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Retirement Savings Rate Reached an All-time High in 2025

U.S. retirement savings metrics continued to strengthen in 2025, with 45% of participants increasing their contributions and the average total savings rate reaching a record 12.1%, according to Vanguard's How America Saves 2026. Average account balances rose 13% year over year. Moreover, during periods of market volatility, only 5% of participants made investment changes, while only 1% of those invested entirely in a single target date fund (TDF) did so.

The findings suggest participants are continuing to build stronger savings habits and are showing a willingness to stay the course during uncertain times.

Automatic Features Drive More Savings

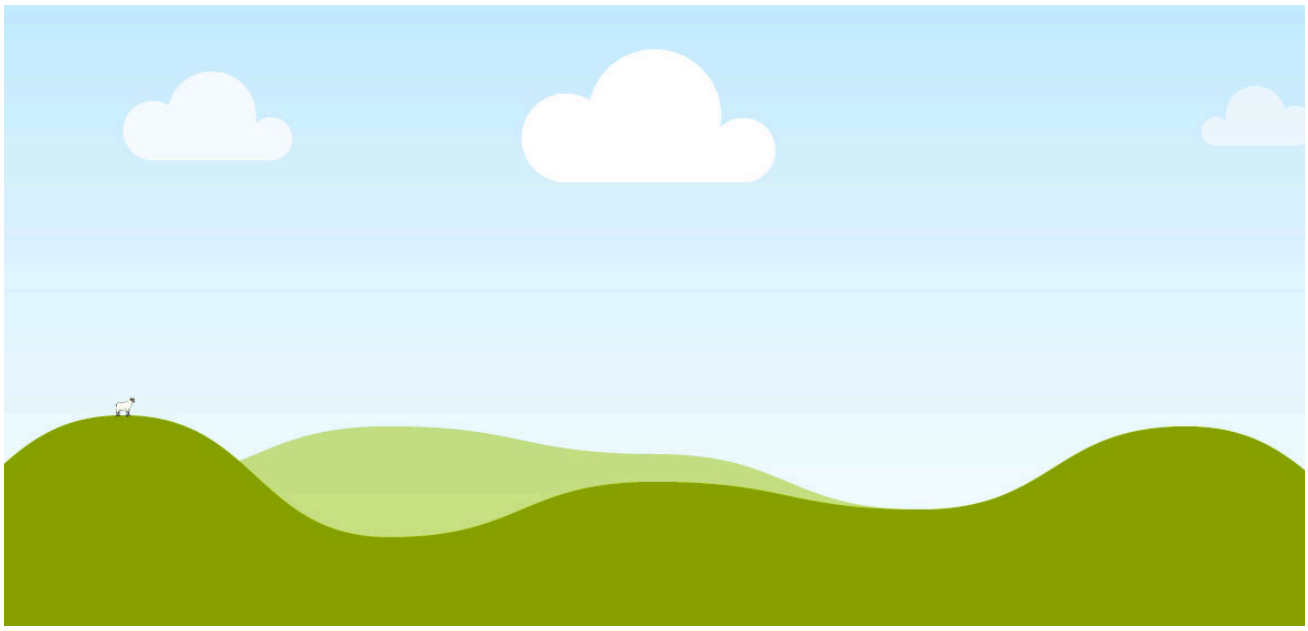
The use of automatic enrollment has more than tripled since 2006. Among plans that offered auto-enrollment in 2025, some 70% included automatic annual deferral increases. Auto-enrollment continued to have a significant impact on plan participation. Vanguard found that plans with auto-enrollment had a 94% participation rate, compared to 64% for plans relying on voluntary enrollment — a 30% increase. Plans are also implementing higher default contribution rates. Some 62% of plans now default employees at a deferral rate of 4% or higher, compared to 43% of plans in 2015.

Auto features also contributed to higher overall savings. Looking across all eligible employees, including those who never enrolled, automatic enrollment plans produced an average savings rate of 12.2%, compared to 7.5% for voluntary enrollment plans. The gap reflects substantially higher participation in automatically enrolled plans.

TDFs Also Help

Some 96% of all Vanguard managed plans now offer TDFs in their plan line-ups, and 98% of plans use TDFs as the qualified default investment alternative (QDIA). Furthermore, Vanguard data shows that some 84% of participants used TDFs when offered, and 73% of target-date investors had their entire account invested in a single TDF.
TDF investors showed notable discipline during a volatile period. During the spring of 2025, 21% of trading days saw a change in stock prices of ±1%, and 2% saw a change of ±3%.

TDFs are investment vehicles designed to provide investors with a retirement savings over time by automatically adjusting the TDF asset allocation mix along the risk spectrum as the investor approaches retirement age. The TDF includes a year (vintage) in its name, which is generally when the investor plans to start redeeming from the TDF, unless it is a retirement vintage designed for those who are retired. Generally, the TDF initially has more exposure to equities early on and more exposure to fixed income the TDF approaches its target date. A TDF is not guaranteed at any time, including at and after the target date; it does not guarantee sufficient income in retirement.



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hhttps://corporate.vanguard.com/content/corporatesite/us/en/corp/who-we-are/pressroom/press-release-vanguards-twenty-fifth-how-america-saves-reveals-quiet-retirement-revolution-061626.html
https://workplace.vanguard.com/content/iig-transformation/pdf/how-america-saves-2026.html

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SECURE 2.0 Plan Amendments Are Due by Year-End

Qualified retirement plans must adopt written amendments for SECURE 2.0 changes by December 31, 2026. The deadline applies broadly, and even plans that elected no optional provisions must amend for mandatory changes like the increase in the required minimum distribution age.

Collectively bargained plans have until December 31, 2028, and governmental plans until December 31, 2029.

The amendment formalizes changes that many plans have already been administering operationally since each provision took effect. Topics plan sponsors and their advisors should review together include auto-enrollment and escalation rules, catch-up contribution changes, Roth designation requirements, long-term part-time employee eligibility, emergency and hardship distribution updates, and the updated cashout threshold.

Participant Notice Requirements

ERISA plans must also provide a Summary of Material Modifications to participants within 210 days after the close of the plan year in which the amendment is adopted. For calendar-year plans amending in 2026, that deadline is July 29, 2027.

Next Steps

Now is the time for plan sponsors to sit down with their advisor and legal counsel to confirm which provisions apply, verify that current plan operations match the amended terms, and execute the amendment before year-end.

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https://www.irs.gov/pub/irs-drop/n-24-02.pdf

Younger Workers Look to Employers for Retirement Help

Younger employees are placing greater responsibility on employers to help them prepare for retirement, according to J.P. Morgan Asset Management's 2026 Defined Contribution Plan Participant Survey. Among Gen Z participants, 86% said employers have at least some responsibility to help employees save for retirement. That view was shared by 76% of Millennials, 71% of Gen X, and 61% of Baby Boomers.

Expectations follow a similar generational pattern when the questions become more specific. More than three-fourths of Gen Z participants agreed that employers should provide financial education and decision-support resources and coaching to support retirement planning, compared with 70% of Millennials, 66% of Gen X, and 56% of Boomers. These expectations suggest that plan design features — such as automatic enrollment, target-date funds, and simplified investment menus — may be increasingly important to younger participants.

A Growing Workplace Role

The results point to an evolving view of the employer-sponsored plan. For many younger workers, access to a retirement account alone may no longer satisfy expectations. They also appear to want clearer explanations, simpler decisions, and more support in understanding how plan features work.

That support can take several forms. Well-designed plan features, for example, may help reduce the number of decisions participants face. The survey found that 96% of participants who were automatically enrolled viewed the experience positively, while 97% said the same about automatic contribution escalation. Target-date funds also received favorable marks from 90% of respondents.

The findings suggest employers could address some of that demand through broad-based resources, including digital tools, group education, and communications from human resources or benefits teams. Meanwhile, 53% of participants said their employers offer a financial wellness program, and 71% considered such programs extremely or very important.

Expectations Meet Uncertainty

The demand for help comes amid considerable uncertainty. Only 48% of participants were highly confident about how much to contribute, and just 39% felt confident navigating plan investment options — underscoring the value of well-designed defaults like target-date funds. More than half said they were willing to spend time planning for retirement but didn't know where to begin.

J.P. Morgan surveyed 1,716 defined contribution plan participants and 512 retirees. The findings suggest that as younger generations become a larger share of the workforce, retirement support may increasingly be viewed as a central part of the benefit rather than an optional addition.



Sources:
https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/ri-ppsr-2026.pdf



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