AMERICAN BENEFITS COUNCIL

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401(k) *fast facts*

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Current Defined Contribution Plan Data Based on 2014 Form 5500 Annual Reports (released September 2016)		
Total Participants	**Active Participants**	**Total Assets***
94.6 million	**75.3 million**	**$5.3 trillion**

**According to the most recent Federal Reserve data, defined contribution plans comprised total household assets of $6.7 trillion as of the fourth quarter of 2016.*

Defined contribution plans are the most popular employer-sponsored retirement plans in the United States.
According to the U.S. Department of Labor, there are 640,334 defined contribution (DC) retirement plans in the U.S. (533,769 are 401(k)-type plans), covering more than 94 million total participants (more than 75 million active). (DOL Employee Benefits Security Administration, *Private Pension Plan Bulletin: Abstract of 2014 Form 5500 Annual Reports*, September 2016)

DC plans have become America's predominant retirement savings vehicle.
One survey of major U.S. employers indicates that 89.4% of their employees are eligible to participate in their employer's DC plan. (Plan Sponsor Council of America, *59th Annual Survey Reflecting 2015 Plan Experience*, December 19, 2016)

Participation in these plans is as strong as it has ever been.
The average percentage of eligible employees who have a balance in their plan is 87.6 percent, and 81.9 percent made contributions to their plan in 2015. This is up 5 percent since 2010. (Plan Sponsor Council of America, *59th Annual Survey Reflecting 2015 Plan Experience*, December 19, 2016)

The average 12-month 401(k) savings rate, which includes contributions from employees and employers, reached a record high of $10,200 at the end of the fourth quarter of 2016. The average 401(k) contribution rate was 8.4 percent at the close of 2016, the highest level since the second quarter of 2008. (*Fidelity Investments, Fidelity Retirement Analysis: 401(k) Balances, Contributions and IRAs End 2016 at Record Levels*, February 2, 2017)

Participation in DC plans is growing among groups that have historically been hard to reach.
One major 401(k) provider notes that participation rates among younger employees, new hires and lower-earning workers have increased over the past five years. Participation in 401(k) plans among millennial clients of one large plan provider has reached 55% compared to 45% in 2011. Employees earning $20,000 to $40,000 in salary are participating at a rate of 59 percent versus 47 percent four years ago. (Wells Fargo, *Participation in 401(k) Plans Rises as More Companies Automatically Enroll*, June 9, 2015)

401(k) and other DC plans provide substantial investment capital to the U.S. economy.
As of the third quarter of 2016, the financial assets in DC plans exceeded $6.6 trillion, with IRA assets (including rollover funds) comprising another $7.7 trillion – collectively larger than the GDP of China and Germany *combined*. (Federal Reserve Board, *Financial Accounts of the United States*, Tables L.117, March 9, 2017)

Plan balances remain robust, particularly for those who have participated in the plan for a continuous period.
The average Vanguard retirement plan account balance was $96,288 in 2015, an increase of over 20 percent since 2011. Among continuous participants (those with a balance at year-end 2010 and 2015) the median account balance rose by 105 percent over five years. (Vanguard, *How America Saves*, June 3, 2016)

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. (Investment Company Institute, *The Tax Benefits and Revenue Costs of Tax Deferral*, September 11, 2012)

American workers love their 401(k) plans. DC 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, *America's Commitment to Retirement Security: Investor Attitudes and Actions*, February 2013)

Automatic enrollment in 401(k) plans can be a powerful force that helps Americans achieve greater retirement savings.
At year-end 2015, 41 percent of Vanguard plans had adopted automatic enrollment, up five percentage points from 2014. About half of all Vanguard participants were solely invested through an automatic investment program, compared with 29 percent at the end of 2010. (Vanguard, *How America Saves*, June 7, 2016)

In 2015, more than half of all plans with automatic enrollment (51 percent) default workers at or above the match threshold. The automatic contribution escalation ceiling is also increasing, with nearly two-thirds (64 percent) of employers setting the upper limit at 10 percent or more, up from 50 percent in 2013. (Aon Hewitt, *2015 Trends & Experience in Defined Contribution Plans*, February 2015)

Defined contribution plans are fertile ground for innovation in engaging plan participants.
A recent study found that 83 percent of plans now use personalized communication to participants, 81 percent of plans offer webinars and 76 percent offer mobile websites or apps. (Aon Hewitt, *2017 Hot Topics in Retirement and Financial Well-Being*, February 2017)