AMERICAN BENEFITS COUNCIL

401(k) *fast facts*

UPDATED APRIL 2013

Current Defined Contribution Plan Data Based on 2010 Form 5500 Annual Reports (released November 2012), unless otherwise noted			
Total Plans	**Total Participants** (thousands)	**Active Participants** (thousands)	**Total Assets*** (trillions)
654,469	**88,301**	**73,429**	**$4.2**
**According to 2012 Federal Reserve data. DOL data indicates plans had total assets of $3.8 trillion in 2010.*			

Defined contribution plans, such as 401(k) plans, are the most popular employer-sponsored retirement plan in the United States.
According to the most recent statistics provided by the U.S. Department of Labor, there are 654,469 defined contribution retirement plans in the U.S. (519,000 of which are 401(k) plans), covering more than 88 million total participants (more than 73 million active). (DOL Employee Benefits Security Administration, *Private Pension Plan Bulletin: Abstract of 2010 Form 5500 Annual Reports*, November 2012)

Defined contribution plans have become America's predominant retirement savings vehicle.
Fully 99% of employers surveyed as part of the 2012/2013 Verisight and McGladrey Compensation, Retirement and Benefits Trends Survey (conducted with the American Benefits Institute) now sponsor a defined contribution plan.

One survey of major U.S. employers indicates that 88.4% of their employees are eligible to participate in their employer's defined contribution plan. Most companies (60.5%) provide plan eligibility to all employee types. (Plan Sponsor Council of America, *55th Annual Survey Reflecting 2011 Plan Experience*, October 11, 2012)

Participation in these plans is as strong as it has ever been.
One survey finds that the average percentage of eligible employees with a balance in a defined contribution plan is 85.9%. An average of 79.5% of eligible employees made contributions to the plan when permitted. (Plan Sponsor Council of America, *55th Annual Survey Reflecting 2011 Plan Experience*, October 11, 2012)

More than three-quarters (77%) of surveyed organizations indicated that the average employee contribution was 5% of salary or more. (American Benefits Institute & WorldatWork, *2013 Trends in 401(k) Plans and Retirement Rewards*, March 13, 2013)

Employers remain committed to the voluntary defined benefit plan system.
Despite anecdotal reports of companies suspending or eliminating their 401(k) matching to cut costs during the depths of the recession, 88% of respondents said their company maintained matching contributions during the previous five years. And for more than three-quarters of surveyed companies, there has been no change in the 401(k) matching formula during the past 12 months, nor are they currently considering a change in the near future. (American Benefits Institute & WorldatWork, *2013 Trends in 401(k) Plans and Retirement Rewards*, March 13, 2013)

401(k) plans can produce meaningful retirement benefits, especially when combined with Social Security and Individual Retirement Accounts (which often include rolled-over defined contribution assets),
A Congressional Research Service (CRS) study calculated a future potential median household accumulated benefit at age 65 of $468,000, based on a household with median earnings that contributed 8% of earnings each year for 30 years (starting at age 35) to an account that was invested in a mix of stocks and bonds earning 5.5% a year. (CRS Report for Congress, *Retirement Savings: How Much Will Workers Have When They Retire?*, January 29, 2007)

An analysis of 401(k) plans by the Employee Benefit Research Institute (EBRI) indicates that at year-end 2010, the average balance for participants in their 60s with at least 30 years of tenure at the same company was $202,329. (Jack VanDerhei, EBRI, *Presentation to the J.P. Morgan Retirement Roundtable Event*, October 25, 2012)

401(k) and other defined contribution plans provide substantial investment capital to the U.S. economy.
As of the third quarter of 2012, the financial assets in defined contribution plans exceeded $4.2 trillion, with IRA assets (including rollover funds) comprising another $5.3 trillion – collectively larger than the GDP of China. (Federal Reserve Board, *Flow of Funds Accounts of the United States*, Table L.116.c, March 7, 2013)

401(k) and other defined contribution plans constitute a significant element of employees' retirement savings.
Defined contribution plan assets represent one-quarter of the total retirement market and almost one-tenth of U.S. households' aggregate financial assets as of the first half of 2012. (Investment Company Institute, *Defined Contribution Plan Participants' Activities, First Half 2012*, November 2012)

Despite volatile financial markets, plan balances remain robust and stable.
One provider reported an average 401(k) balance of $77,300 at the end of 2012, the highest level since the company began tracking the data and a 12 percent increase over the previous year. (Fidelity Investments, *Fidelity Average 401(k) Balance Climbs to Record High at the End of 2012*, February 13, 2013) Perhaps more importantly, individuals with ten years of continuous experience have collected an average balance of nearly $200,000, up from $47,100 ten years prior – a 15.5% annual increase. (Fidelity Investments, *A Building Futures Report: Q4 2012 Trends*, April 9, 2013)

Retirement savings incentives are tax deferrals, not tax exclusions, deductions, expenditures or loopholes. Taxation of 401(k) plans today reduces future tax collections.
In one example, for a worker in a 25% tax bracket, a $1,000 contribution to a 401(k) plan over 20 years will generate $2,405 in distributions and $802 in federal taxes. The same $1,000 contribution to a taxable account over 20 years will generate $1,809 in distributions and $603 in federal taxes. Even if a cap on deferrals were enacted on higher income tax brackets, the federal government would still sacrifice revenue over the long term. (Investment Company Institute, *The Tax Benefits and Revenue Costs of Tax Deferral*, September 11, 2012)

American workers love their 401(k) plans. Defined contribution plans are highly transparent, easy to operate, very mobile and are protected from the risk of employer bankruptcy.
In a survey of U.S. households, 91% of those with an opinion had favorable impressions of 401(k) plans, with 41% saying that they had a "very favorable" impression, and 79% of households with plans expressed confidence that defined contribution plan accounts could help participants reach their retirement savings goals. A whopping 83% of households with plans said that continuing to provide retirement savings incentives should be a national priority. (Investment Company Institute, *Commitment to Retirement Security: Investor Attitudes and Actions*, February 2013)

More than half (55%) of current workplace plan participants say they would not be saving for retirement if not for their 401(k) plan. (Fidelity, *While Many Increased Contribution Rates, Most Wish They Could Save More*, July 14, 2011)

More than three quarters of full-time workers with household income of $15,000 to $25,000 say that having the ability to deduct their contributions to retirement savings plans is "very important" and more than half (56%) of full-time workers currently saving for retirement say they would reduce the amount they save if they were no longer able to deduct retirement savings plan contributions from taxable income. (Jack VanDerhei, *Testimony before the U.S. House of Representatives Ways and Means Committee hearing on Tax Reform and Tax-Favored Retirement Accounts*, April 17, 2012)

If defined contribution plans were to vanish, no other plan designs are prepared to fill the void.
A recent survey of human resource executives found that defined contribution plans were the most common type of retirement plan offered (by 92% of respondents – up from 84% in 2008), followed by Roth 401(k) savings plans (34%), traditional defined benefit pension plans (21%) and cash balance pension plans (6%). (Society for Human Resource Management, *2012 Employee Benefits*, June 2012)