<u>News From The Employee Benefit Research Institute</u>

New Research Report Examining Where Households Spend Defined Contribution Plan Loans Finds a Likelihood to Spend Loan Money on Health Care and Housing Rather Than on Travel or Entertainment

- Plan loan usage increased substantially with credit card utilization -

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(Washington, D.C.) – A new research report, "Where Are Households Spending Their Defined Contribution Plan Loans: An Examination of Public-Sector Participants," published today by the Employee Benefit Research Institute (EBRI) and J.P. Morgan Asset Management, found spending increases in many different categories among households with participants taking a defined contribution (DC) plan loan. Yet, health care and housing spending, particularly among the households starting a new mortgage, stood out as places where spending increases were more likely to occur than in households where a plan loan was not taken.

"Loan usage does not appear to be tied to spending on luxury items but has more to do with their health care or investing in a home. This supports that prohibiting plan loans would not necessarily improve participants' retirement security, as the loan usage is more likely to help with expenses that would impact retirement — health and homes. Without the option of taking a plan loan, participants would seek loans outside the plan to fill spending gaps, and those loans may have terms more expensive than those of a plan loan," said Craig Copeland, director, Wealth Benefits Research, EBRI. "Yet, having liquid accounts, such as health savings accounts and emergency savings accounts that can provide funds for health care or housing, could help limit DC plan participants' need to tap into their retirement savings accounts when faced with health events or when investing in or repairing their homes."

Key findings in the new report include:
• In this sample of public-sector DC plan participants where a loan option is available, 10.9% took a loan in the year studied. The likelihood of a participant taking a plan loan increased with age through their 50s then declined, while household income did not appear to have an impact on the likelihood of taking a plan loan. The percentage who took a loan increased substantially with credit card utilization, as 6.9% of participants in households with no outstanding credit card balances took a loan compared with 19.8% of those who have outstanding credit card balances equivalent to 80–100% of their credit card limits.
• Among those with a new DC plan loan, health care spending was the most likely to have increased, as 58.5% of households where a participant took a loan saw their spending on health care increase by more than 10% in the year they took the loan. This was followed by travel (22.4%), entertainment (19%) and non-specified cash spending (18.9%). Comparing the spending increases by categories with those who did not take a loan, only health care spending showed a higher likelihood of having increased by more than 10% among those taking loans. Otherwise, spending changes were very similar between households with or without a plan loan.
• Spending increases on health care were more prevalent among the "financially stressed" households whose plan participants were ages 50 or older, as 63.3% of the households where a loan was taken had this increase compared with 56.8% of the households where a loan was not taken.
• In an alternative test, the share of total spending that each category represented was compared between the year prior to the loan incidence and the loan year to see if any category spending share increased by more than five percentage points. The spending categories most likely to have seen an increase in their share of total spending of this size were unspecified cash spending (24.9% of the households), health care (23.3%) and housing (21%).
• Only housing spending and unspecified cash spending had higher likelihoods of share increases for those taking a loan vs. those who did not. Otherwise, the likelihoods of the changes in the shares of spending in each of the other categories were similar between the households or less for the households with a participant taking a plan loan.
• Households who started mortgage payments in the year of the loan incidence analysis were more likely to have taken a plan loan than those who did not start mortgage payments in that year — 15.6% vs. 10.7%. This was true for households with plan participants of all ages. Looking at this correlation in the opposite direction, the percentage of those having a new mortgage

given that they had taken a plan loan was 5.8% compared with 3.8% starting a new mortgage when they had not taken a plan loan. Again, a higher likelihood of starting a new mortgage for those who had taken a plan loan was found across all ages.
• DC plan participants in households with higher credit card usage have lower average contribution rates across all ages except for those ages 60 or older. As a result, participants in households with high credit card utilization have lower average account balances.

"This new report finds that higher debt can have a long-lasting impact on retirement security, since higher credit card utilization is correlated with lower DC plan contributions and account balances. The availability of emergency savings to help cover expenses can be a critical factor in preventing or stalling a cycle of increasing debt that can significantly impact retirement readiness," said Michael Conrath, Chief Retirement Strategist, J.P. Morgan Asset Management. "Additionally, we observed that participants who take plan loans often see an increase in health care spending. This suggests that reviewing the types of health insurance and cost-sharing options available to DC plan participants could help strengthen their financial well-being, underscoring the connection between health and wealth."

To view the complete report, "Where Are Households Spending Their Defined Contribution Plan Loans: An Examination of Public-Sector Participants," visit www.ebri.org/dc-plan-loans.

(MEDIA NOTE: To receive the complete research report, contact Ron Dresner at dresner@ebri.org).

About the EBRI/JPMC Research
This paper is based on research from a collaboration of Employee Benefit Research Institute (EBRI), with more than four decades of research on retirement policy, and JPMorgan Chase Bank, N.A. (Chase).[1] The latest research collaboration between J.P. Morgan Asset Management and the Employee Benefit Research Institute, which leverages data across 29 million Chase households[2] and 2.5 million public sector defined contribution plan participant records, presents a new way of thinking about this critical – but still elusive – subject. Chase data includes a comprehensive view of total household spending through all payment mechanisms (select credit card, debit card, cash and checking) and sources of income including Social Security, annuity, pensions, etc. for around 21 million customer households.[3]

Data Sources
PRRL Database - The PRRL Database is an opt-in collaboration among public retirement plan sponsors, the EBRI and the National Association of Government Defined Contribution Administrators. The database includes data from two hundred eighty-one 457(b), 401(a), 401(k), and 403(b) defined contribution (DC) plans of over 2.4 million state, county, city, and subdivision government employees with $166 billion in assets as of year-end 2022.

Chase Data - JPMorgan Chase Bank, N.A. (Chase) serves 66 million U.S. households with a broad range of financial services including checking, savings, investments, credit cards, and loans. Chase's scale and wide reach allows for a comprehensive view of household finances. In this analysis, the Chase data sample is restricted to the households in 2021-2022 who use Chase as their primary banking institution, and their total household spending through all payment mechanisms (select credit and debit card transactions, electronic payment transactions, check and cash payments) and sources of income including wage income, Social Security, annuity, pensions, etc. can be linked to the EBRI/ICI Database. For more information about Chase, visit the following website: https://www.chase.com/digital/resources/about-chase.

About EBRI
The Employee Benefit Research Institute is a non-profit, independent and unbiased research organization that provides the most authoritative and objective information about critical issues relating to employee benefit programs in the United States. The organization also coordinates activities for the Center for Research on Health Benefits Innovation, Financial Wellbeing Research Center and Retirement Security Research Center and produces a variety of leading industry surveys during the year. For more information, visit www.ebri.org.

About J.P. Morgan Asset Management
J.P. Morgan Asset Management, with assets under management of $4.0 trillion (as of 9/30/2025), is a global leader in investment management. J.P. Morgan Asset Management's clients include institutions, retail investors and high net worth individuals in every major market throughout the world. J.P. Morgan Asset Management offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity. For more information, visit: www.jpmorgan.com/am.

About JPMorgan Chase & Co.

JPMorgan Chase & Co. (NYSE: JPM) is a leading financial services firm based in the United States of America ("U.S."), with operations worldwide. JPMorgan Chase had $4.6 trillion in assets and $360 billion in stockholders' equity as of September 30, 2025. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S., and many of the world's most prominent corporate, institutional and government clients globally. Information about JPMorgan Chase & Co. is available at www.jpmorganchase.com.

DATA PRIVACY: We have a number of security protocols in place which are designed to ensure all customer data are kept confidential and secure. We use reasonable physical, electronic, and procedural safeguards that are designed to comply with federal standards to protect and limit access to personal information. There are several key controls and policies in place which are designed to ensure customer data are safe, secure and anonymous: (1) Before J.P. Morgan Asset Management (JPMAM) receives the data, all selected data is highly aggregated and all unique identifiable information, including names, account numbers, addresses, dates of birth and Social Security numbers, is removed. (2) JPMAM has put privacy protocols for its researchers in place. Researchers are obligated to use the data solely for approved research and are obligated not to re-identify any individual represented in the data. (3) JPMAM does not allow the publication of any information about an individual or entity. Any data point included in any publication based on customer data may only reflect aggregate information. (4) The data are stored on a secure server and can be accessed only under strict security procedures. Researchers are not permitted to export the data outside of J.P. Morgan Chase's (JPMC) systems. The system complies with all JPMC Information Technology Risk Management requirements for the monitoring and security of data. (5) JPMAM provides valuable insights to policymakers, businesses and financial professionals, but these insights cannot come at the expense of consumer privacy. We take every precaution to ensure the confidence and security of our account holders' private information.

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[1] Chase serves nearly half of America's households with a broad range of financial services, including personal banking, credit cards, mortgages, auto financing, investment advice, small business loans and payment processing. For more information about Chase, visit the following website: https://www.chase.com/digital/resources/about-chase.

[2] This number represents the number of households shared with EBRI to conduct the analysis. In this analysis, the Chase data sample reference herein is restricted to the households in 2021-2022 who use Chase as their primary banking institution, and their total household spending through all payment mechanisms (including select credit and debit card transactions, electronic payment transactions, check and cash payments) and sources of income including wage income, Social Security, annuity, pensions, etc. can be linked to the PRRL Database. For more information about Chase, visit the following website: https://www.chase.com/digital/resources/about-chase.

[3] Data privacy and contractual relationships with recordkeepers have been carefully protected.