Job transitions slow retirement savings

- Our research finds that there is a critical need for 401(k) plans to adopt higher default saving rates and more innovative, personalized designs to maintain workers' savings momentum. These improvements will allow workers to experience a smoother savings journey and increase the likelihood of retirement success.

- The typical U.S. worker has nine employers over the course of their career. The median job switcher sees a 10% increase in pay but a 0.7 percentage point decline in their retirement saving rate when they switch employers.

- The current design of many 401(k) plans does not account for repeated job switches. The benefits of plan features that encourage greater retirement savings, such as automatic enrollment and automatic escalation, can be diminished with each job transition when plan features do not line up from employer to employer. Automatic enrollment may help dampen the drop in savings that is common when switching jobs by increasing participation, but if it's paired with low default rates, participants may still experience a significant drop in savings. However, at a 6% or higher default saving rate, workers tend to maintain their savings momentum.

- The impact that a retirement savings slowdown can have on workers who switch jobs across employers is significant. For a worker earning $60,000 at the start of their career who switches jobs eight times across employers (for a total of nine jobs), the estimated loss in potential retirement savings could be about $300,000— enough to fund an estimated six additional years of spending in retirement.

Authors

Fiona Greig, Ph.D.   Kelly Hahn   Fu Tan, Ph.D.

Introduction

The most common retirement savings vehicle for many workers today is the 401(k). Our research shows that 85% of eligible U.S. workers are saving in 401(k) plans—a rate largely driven by automatic enrollment[1]—and these accounts have amassed a total of $7.8 trillion.[2] Savers have benefited immensely from 401(k) default features, including automatic enrollment and automatic saving rate increases. These built-in plan features eliminate the friction of choosing whether and how much to contribute toward retirement.[3]

With the growth of plan automatic enrollment, the default enrollment saving rate has become even more important. Although many plans are automatically enrolling their participants at a

default rate of 6% or more, the most common default saving rate design is a 3% rate that automatically increases by 1 percentage point per year up to a maximum of 10%.[4] This design is effective if workers do not switch jobs and remain with one employer for their entire career.

In reality, job switches are common, and a typical worker may have a total of nine jobs over their entire career.[5] The median tenure of workers in the U.S. is about five years, and it is even lower for younger workers, women, and Black or Hispanic workers. (**Figure 1**).[6] Workers in certain service sectors such as retail and hospitality also tend to have lower tenure than the median.[7]

FIGURE 1
Job tenure varies widely based on demographics

Median years of tenure for hourly and salaried workers in 2022
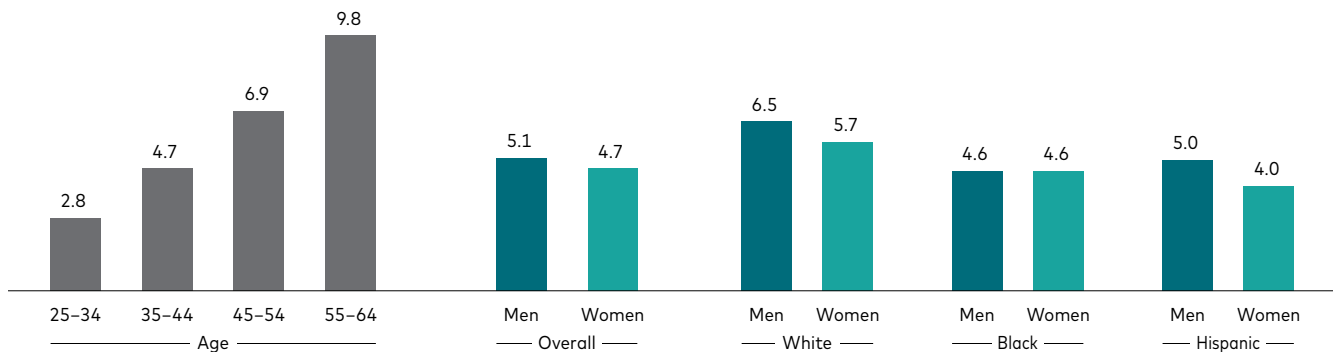
Sources: Vanguard, using data from the Bureau of Labor Statistics (2022) and the Employee Benefit Research Institute (2023).

1 The 85% figure is plan-weighted. The participant-weighted participant rate is 82%. See *How America Saves* (Vanguard, 2024).

2 The total is based on Investment Company Institute quarterly retirement market data as of Q1 2024.

3 In the last two decades, significant research has been conducted on the impact of 401(k) automatic enrollment and default options on participants and saving rates. See Choi et al. (2004), Beshears et al. (2009), Beshears et al. (2023), Choi et al. (2024), and Choukhmane (2021).

4 The number of plans with a 6% or more default saving rate has grown from 15% in 2014 to 29% in 2023, according to Vanguard's *How America Saves 2024*. Starting in 2025, the SECURE 2.0 Act will require companies with new 401(k) and 403(b) plans to automatically enroll their employees into those plans at a minimum saving rate between 3% and 10% and increase the rate by 1% per year until it reaches 10% to 15%.

5 The number of jobs held by a typical worker between ages 25 and 64 is based on median job tenure by age group from the U.S. Bureau of Labor Statistics' *Employee Tenure in 2022* report. We assume a median job switcher changes jobs every 3 years from ages 25 to 34, every 5 years from ages 35 to 44, every 7 years from ages 45 to 54, and every 10 years from ages 55 to 64. Supporting this, the U.S. Bureau of Labor Statistics' *Number of Jobs, Labor Market Experience, Marital Status, and Health for Those Born 1957–1964* report from August 2023 provides a similar estimate. The *National Longitudinal Survey of Youth 1979*, cited in that report, indicates an average of 8 jobs held from age 22 to 56. However, it does not extend job count estimates beyond age 56 due to limited data on older age groups, and therefore does not cover up to the average retirement age of 65.

6 The U.S. Bureau of Labor Statistics' *Employee Tenure 2022* report shows the median tenure of workers ages 25 and over was 4.9 years using the Bureau's Current Population Survey.

7 The U.S. Bureau of Labor Statistics' *Employee Tenure 2022* report shows that certain service sectors exhibit higher employee turnover. Median tenure for workers ages 16 and over for retail trade is 2.8 years and for leisure and hospitality is 2 years.

Until recently, there has been little research on how these pervasive job transitions impact saving behaviors and retirement outcomes.[8] In this study, we document individual workers' changes in income and savings as they switch jobs across employers with differing retirement plan designs using Vanguard administrative data on over 54,000 workers for whom Vanguard serves as recordkeeper for both the previous and current employer's 401(k) plans.

We observe that, despite having an increase in income from a job change, many workers experience a substantial slowdown in savings. We find that many job switches may result in retirement savings volatility throughout one's career because of 401(k) plan design. The goal of this study is to identify opportunities to help workers maintain their retirement savings momentum over the course of their careers, not just in the context of a single job.

Data sample used in this study

Using Vanguard administrative data of workers for whom Vanguard is recordkeeper for both the previous and current employer's 401(k) plans, we constructed a panel of workers who changed their jobs between 2015 and 2022.

We first documented the income and savings dynamics among job switchers (**Finding 1**). We captured income data for a subset of the population ("income sample") comprising 23,521 job switchers from 779 employers. For income, we relied on available compliance testing data; this data is the most accurate record of workers' earnings.

We then explored the role of plan design (**Finding 2**). We identified 54,793 job switchers from 1,059 employers.[9] In this "full sample," we also had plan-specific information, such as automatic plan features, and participant-specific information, including savings (in both percentage and dollar terms) and demographics (for example, age and tenure).[10]

---

8 Choi et al. (2024) estimated that job switches mute the effects automatic enrollment and automatic escalation policies across nine firms. Choukhmane (2021) estimated the effect of automatic enrollment after employees change jobs. Their research found no evidence that automatic enrollment creates long-lasting saving habits.

9 We include only those job switchers who joined their new company within one year of leaving their previous jobs. We also restrict the sample to include only those job switchers with one active plan with their previous employer and one active plan with their next employer.

10 To better understand the impact of default plan features on 401(k) contributions during job switches, we studied the pre-tax employee saving behavior. The full sample includes workers for whom we may not have income information.
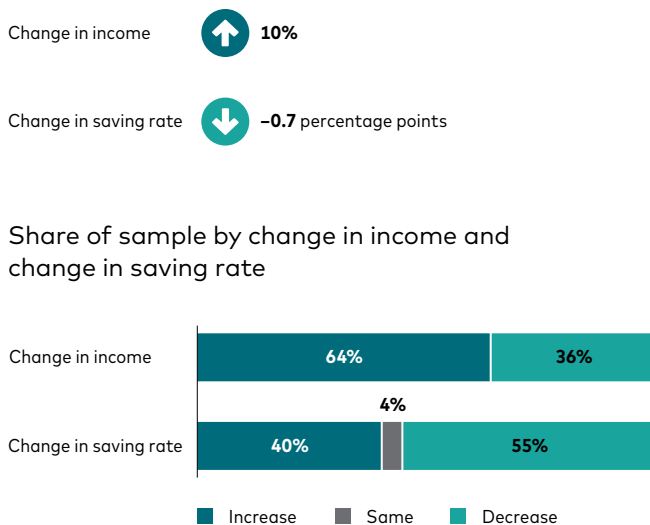
Finding 1:
Many job switchers experience a fall in retirement savings in both percentage and dollar terms, despite income growth.

In percentage terms: The typical (median) job switcher experienced a 10% pay increase in our income sample (**Figure 2**). Despite this notable increase, the median job switcher saw a 0.7 percentage point drop in their saving rate. Most job switchers (64% of the income sample) experienced a boost to their income, but just 44% increased or maintained their saving rate from their prior job. The majority of people (55%) decreased their saving rate in their new job (Figure 2).

Most job switchers see an increase in income but a decrease in their saving rate

Median job switcher

Change in income	⬆	**10%**
Change in saving rate	⬇	**−0.7** percentage points

Share of sample by change in income and change in saving rate

Change in income: 64% | 36%

Change in saving rate: 40% | 4% | 55%

■ Increase ■ Same ■ Decrease

Notes: We measure the savings behavior changes as the difference between the one-year average employee contribution deferral rate in the first year at the new job and the one-year average employee contribution deferral rate in the last year at the previous job. We consider only the effective deferral rates for salary because of difficulty in consistently identifying bonus compensation across employers. The calculations are based on the income sample of 23,521 workers across 779 plans who switched jobs between 2015 and 2022. The sample is limited to workers for whom we observe both W-2 income and elective saving rates. See details of the data sample in the **Appendix** on page 14. Percentages in the chart on the right may not add up to 100 due to rounding.
Source: Vanguard.

The magnitude of the saving rate slowdown was larger for those who saw only a modest increase in income or who took a pay cut when switching jobs (**Figure 3a**). What seemed counterintuitive was that those who experienced a pay increase of more than 20%—and hence a potentially greater capacity to save—still exhibited a slowdown in their saving rate (Figure 3a).

In dollar terms: Given that most job switchers experience a pay increase, we evaluated whether some job switchers contributed more in dollar terms despite the drop in their saving rate. We found that job switchers with a pay increase of less than 10% saw a decline in both their saving rate (Figure 3a) and amount (**Figure 3b**). Job switchers with a pay increase of more than 10% saved more in dollar terms despite the drop in their saving rate.

On the one hand, it's good news that those workers with a pay increase of 10% or more are saving more in dollar terms despite the drop in saving rate. In addition, some workers may actively choose to save less in their new job in order to cover expenses related to the transition. On the other hand, this represents a potential missed opportunity to maintain the workers' retirement savings trajectories. If they had experienced the same income growth at their prior employer (for example, through a promotion), they would likely have remained at their prior saving rate (or increased the rate through auto-escalation) with their higher salary. The job change proves to be a friction point that causes a slowdown in retirement wealth accumulation.

For example, the median job switcher with positive income growth—one who saw a 26% increase in pay but a 0.7 percentage point drop in their saving rate—still saved $510 more in their new job (Figure 3b). However, if instead of switching jobs, they had received a promotion

that conferred a 26% pay raise and continued to save at their prior rate, they would have saved $1,274 more in the year after the promotion. The missed savings opportunity of $764 with each job change when not accounting for automatic escalation could result in foregone retirement wealth of about $15,000. Moreover, if their saving rate automatically increased by
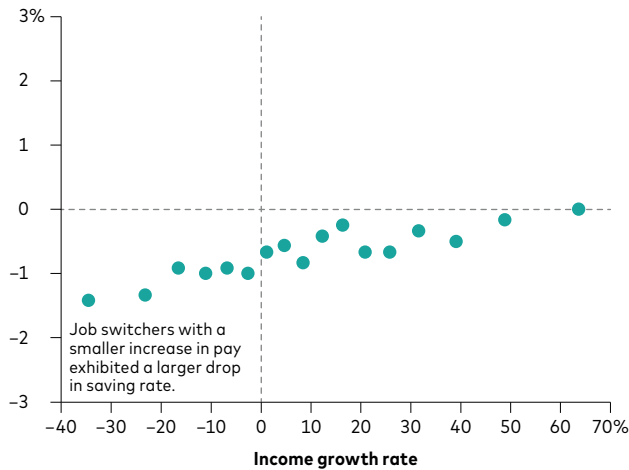
1 percentage point (a feature offered by 68% of plans), they would have saved an additional $1,906 the year after their promotion. The missed savings opportunity of $1,396 with each job change when accounting for automatic escalation could result in foregone retirement wealth of about $38,000.[11]

Job switchers with a pay increase of 10% or more save more in dollar terms despite the drop in saving rate
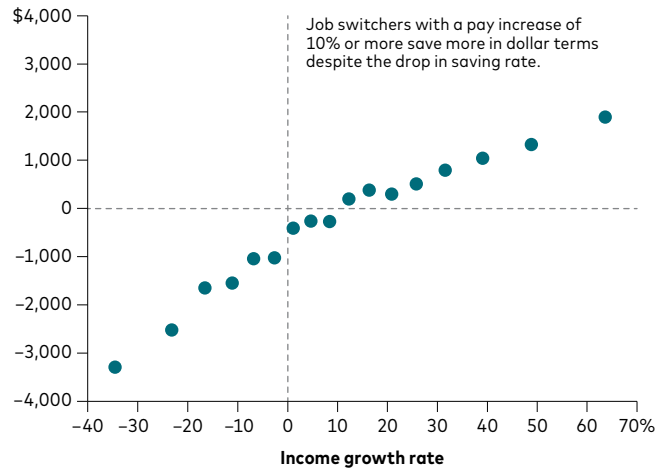
a. Median percentage point change in employee saving rate

b. Median change in employee savings amount ($)

Saving rate change between jobs

Savings amount change (2023 dollars)

Job switchers with a pay increase of 10% or more save more in dollar terms despite the drop in saving rate.

Job switchers with a smaller increase in pay exhibited a larger drop in saving rate.

Notes: We calculate the median change in saving rate and savings amount across 20 income growth ranges, which are determined by evenly distributing the data sample according to the distribution of income growth. The figure shows the median change in saving rate and savings amount against the midpoint of each income growth range. We display data points between −40% and 70% change in income in order to focus on the range that pertains to most job switchers. We measure the savings behavior changes as the difference between the one-year average employee contribution deferral rate in the first year at the new job and the one-year average employee contribution deferral rate in the last year at the previous job. We consider only the effective deferral rates for salary because of the difficulty in consistently identifying bonus compensation across employers. The calculations are based on the income sample of 23,521 workers across 779 plans who switched jobs between 2015 and 2022. The sample is limited to those workers for whom Vanguard serves as recordkeeper for both the previous and current employer's 401(k) plans and for whom we also observe both income and saving rates. See details of the data sample in the Appendix.
Source: Vanguard.

11 The calculation of lifetime lost savings is based on the assumption of eight job changes during a worker's career from age 25 to 64 (for a total of nine jobs). It is assumed that the worker changes jobs every 3 years from ages 25 to 34, every 5 years from ages 35 to 44, every 7 years from ages 45 to 54, and every 10 years from ages 55 to 64. A one-time lost savings amount of $764 ($1,274 less $510) is assumed at each job change, assuming no auto-escalation. When assuming auto-escalation, a one-time lost savings amount of $1,396 ($1,906 less $510) is assumed at each job change; $1,906 reflects a 1 percentage point increase in the previous saving rate at the increased salary. In years without job changes, no lost savings are assumed. These lost savings are compounded annually from age 25 to 64 using a deterministic annual portfolio return, based on the 10-year average returns of a 60/40 stock to bond portfolio (6.4%) as per Vanguard research. The foregone wealth is calculated as the present value of these recurring one-time lost savings over all job changes, using a deterministic annual inflation rate of 2%.

Finding 2:
Automatic enrollment increases participation, but low default rates drag savings down.

We find that the slowdown in saving rate that many workers experience through a job change is related to plan design. In this section, we discuss two critical plan design elements—automatic enrollment and the default saving rate—and their impact on saving rate changes after a job switch. In our dataset, automatic enrollment plans far outweigh voluntary plans. About two-thirds (62%) of the job switchers in our sample joined companies with automatic enrollment (see the Appendix). Among job switchers who joined an employer with automatic enrollment—36% of job switchers—the most common default saving rate was 3%.

Automatic enrollment
Figure 4 shows how effective automatic enrollment is at dampening the savings slowdown through greater plan participation.

The median worker who joined an automatic enrollment plan experienced a saving rate decline of 0.3 percentage points, while the median
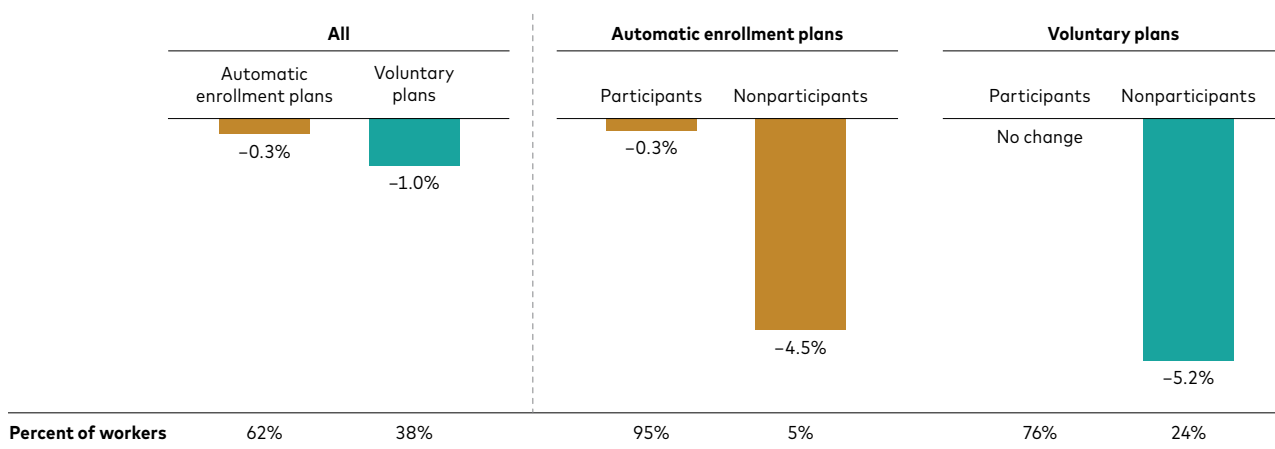
worker who joined a voluntary enrollment plan experienced a saving rate decline of 1 percentage point. When workers transition to jobs with voluntary enrollment plans, they are more likely to cease participating altogether. In fact, only 76% of job switchers who joined voluntary plans continued to save, compared with 95% of those who transitioned to automatic enrollment plans. Notably, the median nonparticipant in the voluntary enrollment plans experienced a substantial 5.2 percentage point drop in saving rate.

Among job switchers who participated in the 401(k) plan in their next job, those who switched to an employer with an automatic enrollment plan saw a modest saving rate drop of 0.3 percentage points, while those who switched to an employer with a voluntary enrollment plan saw no change in saving rate. We attribute the slowdown in saving rate among job switchers who are automatically enrolled to a low default saving rate.

FIGURE 4

Automatic enrollment plans are more effective than voluntary enrollment plans in preventing a savings slowdown during job switches

Median change in saving rate between jobs by 401(k) plan automatic enrollment status and participation status in new job

	All		Automatic enrollment plans		Voluntary plans	
	Automatic enrollment plans	Voluntary plans	Participants	Nonparticipants	Participants	Nonparticipants
	−0.3%	−1.0%	−0.3%	−4.5%	No change	−5.2%
Percent of workers	62%	38%	95%	5%	76%	24%

Notes: The calculations are based on a full sample of 54,793 workers who switched jobs between 2015 and 2022 and between employers for which Vanguard administers the 401(k) plan. The sample covers workers across 1,059 employers.
Source: Vanguard.

6

Default saving rate

Lower default saving rates are associated with larger drops in saving rates during job switches.

We find that workers with lower default saving rates experience a larger drop in saving rates than those with higher default saving rates (**Figure 5**). For instance, at a 3% default rate (the most common plan design), the median saving rate drops by 1.2 percentage points.
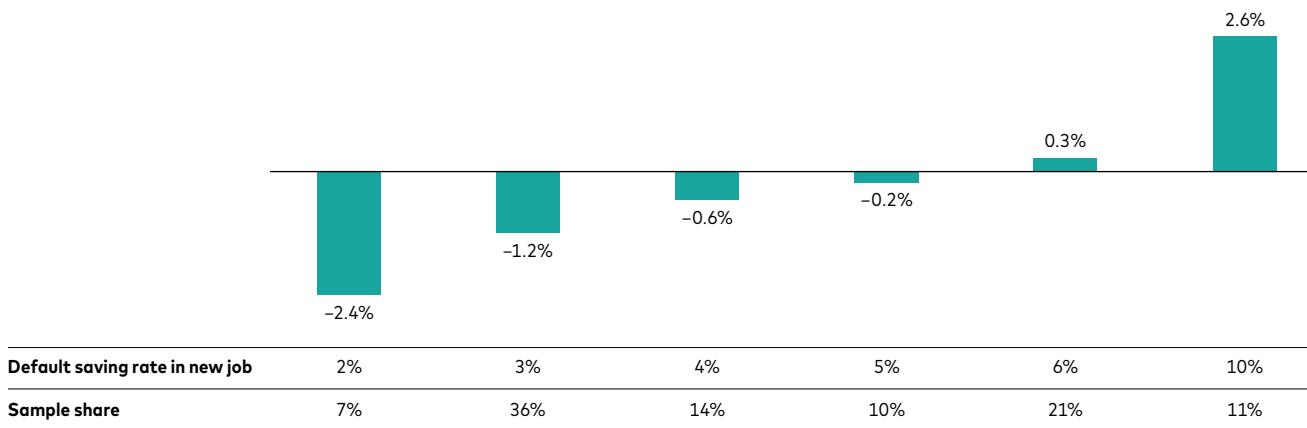
At a 5% default rate (the second most common design), the median saving rate drops by just 0.2 percentage points.[12]

The saving rate slowdown among workers entering automatic enrollment plans is larger for workers who passively comply with the default saving rate in their new job and who were longer-tenured in their prior job.

Lower default saving rates result in larger savings slowdowns for workers

Median change in saving rate between jobs by default saving rate in the new job

	2%	3%	4%	5%	6%	10%
Default saving rate in new job	2%	3%	4%	5%	6%	10%
Sample share	7%	36%	14%	10%	21%	11%

Chart values: −2.4% (2%), −1.2% (3%), −0.6% (4%), −0.2% (5%), 0.3% (6%), 2.6% (10%)

Notes: The calculations are based on a full sample of 54,793 workers who switched jobs between 2015 and 2022 and between employers for which Vanguard administers the 401(k) plan. The sample covers workers across 1,059 employers. The default saving rates shown are the most commonly occurring in our data sample.
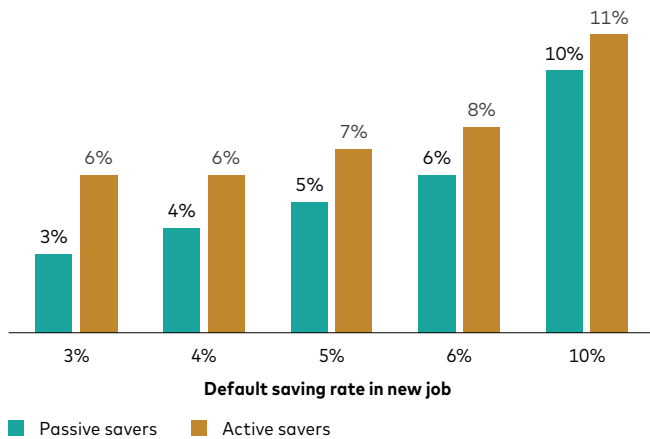**Source:** Vanguard.

---

[12] According to *How America Saves 2024*, 33% of automatic enrollment plans default at 3%. The next most common default saving rates are 6% or more (29% of the total), 5% (17% of the total), and 4% (14% of the total).

Savings impact by participant behavior: In our full sample, about 60% of workers entering automatic enrollment plans adhered to their plan's default saving rate ("passive" savers).[13] The remaining 40% chose their own saving rates ("active" savers). We find that, after changing jobs, 67% of passive savers were more likely to see a reduction in their saving rate because of plan design. But even 57% of active savers reduced their saving rate.

Interestingly, active savers elected to save between 1 percentage point and 3 percentage points more than passive savers who stuck with the default (**Figure 6**), but even active savers experienced a slowdown in savings if their new employer had a low default saving rate (**Figure 7**).

This pattern indicates that lower default rates may act as an anchor, pulling down the saving rate elections for these active savers. At a 6% default saving rate, the slowdown in savings was almost eliminated for both the passive and active savers (Figure 7). This implies that both types of savers were saving close to 6% at their previous companies and likely had a few years of tenure—over the course of three years, a worker whose saving rate was defaulted at 3% with automatic increases of 1 percentage point per year would achieve a 6% saving rate. Notably, a higher default saving rate, such as 10%, appeared to nudge active savers' choices upward. It is possible that a higher default works as a signal that highlights the importance of saving.

FIGURE 6

Active savers save more than passive savers who stick with the default

Median saving rates for passive and active savers when the new plan has automatic enrollment
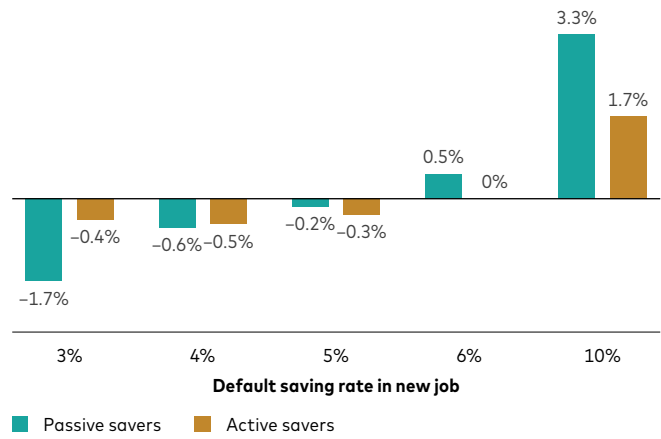

Notes: The calculations are based on a full sample of 54,793 workers who switched jobs between 2015 and 2022 and between employers for which Vanguard administers the 401(k) plan. The sample covers workers across 1,059 employers. The default saving rates shown are those that affect at least 10% of the sample.
Source: Vanguard.

FIGURE 7

Default saving rates impact passive savers, who adhere to the defaults, more than active savers, who defy the defaults

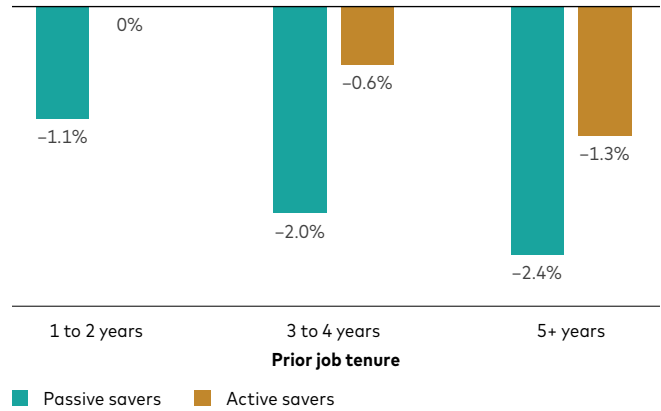Median change in saving rate between jobs by the new default saving rate

Notes: The calculations are based on a full sample of 54,793 workers who switched jobs between 2015 and 2022 and between employers for which Vanguard administers the 401(k) plan. The sample covers workers across 1,059 employers. The default saving rates shown are those that affect at least 10% of the sample.
Source: Vanguard.

13 This adherence to the default saving rate is consistent with previous Vanguard research, *Automatic Enrollment: The Power of the Default* (Clark and Young, 2018), which analyzed a different set of the population. That study is based on 813,918 newly hired eligible employees in 520 plans from January 1, 2017, to December 31, 2019. After three years, about half of the eligible participants remained at the default deferral rate with scheduled annual increases in savings.

Savings impact by tenure: We observe that workers with longer tenure at their previous employers, particularly passive savers in that group, experience a greater reduction in saving rate (**Figure 8**). Longer-tenured workers benefit from the automatic increases that many plans offer, and therefore tend to save more over time at prior employers. As such, they are likely to experience a larger reduction in savings when switching jobs.[14]

FIGURE 8

Longer-tenured passive savers experience a greater reduction in savings

Median change in saving rate by job tenure in prior job when entering a plan with a 3% default saving rate

Notes: The calculations are based on a full sample of 54,793 workers who switched jobs between 2015 and 2022 and between employers for which Vanguard administers the 401(k) plan. The sample covers workers across 1,059 employers.

Source: Vanguard.

Implication:
Saving slowdowns from job transitions have a significant impact on retirement wealth.

As evidenced in this paper, the interaction between job switches and plan features is critical to achieving greater retirement security. To illustrate the impact of this interaction, we analyze three hypothetical scenarios for Jane, a typical worker who starts her career at age 25 earning an initial salary of $60,000 and retires at age 65.[15]

1. **Stable career with no job changes:** *This assumes a hypothetical savings trajectory with no job changes given common automatic features we have today.* Jane's saving rate is defaulted to 3% and is automatically escalated by 1 percentage point per year until it reaches 10%. Her employee contribution rate reaches 10% at age 32 and remains at this level until she retires at age 65. Additionally, her employer matches 50% of her employee contribution, up to 6% of her salary with a maximum employer contribution of 3% (gray dotted line in **Figure 9**).[16]

2. **Career with eight job changes in typical plans:** *This reflects the reality of many workers today.* Jane has nine jobs over her career, with job changes occurring more frequently in the early part of her career. Each new employer's plan resets her saving rate back to the default 3%. Her saving rate automatically escalates by 1 percentage point each year until it reaches 10%. Each new employer matches 50% of her employee contribution, up to 6% of her salary with a maximum employer contribution of 3% (dark yellow solid line in Figure 9).

3. **Career with eight job changes and "improved" plans:** *What if the default saving rate is increased to 6%?* Jane has nine jobs over her career. She utilizes the automatic features at each company she works for. The companies all default to a 6% saving rate, which automatically escalates by 1 percentage point per year until it reaches 10%. Each new employer matches 50% of her employee contribution, up to 6% of her salary with a maximum employer contribution of 3% (turquoise dashed line in Figure 9).

If Jane repeatedly "resets" her saving rate at each job transition, she could have significantly lower retirement savings at age 65. Indeed, Jane may have about $300,000 less in retirement savings (dark yellow solid line in Figure 9), in present value, than she would have had if she had remained with the same employer throughout her career (gray dotted line in Figure 9). Put differently, Jane would have a 41% smaller retirement nest egg and be able to fund an estimated six fewer years of retirement spending than if she had remained with one employer.[17]

Raising the default saving rate would help mitigate this issue. Setting the default rate to 6% (shown by the turquoise dashed line in Figure 9) narrows Jane's retirement savings gap with job switching relative to a career with no job changes to just $70,000, or 9%, lower. A higher default saving rate mitigates the reduction in retirement savings Jane could experience from changing jobs.
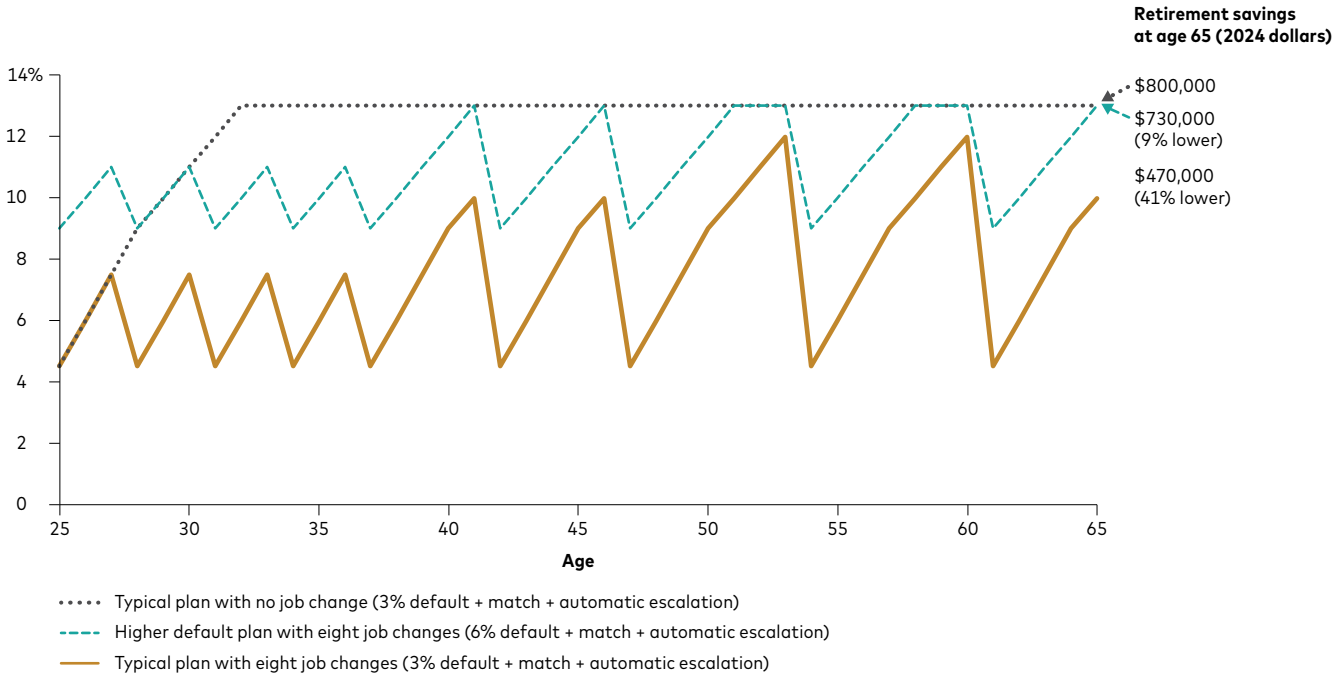
---

15 In this illustration, we posit that a hypothetical worker begins employment at age 25 with an initial salary of $60,000. We assume nominal salary increases of 2% until retirement at age 65. The retirement savings are projected to grow at a steady nominal rate of 6.4%, based on the 10-year average returns of a 60/40 stock/bond portfolio, as detailed in Vanguard's economic and market outlook for 2024. Additionally, we assume that the worker changes jobs every 3 years from ages 25 to 34, every 5 years from ages 35 to 44, every 7 years from ages 45 to 54, and every 10 years from ages 55 to 64 (see Figure 1 on page 2). To isolate the impacts of plan design alone, we apply this wage trajectory to all three scenarios. If we were to instead apply stronger nominal wage growth assumptions in the case of job switchers (10% for ages 25–34, 5% for ages 35–44, 3% for ages 45–54, and 2% for ages 55–64), retirement wealth would be roughly $580,000 under scenario 2 and $890,000 under scenario 3.

16 We assume a 50% match of the first 6% of the salary employee contribution because it is the most common employer match formula (Vanguard, 2024).

17 Retirement expenditures are estimated to be $48,000 annually (in 2024 dollars), which represents 80% replacement of pre-retirement income. The $300,000 in foregone wealth is estimated to be able to sustain slightly over six years of total annual retirement expenses.

FIGURE 9

Default saving rates need to account for the realities of job changes to improve retirement outcomes

Hypothetical total contribution rate by age in different scenarios

Retirement savings at age 65 (2024 dollars)

$800,000

$730,000 (9% lower)

$470,000 (41% lower)

······· Typical plan with no job change (3% default + match + automatic escalation)

– – – Higher default plan with eight job changes (6% default + match + automatic escalation)

——— Typical plan with eight job changes (3% default + match + automatic escalation)

Notes: This figure depicts the trajectory of total contribution rates for a hypothetical worker who begins employment at age 25 and retires at age 65. We assume that this worker changes jobs every 3 years from ages 25 to 34, every 5 years from ages 35 to 44, every 7 years from ages 45 to 54, and every 10 years from ages 55 to 64 in scenarios involving job changes. The "typical plan with no job changes" scenario assumes that the worker starts with a saving rate of 3% and increases this by 1 percentage point each year until reaching 10%, which is then maintained until retirement at age 65. The "higher default plan with eight job changes" scenario assumes that the worker's contribution rate resets to a higher default rate of 6% at each job switch, with subsequent annual increases of 1 percentage point until the next change and capped at 10%. The "typical plan with eight job changes" scenario assumes that the worker's contribution rate resets to the current median default rate of 3% at each job transition, with an annual increase of 1 percentage point until the next job change and capped at 10%. In all scenarios, employees receive a 50% employer match on the first 6% of employee contributions.

Source: Vanguard.

Potential solutions to remedy the retirement savings slowdown

We present three solutions to consider that vary in feasibility and personalization. These strategies aim to enhance the effectiveness of automatic enrollment features by incorporating the realities of modern career paths to effectively support participants' long-term financial health.

- **Higher savings default:** The most straightforward remedy for savings slowdowns may be to raise the default saving rate. We find that the current low default saving rate of 3% used by most plans results in a substantial slowdown, but the slowdown is less severe for job switchers entering a plan with a higher default saving rate. Increasing the default rate from 3% to 6% would raise the savings floor and thus mitigate the savings slowdown experienced by many job switchers. Recognizing that not all participants may be able to afford a higher saving rate, especially those with a lower income, enabling emergency expense withdrawals or other liquidity features could alleviate potential financial strains and mitigate any drop in participation that might result from a higher default saving rate (Beshears et al., 2024). In addition, participants can reduce (or increase) their saving rate from the default as needed to meet financial obligations.

- **Age-based defaults:** Another solution is to incorporate "customized" default saving rates into plan designs. Workers with longer tenure at their previous employer tend to be older and experience a greater savings slowdown when switching jobs. As such, setting default saving rates by age—demographic information that is available to the plan sponsors—could address the varying savings needs across different life stages.

- **Personalized defaults:** Our third proposed solution is to set an individual worker's default saving rate to the higher of the plan default or the worker's prior saving rate.

  – This solution could involve the expansion of automatic portability via the Portability Services Network to include additional data feeds regarding the participant's saving rate at their prior employer. This could enable savings elections to transfer from plan to plan without participant engagement.

  – Another aspect of plan customization could be proactive engagement and education at the time of hire. By asking new participants about their previous contributions, nudging them to save at their prior rate, and illustrating the long-term benefits of maintaining or increasing their saving rate, employers and recordkeepers could help new hires maintain their retirement savings momentum.

Policy changes are necessary to enact age-based and personalized savings defaults, insofar as existing laws require automatic contribution rates to uniformly apply to all employees after giving them the required notice. Such changes would need to take into account implementation details and downstream consequences, such as the potential impact of higher contribution rates on nondiscrimination testing outcomes for non-safe harbor plans.

Conclusions

Our research offers crucial insight into the dynamic relationship between job changes and 401(k) plan default features. We find that many workers experience a slowdown in retirement savings after a job switch—despite the accompanying income boost—because the plan features do not line up from employer to employer.

The findings highlight a critical need for plan sponsors and policymakers to consider the impact of job switches on retirement security and to better accommodate the evolving career trajectories of today's workforce. This research serves as an invitation for more innovative and personalized plan designs, with particular attention to automatic enrollment features and their implementation. Such changes could better support workers in maintaining, if not accelerating, their retirement savings through their career transitions.

References

Beshears, John, James J. Choi, David Laibson, and Brigitte C. Madrian, 2009. The Importance of Default Options for Retirement Saving Outcomes: Evidence from the United States, *Social Security Policy in a Changing Environment*. Chicago, Ill.: University of Chicago Press.

Beshears, John, Ruofei Guo, David I. Laibson, Brigitte C. Madrian, and James J. Choi, 2023. *Automatic Enrollment with a 12% Default Contribution Rate*. NBER Working Paper No. w31601. Cambridge, Mass.: National Bureau of Economic Research.

Beshears, John, James J. Choi, Joel M. Dickson, Aaron Goodman, Fiona Greig, and David Laibson, 2024. *Does 401(k) Loan Repayment Crowd Out Retirement Saving? Evidence From Administrative Data and Implications for Plan Design*. SSRN; available at papers.ssrn.com/sol3/papers.cfm?abstract_id=4749081.

Bureau of Labor Statistics, 2022. *Employee Tenure in 2022*. U.S. Department of Labor; available at bls.gov/news.release/archives/tenure_09222022.htm.

Bureau of Labor Statistics, 2023. *Number of Jobs, Labor Market Experience, Marital Status, and Health for Those Born 1957–1964*. U.S. Department of Labor; available at bls.gov/news.release/pdf/nlsoy.pdf.

Choi, James J., David I. Laibson, Brigitte C. Madrian, Andrew Metrick, 2004. For Better or For Worse: Default Effects and 401(k) Savings Behavior, *Perspectives in the Economics of Aging*. Chicago, Ill.: University of Chicago Press.

Choi, James J., David Laibson, Jordan Cammarota, Richard Lombardo, and John Beshears, 2024. *Smaller than We Thought? The Effect of Automatic Savings Policies*. Working Paper; available at spinup-000d1a-wp-offload-media.s3.amazonaws.com/faculty/wp-content/uploads/sites/27/2024/07/Automatic-policies-2024.07.21.pdf.

Choukhmane, Taha, 2021. *Default Options and Retirement Saving Dynamics*. MIT Sloan Working Paper 6134-20. Cambridge, Mass.: MIT Sloan School of Management.

Clark, Jeffrey, and Jean A. Young, 2018. *Automatic Enrollment: The Power of the Default*. Valley Forge, Pa.: The Vanguard Group.

Employee Benefit Research Institute, 2023. *Employee Tenure: A look by Race/Ethnicity*. Washington, D.C.: Employee Benefit Research Institute.

Investment Company Institute, 2024. Quarterly Retirement Market Data; available at ici.org/statistical-report/ret_24_q1.

Vanguard, 2024. *How America Saves 2024*. Valley Forge, Pa.: The Vanguard Group.

Appendix

Details of the data sample

			Full sample	Income sample	Income increase	Income decrease
Sample	**Sample size**		54,793	23,521	15,052	8,469
	Percentage of total		100%	100%	64%	36%
	Proportion within each sample	Increased saving rate	40%	40%	43%	36%
		Decreased saving rate	54%	55%	53%	60%
		Maintained the same saving rate	6%	4%	4%	4%
Participant information	**Age**		36 years	36 years	34 years	41 years
	Job tenure		4 years	4 years	3 years	5 years
	Annual income—old job		—	$92,501	$82,754	$116,312
	Annual income—new job		—	$104,104	$109,637	$92,784
	Annual income growth		—	10%	26%	–16%
	Prior job savings		6.0%	6.0%	5.9%	6.0%
	New job savings		5.0%	5.0%	5.0%	5.0%
	Savings change—median		–0.7%	–0.7%	–0.3%	–1.1%
	Savings change—average		–1.3%	–1.3%	–0.9%	–2.1%
	Prior job savings		$4,975	$5,196	$4,397	$7,287
	New job savings		$5,088	$5,041	$5,408	$4,374
	Savings change—median		$284	–$14	$793	–$2,041
	Savings change—average		$745	–$1,150	$1,166	–$5,267
Plan information	**Prior default saving rate**		3%	3%	3%	3%
	New default saving rate		3%	3%	3%	3%
	Proportion within each sample	AE to AE sample share	38%	44%	44%	46%
		Non-AE to AE sample share	24%	23%	23%	21%
		AE to non-AE sample share	23%	20%	21%	19%
		Non-AE to non-AE sample share	15%	13%	12%	13%
	Participation rate	Automatic enrollment at new job	95%	99%	99%	99%
		Voiluntary enrollment at new job	76%	96%	96%	95%

Notes: We report median statistics unless noted otherwise. Dollars are in 2023 dollars. AE to AE sample share includes participants joining automatic enrollment plans from automatic enrollment plans. Non-AE to AE sample share includes participants joining automatic enrollment plans from non-automatic enrollment plans (voluntary plans). AE to non-AE sample share includes participants joining non-automatic enrollment plans (voluntary plans) from automatic enrollment plans. Non-AE to non-AE sample share includes participants joining non-automatic enrollment plans (voluntary plans) from non-automatic enrollment plans (voluntary plans).

Source: Vanguard.

Vanguard®

Connect with Vanguard®
vanguard.com