MORNINGSTAR®

The 2026 Managed Accounts Research Series: How Plan Design Shapes the Value of Managed Accounts

June 2026

Contents

Spencer Look, FSA
Associate Director, Retirement Studies
Morningstar Retirement
Spencer.Look@morningstar.com

Jack VanDerhei, PhD
Director, Retirement Studies
Morningstar Retirement
Jack.VanDerhei@morningstar.com

Executive Summary

Managed accounts can deliver meaningful value for defined contribution plan participants, and this analysis shows where that value is likely to be greatest.

Using Morningstar's Defined Contribution Outcomes Model, or DCOM, we examine how default contribution rates, auto-escalation, and employer matching shape the incremental gains managed accounts can provide when controlling for participant age, wage, and tenure.

The results show that managed accounts can improve retirement outcomes across a wide range of plan environments. Their impact is largest when participant behavior is less influenced by plan design, such as in plans with lower default contribution rates, no auto-escalation, and greater reliance on individual decision-making. In more structured plans, managed accounts still provide value, but the incremental opportunity is generally smaller because automatic features already place many participants on stronger savings trajectories.

Rather than asking only whether managed accounts add value, plan sponsors may want to ask where they add the most value and how they should be deployed. This analysis provides a practical framework for answering that question.

Background and Literature Review

Research on managed accounts and retirement plan design has developed along two largely separate tracks.

A substantial body of literature finds that managed accounts and advisory services are associated with improved participant outcomes, including higher contribution rates and more appropriate asset allocation. Prior studies, including Financial Engines and Aon (2014) and Blanchett (2014), document positive net-of-fee impacts, while more recent work (Guo and Motay, 2025) highlights the role of managed accounts in increasing savings behavior.

At the same time, separate literature emphasizes the dominant role of plan design in shaping participant outcomes. Foundational work on automatic enrollment and behavioral finance demonstrates that defaults, rather than active decision-making, drive participation and savings outcomes. Auto-enrollment and auto-escalation, in particular, have been shown to significantly increase contribution rates and retirement wealth accumulation.

More recent critiques have questioned whether managed accounts provide incremental value beyond these plan features. For example, NEPC (2024) suggests that auto-escalation may be more effective than managed account advice in improving savings outcomes when evaluated in isolation.

In addition, earlier work on contribution behavior provides important context for understanding how plan design influences participant decisions. VanDerhei and Copeland (2001) developed a behavioral model using detailed participant-level data and showed that contribution decisions are highly sensitive to plan-specific matching structures, including both the match rate and the maximum percentage of compensation matched. Their findings highlight the importance of "corner points," where participants cluster contributions at levels that maximize employer incentives or reflect plan-imposed limits. The research also demonstrates that variation in matching formulas across plans leads to meaningful differences in contribution behavior, reinforcing the need to model plan design explicitly rather than relying on simplified or aggregate measures.

This paper builds on prior work in the Morningstar Center for Retirement & Policy Studies' Managed Accounts Research Series, which quantified the value of managed accounts after accounting for their cost (Look, VanDerhei, and Levine, 2026), using the Defined Contribution Outcomes Model. Specifically, the earlier study evaluated whether managed accounts improve participant outcomes net of a 40-basis-point annual fee using the DCOM framework. That analysis demonstrated that managed accounts provide positive value across a wide range of participant types and plan designs, with particularly strong effects for younger, lower-income, and self-investing (that is, DIY) participants, while still producing measurable gains in plans with auto-escalation features.

This follow-up study isolates how variations in plan design, such as default contribution rates, auto-escalation, and matching generosity, affect the relative magnitude of managed account benefits after controlling for age, wage, and tenure. In doing so, the analysis provides a more precise framework for

understanding how managed accounts interact with plan structure and helps identify the environments in which they are most likely to deliver the greatest incremental benefit to plan participants.

Analytical Framework

These results are derived from the DCOM framework,[1] which models participant outcomes across a range of plan design permutations and behavioral responses. Model estimates are calibrated using large-scale participant-level data spanning thousands of plans and millions of observations.

Using projected participant account balances from prior work, along with participant- and plan-level characteristics (Look, VanDerhei, and Levine, 2026), we estimate a series of regressions of the form:

$$ratio = f(age \times plan\ feature, tenure, salary, other\ plan\ controls)$$

where the dependent variable is the ratio of projected wealth-to-salary at age 65 under a managed account relative to a baseline strategy (do-it-yourself or target-date fund). To be clear, the data underlying these regressions is from our earlier managed accounts analysis, which evaluated projected participant outcomes net of managed account fees. A ratio above 1.0 indicates higher projected balances under managed accounts relative to the baseline. The figures referenced in this report use a straightforward linear regression model to quantify the value of managed accounts. A prediction of 1.1 means the model expects a 10% increase in the wealth-to-salary ratio at age 65 compared with the baseline. All specifications include controls for age, wage, and tenure, allowing us to compare plan-design differences while reducing the influence of observable participant composition.

The analysis primarily evaluates the contribution and asset-allocation effects of managed accounts within the DCOM framework. It does not capture other potential sources of managed account value, including participant behavior during periods of market volatility, retirement income planning and decumulation guidance, or additional personalization based on participant-provided financial information outside the plan, which we leave for future research.

We examine three primary plan design dimensions:

A. Default contribution rates (3% to 6%)
B. Employer matching generosity (maximum percentage of compensation matched)
C. Auto-escalation versus no escalation

Results are presented separately for DIY and TDF baselines.

Across our regression specifications, most age-plan interactions are statistically significant. Matching-related effects tend to be smaller and less consistent than those associated with default contribution rates and auto-escalation. All results are net of assumed fee structures, including an annual 40 basis point managed account fee.

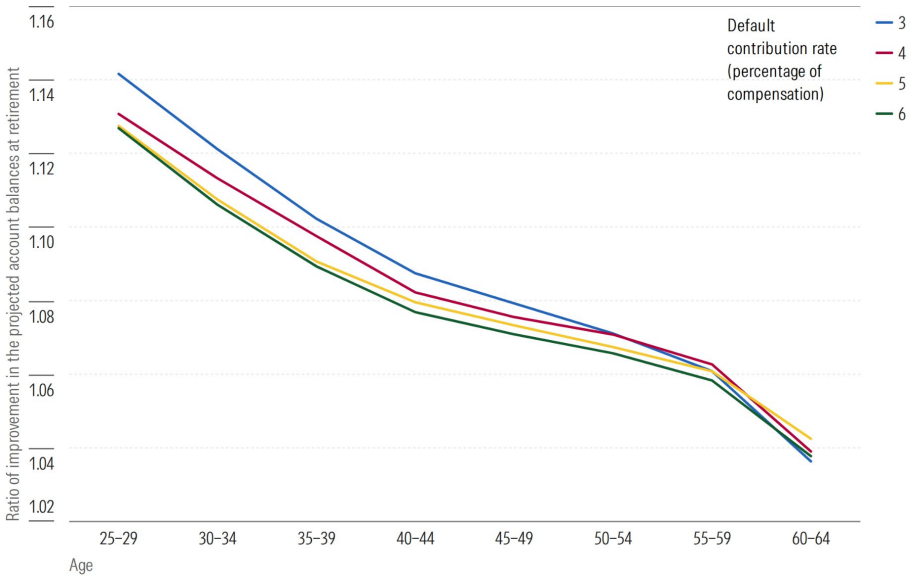
---

1 Technical Appendix

Results: Default Contribution Rates

We begin by examining how default contribution rates affect the incremental value of managed accounts, before turning to employer matching and plan structure. Across all plan structures, lower default contribution rates are associated with higher incremental gains from managed accounts.

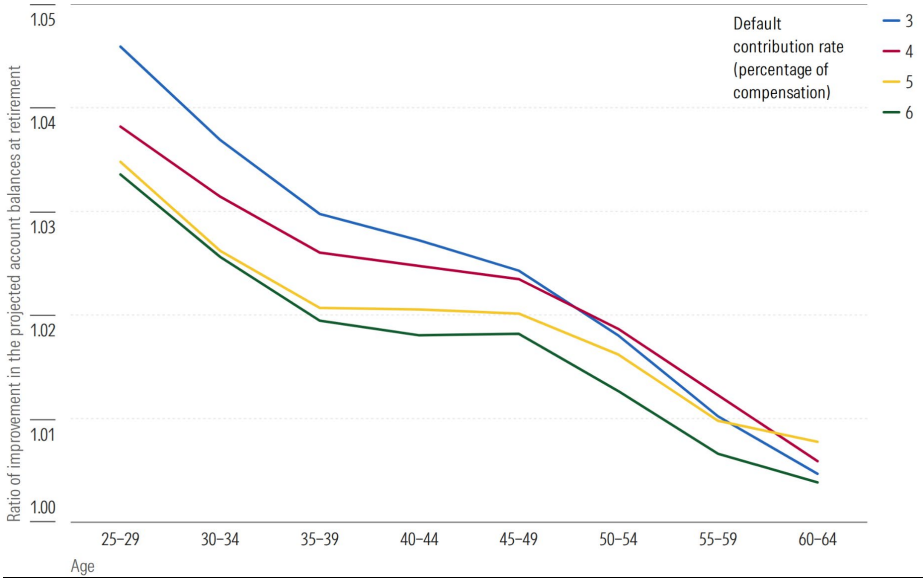
Exhibit 1 Managed Account Value by Default Contribution Rate in Auto-Enrollment Plans With Escalation
DIY Baseline



Source: Authors' calculations using version 1.0 of DCOM.

Managed account value net of fees is highest at lower default contribution rates, particularly at younger ages. The effect is strongest at younger ages because lower default rates create the greatest opportunity for managed accounts to improve contribution behavior and generate long-term compounding gains.

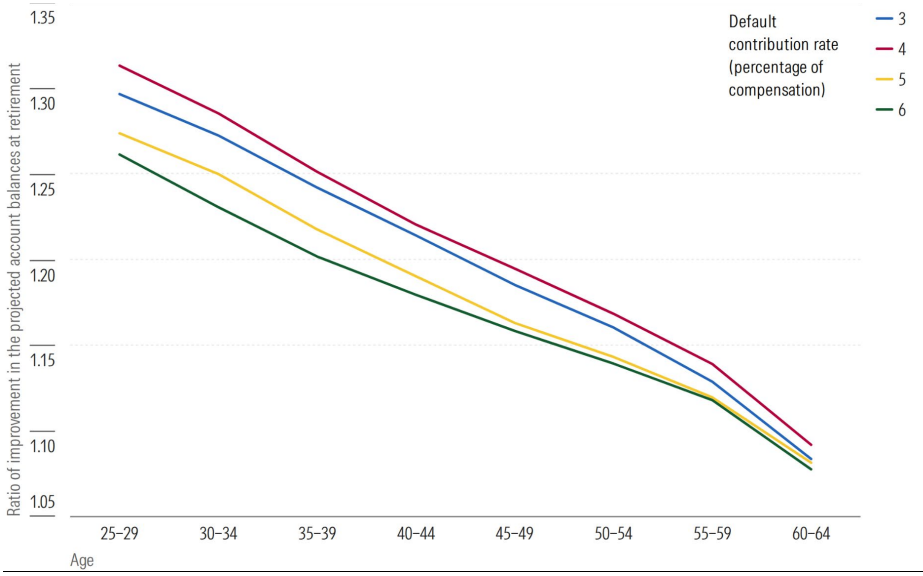
Exhibit 2 Managed Account Value by Default Contribution Rate in Auto-Enrollment Plans With Escalation TDF Baseline



Source: Authors' calculations using version 1.0 of DCOM.

The effects are smaller and more compressed relative to the DIY baseline, because TDFs reduce behavioral variability and tend to reduce the extent to which managed accounts can improve portfolio allocations.

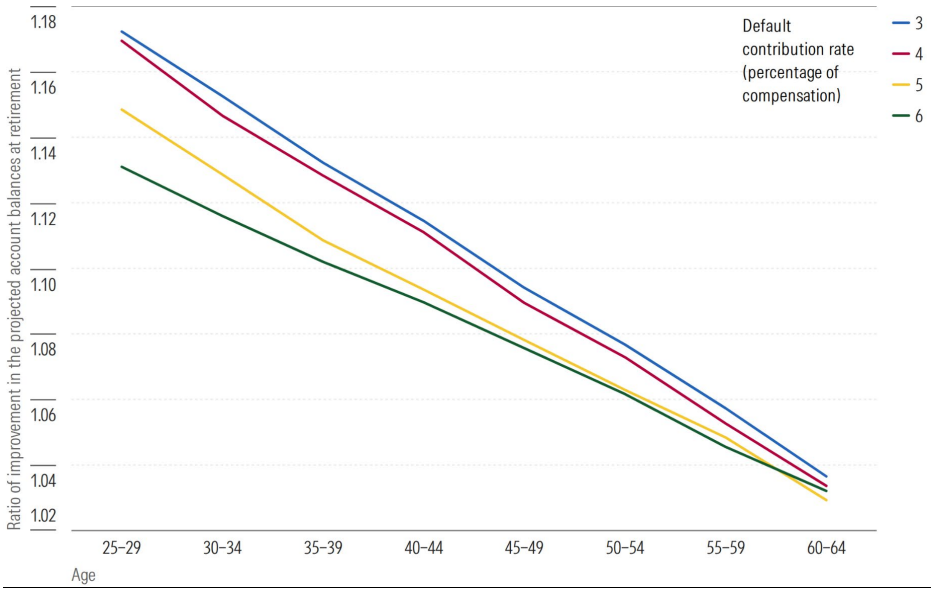
Exhibit 3 Managed Account Value by Default Contribution Rate in Auto-Enrollment Plans Without Escalation DIY Baseline



Source: Authors' calculations using v1.0 of DCOM.

Without escalation, managed account value net of fees is substantially higher across all default contribution levels because managed accounts can help substitute for the absence of contribution growth over time.

Exhibit 4: Managed Account Value by Default Contribution Rate in Auto-Enrollment Plans Without Escalation TDF Baseline



Source: Authors' calculations using version 1.0 of DCOM.

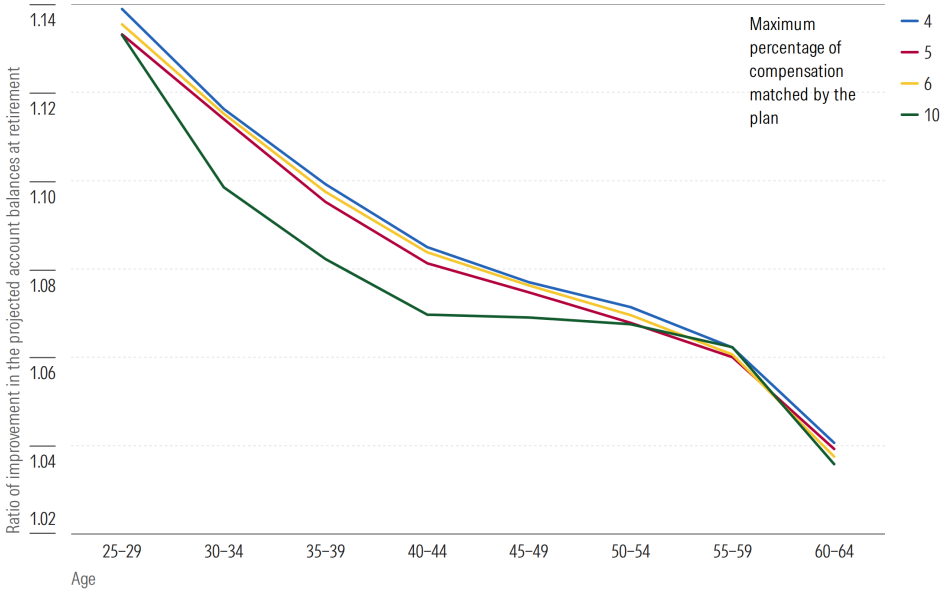
The pattern is similar to the DIY baseline but with lower overall dispersion because TDFs reduce variability. However, auto-enrollment without escalation still leaves meaningful room for managed accounts to improve contribution behavior.

Overall, two patterns emerge. First, there is generally an inverse relationship between default contribution rates and the incremental value of managed accounts: Lower default contribution rates are associated with higher incremental value. Second, the magnitude of this effect is largest at younger ages and declines over time. The spread across default levels narrows as participants approach retirement.

Results: Employer Matching Generosity

Employer matching has a more limited and less stable effect on the incremental value of managed accounts. This is an intuitive finding, given that many managed account users, whether through self-selection or managed account recommendations, tend to save at rates above those required to receive the full employer match.

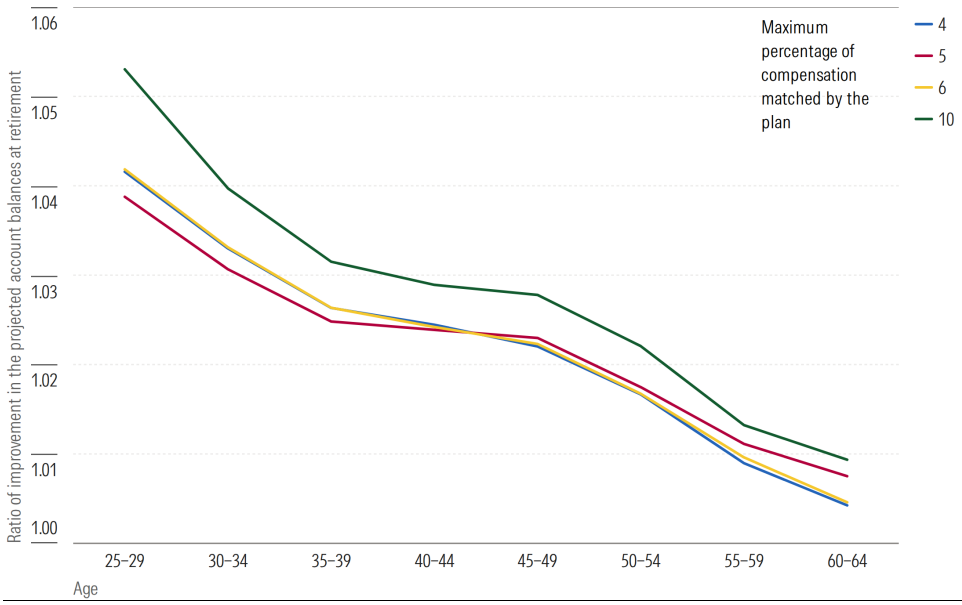
Exhibit 5: Managed Account Value by Employer Match in Auto-Enrollment Plans With Escalation
DIY Baseline



Source: Authors' calculations using version 1.0 of DCOM.

Employer matching has a modest and somewhat variable influence on managed account value net of fees, with generally small effects.

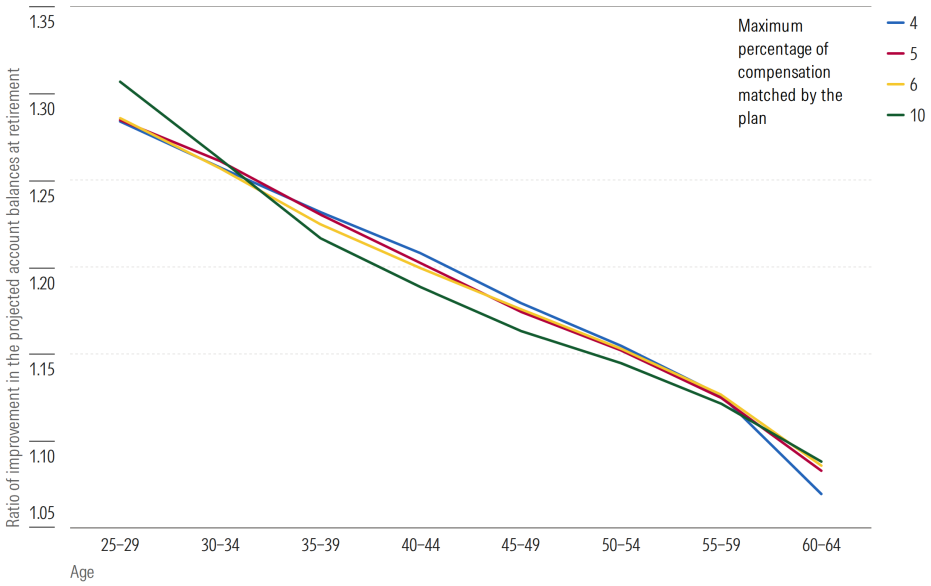
Exhibit 6: Managed Account Value by Employer Match in Auto-Enrollment Plans With Escalation
TDF Baseline



Source: Authors' calculations using version 1.0 of DCOM.

The effects are weaker and less consistent than in the DIY baseline because, as we noted earlier, TDFs tend to dampen behavioral differences and limit the incremental impact of managed accounts.

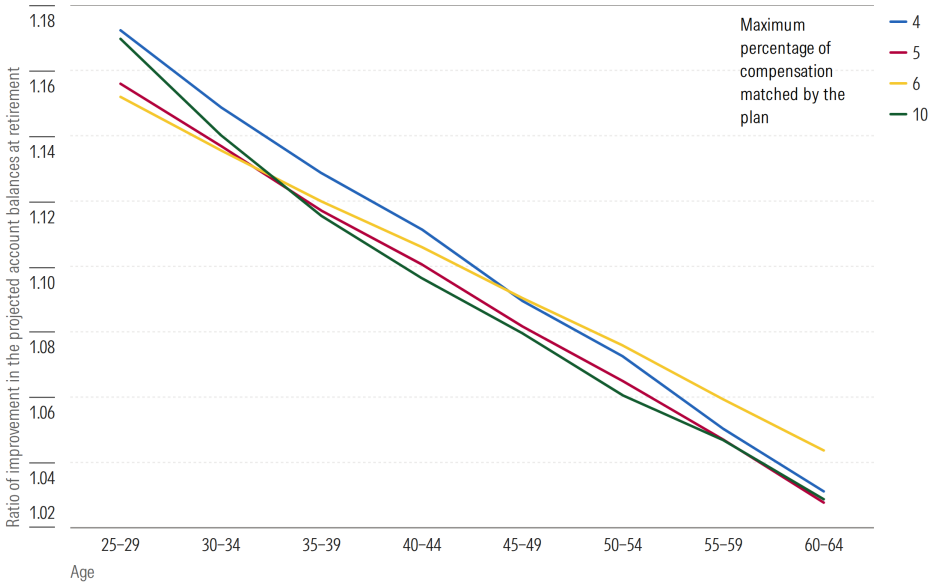
Exhibit 7: Managed Account Value by Employer Match in Auto-Enrollment Plans Without Escalation, DIY Baseline



Source: Authors' calculations using v1.0 of DCOM.

Without escalation, managed account value is higher overall, but differences across match levels remain relatively modest and are not consistently monotonic. While participant responses to matching incentives vary more in this case, the overall impact on managed account value net of fees remains modest relative to other plan features.

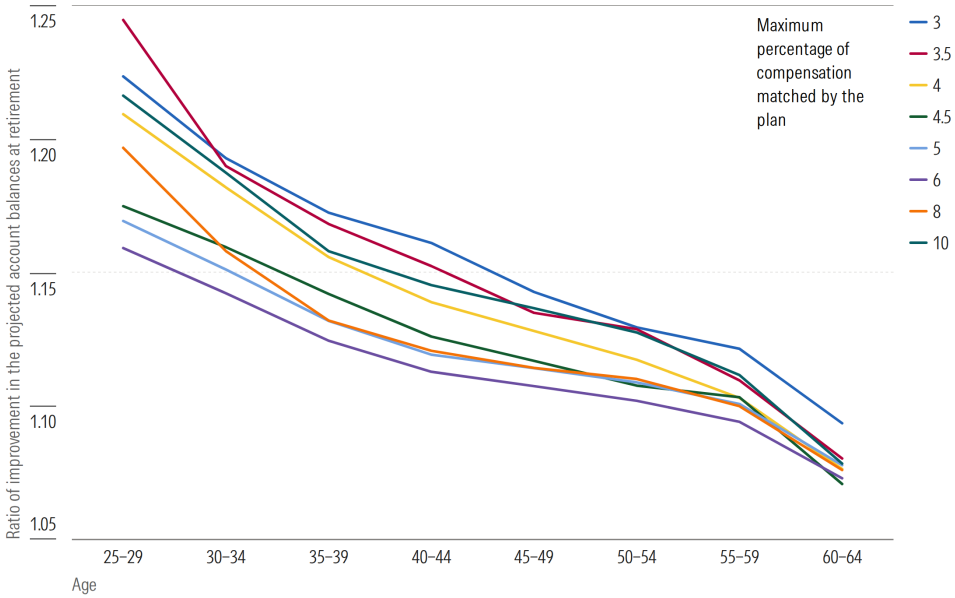
Exhibit 8: Managed Account Value by Employer Match in Auto-Enrollment Plans Without Escalation, TDF Baseline



Source: Authors' calculations using version 1.0 of DCOM.

Differences across match levels are minimal and non-monotonic, reinforcing that matching has a muted and inconsistent effect on managed account value, particularly within TDF-based structures. We now analyze the value of managed accounts in plans with a voluntary enrollment design.

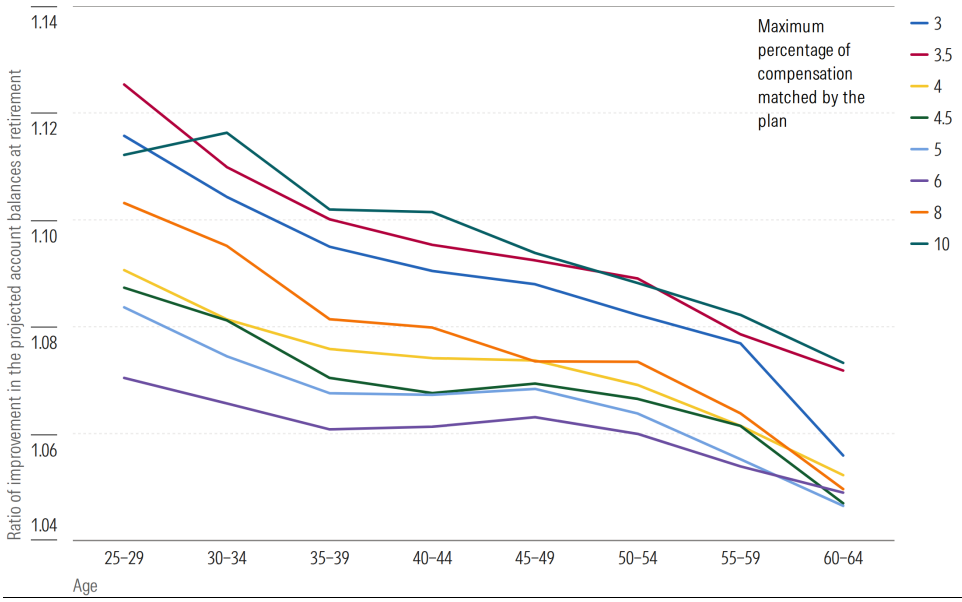
Exhibit 9: Managed Account Value by Employer Match in Voluntary Enrollment Plans
DIY Baseline



Source: Authors' calculations using version 1.0 of DCOM.

Voluntary enrollment plans show larger managed account value net of fees overall because the absence of automatic features leaves more room for managed accounts to improve contribution behavior.

Exhibit 10: Managed Account Value by Employer Match in Voluntary Enrollment Plans
TDF Baseline



Source: Authors' calculations using version 1.0 of DCOM.

The pattern is similar to the DIY baseline but at slightly lower levels, because TDFs mitigate behavioral differences while leaving the modest and inconsistent influence of matching largely unchanged. Matching does not show a strong effect because it relies on participant action, and participant responses to matching are inconsistent. Some participants anchor at the match threshold, some do not respond at all, and others are already contributing above it. That creates noise rather than a clean, monotonic relationship. Another important factor is that managed account savings rate recommendations often exceed the savings rate required to receive the full match.

The Role of Auto-Escalation

Among the plan design features examined here, auto-escalation has the strongest relationship with the incremental value of managed accounts. Comparing otherwise similar plan structures, the presence of auto-escalation substantially compresses both the level and dispersion of managed account value. Predicted ratios typically fall within a narrower range, indicating that participants are already on improved savings trajectories.

In contrast, plans without escalation exhibit significantly higher managed account value across all ages and plan configurations. This suggests that escalation substitutes for a key channel through which managed accounts improve outcomes, namely, increasing contribution rates over time. This pattern indicates that contribution growth over time, rather than initial contribution levels alone, is a primary driver of managed account value.

DIY Versus TDF Baselines

Across all specifications, the incremental value of managed accounts is consistently higher in DIY environments than in TDF-based plans. DIY participants exhibit greater dispersion in outcomes and larger potential gains from intervention. TDFs, by imposing a structured investment path, reduce variability in investing behavior and therefore limit the incremental benefit that managed accounts can provide.

Age Gradient

A strong age gradient is present in all results. The incremental value of managed accounts declines steadily with age, regardless of plan design. At younger ages (mid-20s to mid-30s), managed account value can exceed 20% to 30% in less structured plans,[2] while comparable improvements in highly structured plans are typically in the low single digits. By age 60, the incremental gains typically fall to low single digits across all configurations. This reflects both compounding dynamics and the reduced time horizon for behavioral improvements to affect outcomes. The magnitude of these effects reflects not only initial behavior, but the persistence of contribution differences over time.

Interaction Effects

The interaction across plan features is central to understanding these results:

1. Effects are not additive.
2. Managed accounts deliver the greatest incremental value when both defaults and escalation are weak or absent.
3. Matching only matters meaningfully when defaults are weak.
4. Plans that rely primarily on matching contributions leave more unaddressed variation in participant savings behavior, creating greater opportunity for managed accounts to improve outcomes.

Taken together, these patterns highlight that the value of managed accounts is highly context-dependent, varying meaningfully with the underlying plan design. The majority of the incremental value from managed accounts is driven by higher and more persistent contribution rates, with asset allocation playing a secondary but still meaningful role.

While this analysis isolates the incremental effects of default deferral rates and the maximum percentage of compensation matched, these features likely interact in practice. The full DCOM framework incorporates more than 40 plan design permutations to evaluate how these elements jointly influence the value of managed accounts.

---

2 For clarity, we define "less structured" plan environments as those with lower default contribution rates, no auto-escalation, and/or voluntary enrollment.

Where Managed Accounts Deliver the Most Value

Managed accounts deliver the greatest incremental gains in plans with less behavioral structure, where outcomes depend more on participant decision-making and less on plan-driven defaults.

In contrast, in plans with higher defaults and automatic escalation, participants are already on stronger savings trajectories. While managed accounts are still associated with higher savings rates in these environments, the incremental differences relative to non-users are generally smaller.

Managed accounts operate across multiple layers of participant improvement. In less-structured plans, much of the value comes from correcting behavioral gaps through higher and more persistent savings behavior. In more highly structured plans with automatic features in place, the behavioral layer becomes smaller, but managed accounts can still provide incremental value through portfolio optimization, personalization, and individualized adjustments. Plan design establishes the baseline trajectory, while managed accounts refine outcomes at the margin.

Policy Considerations

These findings suggest that policies focused only on matching incentives may understate the importance of automatic plan architecture. Defaults and escalation appear especially important because they affect participant behavior without requiring active engagement.[3]

Moreover, managed accounts may be especially relevant in under-structured savings environments, including coverage-expansion models where participants lack strong employer-plan defaults or automatic escalation.[4]

Limitations of the Analysis

Some limitations of the analysis include:

1. Matching effects may appear muted due to heterogeneous behavioral responses across participants.
2. Results are conditional on current plan environments and underlying fee assumptions.
3. The model does not fully capture job transitions or behavioral shocks, which may affect long-term outcomes.

While the analysis controls for age, wage, and tenure, unobserved differences in participant engagement may remain. However, the consistency of results across plan designs and participant segments suggests that the observed patterns are strongly linked to plan structure rather than solely participant selection.

---

3 We have previously quantified the impact of the Saver's Match program on retirement wealth outcomes; refer to Look and VanDerhei (2025).
4 We have previously analyzed the impact of a federal auto-enrollment retirement plan; refer to Look and VanDerhei (2026).

Future Research

Building on the findings in this paper, future papers in our managed accounts research series will focus on several areas designed to improve the precision, applicability, and policy relevance of DCOM.

1. Evaluate Alternative QDIA Architectures and Personalized Default Designs: A forthcoming publication will explicitly study whether default structures that incorporate personalization (such as hybrid TDF + MA frameworks) can improve participant outcomes relative to existing Qualified Default Investment Alternative models.
2. Extend Modeling Into the Retirement Phase: Future iterations of DCOM will leverage the model's full decumulation engine to assess whether managed account-driven behavioral improvements persist after retirement and how they affect income stability, longevity protection, and drawdown risk.
3. Incorporate Additional Stochastic Behavioral Processes: Planned enhancements include richer modeling of participant job changes and resulting plan transitions, loan behavior and preretirement withdrawals (and their impact on contribution behavior), and MA to DIY or MA to TDF switching behavior as adoption expands. These additions will sharpen the distributional accuracy of participant-level projections.

Together, these extensions will strengthen the empirical basis for evaluating personalization in defined contribution plans. We will also extend DCOM to assess which plan design changes most effectively improve participant outcomes, creating a unified framework for evaluating both managed account adoption and broader plan strategy.

References

Blanchett, D. 2014. “The Impact of Expert Guidance on Participant Savings and Investment Behaviors.” Morningstar White Paper.

Financial Engines and Aon Hewitt. 2014. “Help in Defined Contribution Plans: 2006 through 2012.” Financial Engines White Paper.

Guo, T. and Motay, R. 2025. “The Impact of Managed Accounts on Participant Savings and Investment Decisions.” https://www.morningstar.com/business/insights/research/impact-of-managed-accounts

Look, Spencer and VanDerhei, Jack and Levine, Michael. 2026. “Analyzing the Value of Managed Accounts.” Morningstar Center for Retirement & Policy Studies. https://www.morningstar.com/business/insights/research/analyzing-value-of-managed-accounts

Look, Spencer and VanDerhei, J. 2025. “The Impact of the Saver's Match on Retirement Wealth.” Morningstar Center for Retirement & Policy Studies. https://www.morningstar.com/business/insights/research/savers-match-retirement-wealth

Look, Spencer and VanDerhei, J. 2026. “Access, Auto-Enrollment, and Accumulation: A Simulation of Universal Retirement Plan Coverage.” Morningstar Center for Retirement & Policy Studies. https://www.morningstar.com/business/insights/research/federal-auto-enrollment-retirement-coverage

NEPC. 2024. “The Real ROI: Analyzing Savings Advice in Managed Accounts.” https://www.nepc.com/the-real-roi-analyzing-savings-advice-in-managed-accounts/

VanDerhei, Jack and Copeland, C. 2001. A Behavioral Model for Predicting Employee Contributions to 401(k) Plans, North American Actuarial Journal, Volume 5, Number 1.

About The Morningstar Center for Retirement and Policy Studies

The Morningstar Center for Retirement and Policy Studies has the mission to help improve the US retirement system by arming decision- and policymakers with unbiased and actionable data and analysis. The Center draws on the capabilities of Morningstar Retirement to fuel its commitment to helping people achieve better retirement outcomes. For more information, visit https://www.morningstar.com/products/retirement-research-center.

About Morningstar Retirement

Morningstar Retirement empowers investor success by providing research- and technology-driven products and services that help individuals reach their retirement goals. With advisory services provided by Morningstar Investment Management LLC, Morningstar Retirement supports and collaborates with workplace retirement plans and other industry players to differentiate their services, stay competitive, and reach new markets, all in service of building a better retirement system. Morningstar Retirement not only helps people save for the retirement they want but helps them make their money last once they get there. For more information, visit https://www.morningstar.com/business/brands/retirement.

Disclosures