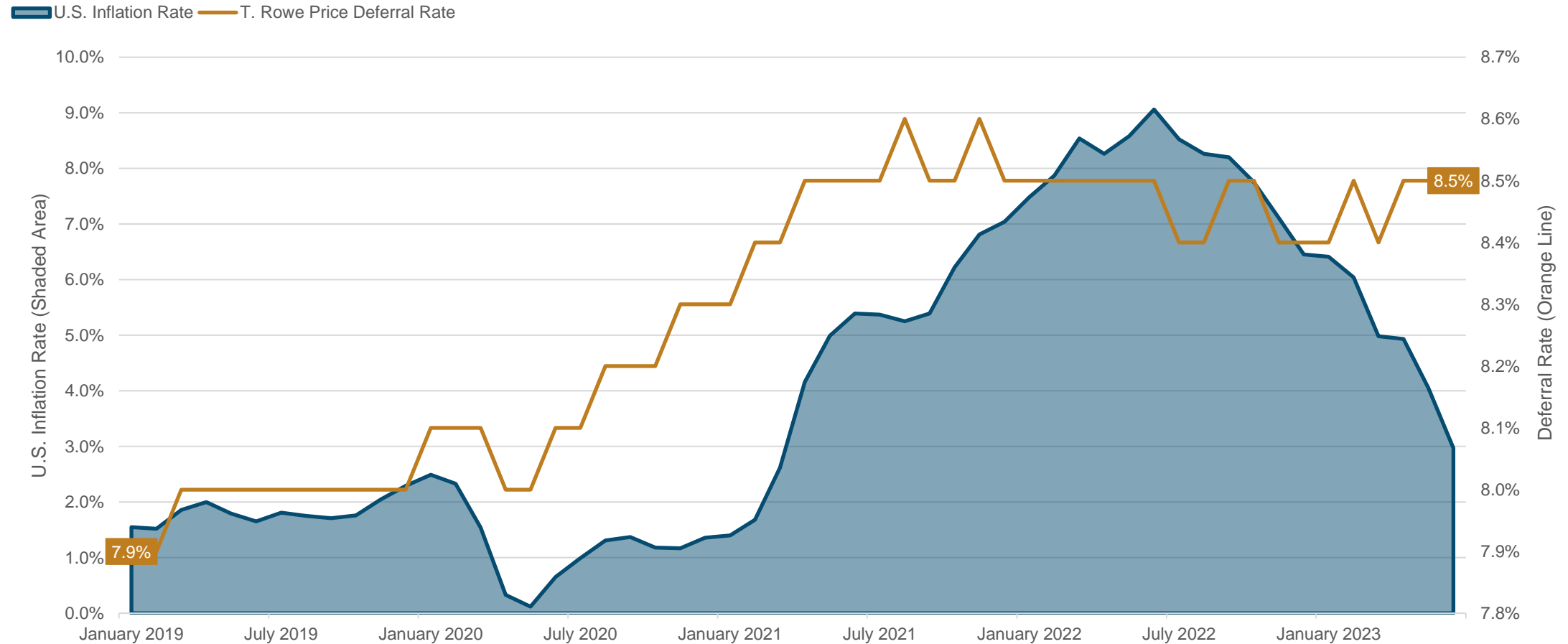




U.S. INFLATION RATE VERSUS DEFERRAL RATE

Despite increasing inflation, participants mostly held their ground, maintaining an average deferral rate of 8.5%.

U.S. Inflation Rate vs. Deferral Rate by Month



Deferral rate includes all sources (pretax, after-tax, and Roth sources).
Source: U.S. Bureau of Labor Statistics.

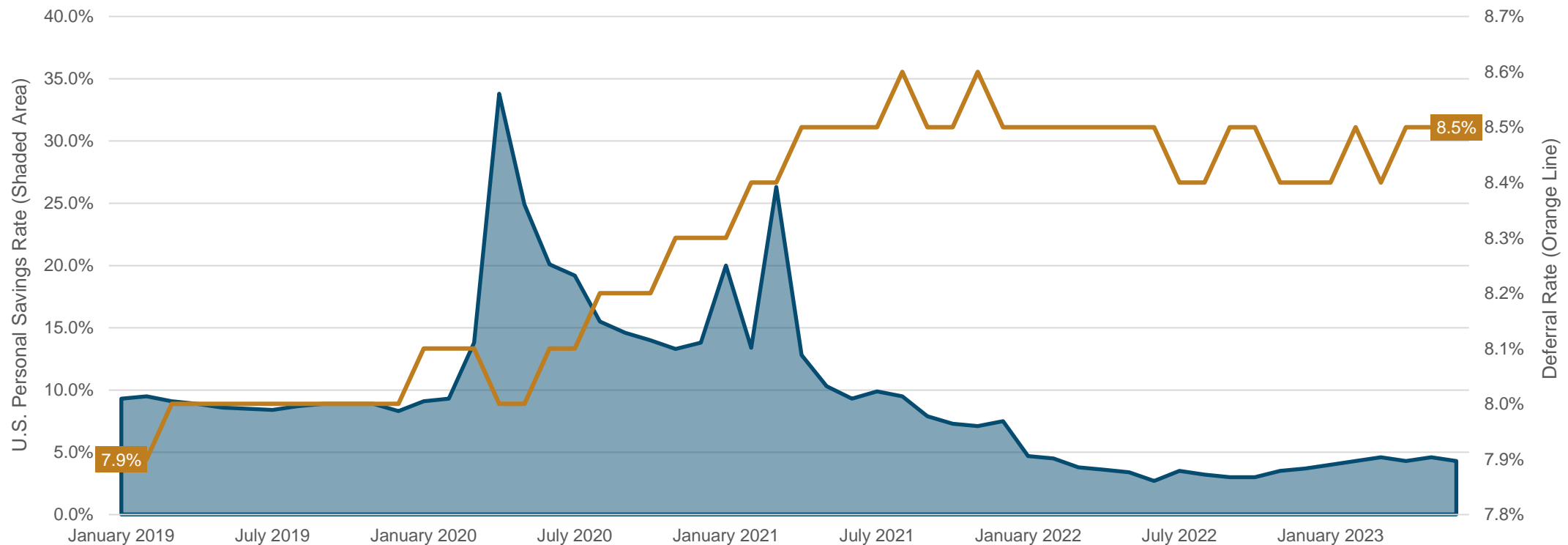


PERSONAL SAVINGS RATE VERSUS DEFERRAL RATE

Personal savings reached a low of 2.7% in Q3 2022 and gradually increased to 4.3% in Q2 2023. Despite the low rate of personal savings, participants mostly stayed the course with retirement savings.

U.S. Personal Savings Rate vs. Deferral Rate

■ U.S. Personal Savings Rate — T. Rowe Price Deferral Rate



Deferral rate includes all sources (pretax, after-tax, and Roth sources).
Source: U.S. Bureau of Economic Analysis.

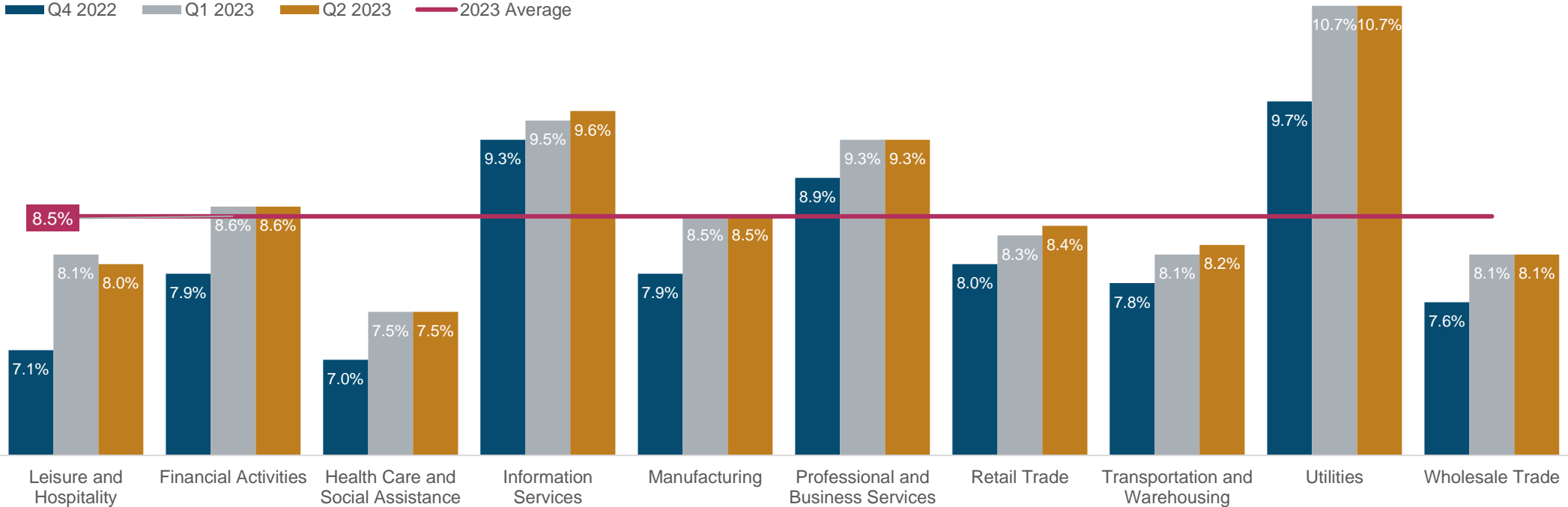


DEFERRAL RATE BY INDUSTRY

Deferral rates increased across all industries at the beginning of 2023.

Deferral Rate by Industry

■ Q4 2022 ■ Q1 2023 ■ Q2 2023 — 2023 Average

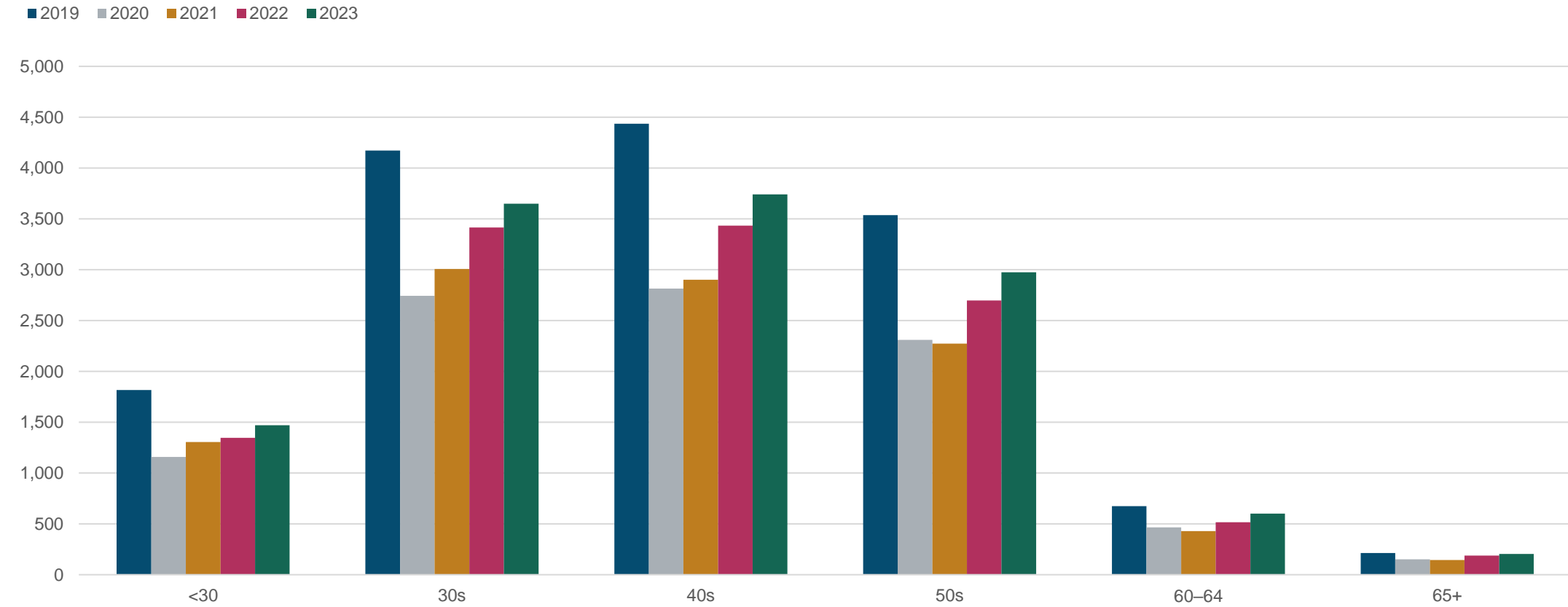




LOAN USAGE

Loans are on the rise after a decrease at the beginning of the pandemic, which was caused in part because of the availability of Coronavirus-Related Distributions under the CARES Act.

Average Count of Loans per Month by Age Segment

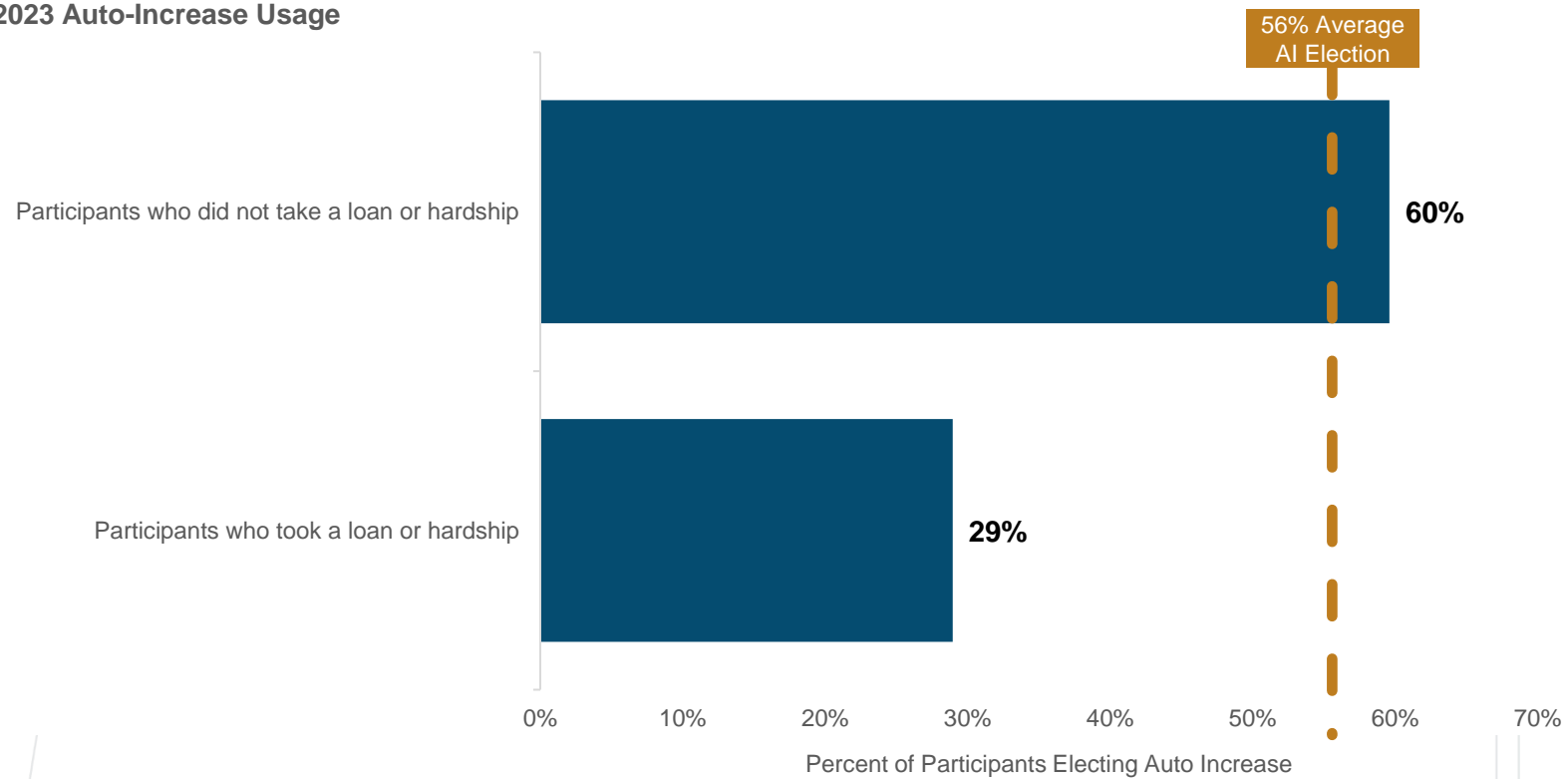


2023
+12%
35%
12.2
35.6
12.2

AUTO-INCREASE PARTICIPATION VERSUS LOAN/WITHDRAWAL OPTIONS

Participants who take loans or hardship withdrawals are less likely to use the auto-increase service, which automatically increases deferral rates each year.

2023 Auto-Increase Usage



2x

less likely to use the auto-increase service when taking a loan or a hardship

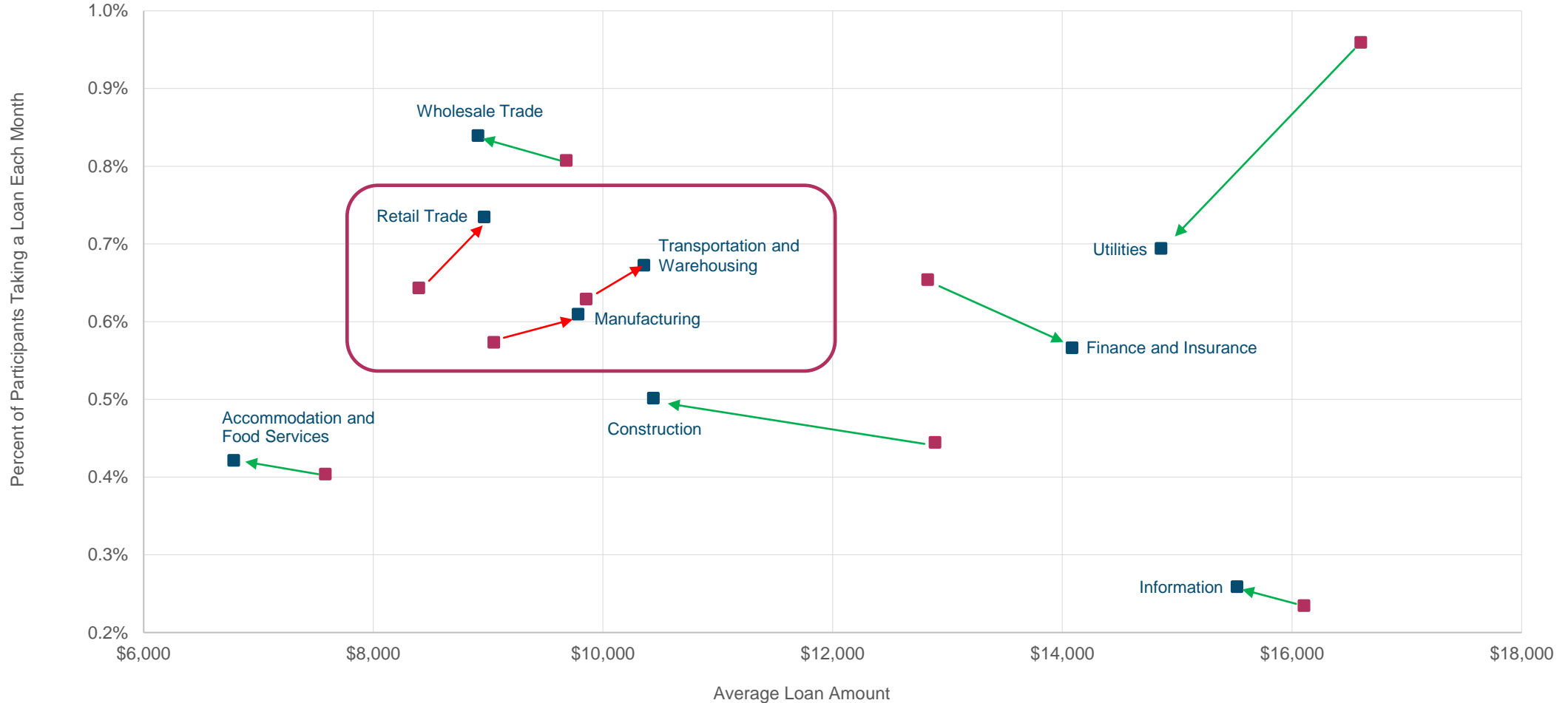
Auto-increase (AI) data include all participants who use the savings feature voluntarily or through automatic enrollment.



LOANS BY INDUSTRY

The Retail, Manufacturing, and Transportation and Warehousing industries have seen an increase in the percentage of participants taking loans each month and the amount of loans taken from 2022 to 2023.

■ 2023 Loans ■ 2022 Loans

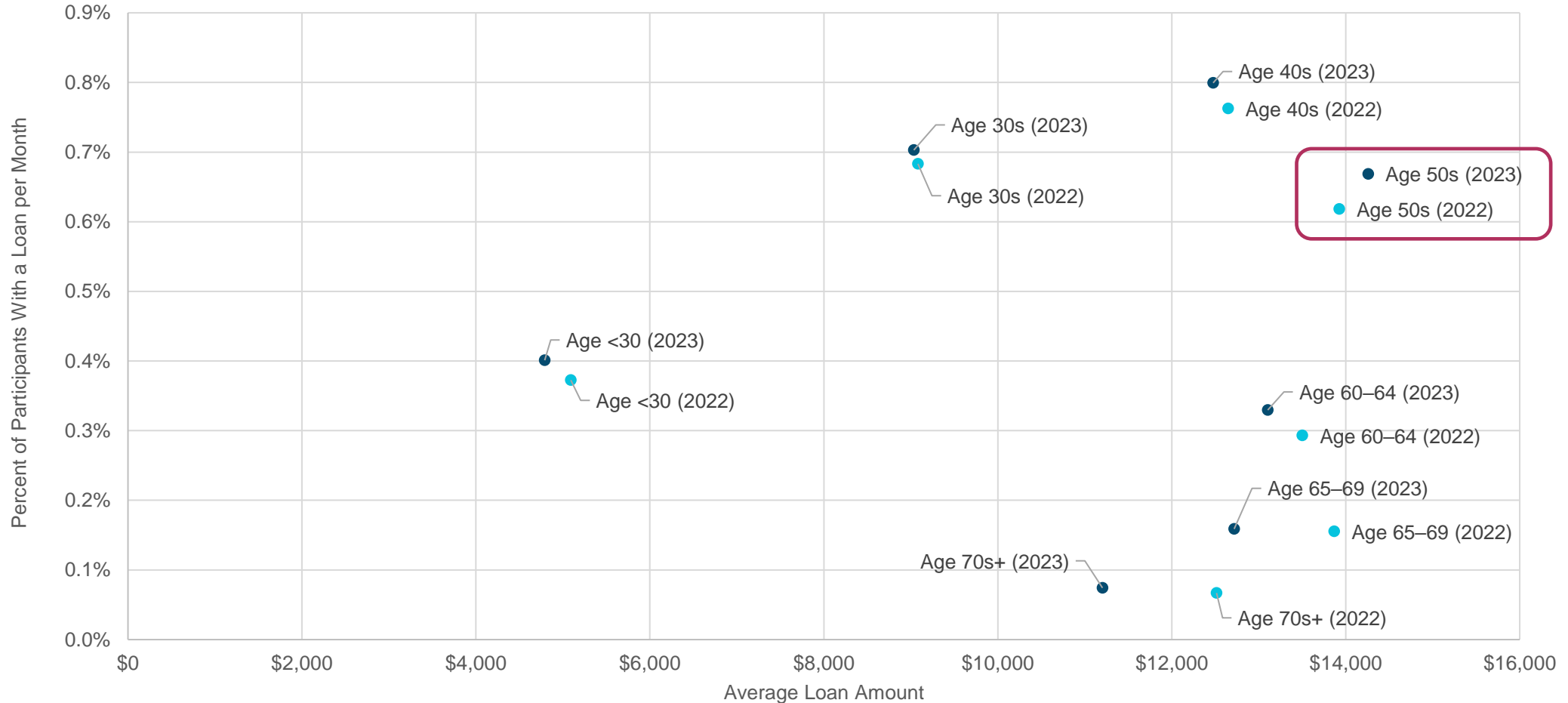


LOANS BY AGE

While the percentage of participants taking loans increased in all age groups, average loan amounts increased from 2022 to 2023 only among participants age 50–59, who also hold the highest loan balances.



● 2023 Loans ● 2022 Loans



DEFAULTING ON LOANS

Participants who take smaller loans, especially those in younger age groups, have the highest default rate.

Age Segment	Loan Size and Default Percentage			
	<\$5K	<\$10K	<\$20K	\$20K+
<30	10%	2%	1%	0%
30s	19%	6%	4%	2%
40s	13%	5%	5%	4%
50s	8%	4%	3%	4%
60–64	2%	1%	1%	1%
65–69	1%	0%	1%	1%
70s+	0%	0%	0%	0%

Data are for the first half of 2023.

PREPARING FOR RETIREMENT

IN THIS SECTION:

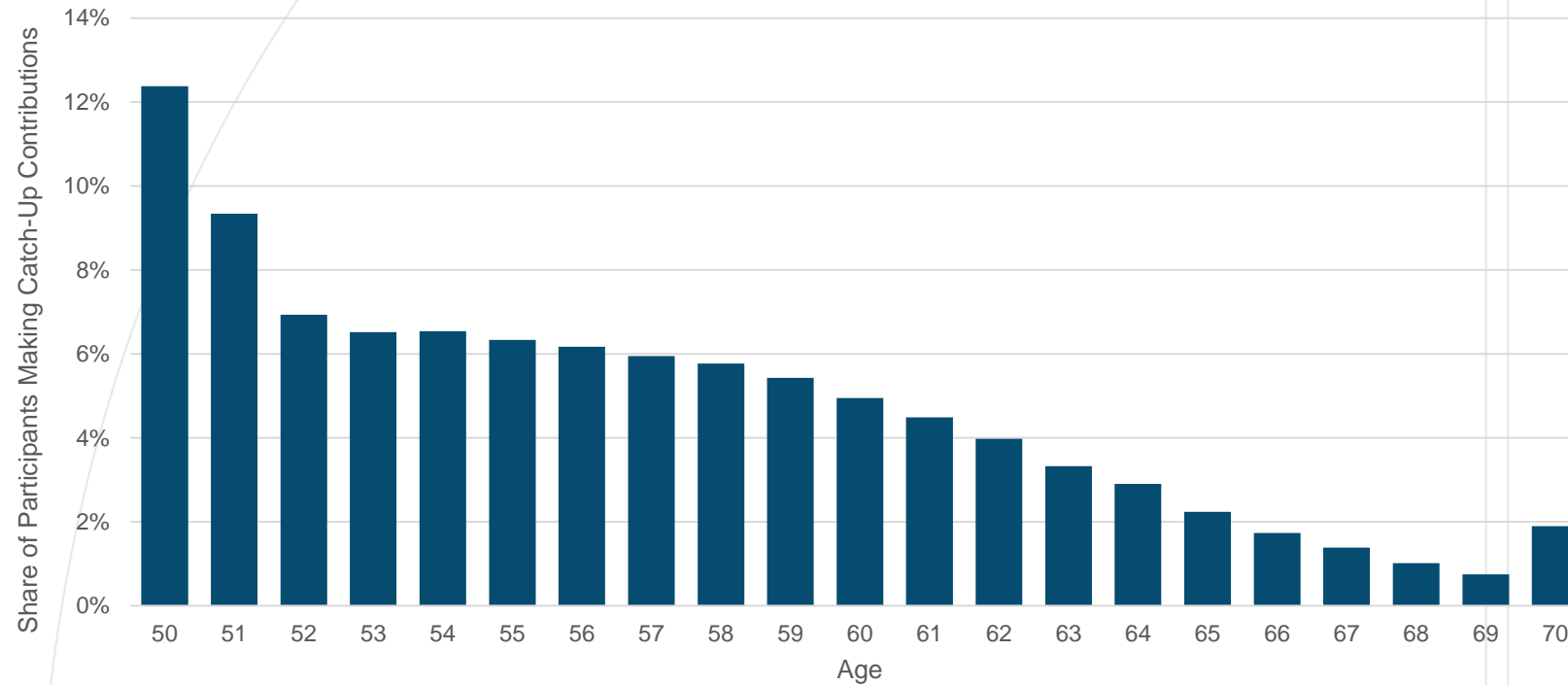
- Catch-up contributions
- Distributions



HISTORICAL AGE FOR FIRST CATCH-UP CONTRIBUTIONS

Over the past 12 months, 15% of qualified participants made a catch-up contribution. Participants who start making catch-up contributions when they're eligible at age 50 have average savings three times higher than the average 50-year-old. (\$481k compared with \$149k).

Age at First Catch-Up Contribution



Catch-up contribution data from January 2010 through July 2023.

56

is the average age of participants when they make their first catch-up contribution

<13%

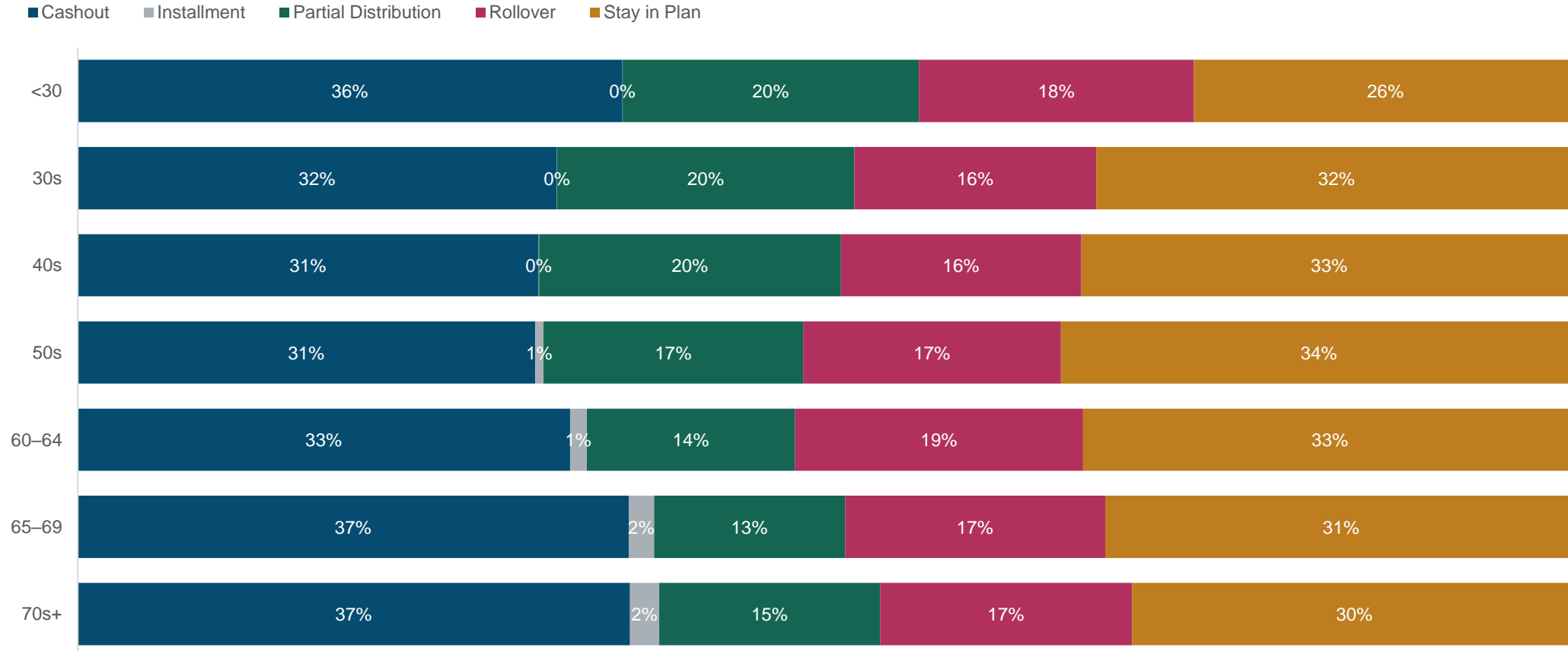
of participants start making catch-up contributions when they are eligible at age 50

2023
+12%
35%
12.2
35.6
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DISTRIBUTIONS BY TERMINATED PARTICIPANTS, BY AGE

The breakdown of distribution types is generally consistent across all age groups.

Distribution Types by Share of Participants and Age



Data from January 2020 through June 2023. Cashout and rollover percentages include those distributed automatically as small balance distributions.

DISTRIBUTIONS BY TERMINATED PARTICIPANTS AGE 65+

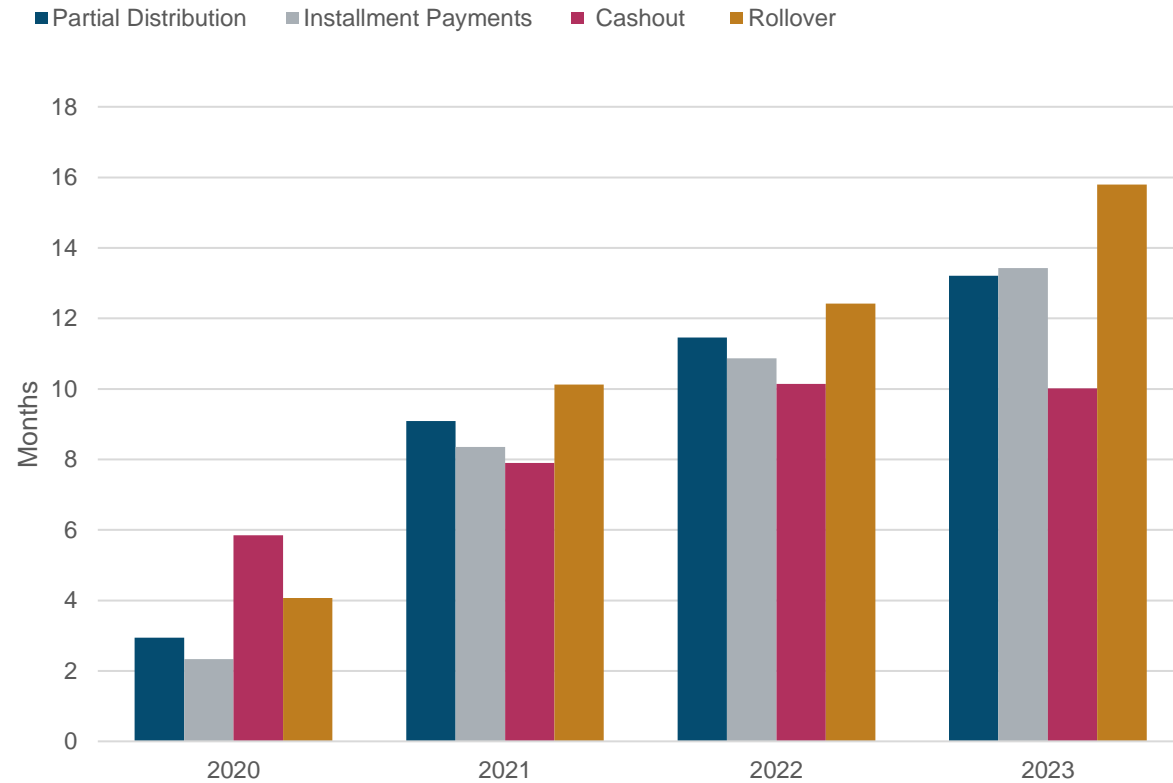
Participants who cash out tend to do so within eight months of terminating. Participants who terminated in 2020 during the pandemic took distributions faster after termination. Since then, people have not acted as quickly.



Participants 65+ and Terminated



Average Months After Termination to Take Action



Not all plans offer all distribution types. Total does not equal 100% due to rounding.

PARTICIPANT ENGAGEMENT

IN THIS SECTION:

- Contact reasons
- SmartVideo trends
- Financial Wellness Assessment trends



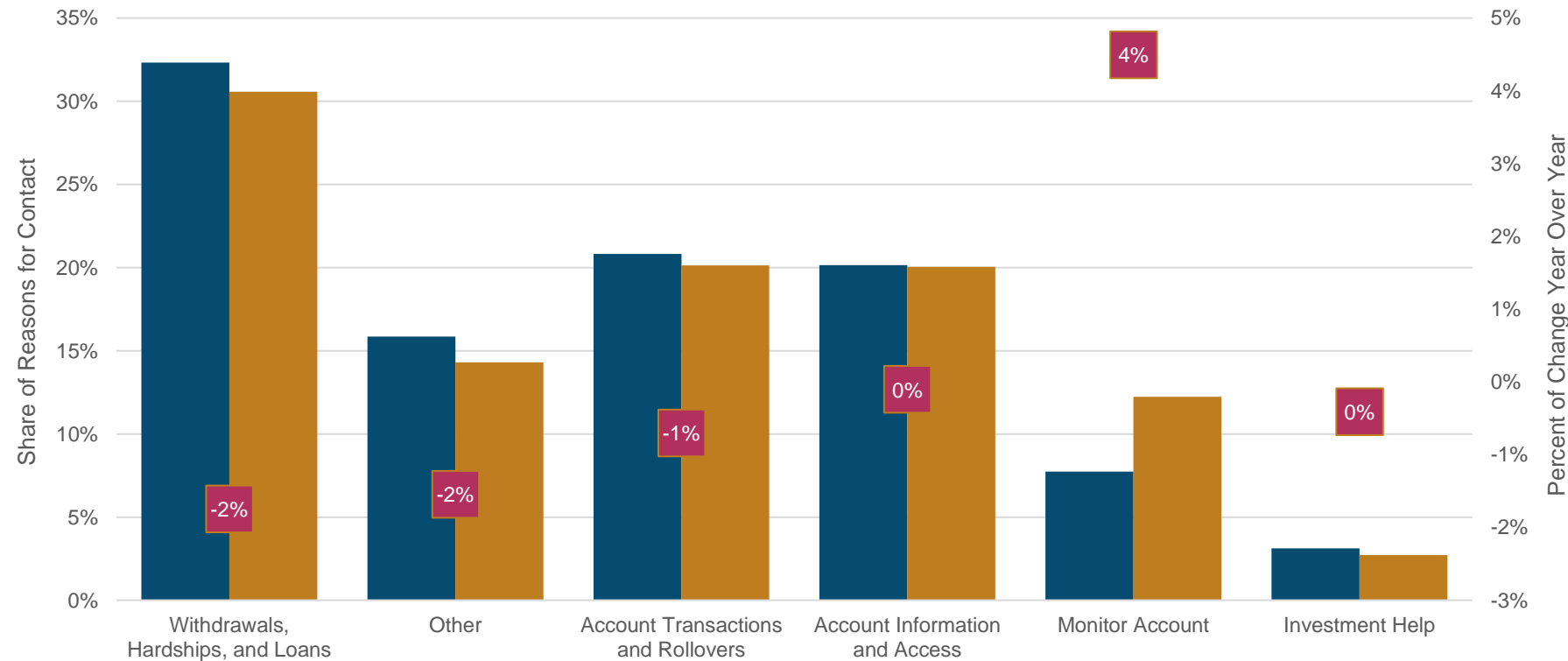
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35%
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REASON FOR CONTACT

The top two reasons participants contact T. Rowe Price are to obtain and update information (e.g., updating beneficiary elections) and to make a withdrawal.

Reasons for Contact

■ 2022 ■ 2023 ■ Change



4%

increase in participants monitoring their accounts

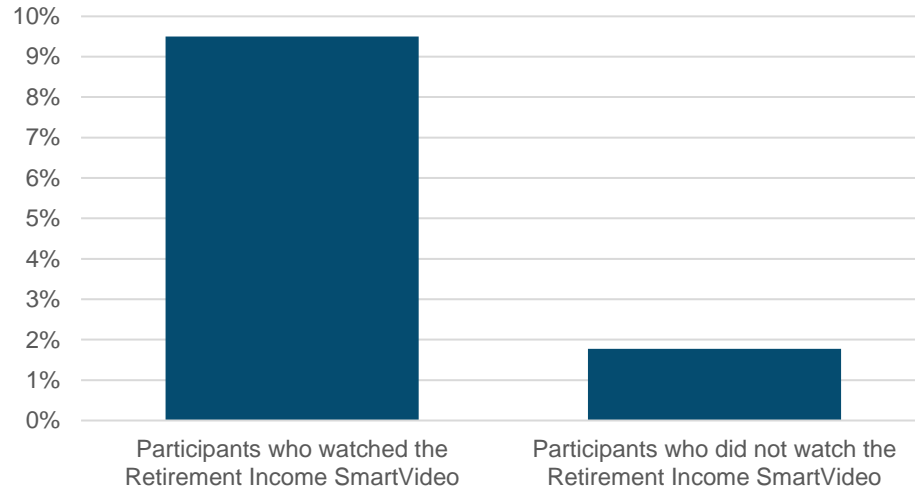
Data from Participant Interaction Survey, 2021–2022 (n = >14,000 responses per half). All T. Rowe Price plans.



SMARTVIDEO TRENDS

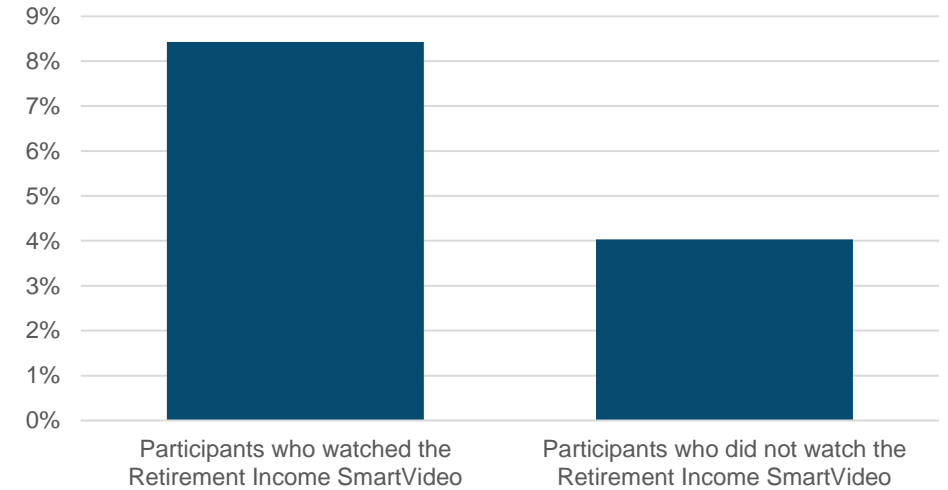
Viewers of SmartVideo are more likely to take positive actions. SmartVideos are personalized videos that deliver education and calls to action customized for each participant based on real-time data.

Visit the Planning Resource Page



5x more likely to visit Planning Resource page after watching the SmartVideo

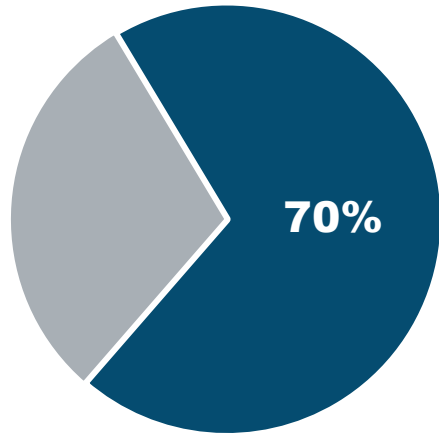
Increase Deferral Rate



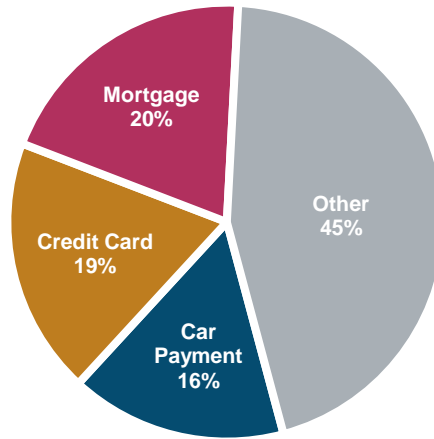
2x more likely to increase their deferral rate after watching the SmartVideo

Results based on views from January 2023 through May 2023. SmartVideo average monthly audience n >11,000, control audience n >300,000. All T. Rowe Price plans.

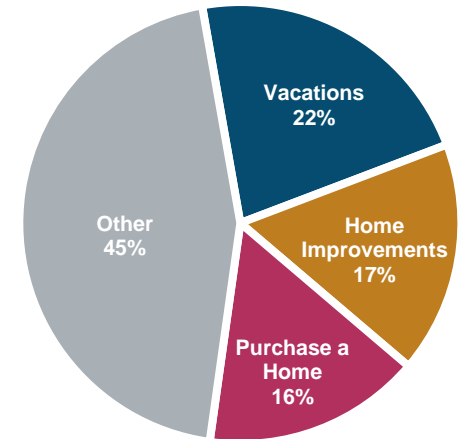
PARTICIPANT INSIGHT FROM FINANCIAL WELLNESS ASSESSMENT



of participants say that they have not saved six months' worth of expenses for an emergency, and 46% say that they have <\$1,000 saved for unexpected expenses



Mortgage, credit card, and car payments are the top three reasons that people report an inability to save




Beyond saving for emergencies, the top three savings goals individuals report are vacations, home improvements, and new home purchase

Data collected from the Financial Wellness Assessment, January–June 2023. All T. Rowe Price plans.



DIGITAL ENGAGEMENT: SPECIFIC CONTENT

Participants who reported on the Financial Wellness Assessment that they had saved less than \$1,000 for an unexpected expense or less than six months' worth of expenses went on to read the following content.



Financial Wellness Blog

Getting the Most Out of Your Health Savings Account


A health savings account offers attractive tax benefits, whether you use it for current medical expenses or save it for retirement. Be sure to avoid the taxes...

May 10, 2021 | 3 minutes

25%

read this educational content after reporting low emergency savings

Achieving Financial Wellness: Aiming Toward Higher Targets




Next Step: View the next video in the series

[Next Video](#)

If you've already taken the steps outlined in the previous videos in the series to build your foundation by setting up an emergency fund, establishing a budget, saving in your employer's retirement plan, and paying down debt, it's time to start aiming for higher targets.

Achieving Financial Wellness: Boosting Your Saving Capacity



Next Step: View the next video in the series

[Next Video](#)

Lots of things can get in the way of saving as much as you'd like to. But there's one major obstacle on the road to achieving financial wellness: debt.

2x

more likely to consume this content than other visitors to the Education Library

All T. Rowe Price plans.

ACTIONS FOR PLAN SPONSORS





ACTIONS FOR PLAN SPONSORS

Plan design continues to provide the strongest foundation for supporting participants' long-term savings goals and financial health, especially during periods of economic uncertainty.

? QUESTIONS TO CONSIDER

Do participant loan trends indicate any underlying financial wellness challenges?



What actions are preretirees and retirees taking, and is the plan set up to support them?



What opportunities does SECURE 2.0 present to help support participants?



POTENTIAL SOLUTIONS

- Foundational financial wellness education
- Assistance with student loan repayments
- In-plan or out-of-plan emergency savings solutions

- Plan design features for retirees
 - Advice and guidance
 - Income-generating investment solutions
 - Installments
- Communications focused on catch-up contributions

- Provisions that increase savings or coverage (such as participation incentives and student loan match)
- Provisions that allow plan sponsors to meet participant needs (such as disaster distributions)
- Provisions intended to reduce operational complexity (such as self-certification for hardship distributions)

T. Rowe Price Retirement Plan Services will continue to help retirement plan sponsors and their consultants or financial professionals manage risk and capture opportunities in periods of change.

For more information, please contact your T. Rowe Price representative, or visit us online at rps.troweprice.com.

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