



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.

Current Defined Contribution Plan Data Based on 2015 Form 5500 Annual Reports (released February 2018)		
Total Participants	Active Participants	Total Assets*
97.6 million	78.1 million	\$5.3 trillion
*According to the most recent Federal Reserve data, defined contribution plans comprised total household assets of \$6.2 trillion as of the first quarter of 2018.		

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 648,252 defined contribution retirement plans in the U.S. (546,896 are 401(k)-type plans), covering more than 97 million total participants (more than 78 million active). (DOL Employee Benefits Security Administration, [Private Pension Plan Bulletin: Abstract of 2015 Form 5500 Annual Reports](#), February 2018)

Defined contribution plans have become America's predominant retirement savings vehicle. One survey of major U.S. employers indicates that just more than 90 percent of their employees are eligible to participate in their employer's defined contribution plan. (Plan Sponsor Council of America (PSCA), [60th Annual Survey Reflecting 2016 Plan-Year Experience](#), February 12, 2018)

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 88.7 percent, and 84.9 percent made contributions to their plan in 2016. (Plan Sponsor Council of America (PSCA), [60th Annual Survey Reflecting 2016 Plan-Year Experience](#), February 12, 2018)

The average 12-month 401(k) savings rate, which includes contributions from employees and employers, reached a record high of 13.2 percent at the end of the first quarter of 2018, up from 13.0 percent the previous quarter. In addition, 30 percent of 401(k) savers increased their contribution rate over the last 12 months. ([Fidelity Announces Q1 2018 Retirement Data: Saving Rates Hit Record High and Account Balances Continue to Increase Over Long-Term](#), May 17, 2018)

Participation in defined contribution 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 defined contribution plans provide substantial investment capital to the U.S. economy.

As of the first quarter of 2018, the financial assets in defined contribution plans exceeded \$6.2 trillion, with IRA assets (including rollover funds) comprising roughly \$9.2 trillion (as of Q4 2017) – collectively larger than the GDP of China and Germany *combined*. (Federal Reserve Board, [Financial Accounts of the United States](#), Tables L.118.c and L.117, June 7, 2018)

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.

Voters rate the tax incentives for employer-sponsored retirement savings as most important, compared to other popular deductions and incentives for over the next 10 years. (American Benefits Council, [Poll Positions: Americans' Views on Employee Benefits](#), November 2017)

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)

Automatic enrollment in 401(k) plans is one of many innovations helping Americans achieve stronger participant engagement – and greater retirement savings.

Roughly three-quarters of respondents to one survey (73%) are automatically enrolling new participants, compared with 68% in 2014 and 52% in 2009. Sixty percent of respondents also say they are providing auto-escalation within their plans, up from 54% in 2014. Half of defined contribution plans automatically enroll new participants and include default contribution rates that are at least enough to maximize the employer match. (Willis Towers Watson, [2017 Defined Contribution Plan Sponsor Survey](#), February 26, 2018)

According to another study, Plans with automatic enrollment have a 92% participation rate. Additionally, at year-end 2017, nearly 6 in 10 of all Vanguard participants were solely invested in an automatic investment program (compared with just 1 in 10 at the end of 2003) while nine in 10 plan sponsors offered target-date funds at year-end 2016. These diversified, professionally managed investment portfolios dramatically improve portfolio diversification compared with participants making choices on their own. (Vanguard, [How America Saves](#), June 5, 2018)

A recent study found that 97 percent of plans now use personalized communication to participants, 93 percent of plans offer webinars and 90 percent offer mobile websites or apps. (Alight Solutions, [2018 Hot Topics in Retirement and Financial Well-Being](#))