

The Pulse

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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 $\pm 1\%$, and 2% saw a change of $\pm 3\%$.

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.

Sources:

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<https://workplace.vanguard.com/content/iig-transformation/pdf/how-america-saves-2026.html>

Material connection - Retirement Plan Advisory Group, <https://www.rpag.com>

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