



## NEWS RELEASE

### T. ROWE PRICE: MARKET SETBACKS DON'T NEED TO SET BACK RETIREMENT PLANS

*Midyear evaluation of current market volatility, inflation, and lower expected returns do not warrant a change in retirement savings strategies for most workers*

BALTIMORE, September 28, 2022 – T. Rowe Price, a global investment management firm and a leader in retirement, today published a midyear [research update](#) to its 2022 U.S. Retirement Market Outlook evaluating the firm's retirement savings guidance in light of current market volatility and lower expected market returns.

#### Key Highlights:

- Current market volatility and lower expected returns do not warrant a change in the firm's suggested retirement saving strategies for most workers, and investors should resist the urge to react to market events in the short term.
- However, older workers, especially those close to retirement, will have less time to recoup lower returns and may need to make up that ground by increasing their savings.
- In general, 401(k) participants have been staying the course. During the first half of 2022, over 95% have not made any investment exchanges, and less than 1% of workers fully invested in target date funds made any investment changes.

The research paper was authored by Judith Ward, CFP<sup>®</sup>, Thought Leadership Director, and Sudipto Banerjee, Ph.D., Vice President, Retirement Thought Leadership.

"We continue to suggest that workers save at least 15%, including any employer contribution, of their annual salary for retirement," says Ward. "This is a rule of thumb. In practice, the suggested savings rate will vary from person to person, usually increasing for people with higher incomes. For those close to retirement but unable to meet their retirement savings benchmarks, they might consider delaying retirement for a year or two, taking part-time work in retirement, or making spending adjustments."

The research update also evaluated T. Rowe Price's recordkeeping data to determine whether retirement savers actually changed course during the first half of the year.

"For most of the first half of 2022, average 401(k) contribution rates stayed relatively stable," says Banerjee. "More recently, however, the average contribution has trended slightly downward, suggesting workers may be reducing contributions to cope with inflation. If high inflation persists and the downward trend in 401(k) contribution rates is prolonged, it could become problematic because retirement savings might fall."

In response to these findings, Ward and Banerjee suggest that employers can help workers stay on the right path with saving for retirement through higher plan-level adoption of target date products, communicating risks to workers of trying to time the market, providing access to emergency savings vehicles, and providing access to retirement income tools, products and services. Ward and Banerjee also offer the following guidance to individual investors on how they can adapt to current market turmoil:

- Retirees review their spending expectations: Based on the firm's research, a conservative approach, based on a 4% initial withdrawal rate, could be part of a sustainable spending plan, even when retirement starts in times of significant market selloffs.
- Build up their cash reserves: Workers are advised to have an emergency fund that could cover three to six months of expenses. When heading into retirement, Ward and Banerjee suggest a cash buffer that could cover one to two years of spending.



- Maintain an appropriate asset allocation for long-term success: An appropriate allocation between stocks and bonds can provide current income and stability while also offering the growth potential necessary for a long retirement. Diversifying within each asset category is also important.
- Leverage educational programs and build a plan: T. Rowe Price suggests savers take advantage of financial wellness education and programs offered by their employer, or work with their financial professional to assess options and craft a plan that works best for their personal situation and stage of their retirement journey.

See the [summary](#) and supporting data for recommendations for individuals.

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substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons. Derivatives may be riskier or more volatile than other types of investments because they are generally more sensitive to changes in market or economic conditions.

All investments are subject to risk, including the possible loss of principal. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest-rate risk. As interest rates rise, bond prices generally fall. International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. Small-cap stocks have generally been more volatile in price than the large-cap stocks. The prices of sector focused funds tend to be more volatile than more diversified funds.

**Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, visit [troweprice.com](http://troweprice.com). Read it carefully.**

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