

INSIDE AMERICA'S SAVINGS PLANS

How 9+ million are saving for the future

Steve Christenson

EVP, Retirement and Health Savings



The industry's largest independent services provider



97,000+

retirement plans
administered



\$252.7+

billion in assets under
administration



4.6+

million 529
accounts serviced



1.4+

million IRA
accounts serviced



290,000+

consumer-directed health
(CDH) plan (HSA, FSA, HRA,
Commuter) accounts
administered



#1

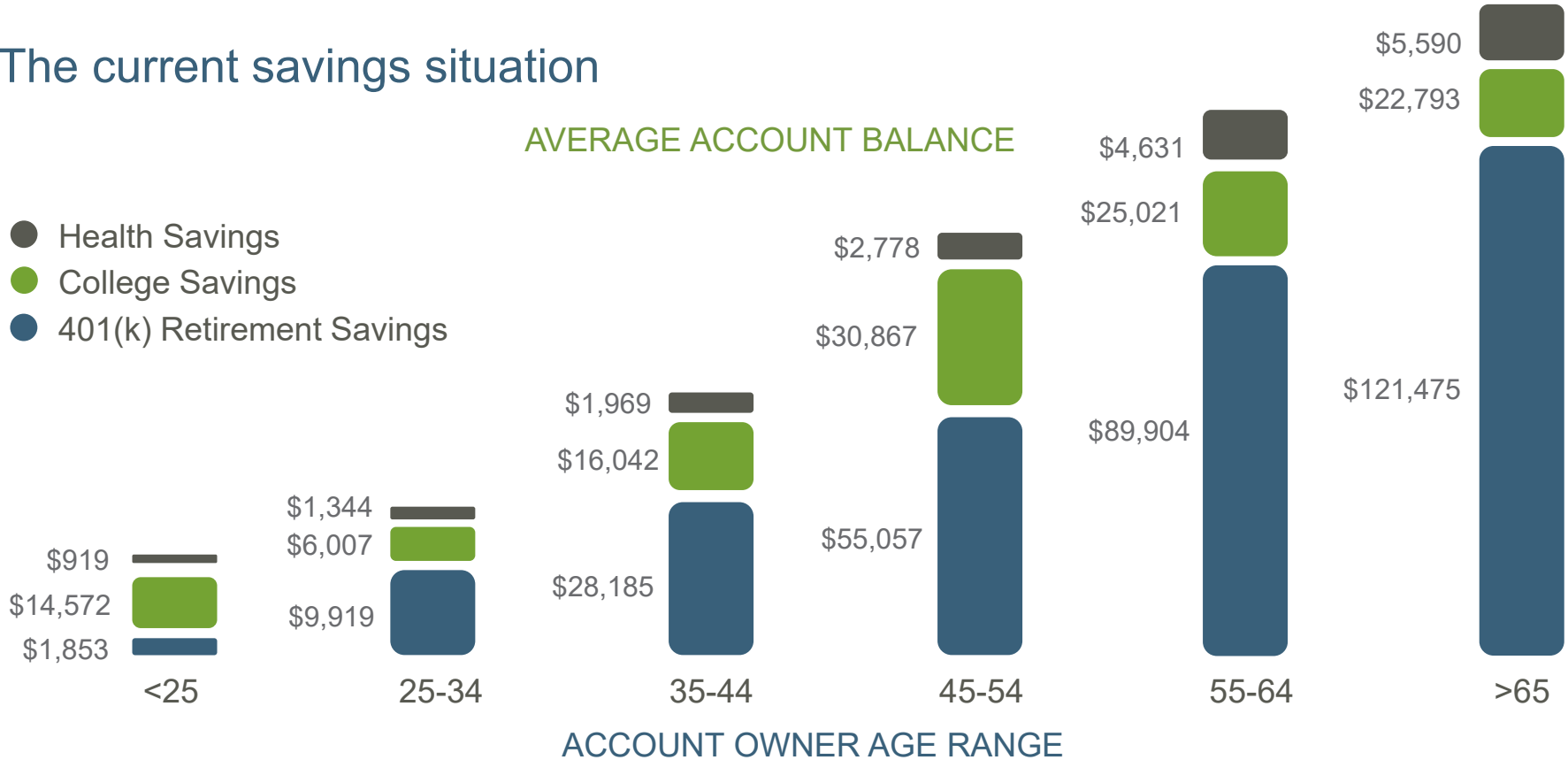
529 college savings plan
program manager in assets
under management

As of June 30, 2019

The current savings situation

AVERAGE ACCOUNT BALANCE

- Health Savings
- College Savings
- 401(k) Retirement Savings



*These average balances represent only those assets saved on the Ascensus platform in a single HSA, 529, or 401(k) account. External assets saved by these individuals in separate savings accounts, IRAs, ESAs, etc. are excluded.

Source: Ascensus and Chard Snyder platforms, as of December 31, 2018.

Savings across generations

401(k) Account Owners by Age Range



529 Account Owners by Age Range



Funded HSAs By Age Range



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

RETIREMENT

Ascensus aims to make the dream of a stress-free retirement a reality for more individuals. Unfortunately, our data suggests that many still struggle to prioritize saving today when the future still feels far away.

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Savings progress across generations

% of Individuals in the “On Track” Group of Savers



<25



25-34



35-44



45-54



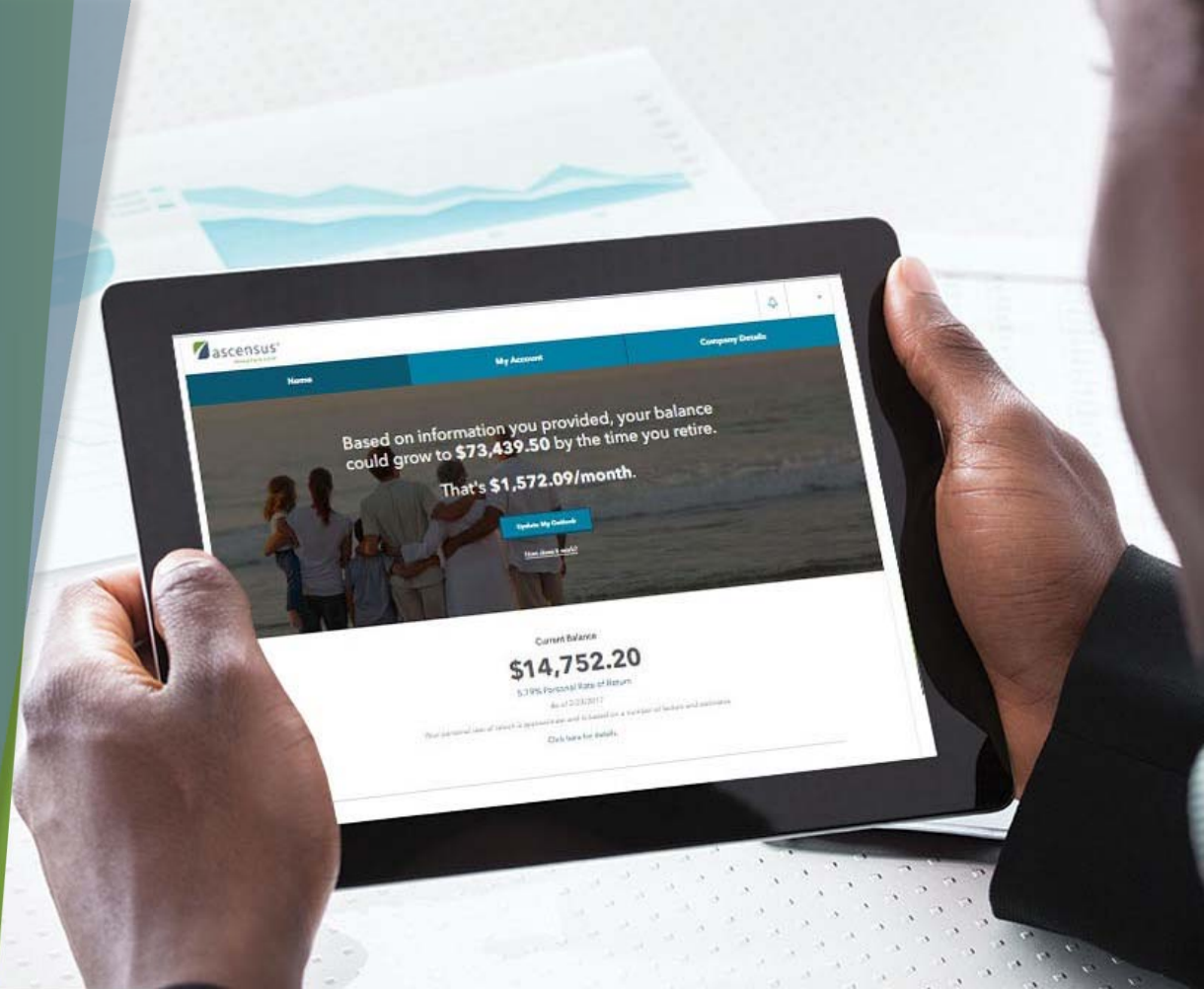
55-64

Source: Ascensus Retirement Outlook Tool, as of December 31, 2018.

Smart technology boosts awareness of shortfalls

26% of first-time users contributing within 3 weeks

8% average savings rate



Source: Ascensus Retirement Outlook Tool, as of December 31, 2018.

Automatic features get more employees in the plan

84%

participation for auto-enroll,
auto-increase that fund a match

70%

participation without
auto-enroll



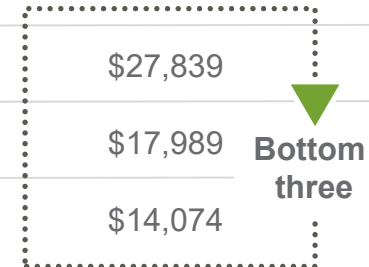
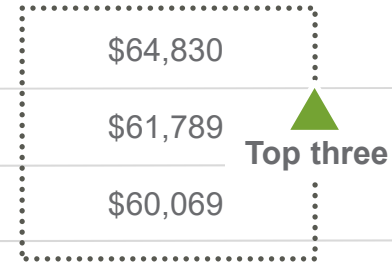
Average Plan Participation Rates

Source: Ascensus platform, as of December 31, 2018.

Retirement wellness by industry

Industry
Finance and Insurance
Professional, Scientific, and Technical Services
Construction
Real Estate, Rental, and Leasing
Arts, Entertainment, and Recreation
Food and Accommodation Services

Average Account Balances



Source: Ascensus platform, as of December 31, 2018.

IRA dollars held by banks and credit unions

\$2.8 billion in Roth IRA assets

\$13,300 average Roth IRA balance

\$26.1 billion in Traditional IRA assets

\$27,700 average Traditional IRA balance

Source: Ascensus platform, as of December 31, 2018.

IRA strategies for Baby Boomers

The largest generation is retiring:

- 74 million Baby Boomers: a quarter of the population¹
- Every day, through 2029, 10,000 boomers turn 65²

Create a rollover strategy:

- 96% of total IRA contributions 2012-2017 were from DC rollovers²
- Average rollover amount in 2016 was \$94,236³

Baby Boomers are rolling over employer-sponsored plans and want to work with a person: 78% say “there’s so much selling online that it’s hard to trust [online] financial advice”¹

¹<http://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/>

²<http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire>

²<http://www.ebri.org/publications/research-publications/issue-briefs/content/ebri-ira-database-ira-balances-contributions-rollovers-withdrawals-and-asset-allocation-2016-update>



IRA strategies for Gen Xers

Gen Xers (now in their 50s) are:

- Entering pre-retirement phase: Not yet knowledgeable, need assistance
- Often unaware of larger permitted contribution amounts beginning at age 50
- Dealing with losses of parents/grandparents with IRAs, or with inherited IRAs

Create a beneficiary strategy:

- Offer inherited IRAs
- Requires staff expertise
- Recognize cross-sell opportunities



IRA strategies for Millennials

Millennials are good savers:

- Their frequent job changes are an IRA opportunity
- Make them aware of the technology you offer

Develop a gig economy strategy:

- Provide retirement savings education
- Market Roth IRAs
- Promote automatic contributions



EDUCATION SAVINGS

As the 529 industry leader, we administer over 4.5 million accounts, giving us a comprehensive view of how families are using 529 accounts to save for education.

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Gaining momentum
with savers

4,600,000+

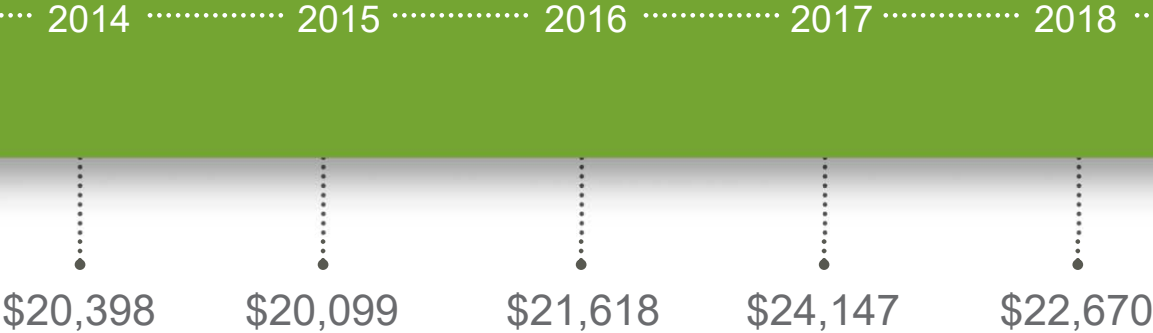
total 529 accounts on our platform



Source: Ascensus platform, as of June 30, 2019.

529 balances shift in sync with market performance

529 Average Account Balances

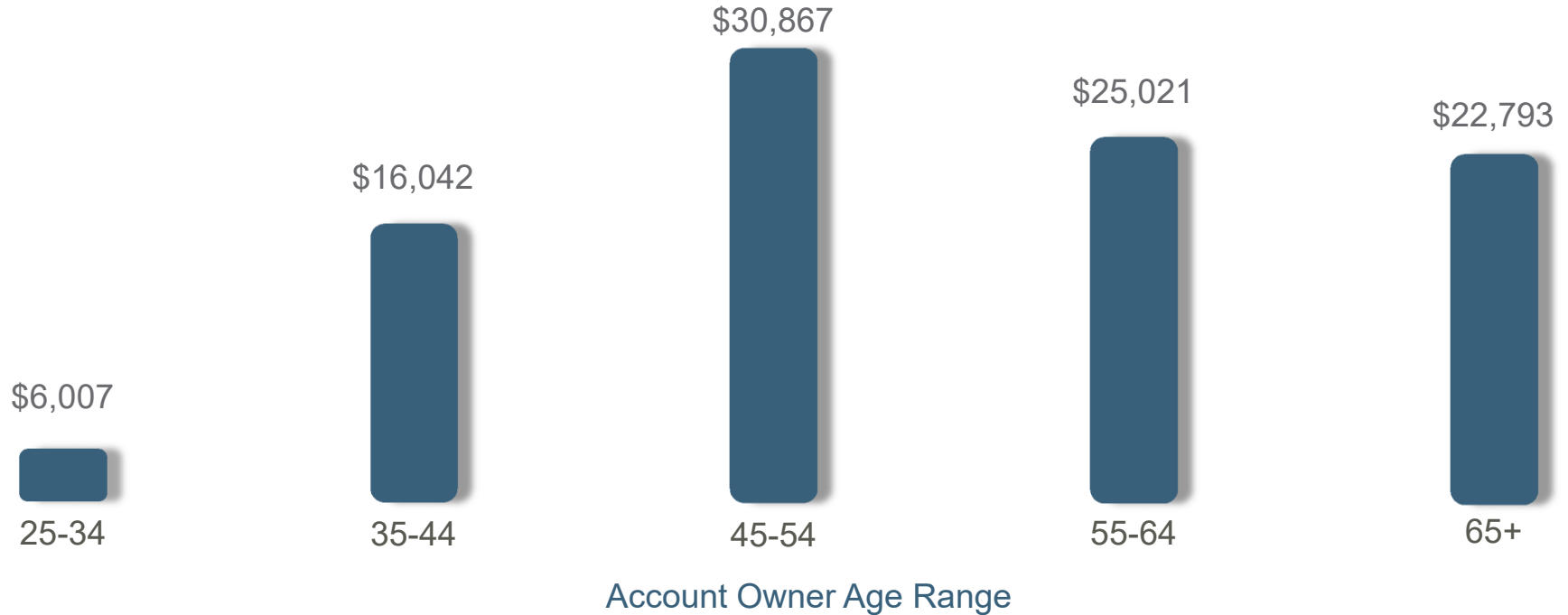


Source: Ascensus platform, as of December 31, 2018.



How much progress have 529 savers made?

Average 529 Account Balance



Source: Ascensus platform, as of December 31, 2018.

Planning today for a better tomorrow

\$100 monthly contribution
5% market return
18 year horizon

\$41,463

Tax-deferred

\$35,072

Taxable

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.



Planning today for a better tomorrow

Account Balances for Beneficiaries Ages 16-17

<1 to 5 years old



6-10 years old



11+ years old



Source: Ascensus platform, as of December 31, 2018.

Age-based options help with asset allocation

42% of 529 assets
invested in individual portfolios

51% of 529 assets
invested in age-based portfolios

7% of 529 assets
invested in both age-based
and individual portfolios

Source: Ascensus platform, as of December 31, 2018.



Every dollar helps

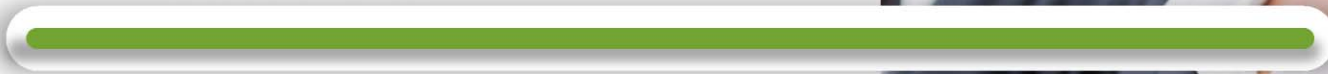
Percentage of Total Contributions

59% of contributions \$100 or less

10% of contributions \$500 or more

59%

<\$100



10%

>\$500



Source: Ascensus platform, as of December 31, 2018.

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

\$34,987: Average account balance for 16-17 year old beneficiaries



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

Source: Ascensus platform, as of December 31, 2018.

Why save now?

\$34,978

Average account balance for 16-17 year old beneficiaries

\$22,808

Average principal for 16-17 year old beneficiaries

\$12,170

\$22,808

529

\$8,093

\$34,978

Loan

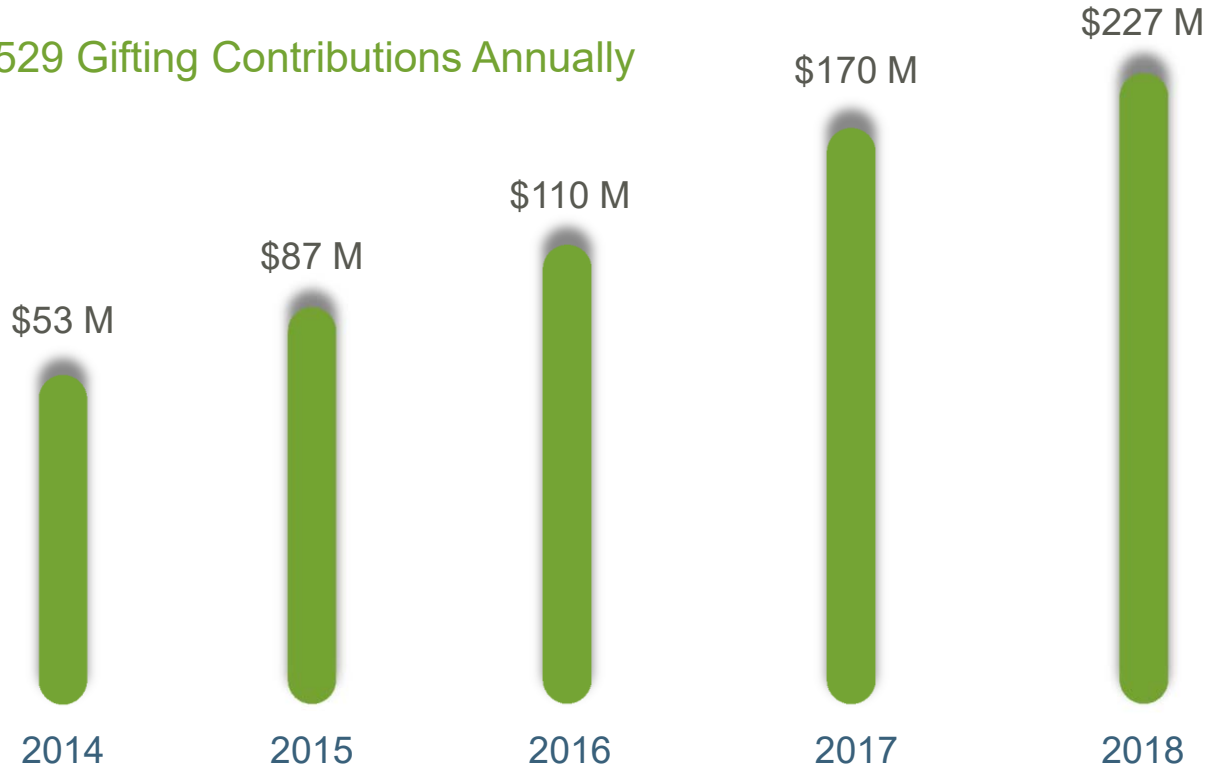
\$43,071

Estimated cost to borrow

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.

Savings are the gift that keep on giving

529 Gifting Contributions Annually



34%

Year-over-year increase in total dollars gifted from 2017 to 2018

329%

5-year growth of total Ugift contributions

Source: Ascensus platform, as of December 31, 2018.

A woman with long brown hair, wearing a white tank top and a pink skirt, is smiling and looking down at two young girls. They are sitting at a wooden table with several piggy banks. One girl is holding a coin to put into a pink piggy bank. The other girl is looking at a blue piggy bank. The background is a blurred indoor setting with plants and furniture.

Howtosaveforcollege.com

Source: Ascensus

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.

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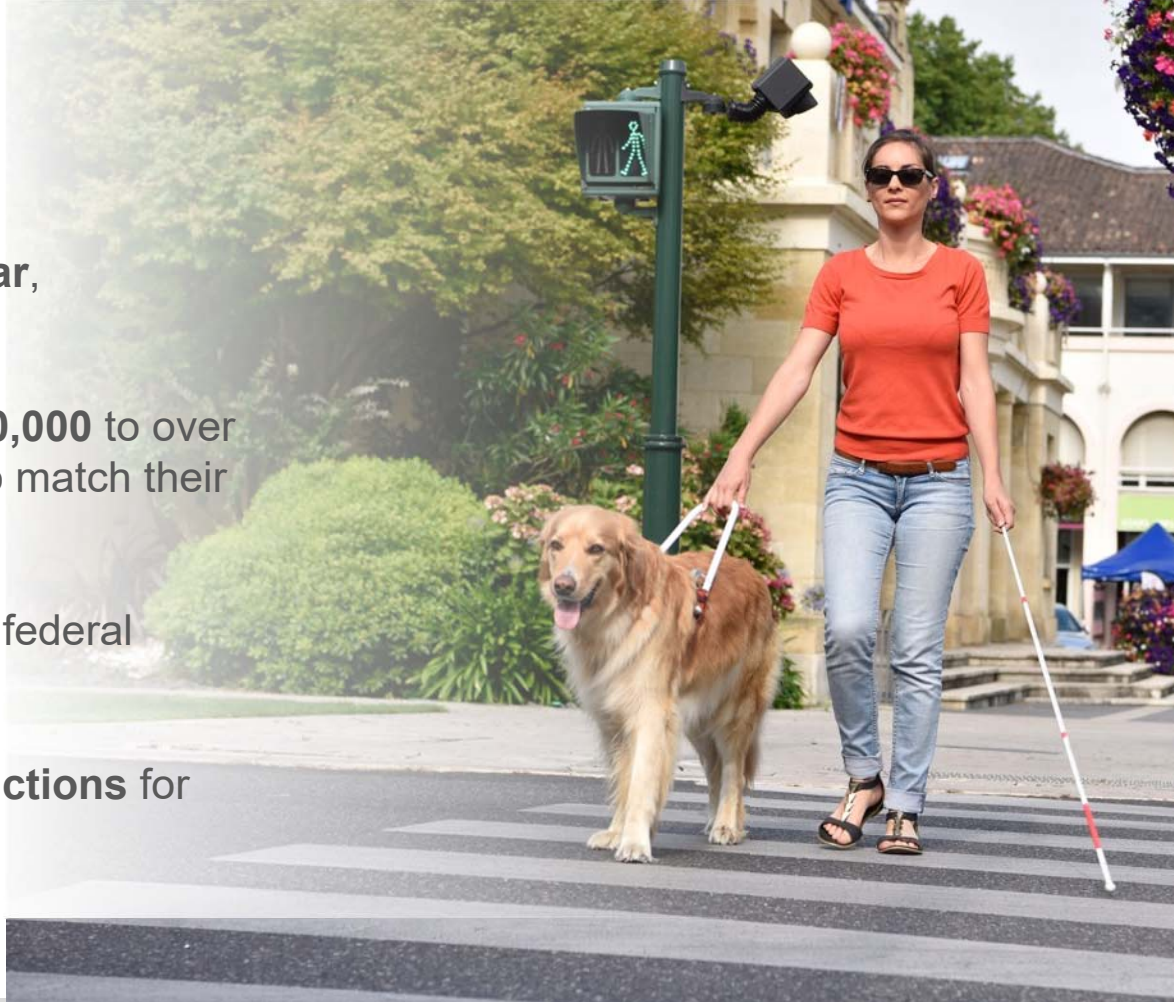
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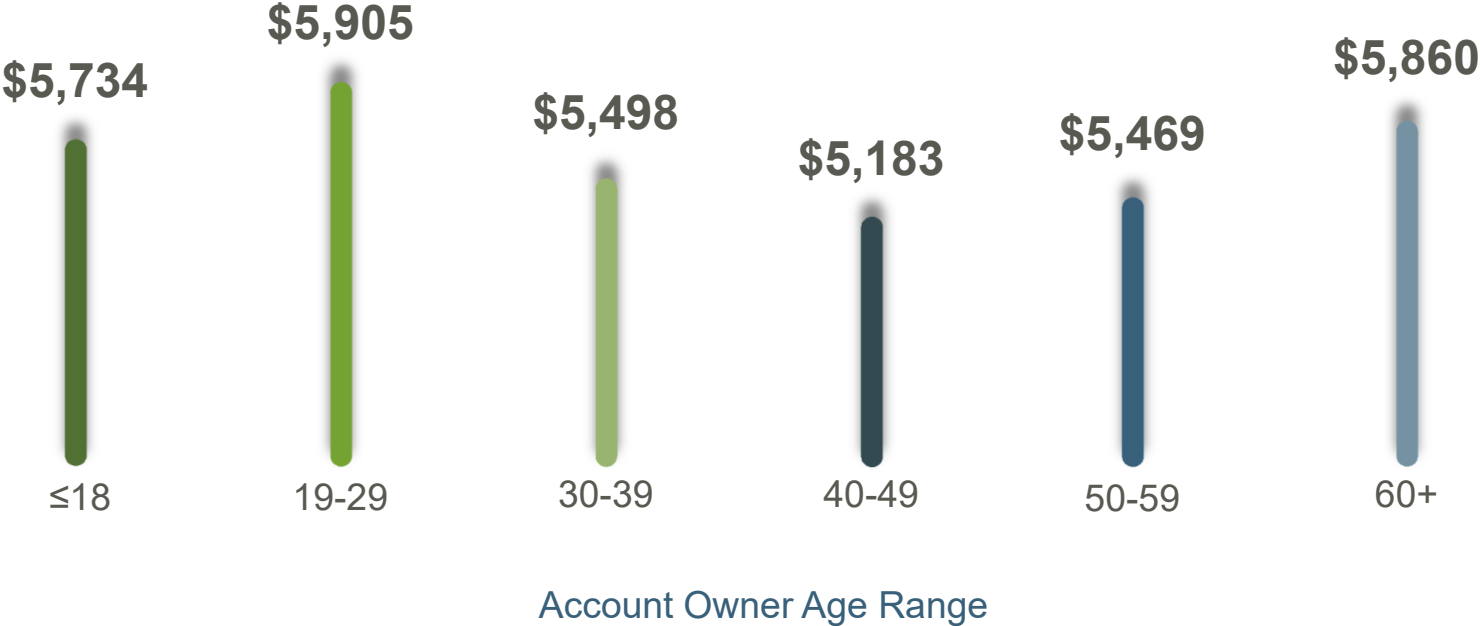
Why save with ABLE?

- Contribute up to **\$15,000 per year**, potentially more if employed
- Account balance limits from **\$100,000** to over **\$500,000**, and most states opt to match their 529 plan limits
- Can save up to **\$100,000** before federal benefits are in jeopardy
- Some plans offer **state tax deductions** for ABLE contributions



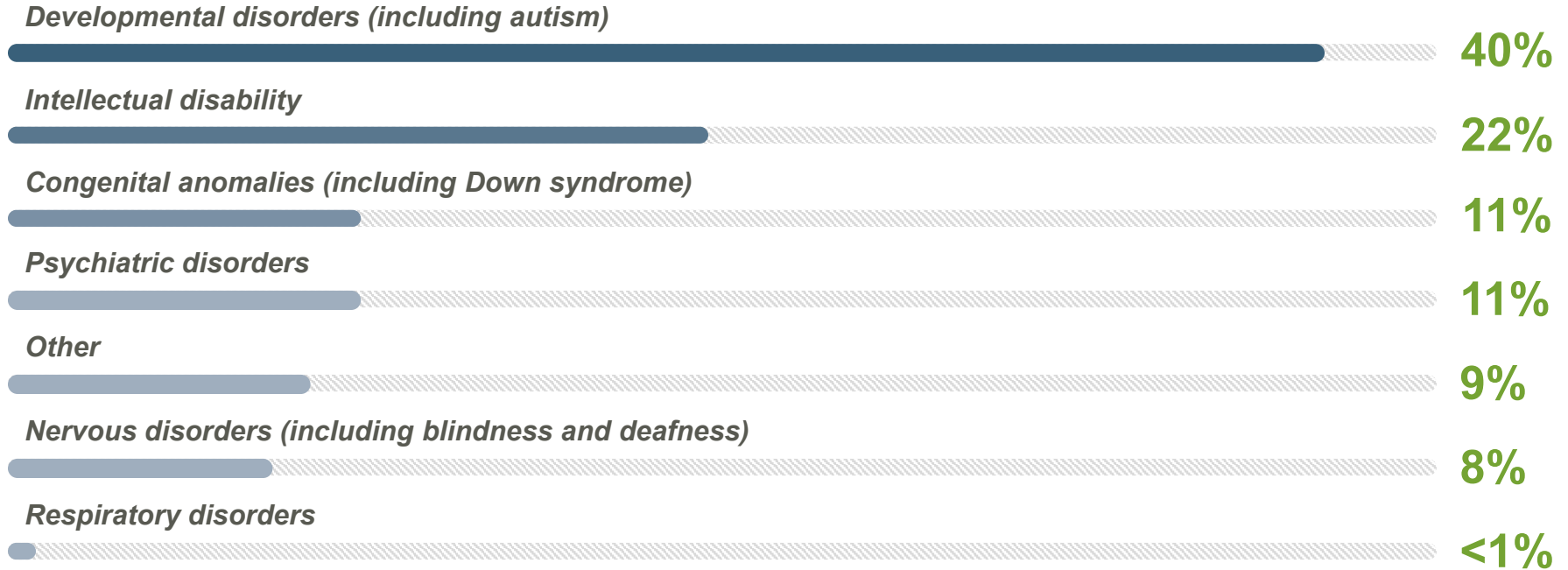
ABLE savings show promising growth

Average ABLE Account Balances



Helping cover a range of financial needs

ABLE Accounts Owners by Disability Type



Source: Ascensus platform, as of December 31, 2018.

Building a more secure future

\$57,364,562

in total assets

\$578

average contribution

21

plans nationwide

Source: Ascensus platform, as of December 31, 2018.



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.

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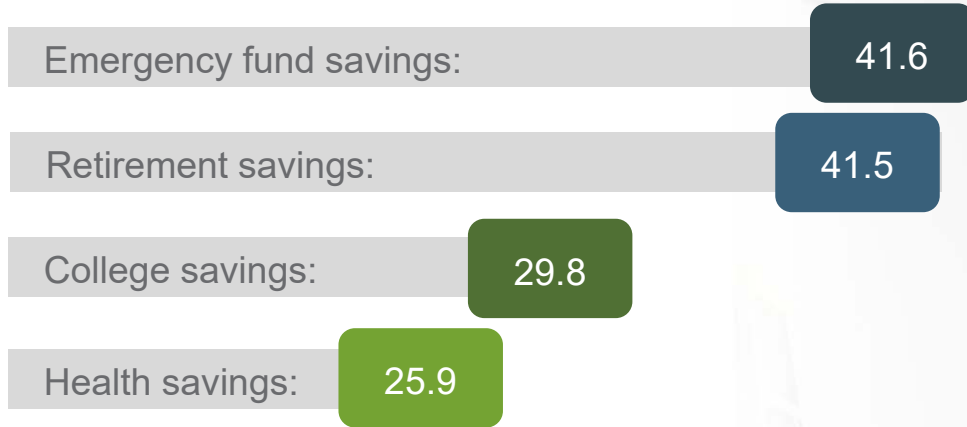
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Saving for healthcare lags behind other savings priorities



Based on responses to questions about savings behavior, the 2017 Alegeus Consumer Healthcare Savings Index calculated a single rating score using a 0-100 point scale. The greater the number, the greater degree of savings discipline exhibited.

Source: 2018 Alegeus Consumer Health & Financial Fluency Report, 2018.



HSAs quickly becoming the new medical IRA

Covering healthcare costs in retirement



\$148,000

needed by man
by age 65



\$161,000

needed by woman
by age 65



\$399,000

needed by couple for
healthcare in retirement

Source: Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as \$400,000, Up From \$370,000 in 2017 Employee Benefit Research Institute. October 8, 2018. Issue Brief, No. 460.

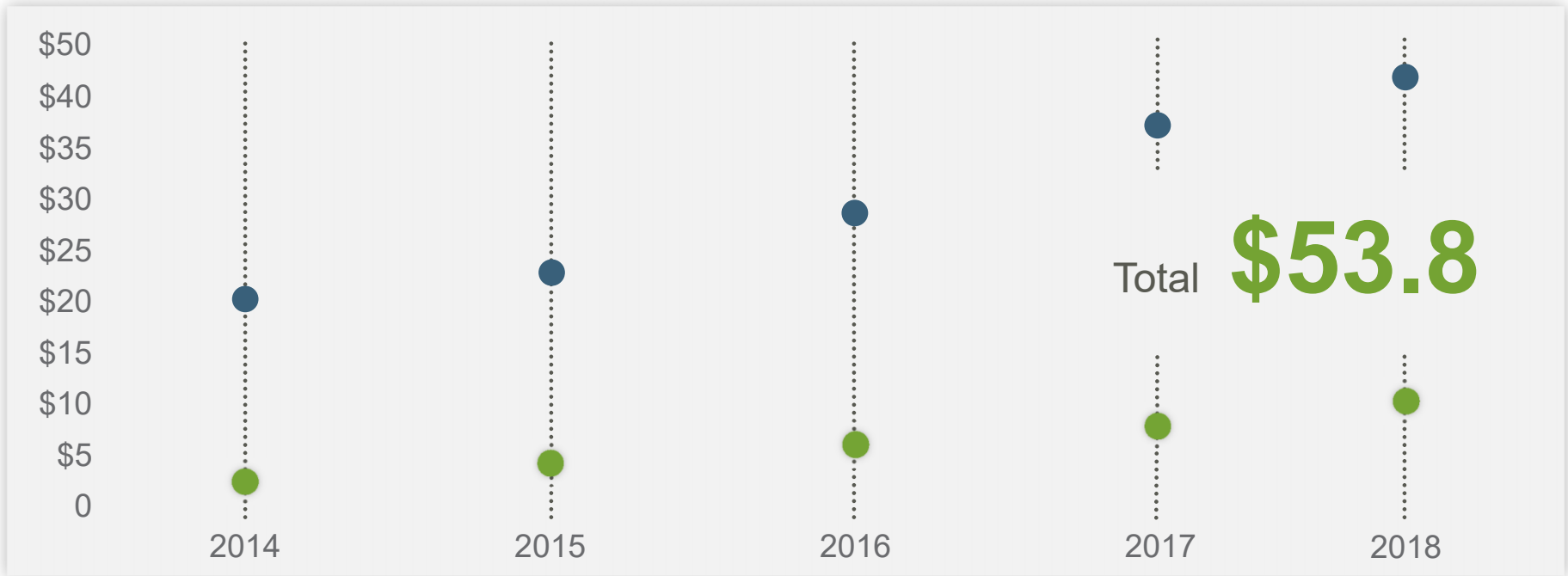
The HSA “Triple Tax Advantage”

1. Contributions reduce taxable income
2. Earnings build tax-free
3. Qualified distributions not subject to taxation



Increase in HSA assets keeps outlook bright

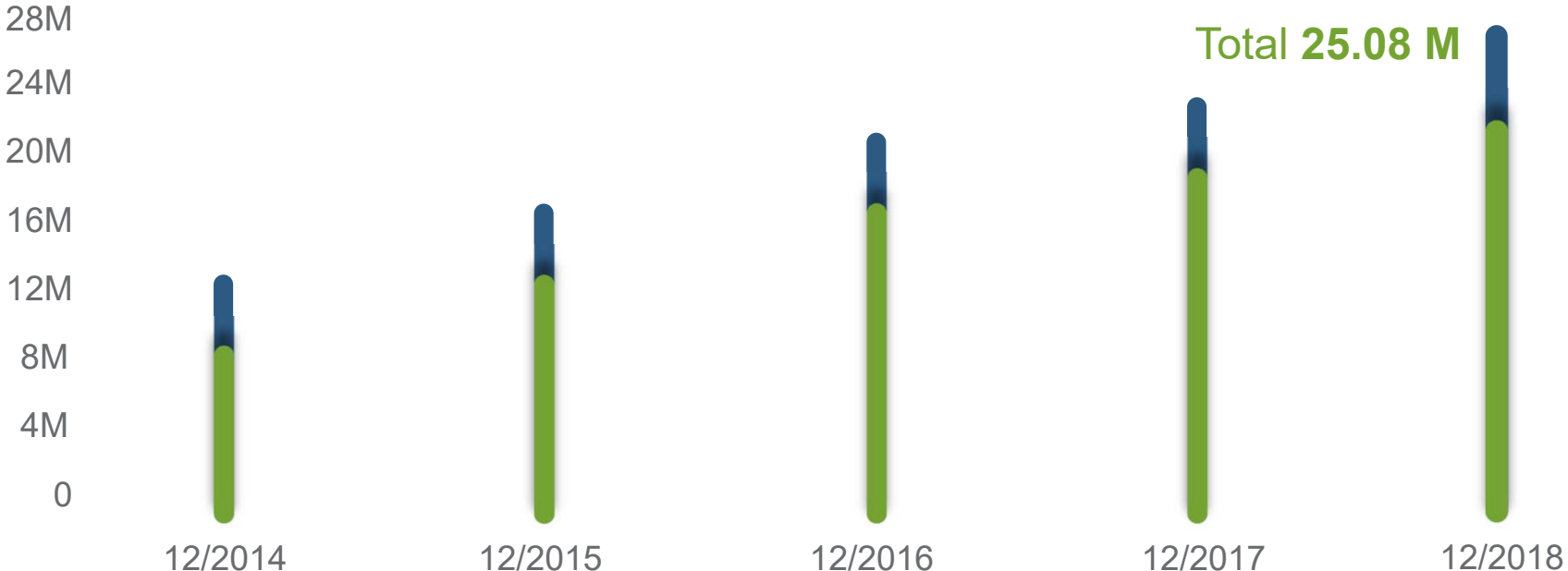
Total HSA Assets (in Billions) ● Deposits ● Investments



Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.

HSA enrollment growth outpaces prior year

Total Health Savings Accounts (in Millions) ● Non-Funded ● Funded



Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.

Employer involvement drives growth

26% of all HSA contributions came
from an employer

56% of all HSA contributions
came from an employee

13% of all HSA contributions
came from an individual not
associated with an employer

Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.



Employer involvement drives growth

2018
2017



26% **21%**

of all HSA contributions came from an employer



56% **63%**

of all HSA contributions came from an employee



13% **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.

Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.

Investing for future healthcare needs

\$14,617 average account balance of HSA investment account

9x higher balance for investment accounts than noninvestment accounts

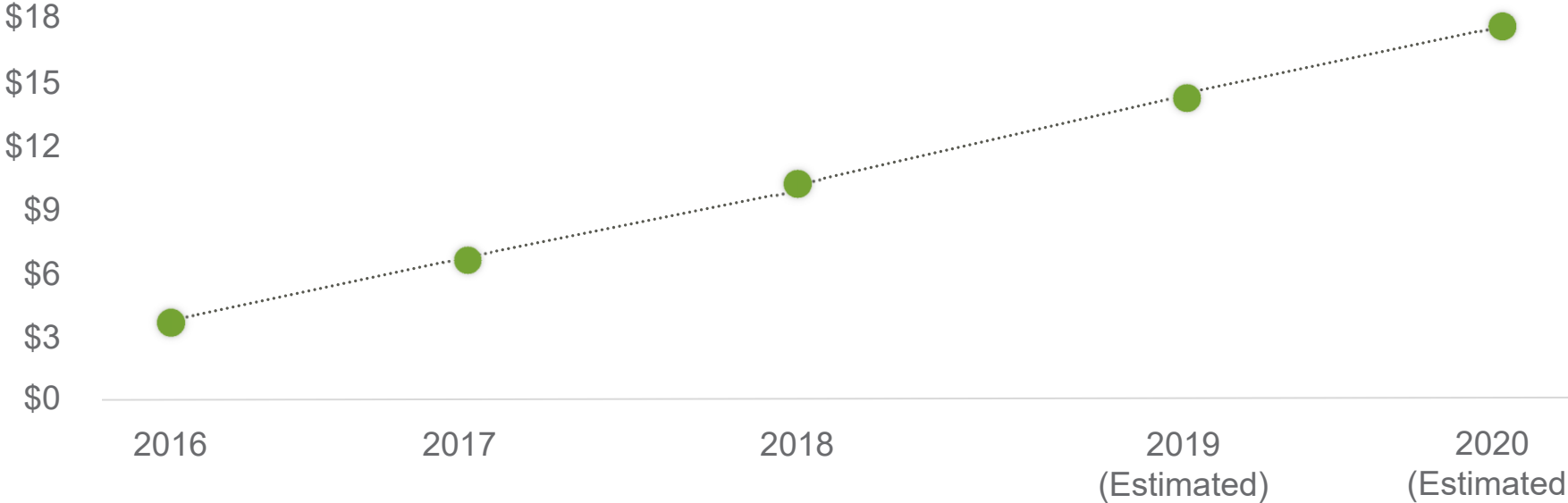
% HSA Assets in Investments



Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.

HSA investment assets predicted to increase

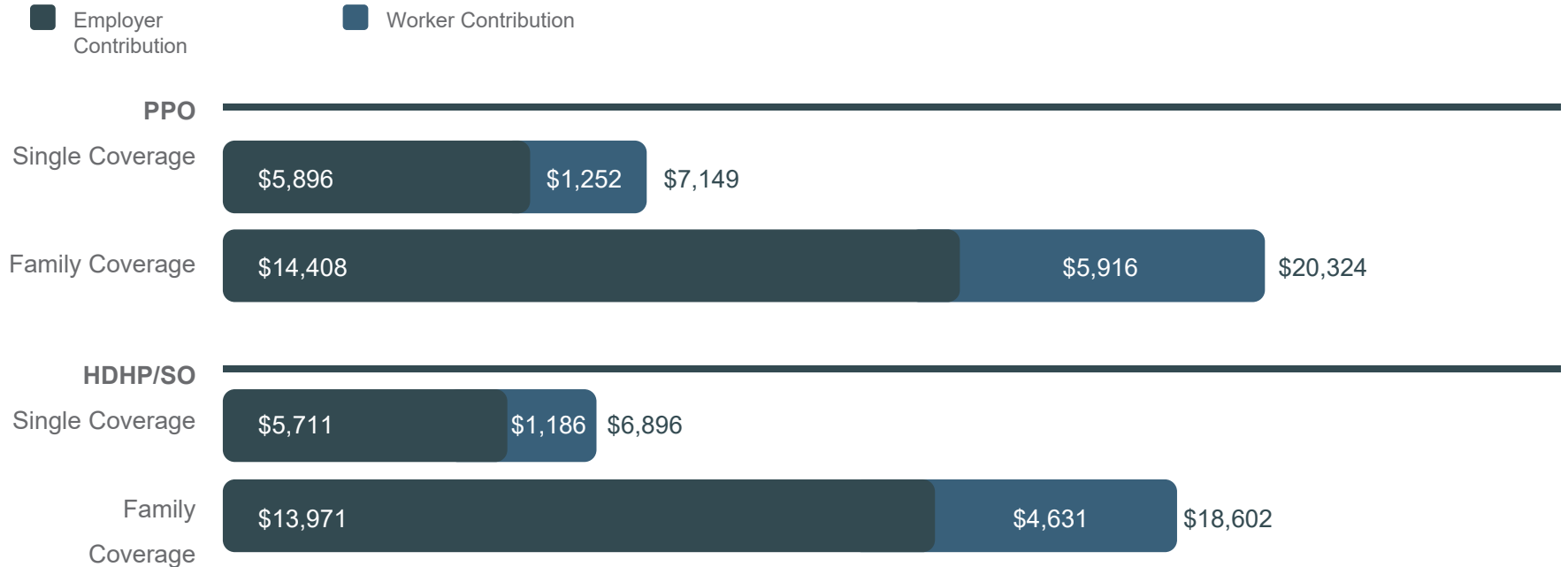
HSA Assets in Investment Accounts (in Billions)



Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.

HDHPs provide cost savings

Average Annual Firm and Worker Premium Contributions & Total Premiums for Single & Family Coverage, by Plan Type, 2018



Estimate is statistically different from All Plans estimate within coverage type.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2018.

Tap into the HSA market

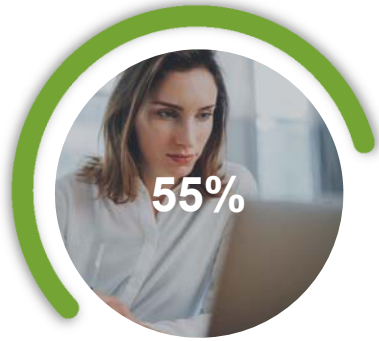
\$75 billion in projected HSA market assets by 2020

Estimated Total HSA Assets (in Billions) ● Investments ● Deposits

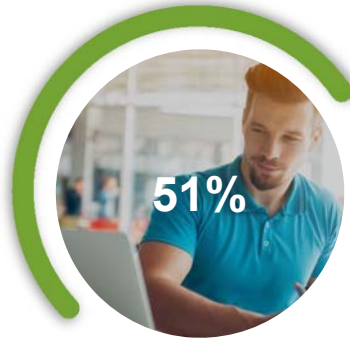


Source: 2018 Year-End HSA Market Statistics & Trends Executive Summary, Devenir Research, February 27, 2019.

Lack of health savings knowledge means financial stress



Can't predict the amount of healthcare services they will consume this year



Can't forecast likely out of pocket costs for this plan year



Don't know or underestimate the amount healthcare costs in retirement



Want to take a more active role in managing their healthcare finances

Source: 2018 Alegeus Consumer Health & Financial Fluency Report, 2018.

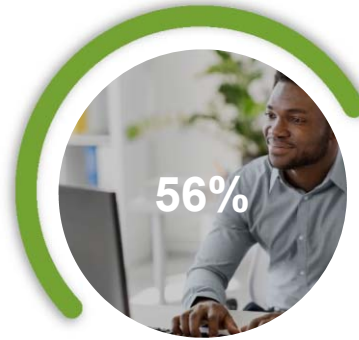
The employer plays a critical role



Indicated that employers did not help them evaluate and pick their health care plan



Maintained their current health plan because they did not understand options



Did not understand their options, could not determine out-of-pocket expenses, or did not know how much to contribute



Paid more than necessary for out-of-pocket expenses by failing to use the HSA

Source: 2019 Open Enrollment Exit Poll, Alegeus, www.alegeus.com/news/alegeus-blog/1356-open-enrollment-exit-poll, 2019.

Education is key

Were You Aware That You Could Invest Your HSA?



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

Education is key

How HSA Fluent Are Employees?

76%

Of employees **say they understand** how their HSA works

12%

Could **actually correctly identify** the common attributes of an HSA

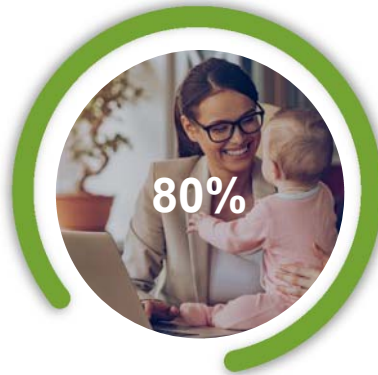


Source: Bank of America Merrill Lynch, 2018 Workplace Benefits Report, July 2018.

Hope for the future? HSA holders more fluent, engaged



of HSA holders
feel more confident
when forecasting
out-of-pocket costs



of HSA holders are likely
to be saving aggressively for
their long-term healthcare
costs



of HSA holders say
their #1 healthcare priority is
getting better value for their
money or saving for the future

Source: 2018 Alegeus Consumer Health & Financial Fluency Report, 2018.

We deliver technology and expertise to help over **9 million Americans** save for life's biggest moments.



**Because our business is helping
you grow yours**

Visit **pulse.ascensus.com**
for more trends and insights

Information and disclosures

For more information about 529 plans managed or administered by Ascensus College Savings, call 1-877-529-2980. Before investing in any 529 plan, you should consider whether your or the designated beneficiary's home state offers a 529 plan that provides its taxpayers with state tax and other benefits that are only available through the home state's 529 plan. You also should consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to contact directly your home state's 529 plan(s), or any other 529 plan, to learn more about those plans' features, benefits and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

Investment objectives, risks, charges, expenses, and other important information are included in a 529 plan's offering statement; read and consider it carefully before investing.

When you invest in a 529 plan you are purchasing municipal securities whose value will vary with 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.

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