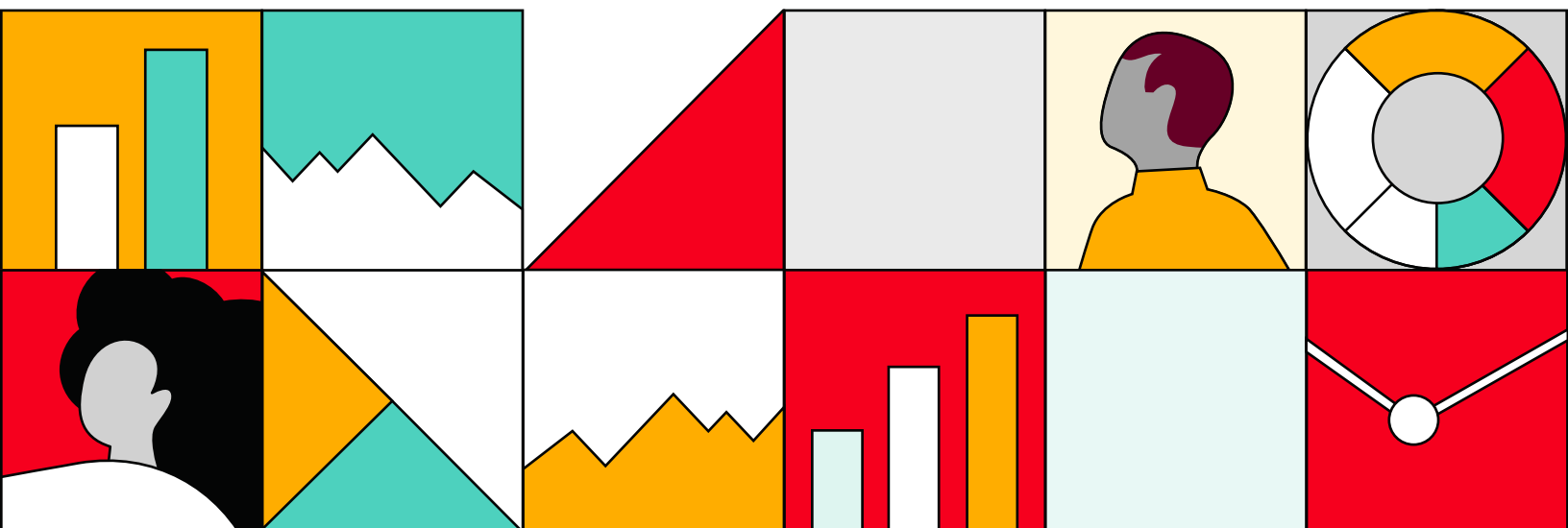


## How America Saves 2022

# DC plan comparison: Small versus large employers



The Small Business Administration reports that small businesses represent 99.7% of all employer firms and employ half of all private-sector employees. To help small and midsize business defined contribution (DC) plan sponsors understand how their plans compare with larger plans, we are pleased to present *DC Plan Comparison: Small Versus Large Employers*, a supplement to our annual *How America Saves* research.

As an industry leader, Vanguard recognizes the importance of having a detailed understanding of DC plans and the role they play in the U.S. retirement system. We believe this information can help plan sponsors like you make more effective plan design decisions and serve as a valuable reference tool as you continue to develop your retirement programs.

### The benchmark population

The benchmark population includes all plans and participants for which Vanguard Retirement Plan Access™ (VRPA) and Vanguard provide recordkeeping services (Figure 1). Most figures in this analysis compare data from two distinct populations: small plans and large plans. VRPA provides recordkeeping for small and midsize plans. Large plans represent Vanguard’s full-service offer.

On average, small plans had 47 participants compared with 2,850 participating in large plans in 2021. And while small plans averaged \$3.6 million in assets, large plans averaged a little more than \$400 million.

**Figure 1.** Population, 2021  
Vanguard recordkeeping

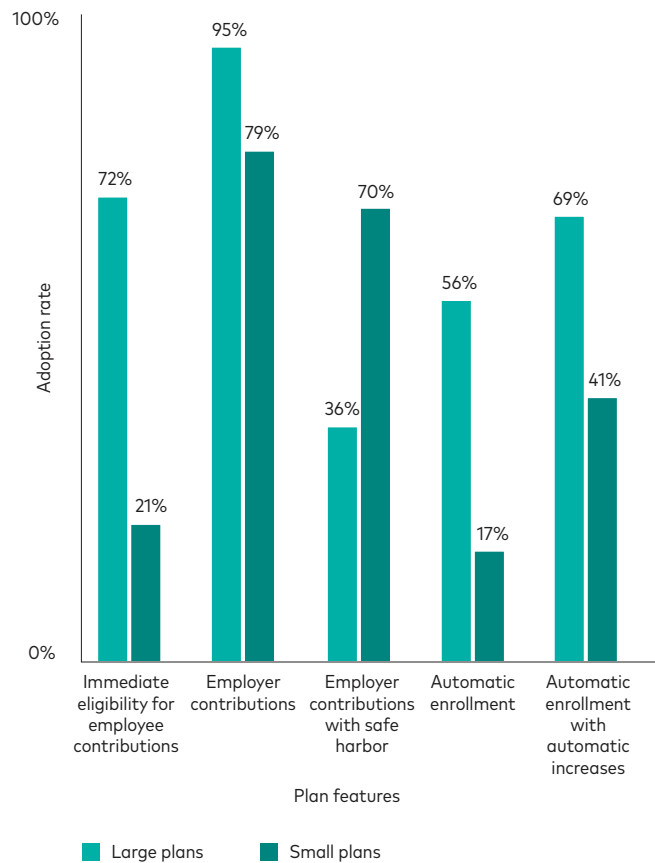
	Small plans	Large plans
Number of participant accounts	810,231	4.7 million
Number of plans	17,174	1.7 thousand
Average plan size	47	2,850
Average assets	\$3.6 million	\$401 million
Median participant age	42	44
Median participant tenure	3	7
Percentage male	54%	57%
Median participant income (thousands)	\$66	\$75

Source: Vanguard 2022.

### Plan design differences

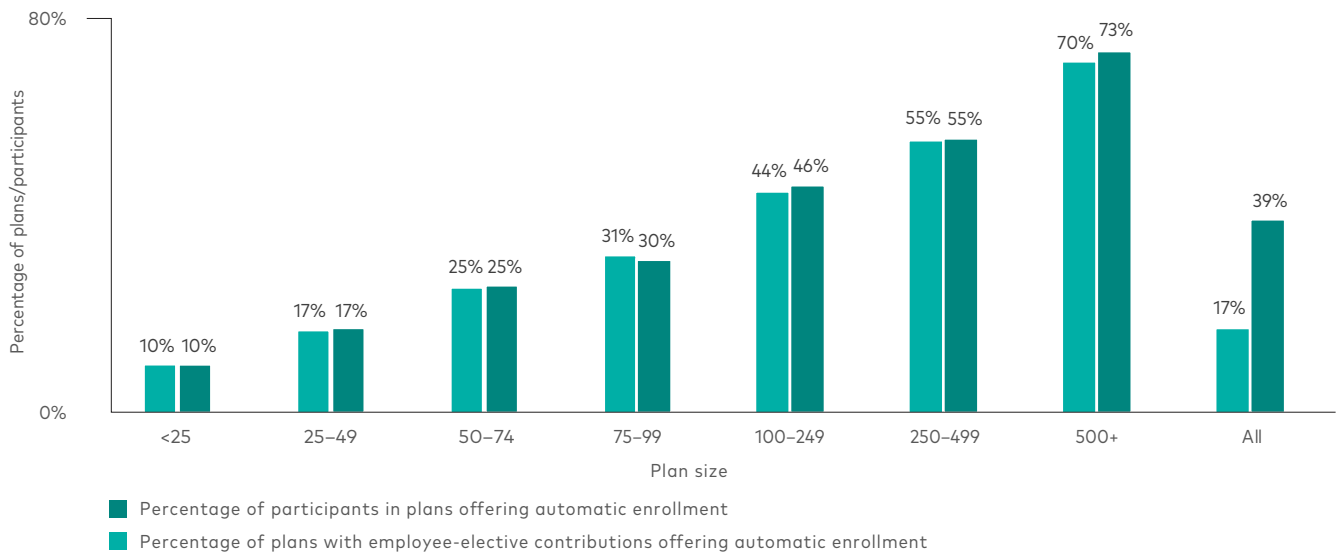
In 2021, 7 in 10 large plans offered immediate eligibility for employee contributions compared with only 2 in 10 small plans (Figure 2). In plans offering an employer contribution, 70% of small plans used a safe harbor design compared with only 36% for large plans. Another key difference is that only 17% of small plans offered automatic enrollment compared with 56% of large plans. A deeper dive into the data shows that as the size of the plan increased, so did the prevalence of automatic enrollment (Figure 3).

**Figure 2.** Differences in plan design, 2021  
Vanguard recordkeeping



Source: Vanguard 2022.

**Figure 3.** Automatic enrollment by plan size, 2021  
*Vanguard Retirement Plan Access defined contribution plans with employee-elective contributions*



Source: Vanguard 2022.

### Participation rates

Participation rates refer to the percentage of eligible employees choosing to make employee-elective contributions. Participant-weighted participation rates consider all employees as if they were in a single VRPA plan. Across small plans, 62% of eligible employees were enrolled in their employer’s savings program compared with 81% for large plans (**Figure 4**).

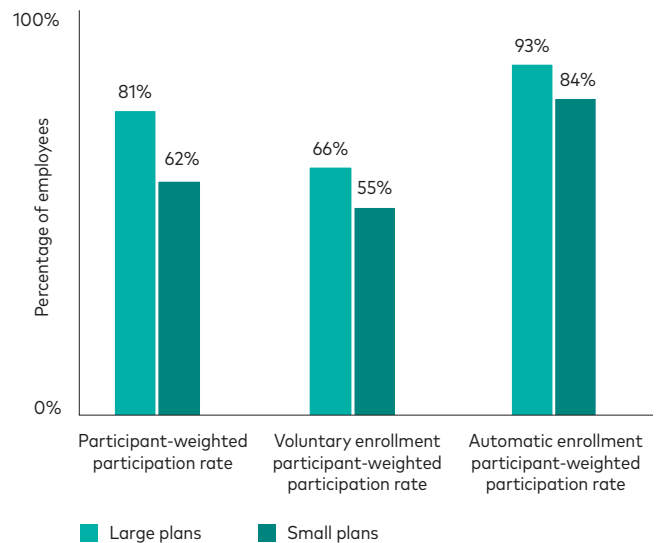
Plans with automatic enrollment typically have higher participation rates than plans with voluntary enrollment. Because fewer small plans adopt an automatic enrollment feature, their participation rates were lower than those of larger plans. However, for those small plans that have automatic enrollment, the participation rate was 53% higher than those with voluntary enrollment plans.

### Account balances

Account balances are a widely cited measure of the overall effectiveness of DC plans. However, current balances may not reflect lifetime savings and are only a partial measure of retirement preparedness for many participants. The median balance represents the typical participant: Half of all participants have balances above the median, and half have balances below it. In 2021, small-plan participants’ average

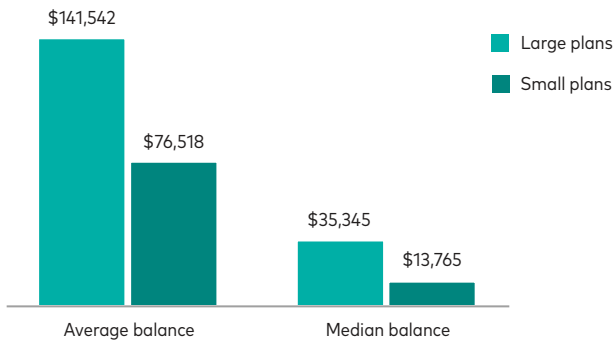
account balance was \$76,518; the median balance was \$13,765 (**Figure 5**). Large plans had account balances that were significantly higher due to large-plan participants having tenure more than twice as long as small-plan participants.

**Figure 4.** Participation rates, 2021  
*Vanguard recordkeeping*



Source: Vanguard 2022.

**Figure 5.** Account balances, 2021  
Vanguard recordkeeping



Source: Vanguard 2022.

### Professionally managed allocations

The most notable effect of plan investment menus on participant choices is the expanded offering and use of professionally managed allocations. Participants with professionally managed allocations have their entire account balance invested in a single target-date fund, a traditional balanced fund, a model portfolio, or a managed account program.

In 2021, more than two-thirds of small-plan participants were invested in a professionally managed allocation (**Figure 6**). Large plans were not that far behind, with 64% invested in a professionally managed allocation. The differences occurred in the use of single target-date funds and managed account programs. Sixty-four percent of small-plan participants were invested in a single target-date fund compared with 56% in large plans. The percentage of managed accounts in large plans was more than three times of that in small plans. Seven in 10 small plans reenrolled participants in a qualified default investment alternative (QDIA) at conversion, helping to increase target-date fund use among small-plan participants.

### Trading, loans, and plan withdrawals

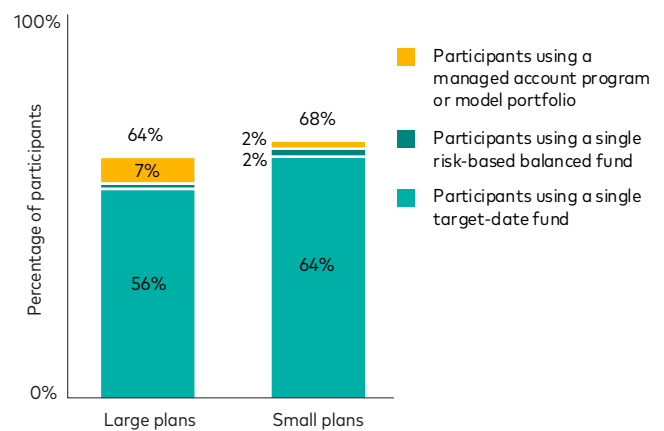
Participant trading, or exchange activity, is the movement of existing account assets from one plan investment option to another. We observed that 6% of small-plan participants versus 8% of large-plan participants initiated a trade in 2021 (**Figure 7**).

Loans are widely offered by employee-contributory DC plans. In 2021, 7 in 10 small plans permitted participants to borrow from their plan compared

with 8 in 10 in large ones (**Figure 8**). Only 6% of small-plan participants offered a loan also had a loan outstanding at year-end compared with 13% in large plans (**Figure 7**).

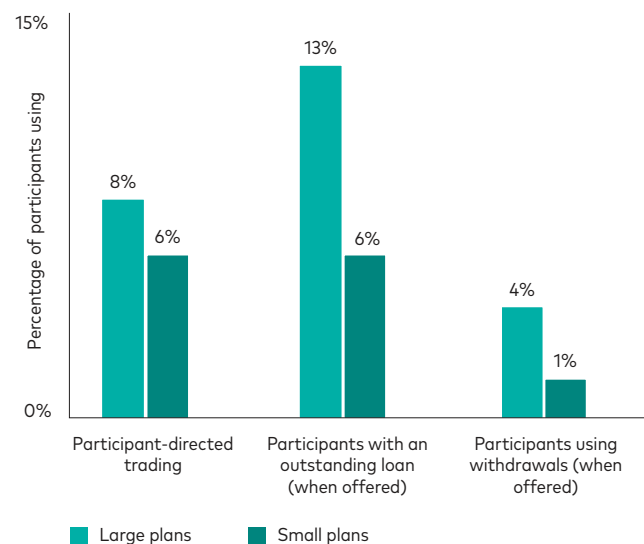
Plan withdrawals allow participants to access their plan savings before a job change or retirement. Withdrawals are optional plan provisions and availability varies. In 2021, large-plan participants were four times more likely to take a withdrawal than small-plan participants.

**Figure 6.** Professionally managed allocations, 2021  
Vanguard recordkeeping



Source: Vanguard 2022.

**Figure 7.** Trading, loan, and withdrawal use, 2021  
Vanguard recordkeeping



Source: Vanguard 2022.

## Key statistics

Vanguard key statistics (**Figure 8**) are intended to be a tool for plan sponsors and

consultants to compare their plan design and participant metrics with a benchmark of small and large plans.

**Figure 8.** Vanguard Retirement Plan Access comparison with *How America Saves 2022*  
Vanguard Retirement Plan Access defined contribution plans permitting employee-elective deferrals

	Vanguard Retirement Plan Access					How America Saves 2022
	2017	2018	2019	2020	2021	2021
<b>Vanguard recordkeeping statistics</b>						
Number of participant accounts	370,414	489,625	606,129	701,598	810,231	4.7 million
Number of plans	8,873	11,263	13,433	15,243	17,174	1.7 thousand
Median participant age	42	42	42	42	42	44
Median participant tenure	4	4	4	4	3	7
Percentage male	57%	57%	55%	54%	54%	57%
Median eligible employee income (thousands)	\$48	\$45	\$45	\$47	\$48	\$68*
Median participant income (thousands)	\$63	\$62	\$64	\$66	\$66	\$75*
Median nonparticipant income (thousands)	\$28	\$22	\$22	\$21	\$22	\$40*
<b>Plan design</b>						
Plans offering immediate eligibility for employee contributions	21%	22%	21%	21%	21%	72%*
Plans providing an employer contribution	75%	77%	79%	80%	79%	95%*
Plans with automatic enrollment	15%	15%	15%	16%	17%	56%
Plans with automatic enrollment with automatic annual increases	38%	39%	40%	41%	41%	69%
Plans offering catch-up contributions	>99.5%	>99.5%	>99.5%	>99.5%	>99.5%	98%
Plans offering Roth contributions	81%	82%	84%	85%	87%	77%
Plans offering after-tax contributions	3%	3%	3%	3%	3%	21%
<b>Participation rates</b>						
Plan-weighted participation rate	72%	72%	72%	73%	72%	85%*
Participant-weighted participation rate	63%	60%	59%	60%	62%	81%*
Voluntary enrollment participant-weighted participation rate	58%	54%	52%	53%	55%	66%*
Automatic enrollment participant-weighted participation rate	83%	82%	83%	85%	84%	93%*
Participants using catch-up contributions (when offered)	17%	18%	18%	19%	20%	16%*
Participants using Roth (when offered)	15%	16%	17%	18%	19%	15%*
Participants using after-tax (when offered)	1%	1%	<0.5%	<0.5%	1%	10%*
<b>Employee deferrals</b>						
Average participant deferral rate	7.1%	7.1%	7.1%	7.3%	7.5%	7.3%*
Median participant deferral rate	5.1%	5.1%	5.2%	5.5%	5.7%	6.1%*
Percentage of participants deferring more than 10%	19%	19%	19%	20%	21%	23%*
Voluntary enrollment plan average participant deferral rate	7.6%	7.5%	7.6%	7.7%	8.0%	7.4%*
Automatic enrollment plan average participant deferral rate	6.0%	6.1%	6.1%	6.4%	6.6%	7.3%*
Participants reaching 402(g) limit (\$19,500 in 2020)	12%	11%	11%	12%	13%	14%*
Average total contribution rate (participant and employer)	9.7%	9.7%	9.8%	9.9%	10.1%	11.2%*
Median total contribution rate (participant and employer)	8.1%	8.2%	8.4%	8.5%	8.8%	10.4%*
<b>Account balances</b>						
Average balance	\$55,480	\$54,232	\$63,274	\$71,258	\$76,518	\$141,542
Median balance	\$10,085	\$9,773	\$11,564	\$13,618	\$13,765	\$35,345

\* These figures are estimated for 2021 as the data required to compute them will not be available until December 2022. (Continued)

Figure 8. (continued)

	Vanguard Retirement Plan Access					How America Saves 2022
	2017	2018	2019	2020	2021	2021
<b>Asset and contribution allocations</b>						
Average plan asset allocation to equities	73%	72%	73%	73%	76%	74%
Average plan contribution allocation to equities	75%	76%	76%	76%	78%	77%
Average plan asset allocation to target-date funds	43%	45%	45%	45%	45%	38%
Average plan contribution allocation to target-date funds	52%	55%	56%	56%	57%	61%
Participants with balanced strategies	80%	79%	80%	78%	79%	78%
Extreme participant asset allocations (100% fixed income or equity)	11%	10%	10%	11%	11%	8%
<b>Plan investment options</b>						
Average number of funds offered	20.3	20.2	20.0	20.0	20.0	17.5
Average number of funds used	2.4	2.4	2.3	2.3	2.2	2.4
Percentage of plans designating a QDIA	98%	98%	98%	98%	97%	88%
Among all plans designating a QDIA, percentage target-date fund	97%	97%	97%	97%	97%	97%
Plans offering target-date funds	98%	98%	98%	98%	97%	95%
Participants using target-date funds (when offered)	76%	78%	79%	79%	80%	82%
Plans offering a managed account program or a model portfolio	27%	27%	29%	29%	27%	41%
Participants with professionally managed allocations	64%	66%	67%	67%	68%	64%
Participants using a single target-date fund	59%	61%	63%	63%	64%	56%
Participants using a single risk-based balanced fund	3%	3%	2%	2%	2%	1%
Participants using a managed account program or model portfolio	2%	2%	2%	2%	2%	7%
Plans offering company stock	<0.5%	<0.5%	<0.5%	<0.5%	<0.5%	8%
Participants with >20% company stock	<0.5%	<0.5%	<0.5%	<0.5%	<0.5%	3%
<b>Trading activity</b>						
Participant-directed trading	5%	7%	5%	7%	6%	8%
<b>Plan loans</b>						
Plans offering loans	69%	69%	69%	69%	69%	81%
Participants with an outstanding loan (when offered)	8%	8%	7%	6%	6%	13%
Recordkeeping assets borrowed	1%	1%	1%	1%	1%	1%
<b>Plan withdrawals</b>						
Plans offering hardship withdrawals	85%	85%	85%	85%	85%	94%
Participants using withdrawals (when offered)	1%	1%	1%	1%	1%	4%
Recordkeeping assets withdrawn	1%	1%	1%	1%	1%	1%
Participant account balance withdrawn	38%	45%	39%	40%	46%	33%
<b>Plan distributions and rollovers</b>						
Terminated participants preserving assets	87%	87%	86%	88%	89%	83%
Assets preserved that were available for distribution	97%	96%	97%	97%	97%	98%

Source: Vanguard 2022.



Vanguard Institutional  
Investor Group  
P.O. Box 2900  
Valley Forge, PA 19482-2900

**Connect with Vanguard®** > [institutional.vanguard.com](https://institutional.vanguard.com)

### **Acknowledgments**

Launched in 2011, Vanguard Retirement Plan Access™ (VRPA) is a comprehensive service for retirement plans with up to \$50-plus million in assets. Ascensus, LLC—a nationally recognized recordkeeping firm—provides the administration of these plans on Vanguard's behalf. Through VRPA, we served 17,174 plan sponsors with 810,000 participants as of year-end 2021.

All investing is subject to risk, including the possible loss of the money you invest.

Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

Diversification does not ensure a profit or protect against a loss.

Investments in target-date funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the work force. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in target date funds is not guaranteed at any time, including on or after the target date.

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### **Data analysis**

John A. Lamancusa (Vanguard)  
Edward Lukshides (Ascensus)

### **Authors**

Jeffrey W. Clark (Vanguard)  
John A. Lamancusa (Vanguard)

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