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Notes

E X E C U T I V E   S U M M A R Y

Availability, Contributions, Account Balances, and Rollovers in Account-Based Health Plans, 2006–2009

ENROLLMENT IN CONSUMER-DRIVEN HEALTH PLANS: The share of the adult population with private health insurance enrolled in account-based health plans (so-called "consumer-driven" health plans, or CDHPs) remains small but continues to grow. In 2009, 4 percent of the adult population with private health insurance was enrolled in an health reimbursement arrangement (HRA) or had a high-deductible plan with an health savings account (HSA), up 1 percentage point from the previous year. An additional 4.9 percent were eligible for an HSA but did not have such an account. Overall, 8.9 percent of adults with private insurance were either in a CDHP or were in a high-deductible plan that was eligible for an HSA, but had not opened an account.

CDHP ELIGIBILITY: Among individuals with traditional employment-based health benefits and a choice of health plan, 39 percent were eligible for a CDHP in 2009, up from 33 percent in 2006.

CONTRIBUTIONS: Workers with employee-only coverage have seen their annual employer contributions decrease, while those with family coverage have seen their annual employer contributions increase, such that nearly three-quarters of workers with family coverage receive a contribution of $1,000 or more. Both the amount of money that individuals have accumulated in their accounts and the amounts rolled over from year-to-year have grown: Those reporting a rollover of $1,500 or more increased from 13 percent in 2006 to 31 percent in 2009.

Retirement Plan Participation and Asset Allocation, 2007

PARTICIPATION RATES AND PLAN TYPE: The percentage of family heads who participated in an employment-based pension or retirement plan remained basically unchanged from 1992–2001 (at almost 49 percent) before declining nearly 2 percentage points by 2007 to 46.9 percent. Over that period, participation in a defined contribution (401(k)-type) plan grew sharply. In 2007, 18 percent of family heads who participated in an employment-based retirement plan had a defined benefit plan only, almost 64 percent had a defined contribution plan only, and the remaining 18.5 percent had both a defined benefit and defined contribution plan.

IMPORTANCE OF ASSET ALLOCATION: The allocation of retirement assets is affected by demographic factors (income, education) and by ownership of other types of retirement plans: Those who own 401(k)-type plans and IRAs are more likely to be invested all in stocks if they also own the other type of plan. Ownership of a defined benefit plan also is correlated with an increased probability of a 401(k)-type participant being invested all in stocks.

Availability, Contributions, Account Balances, and Rollovers in Account-Based Health Plans, 2006–2009

By Paul Fronstin, EBRI

Introduction

Employers have been interested in bringing aspects of consumerism into health plans for many years. As far back as 1978, they adopted Sec. 125 cafeteria plans and flexible spending accounts. More recently, employers have been increasingly turning their attention to consumer engagement in health care. In 2001, they introduced account-based health plans—a combination of health plans with deductibles of at least $1,000 for employee-only coverage and tax-preferred savings or spending accounts that workers and their families can use to pay their out-of-pocket health care expenses. A few employers first started offering account-based health plans in 2001, when they began to offer health reimbursement arrangements (HRAs).[1] In 2004, employers started offering health plans with health savings accounts (HSAs).[2] By 2008, 9 percent of employers with 10–499 workers and 20 percent of employers with 500 or more workers offered either an HRA or HSA-eligible plan.[3] Employers have also taken a broader approach to consumer engagement through various other initiatives.[4]

This report presents findings from the 2008 and 2009 EBRI/MGA Consumer Engagement in Health Care Survey and the 2006 and 2007 EBRI/Commonwealth Fund Consumerism in Health Care Surveys.[5] It examines the availability of HRA and HSA-eligible plans (consumer-driven health plans, or CDHPs), as well as employer and individual contribution behavior, time enrolled in such plans, account balances, and rollover behavior.

CDHP Eligibility

According to the 2009 EBRI/MGA Consumer Engagement in Health Care Survey, about 5 million adults ages 21–64 with private health insurance, or 4 percent of the adult population with private health insurance, was enrolled in an HRA or had a high-deductible plan with an HSA in 2009, up from 3 percent in 2008, 2 percent in 2007, and 1 percent in 2006. An additional 6.2 million adults ages 21–64 with private health insurance, or 4.9 percent, reported that they were eligible for an HSA but did not have such an account. Thus, overall, 11.2 million adults ages 21–64 with private insurance, representing 8.9 percent of that market, were either in a CDHP or were in a high-deductible plan that was eligible for an HSA, but had not opened an account.

It was found that a significant and growing percentage of workers with traditional health benefits were eligible for account-based health plans. Among individuals with traditional employment-based health benefits and a choice of health plan, 39 percent were eligible for an HRA or HSA-based plan in 2009, up from 33 percent in 2006 (Figure 1). According to a recent study, slightly more than one-half (52 percent) of workers were eligible for at least two health plans,[6] thus about 21 million workers were eligible for such a plan in 2009 but chose to remain in the more traditional plan.

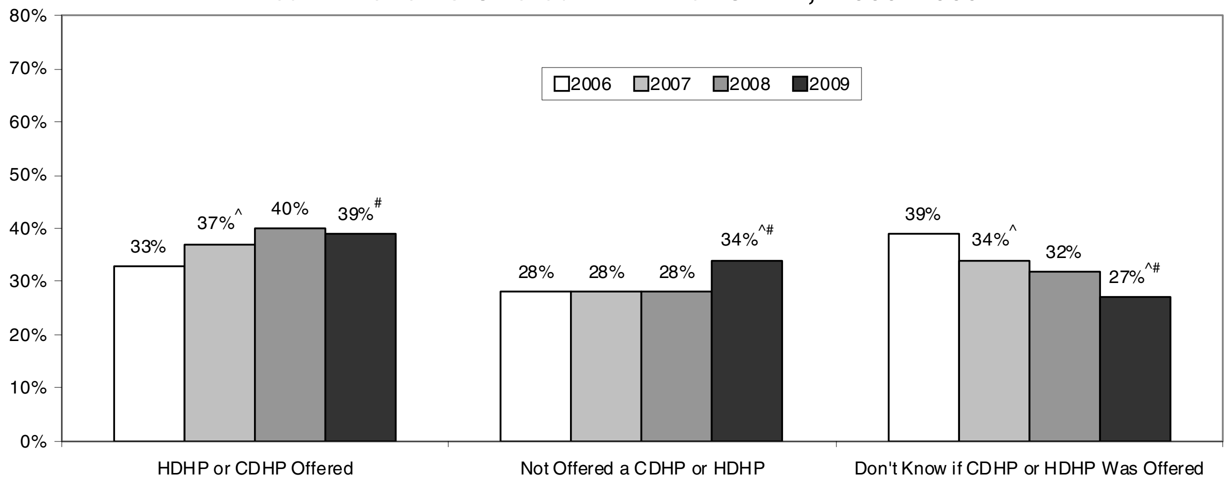
Employer Contributions

While the percentage of workers with an HRA or HSA plan whose employer contributes to the account has not changed significantly since 2006, there was a drop in employer contributions from 67 percent in 2008 to 63 percent in 2009 (Figure 2).

Among workers with an employer contribution, those with employee-only coverage saw their annual employer contributions increase between 2006 and 2008, but fall in 2009. Between 2006 and 2008, the percentage reporting that their employer contributed $1,000 or more to the account increased from 26 percent to 37 percent (Figure 3). In 2009, it fell to 32 percent. The percentage of workers with an employer contribution of less than $200 increased from 3 percent to 8 percent between 2008 and 2009.

Figure 1

Percentage of Individuals With Traditional[a] Employment-Based Health Benefits Offered HDHP[b] or CDHP,[c] 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] Traditional = health plan with no deductible or <$1,000 (individual), <$2,000 (family).

[b] HDHP = High-deductible health plan with deductible $1,000+ (individual), $2,000+ (family), no account.

[c] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.

Difference between 2006 and 2009 is statistically significant at $p \leq 0.05$ or better.

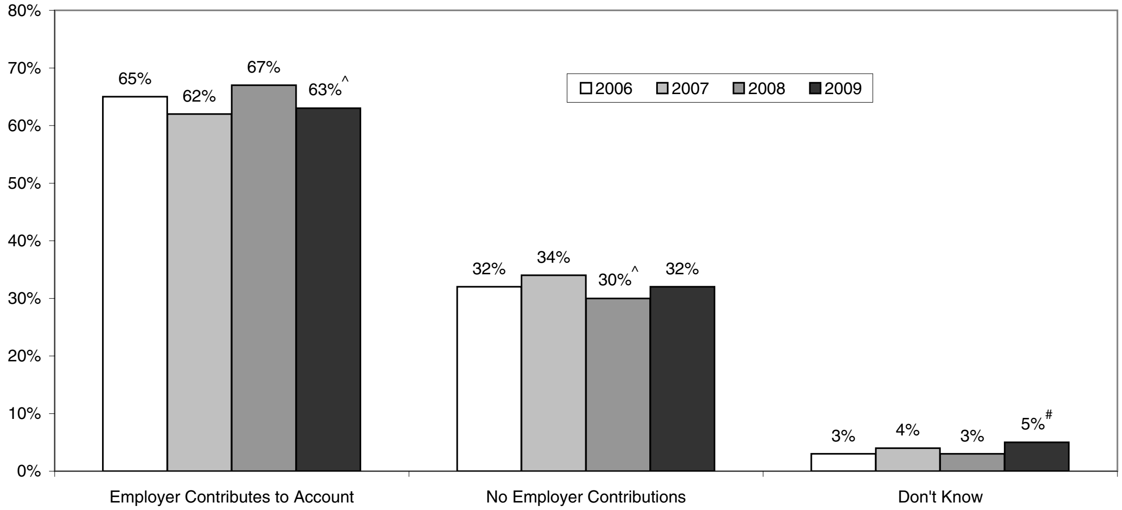
In contrast, among workers with family coverage, employer contribution levels increased in 2009. The percentage reporting a contribution of less than $200 decreased from 6 percent to 1 percent between 2006 and 2009, while the percentage reporting a contribution of $200–$499 decreased from 11 percent to 3 percent between 2006 and 2009. The percentage reporting contributions of $500–$749 also fell, from 11 percent to 6 percent between 2006 and 2009 (Figure 4). A majority of workers with family coverage receive a contribution of $1,000 or more. The percentage of workers receiving such a contribution increased substantially between 2006 and 2007, increasing from 52 percent to 70 percent, but then declined to 59 percent in 2008. However, between 2008 and 2009, the percentage of workers with family coverage reporting a contribution of at least $1,000 increased to 73 percent.

Individual Contributions

Individuals' contributions to HSA plans have also increased. Between 2006 and 2009, the percentage of individuals with employee-only coverage contributing nothing to an HSA decreased from 28 percent to 12 percent (Figure 5). In contrast, the percentage contributing between $1,500 or more increased from 21 percent to 37 percent. Among persons with family coverage, the percentage not making any contributions was unchanged between 2006 and 2008, and fell to 10 percent in 2009. The percentage contributing less than $500 fell from 16 percent to 5 percent between 2006 and 2007, and has since remained unchanged, while the percentage contributing $1,500 or more increased from 36 percent in 2006 to 53 percent in 2009, with most of that increase occurring between 2006 and 2007 (Figure 6). Individuals with family coverage contribute more than individuals with employee-only coverage because deductibles are higher for family coverage.

Income Differences—Generally, lower-income persons with HSAs are less likely to make a contribution to the account than higher-income persons. Almost one-fifth of persons in households with less than $50,000 in income did not contribute to the account in 2009 (Figure 7), compared with about 9 percent of persons with $50,000 in household income who did not contribute (Figure 8). For both income groups, the percentage contributing $1,500 or more

Figure 2
Percentage of Individuals With Employer Contribution to Account, Among Persons With Employment-Based Health Benefits and CDHP,[a] 2006–2009



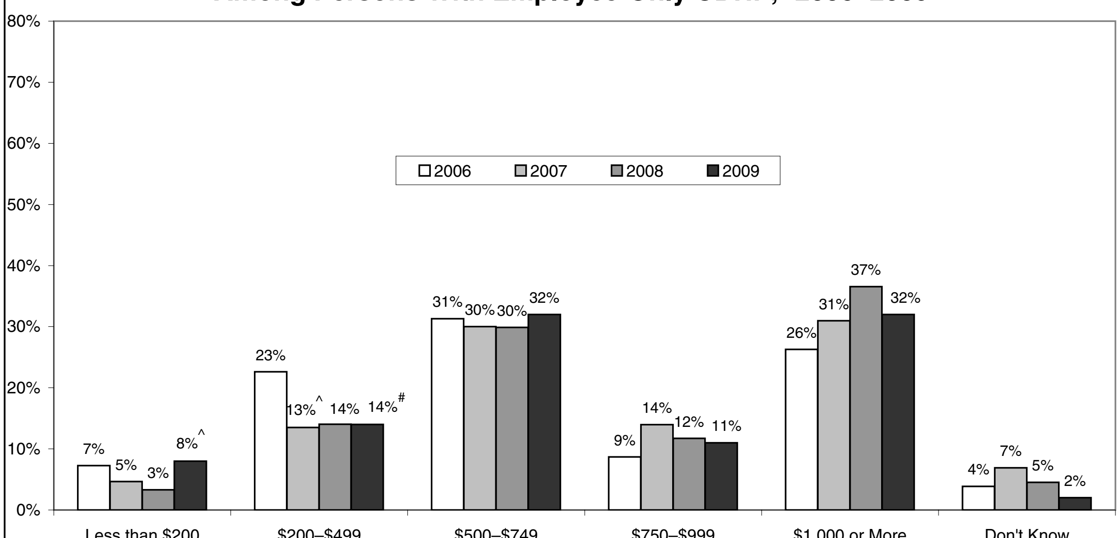
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.

Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 3
Annual Employer Contributions to the Account, Among Persons With Employee-Only CDHP,[a] 2006–2009



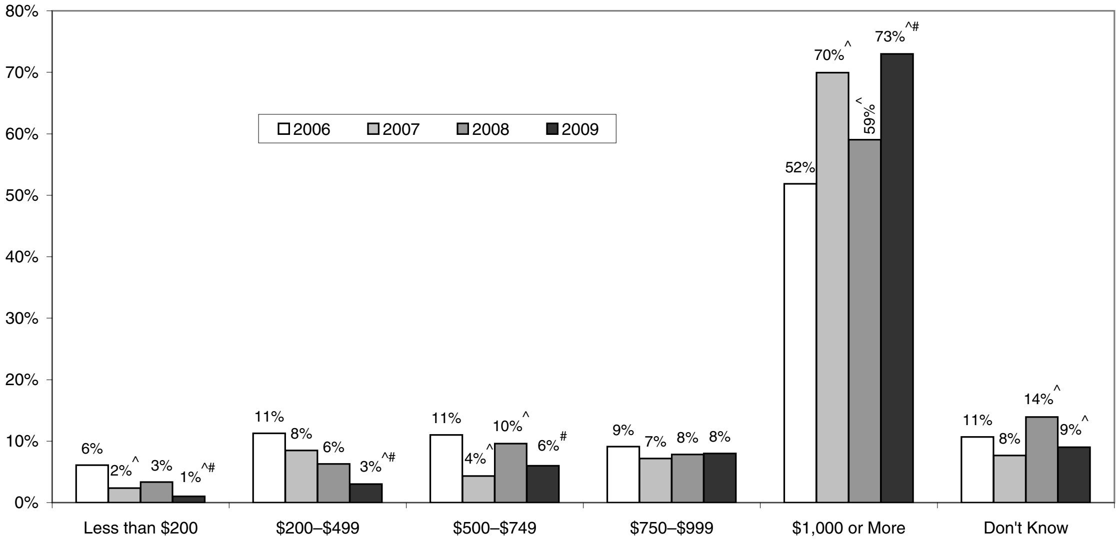
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $,2000+ (family), with account.

^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.

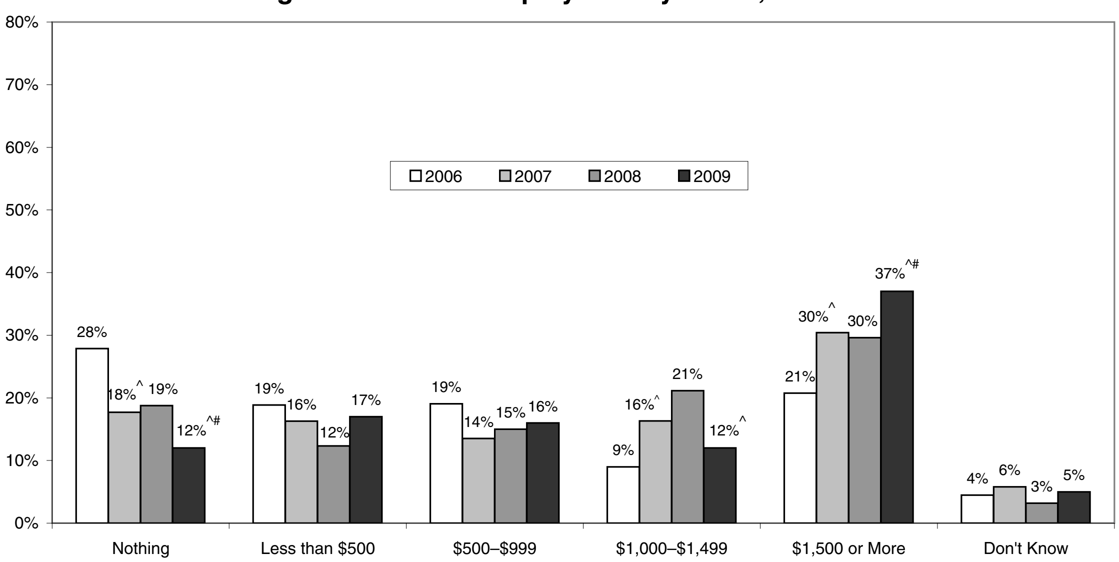
Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 4
Annual Employer Contributions to the Account, Among Persons With Family CDHP,[a] 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.
[a] CDHP = Consumer-driven health plan w/ deductible $1,000+ (individual), $2,000+ (family), with account.
^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.
# Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

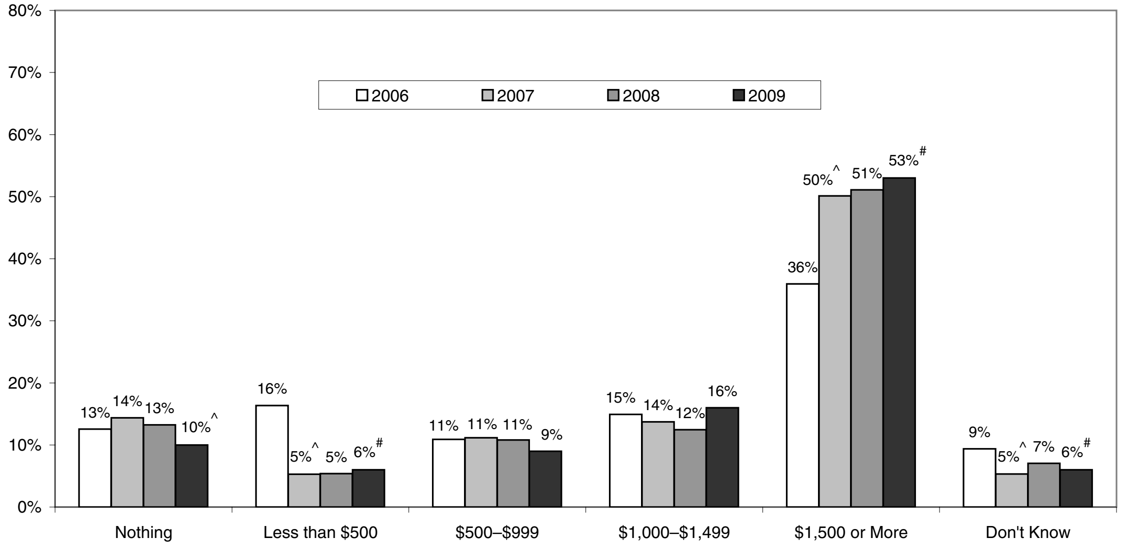
Figure 5
Annual Individual Contributions to the Account, Among Persons With Employee-Only CDHP,[a] 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $,2000+ (family), with account.
^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.
# Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 6

Annual Individual Contributions to the Account, Among Persons With Family CDHP,[a] 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

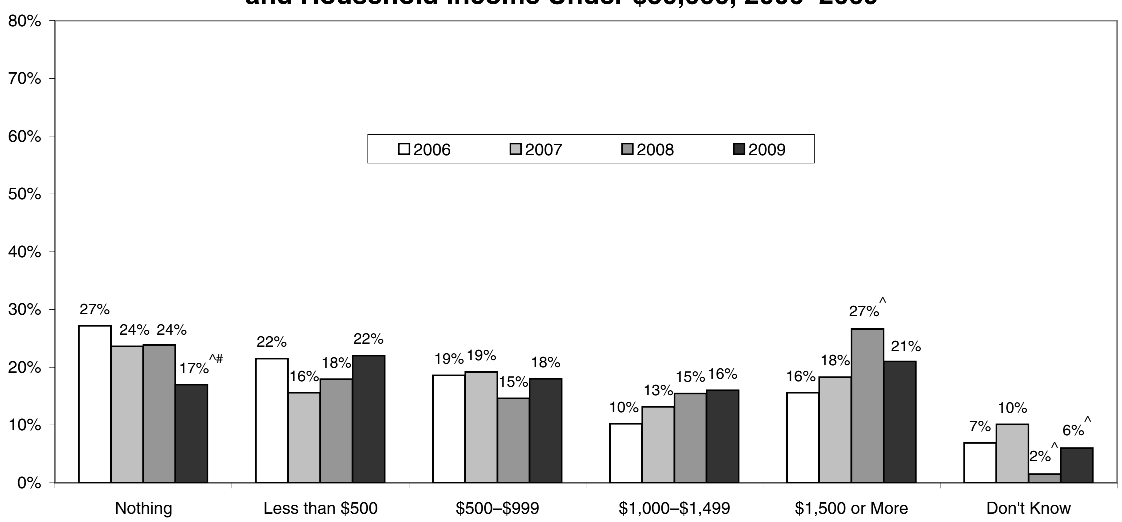
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.

Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 7

Annual Individual Contributions to the Account, Among Persons With Employee-Only or Family CDHP[a] and Household Income Under $50,000, 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

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Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

increased between 2006 and 2008, but in 2009, among the lower-income group, the percentage contributing $1,500 or more fell from 27 percent to 21 percent. Among the higher-income group, the percentage contributing $1,500 or more increased from 47 percent to 54 percent.

Health Differences—Persons both with and without health problems are about equally likely to contribute to an HSA, and their contribution levels are about the same.[7] Those with health problems contribute slightly more than those without health problems. Contribution levels increased significantly for both groups between 2006 and 2007 and were then unchanged in 2008. Contribution levels increased again in 2009. Among persons without health problems, 28 percent contributed $1,500 or more in 2006, while 41 percent contributed $1,500 or more in 2007 and 2008, and 44 percent contributed $1,500 or more in 2009 (Figure 9). Similarly, 51 percent of those with a health problem contributed $1,500 or more in 2009, and 46 percent contributed $1,500 or more in 2007 and 2008, up from 33 percent in 2006 (Figure 10).

Length of Time in Plan

While HRAs and HSAs are still less than a decade old and a relatively small percentage of the health insurance market, a significant change continues to occur in the length of time individuals had these accounts. Between 2006 and 2009, the percentage of individuals in these plans for three to four years increased from 9 percent to 26 percent, and the percentage in the plans for five years or more increased from 3 percent to 9 percent (Figure 11).

Account Balances and Rollover Behavior

The amount of money that individuals have accumulated in their accounts has grown over time. The percentage of individuals reporting that they had nothing in their account at the time of the survey declined from 14 percent in 2006 to 6 percent in 2009 (Figure 12). There were also statistically significant declines in the percentage of individuals with $200–$499 and $500–$999. In contrast, the percentage of individuals reporting an account balance of at least $1,000 at the time of the survey increased from 25 percent in 2006 to 44 percent in 2007. It remained at 43 percent in 2008, and increased to 47 percent in 2009.

The amount of money being rolled over in the accounts from one year to the next has also increased. The percentage of persons reporting no rollover fell from 23 percent to 10 percent between 2006 and 2009 (Figure 13). The percentage reporting a rollover of $1,500 or more increased from 13 percent in 2006 to 31 percent in 2009. Some of the increase in rollover amounts may be due to the statistically significant decline in the percentage of individuals who reported that they did not know how much money had been rolled over.

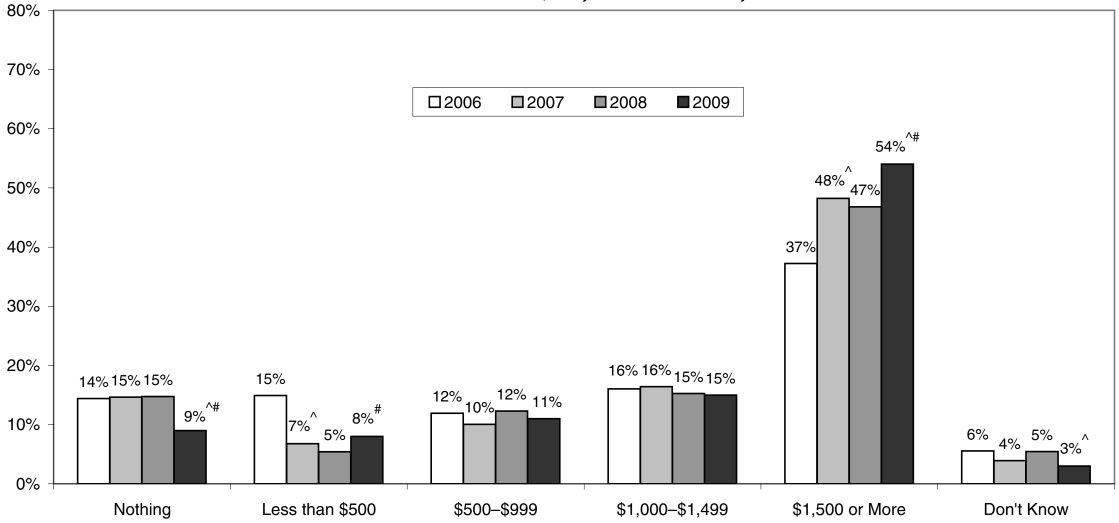
Health Status—Prior to 2009, persons with health problems (as defined earlier) rolled over less money than persons with no health problems. In 2008, 11 percent of persons with no health problems did not roll over any money, whereas 21 percent of persons with health problems did not roll over any money, although that had fallen significantly from 35 percent in 2006 (Figures 14 and 15). Rollover amounts increased for both those with and without health problems. Among those without health problems, 15 percent rolled over $1,500 or more in 2006 and 33 percent did so in 2008. Fewer individuals with health problems rolled over $1,500 or more, but the percentage with such a rollover increased from 11 percent in 2006 to 19 percent in 2008. In 2009, rollover amounts were unchanged among persons with no health problems. In contrast, rollover amounts increased among persons with health problems. Between 2008 and 2009, the percentage of persons with health problems reporting no rollover decreased from 21 percent to 10 percent, while the percentage reporting a rollover of at least $1,500 increased from 19 percent to 33 percent.

Conclusion

The share of the adult population with private health insurance enrolled in account-based health plans (so-called "consumer-driven" health plans, or CDHPs) remains small but continues to grow. Rollover amounts and account balances in account-based health plans have increased. This may be due to the fact that individuals have had CDHPs for a longer period of time than in the past. It may also be because individuals have increased their contributions to

Figure 8

Annual Individual Contributions to the Account, Among Persons With Employee-Only or Family CDHP[a] and Household Income $50,000 or More, 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

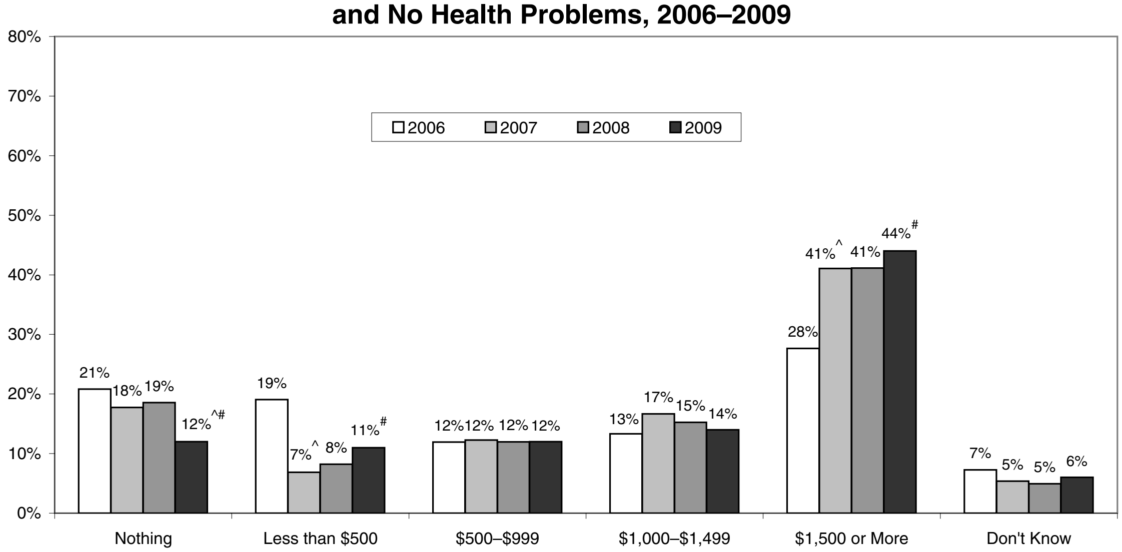
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.

Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 9

Annual Individual Contributions to the Account, Among Persons With Employee-Only or Family CDHP[a] and No Health Problems, 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

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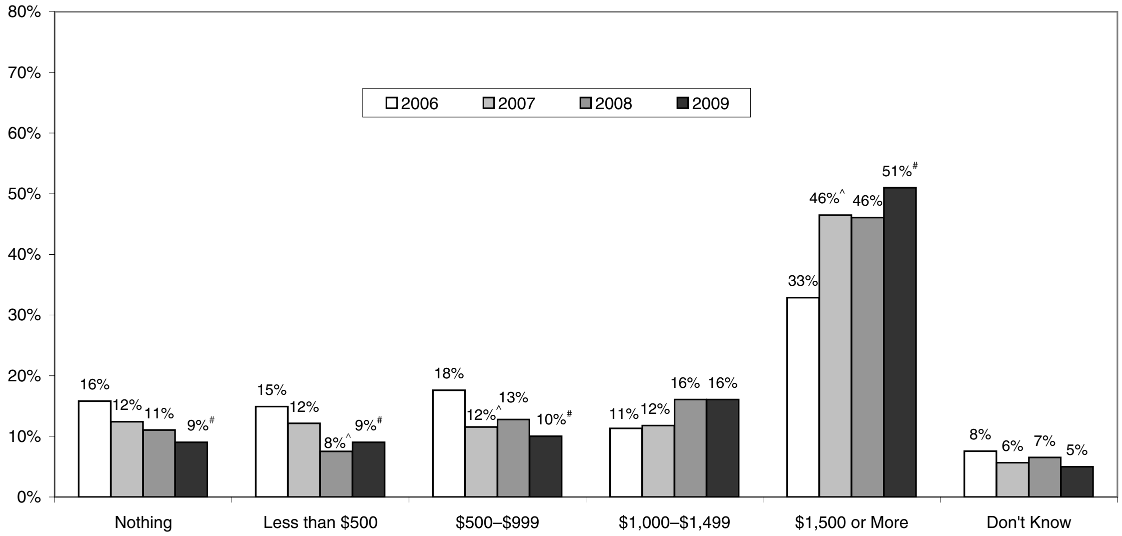
Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 10
Annual Individual Contributions to the Account, Among Persons With Employee-Only or Family CDHP[a] and Health Problem, 2006–2009



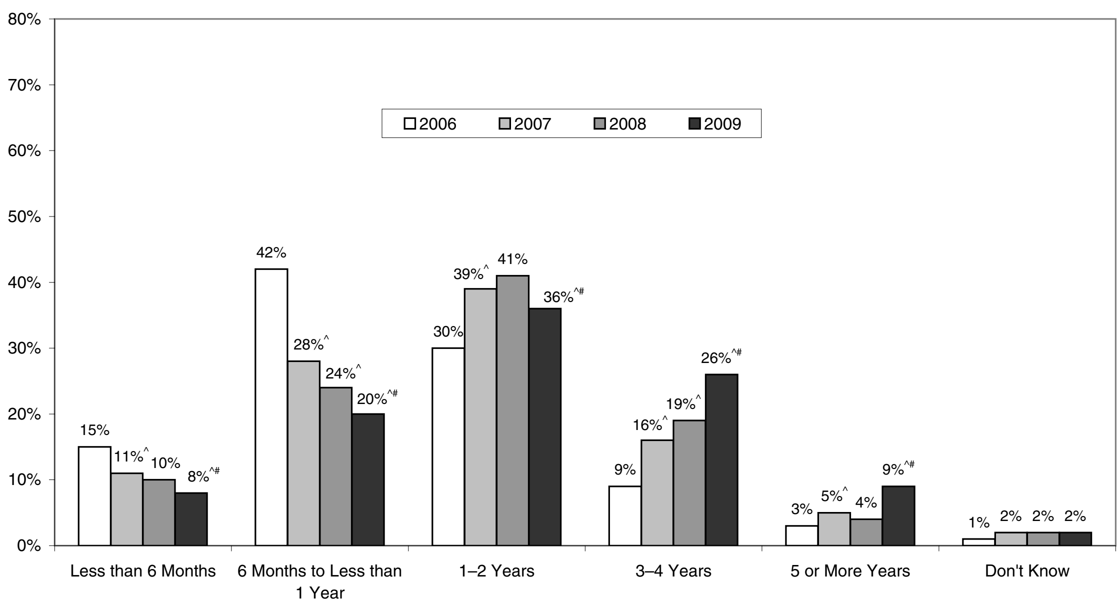
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.

Difference between 2006 and 2009 is statistically significant at $p \leq 0.05$ or better.

Figure 11
Length of Time With CDHP[a] and Savings Account, 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

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the accounts. Employer contributions fell for persons with employee-only coverage, but increased for persons with family coverage.

As shown in prior and forthcoming work, the percentage of persons with a CDHP working for a large employer continues to increase, which may partly explain the higher employer contribution levels.[8] Higher deductibles may in part explain higher individual contributions. While rollover amounts and account balances have increased, they are not large. Slightly less than one-half of the covered population has *at least* $1,000 in an account, and slightly less than one-half has *less than* $1,000 in an account (9 percent did not know how much was in the account). Similarly, 41 percent rolled over at least $1,000, and 50 percent rolled over less than $1,000.

Finally, as more healthy individuals enroll in CDHPs, driving up the average health status of the CDHP population, account balances and rollover amounts will increase. This does not explain why rollover amounts have increased for individuals with health problems, but that could also be explained by rising individual contributions as a result of health problems.

Endnotes

[1] See Paul Fronstin, "Can 'Consumerism' Slow the Rate of Health Benefit Cost Increases?" *EBRI Issue Brief*, no. 247 (Employee Benefit Research Institute, July 2002).

[2] Paul Fronstin, "Health Savings Accounts and Other Account-Based Health Plans," *EBRI Issue Brief*, no. 273 (Employee Benefit Research Institute, September 2004).

[3] See www.mercer.com/summary.htm?idContent=1328445

[4] In 2001, employers formed a coalition to report health care provider quality measures, and today the group is composed not only of employers but also includes consumer groups and organized labor (see www.healthcaredisclosure.org/). In 2002, there was interest in tiered provider networks (see Paul Fronstin, "Tiered Networks for Hospital and Physician Health Care Services," *EBRI Issue Brief*, no. 260 (Employee Benefit Research Institute, August 2003). In 2005, employers started to focus on value-based insurance designs that seek to encourage the use of high-value services while discouraging the use of services when the benefits are not justified by the costs (see Michael E. Chernew, Allison B. Rosen, and A. Mark Fendrick, "Value-Based Insurance Design," *Health Affairs Web Exclusive* (Jan. 10, 2007): w195-w203).

[5] More information about the surveys can be found in Paul Fronstin and Sara Collins, "The 2nd Annual EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006: Early Experience With High-Deductible and Consumer-Driven Health Plans," *EBRI Issue Brief*, no. 300 (Employee Benefit Research Institute, December 2006); Paul Fronstin and Sara R. Collins, "Findings From the 2007 EBRI/Commonwealth Fund Consumerism in Health Survey," *EBRI Issue Brief,* no. 315 (Employee Benefit Research Institute, March 2008); and Paul Fronstin, "Findings from the 2008 EBRI Consumer Engagement in Health Care Survey," *EBRI Issue Brief*, no. 323 (Employee Benefit Research Institute, November 2008).

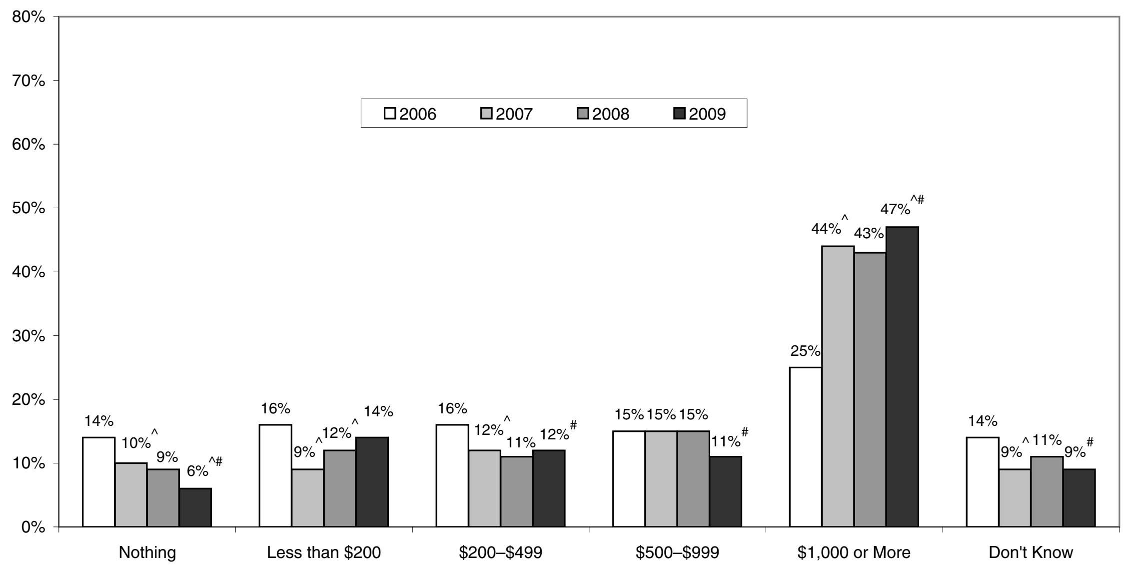
[6] See Exhibit 4.2 in http://ehbs.kff.org/pdf/2009/7936.pdf

[7] Individuals were defined as having a health problem if they said they were in fair or poor health or had one of eight chronic health conditions (arthritis, asthma, emphysema or lung disease, cancer, depression, diabetes, heart attack or other heart disease, high cholesterol or hypertension, high blood pressure, or stroke).

[8] Paul Fronstin, "Findings from the 2008 EBRI Consumer Engagement in Health Care Survey," *EBRI Issue Brief*, no. 323 (Employee Benefit Research Institute, November 2008); and Paul Fronstin, "Findings from the 2009 EBRI/MGA Consumer Engagement in Health Care Survey," *EBRI Issue Brief* (forthcoming).

Figure 12

Amount Currently in Account, Among Persons With CDHP,[a] 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

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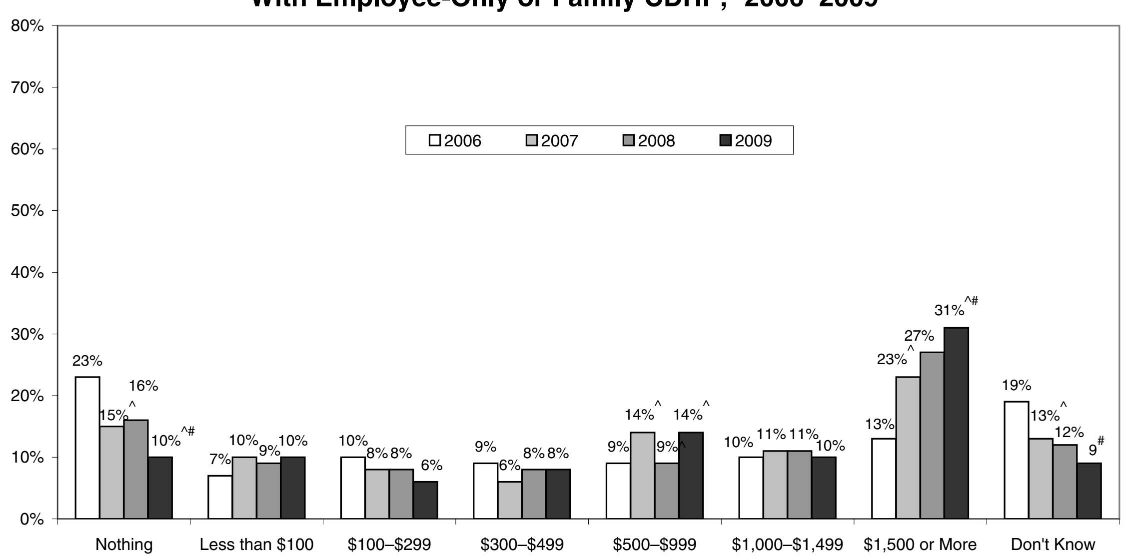
\# Difference between 2006 and 2009 is statistically significant at $p \leq 0.05$ or better.

Figure 13

Amount Rolled Over From Past Year, Among Persons With Employee-Only or Family CDHP,[a] 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

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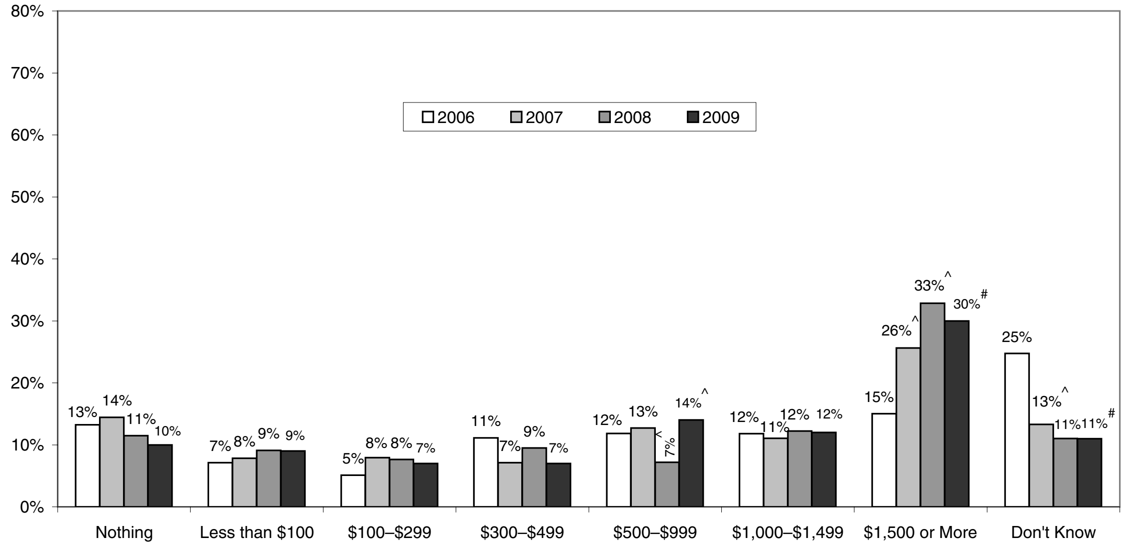
\# Difference between 2006 and 2009 is statistically significant at $p \leq 0.05$ or better.

Figure 14

Amount Rolled Over from Past Year, Among Persons With Employee-Only or Family CDHP[a] and No Health Problems, 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

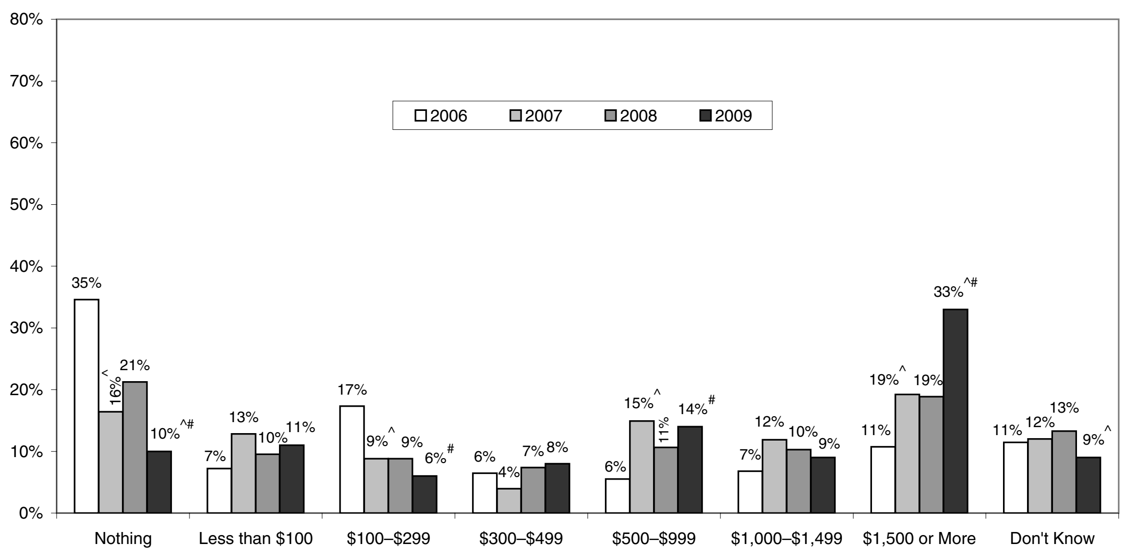
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.

Difference between 2006 and 2009 is statistically significant at p ≤ 0.05 or better.

Figure 15

Amount Rolled Over from Past Year, Among Persons With Employee-Only or Family CDHP[a] and Health Problem, 2006–2009



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008 and 2009.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

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Retirement Plan Participation and Asset Allocation, 2007

By Craig Copeland, EBRI

Introduction

A key factor for retirees who hope to achieve an adequate level of income security throughout retirement is the ownership of an employment-based retirement plan or funds that were accumulated in an employment-based retirement plan. Various data sources are available for measuring the percentage of workers with these types of plans, so that retirees' potential income from these assets can be predicted. In particular, the EBRI-ERF Retirement Security Projection Model (RSPM) allows for estimation of the *additional savings* that current workers would need—beyond savings that would be generated assuming existing saving behavior within tax-qualified plans—in order to maintain the same standard of living throughout retirement.[1]

To establish existing savings behavior, it is necessary to estimate the percentage of workers with an employment-based retirement plan, and to know the characteristics of workers with and without a plan—the subject of this article.

The March Current Population Survey (CPS), conducted by U.S. Census Bureau, has the most up-to-date information on the percentage of workers with a retirement plan.[2] However, the CPS does not provide a breakdown of the retirement plan types—defined benefit and defined contribution—for those participating workers. Previous EBRI research established the plan-type breakdown for families, using the Survey of Consumer Finances (SCF) that is conducted by the Federal Reserve Board.[3] This article builds upon that research to examine the plan-type breakdown by the characteristics of the participating family heads and their employers.

The findings show that there has been a significant increase in the percentage of family heads with a defined contribution plan (typically a 401(k)-type plan). Consequently, the manner in which participants allocate their defined contribution balances among asset categories will have a significant impact on the funds available for these participants in retirement. While SCF does not provide the level of detail on asset allocation within 401(k) plans found in the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project,[4] it does allow for the comparison of asset allocations within 401(k)-type plans when controlling for the existence of other tax-qualified retirement plans (such as defined benefit pensions and individual retirement accounts (IRAs)).

To estimate future retirement income security, this article discusses the types of results that are incorporated in RSPM related to participation in employment-based retirement plans, and the asset allocation in defined contribution plans and IRAs. In addition, the article updates previous EBRI research on these topics with results from the 2007 SCF.[5] The SCF is a triennial interview survey of U.S. families sponsored by the Board of Governors of the Federal Reserve System in cooperation with the U.S. Department of Treasury, which measures the financial characteristics and status of U.S. families.[6]

Retirement Plan Participation

In 2007, according to the SCF, 60.5 percent of working family heads worked for an employer that sponsored an employment-based retirement plan, and 46.9 percent participated in one (Figure 1).[7] This level of participation is a small increase from 2004, when 46.1 percent of working family heads participated in a plan, but still below the 48.7 percent found in 2001.[8] From 1992–2001, the percentage participating had remained in a very small range, from just under 48 percent in 1995 to a high of 48.7 percent in 2001. The sponsorship rate (the percentage of those working for an employer that sponsored a plan) remained at or just over 61 percent from 1992–2004.[9]

Employer Size—The likelihood of a working family head participating in a retirement plan increased with the size of his or her employer. In 2007, among family heads working for employers with 10–19 employees, 18.1 percent participated in a plan. In comparison, 68.8 percent of family heads who worked for employers with 500 or more employees participated in a plan. From 1992–2007, family heads who worked for the smallest employers (fewer than 10 employees and 10–19 employees) had decreases in their likelihood of participating in a retirement plan, while those

Figure 1
Percentage of Working Family Heads Whose Employers Sponsor a Retirement Plan and the Heads' Participation, by Employer Size and Industry, 1992, 1995, 2001, 2004, and 2007

	1992		1995		2001		2004		2007	
	Employer sponsors	Head partici-pates	Employer sponsors	Head partici-pates	Employer sponsors	Head partici-pates	Employer sponsors	Head partici-pates	Employer sponsors	Head partici-pates
	(percentage)									
All	61.3%	48.3%	60.7%	47.9%	61.9%	48.7%	61.0%	46.1%	60.5%	46.9%
Employer Size										
Fewer than 10 employees	11.9	9.0	10.7	7.9	13.7	10.7	13.7	11.0	11.2	8.4
10–19	42.2	29.9	28.0	22.3	38.5	30.2	36.3	25.4	32.0	18.1
20–99	51.2	37.6	54.7	41.0	55.3	42.7	57.5	40.9	57.3	41.5
100–499	73.3	54.6	75.3	57.2	79.8	59.9	77.4	56.4	74.4	57.5
500 or more	88.8	73.2	87.3	70.6	86.9	70.2	86.7	67.3	86.0	68.8
Industry										
Agriculture, forestry, and fisheries	12.5	11.2	12.8	8.1	17.9	12.3	9.7	9.4	19.4	11.0
Mining and construction	40.7	36.7	37.6	30.2	40.7	30.7	34.2	25.1	35.7	24.0
Manufacturing	72.5	58.0	75.7	63.0	79.8	66.4	75.4	56.7	69.9	58.4
Wholesale and retail trade	48.7	33.0	52.4	33.4	53.4	33.8	52.8	34.8	56.6	36.5
Finance, insurance, real estate, and business and repair services	48.1	37.5	48.9	39.6	52.1	40.0	54.9	39.9	57.3	40.8
Transportation, communications, public utilities, and personal and professional services	67.7	53.2	65.1	51.2	65.7	53.0	66.9	51.4	65.6	51.5
Public Administration	88.9	75.2	85.0	74.0	93.3	86.3	92.3	80.7	91.4	89.0

Source: Employee Benefit Research Institute estimates of the 1992, 1995, 2001, 2004, and 2007 Survey of Consumer Finances.
Note: Employer sponsors is defined as the percentage of workers employed by an employer who offers a retirement plan to any of its employees, but not necessarily the working heads being studied.

working for mid-size employers (20–499 employees) experienced an increase in their probability of participating in a plan. Those working for the largest employers (500 or more employees) experienced a decline similar to that of the smallest employers.

Industry—Family heads who worked for employers in public administration or manufacturing had the highest probability of participating in a retirement plan, while those working in agriculture, forestry, and fisheries had the lowest likelihood of participation in 2007. Among workers in public administration, 89.0 percent participated in a plan, compared with 11.0 percent of workers in agriculture, forestry, and fisheries.

From 1992–2007, workers in public administration had the largest increase in their likelihood of participating in a plan (from 75.2 percent to 89.0 percent), while those working in the mining and construction industry had the largest decrease in the likelihood of participating (from 36.7 percent to 24.0 percent). Family heads working in the remaining industries experienced either no change or very small increases or declines in their levels of participation.

Retirement Plan Types

In 2007, 18.1 percent of family heads who participated in an employment-based retirement plan had a defined benefit plan only (Figure 2). Approximately 63.5 percent had a defined contribution plan only, while the remaining 18.5 percent had both a defined benefit and defined contribution plan. This was a significant change from 1992, when 42.3 percent had a defined benefit plan only and 40.8 percent had a defined contribution plan only. However, virtually all of the change occurred prior to 1998, except for a significant decline in defined benefit only coverage that occurred from 2004–2007.[10]

Figure 2
Retirement Plan Type of Family Head Participants by Employer Size and Industry, 1992, 1995, 2001, 2004, and 2007

	1992				1995				2001				2004				2007			
	DB[a] only	DC[b] only	Both DB[a] DC[b]	Any DC[b]	DB[a] only	DC[b] only	Both DB[a] DC[b]	Any DC[b]	DB[a] only	DC[b] only	Both DB[a] DC[b]	Any DC[b]	DB[a] only	DC[b] only	Both DB[a] DC[b]	Any DC[b]	DB[a] only	DC[b] only	Both only	Any DC[b]
	(percentage)																			
All	42.3%	40.8%	17.0%	57.8%	27.2%	56.2%	16.1%	72.3%	21.3%	61.5%	17.1%	78.7%	25.8%	56.3%	18.0%	74.2%	18.1%	63.5%	18.5%	82.0%
Employer Size																				
Fewer than 10 employees	34.2	56.4	9.4	65.8	45.7	49.6	4.7	54.3	16.5	77.1	6.4	83.5	30.1	63.8	6.2	70.0	10.0	86.1	3.8	90.0
10–19	63.0	30.1	7.0	37.1	31.2	64.7	4.1	68.8	12.8	80.5	6.7	87.2	18.2	73.5	8.3	81.8	6.9	91.8	1.4	93.1
20–99	38.0	54.6	7.4	62.0	26.8	64.3	8.8	73.1	15.3	76.3	8.4	84.7	20.1	69.9	10.0	79.9	15.3	73.7	11.0	84.7
100–499	44.4	44.0	11.6	55.6	23.2	63.6	13.2	76.8	22.0	64.6	13.4	78.0	30.2	54.9	15.0	69.8	20.6	66.3	13.2	79.4
500 or more	41.6	36.8	21.6	58.4	28.1	52.2	19.7	71.9	23.5	54.3	22.2	76.5	25.9	51.6	22.6	74.1	18.8	58.0	23.2	81.2
Industry																				
Agriculture, forestry, and fisheries	29.8	70.2	0.0	70.2	43.8	56.2	0.0	56.2	0.0	83.7	16.3	100.0	25.8	60.4	13.8	74.2	17.3	82.7	0.0	82.7
Mining and construction	42.6	43.9	13.5	57.4	31.5	60.6	7.9	68.5	23.9	55.6	20.5	76.1	28.3	57.6	14.1	71.7	24.2	61.8	14.0	75.8
Manufacturing	34.5	43.5	22.0	65.5	22.3	60.9	16.8	77.7	18.4	64.4	17.2	81.6	19.6	64.8	15.7	80.5	6.2	78.2	15.6	93.8
Wholesale and retail trade	26.5	61.2	12.3	73.5	18.7	69.8	11.5	81.3	12.5	74.1	13.4	87.5	9.7	75.5	14.8	90.3	10.6	81.3	8.1	89.4
Finance, insurance, real estate, and business and repair services	28.0	48.5	23.5	72.0	18.1	58.0	23.9	81.9	9.6	72.2	18.2	90.4	17.0	67.4	15.6	83.0	8.3	71.8	19.9	91.7
Transportation, communications, public utilities, and personal and professional services	50.3	35.6	14.1	49.7	30.1	55.4	14.5	69.9	26.0	60.1	13.9	74.0	29.0	54.6	16.4	71.0	20.4	61.4	18.3	79.6
Public Administration	60.2	23.4	16.4	39.8	48.9	29.4	21.7	51.1	39.0	30.0	31.1	61.0	46.8	18.3	35.0	53.2	37.7	28.5	33.8	62.3

Source: Employee Benefit Research Institute estimates of the 1992, 1995, 2001, 2004, and 2007 Survey of Consumer Finances.

[a] Defined benefit pension.

[b] Defined contribution (401(k)-type) plan.

Note: The 2004 SCF revised the retirement plan identification variables, so the time series should be used with caution.

Employer Size—In 2007, family heads who worked for the largest employers were more likely to have a defined benefit plan (either alone or with a defined contribution plan) than those who worked for smaller employers. For example, 42.0 percent of participants who worked for an employer with 500 or more employees had a defined benefit plan, compared with 8.3 percent of participants working for an employer with 10–19 employees. Consequently, workers for smaller employers who participated in a plan had a higher likelihood of having only a defined contribution plan than those who worked for larger employers.

The percentage of working family heads who participated in a defined benefit retirement plan decreased across all employer sizes. Furthermore, the percentage in a defined contribution plan reached its highest levels. This continues a trend that has been ongoing since 1992, but which appeared to accelerate from 2004–2007, after changes to the questions about pension plans in the 2004 Survey of Consumer Finances resulted in a higher percentage of family heads participating in a defined benefit plan.[11]

Industry—Family heads who worked in public administration and participated in a retirement plan had the highest percentage with a defined benefit plan only, at 37.7 percent in 2007. The next-highest level (24.2 percent) was among those working in mining and construction. Family heads working in public administration also had the highest percentage with both a defined benefit and a defined contribution plan. Workers in the agriculture, forestry, and fisheries industry had the highest percentage with a defined contribution plan only, at 82.7 percent.

The percentage of retirement plan participants across all industries who had a defined benefit plan only declined significantly from 1992–2007. Despite the overall drop, family heads who worked in the public administration industry and participated in a plan had a substantial increase in their likelihood of having both a defined benefit and defined contribution plan (16.4 percent to 33.8 percent).

Asset Allocation in IRAs and 401(k)-Type Plans

In classifying where IRA and 401(k)-type plan[12] owners invest their assets, the SCF asks if the assets in these plans were invested: 1) all in stocks, 2) in all interest-earning assets, or 3) split. If the respondent answered “split,” the percentage in stocks was then asked.[13] The results of the asset allocation of family heads within IRAs and 401(k)-type plans are compared across demographic categories and types of plans owned by the percentage of assets invested in stocks, with a particular focus on the investing patterns of those with both IRAs and 401(k)-type plans.[14, 15]

Demographic Characteristics—According to the SCF, among IRA participants, 27.8 percent had their assets invested all in stocks and 21.9 percent were invested all in interest-earning assets in 2007, while 401(k)-type plan participants had a virtually identical percentage of 27.5 percent invested all in stocks and 20.5 percent all in interest-earning assets (Figure 3). The distribution of those participants who split their assets between stocks and interest earning assets was almost identical as well between both IRAs and 401(k)s.

The percentage of participants with assets invested all in interest-earning assets decreased as family income increased for participants in both types of plans ($25,000 and above for IRA participants). For 401(k)-type plan participants, this percentage decreased from 45.3 percent among family heads with family incomes of $10,000–$25,000 to 12.2 percent for those with family income of $100,000 or more. The percentage with all their investments in stocks was fairly consistent across income categories, but larger allocations to stocks increased as family income increased.

As family head IRA participants’ ages increased, the likelihood that they were invested all in stocks decreased until the participants reach 65 or older, where the all stock percentage leveled off. For those under age 35, 35.2 percent were invested all in stocks, compared with 22.9 percent of those ages 55–64. Age did not have a significant impact on the probability of a 401(k)-type participant being invested all in stocks, according to the SCF.[16]

As the educational attainment of the family head increased, the likelihood that IRA participants were invested all in interest-earning assets decreased. Specifically, 34.4 percent of family head IRA participants without a high school diploma were invested all in interest-earning assets, compared with 18.1 percent among those with a college degree. This pattern also emerged for 401(k)-type plan participants.

Figure 3

Percentage of Individual Retirement Accounts (IRAs) and 401(k)-Type Plan[a] Family Head Participants in Percentage Groupings of Equity Allocation, by Family Head Characteristics, 2007

	IRAs						401(k)-Type Plans[a]					
	All	Stock allocation					All	Stock allocation				
Category	interest earning	1%–25%	26%–50%	51%–75%	76%–99%	100%	interest earning	1%–25%	26%–50%	51%–75%	76%–99%	100%
Total	21.9%	8.6%	22.8%	12.3%	6.6%	27.8%	20.5%	8.4%	21.7%	13.9%	8.0%	27.5%
Family Income												
<10,000	29.2	0.0	14.4	12.2	14.0	30.2	b	b	b	b	b	b
$10,000 up to $25,000	29.3	9.7	27.6	6.1	2.9	24.4	45.3	2.8	9.0	11.1	1.7	30.2
$25,000 up to $50,000	30.6	10.4	23.4	10.6	5.0	19.9	31.6	10.2	22.3	6.9	4.3	24.6
$50,000 up to $100,000	19.8	10.3	23.1	11.2	7.7	27.9	19.7	8.1	23.6	15.2	6.4	27.1
$100,000 or more	16.5	6.0	21.4	15.7	7.3	33.2	12.2	8.5	21.1	16.8	12.4	29.0
Age of Head												
<35	17.9	12.7	13.0	10.3	10.8	35.2	26.0	7.7	19.7	12.8	9.9	23.8
35–44	19.7	8.1	23.4	11.3	7.0	30.6	18.8	6.5	22.6	13.3	9.2	29.7
45–54	21.0	7.7	21.6	14.4	6.3	29.0	17.0	11.0	22.8	15.4	5.8	28.0
55–64	15.9	9.6	28.7	15.4	7.6	22.9	22.3	8.0	18.3	13.8	8.4	29.2
65–74	27.7	7.9	21.6	11.8	5.4	25.5	16.7	4.3	36.6	12.5	7.8	22.2
75+	36.8	5.4	24.6	4.6	1.9	26.6	b	b	b	b	b	b
Education of Head												
No high school diploma	34.4	9.4	28.7	4.5	0.0	23.0	36.0	8.4	20.7	4.2	0.0	30.8
High school diploma	30.6	11.7	21.9	10.3	2.0	23.5	30.8	12.1	19.8	6.5	3.3	27.5
Some college	21.7	8.1	23.1	10.0	4.9	32.2	23.8	8.3	25.8	10.1	6.2	25.7
College degree	18.1	7.5	22.7	14.1	9.2	28.5	13.6	6.7	21.3	19.2	11.4	27.8
Race												
White Non Hispanic	21.7	8.3	23.4	12.9	6.7	27.2	17.7	8.7	21.8	14.9	9.8	27.2
Nonwhite	23.7	10.5	19.4	7.9	6.5	32.0	28.0	7.6	21.5	11.3	3.4	28.2
Net Worth Percentile												
Bottom 25%	24.1	11.8	17.7	13.7	8.8	23.9	29.3	9.1	17.3	11.8	7.8	24.6
25%–49.9%	22.6	14.4	20.9	10.1	6.4	25.6	19.2	10.8	25.7	10.8	5.2	28.3
50%–74.9%	25.1	7.5	27.1	10.8	4.3	25.2	18.4	8.1	22.6	14.1	8.6	28.2
75%–89.9%	20.8	6.4	24.2	12.6	5.5	30.5	15.1	3.6	19.6	18.6	11.4	31.7
Top 10%	14.8	4.6	18.7	15.8	11.3	34.9	12.2	6.3	23.3	22.0	10.8	25.4

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

[a] Sec. 401(k) plans are combined with Sec. 403(b) plans, thrift savings plans, and supplemental retirement annuities.

[b] Fewer than 10 observations.

Among IRA participants, the race of the family head did not have a significant effect on the probability of being invested all in stocks, but white, non-Hispanic family heads had a lower likelihood of being invested all in interest-earning assets. However, white, non-Hispanic family head 401(k)-type plan participants were significantly less likely to be invested all in interest-earning assets than nonwhite participants. The IRA participants' rising level of net worth was associated with an increased probability of being invested all in stocks, while for 401(k)-type participants an increase in the level of the participant's net worth was consistent with a lower likelihood of being invested all in interest-earning assets. The other extreme allocation for the IRA and 401(k)-type participants did not have a clear result as net worth increased.

Asset Allocation Comparison Among Plan Types—As shown previously, the probability of being invested in various levels of stocks was similar for IRA and 401(k)-type plan participants. However, among IRA participants there seems to be a significant difference in the likelihood of being invested all in stocks or all in interest-earning assets that is related to whether they also owned a 401(k)-type plan (Figure 4). Twenty-four percent of those who did *not* own a 401(k)-type plan were invested all in interest-earning assets, compared with 17.1 percent of those who *did* own one. Among IRA participants who had rollover assets, there was a lower likelihood of being all in interest-earning assets, relative to those IRA participants without rollover assets.

Among 401(k)-type participants, those without an IRA were more likely to be all invested in interest-earning assets and less likely to be invested all in equities (Figure 4). For those without an IRA, 24.2 percent were invested all in interest-earning assets, while 13.2 percent of those with an IRA were all in interest-earning assets. The 401(k)-type participants with an IRA were also more likely to have a stock allocation of more than half of their assets than were the 401(k)-type participants without an IRA.

Figure 4

Percentage of Individual Retirement Accounts (IRAs) and 401(k)-Type Plan[a] Family Head Participants in Various Asset Allocation Categories, by Plan Types, 2007

Retirement Plan Type and Other Factor	All Interest Earning	Stock Allocation 1%–25%	26%–50%	51%–75%	76%–99%	100%
				(percentage)		
IRAs	21.9%	8.6%	22.8%	12.3%	6.6%	27.8%
With 401(k)-type plan[a]	17.1	6.9	21.9	13.6	7.5	33.0
Without a 401(k)-type plan[a]	24.3	9.4	23.3	11.6	6.2	25.3
With rollover	16.2	10.8	22.8	15.2	9.1	26.0
Without rollover	24.6	7.5	22.9	10.9	5.5	28.7
401(k)-Type Plan[a]	20.5	8.4	21.7	13.9	8.0	27.5
With IRA	13.2	6.6	20.6	20.0	10.0	29.7
Without IRA	24.2	9.3	22.3	10.9	7.1	26.4

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

[a] Sec. 401(k) plans are combined with Sec. 403(b) plans, thrift savings plans, and supplemental retirement annuities.

Asset Allocation Between Plan Types—One issue that arises when studying the asset allocation in one specific plan such as an IRA or a 401(k)-type plan is that the owner may be investing in a completely different manner in another plan or in his/her other asset holdings. Therefore, examining how owners of both an IRA and a 401(k)-type plan allocate their balances across asset classes can show whether they are consistent in their choice of investment vehicles. Figure 5 presents the joint distribution of family head's investment in IRAs and 401(k)-type plans for those owning both types of plans. For example, 17.2 percent of these individuals owning both plans allocate all their assets in each plan to stocks, while 3.6 percent allocate all their assets in both plans to interest-earning assets.

The bottom portion of Figure 5 looks at the conditional probability of what will be the investment allocation in the IRA, given a certain amount of stock investment in the 401(k)-type plan. Of those investing more than 75 percent of their assets in stocks in their 401(k)-type plan, 50.4 percent invested all of their assets in stocks in their IRA and 61.8 percent had more than 75 percent in stocks in their IRA. Of those who had 25 percent or less invested in stocks in their 401(k)-type plan, 32 percent had all their IRA assets invested in interest-earning assets and 40.1 percent with 25 percent or less in stocks.

If the family head had more than 75 percent of the assets in his or her 401(k)-type plan and the IRA assets included rollover assets, the investment in the IRA was more likely to have a higher stock allocation (73.8 percent of those with a rollover had more than 50 percent in stocks, compared with 65.9 percent of those with no rollover). For family heads with low investment in stocks (25 percent or less) in their 401(k)-type plan, a rollover also led to a higher likelihood of being invested more in stocks in the IRA than those without a rollover (44.5 percent, compared with 36.9 percent having more than 50 percent in stocks in their IRA).[17]

Asset Allocation by Defined Benefit Status and Account Balance—Family heads who participate in both a 401(k)-type plan and a defined benefit plan are more likely to have more than half of their assets in the 401(k)-type plan invested in stocks than are 401(k)-type participants who are *not* also in a defined benefit plan, as 54.0 percent of those *with* a defined benefit plan had more than half invested in stocks, compared with 48.1 percent of those *without* a defined benefit plan (Figure 6). Furthermore, 401(k)-type participants without a defined benefit plan are more likely to be invested all in interest-earning assets than those with a defined benefit plan. If the participant did not have a defined benefit plan but his or her spouse did, the percentage more invested in stocks was higher than for all of the participants without a defined benefit plan. In particular, 32.6 percent of those without a defined benefit plan but with a spouse who had a defined plan were all invested in stock, compared with 26.7 percent for all of those without a defined benefit plan.

Perceived Value of Defined Benefit Plan—For family head 401(k) participants with a defined benefit plan, the percentage having more than half of their assets in the 401(k) in stocks increased with the perceived value of the defined benefit (Figure 6). Of those with a perceived defined benefit value of less than $5,000 annually, 28.6 percent had more than 50 percent of their assets in stocks, compared with 60.2 percent of those with a perceived value of $40,000 or more annually. Furthermore, participants with a perceived defined benefit value of less than $5,000 annually were almost twice as likely as the next highest group to be invested in all interesting earning assets (36.8 percent, compared with 19.7 percent).

These data suggest that the higher the perceived value of a "traditional" defined benefit pension plan the more likely account owners were to take on more investment risk with their defined contribution (401(k)-type) retirement plan.

Account Balance of 401(k)-Type Plan—Family head 401(k)-type participants were more likely to have more than half of their account invested in stocks as the account balance increases to $50,000; thereafter, the probability levels off, if not decreases, once the account balance surpasses $100,000 (Figure 6). Among 401(k)-type participants with an account balance less than $5,000, 43.9 percent had more than half of their account balance invested in stocks, compared with 49.8 percent of those with a balance of $50,000 up to $100,000.[18] Furthermore, approximately 58 percent of those with an account balance of $100,000 or more had more than half of their account balance invested in stocks.

Figure 5

Joint and Conditional Distributions of IRA Stock Allocations by Family Head IRA Owners Who Are Also 401(k)-Type Plan[a] Participants, 2007

401(k)-Type Plan[a] Stock Allocation	All Interest Earning	IRA Stock Allocation 1%–25%	26%–50%	51%–75%	76%–99%	100%
			Joint Distribution[b] (Percentage)			
All Interest Earning	3.6%	0.3%	3.1%	1.0%	0.8%	4.4%
1%–25%	2.7	1.3	1.2	0.3	0.2	0.8
26%–50%	3.8	1.7	7.9	3.3	0.8	3.1
51%–75%	1.7	2.0	4.2	6.3	1.2	4.6
76%–99%	1.5	0.3	1.7	0.8	3.0	2.8
100%	3.9	1.3	3.8	1.8	1.6	17.2
Conditional Distribution,[c] by 401(k)-Type Plan Stock Allocation and Rollover Status of the IRA						
Greater than 75%	13.6	4.1	13.8	6.7	11.4	50.4
Rollover	7.0	8.3	11.0	11.8	11.2	50.8
No rollover	16.8	2.1	15.2	4.2	11.5	50.2
25% or Less	32.0	8.1	21.6	6.5	5.1	26.8
Rollover	32.2	6.8	16.4	2.8	11.1	30.6
No rollover	31.9	8.4	22.8	7.4	3.7	25.8

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

[a] Sec. 401(k) plans are combined with Sec. 403(b) plans, thrift savings plans, and supplemental retirement annuities.

[b] The joint distribution is the probability that individuals owning both plan types will have the various combinations of allocations across the two plans. Consequently, the sum of each of the elements in the joint distribution should be 100 percent

[c] The conditional distribution is the probability an individual with a specific 401(k)-type plan allocation (i.e., 75 percent or greater) will have each possible IRA allocation. The row should will equal 100 percent.

Figure 6

Percentage of Family Head 401(k)-Type Plan[a] Participants in Various Asset Allocation Categories, by Defined Benefit Plan Status and Account Balance, 2007

Category	All Interest Earning	Stock Allocation 1%–25%	26%–50%	51%–75%	76%–99%	100%
			(percentage)			
Family Head	20.5%	8.4%	21.7%	13.9%	8.0%	27.5%
With defined benefit plan	11.1	12.8	22.0	15.6	8.1	30.3
Without defined benefit plan	23.1	7.1	21.6	13.4	8.0	26.7
Without defined benefit plan but spouse with one	20.1	2.9	29.6	8.9	6.0	32.6
Head/Perceived Value of Defined Benefit Plan						
Less than $5,000 annually	36.8	15.3	19.3	5.4	0.0	23.2
$5,000 up to $15,000 annually	19.7	17.2	17.9	7.5	5.2	32.5
$15,000 up to $40,000 annually	7.8	16.5	21.0	15.6	3.1	36.0
$40,000 or more annually	10.3	9.5	19.9	19.3	12.8	28.1
Head/Account Balance						
Less than $5,000	31.5	5.5	19.1	9.9	6.4	27.6
$5,000 up to $20,000	22.6	10.4	20.0	14.4	4.5	28.2
$20,000 up to $50,000	17.3	9.1	27.2	8.1	7.0	31.4
$50,000 up to $100,000	21.6	8.3	20.3	14.9	12.2	22.7
$100,000 or more	10.9	8.3	22.7	20.0	10.7	27.4

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances

[a] Sec. 401(k) plans are combined with Sec. 403(b) plans, thrift savings plans, and supplemental retirement annuities.

Conclusion

The percentage of family heads who participated in an employment-based pension or retirement plan remained basically unchanged from 1992–2001 (at 48.7 percent) before declining nearly 2 percentage points by 2007 to 46.9 percent. Over that period, a dramatic shift occurred in the types of plans in which these family heads participated, as those with a defined contribution (401(k)-type) plan grew by more than 40 percent.

Due to the increased participation in defined contribution plans, the manner in which participants allocate their assets within these plans could have a significant effect upon the assets they ultimately will have available in retirement. However, even with increased experience and use of these types of plans, the need for more financial education of participants still appears to exist, as the distribution of participants invested in each proportion of stocks was found not to vary significantly with age until the participant reached age 65. Furthermore, higher educational attainment, income, and net worth are correlated with more investment in stocks. Historically, stocks have produced significantly higher returns than interest-earning assets, in addition to having significantly greater volatility.

In addition to demographic factors related to family heads, asset allocation within a family head's retirement plan seems to be affected by his or her ownership of other types of retirement plans. Both those who own 401(k)-type plans and those who own IRAs are more likely to be invested all in stocks if they also own the other type of plan, although some of the difference related to IRAs is due to the high percentage of older IRA participants without a 401(k)-type plan. Ownership of a defined benefit plan also is correlated with an increased probability of a 401(k)-type participant being invested all in stocks. Consequently, as family heads have more accounts or more wealth, they are more likely to be more invested in stocks. Furthermore, those family heads who are invested more heavily in stocks in their 401(k)-type plan and also own an IRA have a high probability of also being heavily invested in stocks in their IRA. Consequently, participants in these plans generally invest in them in the same manner, despite some participants having significantly different allocations across the two plans.

While these results provide important information on behavior within retirement savings plans, they do not include the type of detail on asset allocation within 401(k) plans that is provided by the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.[19] However, the results reported in this article help refine predictions of behavior *within* retirement plans that can be used both for policy decisions and in models such as RSPM to predict retirees' future income. More realistic estimates of future retirees' financial status can be assessed as policymakers face decisions on how to address the economic security issues arising from the upcoming retirement of the baby boom generation.

Endnotes

[1] See Jack VanDerhei and Craig Copeland, "Can America Afford Tomorrow's Retirees: Results from the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief*, no. 263 (Employee Benefit Research Institute, November 2003).

[2] See Craig Copeland, "Employment-Based Retirement and Pension Plan Participation: Geographic Differences and Trends, 2008," *EBRI Issue Brief,* no. 336 (Employee Benefit Research Institute, November 2009).

[3] See Craig Copeland, "Individual Account Retirement Plans: An Analysis of the 2007 Survey of Consumer Finances, With Market Adjustments to June 2009," *EBRI Issue Brief*, no. 333 (Employee Benefit Research Institute, August 2009).

[4] See Jack VanDerhei, Sarah Holden, and Luis Alonso, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008," *EBRI Issue Brief,* no. 335 (Employee Benefit Research Institute, October 2009) for the latest results from this project.

[5] See Craig Copeland, "Retirement Plan Participation and Asset Allocation, 2004" *EBRI Notes*, no. 2 (Employee Benefit Research Institute, February 2007): 1–9.

[6] See Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, Vol. 95 (February 2009): A1–A55, for more detail about the Survey of Consumer Finances.

[7] From Current Population Survey (CPS) data, the percentage of all workers participating in an employment-based retirement plan was 41.9 percent in 2004 before declining to 39.7 percent in 2006, rising to 41.5 percent in 2007, and declining to 40.5 percent in 2008. These CPS levels are expected to be lower than the results for just family heads in this study, as the CPS results include younger workers and spouses with a lower likelihood of a strong attachment to the work force. See Copeland (November 2009), op. cit*.,* for further results from CPS.

[8] A decline was found in the results from CPS for 2004 to 2007 (Copeland, November 2009), op. cit*.* However, an increase in participation was found from the National Compensation Survey conducted by the Bureau of Labor Statistics. See www.bls.gov/ncs/ncspubs.htm for results of the various years of the National Compensation Survey. Also see Patrick Purcell, "Pension Sponsorship and Participation: Summary of Recent Trends," *CRS Reports for Congress,* RL30122 (Congressional Research Service, September 11, 2009) for further discussion on the different results from the various surveys.

[9] These sponsorship rates and levels of participation cannot be used to calculate "participation rates" (percentage of retirement plan eligible workers who participate in the plan), as the sponsorship rate in this study includes any worker who works for an employer that sponsors a plan regardless of his or her eligibility status. For participation rate trends from SCF, see Copeland (August 2009), op. cit.

[10] The 2004 Survey of Consumer Finances' questions on employment-based retirement plans were significantly revised from prior years' surveys and retained in 2007. One of the goals of these revisions was to better identify the type of plan in which the workers were participating. This includes differentiating between defined benefit and defined contribution, but also within the plan types. Therefore, a cash balance answer was added, and as well as a 401(k) plan, thrift saving plan, and 403(b) plan designation, among others, instead of just a 401(k)-type plan grouping as before. However, by including these revisions in the survey, the trends across plan types cannot be directly assessed. The revised questions appear to be better able to identify defined benefit plans, particularly hybrid plans such as cash balance plans. Therefore, the increased percentage of workers with a defined benefit plan found in 2004 is more likely due to better identification of plan type than to an actual change to defined benefit plans.

[11] See endnote 10 for more discussion of the changes in the questions regarding employment-based retirement plan identification.

[12] The term *401(k)-type plan* is used in this study, since SCF combined Sec. 401(k) plans with Sec. 403(b) plans and supplemental retirement annuities into one category in surveys prior to 2004. For consistency purposes, the plans are grouped in this publication to allow for a comparison with prior years. Thus, these are *not* pure 401(k) plan results.

[13] The type of interest-earning asset or stock is not identified in these questions.

[14] This article does not examine the percentage of families or family heads who own IRAs or 401(k)-type plans. It only examines the asset allocation of those who do own such accounts. Copeland (August 2009), op. cit., found from the 2007 SCF that 30.6 percent of families owned an IRA/Keogh and 32.3 percent of all families had a member participating in a 401(k)-type plan. Furthermore, 34.0 percent of those families that owned an IRA had a rollover IRA, but 47.3 percent of the IRA assets were attributable to rollover IRAs.

[15] Prior to the 2004 survey, very broad general asset categories were used: 1) mostly or all in stocks, 2) mostly or all in interest-earning assets, 3) split between stock and interest-earning assets, and 4) other, although there are small differences in the classifications between the two types of accounts. However, in the 2004 survey, more specific allocation was asked for those split between stocks and interest-earning assets. Therefore, the results prior to 2004 are not directly comparable with the results from the this study, but since the results in this study for 2007 have the percentage of assets invested in stocks reported by quartiles, a general comparison can be made against the more general categories. See Craig Copeland,

"Retirement Plan Participation and Asset Allocation," *EBRI Notes*, no. 1 (Employee Benefit Research Institute, January 2004): 1–11, for results from the 1992–2001 Surveys of Consumer Finances on asset allocation from 401(k)-type plans and IRAs.

[16] VanDerhei, Holden, and Alonso (2009), op. cit*.,* found that the percentage of 401(k) participants invested in equities decreased as they became older after the initial jump from those in their 20s to those in their 30s. However, the percentage with the highest allocation of equities was fairly consistent among those in their 30s through their 50s, with a drop-off for participants in their 20s and 60s.

[17] These numbers are determined by adding up the percentage in each category (51%–75%, 76%–99%, and 100%) with a more than 50 percent allocation to stocks in the IRA. For example, for those with a rollover, 2.8 percent (51%–75%) plus 11.1 percent (76%–99%) plus 30.6 percent (100%) equals 44.5 percent.

[18] These numbers are determined by adding up the percentage in each category (51%–75%, 76%–99%, and 100%) with a more than 50 percent allocation to stocks in the 401(k)-type plan.

[19] See VanDerhei, Holden, and Alonso (2009), op. cit.

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