401(k) plans are the most popular employer-sponsored retirement plan in the U.S. According to the most recent statistics provided by the U.S. Department of Labor, there are 635,567 401(k) retirement plans in the U.S., covering almost 64 million total participants (52 million active). (U.S. Department of Labor, Employee Benefits Security Administration, 'Private Pension Plan Bulletin: Abstract of 2004 Form 5500 Annual Reports,' March 2007)

- Since 1980, there has been a distinct divergence in the popularity of traditional defined benefit pension plans and defined contribution plans.

401(k) and other defined contribution plans provide substantial investment capital to the U.S. economy. In 2006, the financial assets in defined contribution plans totaled $3.3 trillion – more than the gross national product of China. (Federal Reserve Board, "Flow of Funds Accounts of the United States," June 7, 2007)

As defined benefit pension plans are facing increasing pressure, companies are bulking up their defined contribution plans.

- Among plan sponsors that closed their defined benefit plan to new hires in the last two years, 78 percent reported they would increase employer contributions to the defined contribution plan such as a 401(k) plan.
- For those that plan to close their pension in the next two years, 80.9 percent reported they would increase employer contributions to their defined contribution plan. (Employee Benefits Research Institute, "Survey Shows Employers Continuing to Cut “Traditional” Pension Plans, But Often Add to 401(k) Benefits As Well," July 10, 2007)

Participation rates demonstrate a need for improvement. 54 percent of all workers have access to defined contribution plans, and 43 percent of all workers participate in defined contribution plans. The national take-up rate (an estimate of the percentage of workers with access to a plan who participate in a plan) for defined contribution plans is 79 percent. (U.S. Department of Labor, U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2006," August 2006) Private surveys support this number:

- The Profit Sharing Council of America (PSCA) reports that the average plan participation rate (percentage of eligible employees who have a balance in the plan) for 401(k) plans is 77.7 percent. ("PSCA Annual Survey of Profit Sharing and 401(k) Plans, Reflecting 2005 Plan Experience," 2006)
- Vanguard reports that the composite participation rate for all eligible participants across all Vanguard employee-contributory defined contribution plans was 64 percent, meaning that one-third of eligible employees failed to join their workplace savings plan. ("How America Saves 2006: A Report on Vanguard 2005 Defined Contribution Plan Data," September 2006)

In the coming year...

- 36 percent of surveyed employers already offer automatic enrollment to new employees, with more than half of the remainder very or somewhat likely to implement it this year.
- 77 percent of surveyed employers are very or somewhat likely to review fund expenses, revenue sharing and disclosure of these to participants.
- 12 percent of surveyed employers already offer Roth 401(k) accounts, with 32 percent of the remaining respondents very likely or somewhat likely to implement in 2007. (Hewitt Associates, "Hewitt Hot Topics in Retirement 2007")