Soaring number of Americans are now 401(k) millionaires

A hot stock market lifted more retirement accounts to new heights in 2023, Fidelity says.

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Sweet 401(k) balances.

The number of folks with $1 million or more saved in their 401(k) accounts jumped 20% from September to the end of December, according to Fidelity Investments.

All told, there were 422,000 retirement savers in Fidelity 401(k) plans sporting balances of seven figures and beyond as of Dec. 31, up from 349,000 at the end of September and 299,000 at the end of 2022.

There were also 391,562 IRA millionaires on Dec. 31, up from 338,725 at the end of September and 280,320 at the end of December 2022.

"We are encouraged to see retirement balances increase so dramatically this quarter, reflecting the improving market conditions and enabling retirement savers to see significant gains in their account balances and retirement preparedness," Michael Shamrell, vice president of thought leadership for Fidelity Workplace Investing, told Yahoo Finance.

No kidding.

Retirement savers ended the year with average account balances at their highest level in nearly two years. Adding to that good juju was that more than a third of workers increased their retirement savings contribution rate in 2023.

That's according to Fidelity's fourth quarter analysis of savings account balances for more than 45 million IRA, 401(k), and 403(b) retirement accounts.

If you're one of the nearly 1 in 4 Americans who don't have a clue how much they have socked away in their retirement accounts, maybe it's time to take a gander.

You might be pleasantly surprised. Last year was a dream for many Americans' retirement savings account balances, with the S&P 500 index (^GSPC) up 26.3% and the Dow Jones Industrial Average (^DJI) up 13.7%.

The bigger balances, however, came from a combination of a few things, not just the strong stock market.

At the end of 2023, 78% of 401(k) savers were contributing at a rate high enough to secure the full matching contribution offered by their employer. The total average 401(k) savings rate for the fourth quarter — a combo of employee and employer match contributions — was roughly 14%.

In the fourth quarter, nearly half of individuals increased their contribution of their own volition without waiting for their plan to automatically add a bump up. About 1 in 4 employers offer auto-enrollment now, and the average employer default contribution rate (the amount paid into your retirement account if you don't make your own selection) is at an all-time high of 4.1%, according to the report.


The number of folks with $1 million or more saved in their 401(k) accounts jumped 20% from September to the end of December, according to Fidelity Investments. (Getty Creative) (AscentXmedia via Getty Images)

401(k) millionaire keys to swelling balances

So, who are these millionaires, and what's their secret sauce?

First, they go the distance. The average savings tenure of Fidelity account millionaire savers is 26 years. What that tells us is that it pays to continue to invest steadily over the long term. The average age of a retirement account millionaire is 59.

"The key to saving for retirement is playing the long game and maintaining consistent contributions over time," Shamrell said. "The increase in the number of 401(k) millionaires is a perfect example, as the majority of these savers aren't necessarily doing anything special other than saving at a high rate in the same plan over a long period of time."

Nearly half of Fidelity's millionaires are boomers, which was on par with the number of Gen X millionaires. Millennials accounted for just 0.8%.

Another key takeaway: It takes more than simply investing paycheck after paycheck for decades or a roaring stock market to make it over that bar. The new millionaire club members save on steroids.

The Fidelity breakdown shows that they save 17.5% of their pay on average. Their employers contribute an additional 9% to their retirement accounts for a total savings rate of 26.6%.

Nearly half of Fidelity’s millionaires are boomers, which was on par with the number of Gen X millionaires. Millennials accounted for just 0.8%. (Getty Creative) (Fuse via Getty Images)

If you are one of these newly crowned millionaires, congratulations. Just don't get too ahead of your skis.

"My advice to these millionaires would be similar to when the market is very low," Stephanie McCullough, founder and chief executive of Berwyn, Pa.-based Sofia Financial, told Yahoo Finance. "Close your eyes and keep doing what you’ve been doing. Don’t get too caught up in highs and lows because both are temporary; the market is going to keep doing its thing, bouncing around."

This is not the time to ease up on the pedal. "Just because you’ve hit a new milestone doesn’t necessarily mean it’s time to stop saving," Wes Moss, chief investment strategist at Capital Investment Advisors, told Yahoo Finance. “Like all things personal finance, the amount of money you have socked away for retirement must be considered in the context of the money you’ll need to support yourself in retirement.”

One caveat: Those within five years of retiring or who plan to start spending some of their nest egg might consider making a few calculated shifts. This is a good time to rebalance your retirement portfolio so you have some cash and pull a piece of profits on some of your stock appreciation.

"Start to move some of your retirement savings into short-term vehicles like a money market account," McCullough said. "It’s those years close to retirement when your investment strategy needs to get more nuanced."

"You want to have a few years’ worth of withdrawals in something that won’t go down if the market tanks," she said.

Kerry Hannon is a Senior Columnist at Yahoo Finance. She is a career and retirement strategist, and the author of 14 books, including "In Control at 50+: How to Succeed in The New World of Work" and "Never Too Old To Get Rich."