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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.*

Americans' 401(k) plan savings are at risk. While the latest tax reform outline makes overtures toward preserving retirement savings incentives, employers remain concerned that lawmakers will seek to change the way 401(k) plan savings are taxed.

"Rothification," which would effectively tax contributions to 401(k) plans, has not been adequately studied by Congress or the research community. By reducing savings options for individuals, such proposals could have serious negative impacts on the way most Americans save for retirement.

The following facts and figures show that 401(k) plans are an essential element of Americans' financial health and well-being, and any changes to the tax incentives should be reviewed very carefully.

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 (PSCA), *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, up 5 percent since 2010. (PSCA, *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 all age groups.
In the last year, new 401(k) plan enrollments have risen by six percent and contributions have risen by 20 percent. Even millennial workers – who must often overcome obstacles to saving, such as low salaries and high debt loads – are contributing in increasing numbers, with 82 percent of eligible workers age 21 to 34 making contributions to a plan, exceeding even Generation X (77 percent) and Baby Boomers (75 percent). (Bank of America/Merrill Lynch, 2017 Plan Wellness Scorecard, July 2016)

401(k) and other DC plans provide substantial investment capital to the U.S. economy.
As of the second quarter of 2017, the financial assets in DC plans exceeded $6.9 trillion, with IRA assets (including rollover funds) comprising roughly $8.2 trillion – collectively larger than the GDP of China and Germany *combined*. (Federal Reserve Board, *Financial Accounts of the United States*, Table L.117, September 21, 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 $96,495 in 2016, but this figure includes brand-new and inactive savers. Among continuous participants (those with a balance at year-end 2011 and 2016) the median account balance rose by 121 percent over five years. (Vanguard, *How America Saves*, June 2017)

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)

The tax incentive for workplace retirement plans is highly influential, and eliminating or curtailing it would weaken individuals' saving behavior.
While the employer match is listed as participants' top savings incentive, it is closely followed by tax-deferred personal contributions, with more than half of those in one survey ranking tax benefits among their top reasons for saving in a defined contribution plan.

When asked how they would respond if the tax benefits were eliminated, only one in five participants surveyed said they would increase their contributions to make up the difference, and nearly 30 percent of participants said that eliminating the tax benefits would lead them to decrease their contribution or drop out of the plan altogether. (Natixis, *Running on Empty: Attitudes and Actions of Defined Contribution Plan Participants*, November 21, 2016)

American workers love their 401(k) plans and appreciate the features they offer.
Most defined contribution account–owning households agreed that employer-sponsored retirement accounts helped them "think about the long term, not just my current needs" (90 percent), and that "payroll deduction makes it easier for me to save" (91 percent). And, once again, 80 percent of households with plan accounts agreed that the "tax treatment of my retirement plan is a big incentive to contribute." (Investment Company Institute, *Ten Important Facts About 401(k) Plans*, August 2017)