

Reference Point

2024 Midyear Report



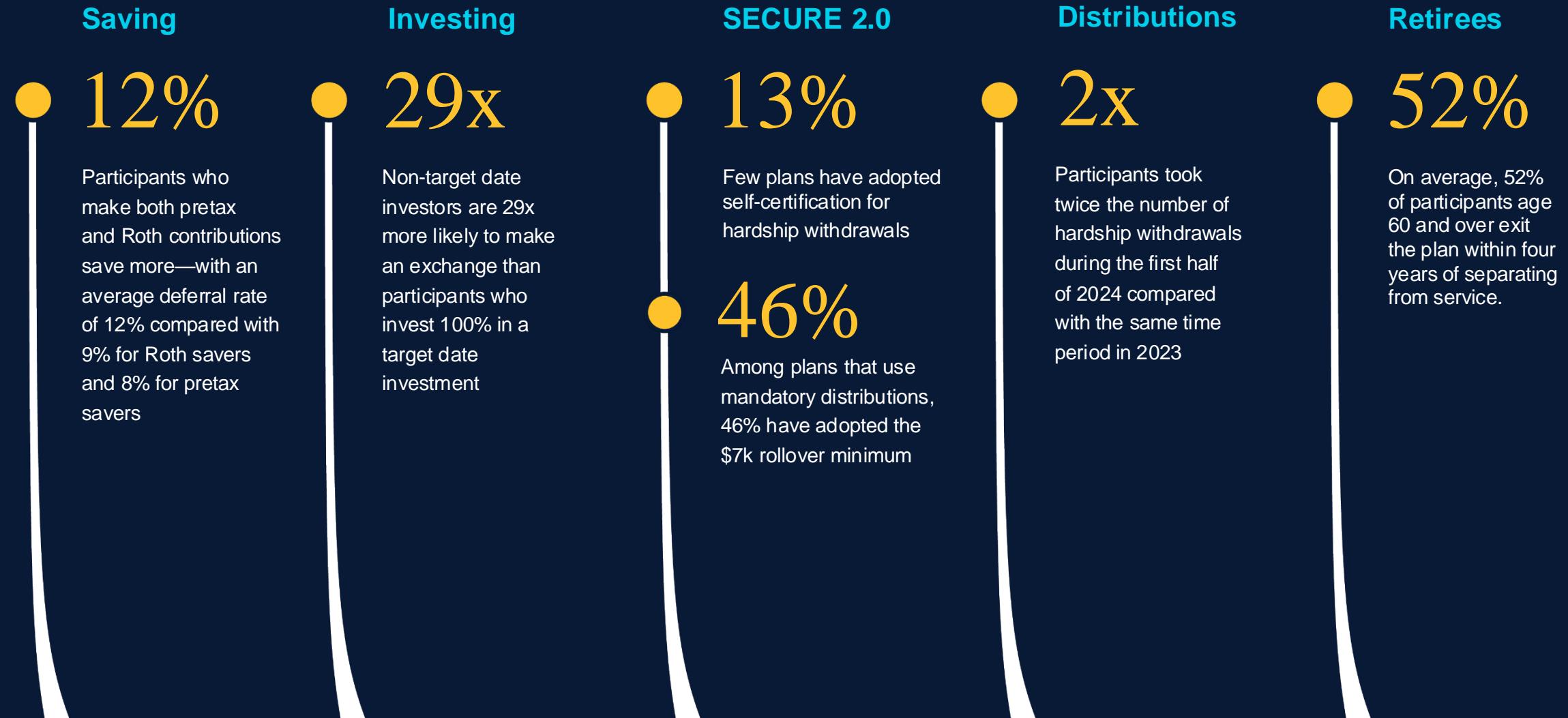
Data can inspire solutions

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Highlights



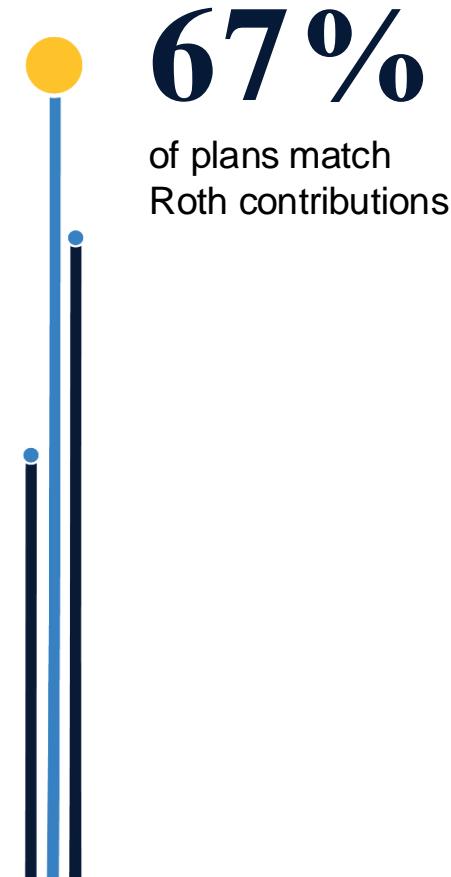
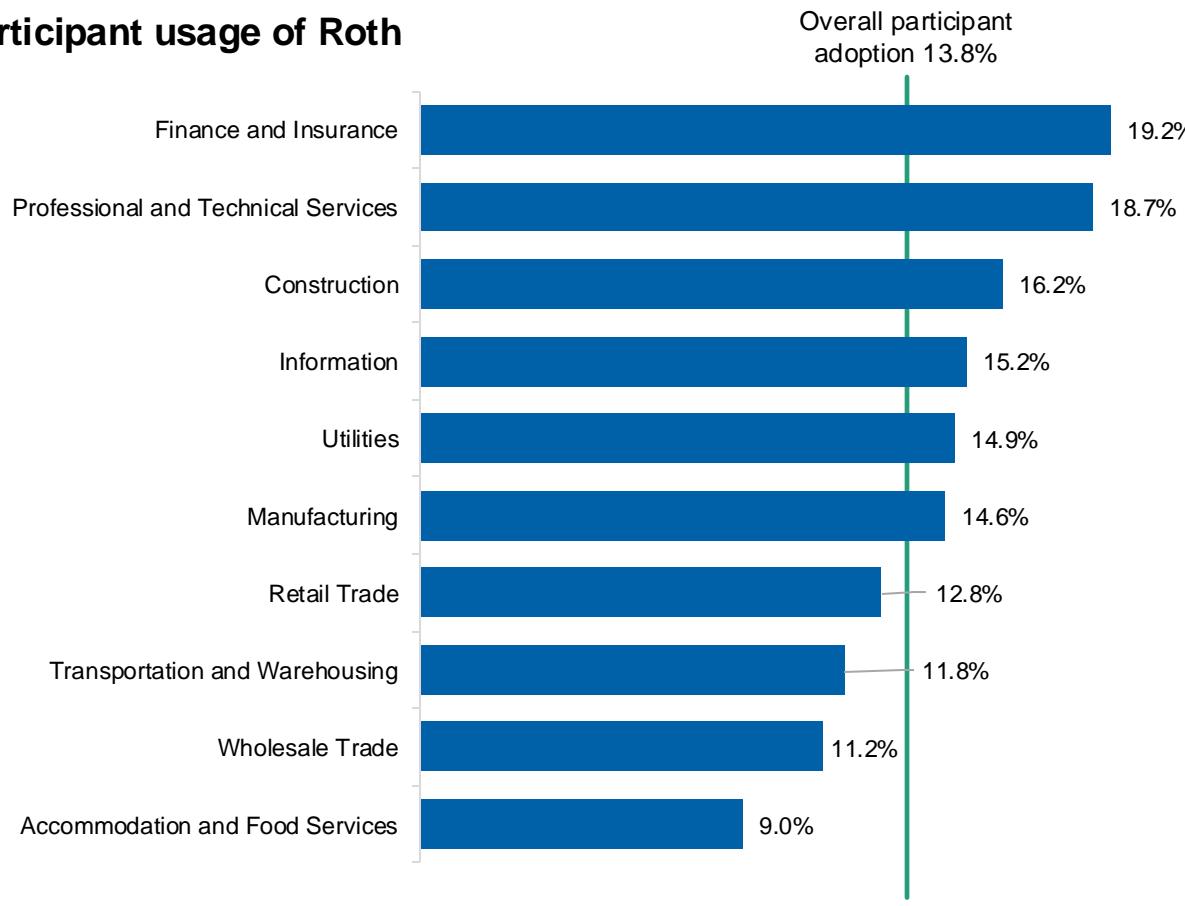
Saving and investing



Roth keeps climbing

Plan adoption of Roth continues to climb, with nearly all plans (>90%) offering Roth. Participant usage continues to increase steadily, as well, with nearly 20% usage among participants in the Finance and Insurance and Professional and Technical Services industries.

Participant usage of Roth

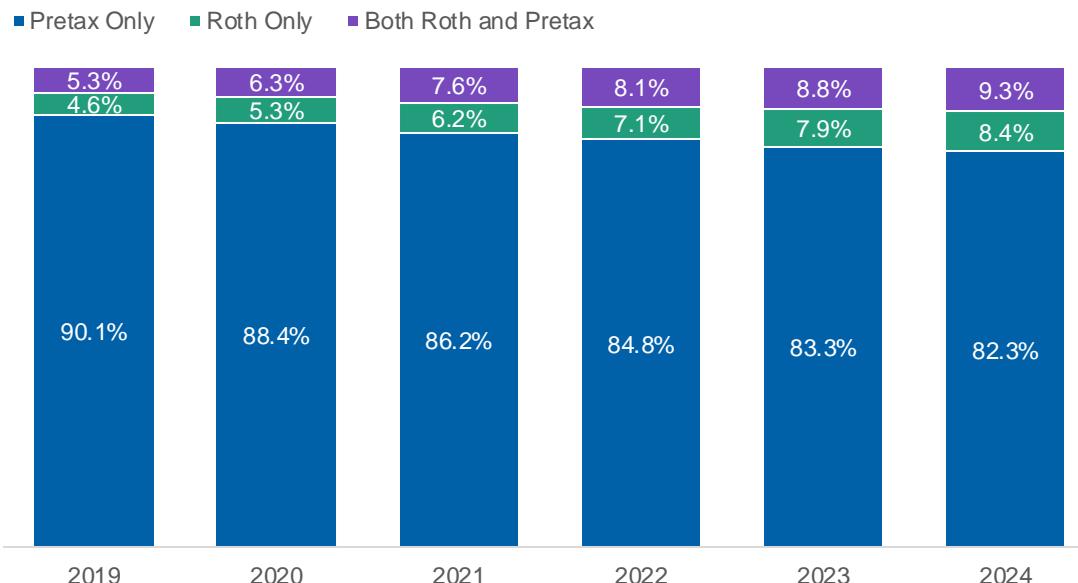


Source: T. Rowe Price Reference Point. Data are through 2023.

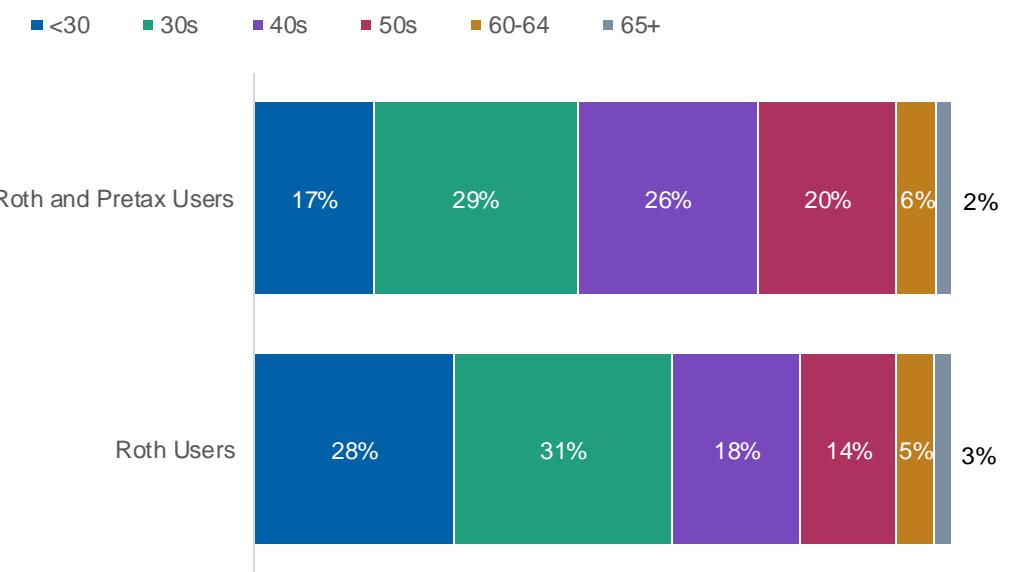
Pretax vs. Roth: Who's contributing what?

Participants are increasingly making both Roth and pretax contributions. Nearly 10% of participants now contribute to both sources. In general, participants under age 50 are more likely to make Roth contributions.

Participant contribution elections



Roth users by age in 2024

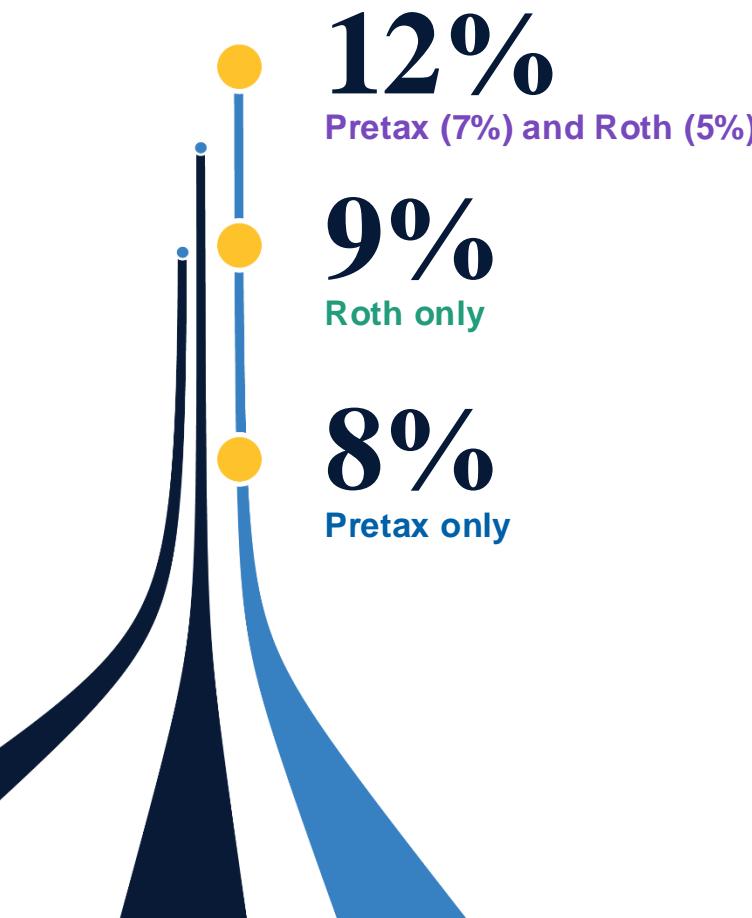


2024 data are for the first six months of the year (January through June).
Numbers are rounded and may not equal 100%.

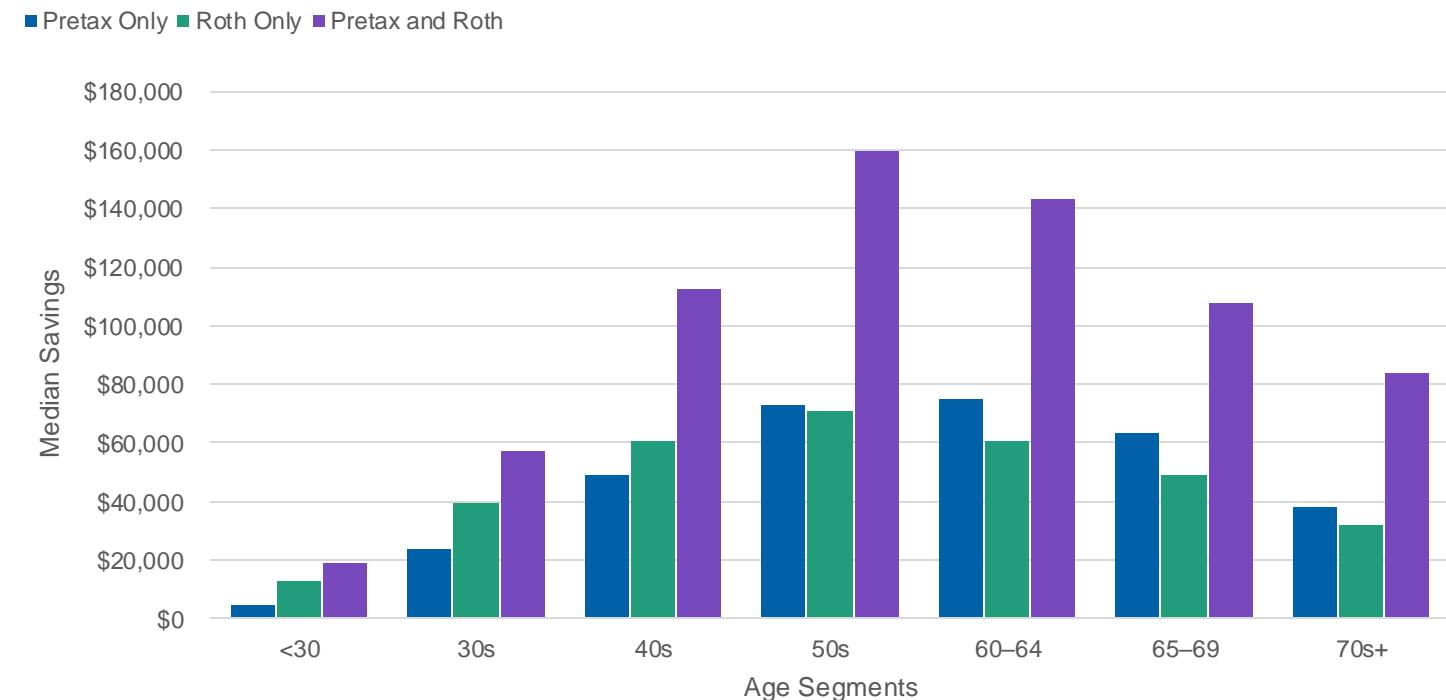
Roth: A boost to median account balances?

Participants who make both pretax and Roth contributions are generally saving more and have higher account balances. This trend could indicate that participants who understand the benefits of tax diversification and saving are more likely to take advantage of their plan's contribution options.

Breaking down average deferrals



Median savings based on contribution types

**2X**

Participants who make both Roth and pretax contributions have a median savings almost 2x higher than participants who make just one type

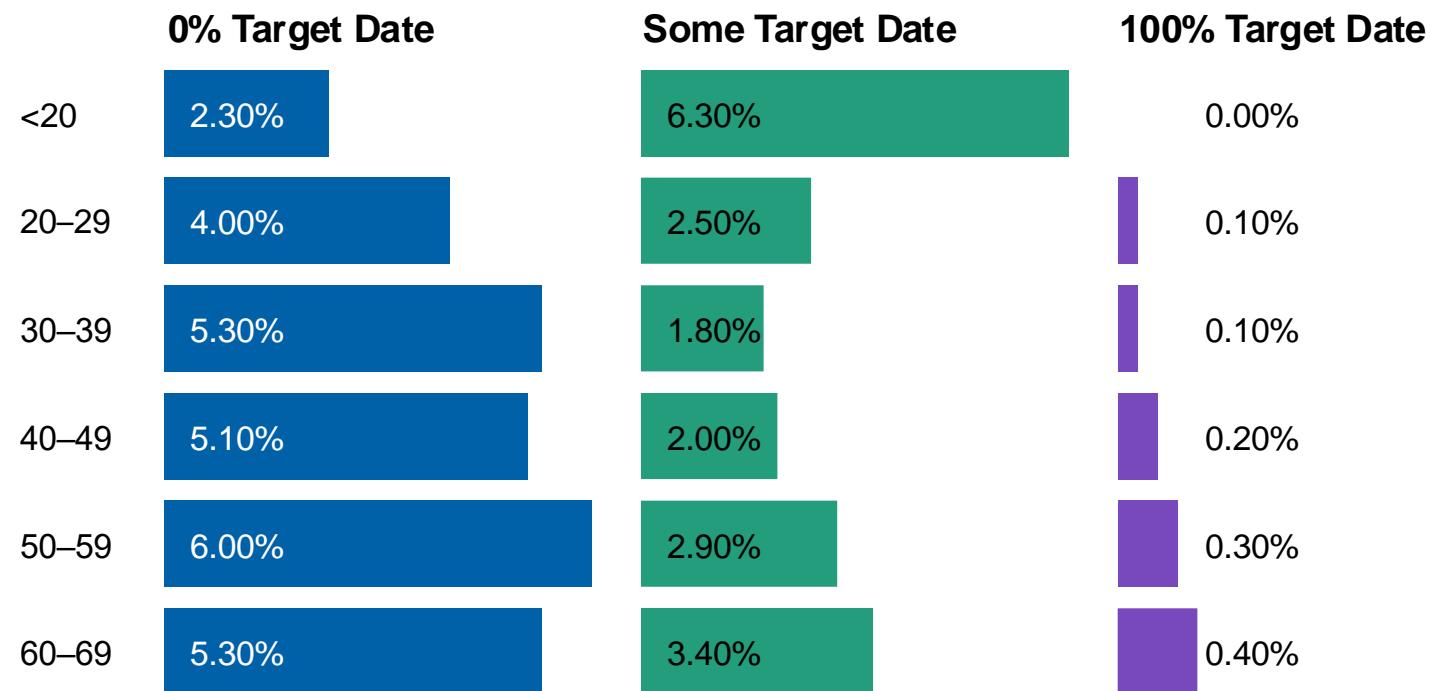
Data are as of June 30, 2024.

With target date, exchanges are sparse (as designed)

Exchange rates continue to remain lowest among participants who invest 100% in a target date investment, even among older participants.

Participants who do not invest in a target date investment are

29X
more likely to make an exchange than participants who invest 100% in a target date investment

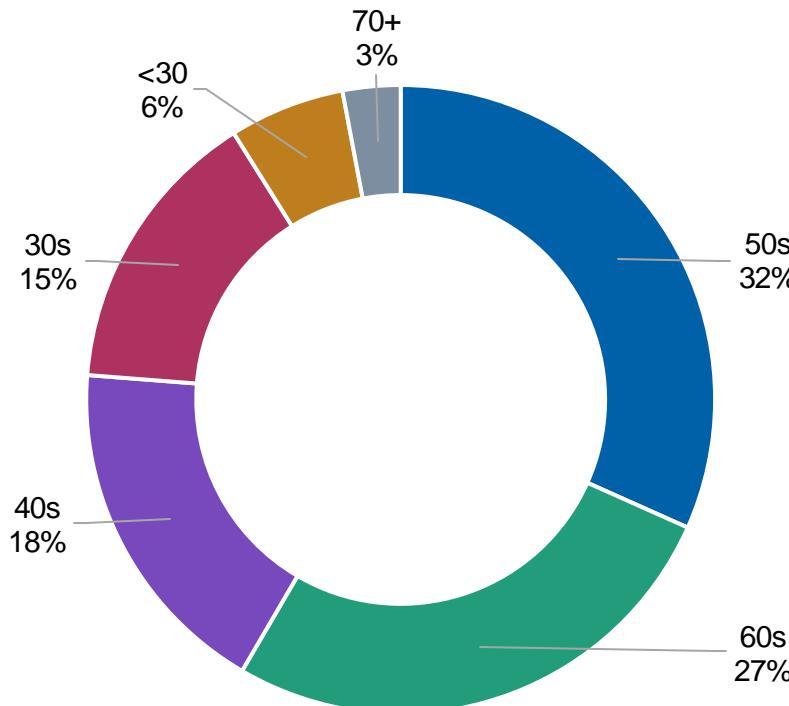


Data are for the second quarter of 2024 (April through June).

Advice services may contribute to better outcomes

While just 16% of plans offer advice services, participants who have access to and take advantage of advice are experiencing better outcomes on average.

Web engagement with advice services by age



Better metrics for participants who use advice



13.5%

average deferral
in Q2 2024
compared with
7.9% overall
average



65

average
Confidence
Number® score
compared with
38.5 overall
average

Data are for the first six months of the year (January through June).
Numbers are rounded and may not equal 100%.

Education is consumed at all ages

Participants in all age groups are accessing education online through the Education Library, with the following content among the most popular in each age group.

30s and 40s

Investing | Retirement Savings by Age: What to Do With Your Portfolio in 2024

Financial wellness | Health Savings Accounts: Getting the Most Out of Your HSA

50s

Investing | Retirement Savings by Age: What to Do With Your Portfolio in 2024

Retirement planning | A Retirement Checklist by Life Stage

60s

Retirement planning | A Retirement Checklist by Life Stage

Saving for retirement | Preretirement Checklist: Steps to Help You Prepare

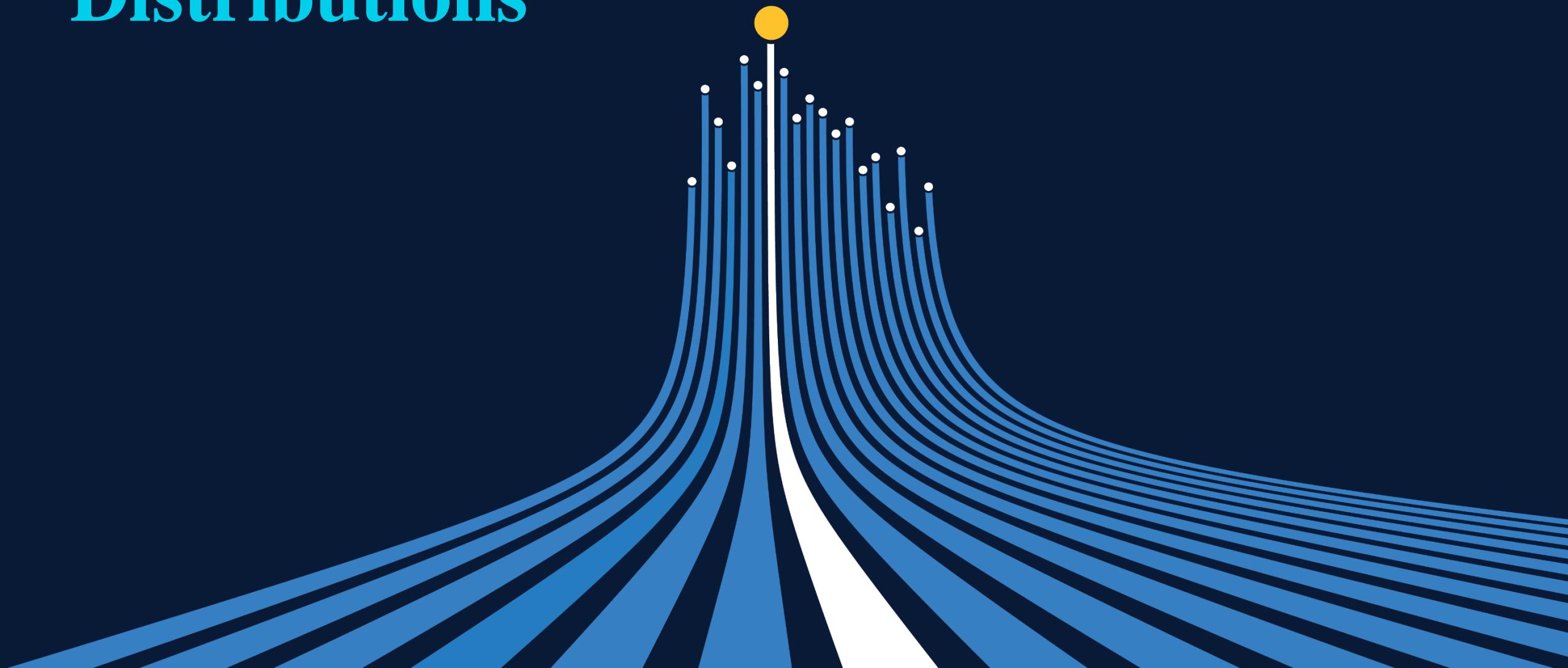
70s

Retirement planning | Five Important Things You Should Know About Required Minimum Distributions (RMDs)

Financial wellness | Research: Asian American Communities and Improving Retirement Outcomes

Data are for the first six months of the year (January through June).

Distributions

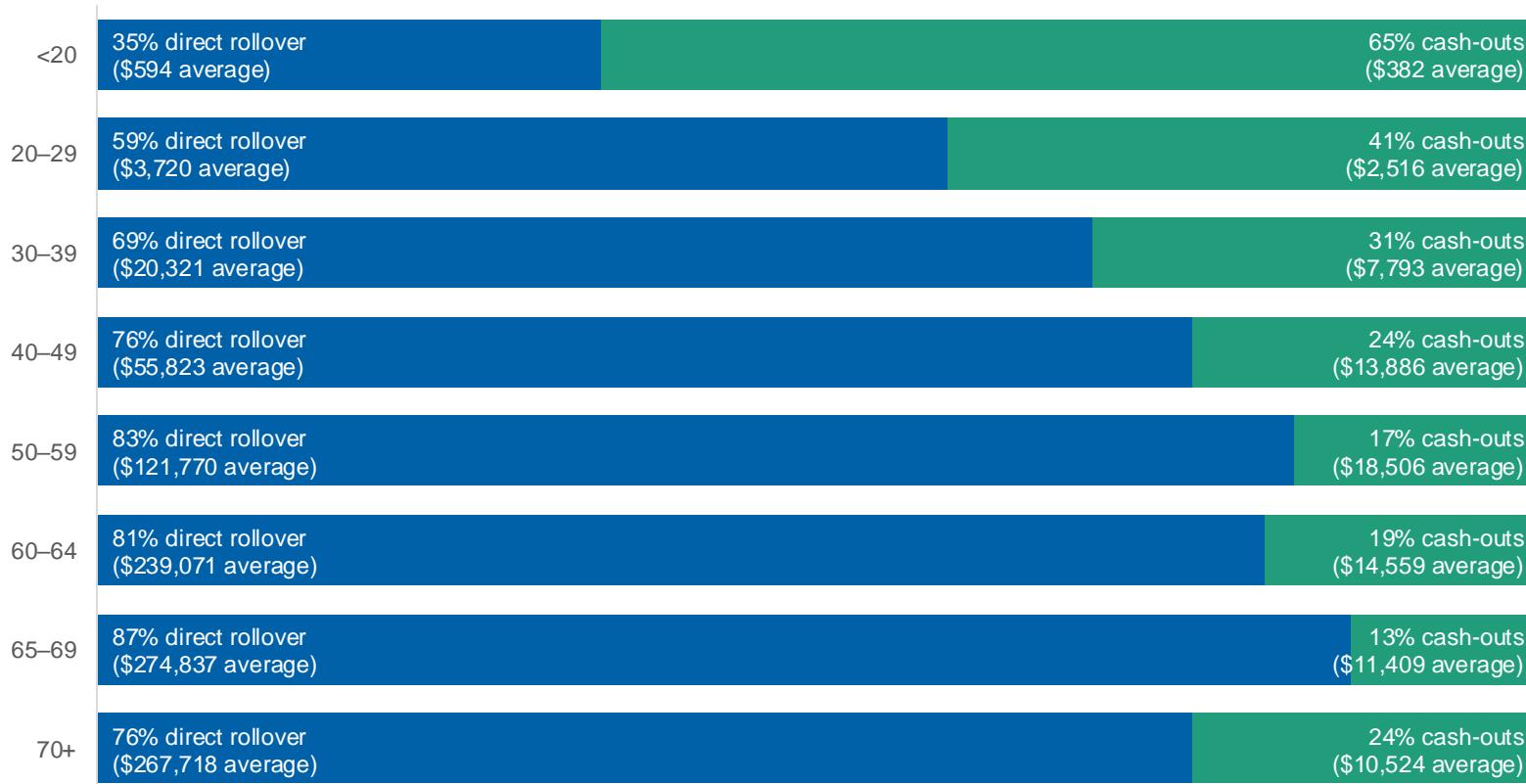


Do rollovers increase as age increases?

In general, younger participants are more likely to take cash distributions.

Rollover vs cash-out

■ Direct Rollovers ■ Cash-Outs



Source: T. Rowe Price Reference Point. Data are through 2023.



3X

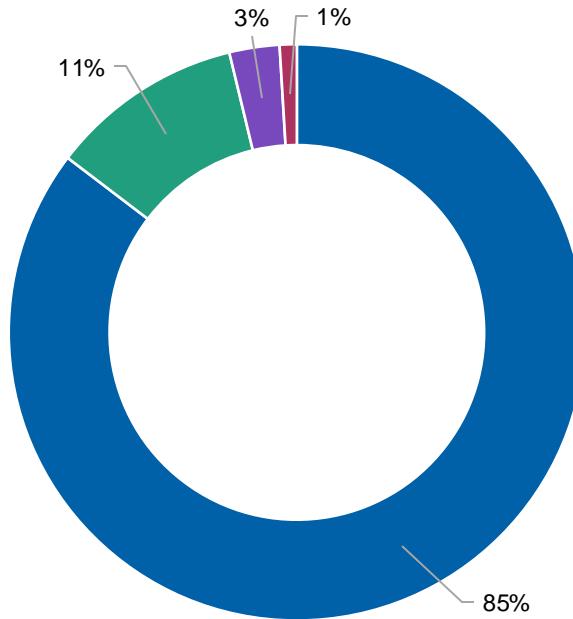
higher usage of the distribution calculator during the first half of 2024 compared with the first half of 2023

Installments: Who's taking them and how

Among terminated participants age 59½ and up, 11% are receiving installment payments.

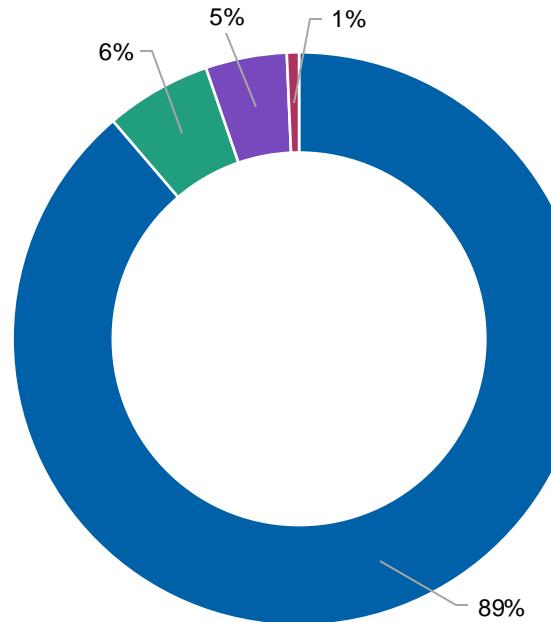
Installment payment frequency

■ Monthly ■ Annually ■ Quarterly ■ Semiannual



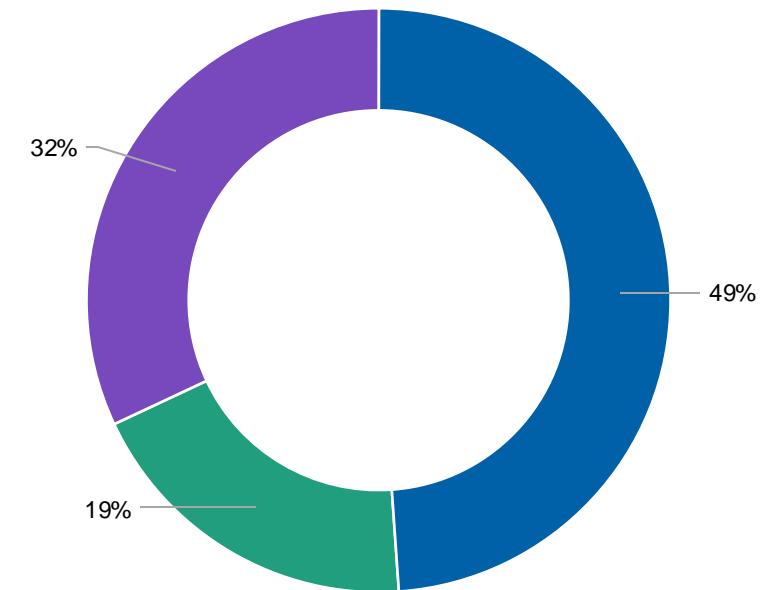
Installment type

■ Amount ■ RMD ■ Number of Payments ■ Other



Installment payment by age segment

■ 60–64 ■ 65–69 ■ 70+

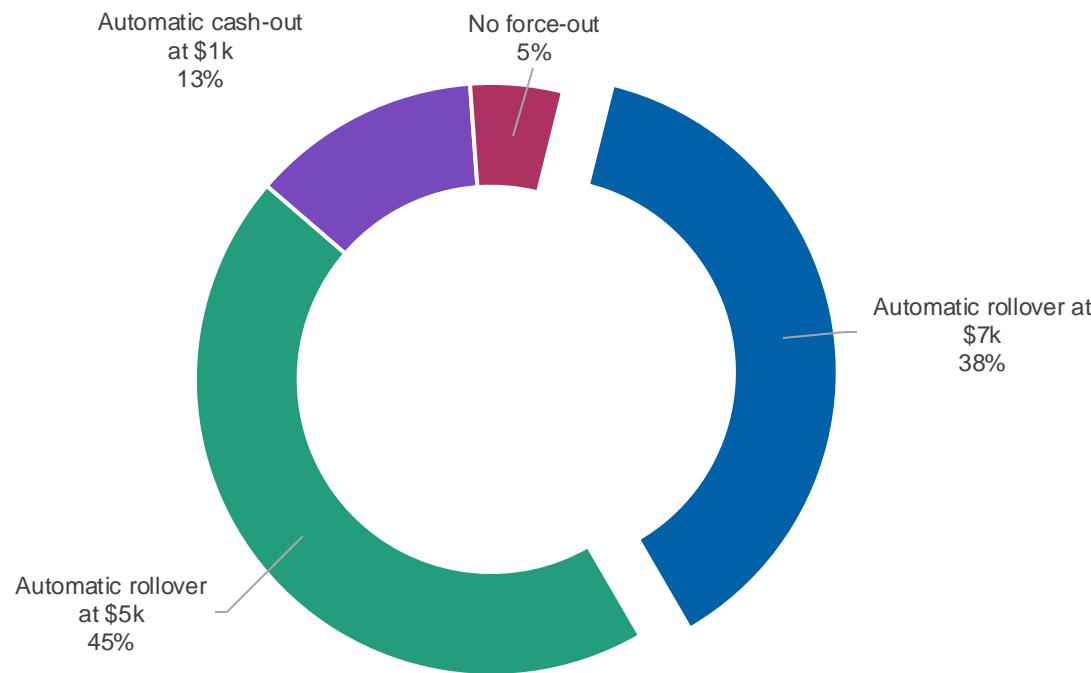


Data are for the previous 12 months (July 2023 through June 2024).
Numbers are rounded and may not equal 100%.

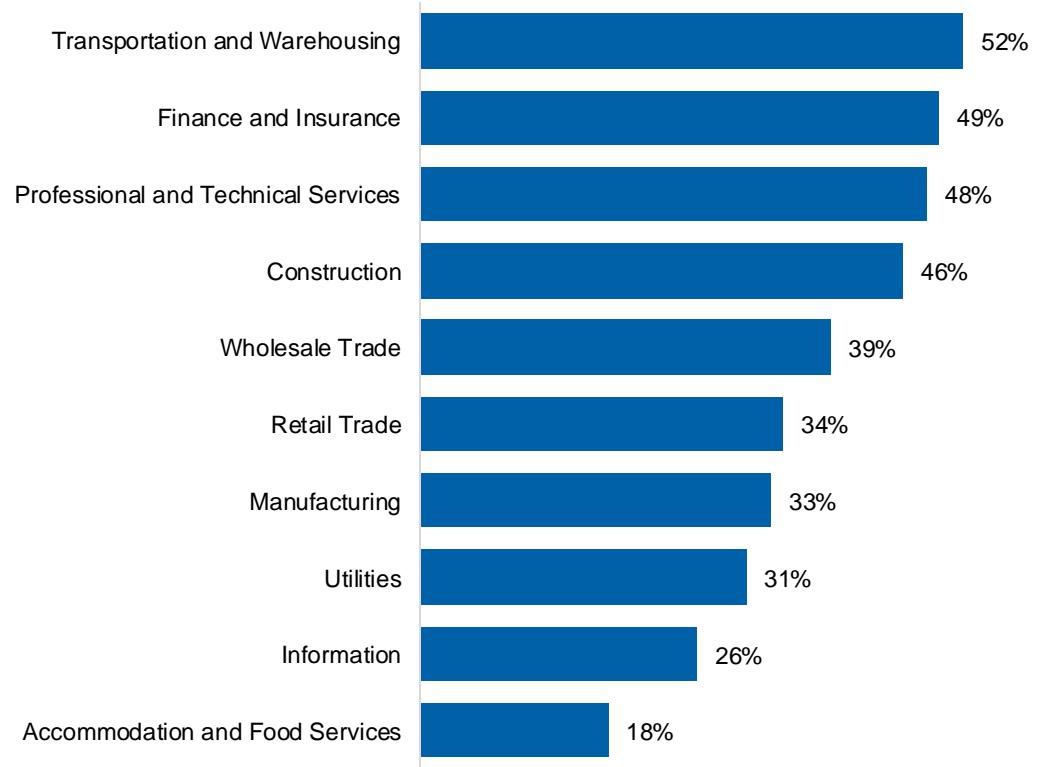
Mandatory distributions: Plans are increasing to the \$7k minimum

SECURE 2.0 permits plans that employ mandatory distributions to increase the cash-out minimum to \$7k. As of the end of June 2024, 46% of plans that use mandatory distributions have moved to the higher minimum (38% of total plans, including those without mandatory distributions).

Mandatory distribution elections



Adoption of \$7k cash-out minimum by industry

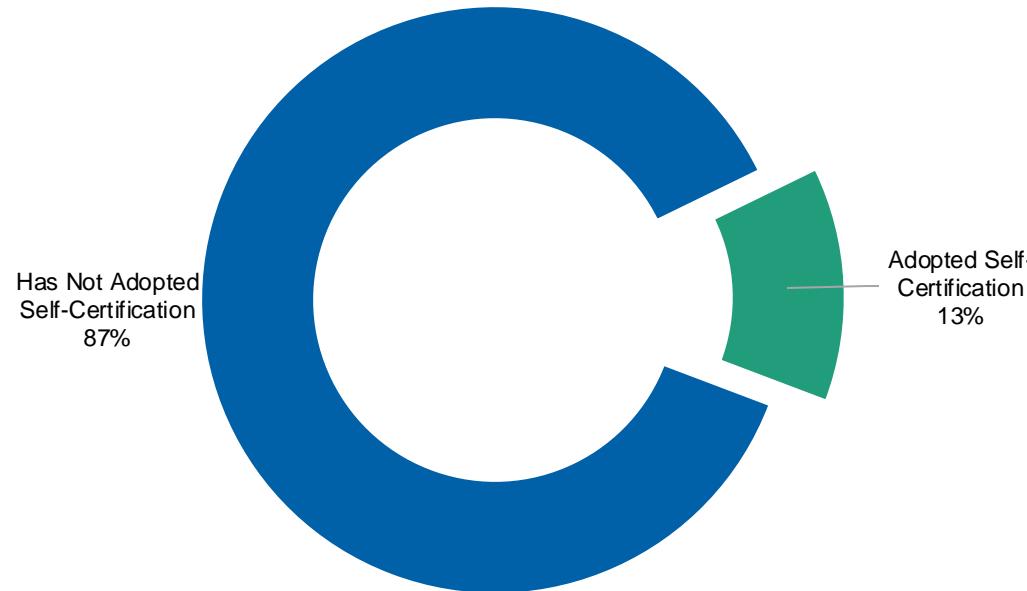


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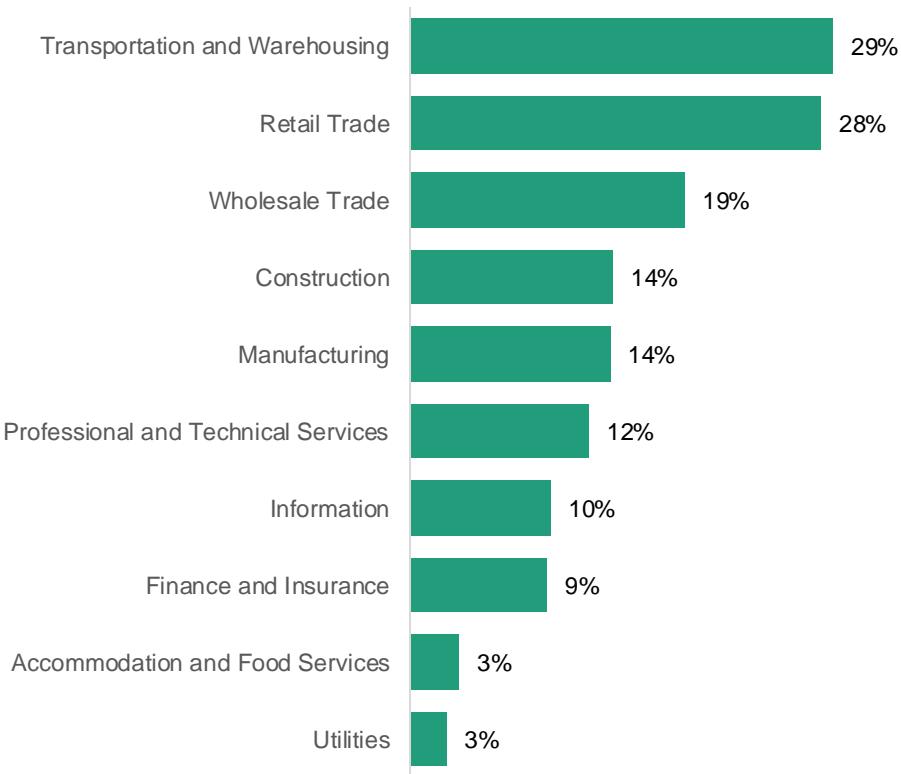
Few plans have opted for hardship self-certification

SECURE 2.0 includes an optional provision for hardship self-certification. Just 13% of plans offered hardship self-certification as of June 30, 2024, with adoption highest among plans in the Transportation and Warehousing (29%) and Retail Trade (28%) industries and lowest among plans in the Accommodation and Food Services (3%) and Utilities (3%) industries.

Plan adoption of self-certification



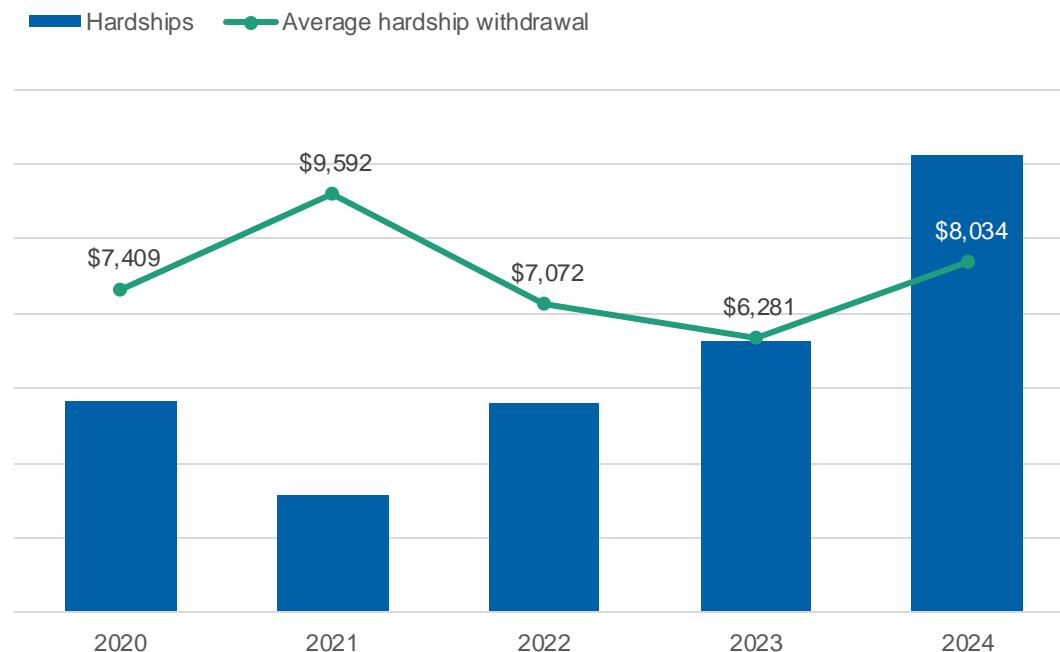
Hardship self-certification adoption by industry



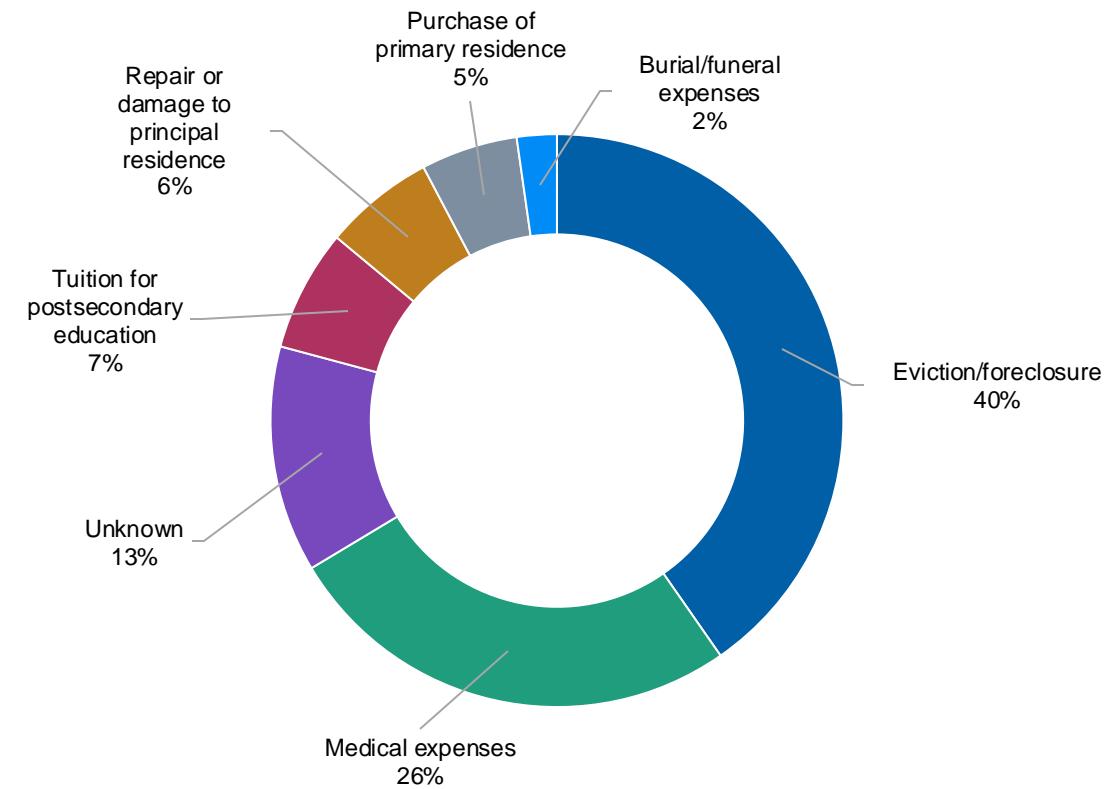
Hardship distributions on the rise?

Through the first six months of 2024, participants took twice as many hardship distributions than during the first six months of 2023. The top hardship reasons cited by participants were struggles with housing and health care expenses.

Hardship usage from 2020 through 2024



Hardship reasons in 2024



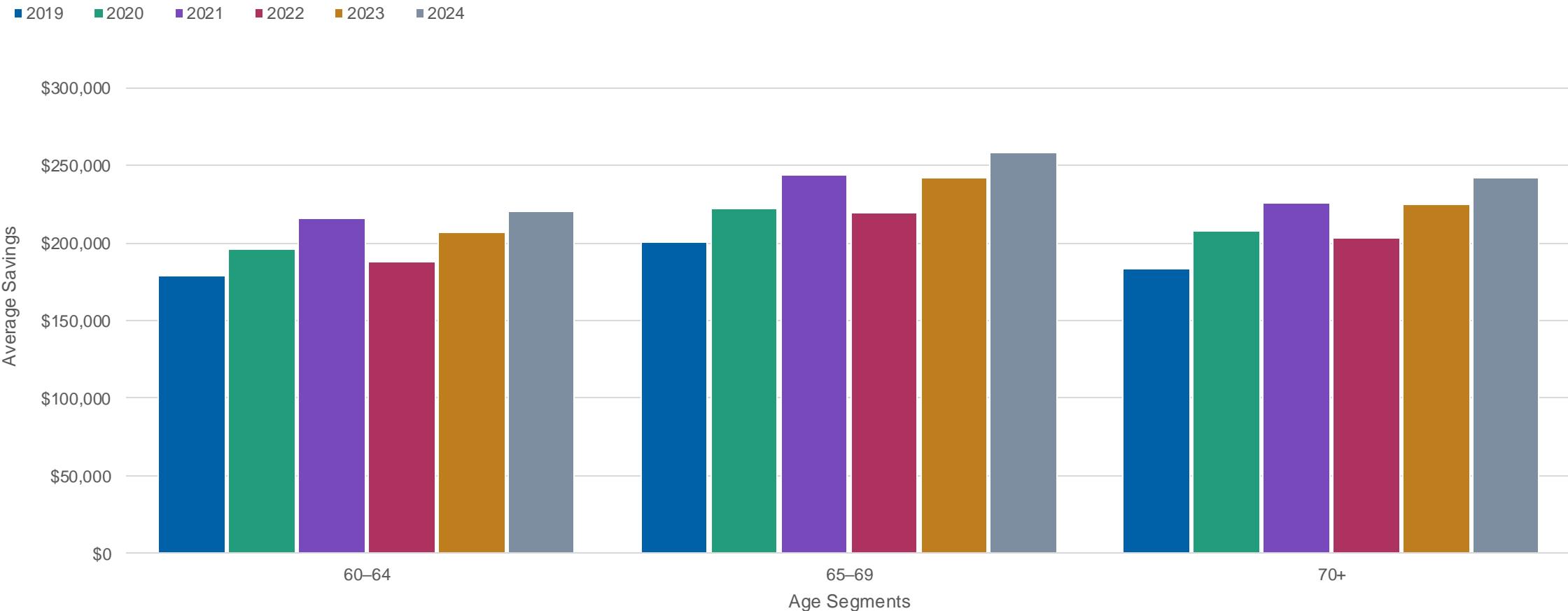
Data are from the first six months of each year.
Numbers are rounded and may not equal 100%.

Preretirees and retirees



Account balances rebounded from 2021—and kept growing

Average account balances for participants age 60 and over have increased since 2019 and recovered from losses in 2021 and 2022.

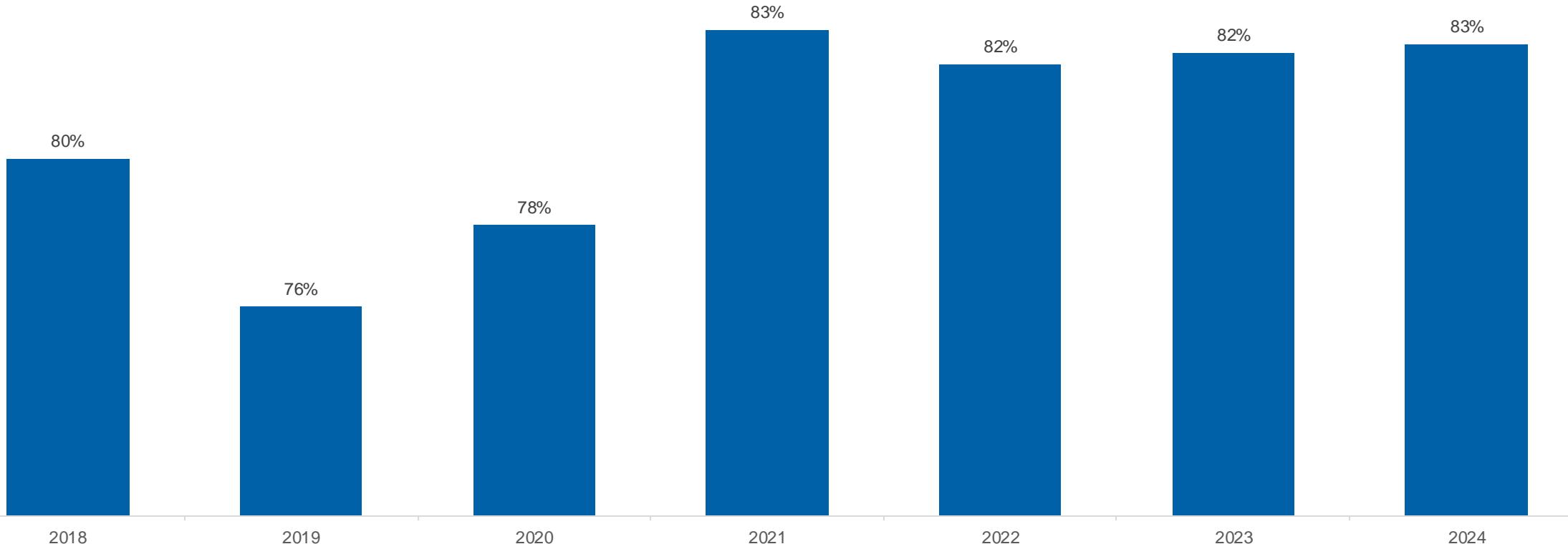


Terminated participants 60 or older. 2024 data are for the first six months of the year (January through June).

Before RMDs start: Which participants are withdrawing money?

Most terminated participants age 59½ through 72 (when RMDs begin*) are leaving money in the plan. This population could benefit from retirement income solutions to help them manage their savings.

Percentage of terminated participants age 59½–72 without a withdrawal in the past 12 months

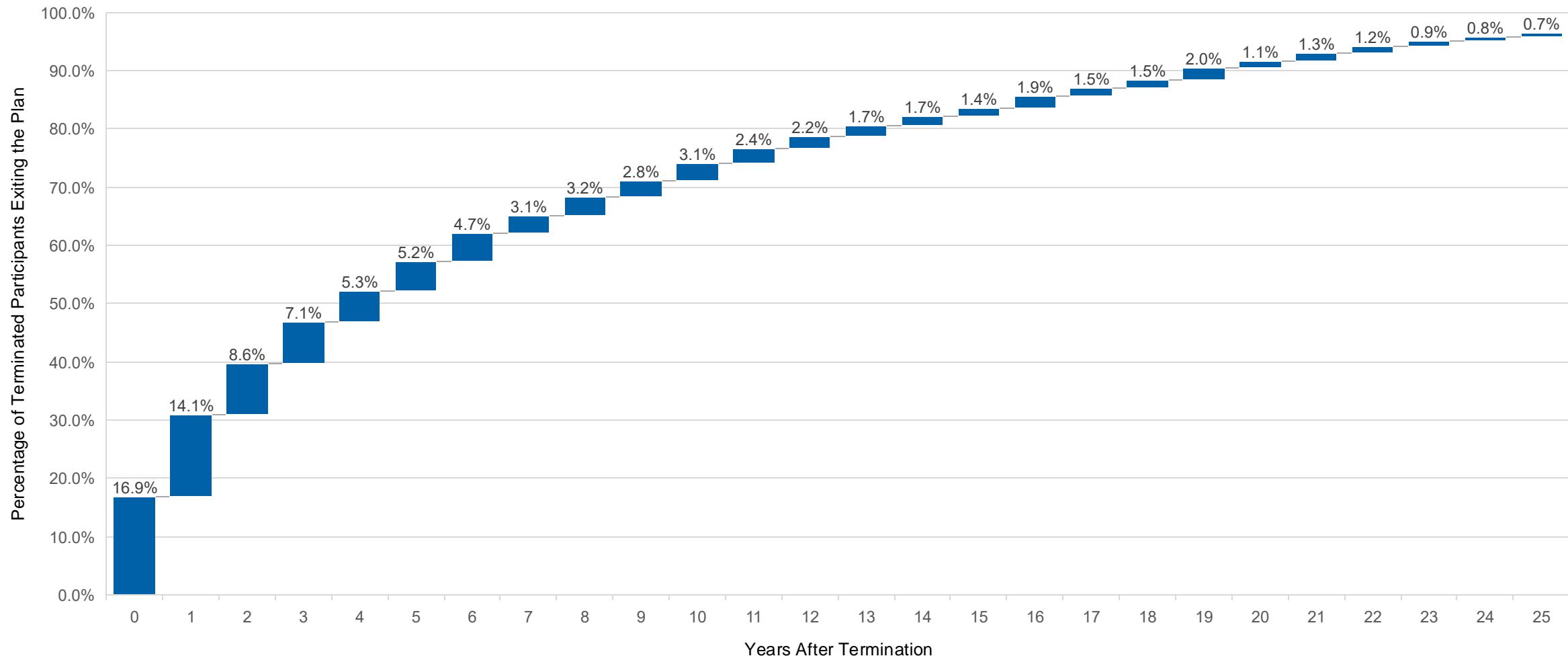


*The RMD age is 73 for participants who reached age 72 after 2022.

Data cover the rolling 12 months from July through June for each year represented (e.g., 2024 represents the 12 months from July 2023 through June 2024).

How long are terminated participants staying?

On average, 52% of participants age 60 and over exit the plan within four years of separating from service.

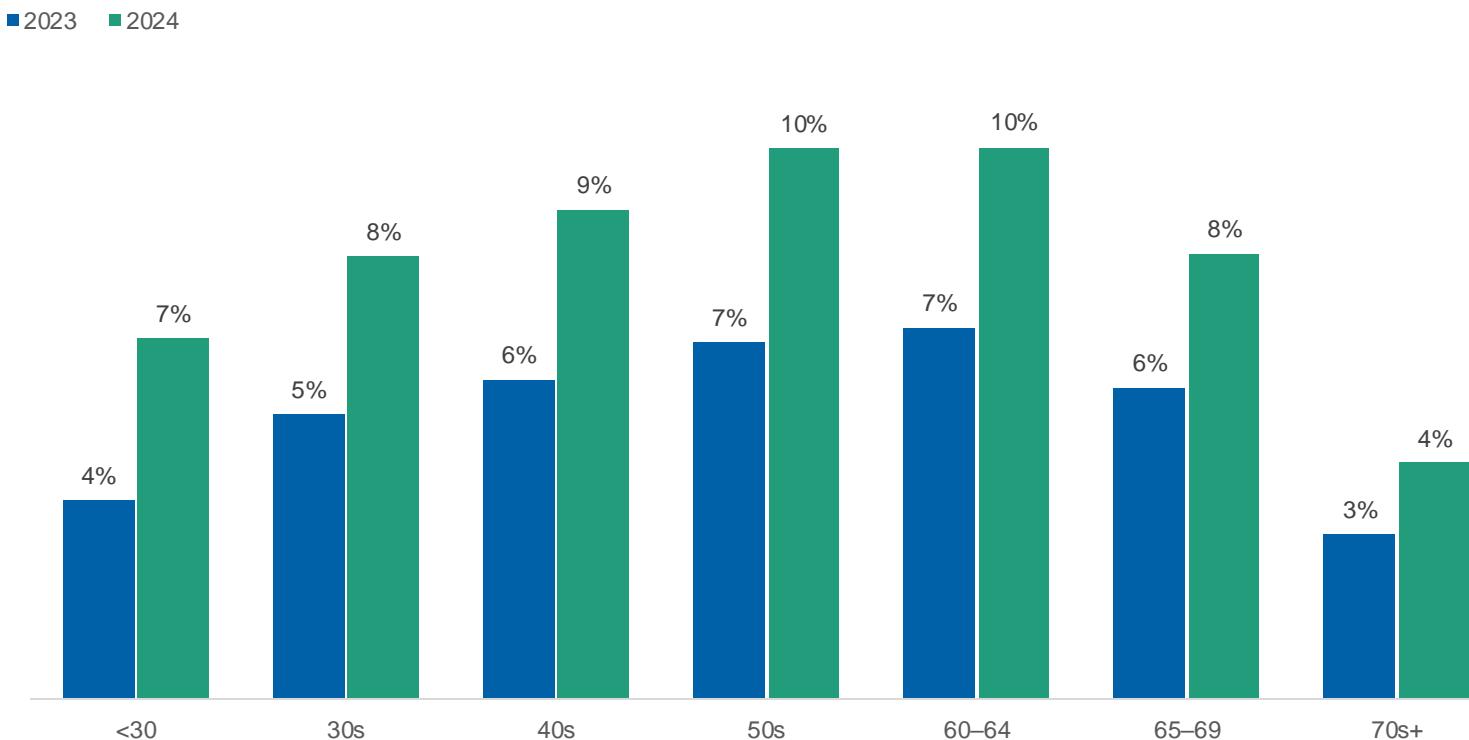


Terminated participants 60 years old or over who exited the plan between January 1, 2019, and June 30, 2024.

Interest in retirement income may be growing

Usage of the Retirement Income Planner increased by 40% in the first six months of 2024. The tool uses personalized data analytics to help participants see how their actions today could influence their retirement income in the future.

Percentage of participants by age group using the planner



Data are from the first six months of each year.

How they are using the Retirement Income Planner

Over age 50

More likely to check how long retirement savings would last



Under age 50

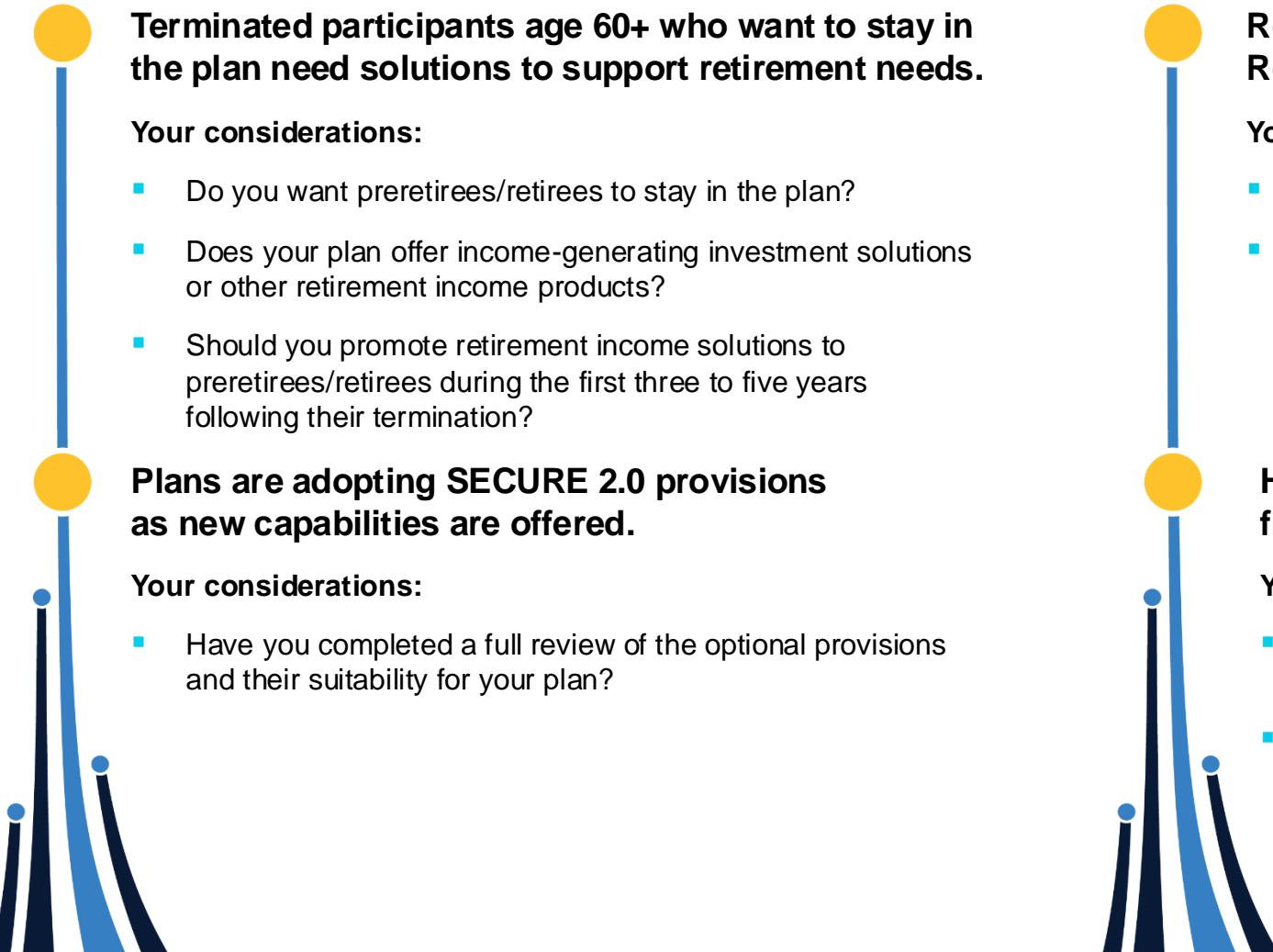
More likely to calculate how much they would need to retire



Takeaways and next steps



What we're watching—and what you should consider next

- 
- Terminated participants age 60+ who want to stay in the plan need solutions to support retirement needs.**
Your considerations:
 - Do you want preretirees/retirees to stay in the plan?
 - Does your plan offer income-generating investment solutions or other retirement income products?
 - Should you promote retirement income solutions to preretirees/retirees during the first three to five years following their termination?
 - Plans are adopting SECURE 2.0 provisions as new capabilities are offered.**
Your considerations:
 - Have you completed a full review of the optional provisions and their suitability for your plan?
 - Roth is working—when participants who understand Roth use it.**
Your considerations:
 - Will you add Roth or remove catch-up contributions in 2026?
 - Do employer Roth contributions make sense for your plan?
 - Hardship withdrawal rates rose in the first six months of 2024.**
Your considerations:
 - Is your plan experiencing an increase in hardship withdrawals?
 - Do you have the right level of financial wellness and advice to support participants experiencing financial difficulties?



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