401(k) Plan Account Balances, Asset Allocation, and Loan Activity in 2001

Account Balances

- In 2001, the average 401(k) account balance (net of plan loans) for all participants was $43,215, and the median (mid-point) account balance was $12,810, according to year-end data from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.\(^1\)

- The average account balance of participants who held accounts in year-end 1999, 2000, and 2001 declined by 3.8 percent from 1999 to 2001. Analyzing a consistent group of participants removes the effect of participants entering and leaving plans on the overall average. The average 401(k) account balance of this consistent group of participants was essentially unchanged from 1999–2000. Average account balances for this consistent group were $61,116 at year-end 1999, $61,125 at year-end 2000, and $58,785 at year-end 2001. The change in a participant’s account balance reflects contributions, investment returns, withdrawals, borrowing, and loan repayments.

- Among participants in the 2001 EBRI/ICI database, both age and tenure are positively correlated with account balances. This is because younger workers are likely to have lower incomes and to have spent less time with their current employer in which to accumulate a balance. In addition, younger workers are less likely than older workers to have rolled over assets from a previous job’s plan into the current plan accounts.

- The average account balance for plan participants in their 60s who had been at their current job for two years or less was $14,275, compared with $162,042 for participants in their 60s with at least 30 years of tenure. The average account balance for those in their 40s who had been at their current position for two years or less was $10,756, compared with $82,996 for participants in their 40s with more than 20 years tenure.

Asset Allocation

- 401(k) participants in the 2001 EBRI/ICI database had, on average, 47.7 percent of their plan balance invested in equity funds, 16.8 percent invested in company stock, 13.6 percent in guaranteed investment contracts (GICs) and other stable value funds, 8.0 percent in balanced funds, 7.6 percent in bond funds, 5.2 percent in money funds, and 1.1 percent in other fund types or where the type of fund was unknown (see Figure 1, next page).

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\(^1\) The EBRI/ICI 401(k) data collection project is the most comprehensive source of 401(k) plan participant-level data available to date, and contains 14.6 million active 401(k) plan participants in 48,786 plans with $632.7 billion in assets. The 2001 database accounts for 12 percent of all 401(k) plans, 33 percent of all 401(k) participants, and about 36 percent of the assets held in 401(k) plans.
Participant asset allocation varies considerably by age. Younger participants tend to invest a greater percentage of their account balances in equity funds; older participants are more disposed to invest in GICs. On average, participants in their 20s have 58.6 percent of their account balances in equity funds, compared with 36.2 percent for those in their 60s. Participants in their 20s invest 6.1 percent of their account balance in GICs and other stable value funds, compared with 24.0 percent for those in their 60s.

**Loan Activity**

- Of the 14.6 million 401(k) plan participants in the EBRI/ICI database, 80 percent were offered a plan loan by the plan sponsor. However, as has been the case for the six years that the EBRI/ICI databases have tracked 401(k) plan participants’ loan activity, few participants have loans outstanding. At year-end 2001, only 16 percent of those eligible for loans have loans outstanding.

- Loan activity varies by age. Individuals in their 40s (19 percent), 30s (17 percent), and 50s (15 percent) were most likely to utilize the loan provision. Nine percent of participants in their 20s and 8 percent of those in their 60s had loans outstanding.

- Loan activity varies by job tenure. Individuals with 10–20 years and 20–30 years job tenure were most likely to have a loan outstanding, 25 percent each. Those with zero–two years of job tenure were least likely to have a loan outstanding, 3 percent.

- For those with outstanding loans at the end of 2001, the average level of the unpaid balance as a percentage of account balances was 14 percent.

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