2023 NATIXIS DEFINED CONTRIBUTION PLAN PARTICIPANT SURVEY

# Give the people what they want

Participant preferences come into focus for plan sponsors

NATIXIS
INVESTMENT MANAGERS

# Saving for retirement is a daunting task: Not knowing when they're going to retire, what the expenses will look like, or how long the money will have to last makes it hard for most people to know just how much they need to save.

When faced with these key questions, the common-sense answer is "Start early in life and save as much as you can." It's sage advice that's clear and simple, but acting on it got a lot harder in the past two years.

Skyrocketing inflation has driven energy, food, and housing costs to record highs, and many workers are struggling to find room in shrinking household budgets to fund retirement savings. In fact, results from the 2023 Natixis Survey of Defined Contribution Plan Participants show inflation is the number-one barrier to retirement saving in the United States.

But today's higher prices only serve to magnify many long-standing challenges. Results of the survey conducted in February and March of 2023 show American workers are feeling the weight of responsibility for retirement funding and they have strong preferences for the kind of help they want.

## Findings show a clear picture of how retirement saving needs to evolve and offer insight on three critical questions facing plan participants and sponsors alike:

**Where are participants now?**
Asked about their outlook on retirement, half (47%) say: "I'm good, I'm on track to save enough." But a deeper dive shows that this may be false confidence and that the math behind their plans for retirement doesn't add up.

**What do participants want?**
In looking to save more (or even to start participating in a plan), workers identify access to student loan matches, emergency savings, and sustainable investments as key incentives. Provisions of the recently enacted SECURE 2.0 and updated guidance on ERISA plans from the US Department of Labor are all designed to help, but participants think even more can be done. Of particular interest are the 73% who say they would begin to participate or increase contributions if their plan offered investments in companies with good environmental, social, and governance practices.

**Why do participants need help?**
Beyond inflation, a wide range of factors are limiting participation and savings. Ranging from personal debt to high healthcare costs to low or no employer match, the pressures are limiting participation, but also causing many to tap even the little savings they have.

Retirement is changing. Generation by generation, plan participants express unique needs and preferences when it comes to saving. Baby Boomers were among the first to have access to defined contribution plans and have come full cycle from saving to spending. In fact, 10,000 Boomers reach retirement age every day. Millennials now account for about 40% of the US workforce, and they are looking for more out of their employer-sponsored plan.

When it comes down to it, putting this new generation of workers on track will take united efforts from policy makers, employers, and individuals. With so many new features and benefits available for plan design, sponsors are in a position to have a positive impact on retirement security that will last for decades to come.

# Where are participants now?

On the surface, plan participants are remarkably confident about prospects for a secure retirement. When asked for their financial outlook on retirement, close to half (47%) of participants say “I’m good, I’m on track to save enough.” Another 27% said “It’ll be tight, but I think I can do it.” Just one in five (18%) think it’s going to be a struggle. Only 5% reflect on their financial situation and think it’s going to be impossible to retire.

But that overwhelmingly positive sentiment has to be taken with a grain of salt. When asked the same questions, those who have access to a plan but don’t participate express only slightly less confidence: 34% say they’re on track to save enough, 29% think it will be tight, one-quarter think it’s going to be a struggle. Only 7% think it’s impossible.

Whether they participate in a plan or not, many may be expressing a false sense of confidence about retirement security. In fact, sentiment data shows bad assumptions and faulty math may be propping up this overly optimistic outlook across the survey sample.

## Bad assumptions and faulty math on retirement savings

Overall, those surveyed say they plan to retire at age 63. They plan to live in retirement for 23 years and think they’ll need about $1 million to make it happen. The overall average may seem realistic, but optimism may be clouding the judgment of younger workers when it comes down to what it will actually take to retire.

The 362 Millennials surveyed say they plan to retire at age 60 – almost 8 years before they can collect Social Security benefits. They anticipate a 25-year retirement, which may be more on the mark. But Millennials think it will take an average of only $891,000 to fund that 25-year retirement.

Millennials may be off to a good start with median retirement savings of $50,000 ($32,000 in plans, $50,000 in all accounts), but they have a long way to go if they want to hit even the modest goal of roughly $900,000. Getting there will mean saving an average of $35,000 per year. Even then, it’s likely they will come up short, as their $891,000 goal works out to about $36,000 in annual income over 25 years.

Older workers may be more realistic about what it will take, but their average savings levels suggest getting to the goal will be a long shot. Generation X workers (ages

43–57) have a funding target of $1.2 million – which is the highest among all three generations. But median savings of $81,000 is not likely to get them over the line – not unless they generate average savings of $59,000 every year until age 65, when they plan to retire.

The situation is even more dire for Baby Boomers. At the tail end of their careers, Boomers, who think they'll need $1.1 million, are looking at median savings balances of just $170,000. Fortunately, they anticipate working until age 70. Even with that extra time, they'll need to sock away an average of $186,000 annually to hit the mark.

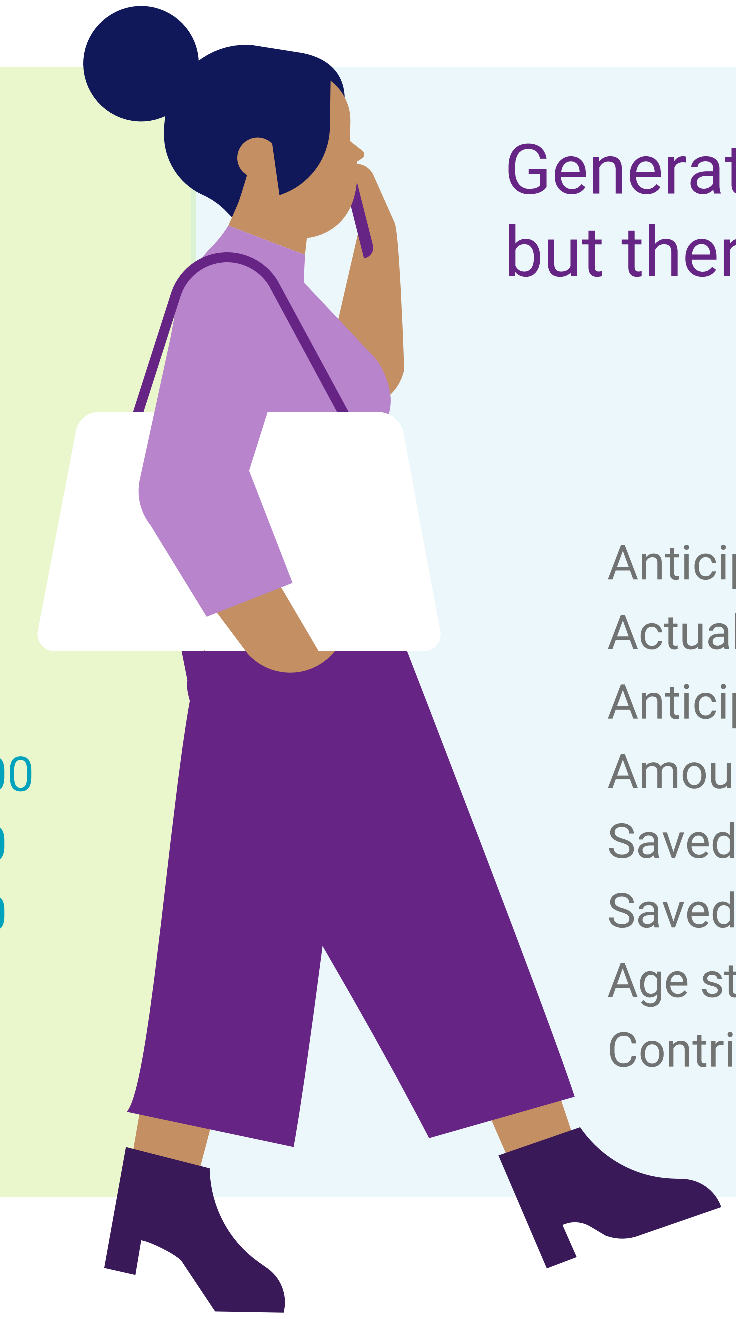
## Contribution rates a bright spot

On the upside, participants report an average contribution rate of 13%. But that number is skewed by the large number of high-saving Millennials who report an average annual contribution rate of 16.3%. Generation X participants report an average contribution rate of only 9.7%, while Boomers report an even lower rate of 9.5%, a significant gap that is reflected in low retirement plan balances.

Millennials may have the smallest account balance now, but they have a second critical factor working for them: They started participating in their company plan at age 27, almost a decade sooner than Boomers (38). Even though they are saving at a higher rate now, they may have to adjust their estimates on retirement age and how much they need overall. In general, they are off to a relatively good start toward retirement security.

### Millennials underestimate what it will take

| | |
|---|---|
| Anticipated retirement age | 60 |
| Actual age of retirement | --- |
| Anticipated years in retirement | 25 |
| Amount needed for retirement | $891,000 |
| Saved in plan (median) | $32,000 |
| Saved in all accounts (median) | $50,000 |
| Age started saving in company plan | 27 |
| Contribution rate | 16.3% |



### Generation X is coming up short, but there's time to catch up

| | |
|---|---|
| Anticipated retirement age | 65 |
| Actual age of retirement | 50 (9 resp) |
| Anticipated years in retirement | 22 |
| Amount needed for retirement | $1.26m |
| Saved in plan (median) | $74,000 |
| Saved in all accounts (median) | $81,000 |
| Age started saving in company plan | 33 |
| Contribution rate | 9.7% |

### Boomers have not saved enough and plan to work longer

| | |
|---|---|
| Anticipated retirement age | 70 |
| Actual age of retirement | 61 (100 resp) |
| Anticipated years in retirement | 22 |
| Amount needed for retirement | $1.12m |
| Saved in plan (median) | $120,000 |
| Saved in all accounts (median) | $170,000 |
| Age started saving in company plan | 38 |
| Contribution rate | 9.5% |

## Multiple streams of retirement income

Regardless of how much they save, American workers recognize that retirement income will need to come from multiple sources. For many, the mix goes well beyond the traditional three-legged stool built on personal savings, Social Security, and an employer pension. The instinct to diversify their income will serve them well as fewer workers have access to a pension.

Defined contribution plan savings lay the foundation for retirement income, but most recognize it won't be enough. Overall, 71% believe retirement plan savings will be a primary income source, but Millennials (85%) were more likely to see plan savings in this way. Fewer from Generation X (71%) see these savings in the same leading role. Only 46% of Boomers think plan savings will be a primary source of income – almost half that of Millennials.

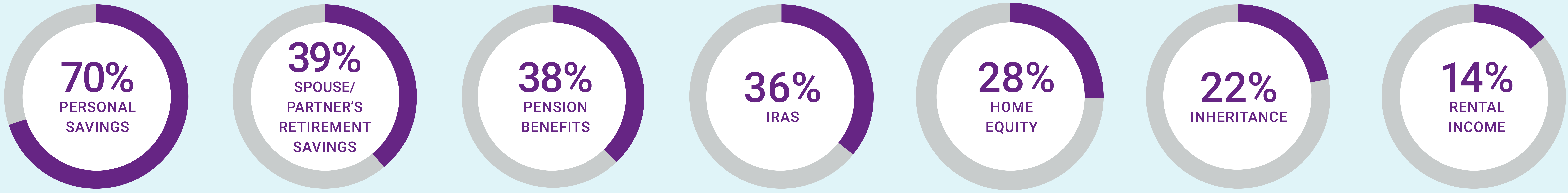
Beyond what they save in plans, virtually all participants have identified other sources of income. Seven in ten said they would count on personal savings, but the numbers reveal a significant gap. Only 58% of Millennials say they will rely on personal savings, while 94% of Generation X and 72% of Boomers agree. Along with personal savings, 39% of respondents will also count on their spouse or partner's retirement savings and another 36% will rely on their IRA balances, including half (49%) of Boomers.

Social Security (63%) factors heavily in the income plan of almost all those surveyed, but there is significant age difference. Nine out of ten Boomers say Social Security will factor into their income plans, as do two-thirds (66%) of Generation X. Less than half of Millennials (46%) agree. Another notable gap can be seen between those over age 50 (86%) and those under 50 (51%) who anticipate Social Security will be part of their income plans.

Surprisingly, a significant number of individuals (38%) will also count on pension income. This includes 45% of Boomers, 34% of Gen X, and 35% of Millennials. Most notable is the 47% of individuals over age 50 who say they will have pension income. It's important to understand that, while a large part of the population no longer has access to pensions, certain professions do. Teachers, state and local government employees, police, firefighters, healthcare professionals, transportation workers, the military, and construction workers are professions that still may offer traditional defined benefit pensions.

Many individuals see additional retirement income sources to be tapped including home equity (28%), inheritance (22%) and even rental income (14%). Most notable are those who say they'll count on help from their children (12%). About one in five Millennials expect that help compared to only 2% of Boomers. In short, 19% of the generation that started out in their parents' basement think they'll end up in their kids' garage.

SOURCES OF RETIREMENT INCOME



## Social Security not as secure for younger workers

With hopes for retirement running high and account balances running low, more than six in ten are counting on Social Security to fill the gap. Despite the lingering questions of its long-term sustainability, eight out of ten believe Social Security benefits will be available to help fund their retirement, including 86% of Boomers, 72% Generation X, and 78% of Millennials.

While they are optimistic that benefits will be available, they are realistic in how much those benefits may actually amount to. In part, this may be driven by often-quoted reports that state the Social Security Old Age and Survivors Insurance Trust will be depleted by 2033. It's likely those concerns are amplified by another timely factor: public spending.

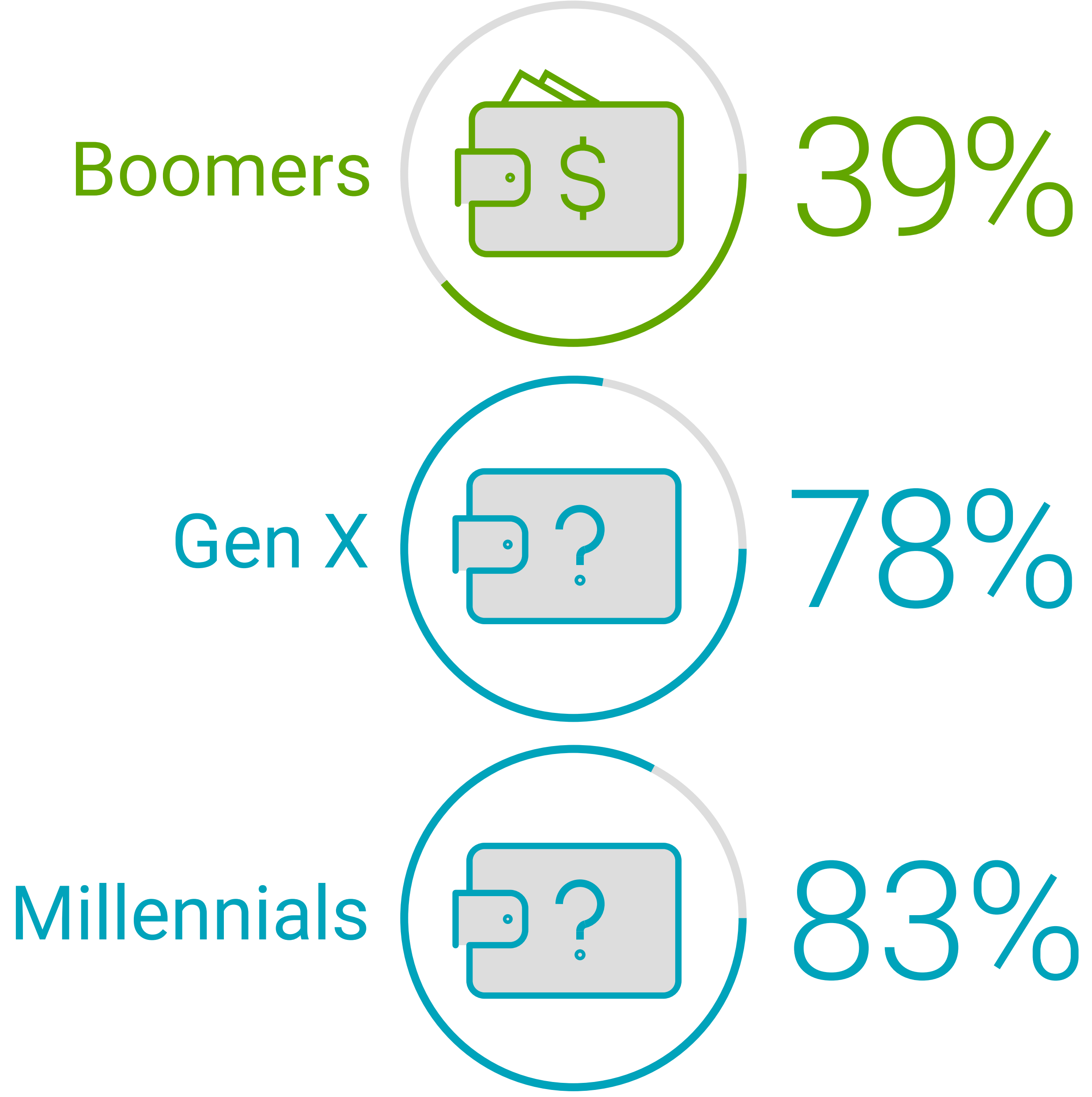
In fact, our 2021 investor survey showed that 77% of those in the US think rising levels of public debt will result in reduced Social Security benefits in the future. Results of this year's plan participant survey show many are already factoring lower benefits payments into their plans. Seven in ten think Social Security benefits will be dramatically reduced when they retire. This includes 83% of Millennials and 78% of Gen X. Only 39% of Boomers see reduced benefits on the horizon.

**7 in 10**

participants think Social Security benefits will be dramatically reduced when they retire.

**BOOMERS FEEL SECURE ABOUT SOCIAL SECURITY. GEN X AND MILLENNIALS, NOT SO MUCH.**

Social Security benefits will be dramatically reduced when I retire




# What do participants want?

Their financial outlook on retirement may be optimistic, but those surveyed express big concerns over retirement funding. In fact, anxieties run so deep that many believe mandates will be needed to address the problem. Overall, the majority are in favor of mandates for everything from employer-sponsored plans, to matching contributions, even to individual contributions.

Millennials, who are most likely to anticipate reduced Social Security benefits in the future, are overwhelmingly in favor of regulatory action on retirement security. Boomers, who are in or nearing retirement, are much less receptive. Fully 85% of Millennials think government should provide universal access to retirement plans, as does 63% of Generation X. But just 40% of Boomers agree.

There is greater agreement (81% overall) on the need for mandates that require employers to offer retirement plans – a sentiment expressed by 88% of Millennials, 79% of Generation X and even 70% of Boomers. More than three-quarters (78%) believe employer contributions should be required, including almost nine out of ten Millennials (87%), three-quarters (74%) of Generation X and two-thirds (67%) of Boomers.

The pressure is so great that seven out of ten (69%) think individual retirement plan contributions should be mandated as well. The sentiment is shared by 82% of Millennials, six out of ten in Generation X (59%), and more than half of Boomers (54%).

Provisions outlined in the recently enacted SECURE 2.0 provide meaningful action on access to plans and improved participation. But even as these measures only begin to take effect, 88% of plan participants think even more policy changes are needed to ensure people achieve retirement security.

## WORKERS ARE OPEN TO RETIREMENT SAVINGS MANDATES

| | Millennials | Gen X | Boomers |
|---|---|---|---|
| Employers should be mandated to offer retirement plans | 88% | 79% | 70% |
| Employer matching contributions should be made mandatory | 87% | 74% | 67% |
| Individual contributions toward retirement savings should be made mandatory | 82% | 59% | 54% |

## SECURE 2.0, a step in the right direction

Passed in December 2022 as part of the Consolidated Appropriations Act (HR2627), SECURE 2.0 puts in place new provisions designed to improve retirement outcomes. Some, such as automatic enrollment, are designed to encourage participation and saving. Others, such as student loan provisions, are designed to ease competing financial pressures that can keep individuals from saving for retirement. Still others are designed to accelerate savings for older workers.

**Auto-enrollment:** Employers who start new retirement plans after December 29, 2022 will, beginning in 2025, be required to automatically enroll employees at a rate of at least 3 percent, but not more than 10 percent of eligible wages. Employees are free to opt out, but survey data suggests that many are likely to remain in the plan.

On average, 27% of the 587 individuals surveyed say they were automatically enrolled by their employer. Millennials (31%) were more likely to have joined the plan in this fashion while one-quarter of Generation X (26%) came into the plan this way, as did 21% of Boomers.

With mandates taking effect, employers will need to focus on their Qualified Default Investment Alternative as large numbers of participants tend to stay with that initial investment. In fact, Millennials (40%) were more likely to stick with the QDIA selected for them when they were enrolled. While smaller numbers show that older participants – 26% of Generation X and 18% of Boomers – stuck with their default investment option, many may have begun participating before QDIA was prescribed in the 2006 Pension Protection Act.

**Student loans:** Beginning in 2024, student loan payments made by plan participants can be treated as retirement contributions for the purpose of qualifying for matching contributions in a workplace retirement account. Student loans are often cited as a key savings challenge for younger workers, which is understandable since Millennials hold an average of $40,000 in student loan debt.[1] Given the financial pressures, it is easy to see why there are concerns for its impact on retirement savings.

The number of individuals who say student loan debt is the reason they don't participate in their workplace retirement plan is relatively low, at 9% of 149 non-participants overall and 15% of the 60 Millennials who fit in that group. Among the 487 who do participate, 12% (and 16% of 302 Millennials in this group) say student loan debt keeps them from contributing more to their retirement plan.

**63%**

of Millennials who do not participate in their employer's plan say they will begin to contribute if student loan payment matching benefits take effect.

Student loan provisions are likely to have a greater impact than these numbers indicate, as 42% of those who do not participate (including 63% of non-participant Millennials) say they will begin to contribute when student loan payment matching benefits take effect.

**Emergency savings:** Also beginning in 2024, retirement plans may offer linked "emergency savings accounts" that permit non-highly-compensated employees to make up to $2,500 in after-tax contributions to a savings account as part of their retirement plan. The feature will be welcomed by many plan participants as 73% overall and 88% of Millennial participants intend to contribute additional money to their 401(k) to take advantage of the new emergency vehicle once incorporated into their plan.

This plan feature may also serve as a strong incentive to convert non-participants. Overall, 54% of non-participants and 77% of Millennial non-participants say they intend to begin plan participation once emergency savings features become available.

In essence, the emergency savings feature is designed to keep individuals from raiding their retirement savings when they are under financial stress, and should help a large number of plan participants preserve their savings. It's important to note just how many participants are forced to turn to plan savings in a pinch.

One-quarter of those surveyed, including 38% of Millennials, have taken an early withdrawal from their retirement plan over the past 12 months. Another 28% of participants, including 38% of Millennials and 37% of Generation X, say they have taken a loan against their retirement plan balance in the same time frame.

**Catch-up contributions:** SECURE 2.0 also considers the funding challenge facing many older workers by upping catch-up contributions. Now, those aged 50 and older who reach the maximum allowable contributions of $22,500 can add another $7,500 in catch-up contributions, taking the maximum contribution level to $30,000 annually. Then, beginning in 2025, the catch-up amount will increase to $10,000 per year for participants aged 60 to 63. Also, after 2023, all catch-up contributions for participants earning over $145,000 annually must be made on a Roth (after-tax) basis.

Half of those over 50 say they will take advantage of increased catch-up limits, but only 18% of participants who currently qualify make any catch-up contributions. A small segment of 40 individuals in Generation X who are over 50 suggests that they may be more inclined to use catch-up contributions as 31% do so today, though the number of individuals (10) is too small to be conclusive.

**54%**

of those who don't participate say they intend to contribute when emergency savings features become available.

## DOL says participant preferences matter

The provisions of SECURE 2.0 give plan sponsors a number of new levers to help increase participation and contribution. But a second, separate ruling, the US Department of Labor’s Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights, adds another critical incentive to the mix: investment selection.

While the DOL continues to maintain investments in plans should make financial considerations the primary concern, fiduciaries on ERISA plans may consider participant preferences when selecting plan investment options. In the case of sustainable investments, this means they will still have to focus on relevant risk and return factors and investments must not sacrifice returns in exchange for other objectives.

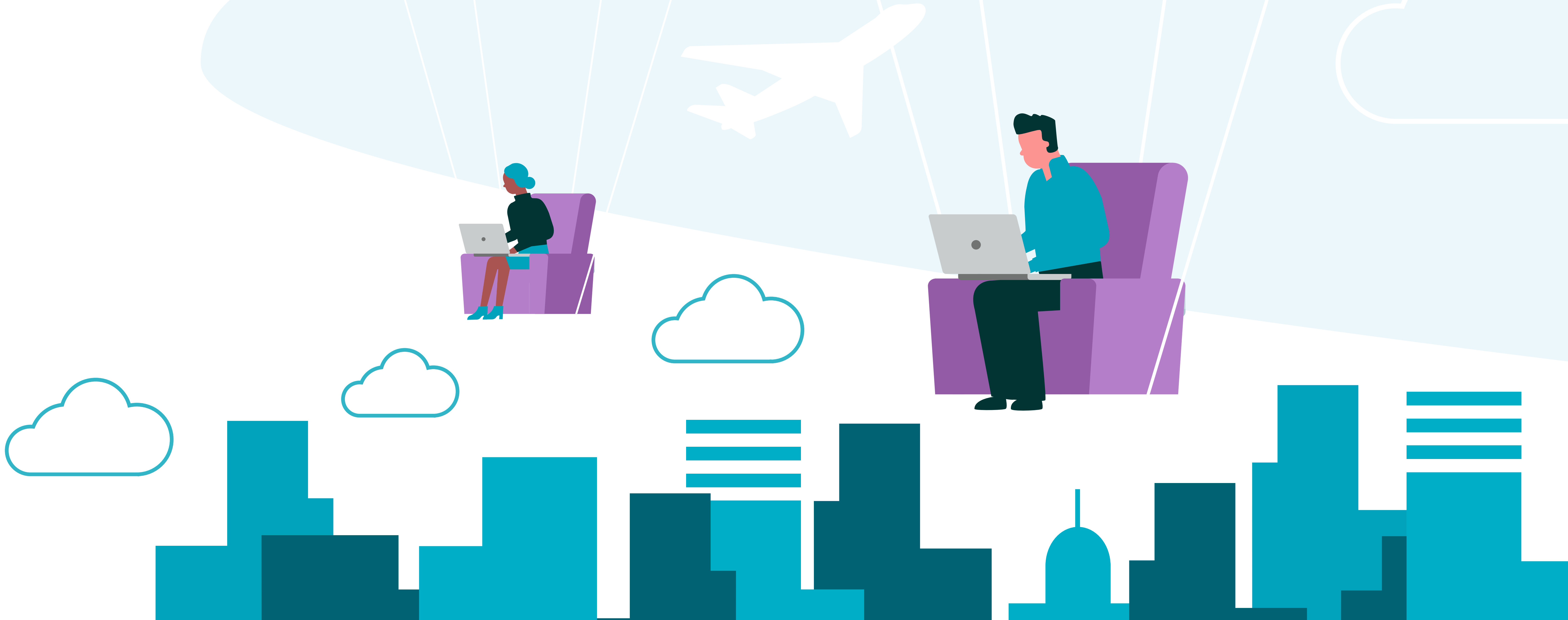
### Plan participants agree

DC plan participants show a remarkably high level of interest and engagement around ESG (environmental, social and governance) issues and sustainable investments. In fact, nearly three-quarters (73%) of individuals eligible for plan participation go so far as to say that they would be more likely to participate in a plan or increase their contributions if they were offered investments in companies with good environmental, social, and governance practices.

As might be expected, younger workers were most interested. Overall, Millennials (88%) are the most likely to see access to investments in these types of companies as an incentive to save, but so do 72% of Generation X. Most surprising is the 49% of Boomers who also agree. The fact that the number is so high among a group composed of pre-retirees and retirees is a telling sign that even as they near the end of working life, many want more motivation to help them be better prepared for retirement.

**83%**

of those surveyed believe companies that focus on sustainable business practices present significant growth opportunities for their investments.



## Enlightened self-interest drives preferences

Even as some critics cling to old definitions and assume that sustainable investment goals can only be made at the expense of investment performance, those surveyed take a much different view.

In fact, 83% of those surveyed believe companies that focus on sustainable business practices present significant growth opportunities for their investments. While Millennials (91%) are most likely to share this belief, the majority of Generation X (78%) and Boomers (74%) also see an investment opportunity represented in companies that fit the bill on sustainable business practices.

This runs counter to the outdated view that sees sustainable investments only in terms of the negative screens that were a hallmark of old-school socially responsible investing. Data shows that a large number of participants view sustainable investments as something that provides new investment opportunity, rather than something that excludes companies that underperform on sustainability.

For example, almost half (48%) of those surveyed shared an interest in investments that benefit from long-term trends such as clean energy, changing demographics, and technology. This includes close to six in ten (56%) Millennials, more than four in ten (44%) of Generation X, and almost four in ten (37%) Boomers. This contrasts starkly with the small number (29%) of respondents who said they want to ensure their investments do not support companies that harm the environment (33% of Millennials, 28% of Gen X, 25% of Boomers).

When it comes to sustainable investments, the data shows that participants think differently about the E, the S, and the G. One-third (34%) say they care about environmental issues when selecting investments in their company-sponsored retirement plan. This includes more than four in ten Millennials (42%) and just 21% of Boomers. Almost the same overall number (32%) said they care about social factors when selecting investments. This included 38% of Millennials, 33% of Gen X, and 20% of Boomers. Surprisingly, fewer individuals said they cared about corporate governance issues, including only 32% of Millennials and just 23% for Gen X and Boomers.

Perhaps the most telling data point is the relatively small number of participants who say they don't care about ESG issues at all. Only one in five said they don't care about these issues when selecting investments in their retirement plan, a number that is on par with what we have seen in past editions of the Natixis Global Survey of Individual Investors. Even that overall number is skewed by older participants: Only 8% of Millennials and 22% of Gen X said they don't care. Boomers appeared to be most ambivalent about these issues as 41% said they don't care.

## Participants want even more

Beyond the new provisions of SECURE 2.0 and the DOL guidance, plan participants put a large range of investments on their wish list. Most notably, 90% of plan participants would like to have access to retirement income options in their company's retirement plan. This includes not just older workers (88% of Boomers and 86% of Generation X) but 92% of Millennials.

A large number of participants (79%) would like to see alternative investments such as private equity and hedge fund options added to the menu. Cryptocurrency is also showing up on the radar screen for 55% of participants but is of particular interest to younger participants, as 78% of Millennials would like to see a crypto option in their plan. The number is particularly surprising in that the sentiment comes after the big losses suffered by cryptocurrencies in 2022 and the ongoing drama over FTX as that exchange collapsed late in 2022.

When it comes down to it, participants are looking for all the help they can get in striving to fund retirement. They want the help because they are facing some significant obstacles on the road to retirement security.

## Bridging the gap on sustainable investments

While all respondents register positive sentiment on sustainable investments, Millennials and Generation X participants show clear preferences for including sustainable investments in their company's retirement plan. Bottom line: This preference could help drive participation and contribution rates.

| | Millennials | Gen X | Boomers |
|---|---|---|---|
| ESG factors can affect investment performance | 94% | 86% | 87% |
| I would like to see more sustainable investments in my retirement plan | 92% | 81% | 65% |
| I would be more likely to increase my contributions or begin participating if I could invest in companies with good ESG records | 88% | 72% | 45% |

# Why do participants need help?

Retirement savings has long had to compete with other long-term financial goals like buying a home or paying for college. But now plan participants face more immediate financial pressures as they look to navigate the inflation that spiked during the pandemic, peaked at a 40-year high in 2022, and has only now begun to moderate.

## Inflation: the top barrier to retirement savings

When asked what keeps them from saving more for retirement, 44% of plan participants say "Inflation is eating up too much of my paycheck." The pressure is felt equally by all participants including Millennials (44%), Gen X (44%), and Boomers (45%). But Millennials may be feeling that pain more acutely, simply because of where they are in life.

Overall, 43% of Millennials also say they are limited in what they can save because they are prioritizing other financial goals. Fewer in Generation X (30%) and even fewer Boomers (24%) find that these priorities limit their ability to save more. One reason the difference may be so great is that Millennials, who are now between the ages of 25 and 42, are entering a life stage in which their financial responsibilities are growing as they get married, buy homes, have children, and start saving for their kids' education. High levels of inflation make meeting all those goals even more challenging.

Personal debt, which reached $16.9 trillion in the US at the end of 2020,[2] adds to the challenge. Almost three in ten Millennials (28%) say they have too much debt to pay and it is keeping them from saving more, as is the case for 26% of Generation X. But Boomers (16%), many of whom are further removed from the financial responsibilities of raising a family, are less likely to see debt as an issue.

The high cost of health insurance adds yet another barrier for participants. After seeing the average cost of health insurance increase by 24.3%,[3] one-quarter of participants say high insurance costs are also keeping them from saving. In this case, Millennials (29%) were twice as likely as Boomers (14%) were to cite the cost of insurance. One in five among Generation X see the same savings challenge.

When it comes down to it, in a time when prices are rising faster than wages,[4] plan participants are forced to make tough choices about where their earnings will go. Higher bills for heat, homes, food, and even health insurance are adding up to a significant challenge. Fewer than one in five (18%) say they hold back on savings because they want to spend money and enjoy life now.

## What keeps them from saving more?

Not only do higher costs, rising levels of debt, and competing financial priorities limit how much they save; trying to keep pace with these same factors can also deplete the accounts of many plan participants. Overall, 25% of plan participants say they've taken an early withdrawal from their retirement plan savings, while another 28% say they have taken a loan. And those numbers are driven by younger participants.

When asked why they are willing to tap the savings they will need many years down the road, participants point to the pressures they are feeling right now. The high cost of living is a leading factor in the decision to make a withdrawal. Healthcare costs (37%), paying down debt (35%) and monthly living expenses that have become too high (33%) are three common motivations to tap retirement savings. Another 12% overall and 16% of Millennials add student loan debt to the mix as well.

The high cost of living has had a particularly strong effect on those in Generation X as 46% cite increased monthly living expenses for taking a withdrawal, a number that exceeds even the 35% who had to pay down debt.

Beyond paying down debt and meeting monthly bills, participants cite home repairs (34%) and a medical emergency as their reason for taking a withdrawal in the past 12 months. Both are issues that new emergency savings provisions could help address.

Other reasons participants have for dipping into long-term retirement savings include buying a home (30%) and paying for a large expense like a wedding (29%). Both tend to be line with the life stage that many Millennials and some members of Generation X find themselves in. Essentially, when faced with expensive situations a significant number are willing to tap the single largest pool of assets many individuals will accumulate in their lifetime.

## Why they don't participate

Many of the same issues that limit savings and lead to withdrawals keep some individuals from even participating in their workplace retirement savings plan altogether. Most frequently those who don't participate say the reason is that they are prioritizing other goals (26%). This is felt more acutely by Millennials (38%), who are at a life stage when they are encountering the financial challenges of buying homes and starting families. Prioritization of goals is a factor for fewer older workers, including just 16% of Boomers and just 18% of Generation X.

In fact, more immediate concerns are keeping Generation X from participating. They cite inflation eating up their paycheck (31%), and they have too much personal debt (29%) that keeps them out of their employer's plan. Among Boomers, 34% say they don't participate simply because their employer match is too small.

# What plan sponsors can do

The challenge of increasing plan participation rates is nothing new for plan sponsors. But for the first time in a long while, sponsors have new tools at their disposal that can help address the issue. Most importantly, there are more ways to give the people what they want.

Of course, a bigger match (65%) and bigger tax incentives (57%) rank as the top incentives that participants say will get them to increase their contributions. A bigger match (71%) is also a top incentive cited by non-participants as something that could bring them into the plan. But with recent legislative and regulatory developments, plan sponsors won't have to rely solely on the match to motivate plan participants.

## SECUREing participation and engagement in plan design

*SECURE 2.0* goes a long way to breaking down some of the barriers to plan participation and contributions. While many of these new features are mandated for plans initiated after December 2022, they still make sense for existing plans:

- Personal debt, including student loan debt, is one of the key barriers that not only keep people from savings, but are also among the leading reasons why participants make withdrawals. Sponsors who implement new student loan match provisions introduced by the legislation will be set up to not only keep participants in the plan, but also provide an incentive for broader participation among employees.
- Financial emergencies can hit at any time, but they can pose even greater challenges now when inflation is taking a significant bite out of disposable income and personal debt is on the rise. Integrating new emergency savings features will be especially helpful to those employees who are not high earners (under $145,000 annual salary), giving them a cushion for addressing emergencies.
- New catch-up provisions increase qualified plan savings limits to $30,000 for workers over the age of 50. Based on median savings levels of Generation X ($81,000) and Boomers ($170,000), they need all the help they can get. Providing education on how catch-up contributions can impact their savings and access to financial planning services may be needed to help get them to the goal.

## Meeting participant preferences

DOL's Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights ruling gives plan sponsors another lever to enhance participation and contribution rates by allowing them to consider participant preferences in building out their investment offerings. Adding sustainable investment fund options will help address the preferences of almost three-quarters (73%) of individuals eligible for plan participation and close to nine out of ten (88%) Millennials who say they would be more likely to participate or increase contributions if they could access investments in companies with good environmental, social, and ethical practices.

However, it will be important for fiduciaries to continue considering relevant risk and return factors and look at investments that don't sacrifice returns in exchange for other objectives. Based on survey feedback, these sustainable investments appeal most to participants. In fact, this view aligns with the 83% of eligible employees who believe investing in companies that focus on sustainable business practices presents significant growth opportunities.

## Lifetime plan participation

Many sponsors would do well to look at features that encourage what can best be described as lifetime participation. In particular, offering retirement income solutions will be most welcomed by all plan participants. Given the complexity of navigating a multi-stream income plan, many participants welcome the simplification of at least one income source, their plan savings.

Overall, 91% of plan participants would like access to retirement income options within their plan. This includes 92% of Millennials. This generation, which is facing uncertainty about Social Security benefits, would like some certainty in their income plan. In fact, the 2021 Natixis Investor survey found that this generation, which is only entering their 40s, lists retirement income planning as one of the services they most want from a financial advisor.[5]

## Other considerations

Plan participants express strong preferences on a number of fronts. Some, like emergency savings, student loan matches, and access to sustainable investments, are readily addressed with recent legislation and DOL rules. Others, like access to private equity, hedge funds, and cryptocurrencies, will bear closer consideration of the risks and are most appropriately accessed as part of a multi-asset offering rather than a stand-alone investment.

Regardless of how those explorations turn out, it is safe to say that qualified plans are entering a new era in which the best path forward will be an open dialogue with participants. In the end, giving the people what they want may be the best strategy for ensuring retirement security among workers.

**91%**

would like access to retirement income options within their plans, including 92% of Millennials.

## About the 2023 Survey of Defined Contribution Plan Participants

Natixis Investment Managers, Survey of US Defined Contribution Plan Participants conducted by CoreData Research, January and February 2023. Survey included 736 US workers, 587 being plan participants and 149 being non-participants. Of the 736 respondents, 362 were Millennials (age 27–42), 166 were Gen X (age 43–58) and 208 were Baby Boomers (age 59 and above).

## About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

Learn more

## Meet the team:

**Dave Goodsell**
Executive Director

**Stephanie Giardina**
Program Manager

**Erin Curtis**
Assistant Program Manager

**Jessie Cross**
AVP, Content

## Watch for our next surveys:

- Financial Advisor – Fixed Income focus
- Individual Investor
- Global Retirement Index

1. Experian (April 29, 2022). Average value of student loan debt held in the United States in 2021, by generation (in U.S. dollars) [Graph]. In Statista. Retrieved March 27, 2023, from https://www.statista.com/statistics/1176727/share-student-loan-debt-generation-usa/

2. Total Household Debt Reaches $16.90 Trillion in Q4 2022; Mortgage and Auto Loan Growth Slows. https://www.newyorkfed.org/newsevents/news/research/2023/20230216.

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4. Richter, F. (October 13, 2022). Americans Suffer Pay Cut as Inflation Outpaces Wage Growth [Digital image]. Retrieved March 27, 2023, from https://www.statista.com/chart/27610/inflation-and-wage-growth-in-the-united-states

5. 2021 Natixis Global Survey of Individual Investors, conducted March-April 2021, included 8,550 individuals in 24 countries.

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