EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

At a Glance | January 2, 2020

What Happens to Asset Allocation When Participants Roll 401(k) Plan Assets Into IRAs?

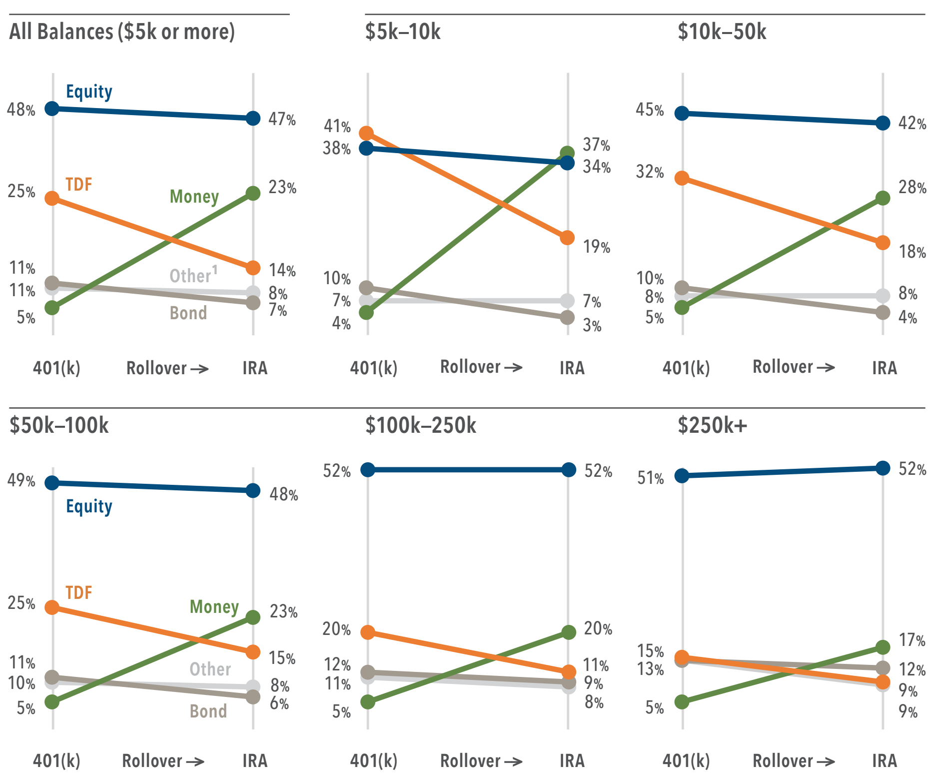
The asset allocation of 401(k) plan participant accounts before a rollover to an individual retirement account (IRA) is compared with the asset allocation in the IRA at the end of the year after the rollover.

FROM 401(K) TO IRA

Assets were much more likely to be in money after a rollover from a 401(k) into an IRA. Even though target-date/balanced funds (TDFs) were specifically designed to make the asset allocation automatic, assets are not being allocated the same way when they are rolled into IRAs.

As the size of rollover balances grew, the average asset allocations were increasingly likely to look the same after a rollover from 401(k) plans to IRAs. The average equity allocations were virtually equal for balances of $50,000 or more. However, the allocation to TDFs consistently decreased, while the money allocation consistently increased after the rollover.

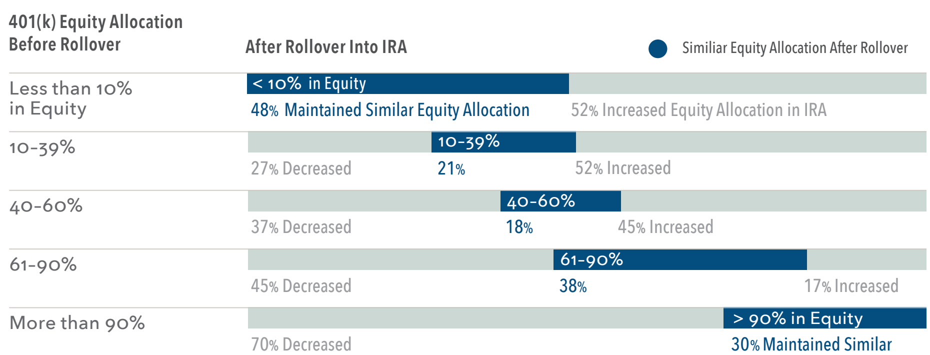
Average Asset Allocations Before and After Rollover From 401(k) Plan to IRA
By Rollover Balance



SHIFTING EQUITY

Of the accounts that started with less than 10 percent of assets allocated to equities, just under half maintained a similar allocation when rolled over to IRAs. Of 401(k) plans with more than 90 percent in equities, only 30 percent still had this allocation when rolled over to IRAs.

Equity Allocation in 401(k) Plans Before vs. After a Rollover Into IRAs (Rollover Balances of $5,000 or More)



SOURCE: Craig Copeland, "Comparing Asset Allocation Before and After a Rollover From 401(k) Plans to Individual Retirement Accounts," *EBRI Issue Brief*, no. 495 (Employee Benefit Research Institute, November 7, 2019).

1. Other: Assets that do not fit into the other categories, such as real estate, fixed and variable annuities, etc.