INSIDE AMERICA'S SAVINGS PLANS

How 8+ million are saving for the future

ascensus®
Always have a plan

Our focus is on making saving straightforward, effective, and affordable to make a difference in millions of financial lives.

Here, we identify key trends that reflect how individuals are engaging with the savings tools we administer to plan for what matters most.

Planning for life's most important moments

As the largest independent recordkeeping services provider and government savings facilitator in the United States, Ascensus has a unique and comprehensive perspective on how Americans are saving for the future.

$196 billion in assets under administration*

73,000+ retirement plans*

1.4+ million IRAs*

4.3+ million 529 college savings accounts*

19 ABLE plans on our platform*

What types of specialized accounts are Americans using to save for the future?

When are they starting to save?

And how much progress have they made toward their savings goals?

Our recordkeeping data across 401(k), 529, ABLE, and health savings accounts offer some preliminary answers to these questions.

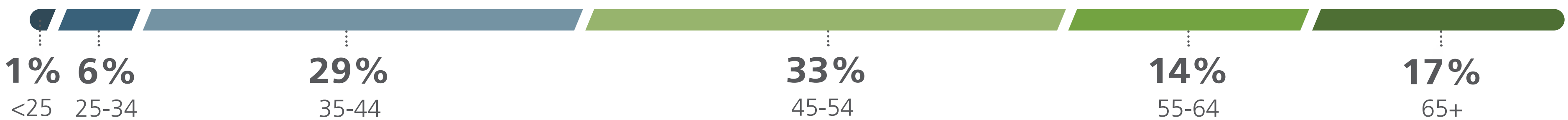
*As of June 30, 2018

How are generations diversifying savings?

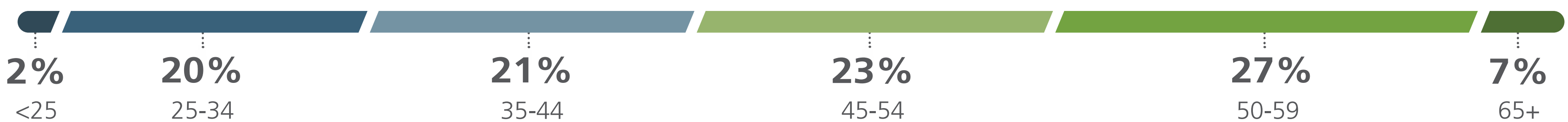
The traditional definition of "diversification" relates to savers' variety of investments and risk levels within a portfolio. But in today's landscape, there's an emerging need for savers to diversify in a new way, across various types of savings vehicles that can be leveraged for different financial goals. Here, we provide a summary of how individuals across different age segments are investing in the spectrum of tax-advantaged savings accounts we support. In the subsequent sections, we take a deeper dive into how these populations of savers are engaging with these plans.

401(k) Account Owners by Age Range

529 Account Owners by Age Range



Health Savings Account Owners by Age Range



ABLE Account Owners by Age Range

Source: Ascensus platform, as of December 31, 2017.

01/RETIREMENT

Ascensus aims to make the dream of a stress-free retirement a reality for more individuals. Unfortunately, our data suggest that many still struggle to prioritize saving today for what feels like a more distant future.

Employers have stepped in to help address this savings gap, implementing retirement plan features designed to make saving automatic and simple. As the role of the financial advisor continues to shift from traditional investment strategy to holistic, financial planning, advisors have adapted their practice management tactics to ensure they're delivering the value and counsel clients need.

Source for following data: Ascensus retirement platform, as of December 31, 2017.

A snapshot of retirement savings

Account balances across all savers suggest more work to be done[1]

According to the U.S. Bureau of Labor Statistics, the mean American Income in 2017 was $50,620.[2] Savers nearing retirement (ages 45 to 54) that fell into this mean compensation range had $48,844 saved as of 2017 year-end. Across all active retirement savers on our platform, the average account balance as of 2017 year-end was $52,100. Our data suggest that account balances across all generations are likely lower than what would be required to cover retirement goals. However, it's important to note that in all likelihood, some of these 401(k) account owners have additional assets saved in IRAs or external savings accounts that are not factored into this analysis. To get a holistic view of progress, savers should aggregate their balances across the various accounts and funding sources they plan to leverage in retirement.

Average 401(k) Account Balance

Compensation	<25	25-34	35-44	45-54	55-64	65+
$100,000+	$20,037	$37,404	$76,872	$147,689	$247, 607	$344,285
$75,000-$99,999	$8,832	$21,374	$41,185	$78,380	$121,319	$155,820
$50,000-$74,999	$6,453	$12,787	$26,303	**$48,844**	$78,728	$103,544
$30,000-$49,999	$2,950	$6,460	$13,727	$24,246	$39,842	$60,178
<$30,000	$847	$2,352	$5,301	$9,321	$16,614	$29,473

This analysis suggests that there's a considerable retirement savings gap between employees of different compensation ranges. Mid-career employees ages 45-54 that earn between $30,000 and $49,999 have 6 times less in retirement savings than employees in the same age range who earn $100,000 or more.

[1]These average balances represent only those assets saved on the Ascensus platform in a single 401(k) account. External assets saved by these individuals in separate savings accounts, IRAs, etc. are excluded. Participants with undisclosed or $0 compensation reported for the 2017 year were also excluded from this analysis.

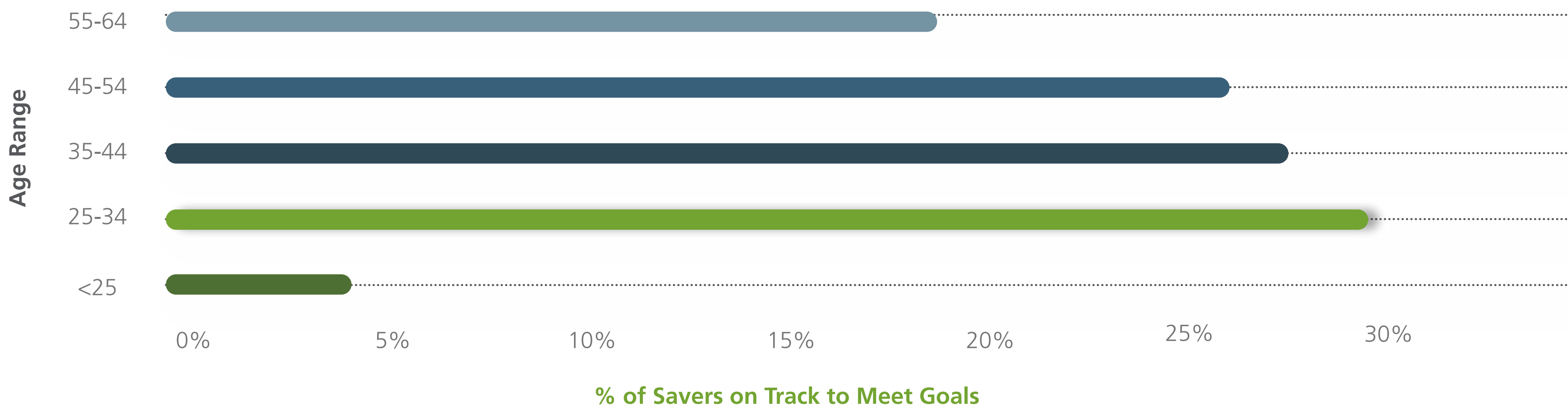
[2]National, State, Metropolitan, and Nonmetropolitan Area Occupational Employment and Wage Estimates, May 2017, U.S. Bureau of Labor Statistics.

Savings progress across generations

Smart technology boosts awareness of shortfalls

To help employees determine how much retirement savings is "enough," The Ascensus Retirement Outlook Tool provides them with a personalized look at their readiness based on their salary, current savings rate, and other key factors. In 2017, savers in the 25 to 34 age group were the most likely to be on the right track, with over 27% finding that they were saving adequately to meet their current goals. However, individuals under age 25 had the most work to do, with over 96% falling short.

The good news? Awareness seems to be the first step in the right direction. 39% of first-time users started contributing after using the Tool with an average savings rate of 8%. Not only did these users get started with their retirement savings efforts, but they did so in an impactful way. This 8% average savings rate is actually higher than the national average deferral rate of 6.8% as reported the Plan Sponsor Council of America.[1]



39% of first-time users started contributing for the first time after using the Retirement Outlook Tool

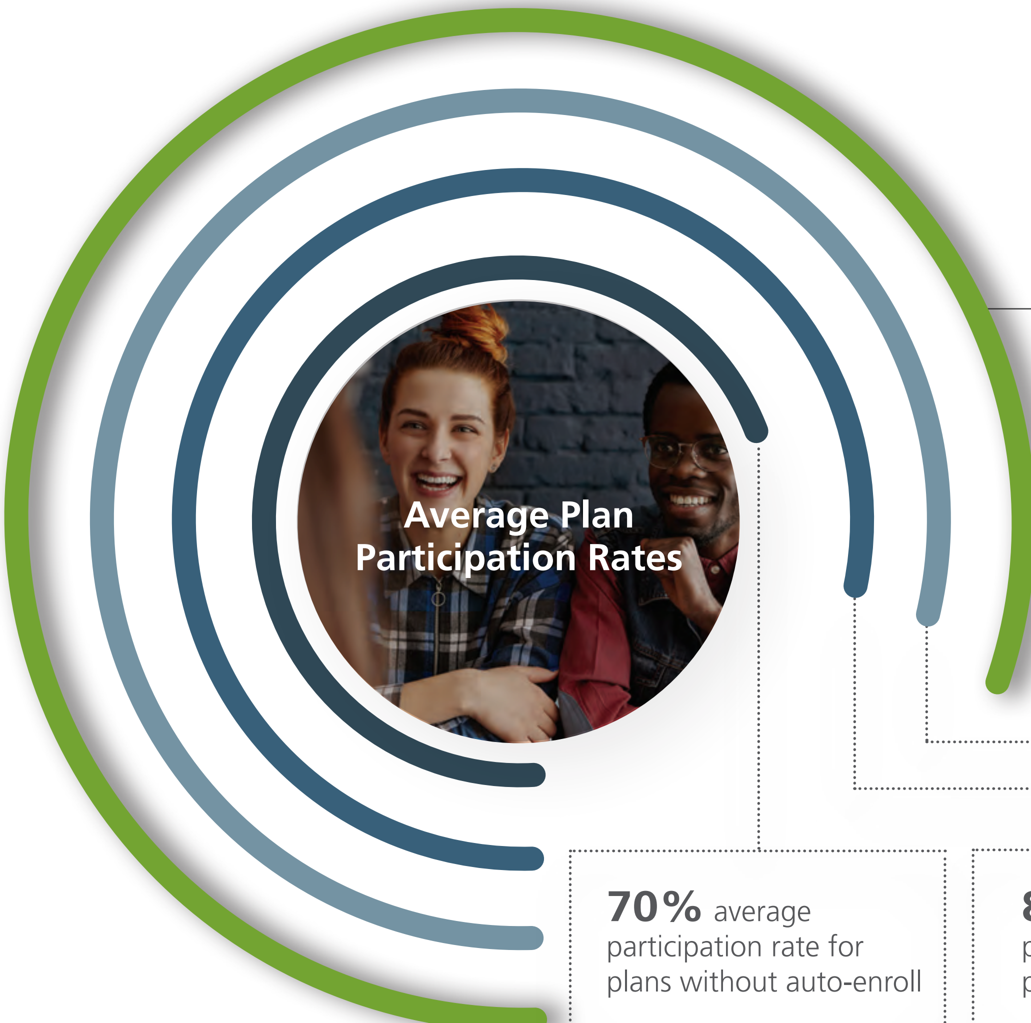
8% average savings rate selected by savers after using the tool

[1]PSCA 60th Annual Survey, February 2018, https://www.psca.org/PR_2018_60thAS.

Automatic features get more employees in the plan

Removing the roadblocks

Getting started can be the hardest part of saving for retirement. Automatic enrollment and automatic increase features can make it that much easier. Plans with automatic enrollment have participation rates 10% higher than those without, while employers who offer both auto-enroll and auto-increase experience 81% average participation. Employer matching contributions offer additional motivation and an even more notable boost in plan participation when coupled with auto features. Our data suggest that when business owners leverages both auto features and funds matching contributions, they see the highest overall plan participation at 84%.



84%
average participation rate for plans with auto-enroll and auto-increase that fund a match

70% average participation rate for plans without auto-enroll

80% average participation rate for plans with auto-enroll

81% average participation rate for plans with auto-enroll and auto-increase

Employer contributions motivate savers

Employers are pitching in to help build employee balances

Employer contributions can greatly improve how well prepared employees are for retirement. 82% of plans on the Ascensus platform fund a match. Plans that fund a match experience 17% higher participation than plans that don't.

Profit sharing, which enables employers to make discretionary contributions to their retirement plan, also offers business owners the opportunity to boost their employees' retirement readiness. This feature offers employers flexibility and choice, leaving the decision up to them as to how much they allocate to each employee.

Businesses that offer a profit-sharing plan have the opportunity to adjust the plan as needed, sometimes making zero contributions in some years. As of the end of 2017, 86% of retirement plans on our platform offered profit sharing options.

82% of plans fund a match

17% higher participation rate for plans that fund a match

86% of plans allow for profit sharing contributions

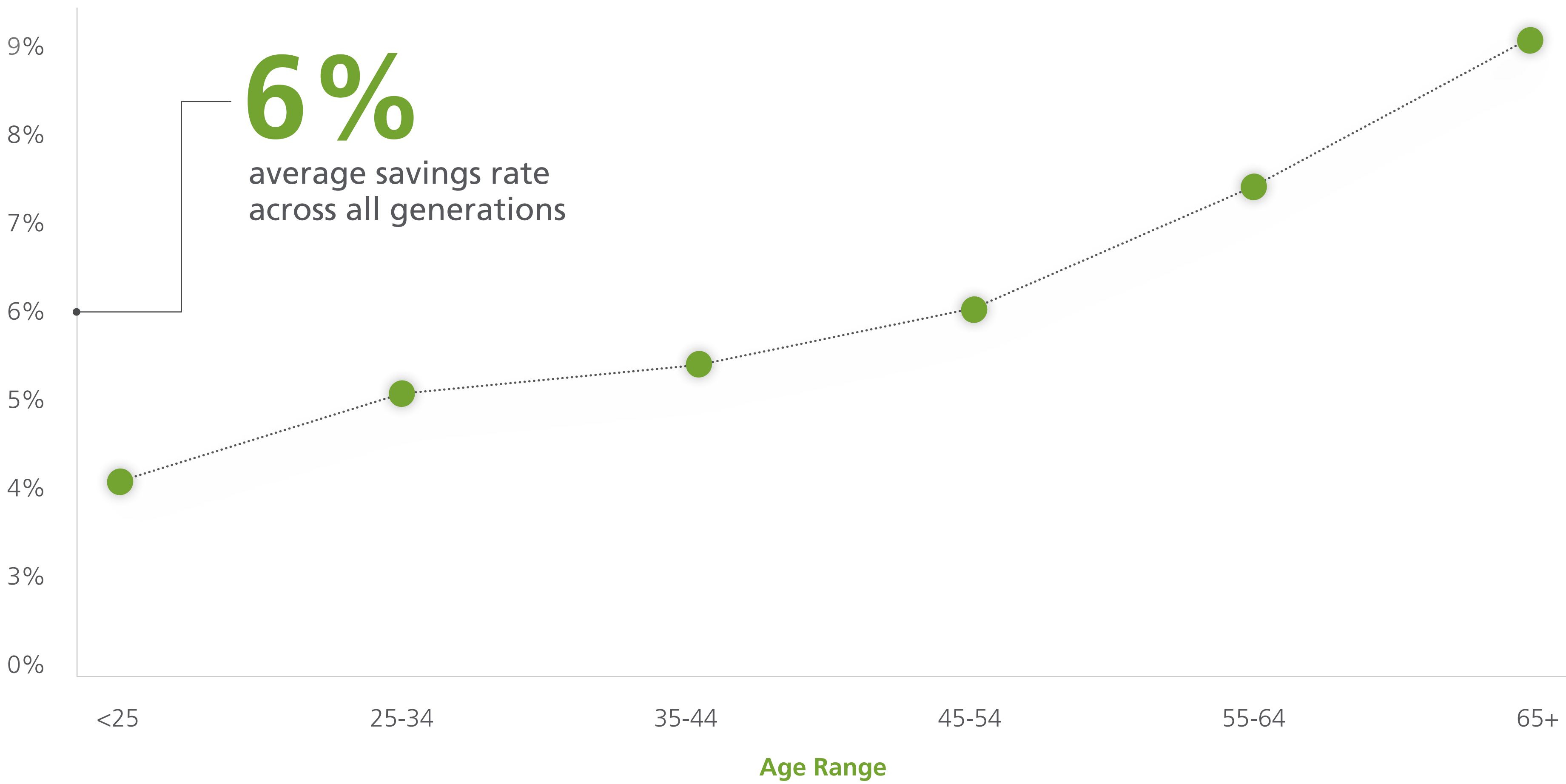
Plan design is a key factor in how employees engage with their retirement plan. Employers have recognized this fact and are opting to leverage plan features that make saving more attractive, automatic, and convenient. This can help maximize the value the plan is delivering both for the employee and employer.

How much is enough?

Relatively low savings rates remain an obstacle

We analyzed average savings rates across age ranges to determine how much savers have decided to regularly contribute to their retirement accounts. Savings rates are highest among older employees, with savers ages 55 to 64 saving an average of 7% of their income and those ages 65+ saving 9%. Young millennials under the age of 25 have the lowest average savings rates at just 4%. These millennial employees are likely somewhat limited in their ability to save at a higher rate as many of them might be saddled with student loan debt. 529 savings can play a major role in minimizing this student loan debt that must repaid later in students' careers, which is a theme we explore further in the next section of this report.

Average Savings Rate



How do employers pay their plan fees?

Employers opting to pay out of pocket

Employers who pay "out of pocket," writing a check for recordkeeping services, under a fee-based structure receive the benefit of a business tax deduction for that expense. And by opting to pay out of pocket, employers can also enable assets to grow and help boost the plan's market value over time.

72% of plans on the Ascensus platform pay recordkeeping fees through a check or another form of direct payment

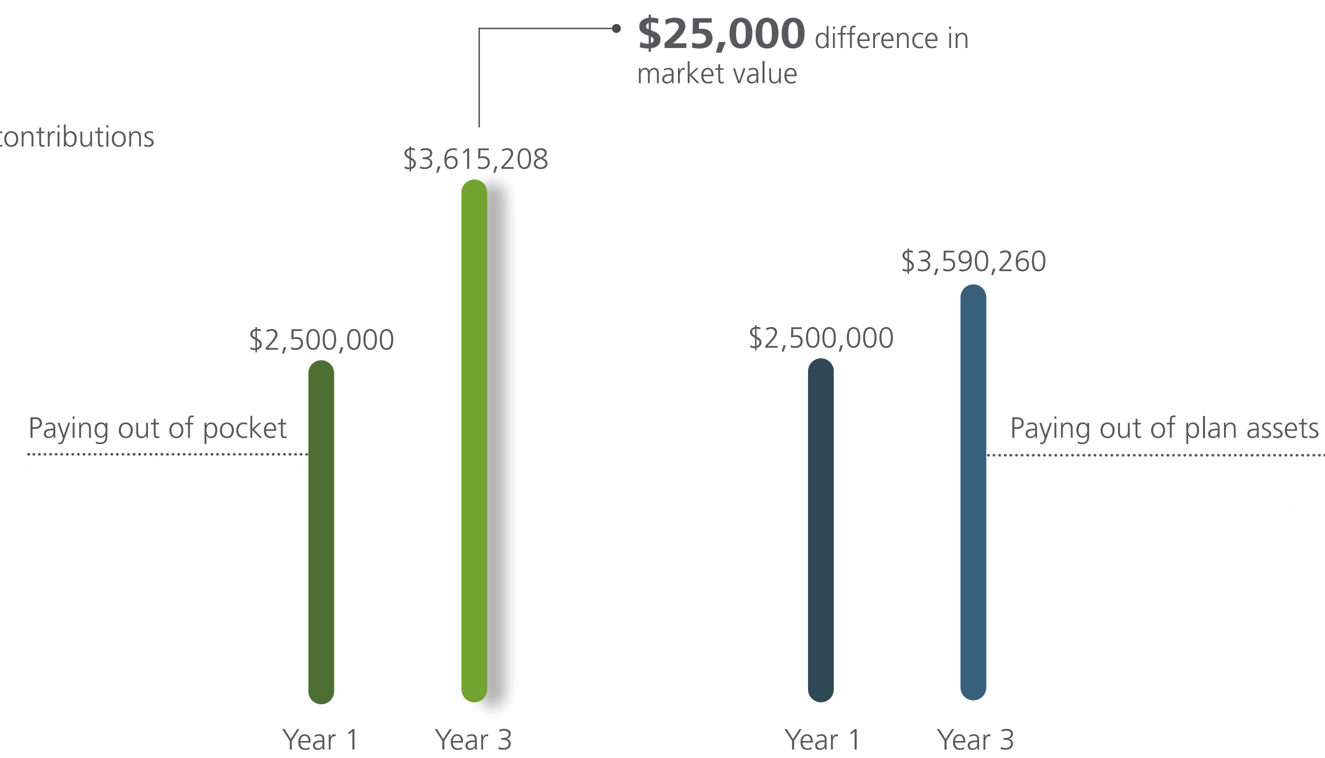
28% of employers pay their recordkeeping fees using plan assets

For a full-service plan with:

25 participants

$75,000 in annual contributions

5% market growth



Retirement Plan Market Value

Retirement wellness by industry

Making the most of their retirement plan

Retirement plan participation is highest among employees in the finance and insurance industries with an 81% participation rate, almost a 3% increase from 2016. Employees in this industry are likely more knowledgeable on financial wellness and therefore understand the importance of saving for retirement. Industries where employees are typically high earners, such as information services and real estate also, have high participation rates.

Industries where employees typically earn a lower income, such as food and accommodation services and transportation and warehousing, have the lowest participation rates on our platform. Many of these employees are likely so concerned with current expenses that they believe they do not have enough money to save for their retirement.

Industry	Average Participation Rates		Change from 2016
Finance and Insurance	81%	Top four	3%
Information	69%		3%
Real Estate, Rental, and Leasing	69%		-1%
Mining	68%		-1%
Agriculture, Forestry, Fishing, and Hunting	42%	Bottom four	6%
Transportation and Warehousing	34%		0.4%
Administrative Support and Waste Management	35%		-7%
Food and Accommodation Services	30%		4%

Top industries for savings progress

Employees in the finance and insurance industry have the highest average account balances at $90,527, a 14% increase from 2016. Savers in the professional, scientific, and technical services have made strong progress on their retirement savings with an average account balance just over $79,200. The healthcare and social assistance industry ranks third, with an average account balance just under $73,000. These industries are three of the largest and highest-paying, so employees are more likely to have more earnings to save in their 401(k)s.

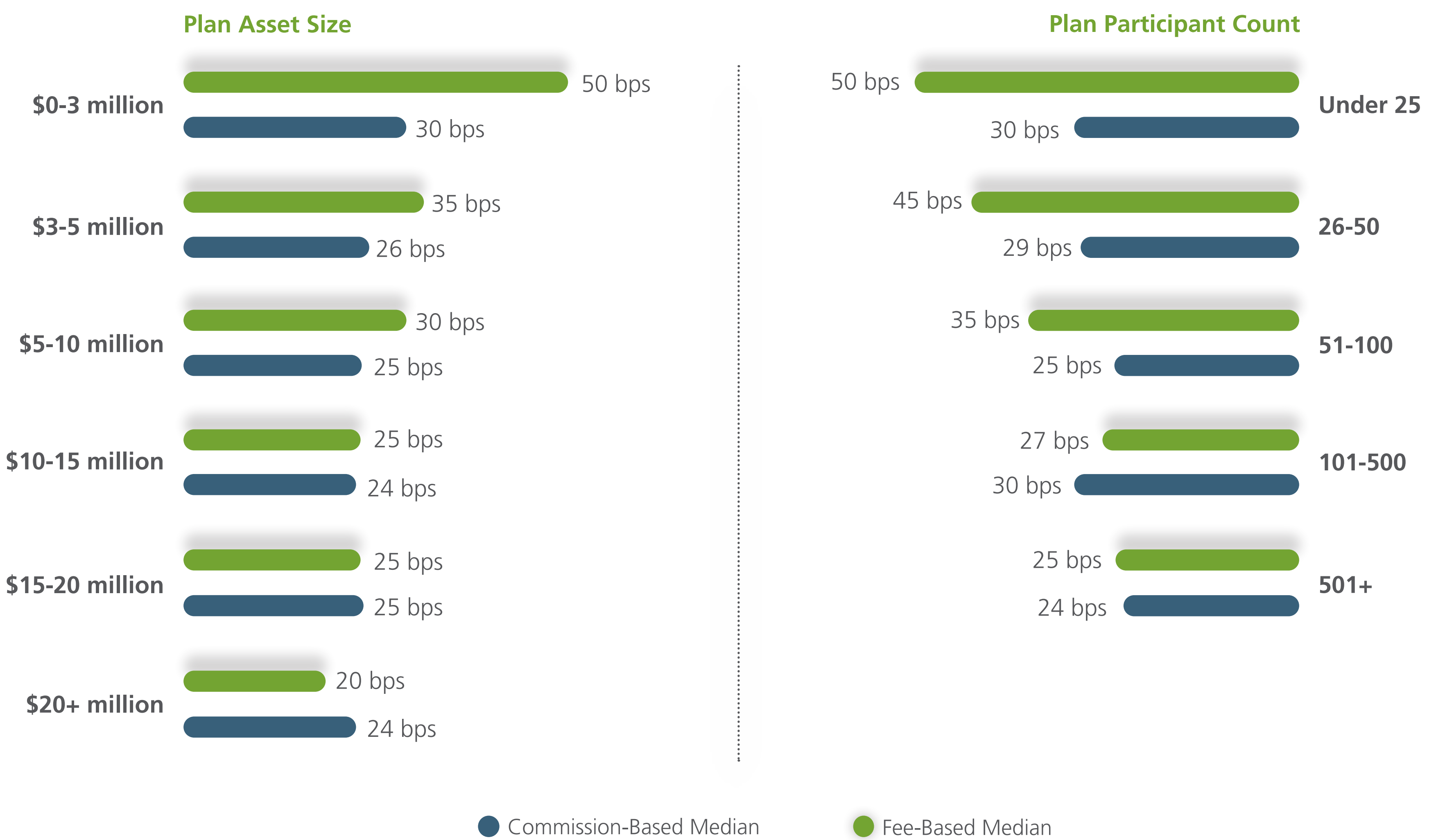
Even industries with the lowest average account balances experienced significant growth in 2017. Employees in the accommodation and food services industry have the lowest average account balance, at just over $20,500. This is a 16% increase from 2016. Employees in this industry often work on a part-time basis and earn lower salaries, so they may not be have as much to save toward retirement as others. Employees in the arts, entertainment, and recreation services face a similar situation. As awareness of the retirement income gap spreads, more employees are saving more for their retirement.

Industry	Average Account Balances		Change from 2016	Average Savings Rate
Finance and Insurance	$90,527	Top four	14%	6%
Professional, Scientific, and Technical Services	$79,209	Top four	12%	7%
Health Care and Social Assistance	$72,924	Top four	16%	6%
Wholesale Trade	$71,111	Top four	18%	6%
Real Estate, Rental, and Leasing	$38, 554	Bottom four	18%	4%
Educational Services	$34, 632	Bottom four	18%	8%
Arts, Entertainment, and Recreation	$32, 768	Bottom four	18%	6%
Food and Accommodation Services	$20, 501	Bottom four	16%	5%

Financial advisors continue to evolve pricing structures

How are advisors charging for their services based on plan factors?

Since the introduction of new fee disclosure rules over 6 years ago, both fee-based and commission-based financial advisors have re-evaluated their compensation structure and service models. Below, we provide insights into the median advisor compensation as seen on our platform based on plan size and the number of employees the plan supports.



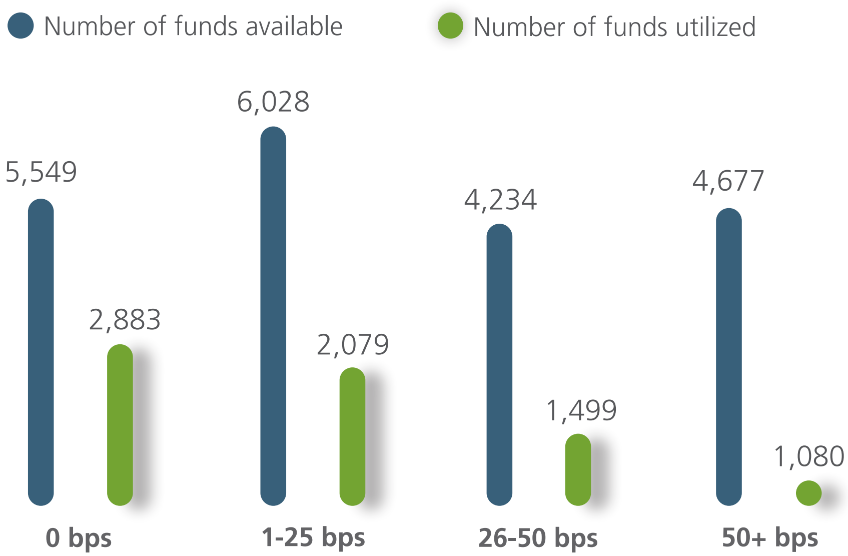
Low-cost investments reign supreme

Advisors and employers continue to focus on value

In recent years, retirement-focused financial advisors have shifted their primary focus from the plan's lineup selection to employee support to help ensure better retirement outcomes. This trend has contributed to the renewed popularity of passive options. As of the close of 2011, just over 4% of our overall platform assets were invested in passive or index options. This jumped up to over 25% of assets captured as of 2017 year-end.

Overall, whether they're opting for a more passive or active line-up, employers continue to favor low-cost, high quality investment options for their plan.

Fund Utilization Breakdown by Service Revenue*



*Service revenue is defined as sub-TA plus 12b-1 fees for purposes of this analysis.

There's little doubt that the fee disclosure rules introduced by the Department of Labor have had a significant impact on the retirement plan market. Many plan sponsors have seen their fees and expenses go down, both for investment products and administrative services. They've also seen a new influx of low-cost investment options made available to them.

Growing additional savings with IRAs

Finding more ways to save for a secure future

Individual retirement arrangements (IRAs) are another type of tax-deferred account that can help individuals supplement their retirement income. Traditional IRA contributions generally are tax-deductible and taxable when taken out. Whereas Roth IRAs offer no tax break for contributions but can be withdrawn tax-free. We administer over 1.3 million Traditional and Roth IRAs, which gives us insight on how individuals use IRAs to save. Our platform has almost $25 billion in Traditional IRA assets and $2.7 billion in Roth IRA assets in 2017. The total number of IRAs (Traditional and Roth) increased nearly 19% from 2016 to 2017. Our data show that Traditional IRAs continue to be more popular than Roth IRAs.

19%
increase in the total number of IRAs from 2016 to 2017

$2.7
billion in Roth IRA assets

$24.8
billion in Traditional IRA assets

$32,000
average Traditional IRA balance

$17,459
average Roth IRA balance

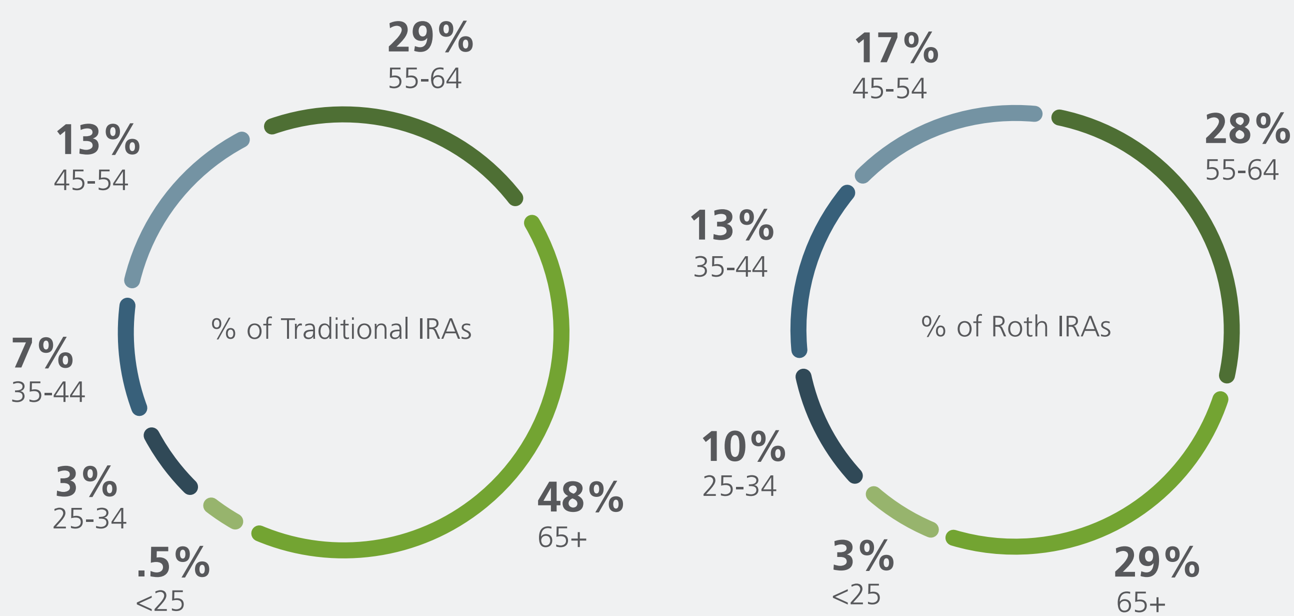
IRAs prevalent among older savers

IRAs help build long-term savings

Our data suggest that older savers understand the value that IRAs have in helping preserve their savings as they approach retirement. About 77% of Traditional IRA owners and 57% of Roth IRA owners are ages 55 and older. As these individuals near retirement, there will be additional opportunity for financial organizations to obtain rollover employer plan assets as these individuals look to consolidate accounts.

Average account balance for savers age 65 and older is over $32,000 for Traditional IRAs and almost $17,500 for Roth IRAs. Our data suggest that these individuals recognize the importance of long-term saving and also can afford to contribute to both their 401(k) plan and an IRA.

IRA Account Owners by Age



02 EDUCATION SAVINGS

As the 529 industry leader, we administer over 4 million accounts, giving us a comprehensive view of how families are using 529 accounts to save for education. Our data suggest that as awareness for the tax-advantaged nature of the 529 has spread, these specialized accounts have become a key piece of the education financing puzzle. While most families aren't leveraging the 529 as their sole strategy to manage rising education expenses, they're certainly embracing the concept that every penny saved today is one less borrowed in the future.

1 2 3 4

Source for following data: Ascensus 529 platform, as of December 31, 2017.

Did you know? You can open a 529 account online in about 15 minutes. Most 529 plans require the saver to put money into the account when they open it. Depending on the 529 plan, this could be as little as $25, and can be contributed online through a bank transfer, by mail with a check, or even through work using automatic payroll direct deposits.

Gaining momentum with savers

Changing tides for 529 market and its investors

529 plans were first introduced in 1996. The tax advantages and provisions associated with these accounts have continued to evolve since their introduction, but they are by no means a "new" savings vehicle for Americans.

We see an impressive growth trajectory, with over 350,000 new 529 account enrollments on our platform in 2017.

The fact that the number of account owners continues to grow at such a notable rate speaks volumes to the importance of the 529 account to American families and students.

351,507 new 529 account enrollments in 2017*

$3,790 average initial contribution amount

4,000,000+ total 529 accounts on our platform

*Applicable to 529 plans administered by Ascensus for the full 2017 year

529 accounts mature, balances build for savers

Market factors lead to continued growth

The overall average 529 account balance has grown by 20% over the course of the past five years, from $18,993 in 2013 to $22,886 in 2017. This upward trend is likely due to a number of market factors as well as a shift in savings habits.

$22,886 overall average 529 account balance in 2017

20% increase in average 529 account balance over past 5 years

529 Average Account Balance Growth

Year	
2017	$22,886
2016	$20,644
2015	$19,380
2014	$19,806
2013	$18,993

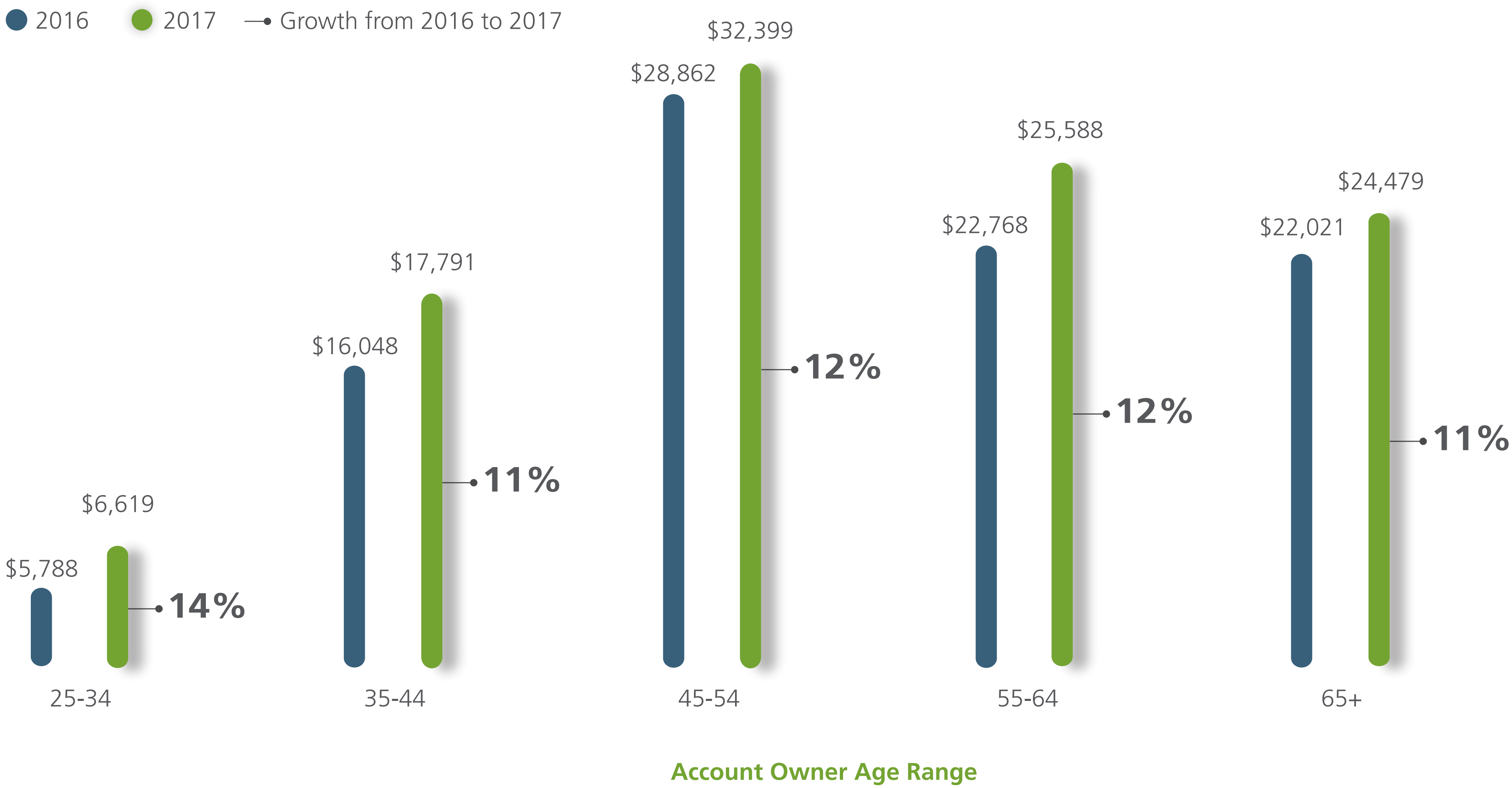
To give savers a sense of what college may cost them and how saving in a 529 can help, we've built a digital College Savings Planner. Savers can test different contribution amounts to refine their savings goals and get a better sense of how much they could save in future loan interest payments. Visit howtosaveforcollege.com to try the Planner.

Building a foundation of savings

How much progress have 529 savers made?

Account owners ages 45 to 54 have the highest average account balance at $32,399. Although savers ages 25 to 34 represent only 7% of account owners, their average account balance grew 14% from 2016 to 2017, representing the highest growth rate among all age groups. Strong market performance likely contributed to notable year-over-year growth in average account balances across all age groups.

Average 529 Account Balance



Tax advantages make savings work harder

The tax-deferred difference[1]

Most are aware all 529 plans are "tax-advantaged," but what do those tax benefits really mean for savers? First, if 529 account savings are used for qualified higher education expenses, account owners don't have to pay any taxes on the earnings.[2] Depending on their home state, savers may also benefit from a resident state tax deduction or credit for their contributions.

All 529 plans benefit from tax-deferred growth, meaning that account balances can grow free of federal and state taxes. Over the long term, this tax-deferred growth can make a significant difference in overall savings. In the illustration below, this difference totals over $6,000 over the course of 18 years.

$100 monthly contribution **5%** market return

[1]Illustration assumes an annual rate of return on investment of 5%, that no funds are withdrawn during the time period specified, and that the taxpayer is in the 30% federal income tax bracket for all options at the time of contributions and distribution. This hypothetical is for illustrative purposes only.

[2]Earnings on non-qualified distributions may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain distributions are subject to federal, state, and local taxes.

Making saving more simple

Payroll direct deposits and recurring bank contributions help make saving automatic

With many competing financial responsibilities, savers can find it difficult to dedicate money to education savings. Automatic contribution options allow savers to regularly contribute to their 529 accounts in a way that is easy and simple to manage. Payroll direct deposits are made depending on account holders' payroll schedule, typically on a weekly, biweekly, or monthly basis.
Recurring bank contributions can be scheduled monthly or quarterly.

While only 6% of 529 account owners leverage payroll direct deposits, very few employers offer 529 plan access as a workplace benefit. Conversely, the 401(k) plan was originally designed to be offered at the employer level and to feature seamless payroll integration. Our data suggest that there's opportunity for more employers to incorporate 529 plans into their voluntary benefits program to make education savings more automatic for employees.

6% of account owners made payroll direct deposits

33% of account owners made recurring bank contributions

$78 median payroll direct deposit amount

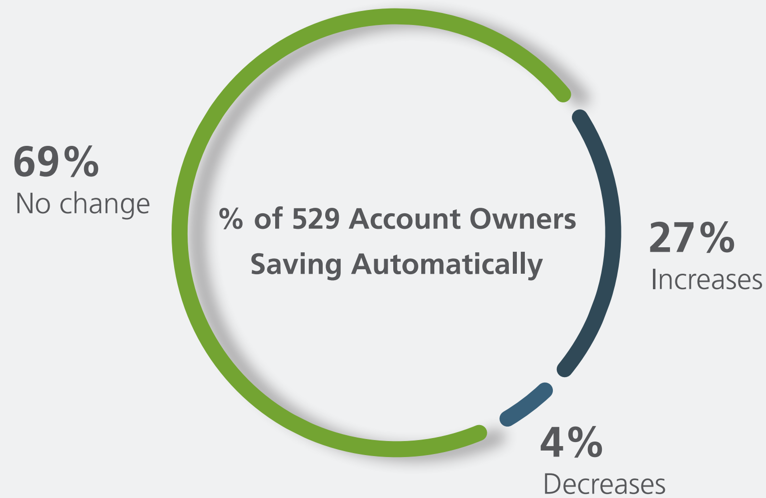
$100 median recurring bank contribution amount

Most savers set and forget automatic investments

At the end of 2017, 69% of 529 account owners that had opted to use automatic investment methods had made no changes to these regular contribution amounts. 27% chose to increase these contribution amounts over the course of the year, and just 4% made decreases. This suggests that the majority of automatic 529 investors tend to "set and forget" these savings.

As we've seen for retirement savers, optional automatic increase features can boost 529 plan participation and help improve long-term outcomes for savers.

Changes to 529 Auto Investment Amounts in 2017



Interestingly, for all 529 savers that have leveraged automatic contribution methods, some are opting to make additional contributions on top of these regular amounts. Over 10% of these savers contributed additional dollars to their 529 accounts in 2017.

For parents and families looking to learn more about covering rising tuition costs, howtosaveforcollege.com provides the 529 plan basics. This site provides users with the information they need to find the right 529 plan and set their savings goals.

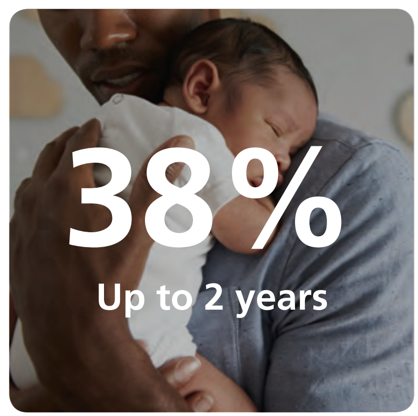
Planning today for a better tomorrow

Saving early better prepares families to cover education costs

More parents are opting to start saving early in a beneficiary's childhood to reduce the potential future stress of paying for their education. In fact, 53% of all 529 accounts on our platform were opened when the beneficiary was 5 years old or younger, with 38% of accounts opened when the child was just 2 years old or younger.

This means that most 529 savers actually have the foresight to get started before their children even begin their first years of school. The earlier a family opens a 529 account, the more time they have to build their savings and benefit from tax-deferred growth.

Beneficiary Age at Enrollment

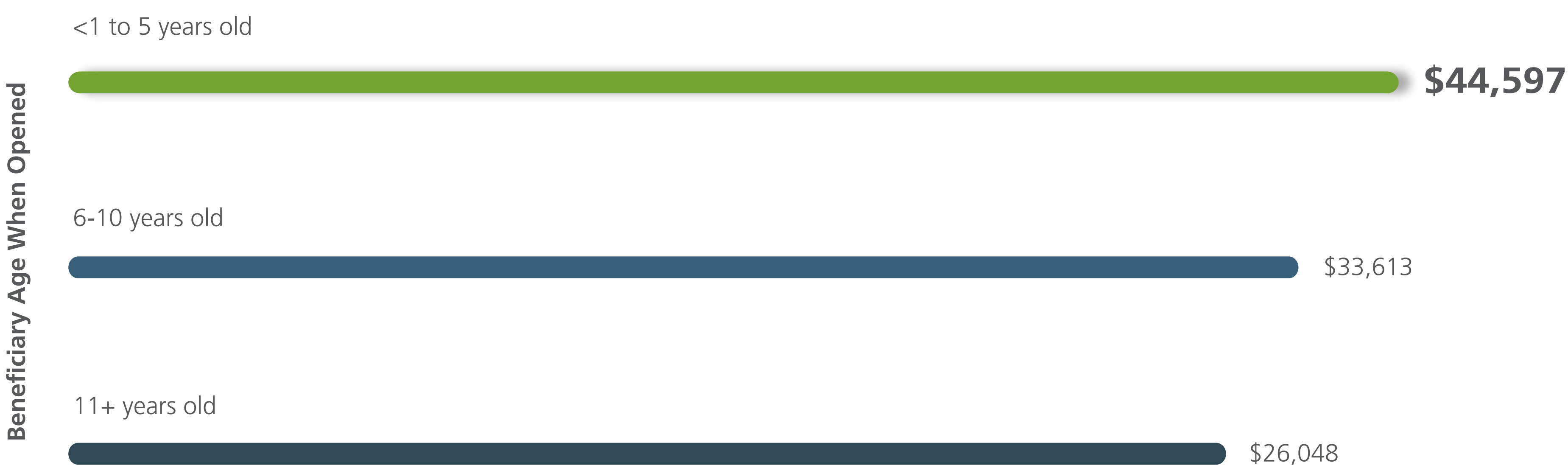


Advantages of thinking ahead

Why start early?

Getting an early start is important for families looking to maximize their savings. For families with a beneficiary ages 16 to 17, those that began saving in a 529 account when the child was age 5 or under have 71% more in savings than families who did not start saving until the child was 11 or older.

Account Balances for Beneficiaries Ages 16-17



529s are flexible, so your future student can have options. These tax-advantaged accounts can be used at 4-year colleges and universities, community colleges, vocational and trade schools, and more. The only requirement is that the school participates in the U.S. Department of Education student financial aid programs. New in 2018, federal law also permits 529 accounts to be used for K-12 education expenses; limits apply.

Age-based options help with asset allocation

Savers more comfortable with guided approach

Individual portfolios within a 529 plan are defined as standalone, static investments which an account owner uses to build their own allocations. However, with age-based portfolio options, the funds are automatically reallocated along a glide path as the account beneficiary nears college age.

Over half of the accounts in Ascensus-administered 529 plans are invested in aged-based portfolios. This suggests that savers are more comfortable taking a guided approach to 529 investing, opting for help in reallocating savings to a more conservative path over time.

44% of accounts are invested in individual portofilios, managing investment reallocation strategy on their own. However, our data actually suggest that very few of these investors actively managed their allocations and made fund exchanges in the 2017 year.

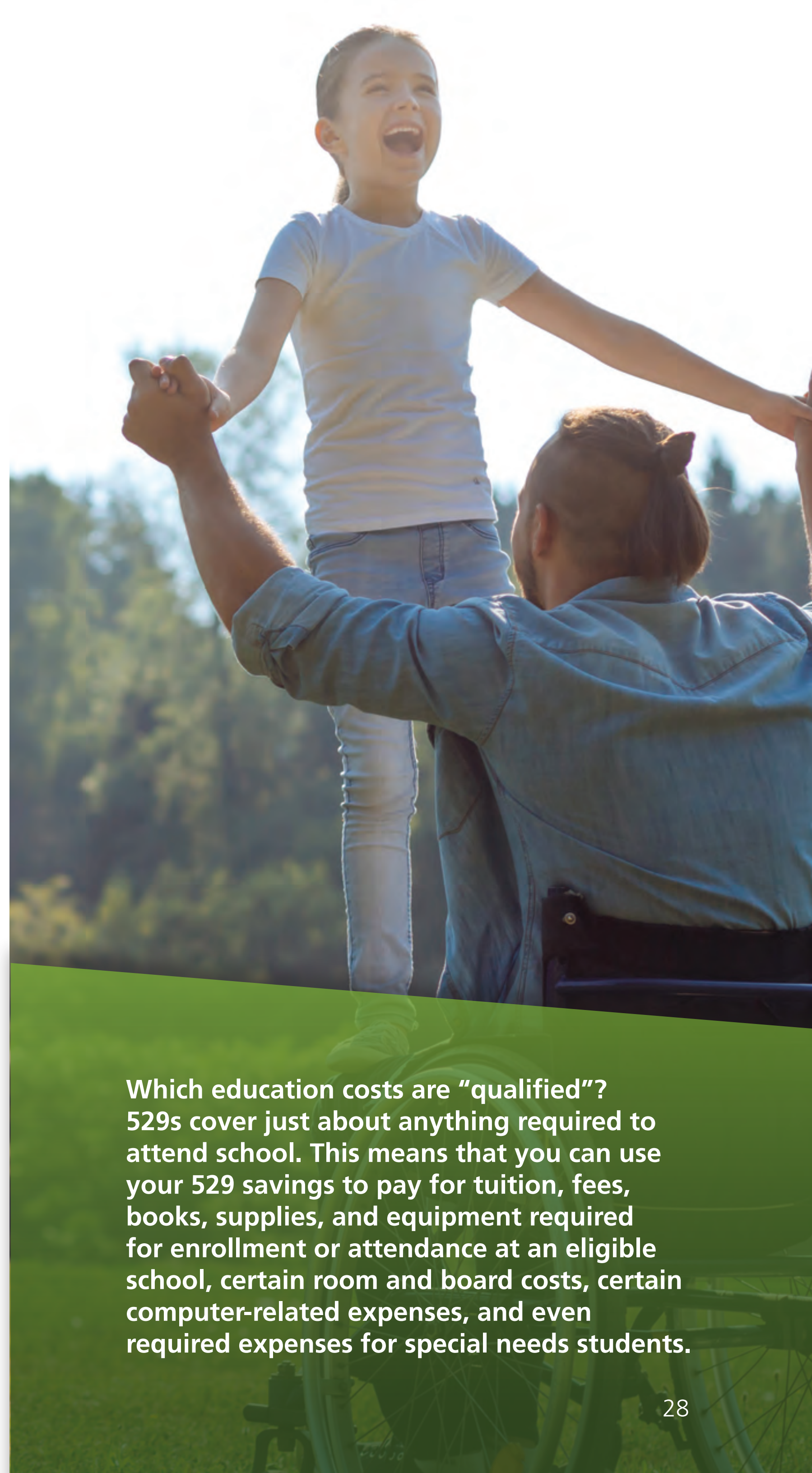
5% of all account owners changed their investment allocation in 2017

Every dollar helps

Families gradually build up their education savings

The median initial 529 account contribution in 2017 was $1,000. The contributions that follow this initial deposit tend to be smaller, with 60% of these contributions totaling $100 or less.

In terms of total annual contributions, 37% of savers contributed $1,001 or more to their account over the course of the year. Our data suggest that savers prefer to build on their initial contribution by making regular contributions over time to steadily grow their education savings.



Which education costs are "qualified"? 529s cover just about anything required to attend school. This means that you can use your 529 savings to pay for tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible school, certain room and board costs, certain computer-related expenses, and even required expenses for special needs students.

Covering rising tuition costs

How much of a college education do average 529 balances fund?

To understand how 529 savings help to pay for an education, we analyzed average account balances for beneficiaries ages 16 through 17 as a percentage of the cost of attending four different types of higher education institutions. This group had the highest average account balance of all beneficiary age groups at $35,398, a 13% increase from 2016. On average, these accounts cover over 40% of tuition and fees and room and board of a four year in-state public university, and nearly a fifth of tuition and fees and room and board of a four-year private university.* While this may not be enough to cover the full cost of a college education, 529 accounts can be an important tool as families seek to minimize their reliance on student loans.

$35,389 average balance for beneficiaries ages 16-17

of two years at a community college + two years at an in-state, public university*

of a four-year education at an in-state, public university*

of a four-year education at an out-of-state, public university*

of a four-year education at a non-profit, private university*

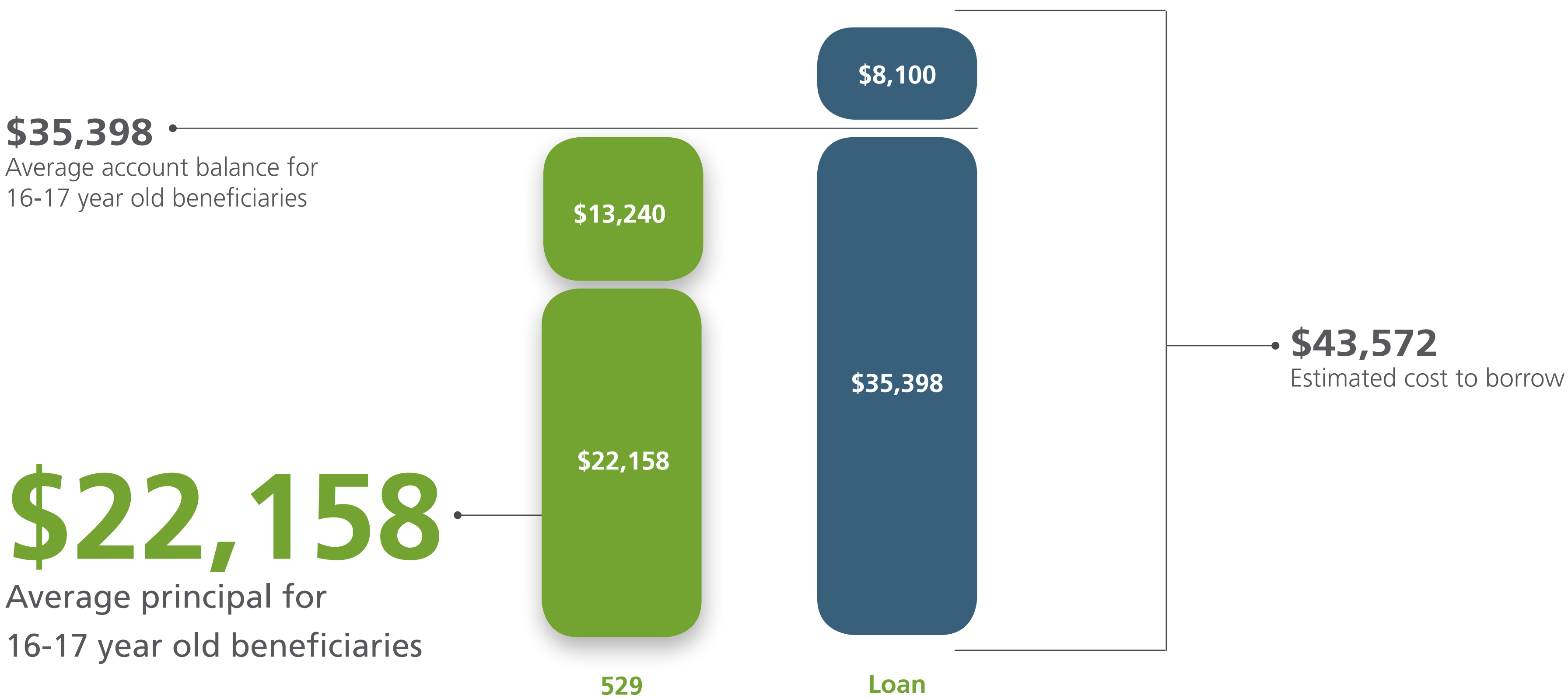
% of Tuition Covered by Average Account Balance for Beneficiaries Ages 16-17

*The College Board, Trends in College Pricing 2017, October 2017.

Why save now?

The value of saving versus borrowing

Saving even small amounts in a 529 account over time can help spare families and students from major loan payments in the future. As we learned in our previous illustration, the average account balance for beneficiaries ages 16 to 17 at the end of 2017 was $35,389. How much would it cost a student to borrow this same amount for education? For that loan amount, the student would be required to pay $8,100 in interest over ten years. That's equal to 23% of the original loan amount. In the long run, saving proves to be a much more cost-effective strategy than borrowing.



Source: https://ascensus.wealthmsi.com/csp.php; Assumes an interest rate of 4.29% throughout the life of the loan and a ten-year repayment period. This hypothetical example is for illustrative purposes only and assumes no withdrawals made during the period shown. It does not represent an actual investment in any particular 529 plan and does not reflect the effect of fees and expenses or any taxes payable upon withdrawal. Your actual investment return may be higher or lower than that shown. The loan repayment terms are also hypothetical. Loan rates and monthly payments may be higher or lower than shown.

Ugift is an easy, free-to-use service that lets 529 account owners encourage family and friends to celebrate children's milestones with the gift of college savings, in lieu of traditional gifts. Account owners receive a unique Ugift code for each beneficiary which can be shared with others and used to contribute at Ugift529.com.

Giving the gift of education savings

Enhanced features make 529 gifting even simpler

Since its launch in 2007, our Ugift program has offered 529 account owners a unique opportunity to crowd source their savings efforts. Recent enhancements to the program have made it even simpler for loved ones to give the gift of education savings.

Ugift now allows users to set up a Gift Giver profile, where they can save their banking information, view their gift history, and schedule recurring gifts. Within their profiles, gift givers can also add and save multiple beneficiaries. Since the introduction of this feature in December 2017, we've seen 75% of recurring gift givers contributing on a monthly basis.

287,027 total 2017 Ugift contributions

$100 median gift amount

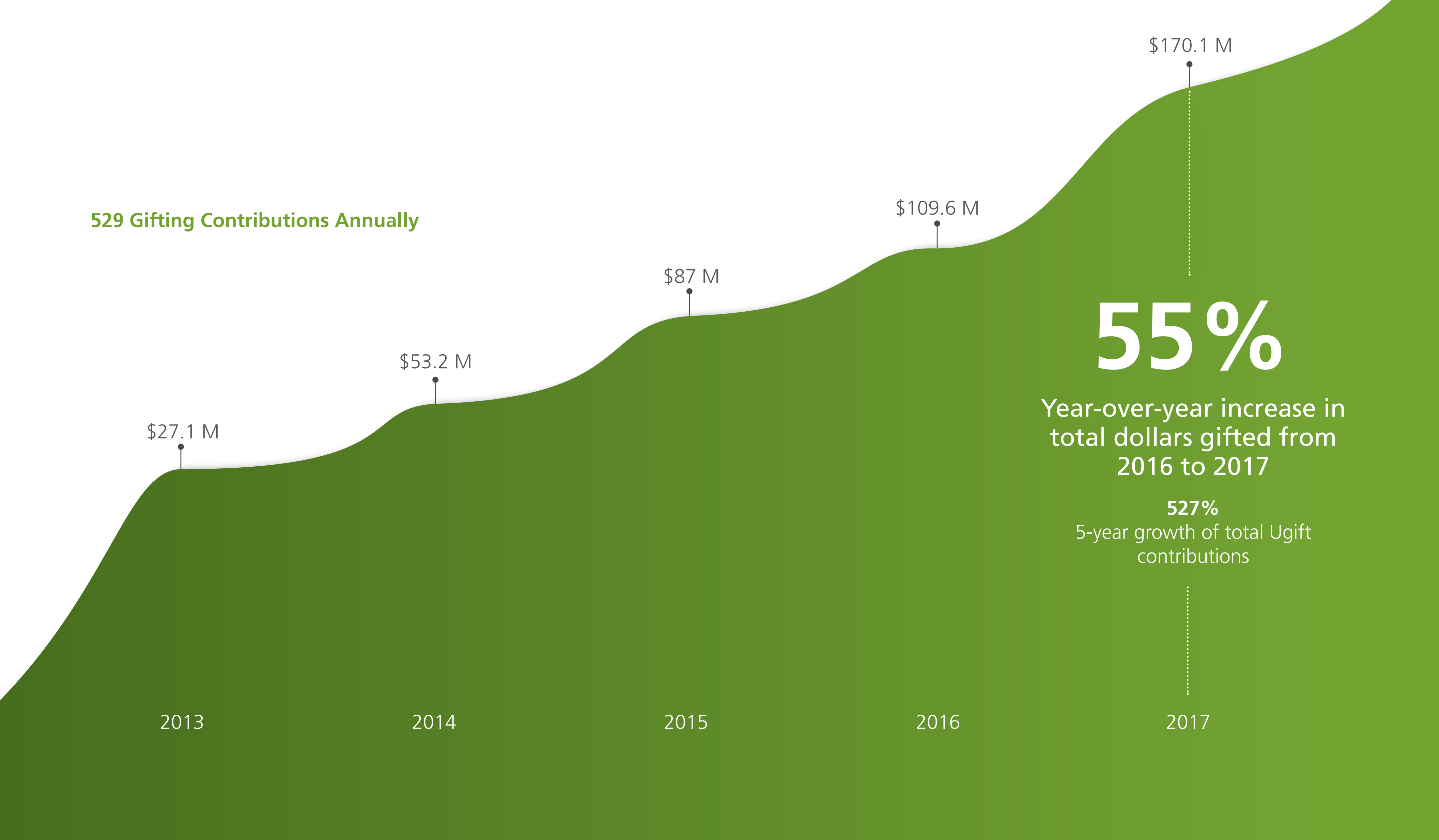
17,000 gift-giver profiles within 30 days of Gift Giver launch

1,900 recurring gifts established within 30 days of Gift Giver launch

Gifting contributions reach record high

Savings are the gift that keep on giving

Now more than ever, family and friends are recognizing the importance of pitching in to help beneficiaries achieve the education they need. In 2017, more than $170 million was contributed to 529 accounts through our Ugift program, a 55% increase over 2016 and a 527% increase over the past five years.



03 HEALTH SAVINGS

Health savings accounts continue to see double digit growth—both in assets and in the number of accounts—as many individuals are seeing the value these accounts offer as part of their overall retirement savings strategy. Education continues to be a key factor in not only raising awareness about the benefits of an HSA, but also in increasing the growth opportunities for financial providers offering these specialized savings vehicles.

1 2 3 4

Americans are generally aware of the tax advantages of 401(k) plans and IRAs. But most don’t know that the HSA offers three separate tax benefits, or the triple tax advantage. No other savings vehicle under the tax code has this kind of preferential treatment. First, dollars are contributed to the HSA on a pre-tax basis, whether through payroll deduction or direct deposit. Second, HSA earnings grow tax-free. Third, HSA owners can make tax-free withdrawals for qualified medical expenses.

Workers view healthcare as a critical issue

Health insurance tops retirement plans when making employment decisions

Workers in a recent EBRI study rank healthcare as the most critical issue facing the nation. 60% of workers report that health insurance is extremely important when considering to either stay at a current employer or choose a new job.

Benefits Ranked “Extremely Important” When Considering Job Change

60% Health Insurance

42% Retirement Savings Plan

Source: *Workers Rank Health Care as the Most Critical Issue in the United States.* Employee Benefit Research Institute. January 2018. Vol. 39, No. 1.

HSAs help savers manage rising costs of healthcare

Confidence to afford healthcare decreases with age

Approximately 30% of workers say they feel confident that they can afford healthcare without financial hardship today, but confidence decreases to 26% over the next 10 years, and drops down to 23% when they consider the Medicare years.[1]

Confidence to Afford Healthcare without Financial Hardship

30%	26%	23%
Today	Over the next 10 years	Once Eligible for Medicare

Healthcare expenses steepen for retirees

Most individuals are aware that healthcare expenses continue to rise at an exponential rate. But some don't realize how much they'll really need to cover their healthcare expenses as they continue to age. [2]

$131,000 needed by a man by age 65

$147,000 needed by a woman by age 65

~$370,000 needed by couple for healthcare in retirement

[1] *Workers Rank Health Care as the Most Critical Issue in the United States.* Employee Benefit Research Institute. January 2018. Vol. 39, No. 1.

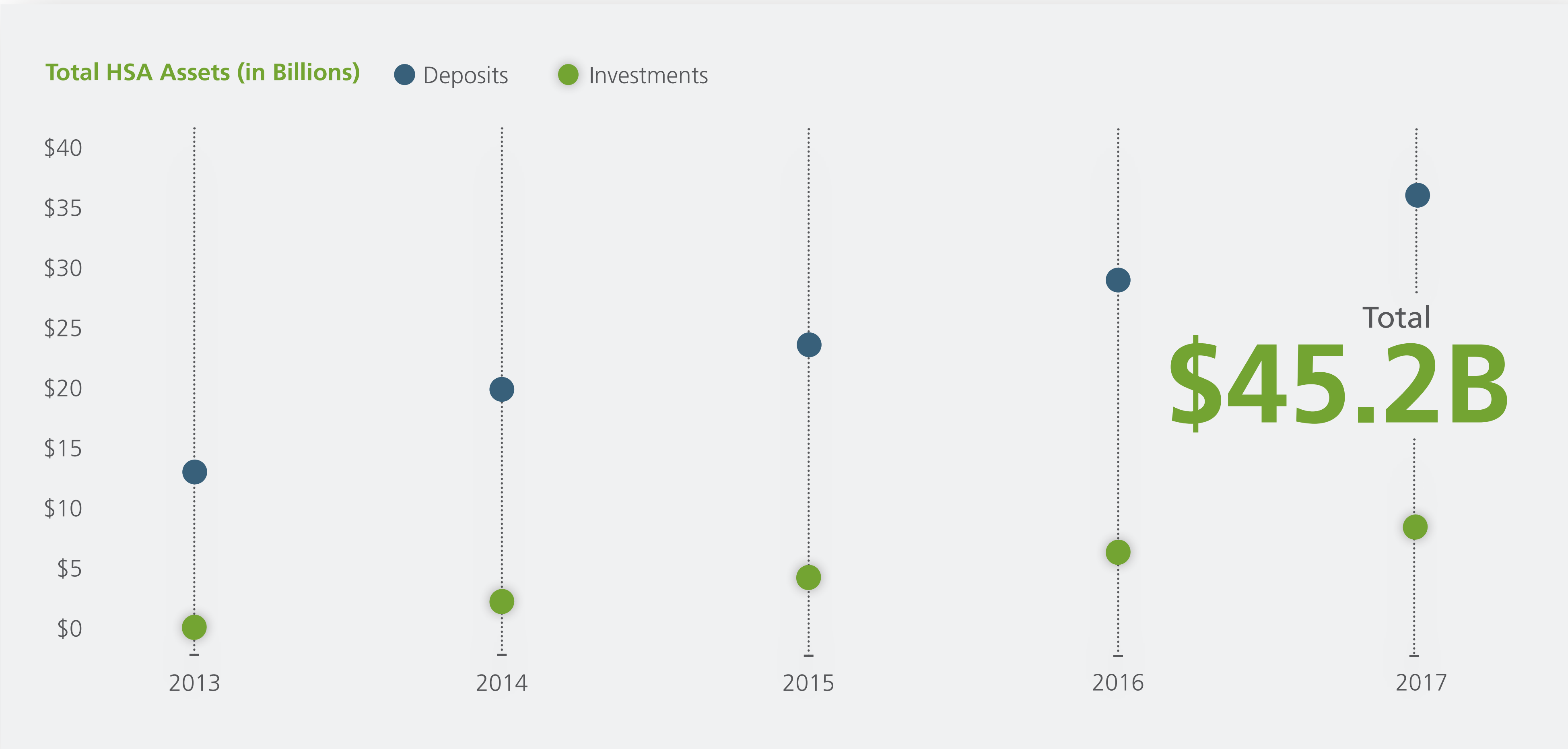
[2] *Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as $370,000, Up from $350,000 in 2016.* Employee Benefit Research Institute. December 20, 2017. Vol. 38. No. 10.

HSA contributions can help soon-to-be or current retirees to pay Medicare premiums or save for future long-term care. For these older savers, their HSAs can also become an additional retirement spending account that can help them afford the healthcare and medications they need to maintain a healthy lifestyle.

Increase in HSA assets keeps outlook bright

Strong asset growth sets new record for HSA market

The number of HSAs now exceeds 22 million, holding $45 billion in assets, a year-over-year increase of 11% for accounts and 22% for assets. HSAs can include both deposit and investments assets. Deposits are low-interest savings accounts where individuals have easy access to their assets. Individuals also can invest in mutual funds and stocks, similar to retirement plans.



Source: 2017 Year-End HSA Market Statistics & Trends. Devenir Research. February 22, 2018.

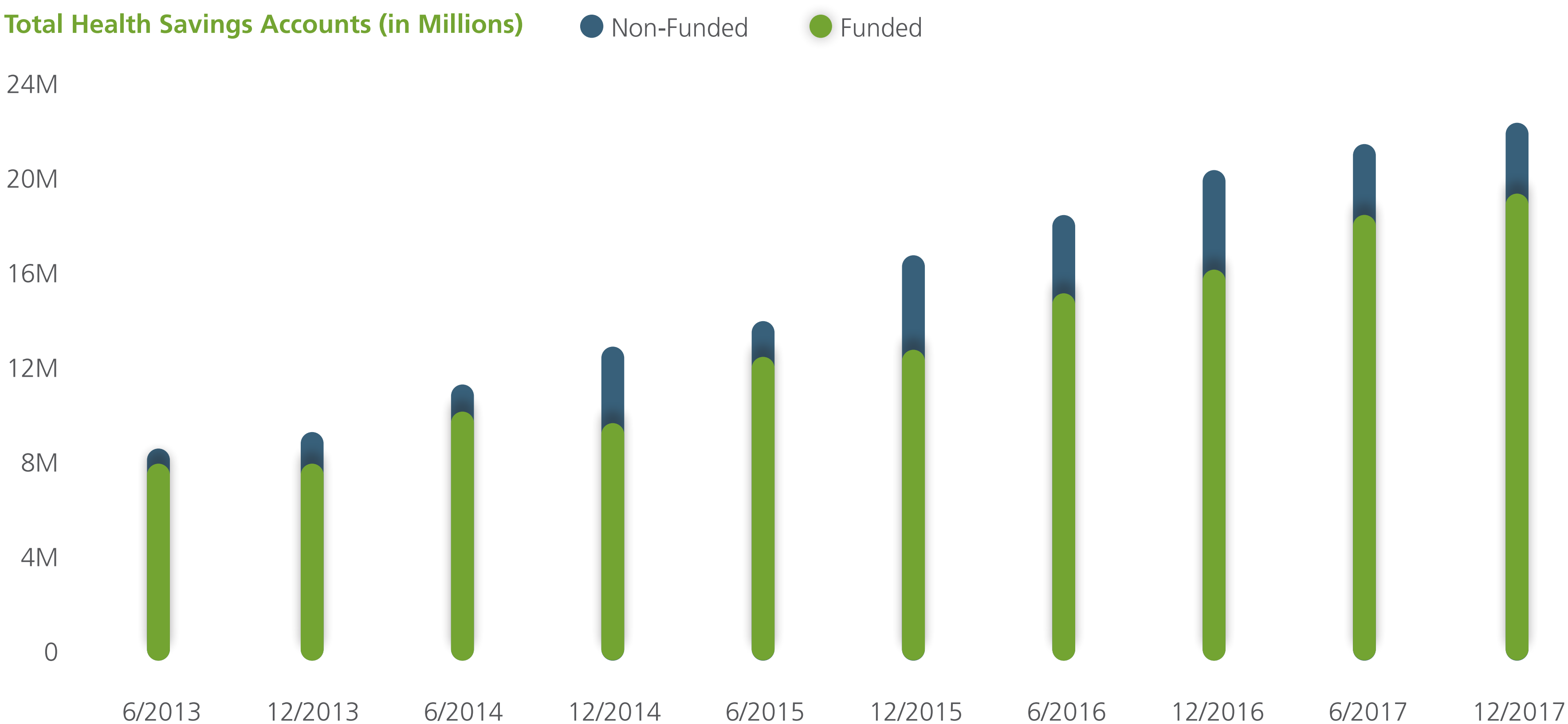
HSA enrollment slowed, but still sees double digit growth

Enrollment decrease tied to dormant accounts

While assets in 2017 saw a steady increase, the 11% account growth actually represented a decrease in growth rate year-over-year, which was a surprise to many in the industry. Devenir provided clarity around the drop in account growth (down from 20% in 2016) and found that many HSA providers closed dormant accounts throughout 2017, which could be a reason for the significant drop. A dormant account is defined as an account that was opened at the request of an employer, but the HSA owner never initiated contributions to the account.

Devenir estimates that, after accounting for the closing of dormant accounts, the 2017 adjusted growth is closer to 15-16%, which is a less drastic dip from the past several years. Devenir's research also suggests that many accounts were opened at the end 2016 in anticipation of healthcare coverage that began January 1, 2017, so the growth between the end of 2016 and mid-2017 shouldn't be viewed as slow.

Total Health Savings Accounts (in Millions)



Source: What Happened to HSA Account Growth in 2017? Devenir Research. March 7, 2018.

Employer involvement drives growth

More employers offering an HDHP paired with an HSA

Employers are the leading driver of new account growth, accounting for 41% of new accounts opened in 2017. As more employers move to high deductible health plans (HDHPs) that are paired with HSAs, employees will continue to rely on payroll deduction to make contributions. Not everyone, however, takes advantage of this option. Banks and credit unions can educate HSA owners on the benefits and simplicity of using direct deposit to fund their HSAs—either through their employers or by partnering directly with the bank or credit union.

21%

of all HSA contributions came from an employer

63%

of all HSA contributions came from an employee

14%

of all HSA contributions came from an individual not associated with an employer

Source: 2017 Year-End HSA Market Statistics & Trends. Devenir Research. February 22, 2018.

The HSA savings advantage

HSAs help secure financial wellness

HSAs are an important part of a saver's overall retirement strategy as healthcare expenses continue to rise. With no "use-it-or-lose-it" rule and the ability to carry over balances from employer-to-employer, savers are becoming savvy on how to maximize their savings and growth potential. Individuals are moving from "spenders" to "savers" and from "savers" to "investors" and accumulating larger balances.

Industry Contributions and Withdrawals (in Billions)

Source: 2017 Year-End HSA Market Statistics & Trends. Devenir Research. February 22, 2018.

HSAs have no time limit on when distributions must occur. Individuals can pay current medical expenses out of their own pocket and then reimburse themselves from their HSA tax- and penalty-free at any time for any reason (as long as the expenses were incurred after the HSA was established). This savings strategy can help individuals accumulate larger balances for future use.

HSA investments keep trending up

More individuals see importance of investing their health savings

HSA investments were over $8 billion at the end of 2017, up 53% year-over-year. Investments increased as individuals transitioned from spending into saving and investing their HSAs. HSA owners who were already invested in the market realized growth based on the strong 2017 market.

These HSA owners had made the transition from a spender or saver to an investor and reaped the benefits. The increased asset size also illustrates that a number of new HSA owners made the transition into investing long-term.

The average total balance of an HSA investment account is $16,457 (includes balances in their deposit and investment account), over 8 times larger than a noninvestment account owner's balance.

$16,457 average account balance of HSA investment account

8x higher balance for investment accounts than noninvestment accounts

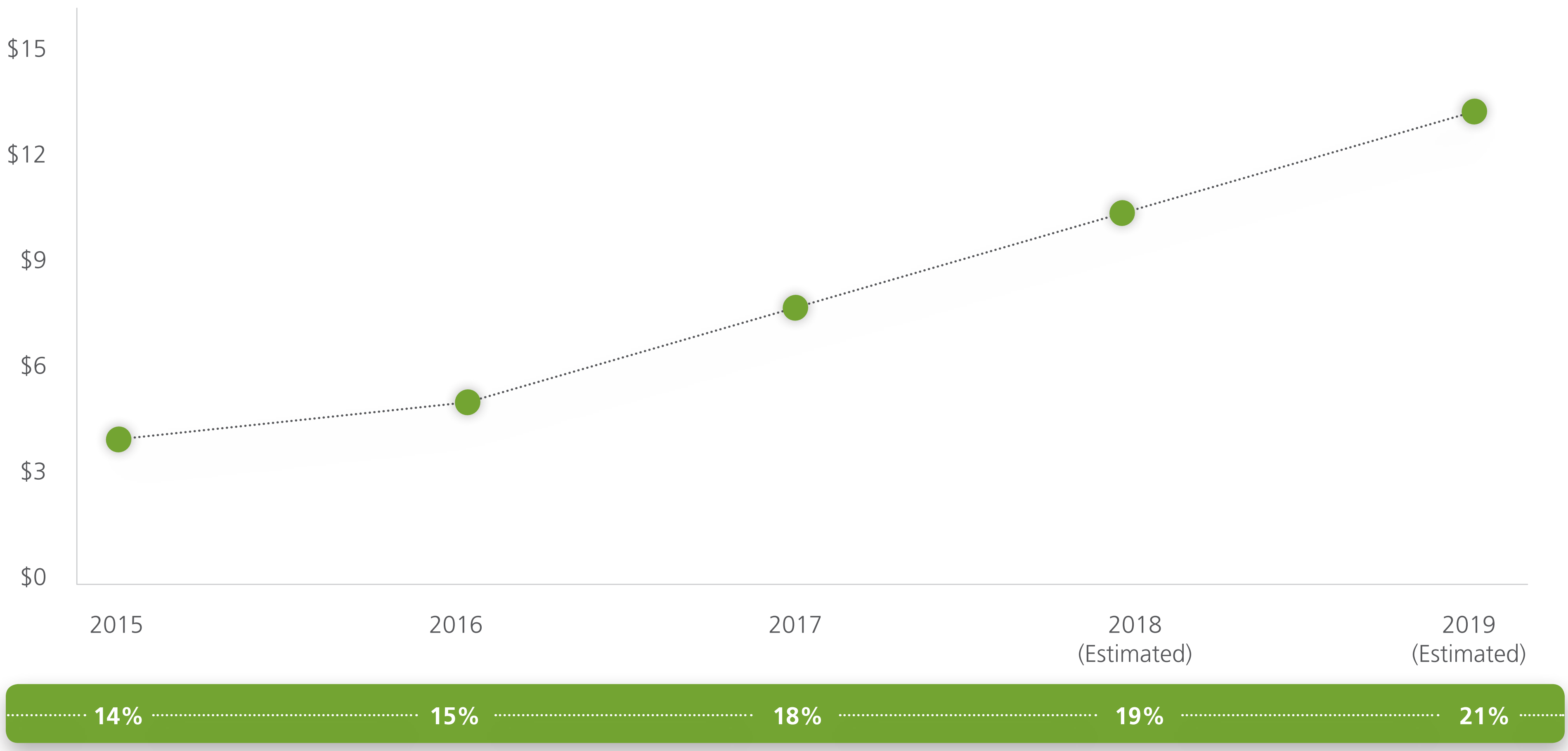
Source: 2017 Year-End HSA Market Statistics & Trends. Devenir Research. February 22, 2018

HSA investment assets predicted to increase

Investing helps grow long-term savings

HSA investment assets have seen significant growth. But only about 18% of all HSA assets are invested. One reason for the lower percentage is individuals are unaware of the opportunity to invest their assets. As more people learn about the advantages of investing, both investment dollars and the percent of all HSA assets invested are predicted to increase.

HSA Assets in Investment Accounts (in Billions)



% of Total HSA Assets in Investment Accounts

Source: 2017 Year-End HSA Market Statistics & Trends. Devenir Research. February 22, 2018

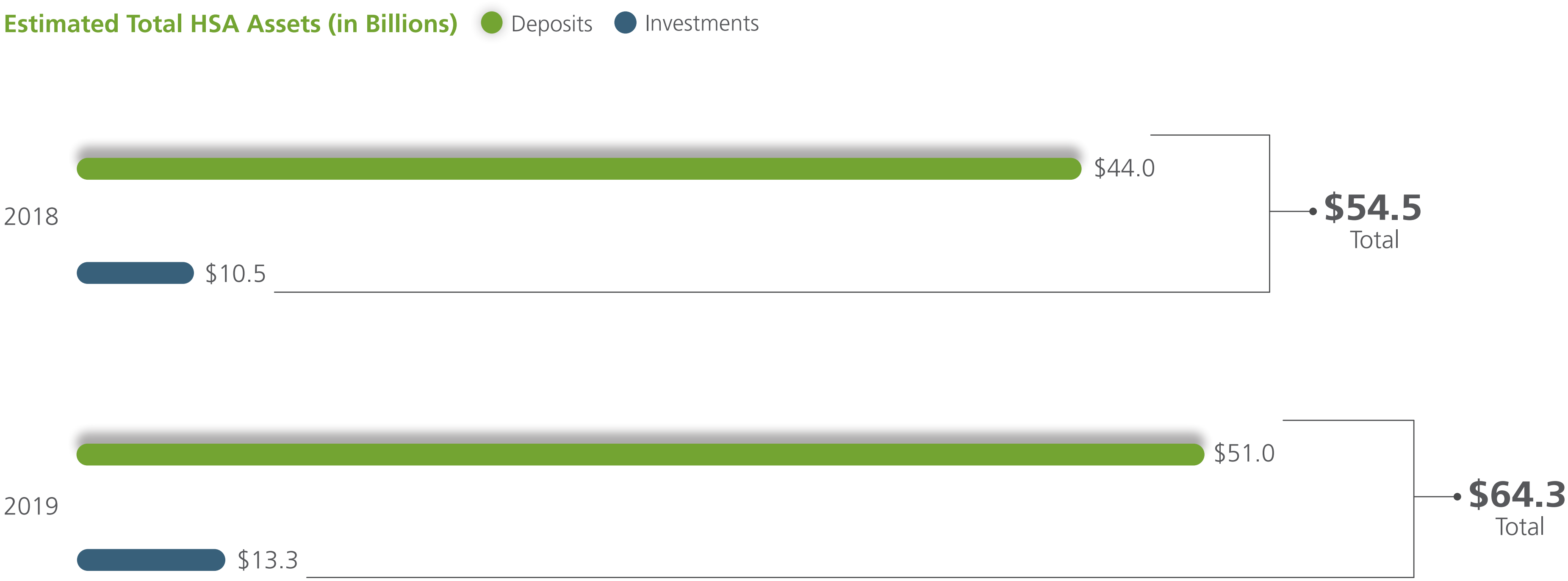
Tap into the HSA market

HSAs provide growth opportunity

Future projections continue to show steady growth. Devenir estimates that by the end of 2019, total HSA assets will exceed $64 billion held amongst almost 27.5 million accounts. While the large employer market is saturated, more mid-to-small businesses are offering HDHPs paired with HSAs.

$64 billion in projected HSA market assets by 2019

Estimated Total HSA Assets (in Billions)



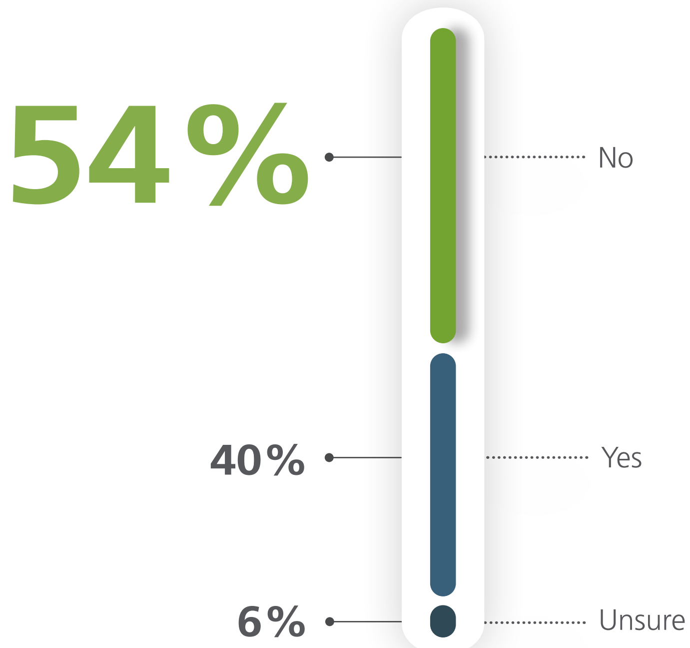
Source: 2017 Year-End HSA Market Statistics & Trends. Devenir Research. February 22, 2018

Education is key to understanding HSAs

Opportunity to close the knowledge gap

A recent WEX Clear Health Insights report states that the majority of individuals surveyed believe that their employers' 401(k) plans offer the most pretax savings benefits. While HSAs actually offer the most pretax savings, only 13% of respondents are aware of these advantages. Over half were not aware that they could invest their HSAs in mutual funds or stocks. Three-quarters of respondents look at their HSAs as a way to pay for medical expenses during the year—highlighting the need to educate individuals on the HSA triple tax advantage.

Were You Aware That You Could Invest Your HSA?



Source: Easing Workers' Concerns About the Rising Cost of Heathcare. 2018 WEX Health Clear Insights Report.

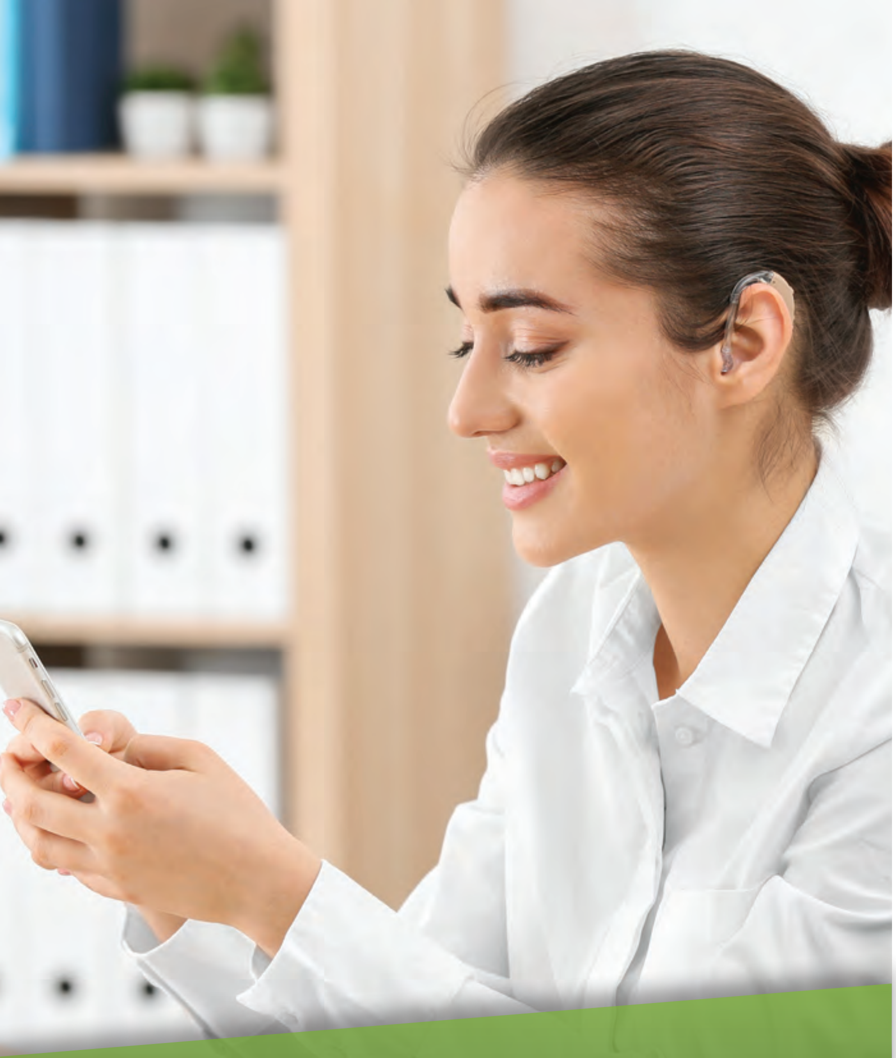
Even as the number of accounts and assets continue to see year-over-year growth, HSA misconceptions still exist. Financial advisors and bank and credit union professionals now have the opportunity to earn a professional designation through our *HSA University.* This program sets a standard for HSA expertise and can better position you to educate clients on HSAs. Visit ascensus.com for more information.

04/ABLE

Achieving a Better Life Experience (ABLE) accounts are new financial tools that provide a tax-advantaged savings opportunity for individuals living with disabilities and their families. Most notably, savings in an ABLE account do not impact these individuals' eligibility for federal and state means-tested benefits. Since their introduction in 2016, ABLE plans have seen strong initial adoption and usage by savers hoping to gain financial independence and invest today for the resources they need.

1 2 3 4

Source for following data: Ascensus ABLE platform, as of December 31, 2017.



ABLE savings can be used for any expense that might help account owners improve or maintain quality of life, including:

- **Education**
- **Housing**
- **Transportation**
- **Employment training and support**
- **Assistive technology**
- **Health care expenses**

Why save with ABLE?

Get special tax advantages

Income earned on ABLE savings will not be taxed. Plus, some states allow for state income tax deductions for contributions made to an ABLE account.

Help grow savings

ABLE programs offer account owners multiple investment options to help make their savings work harder for them. Plus, most ABLE programs offer a debit card option so account owners can access their savings at their convenience.

Maintain current benefits

ABLE accounts allow individuals to save without jeopardizing their eligibility for SSI, Medicaid, and other public benefits.

Automated methods make saving easier

At Ascensus, we're always working to simplify the savings process for account owners. Automatic saving methods, which include payroll direct deposits and recurring bank contributions, make it easier for savers to contribute to their ABLE accounts on a frequent basis.

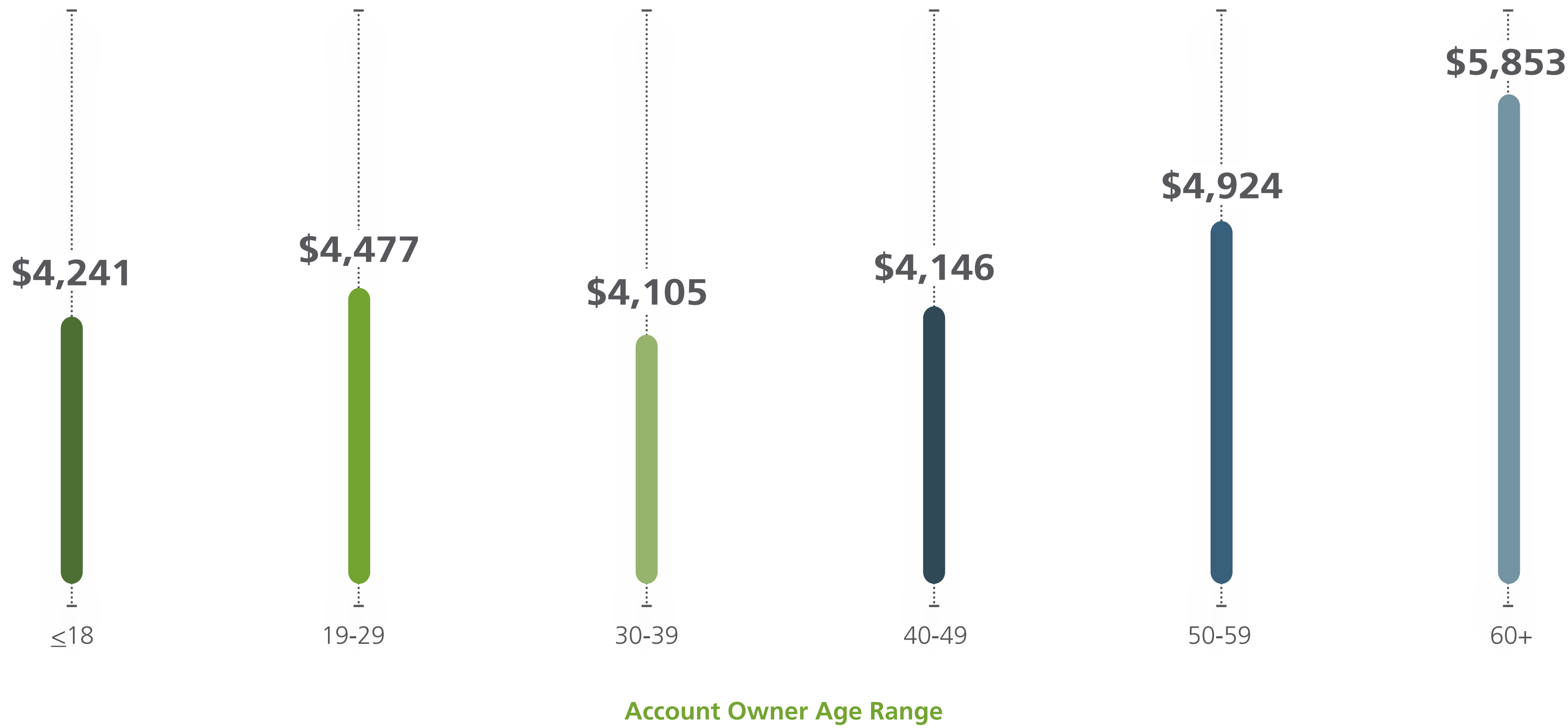
21% of accounts use automatic saving methods

Building a foundation of ABLE savings

Since ABLE programs were just introduced in 2016, savers have only had two years' worth of contribution opportunities. It's also important to note that ABLE accounts have an annual contribution maximum of $15,000. With these two factors in mind, it's encouraging to see that ABLE account owners have already built a foundation of savings, with average account balances exceeding $4,100 across all age ranges.

In most cases, retirement and education savings accounts are designed for a more long-term goal. ABLE savings, however, are often intended to be used for more near-term needs and resources. For this reason, it's not surprising to see that average account balances are level across different account owner ages as opposed to increasing with age.

Average ABLE Account Balances by Account Owner Age Range



Building a more secure future

Contributing to an ABLE account serves as a foundation to financial independence for those living with disabilities.We saw promising account growth in 2017 with assets totaling nearly $16,000,000. On average, savers set aside $641 with each contribution. Given that ABLE plans are in their beginning years, such high total assets and average contributions are great signs of future growth. As more states consider implementing ABLE plans of their own, we expect to see asset growth trend upwards.

$15,852,538

in total assets

$641

average contribution

Giving the gift of savings

Family and friends can help

Family and friends can easily make gift contributions through Ugift®. This free service allows ABLE savers to request contributions from relatives and friends to their Ascensus-administered ABLE accounts. Ugift has already helped savers add over half a million dollars into their ABLE accounts.

$501,180 in gifting contributions

Putting savings to use

How do savers access their ABLE funds?

Ascensus offers an integrated checking and debit card option to enable account owners to easily access their ABLE savings. Over a third of ABLE account owners choose to take advantage of this option, demonstrating that families not only use ABLE to build long-term savings, but also to pay for everyday disability-related expenses.

34% of accounts use the checking option

Planning on

Employers, financial advisors, and legislators share common goal to enhance savings outcomes

At its core, this report confirms that there's no one-size-fits-all approach to planning for what matters most. Employers, state governments, and financial advisors continue to play an integral role in encouraging their employees, residents, and clients to make the most of the savings tools available to them.

They also continue to drive enhancements in plan design, with an eye toward getting savers started as soon as possible, making saving automatic, and simplifying investment decisions.

At Ascensus, we deliver the technology and expertise that our key partners and clients need to ensure they can achieve these common goals, making a difference in millions of individuals' financial lives.

A respected leader

Top value
Ranked among the top plan providers most associated with "value for price"[1]

Preferred provider
Ranked among top firms most likely to earn business from retirement plan sponsors looking to switch providers[2]

Pioneer
In the state-facilitated retirement plan market

Leading 529 administrator
Ranked #1 529 program manager in assets under management by Strategic Insight[3]

Advisors' choice
One of retirement specialist advisers' most favored recordkeeping providers[4]

Service star
Winner of 196 cups in the PLANSPONSOR Survey from 2008-2017

[1]2017 PLANADVISER Retirement Plan Adviser Survey, "Top-Rated Defined Contribution (DC) Providers," https://www.planadviser.com/research/2017-planadviser-retirement-plan-adviser-survey/2/.
[2]Retirement Planscape®, May 2018, Cogent Wealth Reports, Market Strategies International.
[3]Strategic Insight, August 2017; http://www.sionline.com/PracticeAreas/529.asp.
[4]PLANADVISER, Adviser Choice Awards, February 2017, https://www.planadviser.com/2016-adviser-choice-awards/.

The value you deserve from a partner you can trust

ascensus.com

Before investing in any 529 plan, please consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

When you invest in a 529 plan, you are purchasing municipal securities whose value may vary based on market conditions. Investment returns are not guaranteed, and you could lose money by investing in a 529 plan. Account owners assume all investment risks as well as responsibility for any federal and state tax consequences.

The availability of tax advantages or other benefits may be contingent on meeting other requirements. Please consult your financial, tax, or other advisors to learn more about how state-based benefits and limitations would apply to your specific circumstance. You may also contact your home state's 529 plan(s), or any other 529 plan, to learn more about those plans' features, benefits, and limitations.

Ascensus provides administrative and recordkeeping services and is not a broker-dealer or an investment advisor.

ascensus®
Always have a plan