

17.5 Million Working Americans Leaving Retirement Plan Money on the Table

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The coronavirus pandemic is affecting Americans' retirement savings in distinct ways. Some people are able to funnel more into their retirement accounts since they're spending less on things like travel and dining. Others have had to put savings on the back burner or even tap into their retirement savings plans to cover living expenses due to lost income.

To get a sense of the retirement savings landscape, MagnifyMoney surveyed more than 1,200 working Americans, finding that 17% of those who work for employers that offer retirement plans don't currently contribute. Among working Americans who do contribute, 12% leave company matching funds on the table.

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Key findings

Millions of employed Americans don't contribute enough to their workplace retirement plan to get the full company match. 12% of these employed adults, or 17.5 million working Americans, don't contribute enough to get a full match.

More competitive matching could give employers an edge among workers and job seekers. Despite some not maximizing their retirement returns, 49% of consumers who work for employers that offer retirement plans wish their company contributed more.

Among those not currently contributing, more than a third say it's because they can't afford to do so. This was cited by 35% who aren't contributing to their company's retirement plan, followed by 26% who already have a retirement savings plan.

Among those who are contributing or have contributed, retirement savings can vary vastly. Men enrolled in their company's plan are nearly three times as likely to have saved at least \$100,000 in that plan than women — 30% versus 11%.

While these working Americans know how much retirement savings they have, most don't know the stocks or funds in which they're invested. 57% of consumers enrolled in a workplace retirement plan don't know what stocks or funds are in their retirement plan. This is especially true for women (70%).

1 in 10 working Americans missing out on full retirement plan match

Not every employer offers a [retirement savings plan](#), but the majority do. Of the 1,200-plus workers surveyed by MagnifyMoney, 59% say their employer offers a retirement saving plan, while 34% say their employers do not. A head-scratching 7% say they don't know if their employer offers one. (Quick, check with your human resources — HR — department!).

Those with higher annual household incomes are more likely to work in jobs with employer-sponsored retirement savings plans — 78% among those with incomes of \$100,000 or more, versus 41% among those with incomes below \$35,000. And so are men — 64%, versus 56% of women.

***Of interest:** Among respondents whose employers offer plans, 83% say they're currently contributing to theirs, while 12% have contributed to it in the past but aren't doing so currently. Lastly, 6% have never enrolled in their company's retirement savings plan.*

Not contributing to a plan is one thing, but not contributing to a plan in which the employer offers matching funds is a whole other thing. Matching is when an employer “matches” your contributions to your [401\(k\)](#) or other retirement plan up to a certain amount.

In some cases, it's a dollar-for-dollar match, while it's a partial match in others. Either way, it's free money for the taking. Yet our survey finds that about 1 in 10 American workers (12%) are leaving it right there on the table.

“If your employer offers to match a certain amount of your retirement contributions, that's a part of your total compensation package,” says Ismat Mangla, MagnifyMoney senior content director. “Matching contributions from your employer will help you save and invest more for retirement. If you don't contribute enough money to get your employer match, you are literally leaving free money on the table — money that belongs to you and is part of your compensation. Don't forfeit it!”

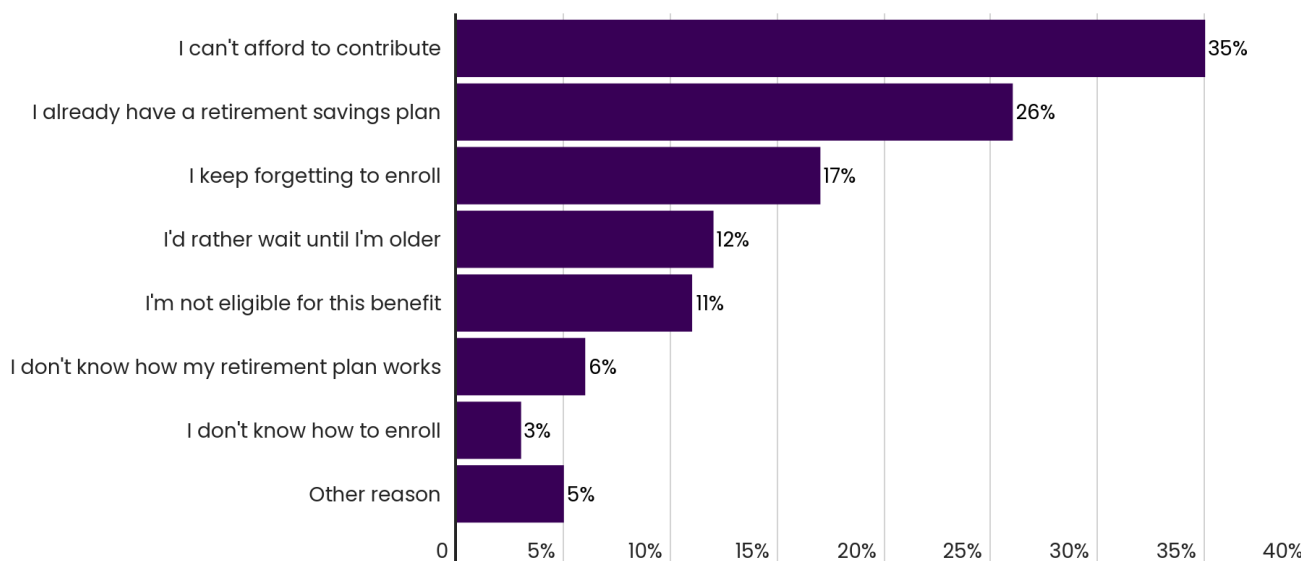
While employees have to do their part (i.e., contribute), many also wish their employers would step up their retirement plans. For example, 49% wish their employer contributed more, 25% wish they'd offer more educational resources, 8% wish their employer provided a different provider and 6% wish their employer provided a different plan type. Less than one-quarter of respondents say there's nothing they would change about their employer's plan at all.

Affordability is main reason why some working Americans aren't contributing

The reasons people don't contribute to their employer-sponsored retirement plans vary, though money is the most common.

In fact, 35% of respondents say they can't afford to contribute to their plan. Other top explanations include having another retirement plan (26%), forgetting to enroll (17%) — set a reminder now — and preferring to wait until they're older to contribute (12%).

Why aren't you contributing to your employer's retirement savings plan?



Source: MagnifyMoney survey of 126 consumers not contributing to their employer's retirement savings plan, conducted Aug. 20-23, 2021. Respondents could select multiple answers.

Do people know what they may be leaving on the table? In most cases, yes. Of those not contributing to their retirement plans, 62% say they know their employer offers matching funds, while 17% say they don't know if they do.

Women are less likely to know if their employer offers matching funds than men — 20% versus 12%. And somewhat surprisingly, it's the older generations — 31% of Gen Xers (ages 41 to 55) and 29% of baby boomers (ages 56 to 75) — who are less likely to know than the younger generations — 14% of Gen Zers (ages 18 to 24) and 13% of millennials (ages 25 to 40) — whether their employer offers matching funds.

How much people have in their retirement savings plan — and whether employers are helping them achieve their goals

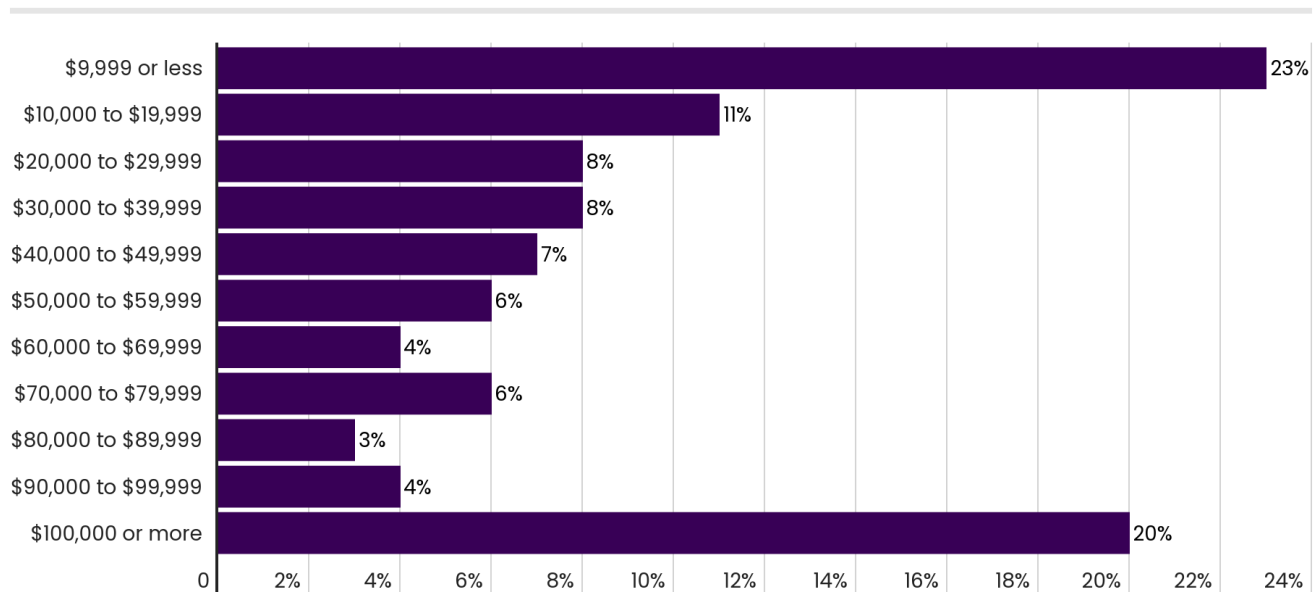
So, of those who are saving, are they saving enough to make their golden years golden? While the **amount people need to save for retirement** varies, respondents overall report retirement plan balances that aren't brimming.

Just 20% of respondents say their employer-sponsored retirement plan balances have reached \$100,000 or more, with significantly more men (30%) than women (11%) in this category.

"It's no secret that Americans are behind on saving and investing enough money for retirement," Mangla says. "Women may feel even less confident about investing."

And older generations are, understandably, more likely to have higher balances in their retirement accounts. In fact, 48% of baby boomers and 31% of Gen Xers have balances of \$100,000 or more, versus 9% of Gen Zers and millennials. But still, that means more than 50% among both of the older generations have yet to reach the \$100K mark.

How much money is currently in your workplace retirement savings plan?



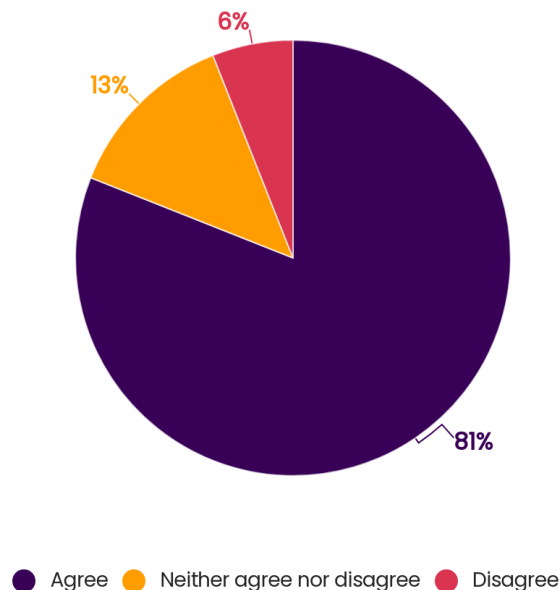
Source: MagnifyMoney survey of 690 consumers who are contributing or have contributed to their company's retirement savings plan, conducted Aug. 20-23, 2021.

The good news is that some have other retirement savings besides their employer-sponsored plan. In fact, 58% of respondents report having at least one other account, such as an **individual retirement account (IRA)**. However, that means 43% only have one account.

While, as mentioned earlier, there are changes employees wish their employers would make in regard to the

retirement plan they offer, workers are generally happy with the benefit. When asked if they agree their employer is helping them meet their retirement goals, 81% either agree or strongly agree. Just 6% disagree or strongly disagree, while the rest are neutral.

Do you agree with this statement? The retirement plan provided by my employer is helping me achieve my retirement savings goals.



Source: MagnifyMoney survey of 690 consumers who are contributing or have contributed to their company's retirement savings plan, conducted Aug. 20-23, 2021.

There's quite a bit of blind faith when it comes to employer-sponsored retirement plans. While those saving for retirement get a financial gold star, many would fail a test about *how* exactly they're doing so. Less than half of respondents (43%) say they know what's in their retirement plan in terms of the stocks and funds in which they're investing. This is particularly true for women, with just 30% stating they know what's in their plan, versus 57% of men.

Regrets, working Americans had a few

Retirement savings roadblocks often come with a change in jobs. While most report rolling their account balances into a new account or leaving them in the existing one when they switched employers, 33% report withdrawing the funds or doing something else with them.

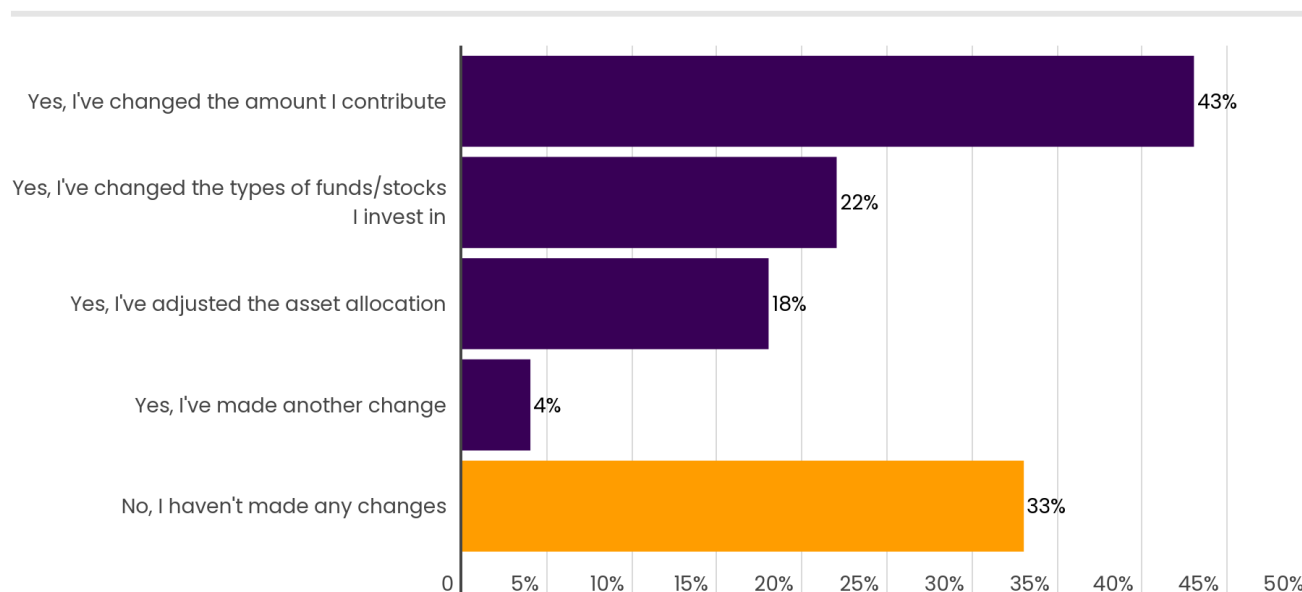
That may feel like a nice windfall at the time, but it's a windfall that typically comes with tax penalties, and the vast majority of those who withdrew funds — 71% — say they regret it.

Making changes to your workplace retirement plan

Even if you've made mistakes in the past or you want to adjust how much you contribute and where those contributions go, you can make changes to your workplace retirement plan. In fact, most experts say you

should make changes to your plan throughout the years as the default contribution amount is generally not enough for people to reach their goals. However, nearly one-third of plan participants say they've never made changes to their plans.

Have you ever made changes to your workplace retirement plan?



Source: MagnifyMoney survey of 690 consumers who are contributing or have contributed to their company's retirement savings plan, conducted Aug. 20-23, 2021. Respondents could select multiple "yes" answers.

Mangla suggests that people take a look at their plan at least once a year. She encourages taking advantage of any company matching and making sure the money in your account is invested in low-cost index funds.

She also suggests that each year you try to increase your contribution by a certain amount, such as a percentage point, up to the maximum amount. In 2021, you can contribute up to \$19,500 in a 401(k). Beyond that, however, she says, set it, forget it and let the magic of compound interest do its work.

Methodology

MagnifyMoney commissioned Qualtrics to conduct an online survey of 1,233 U.S. consumers who are currently employed, from Aug. 20 to 23, 2021. The survey was administered using a nonprobability-based sample, and quotas were used to ensure the sample base represented the overall population. All responses were reviewed by researchers for quality control.

We defined generations as the following ages in 2021:

Generation Z: 18 to 24

Millennial: 25 to 40

Generation X: 41 to 55

Baby boomer: 56 to 75

While the survey also included consumers from the silent generation (76 and older), the sample size was too

small to include findings related to that group in the generational breakdowns.