The American Benefits Council advocates for employer benefit plan sponsors and is dedicated to the achievement of best-in-class solutions that protect and encourage the retirement savings and financial well-being of workers, retirees and families. In our role as a resource on retirement policy issues, we have assembled this collection of data and research from reputable sources to demonstrate the strength and vitality of 401(k) plans and the employer-sponsored retirement system.

**Defined contribution plans** are the nation’s most common form of retirement savings.  
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America Saves With Employer-Provided 401(k) Plans

**Defined contribution plans are the nation’s most common form of retirement savings.**

More employees have account balances in, and contribute to, their retirement plans than ever before. Recent data reveals that 401(k) plans added 3.1 million new participants and 16,700 new plans.

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**Participation in defined contribution plans is as strong as it has ever been.**

- **90%** of employees are eligible to participate in their employer’s defined contribution plan
- **90%** of eligible employees have a balance in their plan
- **87%** of eligible employees made contributions to their plan in 2019

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**Defined contribution plan assets have shown reliable long-term growth.**

Plan assets have now rebounded to roughly twice what they were before the 2008 financial crisis.

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*Source: Plan Sponsor Council of America (PSCA), 63rd Annual Survey Reflecting 2018 Plan-Year Experience, June 25, 2020*

*Source: Investment Company Institute (ICI), The US Retirement Market, Third Quarter 2020, December 2020, Macrotrends, Dow Jones - DJIA - 100 Year Historical Chart, February 2021*
401(k) Retirement Plans Encourage Participants to Save

American workers love their 401(k) plans and appreciate the features they offer.

The tax incentive for workplace retirement plans is highly influential, and eliminating or curtailing it would weaken individuals’ saving behavior.

- **87%** of Americans disagree that “the government should take away the tax advantages of defined contribution accounts”
- **91%** of defined contribution account-owning households agreed that employer-sponsored retirement accounts helped them “think about the long term, not just my current needs”
- **90%** of defined contribution account-owning households agreed that “payroll deduction makes it easier for me to save”
- **86%** of households with plan accounts agreed that the “tax treatment of my retirement plan is a big incentive to contribute.”

Sources: ICI, American Views on Defined Contribution Plan Saving, 2020, February 2021

Participants are accumulating meaningful retirement savings.

In one example, the Vanguard average defined contribution plan savings rate grew to 13.5% from 11.8% a decade ago. Account balances have continued to increase in 401(k) plans, up 4% from a year ago and up 5% from 2020 Q3.

**Average account balances can be misleading, however, because they include the small accounts of the newly hired and automatically enrolled and do not reflect preparedness for retirement or IRA assets rolled over from previous plans. Among participants with 15 years of continuous participation, the average 401(k) balance is $407,500.**

While the average Vanguard account balance is $109,600, the average balance for a person with at least ten years of tenure is $226,731.

Source: Vanguard, How America Saves, June 2020
Employers Are Committed to Sponsoring Retirement Plans

Employers are increasingly dedicated to ensuring employees’ retirement security.

According to J.P. Morgan, “Almost three out of four plan sponsors (74%) now indicate they have a “very high” or “somewhat high” commitment to employees’ fiscal health — a 25% increase from 2013.”


Most employers accelerate retirement savings by providing matching or nondiscretionary contributions, and many are working to further reduce fees.

Virtually all plan sponsors offer some form of matching or profit-sharing contribution in their defined contribution plans and the number of companies making matching contributions immediately upon participation continued to increase in 2019.

Retirement Tax Incentives Benefit Participants and the Federal Government

The tax code encourages sponsorship and participation by deferring the taxation of employer and employee contributions to traditional defined contribution plans until those assets are distributed at retirement.

Retirement savings incentives are tax **deferrals**, not tax exclusions, deductions, expenditures or loopholes. Taxation of 401(k) plans today reduces future tax collections.

For a worker in a 22% tax bracket, a $1,000 contribution to a 401(k) plan over 20 years (assuming a 6% rate of return) will generate increased distributions and federal taxes compared to a taxable account.

![Graph showing the comparison of tax deferrals and distributions from a taxable account and a 401(k) plan.]

Source: ICI, Calculations, September 2020

The tax incentives supporting employer sponsorship of retirement plans benefit not only participants, but the federal government as well.

For every $1 of tax deferred on contributions to employer-provided retirement plans, employees realized $7.15 in retirement benefits. ¹

Vast majority of 401(k) plan accounts are not owned by the rich.

Strict nondiscrimination rules ensure that plans cover the full spectrum of incomes. In fact, 86% of all households with defined contribution plans have annual incomes of less than $200,000.

The financial assets in defined contribution plans exceed $9 trillion while IRA assets exceed $11 trillion (as of Q3 2020) – collectively larger than the GDP of China and Germany combined.

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<thead>
<tr>
<th>China GDP</th>
<th>defined contribution assets</th>
<th>IRA assets</th>
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<td>$14.7 trillion</td>
<td>$9.3 trillion</td>
<td>$11.3 trillion</td>
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<th>Germany GDP</th>
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<td>$3.8 trillion</td>
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¹ This analysis from the American Benefits Legacy used data from 2012. An analysis using 2018 data reveals the value has grown to $7.93.


Defined contribution plans also democratize access to financial markets by giving rank-and-file workers access to investment with low fees and fiduciary protection.
401(k) Plan Innovations Enhance Savings

Employer-sponsored 401(k) plans are able to utilize a number of behavioral tools and other innovations to enhance participation and savings beyond what would otherwise be expected.

Plan sponsors are working in a myriad of different areas to improve the financial well-being and retirement security of their participants.

1. **98% of plans offer catch-up contributions.**
   Catch-up contributions allow workers closer to retirement (over age 50) to contribute additional money to defined contribution plans.

2. **95% of plan sponsors provide advisory services such as online education or on-site seminars.**
   Financial educational equips participants with the tools they need to manage their retirement.

3. **94% of plans provide a target-date investment option.**
   Target-date funds are diversified, professionally managed investment portfolios that dramatically improve portfolio diversification compared with participants making choices on their own.

4. **87% of firms offer a Roth feature.**
   Roth plan options allow participants to elect post-tax contributions and tax-free distributions, giving participants greater flexibility in tax planning.

5. **77% of plan sponsors provide online statements.**
   In an increasingly digital and mobile world, many employers are leveraging technology to give employees additional tools to manage their retirement.

6. **70% of plans include an automatic escalation feature.**
   Automatic escalation, in which annual deferrals increase automatically, leverages behavioral science to increase participation and improve outcomes.

7. **69% of plans include an automatic enrollment/negative election feature.**
   Automatic enrollment defaults employees into the plan which also increases participation.

8. **66% of employers say that their organization is “very likely” to create or focus on financial wellbeing.**
   More employers than ever are focused on providing their employees with additional resources to manage their retirement.

Additionally, the savers credit is helping mid- and low-income workers save for retirement by providing a dollar-for-dollar reduction of federal income tax liability up to $1,000 ($2,000 if married filing jointly).

Despite Pandemic, Employers and Employees Remain Committed to 401(k) Savings

The vast majority of employers have continued to maintain sponsorship and contributions during the pandemic.

According to a survey taken at the height of the pandemic, the vast majority of employers are not making any changes to employer contributions as a result of the ongoing pandemic and economic conditions.

Despite economic hardship, plan participation remains strong.

Plain participants continue to prioritize saving for retirement during the COVID-19 pandemic.

- 88% of participants contributed to their 401(k) at the height of the pandemic in the second quarter of 2020
- 93% of participants made no changes to their retirement savings rate during the pandemic
- 85% of workers have not withdrawn any of their retirement savings during the pandemic
- 100% of employers indicated that they are not currently considering terminating their plan as a result of the pandemic and economic conditions