

ICI VIEWPOINTS

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Survey Confirms: Despite COVID-19, Retirement Savers Protect Their Accounts

Since the onset of the global COVID-19 pandemic in spring 2020, US households have experienced disruptions and financial stress. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted March 27, 2020, provided penalty relief and increased flexibility in retirement plan withdrawals and loans. So how did Americans respond to the financial pressure, especially considering the relief provided by Congress?

A new national survey by ICI addresses that question—with special emphasis on whether they're tapping their retirement accounts.

Figure 1 presents the results in a nutshell:

- A strong majority (65 percent) of US individuals did not take financial actions as a result of COVID-19.
- The other 35 percent took a variety of actions, and some individuals took multiple actions. The most common responses to handle the financial hardships brought on by the COVID-19 pandemic were using emergency savings, reported by 20 percent of individuals, and increasing credit card debt, reported by 18 percent of individuals. Seven percent reported increasing other debt (excluding loans from 401(k)-type retirement plan accounts).
- Actions that drew on retirement accounts were the least common responses: 6 percent of individuals reported taking withdrawals from 401(k)-type retirement plan accounts; 3 percent took withdrawals from individual retirement accounts (IRAs); and 3 percent took loans from 401(k)-type retirement plan accounts as a result of COVID-19.

Figure 1

Impact of COVID-19 on US Household Finances

Percentage of US individuals, fall 2020

Note: Multiple responses are included for respondents who took financial action as a result of COVID-19.

Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

The survey findings are consistent with the data ICI has published throughout the pandemic

based on actions reported by recordkeepers to defined contribution (DC) retirement plans. Through the [first three quarters of 2020](#), 3.4 percent of plan participants took withdrawals from their DC accounts, including 1.2 percent who took hardship withdrawals. During this same period, DC plan recordkeepers identified 4.4 percent of DC plan participants as taking CARES Act coronavirus-related distributions, which participants can repay. At the end of September 2020, 15.4 percent of DC plan participants had loans outstanding, which is a decline from more than 16 percent early in the year.

Together, these two sets of data—the self-reported actions from the survey and the administrative recordkeeper data based on actual DC account activity—contradict claims that large numbers of savers turned to withdrawals or loans from retirement plans in response to COVID-19 financial stress. To the contrary, Americans appear to have placed a high priority on preserving their retirement savings.

Americans Carefully Prioritize Use of Their Financial Safety Valves

To gain a broader understanding of how Americans have reacted financially to the COVID-19 pandemic, in late November and early December, ICI Research fielded two survey questions to the AmeriSpeak® research panel, a probability-based survey panel designed and operated by NORC at the University of Chicago. The key finding from the survey is that 35 percent of Americans took at least one of the following financial actions as a result of the pandemic: tapping emergency savings, increasing credit card or other debt, or taking withdrawals or loans from retirement accounts (Figure 1).

When the 35 percent of individuals who took financial actions were asked which action involved the most money, 35 percent of that group said using emergency savings involved the most money, 31 percent stated that increasing credit card debt involved the most money, and 10 percent said taking a non-retirement plan loan involved the most money (Figure 2). Withdrawals from a 401(k)-type retirement plan account involved the most money for 13 percent of this group; 6 percent said their IRA withdrawal involved the most money; and 5 percent of individuals taking financial action as a result of COVID-19 reported that their 401(k)-type retirement plan loan involved the most money.

Figure 2

Financial Response to COVID-19 Involving the Most Money

Percentage of US individuals taking financial action as a result of COVID-19, fall 2020

Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

As we saw in past instances of financial turmoil and market volatility—such as the global financial crisis—retirement savers seem to initiate a financial triage when facing economic stress. In this scenario, other resources such as emergency funds are used first—and tapping retirement savings tends to be viewed as a last resort. These survey results are consistent with that pattern. It's clear that Americans view retirement savings as a special bucket set aside for their golden years.

More About the Survey

The AmeriSpeak® panel is designed to be representative of individuals aged 18 or older in the United States. Initially, randomly selected US households are sampled with a known, non-zero probability of selection from the NORC National Frame, and then contacted by US mail, telephone interviewers, overnight express mailers, or field interviewers (face to face). The NORC National Frame is representative of more than 97 percent of US households and

includes additional coverage of population segments that are hard to survey, such as rural and low-income households. Panelists may participate in two to three AmeriSpeak® panel studies per month by phone or online (by computer, tablet, or smartphone). This survey was fielded in November and December 2020, covering a total sample of 2,093 individuals aged 18 or older in the United States. Survey results are weighted to be representative of the total population of Americans aged 18 or older. The margin of error for the sample is \pm 2.1 percentage points at the 95 percent confidence level.

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