

Individual Account Retirement Plans: An Analysis of the 2001 Survey of Consumer Finances

by Craig Copeland, EBRI

EBRI
EMPLOYEE
BENEFIT
RESEARCH
INSTITUTE®

Issue Brief

- This *Issue Brief* updates the work done on previous versions of the Survey of Consumer Finances (SCF) by the Employee Benefit Research Institute (EBRI) with results from the 2001 SCF, which provides the most recent estimates of Americans' entire portfolio of wealth. The SCF not only includes levels of participation in all employment-based retirement plans and individual retirement accounts (IRAs) by families, but also the amount in these accounts. In addition, it has data on families' *total* assets (not just retirement assets), so the level of importance that these plans represent can be determined.
- In 2001, 41.6 percent of families included a participant in an employment-based retirement plan (either a defined benefit or defined contribution plan) from a current job. This was up from 38.8 percent in 1992, but virtually unchanged from 41.0 percent in 1998. While a significant shift in the plan type occurred from 1992 to 1998, with the percentage of families that had a plan having only a defined benefit plan decreasing from 40 percent to 20.7 percent, there was a very small change in the type of plans the families had from 1998 to 2001, with 19.5 percent of families that had a plan in 2001 having only a defined benefit plan. The percentage of families participating in a plan but with only a defined contribution plan followed the opposite trend, rising from 37.5 percent in 1992 to 57.0 percent in 1998 and to 57.7 percent in 2001.
- In 2001, 31.4 percent of families owned either an IRA or a Keogh plan. This is an increase from 28.4 percent in 1998 and 26.1 percent in 1992. Furthermore, 58.6 percent of families had a participant in a current or previous employer's retirement plan or an IRA/Keogh, which is an increase from the 53.3 percent in 1992.
- Among all families with a defined contribution plan in 2001, the median (mid-point) plan balance was \$18,000. This is an 81.8 percent increase from the 1992 value of \$9,899 (expressed in constant 2001 dollars) and a 10.2 percent increase from the 1998 value of \$16,328 (2001 dollars). Among families with an IRA/Keogh plan, the median value of their plan was \$27,000 in 2001, a 24 percent increase from \$21,770 in 1998.
- The most commonly owned IRA was the regular IRA, with 42.2 percent of the family heads who owned an IRA owning only that type. The next largest singly owned IRA type was the rollover, at 25.7 percent, followed by the Roth IRA at 16.4 percent. However, when broken down by assets, family heads with rollover-IRAs-only moved to the top spot, accounting for 36.0 percent of the total assets, while the owners of regular-IRAs-only accounted for 31.3 percent of the assets.

Table of Contents

Introduction	3
Trends in Participation	4
Employment-Based Retirement Plan Participation ..	4
Defined Contribution Plan Participation Rates of Family Heads	6
IRA/Keogh Participation—All Families	8
Retirement Plan Participation From Any Source—All Families	10
Individual Account Plan Balances	10
Median Value of Defined Contribution Plans Among Current Job Participants—All Families	10
Median Values of IRA/Keogh Plans	12
Percentage of Financial Assets From Defined Contribution and IRA/Keogh Plans	12
Relative Importance of IRAs vs. Employment-Based Individual Account Plans	14
IRA Types and the Impact of Rollovers on the Relative Values of IRAs	15
Conclusion	20
References	24
Endnotes	25

Figures

Figure 1, Percentage of All Families With an Employment-Based Retirement Plan, by Various Demographic Categories, 1992, 1998, and 2001	5
Figure 2, Percentage of Families With Family Head Under Age 65 and a Worker With an Employment-Based Retirement Plan, by Various Demographic Categories, 1992, 1998, and 2001	7
Figure 3, Participation Rates of Family Heads Eligible for an Employment-Based Defined Contribution Plan, 1995, 1998, and 2001	8
Figure 4, Percentage of Families With an IRA/Keogh, by Various Demographic Categories, 1992, 1998, and 2001	9

Figure 5, Percentage of All Families With a Retirement Plan From a Current or Previous Employer or an IRA/Keogh Plan, 1992, 1998, and 2001	10
--	----

Figure 6, Median Defined Contribution Plan Balances for Families With a Current Employer Defined Contribution Plan, by Various Demographic Categories, 1992, 1998, and 2001	11
---	----

Figure 7, Median Percentage of Financial Assets in Employment-Based Defined Contribution Plans and IRAs for All Families With the Specified Asset, by Various Demographic/Economic Categories, 1992, 1998, and 2001	13
---	----

Figure 8a, Mean Balances for All Families With a Personal Account Plan, by Various Demographic Categories, 1992	16
---	----

Figure 8b, Mean Balances for All Families With a Personal Account Plan, by Various Demographic Categories, 2001	17
---	----

Figure 9, Percentage of Individual Retirement Account (IRA) Ownership, by Family Heads, by Type or Combination of Types, 2001	18
---	----

Figure 10, Percentage of Individual Retirement Account (IRA) Assets, by Type or Combination of Types Owned by Family Heads, 2001	19
--	----

Figure 11a, Percentage of Family Heads With an IRA/Keogh and Percentage With Certain Types of IRAs, by Various Demographic Categories, 2001 ...	20
---	----

Figure 11b, Average Balance of Family Heads' IRA/Keoghs and Certain Types of IRAs and Ratio of Rollover IRA Balances to Nonrollover Balances, by Various Demographic Categories, 2001	21
---	----

Figure 12, Median and Mean Net Worth For Families With and Without an Individual Account Retirement Plan, by Family Income and Family Head Age, 2001	23
--	----

This publication is available for purchase online. Visit www.ebri.org/publications or call (202) 659-0570.

Introduction

The employment-based retirement system in the United States has become increasingly reliant on

retirement plans that offer lump-sum distributions both at preretirement termination of employment and upon full retirement. This payment option is increasingly present in defined benefit plans, particularly those described as “cash balance,” or other hybrid plans that communicate benefits to participants as an individual account balance.¹ As a result, increasing numbers of workers—and retired workers—are taking lump-sum distributions rather than annuitizing their retirement assets, which in turn has made it more difficult to analyze the retirement income that will be delivered by the employment-based system. This is true of all plans that pay *any* lump-sum distributions, making far more complex the long-standing argument about which plan type is “superior.”

This *Issue Brief* examines participation in all plans that are considered retirement income sources. However, measuring “plan participation” is not enough to determine how Americans are doing in their preparation for retirement, as it is essential to also have an estimate of the assets that this participation generates. Thus, an estimation of the median and average amounts of assets in individual account retirement plans is also provided as a gauge of Americans’ preparation for financial security in retirement. And it must be stressed that even

this is only an indicator, because individuals’ financial security in retirement will ultimately be determined by how they take distributions, how they invest them, and how fast they spend them. Retirement plans can help workers accumulate assets but, when individuals are given *choices*, it is their *actions* that will ultimately determine whether or not they achieve financial security.

The Survey of Consumer Finances (SCF), the Federal Reserve Board’s triennial survey of wealth, is a valuable resource for evaluating retirement account balances that may be available to families.² This *Issue Brief* updates the work done on previous versions of the SCF by the Employee Benefit Research Institute (EBRI) (i.e., Copeland and VanDerhei, 2000) with results from the 2001 SCF, which provides the most recent estimates of Americans’ entire portfolio of wealth. The SCF not only includes levels of participation in all employment-based retirement plans and individual retirement accounts (IRAs) by families, but also the amount in these accounts. In addition, it has data on families’ *total* assets (not just retirement assets), so the level of importance that these plans represent can be determined. Furthermore, this research supplements previous research by EBRI on workers’ retirement plan participation, participation in IRAs, median and average account balances in retirement plans, participation in various types of retirement plans, and lump-sum distributions from employment-based retirement plans.³

This *Issue Brief* starts by investigating the percentage of families that participate in various types of retirement plans, including IRAs. Next, it provides both median and mean estimates of these accounts, as well as the percentage of financial assets that they represent and the relative percentages they provide within the retirement plan universe. The following section focuses on IRAs to determine more closely the relative importance of rollovers to the total IRA market and therefore the full impact of the employment-based retirement plan system on total assets. The conclusion summarizes the report’s findings.

Craig Copeland of EBRI wrote this *Issue Brief* with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

Trends in Participation

The first part of this section examines participation in employment-based defined benefit and defined contribu-

tion retirement plans at the family level, including trends for the years 1992, 1998, and 2001. All families and families with a head under age 65 and a worker (either the head or the spouse) are studied to determine how all families as well as working families are doing in terms of benefits from employment-based retirement plan sources. These families are broken down into various demographic characteristics of the family heads to show the influence of these characteristics. In addition, the participation rates of eligible family heads in defined contribution plans are investigated for 1995, 1998, and 2001.

The second part assesses the prevalence of IRA and Keogh plan ownership by families, since these plans are an important component of retirement savings as well as, in many cases, a depository for prior jobs' defined contribution benefits. In addition, the ownership of any of these types of plans is determined for all families.

Employment-Based Retirement Plan Participation

All Families—In 2001, 41.6 percent of families included a participant in an employment-based retirement plan (either a defined benefit or defined contribution plan) from a current job (Figure 1). This was up from 38.8 percent in 1992, but virtually unchanged from 41.0 percent in 1998. While a significant shift in the plan type occurred from 1992 to 1998, with the percentage of families that had a plan having only a defined benefit plan decreasing from 40 percent to 20.7 percent, there was a very small change in the type of plans the families had from 1998 to 2001, with 19.5 percent of families that

had a plan in 2001 having only a defined benefit plan. The percentage of families participating in a plan but with only a defined contribution plan followed the opposite trend, rising from 37.5 percent in 1992 to 57.0 percent in 1998 and to 57.7 percent in 2001. Among families that participated in a plan, the one plan that had some significant growth was the 401(k)-type plan, which increased from 64.3 percent in 1998 to 66.5 percent in 2001 after a more than doubling from 1992 to 1998.

Participation in an employment-based retirement plan is strongly linked to family income and the educational level of the family head. In 2001, only 3.5 percent of families with annual income less than \$10,000 had a participant in a plan from a current job, compared with 67.1 percent of the families with income of \$100,000 or more. Among families with a head who had not attained a high school diploma, 12.7 percent had a participant in a plan. In contrast, 57.9 percent of families with a head who had obtained a college degree or higher had a participant in a plan. These differences also existed in 1992 and 1998.⁴

However, a significant change between races occurred between 1998 and 2001. While families with a white, non-Hispanic family head still were more likely to have a participant in an employment-based retirement plan, the gap in this likelihood between families with white and nonwhite heads closed significantly over the period.⁵ In 1998, 43.3 percent of families with a white family head had a participant in a plan, compared with 33.1 percent of families with a nonwhite head (a difference of 10.2 percentage points). By 2001, the percentage of families with a white family head who had a plan participant declined slightly to 42.7 percent, while the percentage of families with a nonwhite family head that had a plan participant increased to 38.1 percent (a difference of only 4.6 percentage points, due almost entirely to growth in retirement plan participation by nonwhite family heads).

Home ownership by a family is a strong indicator of the family's likelihood of having an employment-

Figure 1.

**PERCENTAGE OF ALL FAMILIES WITH AN EMPLOYMENT-BASED RETIREMENT PLAN,
BY VARIOUS DEMOGRAPHIC CATEGORIES, 1992, 1998, AND 2001**

	Of Those Participating, 1992					Of Those Participating, 1998					Of Those Participating, 2001					
	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	Of those with 401(k)-type plan with a DB ^a plan	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	Of those with 401(k)-type plan with a DB ^a plan	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	Of those with 401(k)-type plan with a DB ^a plan	
Total	38.8%	40.0%	37.5%	22.5%	31.6%	39.2%	41.0%	57.0%	22.4%	64.3%	27.3%	41.6%	57.7%	22.8%	66.5%	26.6%
Family Income																
Less than \$10,000	2.8	65.3	34.7	0.0	14.4	0.0	4.7	71.7	4.0	57.7	6.9	3.5	59.4	7.8	59.8	13.0
\$10,000–\$24,999	16.1	48.6	46.8	4.7	11.9	6.3	13.7	65.4	8.7	58.5	7.9	15.3	24.6	5.8	58.3	9.0
\$25,000–\$49,999	43.4	49.5	38.8	11.7	26.0	19.9	43.1	62.8	16.1	63.3	20.3	39.8	64.6	10.3	60.1	11.6
\$50,000–\$99,999	67.7	36.1	33.6	30.3	35.2	47.8	67.1	50.5	28.5	65.4	35.5	65.0	55.5	27.4	70.4	30.5
\$100,000 or more	63.8	22.7	38.9	38.4	48.7	51.0	69.4	57.7	25.7	66.4	27.9	67.1	49.9	34.8	69.8	39.5
Age of Family Head (years)																
Less than 35	39.3	37.0	47.7	15.3	36.2	26.4	41.6	64.9	18.2	71.3	20.9	42.8	69.9	15.5	73.6	17.9
35–44	55.8	39.5	35.8	24.7	32.4	40.3	57.9	59.9	24.8	69.0	28.6	59.6	59.4	24.1	70.3	27.1
45–54	58.9	40.1	31.8	28.2	28.2	53.3	56.8	51.5	23.0	57.7	29.8	58.4	48.5	27.6	61.9	34.1
55–64	40.8	43.8	33.4	22.8	29.2	44.4	43.9	49.2	25.3	59.4	33.6	42.2	53.4	22.9	58.8	26.3
65–74	7.6	57.9	30.7	11.5	22.7	20.4	11.2	44.4	11.1	40.6	19.0	7.4	58.7	12.3	44.7	24.9
75 +	0.3	1.4	98.3	0.4	0.4	100.0	0.9	99.7	0.0	44.5	0.0	1.1	6.8	45.6	47.3	96.2
Education of Family Head																
Below HS diploma	14.3	51.0	37.0	12.0	21.1	20.6	15.7	71.3	11.0	62.2	15.5	12.7	55.6	11.0	56.3	16.9
HS diploma	36.2	43.6	37.3	19.2	26.2	35.2	37.3	58.0	19.9	64.7	23.6	38.4	21.1	20.0	64.9	23.7
Some college	41.3	38.5	39.8	21.7	27.8	45.5	44.0	54.2	23.8	62.0	31.2	42.1	60.1	21.1	65.2	24.2
College degree	55.5	36.7	36.8	26.6	38.3	40.7	55.5	55.6	24.9	65.3	29.6	57.9	56.3	26.4	69.1	30.0
Race																
White non-Hispanic	41.3	37.9	37.6	24.4	34.8	40.0	43.3	57.3	22.8	65.3	28.1	42.7	56.5	24.7	66.8	29.0
Nonwhite	31.1	48.5	37.0	14.6	19.0	33.1	33.1	55.5	20.3	59.6	23.4	38.1	62.2	16.0	65.4	17.9
Working Status of Family Head																
For someone else	61.4	39.4	37.2	23.4	32.8	39.2	60.8	56.6	24.3	66.7	28.9	60.8	57.4	23.6	68.0	27.2
Self-employed	30.4	40.5	43.9	15.7	27.3	46.2	30.6	64.6	8.9	51.4	11.9	29.2	23.9	14.4	51.2	18.7
Retired	4.6	66.0	18.6	15.4	10.4	51.2	4.5	41.7	8.2	38.2	14.2	3.7	24.0	24.0	60.8	35.8
Other nonwork	7.3	26.6	51.9	21.6	29.6	3.4	9.1	65.5	4.2	36.7	0.0	7.0	73.0	12.4	77.3	6.0
Housing status																
Own	44.9	37.6	35.9	26.5	34.1	44.6	47.7	54.2	25.2	64.4	31.3	47.6	55.5	26.0	67.0	29.6
Rent	28.1	46.8	42.1	11.1	24.8	18.1	27.9	66.2	13.0	63.9	13.8	29.0	65.6	11.6	65.0	16.0
Net Worth Percentile																
Bottom 25%	21.4	46.2	46.9	7.0	21.1	12.4	21.2	63.8	10.7	55.7	10.3	22.8	29.9	9.5	56.9	14.2
25–49.9%	41.0	45.0	36.9	18.1	26.8	33.1	45.4	61.0	17.7	66.1	21.1	43.1	19.5	15.8	69.8	19.4
50–74.9%	48.1	40.6	35.3	24.1	33.1	38.9	50.6	54.2	26.9	65.7	31.8	53.2	19.4	29.3	66.4	31.3
75–89.9%	47.7	36.2	33.7	30.1	38.0	46.4	49.6	50.9	28.4	65.2	36.0	49.9	15.5	29.3	66.9	34.6
Top 10%	40.3	24.1	39.9	36.0	42.3	55.9	43.0	56.7	25.4	64.5	33.4	43.4	60.9	26.3	70.6	31.0

Source: Employee Benefit Research Institute estimates of the 1992, 1998, and 2001 Survey of Consumer Finances.
 Note: All income values are in 2001 dollars.
^a Defined benefit.

based retirement plan participant. Approximately 48 percent of families who owned their home had a plan participant in 2001, compared with just 29.0 percent of families that rented their residence. This difference has persisted since 1992. In terms of net worth, families in the 50–74.9th-percentile range of net worth were most likely to have a retirement plan participant, while the two higher percentile breaks investigated had lower levels. However, these higher percentile families still had a higher likelihood of having a participant than those in the bottom 25th percentile of net worth. Again, this difference was consistent across the three years examined.

Families With Head Who Was Under Age 65 and a Worker—The percentage of families with a family head who was under age 65 and a worker that had a participant in an employment-based retirement plan increased slightly in 2001 to 57.4 percent from 56.8 percent in 1998. This 1998 percentage was actually slightly lower than the 57.1 percent level of 1992 (Figure 2). Consequently, over the entire 1992 to 2001 period, the level of participation for this type of family was virtually unchanged. As for changes within the various demographic categories, as well as over the 1992 to 2001 period, the results were qualitatively virtually identical to the results for all families' participation. The percentages of participation across the various categories are higher, because families that have a worker are more likely to have a plan participant than those without a worker.

Defined Contribution Plan Participation Rates of Family Heads

Because most employment-based defined contribution plans are voluntary, individuals who are eligible to participate must choose to do so. The probability of an individual choosing to participate in a plan is correlated with various individual characteristics. Overall in 2001, 74.8 percent of defined contribution plan-eligible family heads chose to participate in the plan (conversely, a quarter of eligible family heads chose not to participate).

This was a decrease from 77.3 percent in 1998, but still higher than the 73.8 percent participation rate in 1995 (Figure 3).⁶ However, in 2001, a higher percentage of family heads who worked for an employer that offered a defined contribution plan to *any* of its employees were eligible to participate in the plan. The additional workers who were eligible in many cases would have been those who typically would not participate in the plan, such as part-time or shorter tenure workers. Consequently, some of the reduced level of participation was due to the increased eligibility of individuals who were less likely to participate in a plan, as opposed to all of the reduction being attributable to fewer individuals choosing to participate in a plan.⁷ A trend that continued in 2001 was the decline in the percentage of defined contribution plan-eligible family heads who were not participating in the defined contribution plan who were participants in a defined benefit plan. This percentage decreased from 45.0 percent in 1995 and 40.3 percent in 1998 to 34.8 percent in 2001.

Demographic differences that have persisted over the three years were the increased likelihood of plan participation as family income, family net worth, or education level increased, as well as higher participation rates among family heads who owned their homes. For example, in 2001, the participation rate increased from 53.1 percent of individuals with family income less than \$10,000 a year to 84.8 percent of individuals with family income of \$100,000 or more.

The one major change in participation rates was between the race categories: in 1995 and 1998, white family heads were significantly more likely to have participated in a plan when eligible than nonwhite family heads. However, in 2001, this difference virtually disappeared, as white family heads had a 74.9 percent participation rate, compared with a nonwhite family head participation rate of 74.4 percent. Another change is the decrease from 1995 to 2002 in the participation rate among those ages 55–64 and an increase in the participation rate among those ages 35–44.

There is no clear pattern across the demographic

Figure 2

PERCENTAGE OF FAMILIES WITH FAMILY HEAD UNDER AGE 65 AND A WORKER WITH AN EMPLOYMENT-BASED RETIREMENT PLAN, BY VARIOUS DEMOGRAPHIC CATEGORIES, 1992, 1998, AND 2001

	Of Those Participating, 1992				Of Those Participating, 1998				Of Those Participating, 2001						
	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	Of those with 401(k)-type plan with a DB ^a plan		
Total	57.1%	39.6%	37.6%	22.8%	31.9%	20.0%	57.3%	22.8%	65.1%	27.5%	57.4%	19.2%	57.9%	67.0%	26.5%
Family Income															
Less than \$10,000	10.3	65.3	34.7	0.0	14.4	0.0	71.2	4.1	58.7	6.9	10.7	32.9	59.4	7.8	13.0
\$10,000-\$24,999	29.7	48.2	46.9	4.9	11.7	6.8	65.7	9.1	59.5	8.2	27.3	25.1	68.9	6.0	9.2
\$25,000-\$49,999	57.2	49.0	39.4	11.6	26.6	20.1	63.1	16.3	64.2	20.1	51.2	24.8	64.7	10.5	11.8
\$50,000-\$99,999	77.0	36.0	33.3	30.7	35.1	48.6	50.8	29.1	65.9	36.0	74.1	16.7	55.9	27.4	30.1
\$100,000 or more	71.5	22.1	39.3	38.6	49.0	50.6	58.2	25.9	67.5	28.3	78.4	15.1	49.8	35.1	39.8
Age of Family Head (years)															
Less than 35	45.8	37.0	47.7	15.3	36.2	26.4	64.9	18.2	71.3	20.9	46.3	14.6	69.9	15.5	17.9
35-44	62.0	39.5	35.8	24.7	32.4	40.3	59.9	24.8	69.0	28.6	63.2	16.5	59.4	24.1	27.1
45-54	65.1	40.1	31.8	28.2	28.2	53.3	51.5	23.0	57.7	29.8	64.7	23.9	48.5	27.6	34.1
55-64	60.6	43.8	33.4	22.8	29.2	44.4	49.2	25.3	59.4	33.6	55.1	23.8	53.4	22.9	26.3
Education of Family Head															
Below HS diploma	34.8	50.3	37.8	11.9	21.7	21.8	74.4	11.8	64.7	16.0	27.5	33.7	55.0	11.3	17.5
HS diploma	52.6	43.6	36.8	19.7	25.9	36.2	58.0	20.4	66.1	23.5	52.9	20.3	59.3	20.5	24.0
Some college	57.2	38.3	39.9	21.8	28.0	45.5	54.4	24.4	62.4	31.8	54.2	19.1	59.8	21.2	24.1
College degree	67.2	36.1	37.1	26.8	38.8	40.6	55.8	25.1	65.7	29.8	70.8	17.2	56.5	26.3	29.7
Race															
White non-Hispanic	60.5	37.4	37.8	24.8	35.0	40.4	57.6	23.2	66.2	28.2	59.7	18.5	56.6	24.9	28.9
Nonwhite	46.6	48.5	36.9	14.5	19.5	33.1	55.7	20.8	59.9	23.9	50.6	21.7	62.4	15.9	17.8
Housing status															
Own	66.5	37.0	35.9	27.0	34.4	45.2	54.6	25.8	65.5	31.5	67.0	18.2	55.5	26.2	29.6
Rent	41.0	46.7	42.3	11.0	25.1	18.1	66.0	13.1	63.7	14.0	38.6	22.7	65.8	11.5	15.7
Net Worth Percentile															
Bottom 25%	34.1	46.2	46.9	7.0	21.1	12.4	63.8	10.7	55.7	10.3	31.4	29.9	60.6	9.5	14.2
25-49.9%	54.6	45.1	36.8	18.1	27.3	33.1	61.6	17.7	67.1	21.2	56.5	19.7	64.5	15.7	19.2
50-74.9%	71.0	40.0	35.4	24.6	33.2	39.9	54.2	28.2	66.9	32.7	74.1	18.8	51.4	29.8	31.5
75-89.9%	72.7	35.4	33.6	31.0	38.6	47.5	51.1	28.2	65.2	35.4	72.3	14.7	55.8	29.5	33.8
Top 10%	61.9	22.4	40.8	36.8	43.3	55.3	57.2	26.8	66.2	34.5	65.0	12.2	60.9	26.9	31.7

Source: Employee Benefit Research Institute estimates of the 1992, 1998, and 2001 Survey of Consumer Finances.
 Note: All income values are in 2001 dollars.
^a Defined benefit.

Figure 3
**PARTICIPATION RATES OF FAMILY HEADS ELIGIBLE FOR AN EMPLOYMENT-BASED
 DEFINED CONTRIBUTION PLAN, 1995, 1998, AND 2001**

	1995			1998			2001		
	Percentage eligible	Percentage participating	Percentage of DC ^a non-participants who participated in a DB ^b plan	Percentage eligible	Percentage participating	Percentage of DC ^a non-participants who participated in a DB ^b plan	Percentage eligible	Percentage participating	Percentage of DC ^a non-participants who participated in a DB ^b plan
Total	88.9%	73.8%	45.0%	89.3%	77.3%	40.3%	91.7%	74.8%	34.8%
Family Income									
Less than \$10,000	46.0	43.6	3.1	61.0	41.6	9.0	66.7	53.1	13.4
\$10,000–\$24,999	77.0	56.3	22.0	74.6	53.5	18.4	80.5	60.8	8.4
\$25,000–\$49,999	88.6	72.1	57.7	87.8	74.5	37.4	89.0	69.2	41.0
\$50,000–\$99,999	95.8	79.1	46.5	94.8	84.4	55.9	94.2	77.7	36.2
\$100,000 or more	96.3	83.2	60.0	97.6	85.9	72.8	97.8	84.8	53.6
Age of Family Head (years)									
Less than 35	85.2	72.4	30.8	82.4	71.6	18.9	87.1	69.7	18.5
35–44	90.9	74.6	44.2	91.8	79.1	39.1	94.4	81.0	33.9
45–54	92.8	73.6	56.4	93.8	78.1	63.4	94.8	73.9	52.5
55–64	88.7	82.4	60.3	94.0	83.6	66.2	94.0	76.0	42.0
65–74	71.0	55.0	81.6	69.0	68.8	33.2	66.6	44.9	38.0
75+	93.6	26.1	14.9	100.0	99.6	18.0	59.4	38.5	0.1
Education of Family Head									
Below HS diploma	79.1	62.1	46.0	78.0	71.0	15.4	84.0	52.6	31.6
HS diploma	89.4	67.9	39.5	88.2	75.5	30.5	90.3	69.7	39.0
Some college	86.9	74.0	49.1	88.1	69.9	43.6	88.4	72.9	24.4
College degree	91.3	79.7	48.2	92.4	82.8	52.2	95.1	81.5	37.4
Race									
White non-Hispanic	89.4	75.5	44.7	90.6	79.0	44.0	91.8	74.9	34.8
Nonwhite	87.1	67.5	45.6	83.7	69.6	28.8	91.4	74.4	34.7
Housing status									
Own	93.1	76.9	50.7	92.9	82.9	53.9	93.6	79.5	41.4
Rent	80.2	66.3	35.3	81.4	63.2	24.4	87.2	62.6	25.5
Net Worth Percentile									
Bottom 25%	72.1	58.6	28.9	75.9	54.2	20.7	82.4	54.7	26.5
25–49.9%	91.1	71.1	49.9	89.2	76.6	42.6	91.6	71.1	31.4
50–74.9%	93.9	75.3	52.4	94.2	84.2	45.4	94.6	80.0	49.1
75–89.9%	92.9	81.5	51.6	95.0	82.6	75.1	95.7	86.4	26.8
Top 10%	95.7	89.3	35.4	95.4	91.9	66.2	95.9	87.1	54.7

Source: Employee Benefit Research Institute estimates of the 1995, 1998, and 2001 Survey of Consumer Finances.

Note: Income categories are in 2001 dollars.

^a Defined contribution.

^b Defined benefit.

categories or years of study in the percentage of those not participating in a defined contribution plan who participated in a defined benefit plan, except that the percentage of those who had a high likelihood of having the defined benefit plan in 1998 declined significantly in 2001. For example, in 1998, 72.8 percent of the defined contribution plan nonparticipants with annual income of \$100,000 or more participated in a defined benefit plan, whereas in 2001 this percentage had decreased to 53.6 percent.

IRA/Keogh Participation—All Families

In 2001, 31.4 percent of families owned either an IRA or a Keogh plan (Figure 4). This is an increase from 28.4 percent in 1998 and 26.1 percent in 1992. Ownership of an IRA increased with family income, the family head's educational level, and the family's net worth. The proportion of families with family income of less than \$10,000 a year that owned an IRA/Keogh was 6.6 percent in 2001 and 66.6 percent of families with \$100,000 or more of annual family income. The percentage owning an IRA/Keogh across net worth increased even more substantially: from 4.8 percent of those whose net worth was in the lowest 25th percentile to 81.2 of those whose net worth was in the top 10 percent. These differences were

Figure 4
PERCENTAGE OF FAMILIES WITH AN IRA^a/KEOGH, BY VARIOUS DEMOGRAPHIC CATEGORIES, 1992, 1998, AND 2001

	Percentage With IRA/Keogh			Median Value of Those With an IRA/Keogh		
	1992	1998	2001	1992	1998	2001
Total	26.1%	28.4%	31.4%	\$18,561	\$21,770	\$27,000
Family Income						
Less than \$10,000	4.1	4.1	6.6	11,137	21,770	10,000
\$10,000–\$24,999	11.4	12.9	12.6	8,043	11,974	11,000
\$25,000–\$49,999	22.4	26.3	26.3	13,611	11,974	16,000
\$50,000–\$99,999	41.7	40.8	41.8	18,561	21,770	24,500
\$100,000 or more	68.8	62.8	66.6	37,122	63,133	56,000
Age of Family Head (years)						
Less than 35	13.1	14.5	18.3	6,311	5,660	7,000
35–44	27.8	27.9	29.5	13,611	14,151	15,000
45–54	34.1	34.8	38.7	21,655	23,947	40,000
55–64	44.5	42.1	41.5	28,460	38,098	45,000
65–74	33.7	42.7	41.9	24,748	41,363	60,000
75+	6.8	15.8	25.5	34,647	32,655	46,000
Education of Family Head						
Below HS diploma	7.6	10.3	8.7	9,899	10,885	18,000
HS diploma	19.7	21.2	22.3	16,086	17,416	18,000
Some college	26.1	28.9	28.1	14,849	16,328	17,000
College degree	43.8	43.9	52.3	22,273	28,628	36,000
Race						
White non-Hispanic	31.1	32.5	36.6	18,561	23,947	30,000
Nonwhite	10.8	13.9	14.7	10,518	9,797	9,000
Working Status of Family Head						
For someone else	27.5	27.4	30.3	14,849	15,239	16,000
Self-employed	42.9	45.0	49.8	27,223	45,717	50,000
Retired	22.3	27.5	27.0	21,036	37,227	52,000
Other nonwork	8.5	8.8	20.6	11,137	10,885	22,000
Housing status						
Own	34.7	36.5	40.3	19,798	26,124	30,850
Rent	10.7	12.4	12.6	10,147	9,252	8,000
Net Worth Percentile						
Bottom 25%	2.4	5.6	4.8	2,846	2,177	2,900
25–49.9%	12.9	15.5	16.9	4,950	5,987	5,500
50–74.9%	29.6	30.6	35.1	12,374	16,328	16,000
75–89.9%	52.5	53.9	60.3	22,273	30,151	45,000
Top 10%	69.9	73.5	81.2	49,496	81,638	105,000

Source: Employee Benefit Research Institute estimates of the 1992, 1998, and 2001 Survey of Consumer Finances.

Note: All income values are in 2001 dollars.

^a Individual retirement account.

consistent over the years of the study.

The ownership of IRA/Keoghs increased with family head age through age 75, when the percentage of ownership declined significantly. However, families with a head age 75 or older experienced a significant increase in the likelihood of owning an IRA/Keogh from 1992 (6.8 percent) to 2001 (25.5 percent). Families with a white family head were significantly more likely to own

an IRA/Keogh than families with nonwhite heads (36.6 percent versus 14.7 percent), and have been since 1992.

Retirement Plan Participation From Any Source—All Families

In 2001, 58.6 percent of families had a participant in a current or previous employer's retirement plan or an IRA/Keogh (Figure 5). The percentage participating in these plans increased with family income, net worth, and educational level of the family head. Families with a white family head and that owned their home were more likely to have participated in one of these plans. Approximately 50 percent of families with a head under age 35 participated in one of these plans. This percentage increased to 73.5 percent for families with a head from age 45 to age 54, before decreasing with age to 26.0 percent of families with a head age 75 or older.

In 1992, 53.3 percent of all families had a participant in a current or previous employer's retirement plan or an IRA/Keogh. This proportion increased to 56.3 percent in 1998. The same differences across the demographic groups that were discussed above for 2001 were also present in 1992 and 1998, but in most cases families' participation levels were lower.

Individual Account Plan Balances

Median Value of Defined Contribution Plans Among Current Job Participants—All Families

Among all families with a defined contribution plan in 2001, the median (mid-point) plan balance was \$18,000 (Figure 6).⁸ This is an 81.8 percent increase from the 1992 value of \$9,899 (expressed in constant 2001 dollars) and a 10.2 percent increase from the 1998 value of

Figure 5
PERCENTAGE OF ALL FAMILIES WITH A RETIREMENT PLAN FROM A CURRENT OR PREVIOUS EMPLOYER OR AN IRA^a/KEOGH PLAN, 1992, 1998, AND 2001

	1992	1998	2001
Total	53.3%	56.3%	58.6%
Family Income			
Less than \$10,000	7.7	9.4	12.0
\$10,000–\$24,999	27.7	27.4	27.0
\$25,000–\$49,999	60.5	60.8	58.8
\$50,000–\$99,999	83.6	83.0	83.2
\$100,000 or more	87.2	91.4	91.7
Age of Family Head (years)			
Less than 35	47.2	48.2	50.4
35–44	68.1	68.4	69.3
45–54	72.0	69.6	73.5
55–64	63.7	66.5	66.7
65–74	37.9	49.8	46.3
75+	6.8	16.7	26.0
Education of Family Head			
Below HS diploma	21.7	25.3	21.2
HS diploma	50.0	50.0	53.2
Some college	56.6	59.8	59.6
College degree	74.6	75.9	80.7
Race			
White non-Hispanic	58.0	61.0	63.0
Nonwhite	38.9	40.3	44.4
Working Status of Family Head			
For someone else	70.5	69.0	70.1
Self-employed	57.5	59.9	64.6
Retired	26.8	31.9	31.1
Other nonwork	18.1	19.4	27.3
Housing status			
Own	62.5	66.1	68.6
Rent	36.8	37.2	37.5
Net Worth Percentile			
Bottom 25%	25.3	26.7	27.4
25–49.9%	51.4	54.6	53.1
50–74.9%	61.6	63.7	69.9
75–89.9%	73.5	77.3	80.2

Source: Employee Benefit Research Institute estimates of the 1992, 1998, and 2001 Survey of Consumer Finances.

Note: All income values are in 2001 dollars.

^a Individual retirement account.

Figure 6

MEDIAN DEFINED CONTRIBUTION PLAN BALANCES FOR FAMILIES WITH A CURRENT EMPLOYER DEFINED CONTRIBUTION PLAN, BY VARIOUS DEMOGRAPHIC CATEGORIES, 1992, 1998, AND 2001

	1992				1998				2001							
	Any defined contribution plan only	Defined contribution with benefit plan	401(k)-type plan only	401(k)-type plan with benefit plan	Any defined contribution plan only	Defined contribution with benefit plan	401(k)-type plan only	401(k)-type plan with benefit plan	Any defined contribution plan only	Defined contribution with benefit plan	401(k)-type plan only	401(k)-type plan with benefit plan				
Total	\$9,899	\$7,424	\$16,086	\$12,374	\$22,273	\$8,662	\$14,151	\$22,859	\$16,328	\$27,213	\$13,062	\$18,000	\$30,000	\$18,000	\$14,000	\$14,000
Family Income																
Less than \$10,000	a	a	a	a	a	a	1,306	1,306	1,415	a	1,524	400	300	a	a	a
\$10,000-\$24,999	2,475	2,104	a	1,856	a	1,856	2,177	2,177	2,612	1,959	1,959	2,000	2,000	2,800	2,600	2,600
\$25,000-\$49,999	4,950	4,455	7,424	4,950	8,662	3,712	7,620	7,620	5,443	7,075	7,620	7,500	7,000	10,320	7,000	7,000
\$50,000-\$99,999	14,849	14,849	14,849	16,086	16,086	16,086	22,097	23,947	27,213	23,947	20,682	24,000	20,000	27,000	22,000	20,000
\$100,000 or more	49,496	37,122	55,683	52,465	61,870	43,309	65,310	54,425	65,310	70,753	65,310	62,000	58,000	66,000	62,000	51,500
Age of Family Head (years)																
Less than 35	4,331	3,341	7,424	6,187	9,899	4,950	5,443	4,789	7,075	5,443	4,898	5,500	5,000	7,000	6,000	5,500
35-44	7,424	6,187	9,899	8,662	14,849	6,806	16,328	16,328	21,770	17,416	16,328	21,000	17,000	35,000	24,000	18,000
45-54	24,748	17,324	34,647	34,647	44,546	19,798	27,213	27,213	27,213	29,390	32,655	26,000	24,000	30,000	25,000	24,000
55-64	23,511	14,849	37,122	27,222	47,021	12,003	30,478	22,859	43,540	30,532	43,540	45,000	30,000	62,000	43,500	30,000
65-74	7,424	6,806	a	6,187	a	a	11,974	9,797	11,974	a	11,974	25,000	15,000	50,000	11,000	4,000
75+	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Education of Family Head																
Below HS diploma	3,960	3,341	14,849	3,712	a	3,217	10,885	6,531	a	11,974	a	5,000	4,500	6,000	5,000	4,500
HS diploma	6,806	6,187	7,424	7,424	9,899	6,187	11,974	11,974	21,770	17,974	23,947	11,974	9,000	23,000	10,500	18,100
Some college	8,662	6,187	12,374	16,086	17,324	7,976	14,151	13,062	17,851	13,062	20,355	13,000	11,500	21,000	13,000	12,000
College degree	16,705	11,013	25,985	17,324	33,410	9,899	21,770	21,770	27,213	22,859	20,680	30,000	24,000	50,000	29,999	23,000
Race																
White non-Hispanic	10,147	7,424	16,086	12,374	22,273	8,662	17,416	15,239	27,213	17,960	14,151	22,000	17,000	33,000	20,000	16,500
Nonwhite	8,662	7,177	17,324	12,127	24,748	7,177	10,885	10,885	8,164	11,974	9,035	8,500	7,800	10,000	9,100	9,100
Working Status of Family Head																
For someone else	9,899	6,806	16,086	12,374	21,036	7,424	15,783	14,151	22,097	16,328	13,062	17,000	13,000	28,000	17,000	14,000
Self-employed	22,273	17,324	37,122	32,172	49,496	25,985	26,124	25,036	38,098	22,859	38,098	43,000	37,000	47,000	37,000	30,000
Retired	9,652	a	a	a	a	a	11,974	15,239	a	7,620	a	29,000	12,000	60,000	20,000	8,499
Other nonwork	3,712	a	a	a	a	a	6,313	5,443	a	a	a	10,000	4,000	a	5,000	4,000
Housing status																
Own	13,611	11,013	17,324	16,705	24,748	11,137	22,423	21,770	27,213	22,859	20,682	25,000	20,500	33,000	25,000	20,500
Rent	4,331	3,341	13,611	5,197	16,086	3,712	5,225	4,572	7,620	5,443	4,789	4,000	4,000	10,000	4,000	4,000
Net Worth Percentile																
Bottom 25%	1,485	1,237	2,970	1,237	a	1,237	2,177	1,959	2,177	1,959	2,177	1,900	1,800	2,000	1,800	1,800
25-49.9%	4,950	4,702	4,950	6,187	7,424	4,950	7,620	7,620	7,620	7,620	7,620	7,000	7,000	8,000	7,000	7,000
50-74.9%	12,374	12,374	12,374	14,849	16,086	12,374	26,124	26,668	24,274	27,213	27,213	26,000	25,000	30,000	26,000	25,000
75-89.9%	34,647	30,935	37,122	34,647	34,647	24,748	54,425	48,983	65,310	58,344	76,195	54,000	38,000	80,000	60,000	47,000
Top 10%	74,244	68,057	98,992	98,992	98,992	87,360	100,142	87,080	131,709	97,965	114,293	137,000	135,000	162,000	140,000	137,000

Source: Employee Benefit Research Institute estimates of the 1992, 1998, and 2001 Survey of Consumer Finances.
 Note: All income and asset values are in 2001 dollars.
 a Sample size not sufficient for a reliable estimate.

\$16,328 (2001 dollars).⁹ The median balance increased with family income, family head age (through age 65), family head's education level, and family net worth. The same patterns held true in 1992 and 1998. While families with a white family head had higher median balances in 1992 and 1998, the difference between the balances of families with white and nonwhite family heads grew in 2001. In 1998, the median balance for defined contribution plans of families with a white family head was \$17,416, compared with \$10,885 for families with a nonwhite head. The median balance for families with a white family head increased to \$22,000 in 2001, whereas for families with a nonwhite family the balance decreased to \$8,500. This growing gap between the two groups can be partially attributable to the reduction in the participation gap between the two types of families discussed previously, since many newly participating nonwhite-led families would have lower balances.

A noteworthy finding when examining balances across the types of employment-based retirement plans is that families with both a defined benefit plan and a 401(k)-type plan have a higher median balance in the 401(k)-type plan than families that have only a 401(k)-type plan. In 2001, the median balance in a 401(k)-type plan for families with a defined benefit plan and a 401(k)-type plan was \$30,000, while the median balance was \$14,000 for families with only a 401(k)-type plan. This difference also occurred in the two prior years and was found in almost all the demographic breakdowns with the exception of families with incomes in the \$25,000–\$49,999 range. This suggests that families that participate in both types of plans (a defined benefit and a 401(k)-type plan) tend to either (1) be more highly compensated and are therefore more able to save, (2) have a more generous defined contribution plan, or (3) have traits in common with those that tend to save more.

Median Values of IRA/Keogh Plans

Among families with an IRA/Keogh plan, the median value of their plan was \$27,000 in 2001, a 24 percent increase from \$21,770 in 1998 (Figure 4). From 1992 to 2001, the median IRA/Keogh balance increased 45.5 percent, from \$18,561 in 1992. Again, the factors that were related to higher median IRA/Keogh balances were the same as those related to higher defined contribution plan balances, but with a few exceptions. The IRA/Keogh balance increased through the 65–74 age group, rather than through the 55–64 age group, as was the case for defined contribution plan balances. Education level of the family head did not appear to affect the median balance until the highest education level was obtained, as opposed to the steady increase with education level associated with defined contribution plan balances. The widening of the gap in 2001 between the median balances of those families with a white family head relative to those with a nonwhite family head was reflected in the IRA/Keogh balances, as it was in the defined contribution plan balances.

Percentage of Financial Assets From Defined Contribution and IRA/Keogh Plans

The importance of individual account plans to the total financial assets of families that have these plans can be measured by the percentage of financial assets that the plans represent. In 2001, defined contribution plan assets comprised 45.6 percent of total financial assets for the median family that participated in such a plan, a small increase from 1998 when they represented 44.4 percent of the families' total financial assets (Figure 7). Among families with defined contribution and/or IRA/Keogh plans in 2001, these assets comprised a median of 49.9 percent of their total financial assets. This is slightly lower than the median percentage of 51.0 percent in 1998. However, the 2001 median percentage was substantially larger than the 1992 percentage of total assets that defined contribution plans and/or IRA/

Figure 7
**MEDIAN PERCENTAGE OF FINANCIAL ASSETS IN EMPLOYMENT-BASED
 DEFINED CONTRIBUTION PLANS AND IRAS^a FOR ALL FAMILIES WITH THE SPECIFIED ASSET,
 BY VARIOUS DEMOGRAPHIC/ECONOMIC CATEGORIES, 1992, 1998, AND 2001**

	1992		1998		2001	
	Of those with a DC ^b balance percentage of financial assets DC balance represents ^c	Of those with a DC ^b or IRA balance percentage of financial assets DC & IRA balances represents ^c	Of those with a DC ^b balance percentage of financial assets DC balance represents ^c	Of those with a DC ^b or IRA balance percentage of financial assets DC & IRA balances represents ^c	Of those with a DC ^b balance percentage of financial assets DC balance represents ^c	Of those with a DC ^b or IRA balance percentage of financial assets DC & IRA balances represents ^c
Total	36.4%	43.7%	44.4%	51.0%	45.6%	49.9%
Family Income						
Less than \$10,000	9.0	50.2	27.8	43.5	11.1	57.0
\$10,000–\$24,999	49.4	39.9	48.6	50.0	61.6	53.3
\$25,000–\$49,999	44.4	44.2	48.6	54.1	45.6	48.2
\$50,000–\$99,999	35.4	46.9	46.7	55.0	50.0	54.7
\$100,000 or more	29.3	39.0	33.1	42.3	34.2	43.9
Age of Family Head (years)						
Less than 35	37.5	45.5	44.4	51.9	39.5	45.2
35–44	36.8	45.7	46.2	58.6	52.9	60.1
45–54	43.9	56.4	42.6	54.2	44.4	59.0
55–64	26.6	43.8	44.6	52.5	39.0	44.5
65–74	13.2	27.5	20.1	35.4	24.2	39.2
75+	6.0	26.4	17.6	19.2	55.0	18.2
Education of Family Head						
Below HS diploma	60.0	53.6	55.6	62.5	56.6	49.7
HS diploma	40.0	44.4	55.3	56.3	53.0	57.8
Some college	34.9	39.5	42.3	47.8	50.8	48.8
College degree	33.9	44.2	38.9	46.9	37.8	48.0
Race						
White non-Hispanic	33.9	42.3	42.4	48.7	43.4	48.8
Nonwhite	60.0	55.6	58.8	66.7	50.8	55.6
Working Status of Family Head						
For someone else	38.5	49.0	47.5	58.2	48.4	56.4
Self-employed	19.9	39.4	20.9	40.6	25.0	40.2
Retired	22.8	31.0	30.5	32.7	27.1	30.8
Other nonwork	85.8	57.5	51.2	52.1	31.1	35.8
Housing status						
Own	35.2	42.2	44.4	50.6	43.9	49.0
Rent	43.0	52.3	44.7	53.0	52.4	55.6
Net Worth Percentile						
Bottom 25%	58.8	64.5	60.6	63.3	55.9	58.0
25–49.9%	43.9	49.6	51.9	61.3	55.6	61.0
50–74.9%	34.8	45.5	48.0	60.6	48.3	54.8
75–89.9%	34.1	40.3	35.5	44.0	37.6	45.5
Top 10%	21.0	32.0	23.4	31.6	20.5	30.8

Source: Employee Benefit Research Institute estimates of the 1992, 1998, and 2001 Survey of Consumer Finances.

Note: All income values are in 2001 dollars.

^a Individual retirement account.

^b Defined contribution.

^c Includes DC balances with both current and previous employers.

Keoghs represented.

Groups deriving a larger percentage of their financial assets from defined contribution plans or IRA/Keoghs are those that have a lower likelihood of having a retirement plan, such as those with family income in the \$10,000–\$24,999, a family head with lower educational attainment, a family head who is nonwhite, a family head between ages 35 and 44, or lower net worth. Phrased another way, among those of low income, low education, or young age, if they had a defined contribution plan or IRA/Keogh at all it was likely to constitute a large share of their total assets. For example, defined contribution assets represented a median of 61.6 percent of total financial assets for those with defined contribution plans among those families with annual family income from \$10,000–\$24,999, compared with 34.2 percent for those families with family income of \$100,000 or more. Furthermore, among families with heads ages 35–44, 60.1 percent of their financial assets are from defined contribution plans or IRA/Keoghs if they have such assets, whereas among families with family heads ages 65–74 this figure was 39.2 percent.

Relative Importance of IRAs vs. Employment-Based Individual Account Plans

Figures 8a and 8b provide evidence of the relative importance of IRAs vs. employment-based individual account plans (such as a 401(k)) for 1992 and 2001, respectively. Mean values are reported in these figures as opposed to the median value in Figures 4 and 6, since in many of the groups analyzed less than 50 percent of the families hold an account balance in one or more of the components.¹⁰ This is the case because the families had to have a balance in only one of the accounts, not in each account, to be included for analysis in the previous figures.

Table 8b provides information on mean balances for all families with a defined contribution retirement plan (current or previous employer) and/or an IRA/Keogh for 2001. The first four columns provide mean

balances for families with a positive account balance for that type of plan. For example, of families with either an IRA or Keogh plan, the average account balance in 2001 was \$97,392.¹¹ However, when families with a Keogh balance are excluded, the balance for those with only an IRA decreases to \$92,735. For the relatively small percentage of families with account balances in a previous employer's defined contribution plans, the average balance (\$81,378) is approximately in the middle of the values of the IRA balance and that of the current employer defined contribution plan balance of \$66,928.¹²

From a public policy perspective, it may be more useful to consider a family's entire portfolio of retirement income from individual account plans. Columns six through nine in Figures 8a and 8b show similar information as the first four columns, although in this case averages are computed for any family with a positive combined account balance in these sources. Column five provides the total account balance for the sum of defined contribution plans with a current employer, any account balance that may have been left in a defined contribution plan of a previous employer, or any of the family's IRA/Keogh assets. The total retirement portfolio account balance for all families with any type of retirement account in 2001 was \$104,256—an increase of nearly 90 percent in real terms over the 1992 balance of \$55,182.

The final four columns in figures 8a and 8b show the relative importance for each of the individual account components. Among families in 2001, 55.4 percent of the overall average was attributable to IRA/Keogh balances (48.6 percent from IRAs alone), 40.3 percent of the average was from account balances in defined contribution plans with the current employer, while account balances left with a previous employer's defined contribution plan was just over 4 percent of the total. The composition of the overall individual account balances was similar to that in 1992, with the one significant exception being the increase in the portion due to IRAs alone, from 39.0 percent to 48.6 percent.

Further exploration of the relative percentage of personal account balances maintained exclusively in IRAs and the changes from 1992 to 1998 reveals some definite demographic and economic influences. There is a marked tendency for lower-income (between \$10,000 and \$25,000) families to have larger percentages of their assets in IRAs. Families with incomes between \$10,000 and \$24,999 had 77.1 percent of their assets in IRAs only, whereas families with incomes of \$100,000 or more had 47.6 percent in IRAs. The relative significance of this number grew from its 1992 level for each income group at or above \$10,000.

Age also appears to significantly influence the relative value of IRAs for a family with an individual account plan, a trend that became more noticeable during the period investigated. The families in the 35–44 age group experienced a decline in the percentage of their assets coming from IRAs, from 32.4 percent in 1992 to 24.4 percent in 2001, while for families in each of the older age groups the percentage of assets coming from IRAs increased from 1992 to 2001.

The inverse relationship that existed between education level and relative importance of IRAs that existed in 1992 was greatly diminished by 2001, with the percentage of IRA holdings for families headed by someone with less than a high school diploma decreasing from 64 percent to 59 percent, while the families headed by someone with at least a college degree experienced an increase in the percentage of their assets attributable to IRAs from 35.4 percent to 49.6 percent over the period. This occurred despite the fact that the average defined contribution plan balance increased for families headed by a college graduate, from \$35,449 in 1992 to \$61,274 in 2001.

Families headed by a white, non-Hispanic had a larger percentage of their individual account plan assets in IRAs than their nonwhite counterparts (50.4 percent vs. 24.5 percent). This is an increase in the gap from 1992, when the percentages were 39.8 percent and 30.3 percent, respectively. This is the result of the nearly 50 percent increase in the average defined

contribution plan balance for the nonwhite headed families, while the average IRA balance increased slightly more than 10 percent. The white-headed families had an approximately 150 percent increase in their average IRA balance, compared with an 80 percent increase in their average defined contribution plan. As has been well documented (see below), IRA growth has been fueled primarily by the rollover of assets from other tax-qualified retirement plans (such as on job change), and not by new contributions.

Finally, the relatively greater importance of IRAs to families with larger net worth appears to have increased since 1992. Families in the top 10 percent of net worth saw the percentage of their assets attributable to IRAs increase from 38.9 percent in 1992 to 54.3 percent in 2001, while families in the middle two quartiles saw the relative percentage of their IRA assets decline. Despite the decrease in the percentage of IRA assets for families in these two quartiles, the average IRA balance still increased—but obviously, at a rate lower than that of the average defined contribution plan balance.

IRA Types and the Impact of Rollovers on the Relative Values of IRAs

An important issue for policymakers and others is determining the level of dollars coming from the various types of IRAs—Roth, rollover, education, and regular IRAs. Measuring the amount of IRAs attributable to rollovers is particularly important in determining the full impact of wealth generated within the employment-based retirement plan system. The SCF does not allow for a complete determination of this issue, but it does provide some strong evidence of participation in various types of IRAs as well as the amount of assets in each type.¹³ For technical reasons, this analysis focuses on the ownership of IRAs by family heads, which accounts for more than 75 percent of all the IRA/Keogh assets.¹⁴

The analysis starts by examining family heads who own an IRA, but not a Keogh plan,¹⁵ to determine

Figure 8a

MEAN BALANCES FOR ALL FAMILIES WITH A PERSONAL ACCOUNT PLAN, BY VARIOUS DEMOGRAPHIC CATEGORIES, 1992

	Of Those Participating in Specific Plan				Of Those Participating in Any DC ^a Plan or IRA ^b				Composition of Personal Account Plans				
	Any IRA ^c /Keogh	Having only an IRA ^b	Defined contribution previous employer	Defined contribution current employer	With any type of account balance	Defined contribution current employer	Defined contribution previous employer	Any IRA ^c /Keogh	Having only an IRA ^b	Defined contribution current employer	Defined contribution previous employer	IRA ^c /Keogh	IRA ^b Only
	\$45,427	\$37,792	\$29,913	\$42,467	\$55,182	\$23,977	\$2,473	\$28,732	\$21,526	43.5%	4.5%	52.1%	39.0%
Family Income													
Less than \$10,000	21,145	21,126	c	c	20,589	807	1,777	18,005	17,968	3.9	8.6	87.4	87.3
\$10,000–\$24,999	17,418	17,666	4,783	7,366	13,832	3,139	455	10,238	9,941	22.7	3.3	74.0	71.9
\$25,000–\$49,999	26,935	24,912	18,222	14,064	23,269	7,258	1,786	14,224	12,265	31.2	7.7	61.1	52.7
\$50,000–\$99,999	36,352	33,221	24,632	33,508	45,637	21,480	1,707	22,451	18,251	47.1	3.7	49.2	40.0
\$100,000 or more	92,681	71,276	79,831	118,757	156,880	71,976	6,544	78,360	51,274	45.9	4.2	49.9	32.7
Age of Family Head (years)													
Less than 35	12,956	12,151	14,791	14,947	17,184	11,069	1,047	5,068	4,309	64.4	6.1	29.5	25.1
35–44	28,038	23,490	12,659	27,309	34,092	17,741	1,320	15,031	11,050	52.0	3.9	44.1	32.4
45–54	53,290	44,556	30,368	71,251	84,356	47,594	2,343	34,419	25,471	56.4	2.8	40.8	30.2
55–64	56,946	47,473	72,792	85,289	91,214	36,542	7,407	47,265	36,770	40.1	8.1	51.8	40.3
65–74	67,741	54,239	23,805	29,801	68,630	2,718	959	64,953	47,576	4.0	1.4	94.6	69.3
75+	64,031	49,890	c	c	65,667	1,654	0	64,012	41,456	2.5	0.0	97.5	63.1
Education of Family Head													
Below HS diploma	22,968	22,652	c	11,447	19,125	5,675	1,024	12,426	12,242	29.7	5.4	65.0	64.0
HS diploma	35,979	32,326	14,457	27,282	35,881	15,258	1,210	19,413	15,994	42.5	3.4	54.1	44.6
Some college	31,234	28,708	5,513	24,662	33,202	14,204	487	18,511	15,651	42.8	1.5	55.8	47.1
College degree	56,631	45,297	51,394	61,851	80,062	35,449	4,187	40,426	28,332	44.3	5.2	50.5	35.4
Race													
White non-Hispanic	47,577	39,380	34,722	45,293	59,470	24,925	2,802	31,743	23,664	41.9	4.7	53.4	39.8
Nonwhite	26,517	23,807	6,331	28,705	30,656	18,554	596	11,506	9,292	60.5	1.9	37.5	30.3
Working Status of Family Head													
For someone else	32,921	29,113	19,312	39,390	47,022	28,063	1,661	17,298	13,948	59.7	3.5	36.8	29.7
Self-employed	76,284	55,774	48,417	84,365	99,784	30,678	3,408	65,698	38,875	30.7	3.4	65.8	39.0
Retired	56,651	50,115	68,251	15,208	59,097	1,016	4,357	53,724	44,441	1.7	7.4	90.9	75.2
Other nonwork	22,031	21,449	c	23,157	30,393	8,905	7,946	13,543	12,989	29.3	26.1	44.6	42.7
Housing status													
Own	48,748	40,834	39,939	51,072	64,444	28,286	2,632	33,526	25,412	43.9	4.1	52.0	39.4
Rent	26,326	19,714	13,238	13,897	21,673	8,386	1,898	11,389	7,466	38.7	8.8	52.5	34.4
Net Worth Percentile													
Bottom 25%	3,731	3,811	c	4,844	4,543	3,885	44	614	580	85.5	1.0	13.5	12.8
25–49.9	6,755	6,759	2,912	7,874	8,038	5,203	274	2,560	2,400	64.7	3.4	31.9	29.9
50–74.9	18,506	17,684	18,696	22,098	25,734	13,114	1,252	11,367	10,130	51.0	4.9	44.2	39.4
75–89.9	34,242	31,179	30,027	53,314	55,469	25,114	2,568	27,787	22,795	45.3	4.6	50.1	41.1
Top 10%	107,788	88,018	111,609	172,505	181,498	71,495	8,043	101,960	70,555	39.4	4.4	56.2	38.9

Source: Employee Benefit Research Institute estimates of the 1992 Survey of Consumer Finances.

Note: All income and asset values are in 2001 dollars.

a. Defined contribution.

b. Individual retirement account.

c. Sample size not sufficient for a reliable estimate.

Figure 8b

MEAN BALANCES FOR ALL FAMILIES WITH A PERSONAL ACCOUNT PLAN, BY VARIOUS DEMOGRAPHIC CATEGORIES, 2001

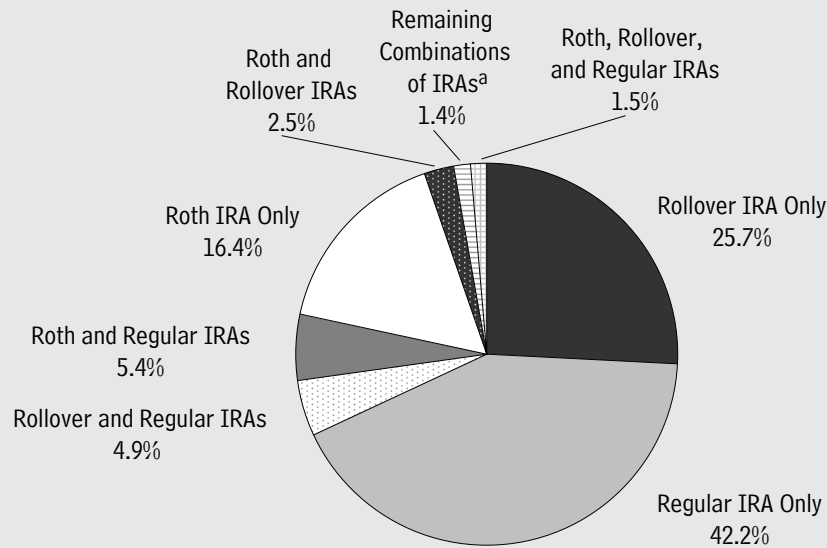
	Of Those Participating in Specific Plan				Of Those Participating in Any DC Plan or IRA ^a				Composition of Personal Account Plans				
	Any IRA/Keogh	Having only an IRA ^a	Defined contribution previous employer	Defined contribution current employer	With any type of account balance	Defined contribution current employer	Defined contribution previous employer	Any IRA/Keogh	Having only an IRA ^a	Defined contribution current employer	Defined contribution previous employer	IRA/Keogh	IRA ^a Only
Total	\$97,392	\$92,735	\$81,378	\$66,928	\$104,256	\$42,054	\$4,450	\$57,752	\$50,624	40.3%	4.3%	55.4%	48.6%
Family Income													
Less than \$10,000	45,322	28,338	b	2,349	31,852	580	197	31,075	17,807	1.8	0.6	97.6	55.9
\$10,000-\$24,999	34,744	35,424	b	8,861	23,599	4,238	820	18,541	18,198	18.0	3.5	78.6	77.1
\$25,000-\$49,999	50,958	47,583	33,360	20,727	41,116	12,232	2,047	26,837	23,022	29.7	5.0	65.3	56.0
\$50,000-\$99,999	66,660	64,491	54,048	47,828	72,280	33,613	2,242	36,426	32,838	46.5	3.1	50.4	45.4
\$100,000 or more	188,359	182,497	172,629	164,797	259,642	105,304	12,271	142,067	123,534	40.6	4.7	54.7	47.6
Age of Family Head (years)													
Less than 35	15,071	15,489	9,382	16,070	19,050	12,727	275	6,047	5,705	66.8	1.4	31.7	29.9
35-44	42,863	36,159	48,993	53,021	65,078	41,787	3,041	20,250	15,856	64.2	4.7	31.1	24.4
45-54	100,888	94,617	68,335	94,341	130,490	64,877	4,825	60,788	51,488	49.7	3.7	46.6	39.5
55-64	160,273	156,733	175,744	130,594	198,098	70,708	15,311	112,079	101,363	35.7	7.7	56.6	51.2
65-74	157,601	150,090	b	146,651	166,449	17,347	1,348	147,754	132,115	10.4	0.8	88.8	79.4
75 +	120,716	119,013	b	187,367	124,830	4,390	0	120,440	109,111	3.5	0.0	96.5	87.4
Education of Family Head													
Below HS diploma	37,146	37,969	b	17,362	31,634	8,540	4,352	18,742	18,716	27.0	13.8	59.2	59.2
HS diploma	54,768	53,516	24,908	34,438	49,638	22,223	1,283	26,132	23,448	44.8	2.6	52.6	47.2
Some college	61,657	57,968	66,732	49,026	66,910	30,774	3,967	32,169	28,256	46.0	5.9	48.1	42.2
College degree	129,382	123,280	123,338	97,186	157,534	61,274	6,458	89,802	78,136	38.9	4.1	57.0	49.6
Race													
White non-Hispanic	105,202	99,949	90,778	75,159	116,762	44,961	5,028	66,774	58,812	38.5	4.3	57.2	50.4
Nonwhite	34,925	31,170	31,665	35,852	42,436	27,445	1,602	13,389	10,384	64.7	3.8	31.6	24.5
Working Status of Family Head													
For someone else	62,769	62,442	49,957	60,179	80,111	47,108	2,566	30,437	28,108	58.8	3.2	38.0	35.1
Self-employed	166,844	148,805	134,333	153,181	201,882	56,054	5,852	139,977	104,726	27.8	2.9	69.3	51.9
Retired	139,591	137,627	192,429	44,249	144,928	4,235	12,732	127,961	121,431	2.9	8.8	88.3	83.8
Other nonwork	73,328	73,335	b	b	79,696	12,026	9,857	57,812	57,805	15.1	12.4	72.5	72.5
Housing status													
Own	106,334	101,363	95,068	79,463	121,372	48,468	5,273	67,632	59,506	39.9	4.3	55.7	49.0
Rent	37,763	34,025	18,053	20,617	30,935	14,580	927	15,428	12,575	47.1	3.0	49.9	40.6
Net Worth Percentile													
Bottom 25%	3,837	3,777	b	4,876	4,952	3,865	158	929	814	78.0	3.2	18.8	16.4
25-49.9	11,209	11,445	11,905	13,901	14,987	10,336	560	4,091	3,984	69.0	3.7	27.3	26.6
50-74.9	26,985	26,926	31,195	39,061	43,294	26,207	2,177	14,909	13,705	60.5	5.0	34.4	31.7
75-89.9	73,692	72,074	119,867	91,875	112,107	49,429	5,690	56,988	51,963	44.1	5.1	50.8	46.4
Top 10%	258,523	248,169	232,996	290,959	377,764	124,262	14,461	239,041	205,186	32.9	3.8	63.3	54.3

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Consumer Finances.

Note: All income and asset values are in 2001 dollars.

^a Individual retirement account.^b Sample size not sufficient for a reliable estimate.

Figure 9
**PERCENTAGE OF INDIVIDUAL RETIREMENT ACCOUNT (IRA) OWNERSHIP,
 BY FAMILY HEADS, BY TYPE OR COMBINATION OF TYPES, 2001**



Source: Employee Benefit Research Institute estimates of the 2001 Survey of Consumer Finances.
^a Remaining combinations include any combination of IRAs with an Education IRA.

what type of plans or combination of plans they own.¹⁶ The most commonly owned IRA was the regular IRA, with 42.2 percent of the family heads who owned an IRA owning only that type (Figure 9). The next largest singly owned IRA type was the rollover, at 25.7 percent, followed by the Roth IRA at 16.4 percent. Roth and regular IRA owned together accounted for 5.4 percent; rollover and regular IRAs, 4.9 percent; Roth and rollover IRAs, 2.5 percent; Roth, rollover, and regular IRAs 1.5 percent; and the remaining 1.4 percent included some combination of IRAs with an educational IRA. However, the breakdown of IRA types by assets shows that the relative percentages differ significantly from the ownership percentages. The family heads with rollover IRAs only moved to the top spot in the division of assets accounting for 36.0 percent, while the owners of regular IRAs only accounted for 31.3 percent of the assets (Figure 10). Owners of rollover and regular IRAs, which only comprised 4.9 percent of total ownership, accounted for 17.7 percent of the assets. The Roth IRA-only assets went in the opposite direction, as they represent only 4.3 percent of the assets, although comprising 16.4 percent of the owners. Therefore, of all family head IRA assets held by those not owning a

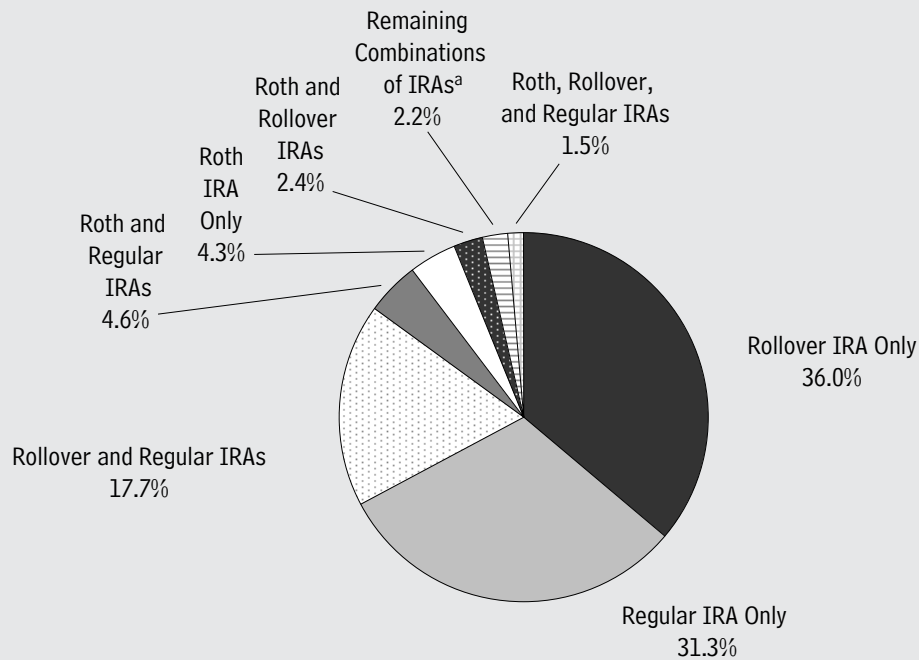
Keogh, at least 36 percent to as much as 57 percent are assets from rollover IRAs.¹⁷

Further investigation of family head ownership of IRA/Keoghs indicates that 92.5 percent of those owning these types of plans own only an IRA (Figure 11a). This percentage is very close across all the demographic groups examined, with no group having a percentage lower than 88 percent. Furthermore, 85.1 percent of family heads who have an IRA own only one type of IRA. Again, this is consistent over the various demographic groups, with no group having a percentage below 78 percent.

The most commonly owned IRA is the regular IRA at 54.3 percent, followed by the rollover (35.0 percent) and the Roth (26.1 percent). While the magnitudes change but yet are similar within the demographic groups examined, this order holds across each group with the exception of family heads under age 35, whose ownership rate is 51.2 percent for Roths, 35.4 percent for regular IRAs, and 33.2 percent for rollovers. These patterns hold true for the ownership of these IRA types singularly.

The average IRA/Keogh balance for family heads who own either an IRA or a Keogh plan was \$87,805 in

Figure 10
**PERCENTAGE OF INDIVIDUAL RETIREMENT ACCOUNT (IRA) ASSETS,
 BY TYPE OR COMBINATION OF TYPES OWNED BY FAMILY HEADS, 2001**



Source: Employee Benefit Research Institute estimates of the 2001 Survey of Consumer Finances.
^a Remaining combinations include any combination of IRAs with an Education IRA.

2001, while for those who only own an IRA the average balance was \$84,147 (Figure 11b). For those owning only an IRA and only one type of IRA, the average balance was \$71,152, compared with \$158,110 for those who own a combination of IRAs. Those who had a rollover IRA with another IRA or only a rollover had the highest average balances at \$142,581 and \$117,832, respectively. The any-rollover ownership had the highest average balance across all the demographic groups, except for family heads with less than a high school education, who had a higher regular IRA average balance. The average balances follow the expected patterns across the demographic groups—increasing with family income, age, education, and net worth and higher for family heads who own their home and who are white, non-Hispanic.

To demonstrate the impact of the rollover on the average IRA balance of a family, the last two columns of Figure 11b show the ratio of the any-rollover average balance to the no-rollover average balance and ratio of the rollover-only average balance to the no-rollover average balance. The impact is substantial, as the rollover average balance is 2.71 times as large as the no-rollover average balance, while if just the rollover-only

accounts are included—eliminating the combination of a rollover with another IRA type—the ratio for the rollover-only average balance is 2.24 times as large as the no-rollover average balance. However, this impact varies significantly over the demographic groups. For example, the ratio of the rollover-only to no-rollover balance for those family heads with a family income of \$100,000 or more was 3.26, whereas this ratio was only 1.10 for those family heads with less than \$10,000 in family income. Furthermore, the ratio is 2.78 for family heads in families with the top 10 percent of net worth, while the ratio is only 1.42 for those in the bottom 25 percent of net worth. Lastly, the least-educated family heads had a ratio of less than 1, while family heads with at least a college degree had a ratio of 2.71.

Figure 11a
PERCENTAGE OF FAMILY HEADS WITH AN IRA^a/KEOGH AND PERCENTAGE WITH CERTAIN TYPES OF IRAS^a, BY VARIOUS DEMOGRAPHIC CATEGORIES, 2001

	Of Those With IRA/Keogh				Of Those With IRAs Only—No Keogh									
	IRA/Keogh	IRA-no Keogh	Keogh-no IRA	Both IRA and Keogh	Only one type of IRA	Combination of IRAs	Regular IRA	Rollover IRA	Roth IRA	Education IRA	Regular IRA only	Rollover IRA only	Roth IRA only	Any IRA except rollover
Total	26.8%	92.5%	5.3%	2.2%	85.1%	14.9%	54.3%	35.0%	26.1%	1.4%	42.2%	25.7%	16.4%	65.0%
Family Income														
Less than \$10,000	6.6	91.7	3.8	4.5	89.4	10.6	58.0	50.3	2.4	0.0	49.6	39.7	0.1	49.7
\$10,000–\$24,999	10.9	96.0	3.7	0.3	95.4	4.7	52.3	28.1	24.2	0.4	48.0	26.4	20.9	71.9
\$25,000–\$49,999	22.7	92.6	5.8	1.6	90.3	9.7	49.8	32.9	26.4	0.7	41.9	28.5	19.3	67.1
\$50,000–\$99,999	34.9	94.1	4.3	1.7	84.2	15.8	53.1	35.7	27.1	2.4	40.0	25.2	17.8	64.4
\$100,000 or more	57.1	89.6	6.7	3.8	78.5	21.5	59.4	36.8	27.1	1.1	42.8	22.8	12.2	63.2
Age of Family Head (years)														
Less than 35	14.7	90.4	7.6	2.0	82.2	17.8	35.4	33.2	51.2	1.2	27.5	19.5	35.3	66.8
35–44	23.9	93.8	5.0	1.2	96.6	13.4	47.2	32.8	32.1	3.2	37.2	24.4	22.4	67.2
45–54	35.5	91.6	6.3	2.1	79.7	20.3	61.3	32.8	27.7	1.5	43.7	20.6	15.0	67.2
55–64	34.3	92.5	5.1	2.4	81.5	18.5	62.3	36.6	19.9	0.8	45.2	26.5	9.8	63.4
65–74	36.7	94.9	2.8	2.3	92.1	7.9	58.1	36.2	13.2	0.4	50.8	30.8	10.2	63.8
75+	22.4	90.8	4.3	4.9	97.0	3.0	52.8	44.4	5.8	0.0	49.9	44.1	3.2	55.7
Education of Family Head														
Below HS diploma	7.2	100.0	0.0	0.0	100.0	0.0	48.1	29.3	22.7	0.0	48.1	29.3	22.7	70.8
HS diploma	18.4	92.7	6.5	0.7	94.2	5.8	52.5	35.1	18.4	0.1	47.6	30.4	16.2	64.9
Some college	23.3	93.5	4.2	2.3	84.7	15.3	54.9	33.6	26.0	0.7	43.9	23.9	16.2	66.4
College degree	45.8	91.5	5.6	2.9	80.5	19.5	55.3	35.8	29.3	2.1	39.3	24.2	16.0	64.2
Race														
White non-Hispanic	31.3	92.9	4.7	2.4	83.9	16.1	55.4	35.2	26.2	1.3	42.4	25.1	15.8	64.8
Nonwhite	12.3	88.6	10.5	1.0	95.0	5.0	45.0	33.2	24.8	2.1	41.2	31.0	21.5	66.8
Housing status														
Own	34.2	92.5	5.2	2.4	84.6	15.4	55.8	35.0	25.3	1.4	43.0	25.8	15.1	65.0
Rent	11.4	92.3	6.3	1.4	87.8	12.2	44.5	35.1	31.0	1.5	37.7	25.2	24.1	64.9
Net Worth Percentile														
Bottom 25%	4.1	89.3	10.7	0.0	93.2	6.8	44.1	39.9	22.8	0.0	37.3	33.9	22.0	60.1
25–49.9%	13.4	95.7	4.0	0.3	90.9	9.1	45.9	35.0	27.6	0.7	41.1	27.0	22.8	65.0
50–74.9%	29.4	93.0	5.5	1.5	89.9	10.1	51.3	29.5	28.3	2.1	42.5	24.9	21.2	70.5
75–89.9%	51.5	93.1	5.2	1.7	80.7	19.3	55.7	38.0	27.2	1.2	39.8	26.7	13.6	62.1
Top 10%	73.5	90.2	5.1	4.7	80.8	19.2	61.4	36.7	22.4	1.3	45.9	23.8	10.4	63.3

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Consumer Finances.

^a Individual retirement account.

Conclusion

While this *Issue Brief* focused on individual account retirement plans, these are not the only retirement assets that families have. Many families have coverage under “traditional” defined benefit pension plans and even more have coverage under the Social Security program. Although some information on workers’ expectations for future defined benefit income is included in the SCF, the value of this retirement income is difficult to determine because it depends on assumptions about unknown future events—work decisions, earnings, inflation rates, mortality, etc. Because of the lack of widely agreed-upon standards for these assumptions, this *Issue Brief* does not include a measure of the present value of such income in this analysis.¹⁸ However, the incidence of

defined benefit plans for families was examined, and, after a significant decrease that occurred in the percentage of families that had a defined benefit plan between 1992 and 1998, there was only a very small change from 1998 to 2001.

As was suggested in the introduction to this report, however, many of these defined benefit plans offer a lump-sum (one-time) distribution, and many participants choose that distribution over an annuity (a guaranteed regular payment for the life of the beneficiary). As a result, even defined benefit plans can transfer post-retirement risks related to investment returns and longevity to the individual. Only annuities, once in payment status, provide a certain ability to project future retirement income. And for private-sector workers, even these projections are subject to considerations such as plan terminations and guaranty limits of the Pension Benefit Guaranty Corporation.

Figure 11b

AVERAGE BALANCE OF FAMILY HEADS' IRA^a/KEOGHS AND CERTAIN TYPES OF IRAS^a AND RATIO OF ROLLOVER IRA^a BALANCES TO NONROLLOVER BALANCES, BY VARIOUS DEMOGRAPHIC CATEGORIES, 2001

	Of Those With IRA/Keogh					Of Those With IRA Only—No Keogh					Ratio of rollover to only to no rollover				
	IRA/Keogh	IRA-no Keogh	Keogh-no IRA	Both IRA and Keogh	Only one type of IRA	Combination of IRAs	Regular IRA	Rollover IRA	Roth IRA	Any IRA except rollover		Ratio of rollover to no rollover			
Total	\$87,805	\$84,147	\$60,883	\$304,167	\$71,152	\$158,110	\$86,859	\$142,581	\$42,483	\$62,373	\$117,832	\$21,980	\$52,692	2.71	2.24
Family Income															
Less than \$10,000	43,021	25,827	b	b	20,376	71,646	28,980	32,084	21,442	19,033	21,481	b	19,494	1.65	1.10
\$10,000–\$24,999	35,299	36,104	b	b	32,654	106,878	29,178	67,900	28,382	21,592	68,235	13,233	23,689	2.87	2.88
\$25,000–\$49,999	45,714	43,089	46,986	b	37,318	96,850	45,420	60,667	36,513	32,342	54,995	21,670	34,486	1.76	1.59
\$50,000–\$99,999	61,465	59,463	58,399	b	46,884	126,447	71,458	85,432	41,756	52,592	56,053	22,476	45,077	1.90	1.24
\$100,000 or more	167,404	164,380	81,836	391,805	150,877	213,699	150,061	293,902	51,867	113,993	289,939	25,982	89,006	3.30	3.26
Age of Family Head (years)															
Less than 35	13,251	13,526	12,496	b	10,741	26,414	11,568	19,055	16,858	7,320	13,430	11,919	10,776	1.77	1.25
35–44	37,019	29,063	78,424	475,362	24,200	60,512	35,262	39,009	24,229	29,574	29,356	9,387	24,207	1.61	1.21
45–54	80,858	74,997	57,750	409,625	70,585	92,354	63,208	125,948	52,572	57,714	123,255	36,640	50,129	2.51	2.46
55–64	149,912	148,723	97,755	306,900	102,924	350,558	162,851	270,058	67,441	88,788	158,020	19,365	78,587	3.44	2.01
65–74	144,082	140,712	41,279	415,185	119,909	383,803	127,022	239,249	77,028	86,070	200,142	46,914	84,795	2.82	2.36
75+	116,981	116,472	88,244	b	110,422	312,559	99,366	146,588	142,526	86,554	141,897	47,006	92,468	1.59	1.53
Education of Family Head															
Below HS diploma	24,150	24,146	b	b	24,136	b	25,746	20,781	25,138	25,726	20,746	25,138	25,538	0.81	0.81
HS diploma	46,169	45,026	42,070	225,325	43,368	71,835	45,723	55,994	26,959	43,868	51,277	27,046	39,101	1.43	1.31
Some college	55,964	53,923	64,937	123,308	41,820	121,030	59,476	84,147	43,048	42,859	61,286	10,409	38,620	2.18	1.59
College degree	116,836	112,312	68,312	350,014	96,863	176,000	113,607	198,184	47,136	80,628	174,756	22,939	64,404	3.08	2.71
Race															
White non-Hispanic	95,428	91,026	70,118	317,264	77,454	161,775	92,427	154,493	45,638	66,643	130,459	23,825	56,547	2.73	2.31
Nonwhite	25,394	25,038	27,051	40,062	23,316	57,487	27,964	34,033	13,777	24,677	29,822	10,369	20,569	1.65	1.45
Housing status															
Own	95,393	91,653	71,918	293,730	77,058	171,938	93,587	154,928	48,016	67,263	124,926	25,196	57,627	2.69	2.17
Rent	39,990	36,739	4,089	414,152	35,224	47,676	33,566	64,977	13,996	27,201	71,987	9,204	21,439	3.03	3.36
Net Worth Percentile															
Bottom 25%	4,126	4,094	4,392	b	3,786	8,286	4,640	5,326	2,139	3,970	4,660	2,134	3,275	1.63	1.42
25–49.9%	11,783	11,999	4,947	32,543	11,195	19,994	10,958	16,987	9,912	9,546	15,969	8,524	9,308	1.82	1.72
50–74.9%	24,378	24,172	29,076	20,168	23,192	32,902	22,899	33,123	19,953	21,073	33,717	15,474	20,425	1.62	1.65
75–89.9%	60,692	60,116	57,802	102,035	54,550	83,453	63,724	83,480	39,172	53,187	68,269	31,746	45,826	1.82	1.49
Top 10%	226,414	218,335	134,949	481,245	187,804	346,843	200,608	378,716	101,298	140,087	347,688	41,946	125,256	3.02	2.78

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Consumer Finances.

^a Individual retirement account.

^b Sample size not sufficient for a reliable estimate.

This analysis of the 1992, 1998, and 2001 versions of the SCF found that the percentage of families with a participant in an employment-based retirement plan from a current employer increased from 38.8 percent in 1992 to 41.6 percent in 2001. The previously documented trend toward defined contribution plans was confirmed and the presence of 401(k)-type plans among families participating in a retirement plan was shown to have more than doubled, from 31.6 percent in 1992 to 66.5 percent in 2001.

After the percentage of family heads who were eligible for defined contribution plans choosing to participate increased from 73.8 percent in 1995 to 77.3 percent in 1998, the percentage of eligibles choosing to participate declined in 2001, to 74.8 percent. This appears to be partially attributable to an increase in the percentage of employees working for an employer that offers a plan who are eligible to participate, as this number increased from 89.3 percent in 1998 to 91.7 percent in 2001.

The percentage of families owning an IRA or Keogh plan continued to increase in 2001 from 1998 (28.4 percent in 1998 to 31.4 percent in 2001). Furthermore, the percentage with a plan from a current or previous employer's defined contribution plan or an IRA/Keogh increased to 58.6 percent in 2001 from 56.3 percent in 1998.

In addition to the increases in participation in defined contribution plans, the median account balance of those participating also increased in 2001. The 1992 average defined contribution plan balance was \$9,899. This increased to \$16,328 in 1998 and \$18,000 in 2001. A noteworthy finding from the 1998 SCF that persisted in 2001 was that 401(k)-type plan participants who also participate in a defined benefit plan had a higher median balance than 401(k)-type plan participants without a defined benefit plan. The median IRA/Keogh balance similarly increased to \$27,000 in 2001 from \$21,770 in 1998.

The percentage of financial assets that defined contribution plan assets as well as defined contribution

plan and/or IRA/Keogh assets comprise continued to be very high for those with such assets. For those with defined contribution plan assets, the percentage of total financial assets that these represented increased slightly, to 45.6 percent in 2001 from 44.4 percent in 1998. The percentage for those owning a defined contribution plan and/or IRA/Keogh assets decreased slightly, from 51.0 percent in 1998 to 49.9 percent in 2001. Across all demographic groups, these assets provide a very significant level of financial assets for those owning them.

The average balance for each of these individual account plans also increased in 2001 and in many cases by very large amounts. The average IRA balance increased from \$37,792 in 1992 to \$92,735 in 2001, while the average current-employer defined contribution balance increased at a similar magnitude from \$29,913 to \$81,378. The large increase in the average balance was virtually universal across the demographic groups studied. The composition of these retirement plan assets shifted to IRAs mostly from Keogh plans, as the percentage attributable to IRAs increased from 39.0 percent in 1992 to 48.6 percent in 2001.

Lastly, a breakdown of IRA ownership by family heads was examined to determine the relative importance of rollover IRAs. While regular IRA-only owners comprised the largest percentage of IRA owners, the assets attributable to rollovers-only accounted for the largest percentage of IRA assets held by those family heads with an IRA but no Keogh plan. These rollover IRAs had by far the largest average balances and, when compared with the IRAs that did not include a rollover, the ratio of rollover assets to nonrollover assets ranged from 2.24 to 2.71, depending on whether the rollover combination owners are included.

The increase in IRA wealth is expected to continue in the future as more workers will be in defined contribution plans and will be in them longer. As VanDerhei and Copeland (2001) show, IRAs will likely be the main source of non-Social Security retirement income for future generations. While this *Issue Brief* cannot

Figure 12
**MEDIAN AND MEAN NET WORTH FOR FAMILIES WITH AND WITHOUT AN INDIVIDUAL ACCOUNT RETIREMENT PLAN,
 BY FAMILY INCOME AND FAMILY HEAD AGE, 2001**

	Family Net Worth			
	With any type of individual account retirement plan balance		Without any type of individual account retirement plan balance	
	mean	median	mean	median
Total	\$621,848	\$193,400	\$147,571	\$24,900
Family Income				
Less than \$10,000	191,930	67,000	31,307	2,200
\$10,000–\$24,999	134,162	61,640	66,198	15,650
\$25,000–\$49,999	203,425	91,960	104,564	28,100
\$50,000–\$99,999	332,812	183,900	223,441	84,600
\$100,000 or more	1,744,894	600,500	1,530,429	340,300
Age of Family Head (years)				
Less than 35	130,739	44,780	44,273	3,380
35–44	375,498	134,600	74,005	15,750
45–54	703,505	237,000	122,920	28,200
55–64	1,112,197	338,200	188,025	45,980
65–74	1,166,963	442,200	285,294	76,000
75+	985,507	566,050	285,893	100,500

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Consumer Finances.

determine whether the balances accumulated are sufficient to fund a comfortable retirement, other studies completed by EBRI have attempted to answer this question. In particular, VanDerhei and Holden (2002) show that 401(k) plans can provide high replacement rates of preretirement income if workers have access to them and contribute to them during a large portion of their working life. Furthermore, VanDerhei and Copeland (2002a, 2002b) simulate retirement income and compare it to simulated expenditures in retirement for residents of the states of Massachusetts and Kansas. From these simulations, the average level of income deficit in retirement for the residents is calculated across cohorts, and certain groups such as single women were found to be particularly vulnerable.

While the results of this study do not answer questions about what is needed for retirement, they show the continued growing importance of individual account plans. Consequently, any policy that alters this system could have consequences—either positive or negative—for Americans' ability to fund a comfortable retirement. A notable finding is how much the presence of these accounts contributes to a family's success in accumulating wealth. In Figure 12, a comparison of the mean and median net worth across family income and family head age shows that families with an individual

retirement account plan (defined contribution plan from current or previous employer or an IRA/Keogh plan) have substantially larger amounts of wealth across each group. In particular, the employment-based system is generating much of this wealth from individual account retirement plans since it includes, obviously, all of the defined contribution assets as well as approximately 40 percent of the IRA wealth (Figure 10). Furthermore, a significantly higher percentage of families with the middle levels of family income participate in the employment-based system than participate in the IRA system (Figures 1 and 4).

Plan type; participation; who makes the contribution; the amount of the contribution; frequency of the contribution; how the contributions are invested; what form of distribution is ultimately taken, and if a lump-sum distribution is taken, how it is invested and how fast it is spent; and other factors combine to determine the level of financial security that the employment-based system delivers. The current Social Security benefit, which is delivered as an inflation-indexed annuity, provides the most consistent and predictable contributions to financial security, followed by a defined benefit plan that is paid out in annuity form. A defined benefit or defined contribution plan tied to employment produces higher rates of participation than pure indi-

vidual choice plans, and thus greater contributions to financial security, on average, even if the benefit payment form is a lump-sum distribution.

As stated previously, this study provides estimates of the current levels in retirement accounts and does not answer the questions about ultimate financial security. Consequently, it is only a first step in determining how families and individuals will do financially in retirement. EBRI is working to advance this first step by performing simulations on a national basis using data results (such as those in this report) as components of a more elaborate study. This forthcoming study will project both the level of income that would be generated from retirement plan sources and expenditures by families and individuals. Under various assumptions on the payout methods from these plans and uses of home equity, as well as many other assumptions, the average income deficit in retirement will be calculated across cohorts and family types. The projected expenditures include not only basic expenses such as food and housing but also expenses for catastrophic health events such as nursing home admittance or chronic use of home health care. Thus, an estimation of whether the income generated from retirement plan sources will be sufficient to pay for anticipated and potentially unanticipated expenses in retirement will be examined in a comprehensive and thorough manner.

References

- Aizcorbe, Ana M., Arthur B. Kennickell, and Kevin B. Moore. "Recent Changes in U.S. Family Finances: Evidence From the 1998 and 2001 Survey of Consumer Finances." *Federal Reserve Bulletin* (January 2003) www.federalreserve.gov/pubs/bulletin/2003/0103lead.pdf. Viewed June 4, 2003.
- Copeland, Craig, "Employment-Based Retirement and Pension Plan Participation: Geographic Differences and Trends." *EBRI Issue Brief* no. 256 (Employee Benefit Research Institute, April 2003).
- _____. "IRA Assets and Characteristics of IRA Owners." *EBRI Notes*, no. 12 (Employee Benefit Research Institute, December 2002a): 1–9.
- _____. "Retirement Plan Participation and Features, and the Standard of Living of Americans 55 or Older." *EBRI Issue Brief* no. 248 (Employee Benefit Research Institute, August 2002b).
- Copeland, Craig, and Jack VanDerhei. "Personal Account Retirement Plans: An Analysis of the Survey of Consumer Finances." *EBRI Issue Brief* no. 223 (Employee Benefit Research Institute, July 2000).
- Holden, Sarah, and Jack VanDerhei. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2001." *EBRI Issue Brief* no. 255 (Employee Benefit Research Institute, March 2003).
- _____. "Can 401(k) Accumulations Generate Significant Income for Future Retirees?" *ICI Perspective*, Vol. 8, no. 3; and *EBRI Issue Brief* no. 251 (Investment Company Institute and Employee Benefit Research Institute, November 2002).
- Kennickell, Arthur B., and Annika E. Sundén. *Pensions, Social Security, and the Distribution of Wealth*. SCF Working Papers, Finance and Economics Discussion Series 55 (October 1997).
- U.S. Department of Labor. Bureau of Labor Statistics.

(1999) *Employee Benefits in Medium and Large Establishments, 1997*. www.bls.gov/ncs/ebs/sp/ebbl0017.pdf

_____. *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2000*. www.bls.gov/ncs/ebs/sp/ebbl0019.pdf

VanDerhei, Jack, and Craig Copeland. "Massachusetts Future Income Retirement Assessment Project: Third Draft." (Employee Benefit Research Institute, December 2002a) www.ebri.org/pdfs/massrpt.pdf.

_____. "Kansas Future Income Retirement Assessment Project: Third Draft." (Employee Benefit Research Institute, July 2002b) www.ebri.org/pdfs/kansas.pdf.

_____. "The Changing Faces of Private Retirement Plans." *EBRI Issue Brief* no. 232 (Employee Benefit Research Institute, April 2001).

Endnotes

¹ In 1997, 23 percent of full-time employees in medium and large establishments who were

participants in a defined benefit plan had a lump-sum option (U.S. Department of Labor, 1999). In 2000, 43 percent of employees who were participants in a defined benefit plan had a lump-sum distribution option (U.S. Department of Labor, 2003). While the 2000 number contains all size establishments and the 1997 number is for medium and large establishments, the overwhelming majority of defined benefit plan participants are in medium and large establishments. Thus, the comparison shows increased availability in the lump-sum option, even when including the small establishment participants, as they could not alone affect the overall number in 2000 to such an extent.

² The basis of this survey is what the Federal Reserve Board refers to as a primary economic unit (PEU),

which is a subset of households and closely resembles families in its definition, although it is not precisely families. However, families are the closest concise terminology for the PEU, so families are used in this study. For further information about this issue as well as about SCF in general, see Aizcorbe, Kennickell, and Moore (2003).

³ For example, see Copeland (2002a), Copeland (2002b), Copeland (2003), and Holden and VanDerhei (2003).

⁴ All income and asset values are in 2001 dollars.

⁵ For the remainder of the document, the race division will define "white" to mean white, non-Hispanic, and "nonwhite" to include Hispanics.

⁶ The questions to determine defined contribution plan participation rates were not added until the 1995 survey.

⁷ The breakdown between the reduction in the participation rate due to fewer individuals choosing to participate and more individuals being eligible to participate is not possible, since the surveys are not a time series, but distant point-in-time surveys.

⁸ The median balances for defined contribution plans of families with a family head who is under age 65 and a worker are virtually identical to the results presented here for all families. Consequently, they are not presented.

⁹ In this *Issue Brief*, all values of the account balances for all years are expressed in 2001 dollars.

¹⁰ By definition, these groups would produce a median value of zero. Given that account balance distributions tend to be skewed to the right (i.e., there are a small number of very large balances), the median value of account balances for defined contribution plans with the current employer was \$18,000 (Figure 6), whereas the mean value is \$66,928 (Figure 8b).

¹¹ This was an increase from \$45,427 in 1992 (figure 8a), reported in 2001 dollars.

¹² Results from the EBRI/ICI 401(k) plan database showed an average 401(k) plan balance of \$43,215 for year-end 2001 (Holden and VanDerhei, 2003). There are many reasons for the difference between the results in this study and those of the EBRI/ICI database: 1) this study has the family total because the survey is based on families, not individual participants, as the total is in the EBRI/ICI study; 2) this study cites balances before loans, in contrast to net of loans, as in the EBRI/ICI study; and 3) this study includes more than just 401(k) plans, due to the structure of the identification variable of plans types in the SCF.

¹³ SCF asks for the types of IRAs a family owns, but if a head or spouse owns more than one, the amount in each type of IRA is not separated out, only the aggregate amount of the IRAs is provided.

¹⁴ Only the family heads are used, as including the spouse causes the combinations to become very cumbersome due to the structure of the variables within the survey. In families that own an IRA/Keogh, just over 85 percent of the heads own an IRA. The family head IRA/Keogh assets account for 77.1 percent of all IRA/Keogh assets, so the overwhelming majority of assets are included in the analysis even when restricting the study to only family heads.

¹⁵ A Keogh plan is a tax-deferred retirement plan for the self-employed or for workers of unincorporated businesses.

¹⁶ Only 2.2 percent of those owning either an IRA or Keogh owned both an IRA and a Keogh (Figure 11a).

¹⁷ This does not include any rollover IRAs that may have been converted to a Roth IRAs, but given the relatively small amount of assets that Roth IRAs comprise, the percentage could increase by no more than 9 percentage points.

¹⁸ See Kennickell and Sunden (1997) for a description of one possible approach to using the SCF to value the entire retirement income portfolio for the family.



Employee Benefit Research Institute
2121 K Street, NW, Suite 600, Washington, DC 20037-1896
voice (202) 659-0670
fax (202) 775-6312
EBRI Online: www.ebri.org

EBRI

EMPLOYEE

BENEFIT

RESEARCH

INSTITUTE®

Issue Brief

EBRI Issue Brief (ISSN 0887-137X) is published monthly at \$300 per year or is included as part of a membership subscription by the Employee Benefit Research Institute, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Periodicals postage rate paid in Washington, DC. POSTMASTER: Send address changes to: *EBRI Issue Brief*, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Copyright 2003 by Employee Benefit Research Institute. All rights reserved, No. 259.

Who we are The Employee Benefit Research Institute (EBRI) was founded in 1978. Its mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues. EBRI's membership includes a cross-section of pension funds, businesses, trade associations, labor unions, health care providers and insurers, government organizations, and service firms.

What we do EBRI's work advances knowledge and understanding of employee benefits and their importance to the nation's economy among policymakers, the news media and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. EBRI's Education and Research Fund (EBRI-ERF) performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants.

Our publications EBRI Issue Briefs are monthly periodicals providing expert evaluations of employee benefit issues and trends, as well as critical analyses of employee benefit policies and proposals. Each issue, ranging in length from 16-28 pages, thoroughly explores one topic. EBRI Notes is a monthly periodical providing current information on a variety of employee benefit topics. EBRI's Washington Bulletin provides sponsors with short, timely updates on major federal developments in employee benefits. EBRI's Fundamentals of Employee Benefit Programs offers a straightforward, basic explanation of employee benefit programs in the private and public sectors. The EBRI Databook on Employee Benefits is a statistical reference volume on employee benefit programs and work force related issues.

Subscriptions/orders Contact EBRI Publications, (202) 659-0670; fax publication orders to (202) 775-6312. Subscriptions to EBRI Issue Briefs are included as part of EBRI membership, or as part of a \$199 annual subscription to EBRI Notes and EBRI Issue Briefs. Individual copies are available with prepayment for \$25 each (for printed copies) or for \$7.50 (as an e-mailed electronic file) by calling EBRI or from www.ebri.org. Change of Address: EBRI, 2121 K Street, NW, Suite 600, Washington, DC 20037, (202) 775-9132; fax number, (202) 775-6312; e-mail: PublicationsSubscriptions@ebri.org. Membership Information: Inquiries regarding EBRI membership, and/or contributions to EBRI-ERF should be directed to EBRI President Dallas Salisbury at the above address, (202) 659-0670; e-mail: salisbury@ebri.org

Editorial Board: Dallas L. Salisbury, publisher; Steve Blakely, managing editor; Alicia Willis, distribution. Any views expressed in this publication and those of the authors should not be ascribed to the officers, trustees, members, or other sponsors of the Employee Benefit Research Institute, the EBRI Education and Research Fund, or their staffs. Nothing herein is to be construed as an attempt to aid or hinder the adoption of any pending legislation, regulation, or interpretative rule, or as legal, accounting, actuarial, or other such professional advice.

EBRI Issue Briefs registered in the U.S. Patent and Trademark Office. ISSN: 0887-137X 0887-137X/90 \$.50+.50

©2003
Employee Benefit
Research Institute —
Education and Research
Fund. All rights reserved

Could we send a friend or colleague a complimentary copy of *EBRI Issue Brief*?

Send an issue to _____

Organization _____

Address _____

City/State/ZIP _____

Your Name _____

Mail to: EBRI, 2121 K Street, NW, Suite 600, Washington, DC 20037
or Fax to: (202) 775-6312

Did you read this as a pass-along? Stay ahead of employee benefit issues with your own subscription to *EBRI Issue Briefs* for only \$49/year electronically e-mailed to you or \$99/year printed and mailed.

For more information about subscriptions, visit our Web site at www.ebri.org or complete the form below and return it to EBRI.

Name _____

Organization _____

Address _____

City/State/ZIP _____

Mail to: EBRI, 2121 K Street, NW, Suite 600, Washington, DC 20037
or Fax to: (202) 775-6312