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How America uses professionally managed allocations

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Leveling up in 2024

The use of professionally managed allocations in defined contribution (DC) plans has grown significantly over the last 10 years.

Sixty-seven percent of participants in Vanguard DC plans had a professionally managed allocation at year-end 2024—an all-time high and a 48% increase from year-end 2015. Fifty-nine percent were invested in a single target-date fund and 7% in a managed account service, with 1% invested in a single balanced fund.

of Vanguard participants were invested in a professionally managed allocation at year-end 2024—an all-time high.

This increased use of professionally managed investment portfolios has been accompanied by improved participant behaviors and outcomes that include:

- Better age-based equity allocations.
- Higher engagement and saving rates.
- A tendency among single target-date fund holders to stay the course when saving, influenced by plan design (automatic increase) and inertia.

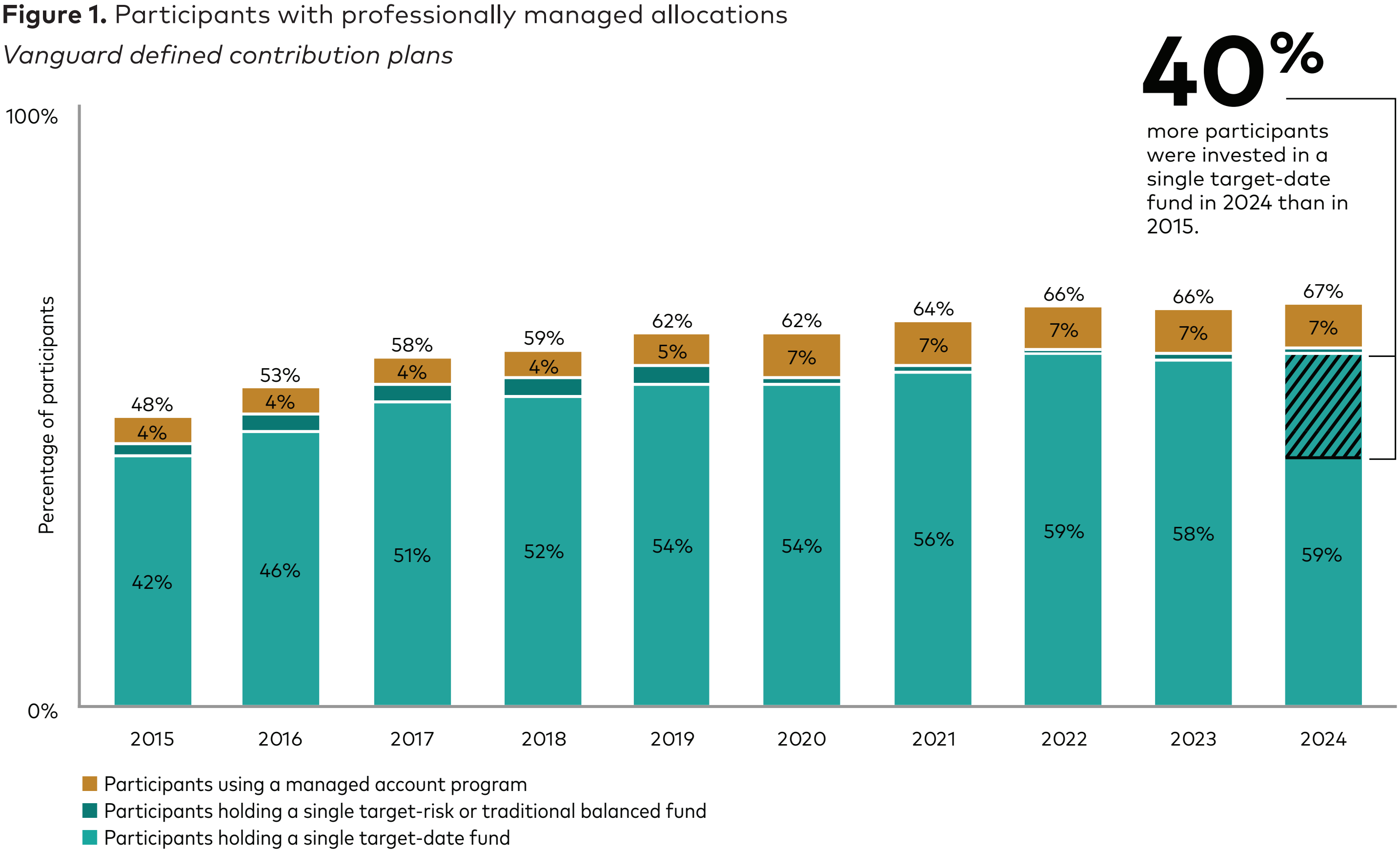
What follows is an examination of these and other trends as they relate to professionally managed allocations—among the many developments chronicled in *How America Saves*, our annual analysis of retirement saving behavior.

Introduction

The increasing use of professionally managed allocations signals a shift in responsibility for investment decision-making away from the participant and toward employer-selected investment and advice programs. Participants with professionally managed allocations have their entire account balance invested in a single target-date or balanced fund or in a managed account advisory service.

At year-end 2024, 67% of Vanguard participants were invested in a professionally managed allocation **(Figure 1)**.

Figure 1. Participants with professionally managed allocations
Vanguard defined contribution plans



Source: Vanguard 2025.

Driving this development is the growing use of target-date funds and managed accounts. Fifty-nine percent of participants were invested in a single target-date fund in 2024, an increase of 40% since 2015. In addition, the percentage of participants in a managed account has nearly doubled during this period.

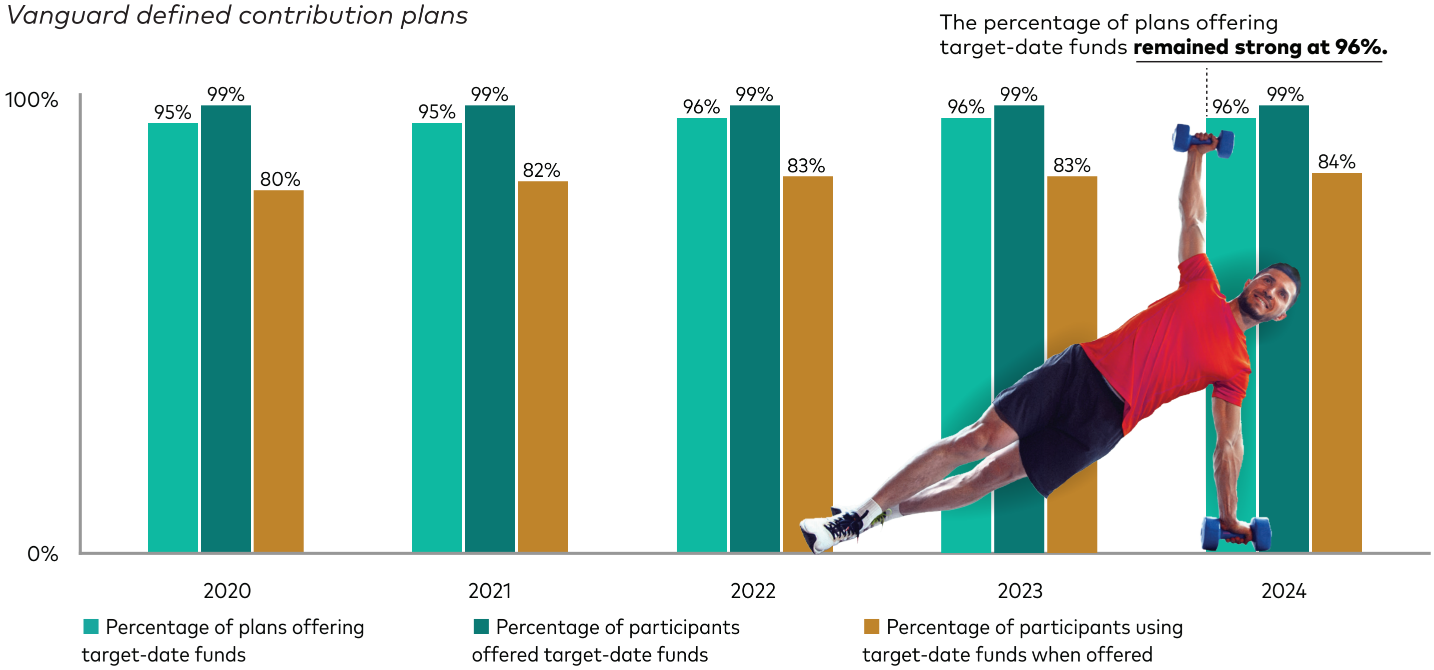
This shift has contributed to improved participant behaviors and outcomes—progress that will likely continue to drive the use of professionally managed allocations.

Target-date funds

Target-date funds base portfolio allocations on an expected retirement date; allocations grow more conservative as the participant approaches the fund's target year. The percentage of plans offering target-date funds remained at 96% in 2024 **(Figure 2)**. Nearly all Vanguard participants (99%) were in plans offering target-date funds, and 84% of those participants invested at least a portion of their assets in them.

Figure 2. Target-date fund offerings and use

Vanguard defined contribution plans



Source: Vanguard 2025.

We characterize participants who invest in target-date funds in one of two ways. "Pure investors" are those who invest 100% of their assets in a single target-date fund. They accounted for 71% of all target-date investors in 2024. Seven in 10 of these investors joined their plan under automatic enrollment and were usually enrolled in a single fund by default. About 3 in 10 voluntarily enrolled, most of them actively choosing a single target-date fund.

The remaining target-date participants are "mixed investors." They hold a target-date fund in combination with other investments or hold multiple target-date funds. In 2024, 29% of all target-date investors were in this category. They appear very much like non-target-date investors in terms of their demographic and portfolio characteristics.

Participants who are single target-date fund investors not only benefit from continuous rebalancing but are also far less likely to trade than other investors. In 2024, only 1% of all pure target-date fund investors made an exchange, a rate significantly lower than other investors (excluding managed account participants).

Managed account services

To address participants' needs for assistance with investment and planning decisions, plan sponsors using Vanguard as their recordkeeper are increasingly offering a range of advice programs.

Forty-five percent of Vanguard DC plans offered managed account advice in 2024, with more than 8 in 10 larger plans offering it. And with larger plans more likely to offer it, 79% of participants had access to advice **(Figure 3)**.

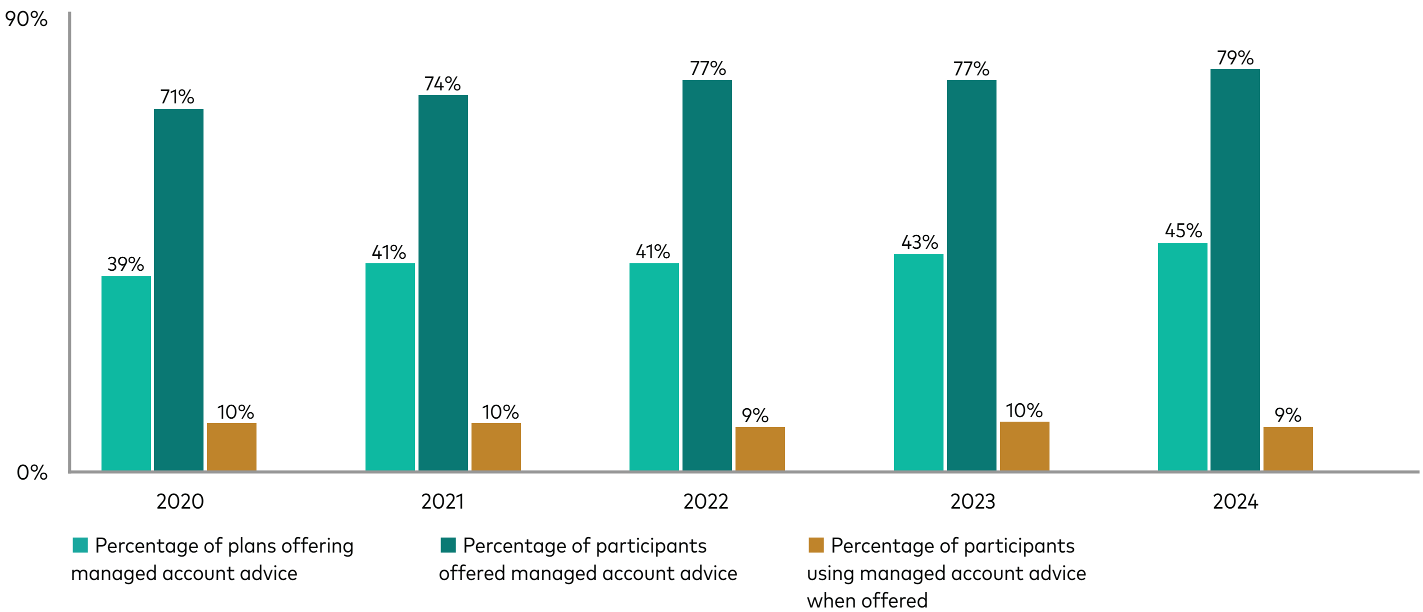
More than

larger plans offered managed account advice in 2024.

Supporting participants in creating holistic financial well-being has become a priority for plan sponsors and has led to increased availability of managed account advice. Over the past five years, the percentage of plans offering advice has grown, and in turn, the percentage of participants offered advice has increased.

Figure 3. Advice offered

Vanguard defined contribution plans



Source: Vanguard 2025.

Professionally managed allocations by demographics

There were distinct differences between participants with professionally managed allocations and those without them in 2024, as well as distinctions among participants with each of the three types of managed allocations **(Figure 4)**. Participants who constructed their own portfolios tended to be older and longer tenured—compared with all professionally managed investors—with higher average and median balances. Single target-date fund investors were shorter tenured with lower account balances. And they were more likely to be in an automatic enrollment plan and to have been defaulted into the fund. In contrast, managed account investors were older, longer tenured, and had higher balances than single target-date fund investors.

The percentage of participants with a professionally managed allocation varied by demographics. Younger and less tenured participants were more likely to be single target-date fund investors. Higher-paid participants with higher balances tended to use managed account programs more often. However, overall use of the strategy was not concentrated in certain demographic segments, highlighting the value managed accounts can provide to various cohorts of participants.

Participants in automatic enrollment plans were more likely to have a professionally managed allocation than those in voluntary arrangements because 98% of automatic enrollment plans defaulted participants into target-date funds.

Figure 4. Demographic characteristics of participants with professionally managed allocations, 2024
Vanguard defined contribution plans

	Professionally managed allocations				
	Single target-date fund participants	Single balanced fund participants	Managed account participants	All other participants	All participants
Percentage of participants	59%	1%	7%	33%	100%
Percentage male	55%	65%	56%	61%	57%
Median age	39	52	48	50	43
Median tenure	4	17	10	14	6
Average account balance	$64,078	$168,155	$194,645	$292,254	$148,153
Median account balance	$17,539	$66,177	$86,960	$124,498	$38,176

Source: Vanguard 2025.

Participant saving behaviors

Elected deferral percentages are the saving rates that participants defer from their salary. On average, participants elected to defer 10% of their pay in 2024 **(Figure 5)**. Participants in managed account programs saved at strong levels, similar to the do-it-yourself investors. Single target-date and balanced fund investors saved at lower levels, in part because these participants were younger with shorter tenure. Eighteen percent of all participants contributed to Roth accounts, and managed account investors were the most likely to contribute to these accounts.

Fifty-five percent of participants made a change to their deferral percentage in 2024, either increasing or decreasing it. Managed account participants were most likely to initiate a change and were also the most likely to increase their saving rate on their own. On the other hand, single target-date fund investors were the most likely to have their deferral percentage increased through an automatic escalation program. Overall, participants using either managed accounts or single target-date funds were most likely to increase their saving rates compared with other investors.

Figure 5. Participant saving behaviors, 2024

Vanguard defined contribution plans

		Professionally managed allocations				
		Single target-date fund participants	Single balanced fund participants	Managed account participants	All other participants	All participants
Average elected deferral percentage		9%	9%	11%	12%	10%
Median elected deferral percentage		7%	6%	9%	10%	8%
Percentage contributing to Roth accounts		13%	8%	29%	25%	18%
Deferral changes	**No change**	42%	66%	41%	52%	45%
	Automatic escalation increase	36%	14%	26%	19%	29%
	Increase	13%	14%	19%	17%	16%
	Decrease	7%	4%	12%	10%	8%
	To zero	2%	2%	2%	2%	2%

Source: Vanguard 2025.

Equity allocations by age

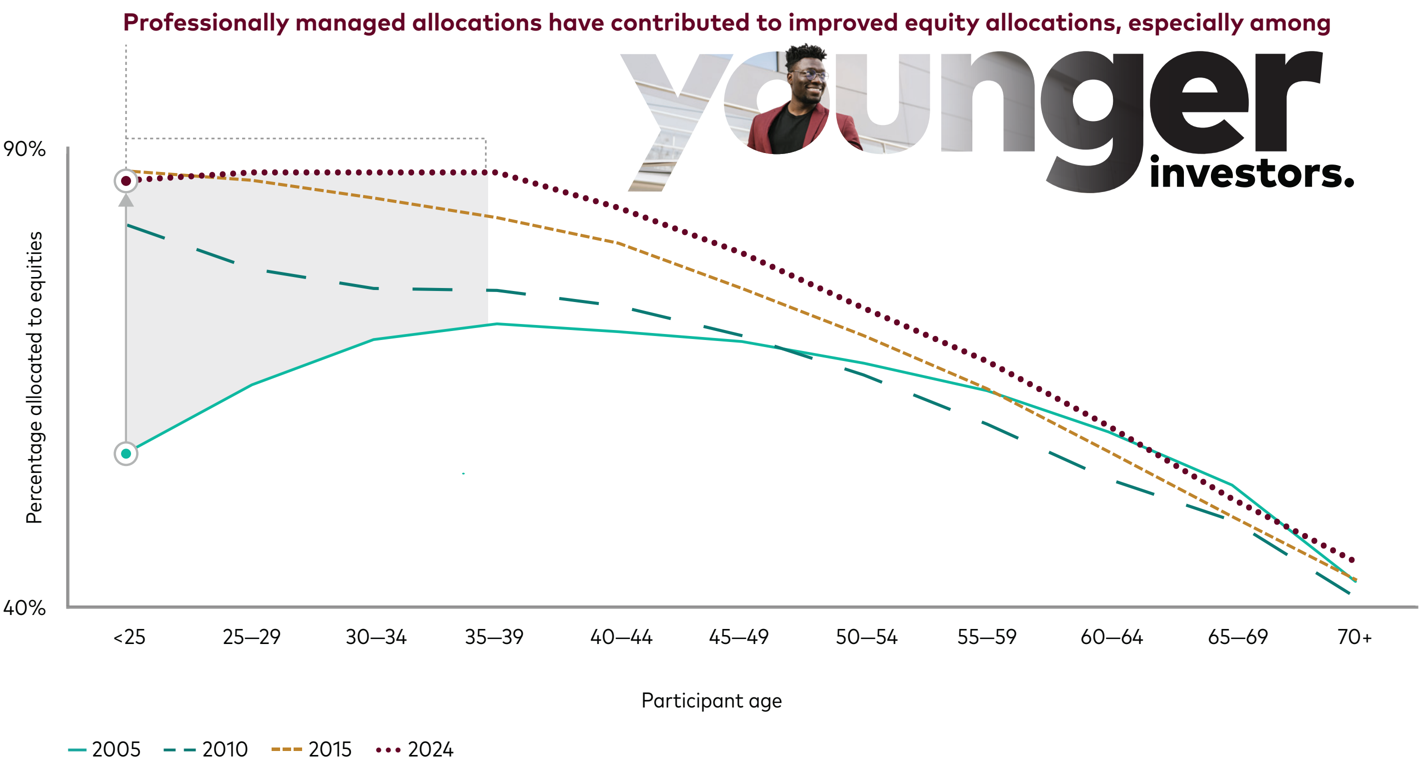
In 2005, participants' age-based equity allocation was hump-shaped, with younger participants adopting more conservative allocations, middle-aged participants holding the highest equity exposure, and older participants having equity exposure on par with younger counterparts **(Figure 6)**.

In 2024, the equity allocation among Vanguard DC participants was downward sloping by age. This is tied directly to the growing use of professionally managed allocations, which typically provide declining equity exposure with age.

Figure 6. Asset allocation by participant age

Vanguard defined contribution plans

Average equity allocation, participant weighted



Source: Vanguard 2025.

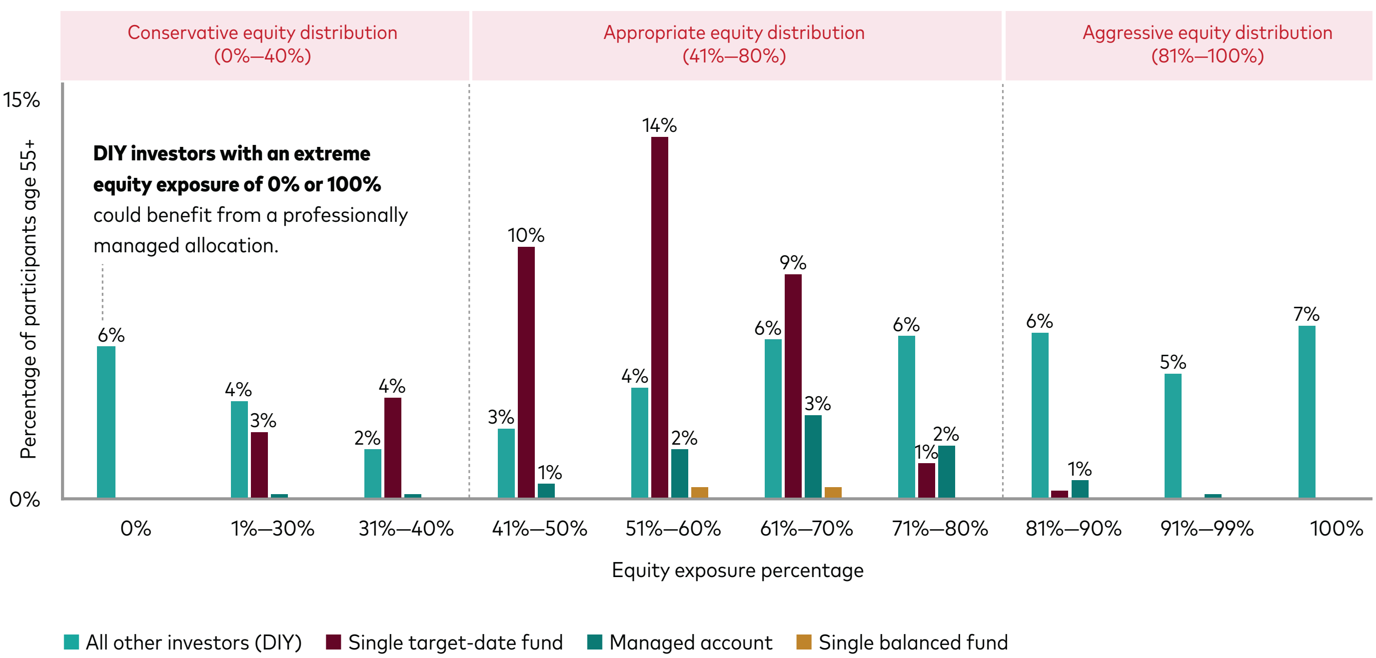
As noted earlier, younger participants were more likely to have a professionally managed allocation and, therefore, a higher percentage had an age-appropriate equity allocation. Older participants, who may be preparing for or already in retirement, were most likely to construct their own portfolio **(Figure 7)**.

Forty-nine percent of participants age 55 or older created their own allocation in 2024; 4 in 10 used a single target-date fund, and 9% used a managed account program.

Older participants with a professionally managed allocation typically had equity exposure between 40% and 80%. Those who constructed their own portfolio had the highest average balance but held a wide dispersion of equity allocations that were somewhat evenly distributed between 0% and 100%. This points to the possibility that many of these older, higher-balance participants could benefit from a professionally managed allocation.

Figure 7. Distribution of equity exposure by older investors, 2024

Vanguard defined contribution plan participants age 55+



	All other investors	Single target-date fund	Managed account	Single balanced fund
Percentage of population	49%	41%	9%	<1%
Average balance	$421,659	$106,121	$298,044	$244,676
Median balance	$196,423	$32,314	$155,104	$113,820

Source: Vanguard 2025.

Dispersion of returns

Participants with professionally managed allocations had less dispersion in outcomes compared with do-it-yourself investors in 2024. Total five-year annualized returns for single target-date investors ranged from 4.8% for the 5th percentile to 9.1% for the 95th percentile, a difference of 4.3 percentage points **(Figure 8)**. Managed account investors' returns were slightly more dispersed than those of single target-date investors, reflecting the customized nature of managed account advice. For managed account participants, the 5th-to-95th percentile difference was 4.9 percentage points.

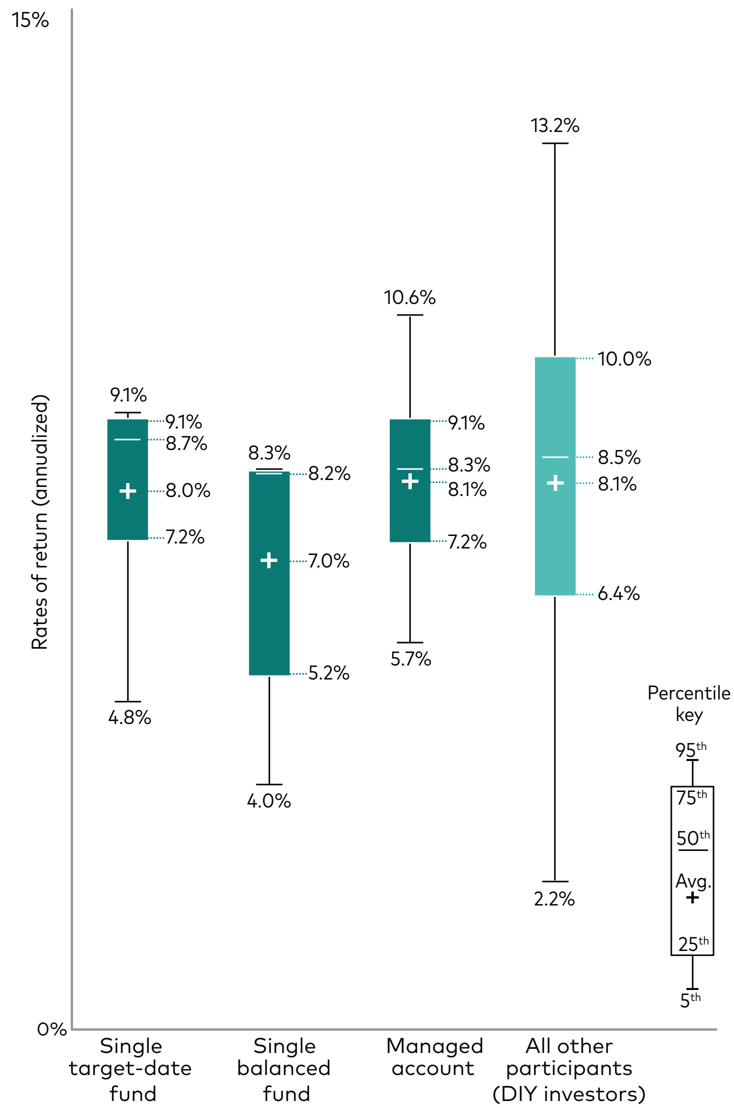
By comparison, the greatest dispersion was among participants making their own investment choices, with returns ranging from 2.2% per year for the 5th percentile to 13.2% for the 95th percentile, a difference of 11 percentage points.

Participants with professionally managed allocations had less dispersion than

investors.

Figure 8. Distribution of five-year total returns by strategy, 2024

Vanguard defined contribution plans



Note: Based on 828,000 observations for single target-date fund investors; 20,000 for balanced fund investors; 77,000 for managed account investors; and 1.3 million for all other participants.

How to read a box and whisker chart: This box and whisker chart shows the range of outcomes. Plot values represent the 95th, 75th, 50th, 25th, and 5th percentile values. The average value is represented by a white + and the median value by a white line. Here's an example of how to interpret the data in Figure 8: For the five-year period, 5% of managed account participants had total return rates (TRR) greater than 10.6%; 25% had TRRs greater than 9.1%; half and TRRs greater than 8.3%; 75% had TRRs greater than 7.2%; 95% had TRRs greater than 5.7%. The average five-year TRR was 8.1%.

Source: Vanguard 2025.

Past performance is no guarantee of future returns.

Conclusion

Professionally managed allocations continue to reshape investment behavior in DC plans. Their growing use by plan sponsors and participants is improving portfolio construction and leading to more disciplined participant investment behavior.

Furthermore, target-date and advice approaches lead to a thoughtful approach to portfolio risk-taking, with risk levels falling as an investor grows older. They also help remedy the problem of extreme allocations found among many DC plan participants. For these reasons, their adoption is likely to continue to increase in the coming years.

These are just some of the early conclusions derived from *How America Saves 2025* data. The full report, coming in June, will offer additional data and insights intended to help DC plan sponsors optimize plan design.

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