American Benefits Council

401(k) *fast facts*

UPDATED DECEMBER 2012

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**	**$4.1**
**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). (U.S. Department of Labor, 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 workplace 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)

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 research report, *2012 Employee Benefits*, June 2012)

The most recent U.S. Department of Labor Bureau of Labor Statistics (BLS) data reveals that 59% of the entire working population in private industry (including part-time and low-wage workers) has access to a voluntarily provided defined contribution plan, compared to only 19% with access to a defined benefit plan. (BLS, *Retirement Benefits: Access, participation and take-up rates (private industry workers)*, March 2012)

401(k) plans are well-suited to a workforce that has become more mobile.
Median job tenure (the number of years with a workers' current employer) is now 4.6 – and is even less for women, minorities and service workers. The percentage of employed wage and salary workers age 25+ with 10 years or more of tenure with their current employer is only 29.2%. (BLS, *Employer Tenure Summary*, September 18, 2012)

"The data on employee tenure show that career jobs never existed for most workers and have continued not to exist for most workers. … Over the past 25 plus years, the median tenure of all wage and salary workers age 25 or older has stayed at approximately five years. However, the overall trend masks a small but significant decrease in median tenure among men (that has been increasing in recent years), which was offset by an increase in median tenure among women. (Employee Benefits Research Institute, *Notes: Employee Tenure Trend Lines, 1983–2010*, December 2010)

Participation in these plans is as strong as it has ever been.
Participation in defined contribution plans remain at an all-time high of 76%, with particular growth among 20-to-29 year olds. (Aon Hewitt, *Universe Benchmarks - Survey Highlights*, June 12, 2012)

A similar survey finds that the average percentage of eligible employees with a balance in a defined contribution plan is 85.9% percent. An average of 79.5% of eligible employees made contributions to the plan in 2011, when permitted. (Plan Sponsor Council of America, *55th Annual Survey Reflecting 2011 Plan Experience*, October 11, 2012)

401(k) and other defined contribution plans provide substantial investment capital to the U.S. economy.
As of the second quarter of 2012, the financial assets in defined contribution plans exceeded $4.1 trillion – more than the gross national product of Germany. (Federal Reserve Board, *Flow of Funds Accounts of the United States*, Table L.116.c, September 20, 2012).

401(k) and other defined contribution plans constitute a vital element of employees' retirement savings. Defined contribution plan assets are a significant component of Americans' retirement assets, representing 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) of $75,900 at the end of the third quarter of 2012, the highest level since the company began tracking the data more than 12 years ago and an 18.0 percent increase over last year's average balance of $64,300. (Fidelity Investments, *Fidelity Reports Highest-Ever Average 401(k) Balance*, November 8, 2012)

Another provider reported similar data, reporting an average participant balance of $78,276. (Vanguard, *How America Saves 2012*, June 1, 2012)

Perhaps more importantly, Fidelity Investments reports that individuals with both a 401(k) and an Individual Retirement Account have a combined average balance of $212,600. Individuals on the verge of or in retirement – between the ages of 65 and 69 – have a combined average balance of $359,000. This data takes into account both the common practice of rollovers as well as the power of long-term savings. (Fidelity Investments, *First-To-Market Fidelity Analysis of Investors Saving in Both 401(k)s and IRAs Finds Combined Average Balances Top $212,000*, March 14, 2012)

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, 89% had favorable impressions of 401(k) plans, with 38% saying that they had a "very favorable" impression, and nearly three-quarters of households expressed confidence that defined contribution plan accounts could help participants reach their retirement savings goals. Furthermore, a whopping 85% of households expressed opposition to eliminating the tax incentives of defined contribution plans. (Investment Company Institute, *Commitment to Retirement Security: Investor Attitudes and Actions*, January 2012)