Retirement Plan Participation and Features, and the Standard of Living of Americans 55 or Older

by Craig Copeland, EBRI

EBRI
Employee Benefit Research Institute®

Issue Brief

- This *Issue Brief* is the third in a series of Employee Benefit Research Institute (EBRI) publications based on data collected in 1998 and released in 2002 as the Retirement and Pension Plan Coverage Topical Module of the 1996 Survey of Income and Program Participation (SIPP). This report completes the series by examining the survey's more detailed questions concerning workers' employment-based retirement plans. Specifically, it examines the percentage of workers who are participating in a plan, and also workers' reasons for *not* participating in a plan when working in a job where a plan is sponsored; the features of, or decisions made concerning salary reduction plans; historical participation in employment-based retirement plans; and a comparison of the standard of living of individuals age 55 or older with their living standard in their early 50s.

- As of June 1998, 64.3 percent of wage and salary workers age 16 or older worked for an employer or union that *sponsored* any type of retirement plan (defined contribution or defined benefit) for any of its employees or members (the "sponsorship rate"). Almost 47 percent of these wage and salary workers *participated* in a plan (the "participation rate"), with 43.2 percent being entitled to a benefit or *eligible to receive* a lump-sum distribution from a plan if their job terminated at the time of survey (the "vested rate").

- The predominant reason for choosing *not* to participate in a retirement plan was that doing so was unaffordable. The *eligible* participation rate for salary reduction plans was 81.4 percent.

- Fifty-six percent of all workers have participated in some type of retirement plan sometime during their work life through 1998. For those ages 51–60, almost 72 percent have ever participated in a plan.

- The median account balance in salary reduction plans in 1998 was $14,000. In 1998, 12.9 percent of salary reduction plan participants eligible to take a loan had done so, and the average outstanding loan balance was $5,196.

- Nearly 80 percent of those age 55 or older reported that their standard of living is about the same or better now than it was when they were in their early 50s. The incidence of both pension income and health insurance from a former employer had a significant impact on retirees' ability to maintain their standard of living. In addition, those who spent their entire most recent lump-sum distribution were more likely to have a much worse standard of living in retirement than those who rolled over their entire most recent distribution.

Table of Contents

Figures

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 authors 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.

Introduction

An important issue facing all Americans is the financial security that they have or will have in retirement. This *Issue Brief* focuses on a critical factor in retirement security: the presence of income or assets from an employment-based retirement plan. It is the third in a series of Employee Benefit Research Institute (EBRI) publications based on data collected in 1998 and released in 2002 as the Retirement and Pension Plan Coverage Topical Module of the 1996 Survey of Income and Program Participation (SIPP). This dataset has a wealth of data on workers' participation in these plans as well as the plans' characteristics or features. The first publication focused on "top-line" results on overall participation in employment-based plans and on which type of plan (defined benefit or defined contribution) the participants deemed to be their primary plan (Copeland, 2002b). It also examined contributions to salary reduction or 401(k)-type plans. The second publication focused on individuals' decisions on the uses of lump-sum distributions and on the factors determining these decisions (Copeland, 2002a).

This report completes the series by examining the survey's more detailed questions concerning workers' employment-based retirement plans. The first section examines not only the percentage of workers who *are* participating in a plan but also workers' reasons for *not* participating in a plan when working in a job where a plan is sponsored. This section focuses on all employment-based retirement plans and, more specifically, on salary reduction or 401(k)-type plans. The next section discusses features of, or decisions made concerning, salary reduction plans, such as the ability to direct investments, whether the employer contributes, whether a loan option is available from the plan, the use of specific investment types in the plans, the prevalence of loans outstanding, the average loan balance, and the median account balance.

Since most workers have more than one job during their career, their access to and decision to participate in an employment-based plan will vary across these jobs. Consequently, historical participation in employment-based retirement plans is examined to determine the probability that a worker has ever participated in a plan. An important component of lifetime participation in employment-based retirement plans is the individual retirement account (IRA), as these accounts hold many assets from the employment-based plans of workers who change jobs and take a lump-sum distribution.[1] Data on IRA ownership are examined and then combined with data on historical participation in employment-based plans to determine workers' likelihood of ever having participated in a tax-preferred retirement plan. An important decision for those who have ever participated in a tax-preferred retirement plan is whether to take a lump-sum distribution. A discussion of this issue is included, supplementing the earlier analysis by Copeland (2002a).

The final section of this report compares the standard of living of individuals age 55 or older with the standard they maintained when they were in their early 50s. This allows for an assessment of how the current "near-elderly" and elderly are doing, and of the importance of such factors as pension income and health insurance in maintaining their standard of living. These findings can provide crucial information for workers currently preparing for retirement.

The 1996 Survey of Income and Program Participation (SIPP) is conducted by the U.S. Census Bureau and follows the same households for a four-year period, asking various questions on their economic situations and demographic characteristics. The interviews of the households are conducted every four months, where more specialized topics are asked. The specialized questions on employment-based retirement plans are included in the Retirement and Pension Plan Coverage Topical Module, which is the seventh topical module and was fielded from March–June of 1998 but not released until early 2002.

Employment-Based Plans

As of June 1998, 64.3 percent of wage and salary workers age 16 or older worked for an employer or union that sponsored any type of retirement plan (defined contribution or defined benefit) for its employees or members (Figure 1) (the "sponsorship rate").[2] Almost 47 percent of the wage and salary workers participated in a plan (the "participation rate"), with 43.2 percent being entitled to a benefit or eligible to receive a lump-sum distribution from a plan if their job terminated at the time of the survey (the "vested rate"). [3] (*EBRI Issue Brief* no. 245 May 2002 provides relative percentages for full- and part-time workers. Among full-time workers, the sponsorship rate was 69.7 percent, the participation rate was 55.0 percent, and the vesting rate was 51.2 percent. This *Issue Brief* does not provide this break, as it is focused on lifetime participation.)

The participation rate varies considerably across various worker and workers' employer characteristics. It increases with the worker's job tenure, earnings, educational attainment, and age through age 60. Furthermore, male, union-covered, and white workers were more likely to participate than other workers. Concerning firm characteristics, workers of the largest employers, in the public sector, or in the mining and manufacturing industries were the most likely to participate in an employment-based retirement plan. The vested rate varied across the examined groups in a manner similar to that of the participation rate.

The sponsorship rate includes any workers who work for an employer that offers a plan to *any* of its employees. However, not all of these workers are *eligible* to participate in the plan. In the SIPP data, follow-up

Figure 1

Percentage of Wage and Salary Workers Age 16 and Older Who Participate in an Employment-Based Retirement Plan and Reasons for Not Participating, 1998

	Sponsorship Rate	Participation Rate	Vested Rate	Reasons for Not Participating in a Sponsored Retirement Plan: No one in job type allowed	Do not work enough hours	Have not worked long enough at employer	Cannot afford to contribute	Do not want to tie up money	Have not thought about it	Other reasons for choosing not to participate	Other	Percentage Ineligible	Any Plan Eligible Participation Rate
Total	64.3%	46.7%	43.2%	12.8%	24.0%	29.1%	11.5%	5.2%	4.5%	5.9%	7.1%	65.9%	88.6%
Tenure													
Less than 1 year	52.1	21.1	17.3	11.4	24.6	46.2	5.4	2.8	2.6	3.1	4.1	82.1	79.2
1–4 years	59.7	37.7	33.6	14.1	23.9	23.4	14.3	5.5	5.4	6.2	7.3	61.3	81.5
5–9 years	68.1	57.0	53.3	13.4	25.4	13.1	14.6	8.1	6.9	8.0	10.6	52.0	91.4
10–14 years	73.5	66.4	63.6	12.4	20.7	9.3	21.1	10.7	5.0	12.6	8.3	42.3	94.2
15 or more years	79.0	73.7	71.6	11.4	20.7	6.9	16.4	9.0	5.2	12.8	17.7	38.9	95.8
Age													
16–20	39.8	6.6	5.4	19.0	42.3	21.1	5.5	1.6	2.9	5.8	1.7	82.4	53.1
21–30	58.7	32.2	28.5	11.6	21.8	35.5	10.7	5.6	5.0	3.8	6.1	68.8	79.6
31–40	68.5	53.1	48.9	10.8	16.3	33.6	14.9	5.4	5.5	5.4	8.0	60.7	89.7
41–50	71.4	59.5	55.8	11.6	21.5	27.7	13.1	6.3	3.7	7.6	8.5	60.8	92.8
51–60	69.0	59.1	56.0	13.5	22.2	20.0	14.7	6.5	5.1	7.5	10.6	55.7	93.1
61–64	61.5	49.3	46.6	15.5	34.2	7.5	10.6	7.6	3.3	8.9	12.4	57.2	90.4
65 or older	44.7	23.1	22.5	18.3	41.4	3.4	2.4	3.7	1.3	16.5	13.1	63.1	74.3
Firm Size (by number of employees)													
Fewer than 25	26.8	17.8	16.3	13.1	23.6	29.3	9.5	5.1	3.8	7.9	7.7	66.1	85.6
25–99	50.7	34.6	32.2	8.9	19.1	33.3	13.8	6.7	4.3	5.7	8.2	61.3	84.8
100 or more	76.8	54.1	50.5	11.9	23.4	29.8	12.1	5.1	4.7	6.2	6.9	65.1	87.2
Public sector	85.8	71.3	64.7	20.1	31.3	22.5	8.3	4.6	4.2	2.7	6.4	73.9	95.0
Annual Earnings													
No income/unreported	50.4	31.4	29.3	11.4	36.5	24.7	8.3	2.6	2.0	4.2	10.2	72.6	86.8
$1–4,999	39.0	12.3	11.3	22.9	51.2	11.0	4.4	1.7	1.1	4.5	3.2	85.1	76.0
$5,000–$9,999	43.2	17.9	16.2	18.2	42.4	17.1	7.3	2.9	2.8	5.2	4.1	77.7	76.0
$10,000–$14,999	52.6	29.5	26.6	11.4	18.1	32.4	15.2	5.1	6.0	5.7	6.2	61.9	77.0
$15,000–$19,999	63.4	43.6	40.0	9.6	13.6	34.6	16.6	6.2	6.4	5.2	7.8	57.8	83.9
$20,000–$24,999	70.0	53.4	48.8	8.5	13.4	38.1	13.0	7.5	4.6	6.2	8.7	60.0	88.9
$25,000–$29,999	75.6	61.4	56.9	10.7	12.3	35.9	13.3	5.7	4.1	8.4	9.7	58.9	91.3
$30,000–$49,999	80.2	69.2	64.6	8.4	10.6	37.9	12.4	7.6	6.1	6.4	10.7	56.8	93.6
$50,000 or more	82.2	74.6	70.6	9.1	14.2	37.5	6.1	10.3	4.8	9.8	8.2	60.8	96.2
Gender													
Male	64.6	49.3	45.8	12.3	20.3	31.3	12.2	6.5	4.4	5.5	7.6	63.9	89.9
Female	64.0	43.8	40.3	13.2	27.1	27.3	10.9	4.2	4.5	6.2	6.6	67.6	87.1

(continued)

Figure 1 (continued)

	Sponsorship Rate	Participation Rate	Vested Rate	Reasons for Not Participating in a Sponsored Retirement Plan: No one in job type allowed	Do not work enough hours	Have not worked long enough at employer	Cannot afford to contribute	Do not want to tie up money	Have not thought about it	Other reasons for choosing not to participate	Other	Percentage Ineligible	Any Plan Eligible Participation Rate
Union Status													
Union covered	88.1%	76.8%	70.2%	10.4%	18.4%	29.8%	13.5%	6.7%	7.2%	4.7%	9.3%	58.6%	94.2%
Not union covered	60.2	41.6	38.6	13.1	24.6	29.1	11.2	5.1	4.2	6.0	6.8	66.7	87.0
Industry													
Agriculture	21.4	14.7	14.3	0.0	20.1	35.6	9.9	8.8	0.0	13.2	12.4	55.7	84.1
Mining	74.4	60.6	57.4	4.9	3.3	22.9	34.1	21.4	0.0	4.6	8.8	31.2	86.4
Construction	43.7	33.5	30.4	11.2	20.0	32.9	12.4	7.4	3.4	6.5	6.2	64.1	90.1
Manufacturing	74.2	59.7	56.6	9.3	13.5	33.8	17.9	6.7	5.6	5.2	8.0	56.6	90.4
Transportation, communications, utilities	71.6	56.4	53.1	10.9	17.7	30.5	11.8	8.9	6.8	6.4	6.9	59.1	90.0
Wholesale trade	62.6	47.3	44.8	5.4	18.1	38.1	10.4	6.1	4.9	9.0	8.0	61.6	89.0
Retail trade	49.6	24.4	22.6	14.4	32.1	25.7	8.9	4.6	4.4	5.8	4.2	72.1	77.7
Finance, insurance, real estate	71.4	52.9	50.3	9.3	19.2	36.6	7.4	5.7	5.7	6.3	9.7	65.2	89.2
Professional services	65.5	45.5	41.4	12.4	23.4	27.1	12.9	4.0	3.7	7.0	9.4	62.9	86.0
Other services	45.7	27.5	24.9	12.4	21.0	33.5	11.7	4.2	3.9	6.6	6.8	66.9	82.0
All private	60.1	41.9	39.0	11.7	22.9	30.2	11.9	5.3	4.5	6.4	7.2	64.7	86.7
Public	85.8	71.3	64.7	20.1	31.3	22.5	8.3	4.6	4.2	2.7	6.4	73.9	95.0
Race													
White	66.6	49.5	45.9	13.0	24.8	29.7	10.3	5.1	3.6	6.0	7.6	67.4	89.9
Black	65.0	43.6	40.4	11.4	22.4	27.4	15.6	3.8	7.7	5.3	6.4	61.2	84.1
Hispanic	48.2	31.2	28.3	11.6	21.5	29.3	15.2	6.4	7.3	4.4	4.4	62.3	82.9
Other	58.4	40.9	37.8	16.3	21.2	25.0	10.1	9.7	3.2	8.3	6.1	62.6	86.3
Education													
Less than high school diploma	41.7	22.2	20.3	15.8	28.9	21.9	13.3	4.0	4.3	6.1	5.8	66.5	77.4
High school diploma	60.3	42.6	39.4	12.0	23.4	26.3	13.5	5.9	5.4	6.0	7.5	61.7	86.3
Some college	66.3	47.0	43.7	12.6	24.9	30.1	11.6	5.3	4.4	5.0	6.1	67.6	88.3
Bachelor's degree	75.4	59.7	55.4	10.4	20.8	38.1	7.6	4.3	3.9	6.5	8.4	69.3	92.6
Graduate degree	81.5	69.3	63.8	17.6	18.9	31.4	5.4	6.2	2.5	8.0	10.0	67.9	94.6
Defined Benefit Plan Participant													
Participant	100.0	100.0	91.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Nonparticipant	55.7	33.9	31.6	12.8	24.0	29.1	11.5	5.2	4.5	5.9	7.1	65.9	82.1

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

questions were asked of those who worked where a plan was sponsored, but did not participate in the plan, to determine why they did not participate. Reasons for not participating were that the worker either was ineligible or chose not to participate: 12.8 percent were in a job type where participation was not allowed, 24.0 percent did not work enough hours to be eligible, 29.1 percent had not been at the employer long enough to be eligible, 11.5 percent said they could not afford to contribute, 5.2 percent did not want to tie up the money, 4.5 percent had not thought about the reason for not participating, and the remaining 13 percent cited various other reasons. Thus, among workers at sponsoring firms who do not participate in the plan, 65.9 percent were ineligible to participate and the remaining one-third chose not to participate. Therefore, the overall "eligible participation rate" was 88.6 percent. The factors that were associated with a higher *overall* participation rate were the same factors associated with a higher *eligible* participation rate.

While the overall eligible participation rate provides useful information, it does not fully represent the percentage of individuals who are faced with choosing or not choosing to participate in a plan, since it includes both defined contribution plans and defined benefit plans at firms where workers are automatically participants once they meet eligibility requirements. Salary reduction plans come closest to being plans in which participation is determined exclusively by choice, as the worker must agree to allow the sponsor to withhold or reduce his or her salary by a given percentage to make contributions to the plan. The most common example of this type of plan is the 401(k) plan.[4, 5] According to the SIPP data, 49.2 percent of wage and salary workers worked at a place of employment where a salary reduction plan was sponsored for at least some of the employees (see the sponsorship rates in Figure 2). Almost 33 percent of all wage and salary workers participated in a salary reduction plan, and 31.9 percent of these workers were entitled to a benefit or eligible to receive a lump-sum distribution from a salary reduction plan if their job terminated at the time of the survey (the participation rate and vested rate, respectively, in Figure 2).

Again, this participation rate included all wage and salary workers regardless of their eligibility for participation in a plan. The follow-up questions concerning why a worker did not participate in a plan when he or she worked where a plan was sponsored are used to determine the eligible participation rate for salary reduction plans. The predominant reason for not participating, other than ineligibility, was inability to afford to contribute, which was cited by 15.5 percent of nonparticipants working where a plan was sponsored. However, this translates into more than one-third of those who were eligible to participant but not doing so.[6] Probably the most disturbing result is that 5.4 percent of respondents had not thought about participating, which translates into more than 10 percent of those eligible to participate but who did not do so. After accounting for those who were eligible but chose not to participate, the eligible participation rate for salary reduction plans was 81.4 percent.[7] The factors or characteristics of workers that affected the overall eligible participation rate affected the salary reduction plan eligible participation rate in a similar manner.

Salary Reduction Plans

Salary reduction plans contain many features that provide potential incentives for workers to participate and choices that workers must contemplate. SIPP has data on a certain number of these features and, along with its extensive demographic and employer characteristics data, allows for a detailed examination of workers' participation in plans with these features.

Figure 2

Percentage of Wage and Salary Workers Who Participate in a Salary Reduction Plan (SRP) and Reasons for Not Participating in a Sponsored Plan, 1998

				Reasons for Not Participating in a Salary Reduction Plan									
	Sponsorship Rate	Participation Rate	Vested Rate	No one in job type allowed	Do not work enough hours	Have not worked long enough at employer	Cannot afford to contribute	Do not want to tie up money	Have not thought about it	Other reasons for choosing not to participate	Other	Percentage Ineligible	SRP Eligible Participation Rate
Total	49.2%	32.6%	31.9%	10.0%	19.2%	26.0%	15.5%	7.7%	5.4%	6.8%	9.3%	55.2%	81.4%
Tenure													
Less than 1 year	39.8	13.6	12.9	9.5	22.0	47.4	6.8	3.5	2.5	3.4	4.8	79.0	71.2
1–4 years	46.2	27.0	26.2	11.2	20.2	21.1	18.7	7.3	6.4	6.6	8.4	52.5	74.8
5–9 years	52.3	40.6	39.8	10.2	18.5	10.6	17.2	11.3	9.0	9.3	13.9	39.3	85.1
10–14 years	57.2	47.2	46.7	8.1	13.1	6.6	27.6	14.3	6.6	11.1	12.6	27.8	86.8
15 or more years	58.7	49.8	49.3	7.3	10.5	3.9	22.7	15.1	5.7	13.7	21.2	21.7	87.6
Age													
16–20	27.5	4.4	4.3	15.6	40.0	21.1	7.5	3.1	3.0	7.6	2.2	76.7	45.3
21–30	46.2	23.1	22.4	9.3	18.4	34.7	13.3	7.0	6.4	4.2	6.7	62.5	72.8
31–40	54.3	38.5	37.5	8.0	14.3	28.0	19.0	8.2	6.3	5.8	10.5	50.3	83.0
41–50	53.7	40.3	39.6	10.7	15.2	21.7	18.0	9.0	4.3	8.6	12.7	47.5	85.2
51–60	51.7	40.5	39.8	8.5	16.3	14.6	20.5	10.8	5.7	10.6	13.0	39.4	85.6
61–64	44.3	32.4	31.5	13.6	23.4	9.4	15.0	9.5	4.4	11.5	13.3	46.4	83.4
65 or older	29.9	14.2	14.1	15.1	41.6	3.0	1.6	6.3	2.9	15.1	14.5	59.6	69.1
Firm Size(by number of employees)													
Fewer than 25	18.5	10.9	10.7	10.8	21.4	27.8	12.5	6.1	4.9	8.2	8.4	59.9	78.5
25–99	38.6	25.0	24.3	7.1	17.0	31.2	17.2	7.6	4.8	5.6	9.6	55.3	80.4
100 or more	61.7	40.1	39.2	9.7	18.9	26.8	15.9	7.5	5.4	6.9	8.8	55.4	80.7
Public sector	59.8	44.1	43.1	12.3	20.5	18.3	14.9	9.7	6.3	6.2	11.8	51.1	85.1
Annual Earnings													
No income/unreported	37.2	20.9	20.4	9.6	29.0	23.7	15.8	5.2	2.3	4.5	9.9	62.3	78.2
$1–4,999	27.7	8.1	7.9	19.0	47.2	11.3	6.8	3.0	2.2	5.7	4.8	77.5	65.3
$5,000–$9,999	30.6	11.7	11.2	16.5	38.8	18.0	9.8	4.0	3.3	5.0	4.7	73.3	69.9
$10,000–$14,999	38.9	19.1	18.6	9.0	17.5	30.1	17.9	5.4	7.1	5.9	7.3	56.5	69.0
$15,000–$19,999	48.6	29.3	28.7	8.4	9.9	29.8	20.8	7.4	6.7	7.0	10.0	48.1	74.6
$20,000–$24,999	52.1	34.9	34.2	6.5	9.8	31.2	18.7	11.0	4.5	7.9	10.4	47.5	79.5
$25,000–$29,999	58.6	24.6	41.6	8.0	10.2	28.2	17.4	9.0	5.9	9.0	12.4	46.4	83.3
$30,000–$49,999	63.5	49.9	48.8	6.7	10.1	28.7	15.4	10.9	7.0	7.0	14.3	45.5	87.1
$50,000 or more	67.2	57.1	56.2	7.8	13.5	25.3	12.7	15.0	5.5	10.2	9.9	46.7	91.4
Gender													
Male	50.2	35.1	34.3	9.4	16.4	26.7	15.8	9.2	5.4	7.2	9.9	52.5	83.0
Female	48.1	29.8	29.2	10.5	21.9	25.3	15.3	6.4	5.4	6.4	8.8	57.7	79.4

(continued)

Figure 2 (continued)

	Sponsorship Rate	Participation Rate	Vested Rate	Reasons for Not Participating in a Salary Reduction Plan: No one in job type allowed	Do not work enough hours	Have not worked long enough at employer	Cannot afford to contribute	Do not want to tie Up money	Have not thought about it	Other reasons for choosing not to participate	Other	Percentage Ineligible	SRP Eligible Participation Rate
Union Status													
Union covered	62.0%	46.4%	45.4%	8.7%	12.3%	18.9%	18.7%	11.4%	8.4%	7.0%	14.8%	39.9%	83.2%
Not union covered	47.0	30.2	29.6	10.2	20.3	27.1	15.0	7.1	5.0	6.8	8.5	57.6	81.0
Industry													
Agriculture	17.7	11.0	10.8	0.0	16.1	31.4	18.6	8.7	0.0	13.1	12.3	47.4	76.8
Mining	60.4	46.4	45.9	0.0	5.6	24.1	40.6	12.5	8.5	0.0	8.6	29.8	82.5
Construction	30.4	20.6	19.7	8.2	14.8	29.7	17.4	9.7	3.2	10.1	7.0	52.7	81.5
Manufacturing	60.2	44.5	43.7	8.6	11.0	24.9	22.6	9.3	5.9	6.8	10.8	44.6	83.6
Transportation, communications, utilities	59.5	43.0	42.2	10.7	12.1	27.0	13.5	11.8	6.8	8.5	9.6	49.9	83.9
Wholesale trade	51.6	37.2	36.6	4.0	15.1	33.6	11.8	10.5	6.8	11.0	7.3	52.7	84.6
Retail trade	38.4	17.9	17.4	11.5	27.1	26.1	12.0	6.1	5.1	6.3	5.9	64.7	71.4
Finance, insurance, real estate	58.6	41.2	40.6	8.1	17.7	35.5	10.8	7.3	6.4	5.0	9.2	61.3	86.0
Professional services	48.3	29.6	29.0	9.5	21.7	23.5	16.3	5.8	4.6	7.0	11.5	54.7	77.8
Other services	36.0	20.5	19.9	10.7	17.8	33.4	14.8	5.4	4.7	6.3	7.1	61.8	77.6
All private	47.2	30.3	29.7	9.6	19.0	27.4	15.7	7.4	5.3	6.9	8.9	56.0	80.4
Public	59.8	44.1	43.1	12.3	20.5	18.3	14.9	9.7	6.3	6.2	11.8	51.1	85.1
Race													
White	51.5	34.9	34.1	10.0	19.4	26.3	14.7	7.8	4.7	7.0	10.0	55.7	82.6
Black	47.2	28.2	27.8	9.2	20.9	22.9	18.4	5.4	8.8	6.2	8.3	53.0	76.0
Hispanic	35.7	20.8	20.1	9.4	16.7	28.0	19.4	7.9	7.2	5.3	6.0	54.2	75.2
Other	45.7	30.4	29.7	13.6	17.0	24.7	13.1	12.2	4.3	8.3	6.9	55.3	81.6
Education													
Less than high school diploma	30.0	14.6	14.3	12.6	23.3	21.3	17.4	5.3	5.5	6.8	7.9	57.2	69.1
High school diploma	45.5	28.8	28.1	9.5	19.0	22.6	17.9	7.9	6.1	7.0	10.0	51.1	77.9
Some college	51.0	32.6	31.9	9.9	20.4	26.5	15.7	7.7	5.4	6.5	8.0	56.8	80.4
Bachelor's degree	60.1	44.3	43.2	8.4	15.0	34.2	11.6	8.8	4.9	6.8	10.3	57.6	86.9
Graduate degree	61.9	48.4	47.6	12.3	17.9	26.7	10.2	8.3	3.7	7.9	13.0	57.0	89.3
Defined Benefit Plan Participant													
Participant	54.6	41.2	41.0	10.9	21.8	29.3	13.2	5.9	4.8	6.3	7.8	62.0	82.2
Nonparticipant	47.9	30.5	29.7	5.2	5.3	7.7	28.5	17.4	8.8	9.5	17.7	18.1	79.0

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

Figure 3

Percentage of Salary Reduction Plan Participants Age 16 or Older Who Can Direct Investments and Percentage Whose Employer Contributes to Their Plan, by Various Characteristics, 1998

	Salary Reduction Participants (thousands)	Can Direct Invesment	Of Those Directing Investment		Employer Contributes	Employer Contributions Depend on Employee Contributions		
			All	Part		Entirely	Partly	Not at all
Total	39,265	65.3%	88.7%	11.3%	82.1%	57.7%	21.0%	21.3%
Tenure								
Less than 1 year	3,415	66.0	90.0	10.1	80.4	59.3	22.6	18.1
1–4 years	11,033	66.5	89.6	10.4	83.2	59.4	20.5	20.1
5–9 years	8,739	66.2	89.1	11.0	83.7	56.2	22.1	21.7
10–14 years	6,412	64.1	88.2	11.8	82.7	56.3	20.8	23.0
15 or more years	9,667	63.5	87.3	12.7	79.7	57.5	20.1	22.4
Age								
16–20	363	69.8	83.8	16.2	80.1	71.0	18.3	10.7
21–30	6,263	66.7	90.5	9.5	83.8	60.6	19.9	19.4
31–40	12,477	66.7	89.7	10.4	82.7	56.8	21.5	21.7
41–50	12,013	65.0	87.6	12.4	81.2	56.8	22.0	21.2
51–60	6,717	62.4	87.7	12.3	81.5	56.3	20.1	23.6
61–64	965	64.9	84.5	15.5	79.0	60.4	19.8	19.8
65 or older	468	51.8	96.0	4.0	87.0	68.5	13.5	18.0
Firm Size (by number of employees)								
Fewer than 25	3,263	71.5	92.7	7.3	79.4	59.3	17.7	23.0
25–99	3,466	70.3	91.0	9.0	82.3	59.1	21.5	19.4
100 or more	23,937	69.3	87.3	12.7	86.2	57.5	21.2	21.4
Public sector	8,598	49.5	90.8	9.2	71.7	57.2	21.5	21.3
Annual Earnings								
No income/unreported	866	62.8	92.3	7.7	73.3	59.7	16.9	23.4
$1–4,999	668	62.6	90.3	9.7	80.5	69.5	12.0	18.5
$5,000–$9,999	1,262	62.4	92.2	7.8	81.4	64.5	17.8	17.7
$10,000–$14,999	2,488	58.9	86.0	14.0	83.1	60.8	19.5	19.8
$15,000–$19,999	3,863	63.0	89.2	10.8	86.1	61.1	21.3	17.7
$20,000–$24,999	4,402	60.7	88.7	11.3	85.6	59.9	19.9	20.2
$25,000–$29,999	3,940	63.7	89.7	10.3	83.1	60.0	19.9	20.1
$30,000–$49,999	12,829	66.2	88.7	11.3	81.8	55.5	22.5	22.1
$50,000 or more	8,947	70.3	88.1	11.9	79.7	54.3	21.7	24.0
Gender								
Male	22,287	66.5	88.4	11.6	82.9	58.0	21.2	20.8
Female	16,979	63.7	89.2	10.8	81.2	57.3	20.8	22.0
Union Status								
Union covered	8,000	57.0	87.9	12.1	73.1	56.9	20.9	22.3
Not union covered	31,265	67.4	88.9	11.1	84.5	57.9	21.0	21.1
Industry								
Agriculture	232	72.2	88.4	11.6	79.0	65.4	12.0	22.6
Mining	290	71.2	85.3	14.7	83.5	56.5	25.4	18.1
Construction	1,226	71.0	88.0	12.1	75.1	57.9	20.2	21.9
Manufacturing	8,807	69.7	86.8	13.2	87.8	59.1	19.6	21.3
Transportation, communications, utilities	2,875	69.2	85.7	14.3	87.5	60.9	20.5	18.6
Wholesale trade	1,811	71.2	92.1	7.9	91.1	59.2	21.9	18.9
Retail trade	3,619	68.9	88.4	11.6	86.7	60.8	19.9	19.3
Finance, insurance real estate	2,936	71.4	86.5	13.5	90.8	55.3	22.7	22.0
Professional services	6,125	67.7	90.2	9.8	78.1	53.1	21.8	25.2
Other services	2,746	71.6	91.6	8.4	82.1	57.5	22.7	19.8
All private	30,667	69.7	88.3	11.7	85.1	57.8	20.9	21.3
Public	8,598	49.5	90.8	9.2	71.7	57.2	21.5	21.3

(continued)

Figure 3 (continued)

	Salary Reduction Participants (thousands)	Can Direct Invesment	Of Those Directing Investment		Employer Contributes	Employer Contributions Depend on Employee Contributions		
			All	Part		Entirely	Partly	Not at all
Race								
White	31,636	66.3%	88.7%	11.3%	82.1%	56.4%	21.2%	22.4%
Black	3,635	60.7	88.1	11.9	86.9	66.6	20.8	12.6
Hispanic	2,491	56.3	89.8	10.2	76.2	59.1	18.7	22.2
Other	1,504	69.9	89.6	10.4	81.6	60.2	20.3	19.4
Education								
Less than high school diploma	2,162	60.0	87.8	12.2	84.1	63.5	18.6	17.9
High school diploma	10,577	64.9	88.5	11.5	83.5	59.2	20.4	20.4
Some college	12,196	66.6	88.2	11.8	84.5	58.5	20.1	21.4
Bachelor's degree	9,379	65.8	89.9	10.1	80.7	54.1	23.2	22.7
Graduate degree	4,952	64.0	88.8	11.2	75.4	56.5	21.7	21.9
Defined Benefit Plan Participant								
Participant	9,471	63.6	87.8	12.3	76.1	45.0	18.5	36.5
Nonparticipant	29,795	65.8	89.0	11.0	84.1	61.4	21.7	16.9
Account Balance								
$1–$999	3,837	64.3	89.7	10.4	76.3	57.1	19.6	23.3
$1,000–$4,999	6,049	66.4	91.4	8.6	80.8	60.3	21.4	18.3
$5,000–$9,999	5,522	60.9	88.5	11.5	82.0	56.5	23.6	20.0
$10,000–$19,999	8,254	65.4	90.3	9.7	83.2	61.2	18.3	20.6
$20,000–$39,999	6,329	63.1	87.6	12.4	83.2	55.6	23.1	21.3
$40,000–$69,999	4,070	65.7	87.6	12.4	82.0	54.4	23.6	22.0
$70,000 or more	5,205	71.3	85.3	14.7	85.4	56.1	18.6	25.3

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

Direct Investment

Of all salary reduction plan participants, 65.3 percent reported that they can direct at least some of their investments in their plan (Figure 3).[8] Approximately 89 percent of the participants who are able to direct investment can direct all of their investments. Participants working for small employers (fewer than 25 employees) were the most likely to be able to direct their investments, and private-sector employees in general were significantly more likely to be able to direct their investments than public-sector workers.[9] Furthermore, employees at small firms had a slightly higher probability of being able to direct all of their investments than were employees of larger firms. This is likely due to restrictions placed on matching company stock contributions found more commonly among large employers.

Employer Contributions

About 82 percent of salary reduction plan participants are in a plan to which the employer contributes (Figure 3). Participants who work for larger private-sector employers are more likely to be in this type of plan. Furthermore, participants who were *not* also defined benefit plan participants were more likely to be in a plan where the employer contributes.[10] Those with the lowest balances have the lowest probability of being in a plan to which the employer contributes—possibly a cause of the smaller balances.

Among participants in a plan to which the employer contributes, 57.7 percent are in a plan where the employer contributions depends *entirely* on the participants' contributions; 21.0 percent are in plan where the employer contributions depend *partly* on their contributions; and 21.3 percent are in a plan where employer contributions do *not* depend on their contributions (Figure 3). The one significant deviation from this overall pattern is in the case of defined benefit plan participants, who are less likely to be in a plan in which the employer contributions depend entirely on participant contributions and instead are in plans whose employer contributions do not depend on their contributions.

Contribution Allocations

SIPP data report whether salary reduction plan participants currently contribute to various investment options available in a salary reduction plan, and they report the option that receives the largest share of current contributions. They do not report the percentage of the contributions allocated to each option. Although these data do not provide the level of detail found in some other studies on asset allocation within 401(k) plans (i.e., Holden and VanDerhei, 2001),[11] they do provide guidance on the allocation decisions of participants with certain demographic characteristics that are not included in the other studies. According to SIPP, among all salary reduction plan participants, 22.1 percent were investing some of their current contributions in company stock, 48.6 percent in stock funds, 19.6 percent in bond funds, 25.8 percent in balanced funds, 26.5 percent in money market funds, and 18.4 percent in other funds (Figure 4).[12] Among these participants, 6.4 percent allocated the largest share of their current contributions to company stock, 22.2 percent to stock funds, 9.1 percent to bond funds, 16.7 percent to balanced funds, 23.3 percent to money market funds, 18.4 percent to other funds; 3.9 percent did not report a predominant investment option.[13]

Participants who were more likely to be investing in company stock, or who had their largest share of contributions going to it, were those who were also defined benefit plan participants; worked for large employers; or worked for an employer in the transportation, communications, and utilities industries.[14] Other than having a higher likelihood of investing in company stock, defined benefit plan participants do not appear to invest any differently than nonparticipants.[15] The account balance appears not to have a significant impact on participants' allocation decisions. While there is a decline in the percentage of participants older than 40 who invest current contributions in stock funds, it is not that dramatic until participants reach age 65 or older. Furthermore, the age group with the highest percentage of participants investing current contributions in stock investments is the 31–40-year-olds, with 51.1 percent doing so.

These results on current asset allocation do not provide the basis for the kind of quantitative analysis that can be found in studies such as that by Holden and VanDerhei (2001). However, this study does provide qualitative results concerning some characteristics that are not available in Holden and VanDerhei-type studies. It is clear from those studies and SIPP that a significant number of participants are investing in a relatively conservative manner.

Plan Loans

In 1998, 8.2 percent of salary reduction plan participants had a loan outstanding from their plan (Figure 5). When accounting for the fact that 63.6 percent of participants are in a plan that allows a loan, 12.9 percent of those eligible have an outstanding balance.[16] The likelihood of having a loan balance outstanding varies significantly across many groups. In particular, account holders with balances of at least $20,000, defined benefit plan participants, blacks, higher earners, participants at large employers, participants ages 31–40, and participants with job tenure of five or more years were more likely to have an outstanding loan balance.[17] Therefore, the typical participant who takes a loan appears to be one who has established a significant balance (greater than $20,000), which means a participant who has longer job tenure or is older and who possibly has a "safety value" such as higher earnings or a defined benefit pension plan.

The average outstanding loan balance in 1998 was $5,196, according to SIPP.[18] Defined benefit plan participants and those with larger account balances have higher average loan balances as well as a higher likelihood of having a loan. However, while blacks had the highest probability of having a loan, they had the lowest average loan balance. The opposite was true of those with the highest educational attainment, as they were the least likely to have taken a loan but had the highest average loan balance among those with loans. The average loan balance was highest among those with the shortest and longest job tenures; however, longer-tenure participants had the highest probability of having a loan.

Figure 4

Percentage of Salary Reduction Plan Participants Age 16 or Older Investing Current Contributions in Various Investment Types and Largest Share of Current Contributions, by Various Characteristics, 1998

	Current Contributions Are Invested in This Type of Investment						Largest Share of Current Contributions Is Invested in This Type of Investment						
	Company stock	Stock funds	Bond funds	Balanced funds	Money market	Other invesments	Company stock	Stock funds	Bond funds	Balanced funds	Money market	Other invesments	Unreported
Total	22.1%	48.6%	19.6%	25.8%	26.5%	18.4%	6.4%	22.2%	9.1%	16.7%	23.3%	18.4%	3.9%
Tenure													
Less than 1 year	17.8	49.6	16.7	25.6	24.7	16.4	4.6	24.9	7.9	16.9	22.2	16.4	7.1
1–4 years	21.2	49.3	16.9	25.6	27.0	17.7	6.0	23.4	7.5	16.8	23.8	17.7	4.9
5–9 years	21.2	50.0	20.2	27.2	26.6	17.6	6.0	22.4	9.2	18.2	23.5	17.6	3.0
10–14 years	21.6	48.5	20.6	24.7	27.3	18.8	6.7	21.5	10.5	16.1	24.3	18.8	2.2
15 or more years	25.7	46.3	22.3	25.4	25.7	20.4	7.9	20.0	10.3	15.5	22.3	20.4	3.6
Age													
16–20	13.7	35.5	15.3	23.4	26.8	17.6	4.5	16.8	4.6	7.5	19.8	17.6	29.1
21–30	21.2	50.9	15.4	25.1	25.4	14.3	5.7	25.6	7.5	17.5	22.9	14.3	6.5
31–40	22.9	51.1	20.0	25.7	26.3	18.4	6.6	23.8	10.2	16.1	22.9	18.4	2.0
41–50	22.7	48.6	20.5	25.7	26.7	20.4	6.5	21.4	9.2	17.1	22.9	20.4	2.6
51–60	21.7	45.2	20.7	27.6	27.3	19.4	6.5	18.7	8.8	17.4	25.1	19.4	4.2
61–64	19.9	41.8	22.0	25.8	26.2	15.6	7.4	19.9	8.8	18.3	24.6	15.6	5.3
65 or older	15.8	24.9	18.2	9.9	27.0	14.1	8.0	10.5	8.5	5.7	24.2	14.1	28.9
Firm Size (by number of employees)													
Fewer than 25	12.4	49.0	15.9	26.0	28.0	17.6	3.2	21.3	5.9	17.4	24.2	17.6	10.4
25–99	14.1	51.1	16.6	25.4	26.0	18.4	3.9	23.6	6.7	16.8	22.8	18.4	7.9
100 or more	28.8	49.6	17.4	26.5	26.7	17.9	8.4	23.9	7.5	17.5	23.6	17.9	1.8
Public sector	10.5	44.7	28.2	23.7	25.4	20.2	3.2	18.5	15.7	14.2	22.3	20.2	5.9
Annual Earnings													
No income/unreported	18.1	48.8	21.1	25.0	18.2	26.2	2.8	21.9	9.2	15.9	16.1	26.2	7.9
$1–4,999	18.5	44.4	18.7	19.7	27.8	10.6	6.8	20.0	9.9	11.7	27.3	10.6	13.7
$5,000–$9,999	20.7	43.3	17.7	22.2	26.2	18.2	5.4	19.9	7.4	16.1	22.9	18.2	10.2
$10,000–$14,999	20.9	44.9	17.5	22.9	26.9	17.7	7.1	23.6	7.8	13.4	23.9	17.7	6.5
$15,000–$19,999	20.0	46.2	17.2	23.1	26.8	17.8	6.5	23.1	7.7	14.8	24.6	17.8	5.6
$20,000–$24,999	21.8	48.3	18.9	25.0	26.8	16.8	6.7	23.0	8.8	15.9	23.9	16.8	4.9
$25,000–$29,999	21.5	45.7	18.5	25.9	28.9	17.0	7.3	21.3	8.9	16.8	25.6	17.0	3.1
$30,000–$49,999	22.6	49.1	20.3	27.1	26.9	18.3	6.8	21.8	9.4	17.8	23.4	18.3	2.5
$50,000 or more	23.9	52.6	21.0	27.1	25.0	20.2	5.8	22.3	10.0	17.7	21.6	20.2	2.4
Gender													
Male	23.5	50.8	20.2	24.9	26.2	18.5	6.2	22.7	9.3	16.3	23.0	18.5	4.0
Female	20.3	45.7	18.6	26.9	26.8	18.3	6.8	21.4	8.8	17.2	23.7	18.3	3.8

(continued)

Figure 4 (continued)

	Current Contributions Are Invested in This Type of Investment						Largest Share of Current Contributions Is Invested in This Type of Investment						
	Company stock	Stock funds	Bond funds	Balanced funds	Money market	Other invesments	Company stock	Stock funds	Bond funds	Balanced funds	Money market	Other invesments	Unreported
Union Status													
Union covered	21.9%	48.3%	21.6%	24.5%	24.4%	17.9%	7.2%	22.2%	11.4%	16.5%	21.6%	17.9%	3.2%
Not union covered	22.1	48.7	19.0	26.1	27.0	18.5	6.2	22.1	8.5	16.7	23.7	18.5	4.1
Industry													
Agriculture	12.9	45.9	15.6	22.9	25.8	16.6	2.6	22.9	2.8	17.9	23.9	16.6	13.3
Mining	28.7	37.6	14.9	23.1	15.9	29.2	4.7	21.5	8.6	14.1	11.5	29.2	10.5
Construction	16.2	56.2	17.4	24.8	28.6	17.9	3.7	26.6	5.9	17.3	24.6	17.9	4.0
Manufacturing	29.2	49.6	18.2	25.0	25.4	15.9	9.4	23.6	9.0	17.9	22.2	15.9	2.0
Transportation, communications, utilities	38.6	49.6	17.4	26.3	24.7	17.8	9.5	23.5	8.6	17.6	21.5	17.8	1.5
Wholesale trade	21.8	51.7	16.4	26.8	26.2	19.9	6.2	25.2	5.4	16.1	23.6	19.9	3.5
Retail trade	30.6	48.7	13.2	24.2	24.9	17.3	8.2	25.9	5.5	15.0	23.1	17.3	5.1
Finance, insurance, real estate	31.8	46.8	15.5	25.8	28.0	16.6	11.0	23.7	5.7	15.1	25.3	16.6	2.6
Professional services	13.3	49.3	18.5	30.0	29.6	20.5	3.5	20.0	7.1	18.9	25.9	20.5	3.2
Other services	19.6	53.1	17.8	26.5	28.5	18.7	5.2	21.8	6.4	16.8	24.6	18.7	6.6
All private	25.4	49.7	17.1	26.3	26.7	17.9	7.3	23.2	7.2	17.4	23.6	17.9	3.4
Public	10.5	44.7	28.2	23.7	25.4	20.2	3.2	18.5	15.7	14.2	22.3	20.2	5.9
Race													
White	22.3	49.7	19.1	26.8	27.2	19.0	6.3	22.5	8.6	17.3	23.9	19.0	2.4
Black	19.9	40.1	23.5	18.2	21.3	10.3	6.5	19.0	15.8	11.3	20.0	10.3	17.1
Hispanic	20.7	47.2	19.1	25.5	25.8	21.6	8.0	22.1	6.6	15.7	21.4	21.6	4.7
Other	24.7	48.7	20.2	23.2	23.6	20.0	7.1	22.5	8.4	17.6	21.5	20.0	2.9
Education													
Less than high school diploma	22.7	42.3	18.7	24.3	26.3	14.7	9.7	17.6	9.3	15.3	23.3	14.7	10.1
High school diploma	23.5	47.7	18.4	21.7	28.0	18.1	8.2	22.7	8.5	13.7	24.7	18.1	4.1
Some college	23.6	48.3	20.0	26.6	25.6	17.8	6.6	21.9	9.3	17.6	22.9	17.8	4.0
Bachelor's degree	20.3	51.1	19.9	28.3	25.6	19.7	4.6	23.8	9.3	18.3	22.1	19.7	2.2
Graduate degree	18.7	49.4	20.6	28.2	26.9	19.9	4.4	20.5	9.3	18.4	23.7	19.9	3.7
Defined Benefit Plan Participant													
Participant	28.0	48.6	20.2	25.5	24.7	19.8	8.0	21.7	10.9	16.8	21.3	19.8	1.6
Nonparticipant	20.2	48.6	19.3	25.8	27.0	18.0	5.9	22.3	8.5	16.7	23.9	18.0	4.7
Account Balance													
$1–$999	20.9	48.1	14.7	25.4	25.4	18.1	6.9	25.5	6.2	17.7	22.7	18.1	2.9
$1,000–$4,999	19.1	50.9	16.5	24.2	28.3	19.0	5.9	24.1	7.6	15.6	25.8	19.0	2.0
$5,000–$9,999	22.9	47.4	20.4	27.2	27.9	16.7	6.8	22.9	9.5	18.3	24.3	16.7	1.4
$10,000–$19,999	17.7	42.6	18.1	23.8	23.9	17.1	5.8	19.5	8.3	15.7	20.6	17.1	13.0
$20,000–$39,999	26.6	49.2	20.6	25.8	25.4	17.8	8.5	23.0	10.0	16.8	23.0	17.8	0.9
$40,000–$69,999	23.9	53.7	24.4	28.6	29.0	18.7	5.1	22.9	10.8	17.1	24.8	18.7	0.7
$70,000 or more	25.8	52.6	23.0	27.0	26.8	22.3	6.1	19.3	11.3	16.5	23.3	22.3	1.3
Direct Invesments													
Can direct invesments	21.4	51.6	19.0	26.8	26.8	18.7	4.8	23.6	8.4	17.2	23.5	18.7	3.8
Cannot direct investments	23.4	43.1	20.7	23.9	25.4	17.9	9.6	19.4	10.4	15.6	23.0	17.9	4.1

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

Figure 5

PERCENTAGE OF SALARY REDUCTION PLAN PARTICIPANTS AGE 16 OR OLDER WHO HAVE A LOAN FROM THE PLAN, THE MEDIAN LOAN BALANCE, AND AVERAGE ACCOUNT BALANCE, BY VARIOUS CHARACTERISTICS, 1998

	Salary Reduction Participants (thousands)	Loan Allowed	Loan Outstanding	Loan Outstanding Given Availability	Average Outstanding Loan Balance for Those With Loan	Median Account Balance
Total	39,265	63.6%	8.2%	12.9%	$5,196	$14,000
Tenure						
Less than 1 year	3,415	62.6	5.1	8.1	6,368	7,000
1–4 years	11,033	62.8	4.9	7.8	4,177	7,500
5–9 years	8,739	65.6	9.0	13.7	3,641	12,000
10–14 years	6,412	62.7	11.5	18.3	5,045	17,500
15 or more years	9,667	63.7	10.3	16.2	6,877	30,000
Age						
16–20	363	57.3	0.0	0.0	0	1,300
21–30	6,263	64.4	4.1	6.3	3,144	6,000
31–40	12,477	66.5	11.4	17.1	4,861	12,279
41–50	12,013	63.1	8.2	13.0	5,655	18,000
51–60	6,717	60.4	7.2	12.0	6,271	23,841
61–64	965	60.5	8.0	13.2	5,833	30,000
65 or older	468	44.9	1.4	3.1	1,126	14,000
Firm Size (by number of employees)						
Fewer than 25	3,263	56.0	3.7	6.6	6,256	10,000
25–99	3,466	62.5	4.0	6.4	4,571	10,000
100 or more	23,937	70.1	10.6	15.1	5,039	15,000
Public sector	8,598	48.9	5.0	10.2	6,019	17,000
Annual Earnings						
No income/unreported	866	60.0	9.6	16.1	5,290	10,000
$1–4,999	668	59.7	3.4	5.7	8,413	10,000
$5,000–$9,999	1,262	58.6	5.1	8.7	6,428	10,000
$10,000–$14,999	2,488	58.1	4.9	8.5	2,461	10,000
$15,000–$19,999	3,863	61.4	6.5	10.5	3,140	8,000
$20,000–$24,999	4,402	60.2	6.0	10.0	5,203	10,000
$25,000–$29,999	3,940	65.4	8.7	13.3	4,013	10,000
$30,000–$49,999	12,829	64.3	9.0	14.0	5,053	17,000
$50,000 or more	8,947	67.4	10.4	15.4	6,548	30,000
Gender						
Male	22,287	65.4	8.8	13.4	5,680	17,500
Female	16,979	61.2	7.5	12.2	4,449	10,000
Union Status						
Union covered	8,000	60.8	7.7	12.6	6,464	17,500
Not union covered	31,265	64.3	8.4	13.0	4,898	12,500
Industry						
Agriculture	232	59.8	3.4	5.7	14,540	10,000
Mining	290	63.0	14.2	22.5	5,262	16,000
Construction	1,226	65.9	7.3	11.0	6,193	10,000
Manufacturing	8,807	74.0	10.8	14.7	4,626	16,000
Transportation, communications, utilities	2,875	73.6	13.5	18.3	6,202	19,179
Wholesale trade	1,811	67.4	9.9	14.6	6,066	15,000
Retail trade	3,619	68.5	8.6	12.6	4,795	9,000
Finance, insurance, real estate	2,936	71.6	11.1	15.5	4,720	11,000
Professional services	6,125	57.2	4.8	8.4	4,618	11,163
Other services	2,746	62.1	7.5	12.0	4,836	10,000
All private	30,667	67.7	9.1	13.2	5,049	13,000
Public	8,598	48.9	5.0	10.2	6,019	17,000
Race						
White	31,636	64.4	7.9	12.2	5,229	15,600
Black	3,635	57.7	11.4	19.8	4,443	10,000
Hispanic	2,491	62.6	8.0	12.8	5,804	10,000
Other	1,504	61.9	8.5	13.8	6,033	12,000

(continued)

Figure 5 (continued)

	Salary Reduction Participants (thousands)	Loan Allowed	Loan Outstanding	Loan Outstanding Given Availability	Average Outstanding Loan Balance for Those With Loan	Median Account Balance
Education						
Less than high school diploma	2,162	57.0	7.9	13.9	3,702	10,000
High school diploma	10,577	66.3	9.2	13.8	4,453	12,000
Some college	12,196	65.1	9.6	14.7	5,304	12,000
Bachelor's degree	9,379	63.6	7.0	11.0	5,403	15,000
Graduate degree	4,952	57.0	5.4	9.4	7,873	24,000
Defined Benefit Plan Participant						
Participant	9,471	64.0	10.0	15.7	6,113	17,500
Nonparticipant	29,795	63.5	7.6	12.0	4,813	12,000
Account Balance						
\$1–\$999	3,837	63.1	2.4	3.8	2,563	300
\$1,000–\$4,999	6,049	62.5	4.5	7.1	2,613	2,400
\$5,000–\$9,999	5,522	64.2	8.1	12.7	3,461	7,500
\$10,000–\$19,999	8,254	57.4	7.3	12.8	4,328	14,000
\$20,000–\$39,999	6,329	66.9	11.1	16.5	5,333	30,000
\$40,000–\$69,999	4,070	66.5	12.0	18.1	4,823	50,000
\$70,000 or more	5,205	68.1	12.0	17.6	8,937	105,000

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

Account Balance

The median (middle value) account balance in salary reduction plans in 1998 was found to be \$14,000 (Figure 5).[19] Some of the results were what would be expected: median balances increase with age through age 64 and with tenure and educational attainment. However, the median account balance does not appreciably increase until reaching \$30,000 in annual earnings, and then shows a considerable jump at earnings of \$50,000 or above. Other important differences existed for defined benefit participants, males, whites, and participants at large or public-sector firms, all of whom had significantly higher average balances.

Retirement Plan History

Participation in a retirement plan through current employment at a specific moment in time does not tell the full story of a worker's preparedness for retirement or the availability of some form of retirement income from an employment-based retirement plan. The number of plans that workers participate in at their current job can have a sizeable effect on their future retirement income. In addition, workers at different stages in life have a different likelihood of having access to a plan, depending on their tenure or type of employer. Furthermore, workers will choose to participate (or not to participate) at different points of their careers, depending upon their circumstances. Thus, it is important to consider workers' entire careers and the number of plans they have participated in when determining the participation in employment-based plans.

In 1998, of the 46.7 percent of wage and salary workers age 16 or older who participated in an employment-based retirement plan, 21.0 percent participated in more than one retirement plan through their employment (Figure 6). The likelihood of having more than one plan increased with tenure, educational attainment, and earnings. Working for a large (100 or more employees) or public-sector employer, working in the mining, transportation, communications, utilities, finance, insurance, and real estate industries, or being in a union-covered job also increased the chances that a worker was covered by more than one plan.

In 1993, a similar pattern emerged for workers having more than one plan, as 21.3 percent of wage and salary workers participating in a retirement plan had more than one plan—virtually the same proportion as in 1998 (Figure 6). However, in 1993, those in union-covered jobs were slightly less likely to have participated in more than one plan than those not in union-covered jobs, compared with their significantly higher likelihood in 1998. Furthermore, a fairly significant racial disparity was found among those having more than one plan in 1993 but not in 1998.

Figure 6

Percentage of All Wage and Salary Workers Age 16 or Older Who Participate in a Current Job's Employment–Based Retirement Plan, Participate in More Than One Plan in a Current Job, Have Retirement Plan Benefits From a Former Job, Have Ever Participated in a Plan, by Various Characteristics, 1993 and 1998

	1993					1998				
	Total (thousands)	Participate in a Current Job's Plan	Of Those in a Current Job's Plan in More Than One Plan	Have a Plan From a Current or Former Job	Have Ever Participated in an Employment-Based Plan	Total (thousands)	Participate in a Current Job's Plan	Of Those in a Current Job's Plan in More Than One Plan	Have a Plan From a Current or Former Job	Have Ever Participated in an Employment-Based Plan
Total	107,275	49.3%	21.3%	52.1%	57.9%	118,824	46.7%	21.0%	48.7%	53.7%
Tenure										
Less than 1 year	21,712	14.9	9.7	20.2	30.2	24,896	21.1	18.8	24.5	31.3
1–4 years	34,773	38.0	14.0	41.3	48.8	40,211	37.7	16.8	40.1	46.0
5–9 years	21,423	62.6	21.8	64.6	68.7	21,252	57.0	19.3	58.7	62.8
10–14 years	11,556	73.7	24.4	74.7	77.5	13,391	66.4	22.5	67.1	70.5
15 or more years	17,811	81.3	28.3	82.3	83.4	19,074	73.7	26.7	74.3	77.2
Age										
16–20	6,771	3.6	11.8	3.9	4.4	8,198	6.6	22.6	6.6	6.6
21–30	26,758	35.8	14.8	37.0	42.0	26,843	32.2	16.7	33.3	36.8
31–40	31,483	55.3	21.7	57.5	64.4	32,126	53.1	20.5	55.3	60.2
41–50	23,743	63.4	24.2	66.3	72.9	29,243	59.5	22.7	62.3	67.0
51–60	13,291	62.2	23.2	66.9	72.7	16,304	59.1	23.1	62.1	68.6
61–64	2,825	54.6	24.6	64.1	69.0	2,950	49.3	18.8	51.0	61.4
65 or older	2,404	31.9	13.4	47.8	55.5	3,160	23.1	16.7	24.5	46.6
Firm Size (by number of employees)										
Fewer than 25	22,895	14.5	7.5	18.6	28.9	26,087	17.8	10.8	20.4	28.2
25–99	11,806	32.7	10.9	36.4	44.5	13,789	34.6	13.5	36.8	42.9
100 or more	46,986	62.3	26.2	64.5	68.7	59,661	54.1	22.7	56.0	60.0
Public sector	25,588	64.2	17.9	66.5	70.1	19,288	71.3	22.9	72.9	76.1
Annual Earnings										
No income/unreported	8,557	25.0	15.9	29.5	38.5	3,811	31.4	23.2	34.6	42.9
$1–4,999	7,467	4.0	8.5	8.2	14.0	9,305	12.3	17.9	13.7	19.3
$5,000–$9,999	10,650	14.1	9.3	17.7	24.7	13,493	17.9	15.1	20.0	26.1
$10,000–$14,999	15,341	31.2	8.7	34.4	40.5	17,207	29.5	14.4	31.3	35.9
$15,000–$19,999	14,444	47.5	15.2	50.1	56.2	15,447	43.6	14.3	45.6	51.7
$20,000–$24,999	12,510	63.3	15.2	65.6	70.9	13,393	53.4	17.1	55.4	60.4
$25,000–$29,999	9,796	67.6	18.7	69.6	75.2	11,363	61.4	20.2	63.3	68.0
$30,000–$49,999	19,930	78.2	27.4	80.1	84.6	22,695	69.2	23.5	71.5	75.5
$50,000 or more	8,582	83.5	36.1	85.5	89.2	12,110	74.6	30.4	76.9	80.4
Gender										
Male	56,740	51.9	23.2	55.0	60.8	62,622	49.3	22.1	51.3	56.3
Female	50,535	46.4	18.9	48.7	54.5	56,202	43.8	19.5	45.8	50.8

(continued)

Figure 6 (continued)

	1993					1998				
	Total (thousands)	Participate in a Current Job's Plan	Of Those in a Current Job's Plan in More Than One Plan	Have a Plan From a Current or Former Job	Have Ever Participated in an Employment-Based Plan	Total (thousands)	Participate in a Current Job's Plan	Of Those in a Current Job's Plan in More Than One Plan	Have a Plan From a Current or Former Job	Have Ever Participated in an Employment-Based Plan
Union Status										
Union covered	18,570	80.5	20.4	81.7	83.6	17,237	76.8	24.6	77.6	79.8
Not union covered	88,706	42.8	21.7	45.9	52.5	101,588	41.6	19.8	43.8	49.3
Industry										
Agriculture	1,360	10.1	9.0	11.5	17.7	1,866	14.7	16.6	16.9	21.0
Mining	648	68.5	24.8	70.6	75.0	620	60.6	30.9	61.9	64.2
Construction	4,868	31.3	13.5	34.6	43.1	5,842	33.5	19.9	35.8	41.8
Manufacturing	18,809	63.7	26.0	65.7	69.4	19,745	59.7	22.9	61.3	65.2
Transportation, communications, utilities	6,490	61.6	31.0	64.4	70.1	6,681	56.4	25.9	58.3	63.5
Wholesale trade	4,426	49.4	19.6	53.0	62.8	4,757	47.3	17.0	49.2	54.5
Retail trade	18,175	25.8	13.2	28.2	34.0	19,937	24.4	17.1	26.0	30.3
Finance, insurance, real estate	6,927	56.5	29.5	60.6	67.1	7,029	52.9	26.4	56.1	63.0
Professional services	16,346	45.5	16.5	48.7	57.3	20,118	45.5	16.6	48.3	54.3
Other services	10,629	21.0	19.0	25.5	33.3	12,943	27.5	15.0	29.7	36.8
All private	88,679	43.5	22.2	46.4	52.9	99,536	41.9	20.3	44.0	49.3
Public	18,596	77.0	19.0	79.0	81.3	19,288	71.3	22.9	72.9	76.1
Race										
White	91,972	49.9	22.3	52.7	58.6	89,228	49.5	21.3	51.9	57.4
Black	11,726	46.5	14.3	49.6	54.7	12,808	43.6	21.1	44.6	48.7
Hispanic						11,913	31.2	17.6	32.0	34.0
Other	3,578	43.7	16.8	45.0	49.2	4,875	40.9	19.5	42.6	46.5
Education										
Less than high school diploma	13,707	22.7	7.4	24.8	28.3	14,693	22.2	15.8	22.8	25.4
High school diploma	36,263	46.7	16.5	49.1	54.8	36,439	42.6	18.7	44.3	49.1
Some college	30,566	49.4	22.5	52.5	58.9	36,929	47.0	20.8	49.0	54.8
Bachelor's degree	17,876	62.3	26.5	65.4	72.2	20,859	59.7	23.1	63.1	68.4
Graduate degree	8,863	74.3	28.7	78.2	83.6	9,904	69.3	25.1	72.2	77.5

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7 and the April 1993 Current Population Survey Employee Benefit Supplement.

Among wage and salary workers, 46.7 percent participated in a retirement plan through a current job in 1998, but 48.7 percent either currently participated or still had retirement benefits from a plan through a previous employer (Figure 6). However, approximately 62 per- cent of workers ages 41–60 are currently participating in a plan or have retirement benefits from a previous job.[20] Furthermore, 67.1 percent of wage and salary workers with job tenure of 10–14 years and 74.3 percent of those with a job tenure of 15 or more years have a plan through a current or former job. The percentages for 1993 follow a similar pattern.[21]

Some individuals who had retirement benefits from a previous job could have taken a lump-sum distribution from the plan for the entire amount of their account balance in a defined contribution plan or for the present value of their accruals in a defined benefit plan. Thus, these workers would no longer be entitled to a retirement benefit from their previous employer. The existence of the benefit or assets would depend on what the worker did with the lump-sum distribution, i.e., rolled it over to an IRA or subsequent employer's plan, or spent it. These decisions will be discussed in a later section, but it is also necessary to know the percentage of workers who have ever had the opportunity to participate in an employment-based plan in order to determine the full extent of participation in these plans. In 1998, workers were asked if they ever participated in a retirement plan through a previous employer and their responses were combined with those who said they are currently participating; 53.7 percent responded that they had at some point in their career participated in a retirement plan through an employment-based arrangement. This number reached 68.6 percent for those ages 51–60 and 77.2 percent for those with job tenures of 15 or more years.[22] Consequently, when examined on a lifetime basis, employment-based retirement plan participation is considerably larger than when it is limited to workers who are currently participating.

Another component of the retirement plan puzzle in terms of lifetime participation in retirement plans is the individual retirement account (IRA).[23] Most of the asset growth in IRAs during the 1990s was the result of rollovers from other employment-based retirement plans, not from new contributions (Sabelhaus, 1999). Consequently, participation in IRAs must also be considered in a lifetime participation assessment.

As of year-end 1997, 16.6 percent of all workers age 16 or older had an IRA in their own name (Figure 7).[24, 25] When combined with those who had a Keogh plan, 16.9 percent of workers had either type of plan. IRA ownership in the worker's own name increased substantially with age, from 5.5 percent of those ages 21–30 to 34.3 percent of those ages 61–64. Longer job tenure is also associated with an increased likelihood of IRA ownership: 8.5 percent of those with less than one year of tenure owned an IRA, compared with 27.6 percent of those with 15 or more years of tenure. Furthermore, workers who participated in an employment-based plan had a higher probability of owning an IRA, although the type of job-based plan did not affect this probability. A contradictory finding related to employment-based retirement plan participation is that workers at small employers are more likely to own an IRA than those at large employers. There could be two reasons for this. First, some small employers offer their employees a SIMPLE IRA retirement plan,[26] so these workers have an IRA also by definition, whereas employees of large employers would have two separate plans. Second, since the workers at small employers have a lower probability of being offered an employment-based plan, those who want to save for retirement would likely use an IRA due to its tax benefits.

The percentage of workers who made a tax-deductible contribution to an IRA in 1997 (4.7 percent) was significantly smaller than the percentage who owned them (16.6 percent) (Figure 7).[27] Across various characteristics, the workers who were more likely to own an IRA were also more likely to contribute to one. The one exception was that defined benefit participants were far more likely than nonparticipants to own an IRA, although there was virtually no difference in their

Figure 7

Percentage of All Workers Age 16 or Older Who Have an IRA[a] or Keogh Plan in Their Own Name and Who Contribute to the Plans, by Various Characteristics, 1992 and 1997

	1992			1997				
	Number of Workers (thousands)	Have IRA in Own Name	Made Tax-Deductible Contribution to IRA in 1992	Number of Workers (thousands)	Have IRA in Own Name	Have IRA or Keogh in Own Name	Made Tax-Deductible Contribution to IRA in 1997	Made Tax-Deductible Contribution to IRA or Keogh in 1997
Total	117,874	18.84%	6.50%	131,079	16.6%	16.9%	4.7%	5.0%
Tenure								
Less than 1 year	23,431	9.24	3.02	26,361	8.5	8.6	2.0	2.1
1–4 years	37,479	14.18	5.19	43,914	13.8	13.9	3.6	3.8
5–9 years	23,291	20.06	6.91	23,675	18.0	18.3	5.5	5.7
10–14 years	13,047	24.73	8.44	14,981	20.4	21.2	6.9	7.4
15 or more years	20,627	33.09	11.16	22,148	27.6	28.2	7.9	8.5
Age								
16–20	6,918	0.82	0.50	8,474	0.6	0.6	0.2	0.2
21–30	28,099	5.71	2.81	28,231	5.5	5.6	1.9	1.9
31–40	34,361	16.94	6.02	35,171	14.0	14.3	4.0	4.1
41–50	26,504	25.80	8.29	32,599	22.0	22.4	6.5	6.9
51–60	15,327	35.55	11.64	18,626	28.8	29.5	8.4	8.9
61–64	3,382	40.62	14.74	3,588	34.3	34.9	9.8	10.5
65 or older	3,283	32.45	8.84	4,390	31.7	32.2	5.3	5.6
Firm Size (by number of employees)								
Fewer than 25	33,048	20.54	8.65	37,928	19.0	19.6	6.6	7.2
25–99	11,908	17.07	6.38	13,878	14.3	14.5	4.1	4.2
100 or more	47,240	18.77	5.54	59,766	14.9	15.2	3.6	3.8
Public sector	25,678	17.58	5.57	19,507	18.4	18.6	5.1	5.1
Annual Earnings								
No income/unreported	18,753	24.96	10.15	6,862	17.7	18.1	4.8	5.1
$1–4,999	7,540	7.18	1.78	10,837	9.0	9.3	2.5	2.6
$5,000–$9,999	10,691	7.24	2.93	14,941	8.8	8.9	2.5	2.6
$10,000–$14,999	15,409	9.17	3.43	18,606	9.2	9.3	2.9	3.0
$15,000–$19,999	14,501	11.86	4.27	16,148	11.2	11.6	3.6	3.8
$20,000–$24,999	12,547	14.74	6.09	14,244	15.0	15.2	4.4	4.4
$25,000–$29,999	9,817	19.61	6.68	12,026	17.7	17.9	5.0	5.2
$30,000–$49,999	19,977	27.54	8.58	24,007	22.6	23.1	6.4	6.8
$50,000 or more	8,639	43.99	11.95	13,407	37.3	38.3	10.1	11.1
Gender								
Male	63,872	20.31	6.96	69,847	16.7	17.2	4.8	5.2
Female	54,002	17.10	5.96	61,232	16.4	16.6	4.7	4.8
Union Status								
Union covered	18,609	19.03	6.15	17,237	17.1	17.4	4.2	4.3
Not union covered	99,265	18.80	6.57	113,842	16.5	16.8	4.8	5.1
Industry								
Agriculture	2,793	18.01	7.82	3,283	16.7	17.2	5.5	5.6
Mining	655	31.64	6.31	634	14.9	15.2	4.6	4.6
Construction	6,416	15.36	6.36	7,508	12.9	13.4	4.8	5.1
Manufacturing	19,131	18.44	5.69	20,196	15.0	15.4	3.6	3.8
Transportation, communications, utilities	6,841	21.41	6.56	7,163	17.4	17.8	4.7	4.8
Wholesale trade	4,740	22.20	8.70	5,180	19.1	19.6	5.4	5.8
Retail trade	19,930	11.92	4.81	21,604	10.1	10.2	3.4	3.4
Finance, insurance, real estate	7,655	27.0	8.3	7,647	25.1	25.5	6.9	7.7
Professional services	18,167	23.7	8.1	22,202	21.5	22.1	5.7	6.2
Other services	12,951	14.9	6.0	16,154	14.6	14.8	4.9	5.1
All private	99,279	18.6	6.5	111,572	16.2	16.6	4.7	5.0
Public	18,596	20.4	6.5	19,507	18.4	18.6	5.1	5.1

(continued)

Figure 7 (continued)

	1992			1997				
	Number of Workers (thousands)	Have IRA in Own Name	Made Tax-Deductible Contribution to IRA in 1992	Number of Workers (thousands)	Have IRA in Own Name	Have IRA or Keogh in Own Name	Made Tax-Deductible Contribution to IRA in 1997	Made Tax-Deductible Contribution to IRA or Keogh in 1997
Race								
White	101,702	20.5%	7.0%	99,374	19.8%	20.1%	5.6%	5.9%
Black	12,200	5.6	1.9	13,450	5.7	5.9	1.8	1.8
Hispanic	b	b	b	12,826	4.7	4.9	1.6	1.7
Other	3,972	17.0	7.2	5,429	13.2	13.3	4.6	4.8
Education								
Less than high school diploma	15,104	4.7	1.5	16,386	3.8	4.0	1.2	1.3
High school diploma	39,995	13.8	4.8	40,322	10.5	10.7	3.2	3.3
Some college	33,493	16.4	5.7	40,448	15.6	15.9	4.5	4.7
Bachelor's degree	19,357	31.0	10.8	22,807	27.2	27.8	7.5	8.0
Graduate degree	9,925	45.2	15.6	11,116	39.1	39.9	10.9	11.9
Employment-Based Retirement Plan Participant								
Nonparticipant	64,621	13.6	5.7	75,945	12.9	13.2	4.4	4.6
Participant	53,253	25.2	7.4	55,133	21.6	22.0	5.3	5.5
Employment-Based Defined Benefit Plan Participant								
Nonparticipant	88,981	16.4	6.1	107,930	15.5	15.8	4.7	5.0
Participant	28,893	26.3	7.7	23,149	21.6	21.9	4.9	5.1
Employment-Based Salary Reduction Plan Participant								
Nonparticipant	92,223	15.4	5.9	91,813	14.0	14.3	4.4	4.7
Participant	25,651	31.2	8.6	39,265	22.5	22.9	5.5	5.8

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7 and the April 1993 Current Population Survey Employee Benefit Supplement.
[a]Individual retirement account.
[b]Not determinable.

likelihood of making a tax-deductible IRA contribution.

Since tax-preferred vehicles for accumulating retirement assets consist of both employment-based and individual retirement plans, looking at the combination of their ownership/participation rates gives a more complete picture of Americans' financial preparation for retirement. When workers who are participating in a current or previous job's plan are added to those who own an IRA or Keogh, the proportion of all workers who had some type of retirement plan in 1998 is 51.9 percent (Figure 8). Among workers ages 51–60, 67.0 percent had some form of retirement plan, and individuals with 15 or more years of tenure in a job had nearly a 75 percent probability of having a plan. Furthermore, those with the highest earnings, most education, or union coverage had the highest likelihood having some type of tax-preferred retirement plan.

Next, it was determined that 56.0 percent of all workers have participated in some type of retirement plan sometime during their work life (Figure 8).[28] For those ages 51–60, almost 72 percent have ever participated in a plan, while among those with 15 or more years of tenure nearly 78 percent have ever had a plan. Again, those with the highest earnings, the most education, or a union-covered job had the highest probability of ever having had a plan—at more than 80 percent for these groups.

Two factors that could account for the difference between the proportion of individuals who *have ever* been in a plan and the proportion *currently* in a plan: not vesting in a previous job's plan and spending a lump-sum distribution at job termination. Unfortunately, the cause cannot be determined from the available data. While vesting periods could be made shorter, immediate vesting in all cases could make the sponsorship of a plan more costly, which might reduce the number of retirement plans offered by employers. However, understanding which workers spend their lump-sum distributions and the reasons they do so could lead to the creation of legislation designed to stimulate the continued accumulation of retirement assets. One example of such legislation is the Economic Growth and Tax Relief

Figure 8

Percentage of All Workers Age 16 or Older Who Currently Participate in Some Type of Retirement Plan or Have Ever Participated in Some Type of Retirement Plan,[a] by Various Characteristics, 1993 and 1998

	1993			1998		
	Total Workers (thousands)	Currently Have Some Type of Retirement Plan	Have Ever Participated in Some Type of Retirement Plan	Total Workers (thousands)	Currently Have Some Type of Retirement Plan	Have Ever Participated in Some Type of Retirement Plan
Total	117,874	54.9%	59.7%	131,079	51.9%	56.0%
Tenure						
Less than 1 year	23,431	24.0	32.3	26,361	28.6	33.9
1–4 years	37,479	45.1	51.6	43,914	43.9	48.5
5–9 years	23,291	67.3	70.5	23,675	60.8	64.3
10–14 years	13,047	74.7	77.1	14,981	68.6	71.4
15 or more years	20,627	81.2	82.5	22,148	74.9	77.7
Age						
16–20	6,918	4.5	5.0	8,474	7.0	7.0
21–30	28,099	37.7	42.5	28,231	34.6	37.9
31–40	34,361	59.4	65.1	35,171	56.6	60.7
41–50	26,504	68.4	73.8	32,599	64.8	68.4
51–60	15,327	71.2	75.4	18,626	67.0	71.9
61–64	3,382	72.0	75.1	3,588	62.1	68.5
65 or older	3,284	57.9	62.5	4,390	44.5	59.0
Firm Size (by number of employees)						
Fewer than 25	33,048	30.4	38.4	37,928	31.4	37.5
25–99	11,908	44.0	50.3	13,878	43.0	47.5
100 or more	47,240	67.1	70.4	59,766	59.2	62.3
Public sector	25,678	68.9	71.8	19,507	76.1	78.5
Annual Earnings						
No income/unreported	18,753	36.6	44.1	6,862	36.8	44.5
$1–4,999	7,540	13.4	17.9	10,837	19.9	24.2
$5,000–$9,999	10,691	21.7	27.9	14,941	25.4	30.0
$10,000–$14,999	15,409	38.4	43.6	18,606	34.9	38.9
$15,000–$19,999	14,501	54.6	59.4	16,148	49.2	54.2
$20,000–$24,999	12,547	69.0	73.3	14,244	58.9	62.9
$25,000–$29,999	9,817	74.3	78.8	12,026	66.6	70.5
$30,000–$49,999	19,977	84.4	87.6	24,007	74.6	77.5
$50,000 or more	8,639	90.9	92.7	13,407	81.0	83.3
Gender						
Male	63,872	56.9	62.0	69,847	53.5	57.6
Female	54,002	52.4	57.0	61,232	50.2	54.1
Union Status						
Union covered	18,609	82.9	84.5	17,237	79.7	81.5
Not union covered	99,265	49.6	55.1	113,842	47.7	52.1
Industry						
Agriculture	2,793	26.6	30.3	3,283	25.7	31.0
Mining	655	77.9	80.3	634	64.6	66.9
Construction	6,416	36.2	43.3	7,508	37.6	42.4
Manufacturing	19,131	68.5	71.4	20,196	63.9	67.1
Transportation, communications, utilities	6,841	66.9	71.9	7,163	59.8	64.2
Wholesale trade	4,740	60.0	67.2	5,180	54.6	58.7
Retail trade	19,930	32.8	38.1	21,604	30.5	34.3
Finance, insurance real estate	7,655	65.5	70.4	7,647	64.1	68.3
Professional services	18,167	55.0	61.6	22,202	54.4	59.2
Other services	12,951	30.7	37.7	16,154	34.4	39.9
All private	99,278	50.0	55.4	111,572	47.7	52.0
Public	18,596	81.0	82.9	19,507	76.1	78.5

(continued)

Figure 8 (continued)

	1993			1998		
	Total Workers (thousands)	Currently Have Some Type of Retirement Plan	Have Ever Participated in Some Type of Retirement Plan	Total Workers (thousands)	Currently Have Some Type of Retirement Plan	Have Ever Participated in Some Type of Retirement Plan
Race						
White	101,702	55.9%	60.7%	99,374	55.9%	60.3%
Black	12,200	49.1	54.1	13,450	44.4	48.4
Hispanic				12,826	31.9	33.7
Other	3,972	47.3	50.8	5,429	44.8	48.5
Education						
Less than high school diploma	15,104	25.6	28.8	16,386	23.3	25.7
High school diploma	39,995	50.9	56.0	40,322	46.0	50.1
Some college	33,493	54.7	60.3	40,448	52.2	57.0
Bachelor's degree	19,357	71.7	76.7	22,807	69.4	73.2
Graduate degree	9,925	83.2	86.4	11,116	78.9	82.6

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7 and the April 1993 Current Population Survey Employee Benefit Supplement.

[a]This does not include those who only had an IRA or Keogh previously but no longer do so. It includes those who currently have an IRA or Keogh or have ever participated in an employment-based retirement plan.

Reconciliation Act of 2001 (EGTRRA) (P.L. 107-16),[29] which requires employers to establish a rollover IRA as the cash-out default option for lump-sums of at least $2,000 but less than $5,000. Additionally, educational messages could be specifically targeted at groups who disproportionately spend their distributions.

Lump-Sum Distributions

What individuals chose to do with a lump-sum distribution can have a significant impact on how much, if any, assets they have at retirement. Consequently, it is important to identify those groups that may not be making the wisest decisions. As of 1998, 14.3 million individuals had taken a lump-sum distribution of their retirement assets (Figure 9). The mean amount of these distributions was $15,402 and the median amount was $5,000.[30] Approximately two-thirds of these distributions were for less than $10,000, and 45 percent were received from 1994 through 1998. Furthermore, almost 60 percent went to individuals ages 21–40, more than 90 percent were received by whites, and more than half went to females. Recipients ages 61–64 had the highest mean amount of any age category, and the mean distribution was higher for males than for females.

Overall, 76.0 percent of the individuals who received a distribution received their most recent payment from a private-sector employer (Figure 9). The source of the distributions differed across certain characteristics. For example, in more recent years, there has been a sharp increase in the percentage of distributions coming from private-sector employers and a corresponding decrease in distributions originating from public-sector employers. Furthermore, males and those with the largest distributions received a significantly higher percentage of distributions from private-sector employers.

The decision to take a lump-sum distribution is not always up to the individual. Under federal regulations, private-sector plan sponsors can require workers to take a lump-sum payment at termination if the value of the their retirement account is less than $5,000, in order to avoid the administrative costs of small, inactive accounts.[31] Among lump-sum distribution recipients, 40.4 percent reported that they were required to take their most recent distribution, and 59.6 percent said that they took their most recent distribution voluntarily. This number is likely to change in the future due to legislative changes, and because the $5,000 cut-off for allowable forced cashouts is not indexed for inflation (although the threshold has been increased legislatively in the past).[32] What workers do with their distribution will certainly be affected by EGTRRA, which stipulates that required lump-sum distributions of $2,000 or more but less than $5,000 must be placed in a rollover IRA unless otherwise requested.

While it is important to know which individuals are taking a lump-sum distribution and why, it is also

Figure 9

NUMBER, MEAN AMOUNT, MEDIAN AMOUNT, AND SOURCE OF MOST RECENT LUMP-SUM DISTRIBUTIONS, 1998

	Total Recipients (thousands)	Mean Amount[a]	Median Amount[a]	Source of the Lump-Sum Distribution: Private employer	Federal government employer	State or local government employer	Other
Total	14,304	$15,402	$5,000	76.0%	5.2%	17.0%	1.8%
Amount of Most Recent Lump-Sum Distribution							
$1–$499	1,334	255	250	73.1	4.6	21.1	1.2
$500–$999	1,171	681	700	77.1	1.9	19.1	1.9
$1,000–$2,499	2,339	1,629	1,700	75.2	3.8	19.1	2.0
$2,500–$4,999	2,207	3,362	3,000	76.9	5.4	16.3	1.4
$5,000–$9,999	2,327	6,599	6,500	72.8	6.4	19.7	1.2
$10,000–$19,999	2,079	13,684	13,000	70.6	7.0	19.7	2.8
$20,000–$49,999	1,529	30,618	30,000	79.6	6.6	11.5	2.2
$50,000 or more	1,318	89,004	85,000	87.9	3.8	6.3	2.0
Year in Which Most Recent Lump-Sum Distribution Was Received							
Before 1980	1,347	12,357	3,800	52.0	10.6	35.7	1.7
1980–1986	2,037	14,246	4,000	69.2	5.8	23.2	1.9
1987–1993	4,467	15,683	5,000	78.0	5.7	14.5	1.8
1994–1998	6,453	16,207	5,000	81.8	3.4	12.9	1.9
Age of Recipient When Most Recent Lump-Sum Distribution Was Received							
16–20	225	7,719	2,000	65.0	12.4	21.2	1.4
21–30	4,071	6,075	2,000	72.7	4.2	22.3	0.8
31–40	4,346	11,707	5,000	78.2	4.3	15.7	1.8
41–50	2,602	20,262	7,500	78.9	5.1	13.6	2.4
51–60	1,745	28,882	10,000	74.9	6.0	16.6	2.5
61–64	716	35,842	16,725	78.4	8.8	9.3	3.4
65 and older	599	23,677	10,000	74.7	8.3	14.2	2.7
Gender							
Male	6,672	20,292	7,000	82.2	4.7	11.7	1.5
Female	7,631	11,126	3,500	70.6	5.6	21.7	2.2
Race							
White	13,031	15,860	5,000	76.5	5.1	16.6	1.8
Black	893	9,950	4,000	70.6	6.7	21.2	1.5
Other	380	12,466	3,500	72.0	3.6	20.3	4.2

Source: Employee Benefit Research Institute estimates from the 1996 Survey of Income and Program Participation Topical Module 7.
[a]In dollars of the time of the most recent distribution.

important to know what they are doing with it. Through 1998, 38.7 percent of those taking a lump-sum distribution used at least some portion of the money for tax-qualified savings (another employment-based plan, IRA, or annuity), while 26.6 percent used at least some portion of it for consumption (Figure 10).[33] The other most prevalent uses were buying a home, paying off debt, or starting a business (39.3 percent of lump-sum recipients used their distributions for these reasons). At least some portion of a lump-sum distribution is likely to be used for tax-qualified savings if the distribution is larger, the recipient is older (through age 64) at time of the distribution, male, white, and has annual earnings of $30,000 or more.

Among those using their entire lump-sum distributions for only one purpose, 35.4 percent rolled over the entire amount to tax-qualified savings (Figure 11). Approximately 14 percent used the entire distribution on consumption, while an additional 25.8 percent used their entire distribution for buying a home, paying off debt, or starting a business. Factors related to the use of the *entire* lump-sum distribution follow the same patterns as those related to the use of at least *some portion* of it.[34]

One alternative available to participants on job termination is to leave the assets in the former

Figure 10

USES OF ANY PORTION OF AMERICANS' MOST RECENT LUMP-SUM DISTRIBUTIONS, 1998

	Total Recipients (thousands)	Tax-Qualified Savings	Non Tax-Qualified Savings	Home, Business, or Debt	Education Expenses	Consumption
Total	14,304	38.7%	11.1%	39.3%	2.4%	26.6%
Amount of Most Recent Lump-Sum Distribution						
$1–$499	1,334	19.1	5.9	44.7	2.2	37.5
$500–$999	1,171	19.4	8.4	51.6	2.2	33.5
$1,000–$2,499	2,339	25.1	11.4	44.5	3.3	31.0
$2,500–$4,999	2,207	28.6	11.1	43.2	3.3	30.4
$5,000–$9,999	2,327	39.8	10.3	41.2	1.6	26.3
$10,000–$19,999	2,079	48.2	15.5	35.9	2.7	23.7
$20,000–$49,999	1,529	58.9	12.0	32.5	1.9	17.6
$50,000 or more	1,318	76.6	11.8	16.6	1.5	10.3
Year in Which Most Recent Lump-Sum Distribution Was Received						
Before 1980	1,347	17.8	16.5	45.8	4.3	30.0
1980–1986	2,037	32.1	13.8	40.0	3.5	30.5
1987–1993	4,467	38.4	11.8	40.6	1.5	28.1
1994–1998	6,453	45.4	8.6	36.8	2.3	23.6
Age of Recipient When Most Recent Lump-Sum Distribution Was Received						
16–20	225	11.4	9.3	43.8	5.1	45.0
21–30	4,071	25.8	9.7	46.4	4.0	29.9
31–40	4,346	38.3	8.6	43.3	2.0	28.0
41–50	2,602	47.4	10.6	34.8	2.0	24.9
51–60	1,745	49.4	15.1	31.9	1.7	21.8
61–64	716	58.1	16.7	23.8	0.0	18.0
65 and older	599	47.1	24.0	19.3	0.0	17.7
Annualized Earnings in 1998[a]						
No income	4,042	41.1	15.6	34.9	1.9	24.5
$1–$5,000	478	30.8	11.7	46.2	2.5	30.3
$5,000–$9,999	651	33.9	9.4	35.3	2.2	31.0
$10,000–$14,999	805	24.3	11.1	48.5	2.9	31.2
$15,000–$19,999	1,133	28.0	8.2	52.4	2.2	29.4
$20,000–$24,999	1,255	32.0	11.3	43.1	1.3	35.9
$25,000–$29,999	965	31.5	6.9	45.4	1.9	31.0
$30,000–$49,999	2,954	39.1	10.0	41.1	3.0	25.1
$50,000 or more	2,021	56.2	7.8	28.6	3.6	19.2
Gender						
Male	6,672	43.0	10.1	39.6	2.6	25.9
Female	7,631	35.0	12.0	38.9	2.3	27.2
Race						
White	13,031	40.0	11.0	38.2	2.4	25.8
Black	893	22.6	13.5	55.0	3.6	35.2
Other	380	33.7	9.8	38.5	1.7	33.2

Source: Employee Benefit Research Institute estimates from the 1996 Survey of Income and Program Participation Topical Module 7.
[a]This is the monthly income of the reference month of the respondent annualized or multiplied by 12.

employer's plan until retirement or some other future date. This choice is generally not considered in the discussion of those who take a lump-sum distribution.

A study by Fidelity Investments of the plans they administer found that 56 percent of the plan participants whose employment terminated in 2000 left their assets in the former employer's plan (Miller, 2002). However, this percentage did not account for those who removed their assets subsequent to year-end 2000. The SIPP dataset permits an examination of those leaving their assets in a plan after termination relative to a longer time frame.

As of 1998, 57.1 percent of workers who had retirement plan benefits at a previous employer received a lump-sum payment only, and another 9.1 percent received a lump-sum payment and retained some assets

Figure 11

USES OF ENTIRE PORTION OF AMERICANS' MOST RECENT LUMP-SUM DISTRIBUTIONS, 1998

	Tax-Qualified Savings	Non Tax-Qualified Savings	Home, Business, or Debt	Education Expenses	Consumption
Total	35.4%	6.9%	25.8%	1.4%	14.4%
Amount of Most Recent Lump-Sum Distribution					
$1–$499	16.7	4.5	37.8	1.8	29.7
$500–$999	18.9	5.5	38.5	1.1	21.3
$1,000–$2,499	23.0	9.0	31.7	2.4	19.4
$2,500–$4,999	26.8	7.0	29.5	2.0	18.5
$5,000–$9,999	36.6	7.0	26.1	0.9	12.4
$10,000–$19,999	43.1	7.5	18.7	1.6	7.0
$20,000–$49,999	52.7	7.0	15.6	0.3	5.4
$50,000 or more	70.7	5.9	8.1	0.7	2.8
Year in Which Most Recent Lump-Sum Distribution Was Received					
Before 1980	16.2	12.7	34.6	2.2	20.3
1980–1986	29.2	8.9	25.2	1.3	17.6
1987–1993	34.0	7.2	25.8	1.0	14.4
1994–1998	42.3	4.9	24.2	1.6	12.2
Age of Recipient When Most Recent Lump-Sum Distribution Was Received					
16–20	7.7	4.6	39.0	2.3	34.5
21–30	23.5	6.0	33.7	2.5	19.3
31–40	35.0	5.2	27.5	1.2	12.7
41–50	43.4	6.1	20.0	1.6	13.0
51–60	45.2	9.0	18.8	0.2	9.7
61–64	53.1	10.2	14.3	0.0	8.6
65 and older	44.7	20.9	13.8	0.0	12.8
Annualized Earnings in 1998[a]					
No income	37.9	10.5	22.0	1.1	13.3
$1–$5,000	27.8	5.4	30.9	1.6	16.2
$5,000–$9,999	33.3	8.1	25.4	1.5	20.7
$10,000–$14,999	21.9	8.7	33.1	2.6	17.4
$15,000–$19,999	22.8	5.1	36.8	1.8	15.8
$20,000–$24,999	26.5	6.0	25.2	0.9	20.0
$25,000–$29,999	29.2	3.8	31.5	1.0	18.9
$30,000–$49,999	36.5	5.1	27.7	1.9	12.4
$50,000 or more	52.1	4.8	18.0	1.3	9.6
Gender					
Male	39.2	5.1	24.4	1.3	11.8
Female	32.1	8.6	27.0	1.6	16.7
Race					
White	36.6	6.8	25.3	1.4	14.5
Black	19.5	8.1	32.6	2.0	11.6
Other	31.2	8.5	25.1	0.7	19.0

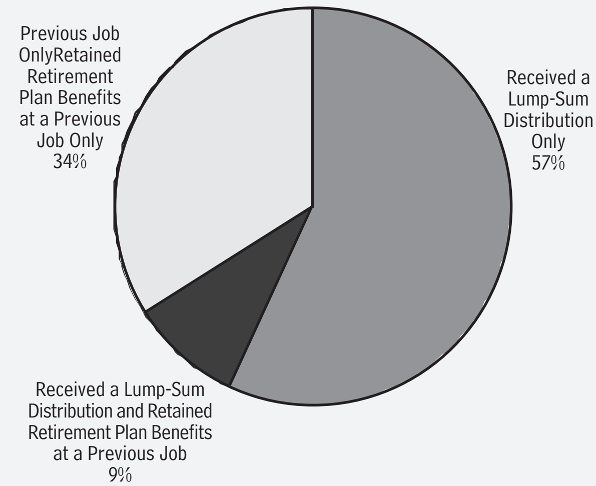
Source: Employee Benefit Research Institute estimates from the 1996 Survey of Income and Program Participation Topical Module 7.
[a]This is the monthly income of the reference month of the respondent annualized or multiplied by 12.

in a former employer's plan (Figure 12). Consequently, 33.9 percent of these workers had left their retirement benefits in their former job's plan only. This figure includes those who had/have a defined benefit or a defined contribution plan.

One of the most important factors in the decision to roll over a lump-sum distribution to another tax-preferred retirement savings vehicle is the size of the distribution. Thus, size would also be expected to be a factor in the decision to retain benefits in a previous employer's plan.[35] A close proxy can be derived from the SIPP data to investigate this issue. While lump-sum

Figure 12

PERCENTAGE OF FORMER PARTICIPANTS IN AN EMPLOYMENT-BASED RETIREMENT PLAN WHO EITHER TOOK A LUMP-SUM DISTRIBUTION OR LEFT THEIR BENEFITS IN THE PREVIOUS EMPLOYER'S PLAN, 1998



Source: Employee Benefit Research Institute estimates from the 1996 Survey of Income and Program Participation Topical Module 7.

distribution recipients could have received a payment from either a defined benefit or a defined contribution plan, only those who had a defined contribution plan were asked the value of their plan at a previous job, and then were asked only the account balance at the time of survey, not at the time of job termination. With these caveats in mind, a comparison can be made (by lump-sum amount and account balance) of those who either received only a lump-sum distribution or who only retained their benefits. Among individuals with account balances and lump-sum amounts of less than $5,000, the percentage who left their retirement plan benefits in a previous employer's plan ranged from 6.1 percent to 14.2 percent. For individuals with balances or distributions of $5,000 or more, the percentage leaving their retirement plan benefits in a previous employer's plan increased from 20.3 percent to 37.4 percent for those with balances or distributions of $50,000 or more (Figure 13). Consequently, individuals with higher balances are not only more likely to roll over their lump-sum distributions to other tax-qualified savings, but also are significantly more likely to retain their benefits in a previous employer's plan.[36]

Standard of Living

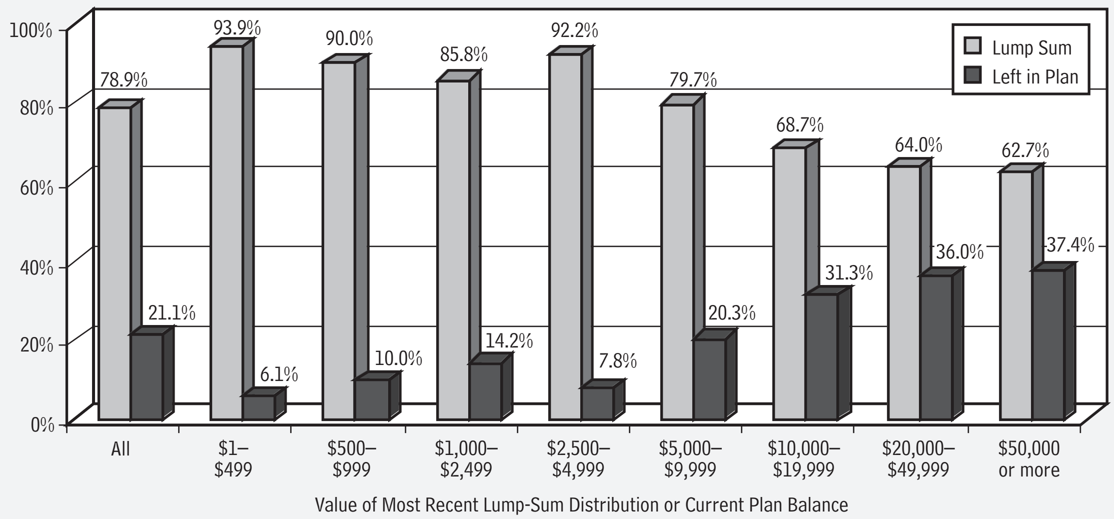
In addition to establishing how workers are currently preparing for retirement, it is also important to assess those in or near retirement to determine how effectively the retirement system provides a secure financial retirement for retirees. In order to shed some light on how current elderly and near-elderly (ages 55 and older) Americans are doing, SIPP included a question asking these individuals to compare their current standard of living with the standard they maintained when they were in their early 50s. Their responses show that the majority are doing about the same or better now than when they were in their early 50s, with nearly 80 percent reporting that their standard of living is about the same or better (Figure 14). This is true for both those who said they have retired from a job and those who said they had not retired from a job.

While this relatively high percentage of older Americans who are able to at least maintain their standard of living is fairly consistent across various demographic characteristics, some are not doing as well. Among all Americans age 55 and older, divorced or separated individuals and those having family income below $15,000 are more likely to report that their standard of living is much worse. Approximately 11 percent of divorced or separated individuals report their standard of living is much worse currently, compared with 6.1 percent of all individuals age 55 or older and 4.5 percent of married persons (Figure 15). Furthermore, more than 10 percent of those having family income below $15,000 reported they were much worse currently, compared with only 2.8 percent of those having family income of $50,000 or more. Other groups that report they are doing disproportionately much worse are minorities and those with less education. The age of the individual appears not to be a factor, as the percentage reporting that they are doing much worse was essentially identical across all age groups.

Among those who said they retired from a job and are age 55 or older, the percentage reporting that

Figure 13

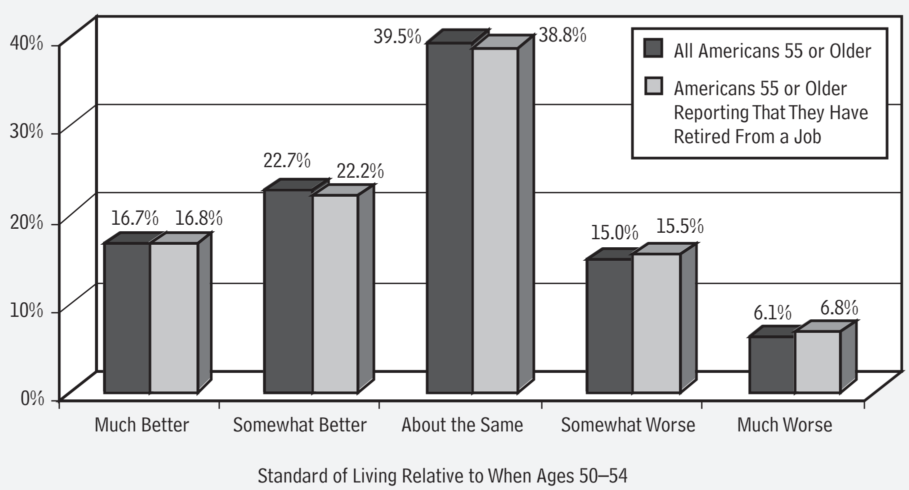
Percentage of Individuals Who Had a Retirement Plan at a Previous Employer Who Took a Lump-Sum Distribution Versus Leaving the Assets in the Plan, by the Value of the Distribution and the Current Plan Balance, 1998[a]



Source: Employee Benefit Research Institute estimates from the 1996 Survey of Income and Program Participation Topical Module 7.
[a]This looks at only those who took only a lump-sum distribution or left their retirement plan benefits in a previous employer's plan. Furthermore, only individuals who reported a balance in the previous job's plan were included. The balance is at the time of the survey, not at the time of the job termination.

Figure 14

Americans Age 55 and Older Self-Reported Standard of Living Relative to When They Were Ages 50–54, by Self-Reported Retirement Status, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

Figure 15

Americans Age 55 or Older Self-Reported Standard of Living Relative to When They Were Ages 50–54, by Various Demographic Characteristics, 1988

	Much Better	Somewhat Better	About the Same	Somewhat Worse	Much Worse
All	16.7%	22.7%	39.5%	15.0%	6.1%
Family Income					
Less Than $10,000	10.8	17.0	36.7	22.5	13.1
$10,000–$14,999	13.1	20.5	36.8	19.1	10.5
$15,000–$19,999	14.5	19.7	40.3	18.0	7.4
$20,000–$24,999	12.6	23.3	42.7	15.8	5.5
$25,000–$29,999	17.6	22.1	40.2	15.8	4.4
$30,000–$49,999	18.6	24.3	40.4	12.7	4.0
$50,000 or more	21.9	26.4	39.5	9.5	2.8
Gender					
Male	17.0	23.0	39.8	14.4	5.8
Female	16.5	22.5	39.3	15.4	6.4
Race					
White	17.1	22.9	39.9	14.5	5.7
Black	13.8	21.7	38.8	17.0	8.7
Hispanic	15.2	22.6	34.8	19.2	8.1
Other	18.1	20.7	40.7	14.1	6.3
Education					
Less than high school diploma	13.5	21.8	37.4	18.4	8.9
High school diploma	17.3	23.2	39.1	14.8	5.6
Some college	18.5	20.9	41.1	14.2	5.4
Bachelor's degree	19.9	24.8	40.1	11.5	3.7
Graduate degree	17.5	26.9	44.4	8.4	2.9
Age					
55–64	17.1	22.5	40.4	14.0	6.1
65–70	17.8	24.4	36.5	15.1	6.2
71–75	17.9	22.4	38.3	15.5	5.8
76–84	14.8	22.0	40.6	16.3	6.3
85 or older	12.6	21.5	44.0	15.8	6.2
Martial Status					
Married	18.3	24.7	39.2	13.3	4.5
Widowed	14.4	20.2	39.7	18.1	7.6
Divorced or separated	14.1	18.5	37.7	18.3	11.4
Never married	14.7	19.7	46.4	12.9	6.3

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

their standard of living is at least the same as what it was in their early 50s was only slightly lower than for all those age 55 or older (Figure 14). The same differences that were reported for all Americans age 55 and older across the investigated demographic characteristics were also found among those who reported having retired from a job (Figure 16). The one significant difference among those who said they had retired from a job was that those ages 55–64 were significantly more likely to have reported that they were doing much worse than all Americans ages 55–64 (9.5 percent compared with 6.1 percent). This difference can be attributed to the availability of health insurance. (This is not as significant a concern for those age 65 or older, for whom Medicare is virtually universal.)

The availability of health insurance coverage and the existence of pension income are two significant factors in retirees' ability to maintain their standard of living. In 1998, 19.1 percent of Americans age 55 or older reported having health insurance in their own name from a former employer (Figure 17).[37] However, for those who reported they had retired from a job, 37.1 percent had health insurance from their former employer in their own name (Figure 17). The level of health insurance coverage from a former employer differed significantly across various demographic characteristics. Individuals who were more likely to have this coverage were those with more family income, more educational

Figure 16

Americans Age 55 or Older Who Said They Have Retired From a Job, Self-Reported Standard of Living Relative to When They Were Ages 50–54, by Various Demographic Characterisitics, 1998

	Much Better	Somewhat Better	About the Same	Somewhat Worse	Much Worse
All	16.8%	22.2%	38.8%	15.5%	6.8%
Family Income					
Less Than $10,000	11.7	16.1	33.3	23.9	15.0
$10,000–$14,999	13.3	19.8	36.7	19.6	10.5
$15,000–$19,999	14.5	19.5	39.6	18.7	7.7
$20,000–$24,999	12.9	22.3	43.0	16.3	5.5
$25,000–$29,999	17.1	22.9	39.7	15.6	4.7
$30,000–$49,999	20.5	25.3	38.5	11.4	4.3
$50,000 or More	20.5	24.5	40.5	10.8	3.8
Gender					
Male	16.7	22.2	39.0	15.6	6.5
Female	16.9	22.1	38.6	15.4	7.1
Race					
White	17.2	22.4	39.3	14.8	6.3
Black	11.6	20.5	38.7	19.5	9.7
Hispanic	16.7	21.8	31.3	20.6	9.6
Other	19.8	20.9	34.7	17.9	6.7
Education					
Less than high school diploma	14.1	20.9	36.2	19.0	9.8
High school diploma	17.2	23.3	38.2	15.8	5.5
Some college	17.8	20.5	39.9	15.2	6.6
Bachelor's degree	19.9	23.9	40.9	10.4	4.8
Graduate degree	18.2	24.5	46.3	7.8	3.3
Age					
55–64	15.1	20.2	39.0	16.2	9.5
65–70	18.6	24.0	36.2	15.1	6.1
71–75	18.5	22.5	37.8	15.9	5.4
76–84	15.7	21.8	41.3	15.4	5.8
85 or Older	13.9	22.0	43.2	13.9	7.1
Martial Status					
Married	17.8	24.3	38.6	14.1	5.3
Widowed	15.6	19.5	39.6	17.7	7.6
Divorced or separated	14.0	17.2	35.8	19.7	13.3
Never married	15.2	19.8	44.9	12.9	7.2

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

attainment, male, never married or married, or white. In addition, those who were younger were more likely to have health care coverage, with 48.9 percent of those ages 55–64 having the coverage, compared with 35.1 percent for next highest age groups (ages 65–70 and 71–75). However, the higher rate for the 55–64 age group is not likely to make up for the lack of other health insurance (Medicare), which covers those age 65 or older, as other options for those ages 55–64 are not easily obtainable, particularly for those in poor health.

Pension income is another important factor in maintaining retirees' standard of living. In 1998, just over 59 percent of those ages 55–64 who said they had retired from a job received pension income, while 36.6 percent of all Americans age 55 or older received pension income (Figure 17).[38] Again, the existence of pension income varies across individual characteristics. In particular, male, white, married, college educated, younger, and individuals with higher family income were more likely to have pension income.

To determine the effect of these two factors on individuals' current self-reported standard of living, the percentage of those age 55 or older and retired from a job having pension income or health insurance from a former employer is examined for each standard-of-living response. Of those age 55 or older who retired from a job, 62.5 percent of those who reported their standard of living was much better had pension income, compared

Figure 17

Percentage of Americans Age 55 or Older Who Have Pension Income or Health Insurance from a Former Employer in Own Name, by Retirement Status and Various Demographic Characteristics, 1998

	All Ages 55 or Older			Those Who Said They Retired From a Job		
	Total (thousands)	Have pension income	Have health insurance from a former employer in own name[a]	Total (thousands)	Have pension income	Have health insurance from a former employer in own name[a]
All	54,307	36.6%	19.1%	27,968	59.1%	37.1%
Family Income						
Less than $10,000	6,947	13.9	6.2	3,309	19.8	13.1
$10,000–$14,999	5,982	14.2	31.6	3,294	38.5	25.7
$15,000–$19,999	5,734	43.1	20.0	3,374	57.4	34.0
$20,000–$24,999	5,117	45.1	23.4	3,019	64.1	39.7
$25,000–$29,999	4,441	44.8	25.7	2,670	65.2	42.7
$30,000–$49,999	12,444	44.0	23.7	6,676	71.8	44.2
$50,000 or More	13,642	35.1	19.5	5,627	74.7	47.3
Gender						
Male	24,129	46.0	28.9	15,492	67.8	45.0
Female	30,178	29.1	11.3	12,475	48.2	27.4
Race						
White	44,773	38.6	20.6	23,661	60.5	38.9
Black	4,711	33.9	15.7	2,483	55.3	29.7
Hispanic	3,207	21.1	7.8	1,240	45.3	20.1
Other	1,615	20.3	11.2	584	45.6	30.9
Education						
Less than high school diploma	15,621	31.2	12.2	8,102	47.6	23.6
High school diploma	18,077	36.9	19.9	9,215	58.7	38.9
Some college	11,593	38.5	21.6	5,994	62.9	41.8
Bachelor's degree	5,268	39.8	23.7	2,685	68.7	46.4
Graduate degree	3,748	47.0	30.1	1,972	57.3	83.2
Age						
55–64	22,144	24.2	14.8	6,712	68.7	48.9
65–70	11,166	43.6	22.8	7,236	57.6	35.1
71–75	8,254	46.6	24.0	5,652	57.2	35.1
76–84	9,823	47.5	21.5	6,550	55.4	32.3
85 or older	2,920	39.4	15.8	1,818	48.1	25.4
Martial Status						
Married	32,983	34.8	20.4	16,994	62.7	39.7
Widowed	12,722	45.4	15.4	6,645	52.4	29.5
Divorced or separated	6,091	29.0	17.9	2,964	53.4	36.7
Never married	2,511	34.3	23.6	1,365	59.1	43.5

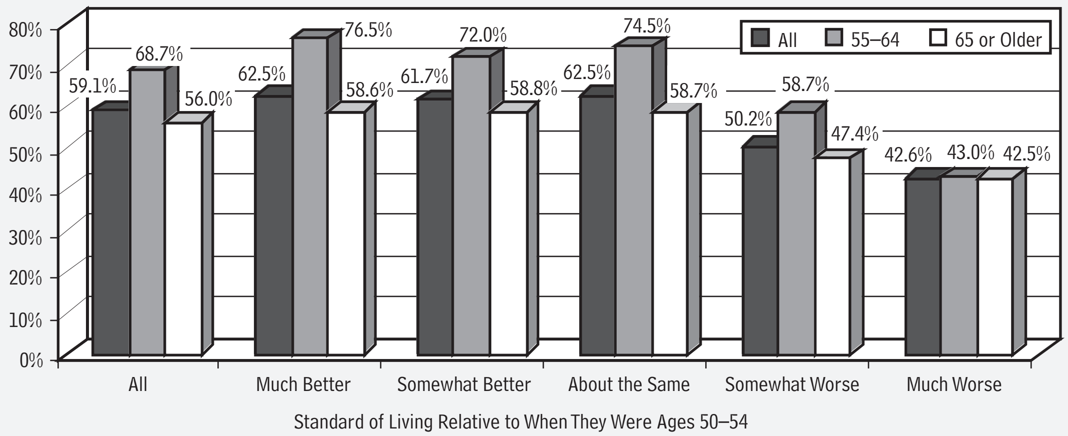
Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.
[a]The question asked only the individual who retired from a job if he or she had health insurance from a former employer. Consequently, this does not report those who receive this coverage as a dependent, so the number receiving insurance through an employer is undercounted.

with 42.6 percent of those reporting their standard of living was much worse (Figure 18). The difference is more pronounced among those ages 55–64: 76.5 percent of those who said their standard of living was much better had pension income, compared with 43.0 percent of those reporting their standard of living was much worse.

Concerning health insurance in one's own name (i.e., the primary beneficiary) from a former employer, 42.1 percent of those who reported their standard of living was much better had this insurance, while 21.8 percent of those who said their standard living was much worse had it (Figure 19). In this case, the percentage decline in having health insurance in one's own name between the much better and much worse categories was larger for those age 65 and older, with a 54.4 percent decline. The 55–64 age group still showed a 44.4 percent decline between the two categories. This

Figure 18

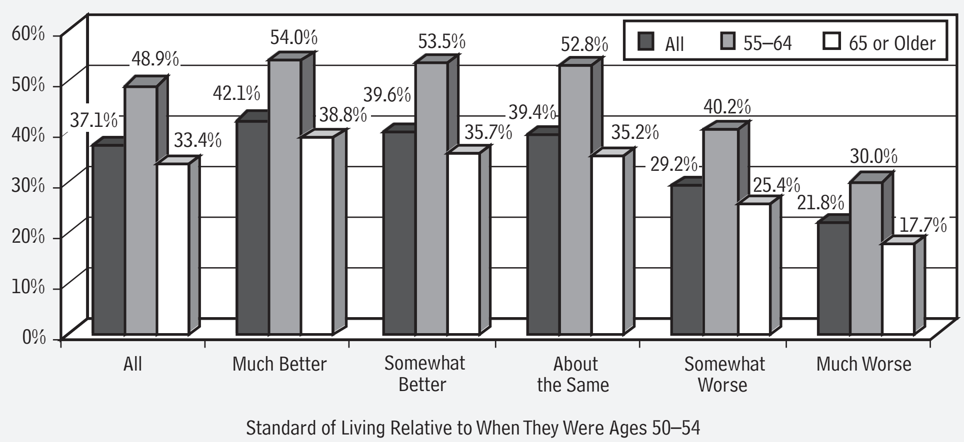
Percentage of Those Age 55 or Older Who Said They Have Retired From a Job and Have Pension Income, by Self-Reported Standard of Living Relative to When They Were Ages 50–54, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

Figure 19

Percentage of Those Ages 55 or Older Who Said They Have Retired From a Job and Have Health Insurance From a Former Employer, by Self-Reported Standard of Living Relative to When They Were Ages 50–54, 1998



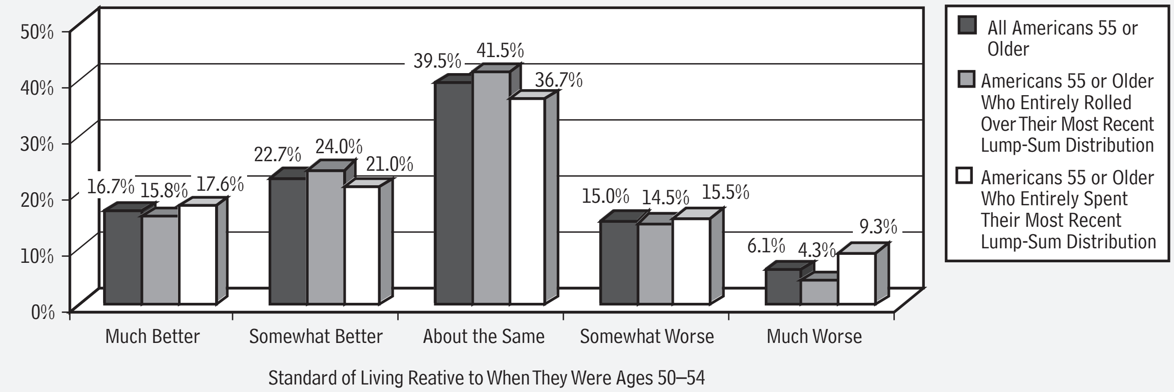
Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

seems to reinforce that for those age 55 or older, health insurance in addition to, or in the absence of, Medicare is a significant factor in the ability to maintain one's standard of living in retirement.

Another potential factor affecting the retirement standard of living in an era of increased availability of lump-sum distributions is the retention of lump-sum distributions through rollovers to other tax-deferred accounts. A significantly higher percentage of those who spent their lump-sum distributions entirely reported their standard of living is much worse than was reported by those who had rolled over their entire distribution (Figure 20).[39] This may be because those who spend their lump-sum distributions do not plan for retirement and consequently are worse off in old age, or because spending the lump-sum distribution left these individuals without resources they needed to maintain their standard of living in older age. While in both cases the percentage who report being much worse is fairly small, the fact that those who took a lump-sum distribution and spent it entirely were approximately 50 percent more likely to describe their standard of living as being much

Figure 20

Americans Age 55 and Older Self-Reported Standard of Living Relative to When They Were Ages 50–54, by Use of Most Recent Lump-Sum Distribution, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Topical Module 7.

worse than was reported by all of those age 55 or older highlights the consequences of spending lump-sum distributions. This issue is expected to become increasingly troublesome, as more individuals who reach age 55 will have been faced with making a decision concerning a lump-sum distribution.

Conclusion

Nearly one-half of wage and salary workers are participating in an employment-based retirement plan at a current job. Furthermore, approximately one-third of wage and salary workers participate in a salary reduction or 401(k)-type plan. The same worker and employer characteristics affect both overall participation in a plan and the decision to participate in a salary reduction plan. In particular, workers who earn less, are younger, are members of minority groups, have shorter job tenure, are female, are less educated, are not covered by a union, or work for a small employer all have lower overall participation rates as well as eligible participation rates. Consequently, focusing on these groups offers the greatest potential to increase workers' chances of having some type of retirement plan during their working lives.

Data on the participation of workers in a current job do not give a full picture of those who have participated or will have participated in a plan by retirement. Workers change jobs and make different decisions regarding retirement plan participation over their careers. On an historical basis, workers ages 51–60 have approximately a 72 percent probability of having ever participated in an employment-based plan. Thus, the extent of employment-based retirement plan use over workers' lifetimes is significantly greater than the current overall participation rate of roughly 50 percent. However, many workers do not always secure these potential benefits for retirement because they fail to preserve lump-sum distributions when they change jobs. Many of the groups that have lower participation rates appear to be the same ones that are not securing these benefits. These workers need to be educated on the importance of securing their benefits for retirement, or society may be forced to help them financially in their retirement.

While having pension income is important, it is not all that individuals need for a financially secure retirement. In particular, as health care expenditures continue to grow in importance for retirees, some form of health insurance to supplement Medicare, or cover individuals until they are eligible for Medicare, is of utmost importance. As shown in the section on the near-elderly and elderly's standard of living relative to when they were in their early 50s, the incidence of both pension income and health insurance from a former employer has a significant impact on retirees' ability to maintain their standard of living. In addition, the finding that those who spent their entire most recent lump-sum distribution are likely to have a much worse standard of living in retirement than those who roll over their most recent distribution shows the importance of retaining any retirement plan benefits for retirement. Consequently, preparing for retirement is a lifetime endeavor; otherwise, working will be a lifetime endeavor.

References

Copeland, Craig. "An Analysis of the Retirement and Pension Plan Coverage Topical Module of SIPP." *EBRI Issue Brief* no. 245 (Employee Benefit Research Institute, May 2002a).

________. "Asset Allocation: IRAs and 401(k)-Type Plans." *EBRI Notes*, no. 10 (Employee Benefit Research Institute, October 2000): 5–9.

________. "IRA Assets Continue to Grow." *EBRI Notes*, no. 1 (Employee Benefit Research Institute, January 2001): 5–8.

________. "Lump-Sum Distributions: An Update." *EBRI Notes*, no. 7 (Employee Benefit Research Institute, July 2002b): 1–10.

________. "Pension Plan Participation Continued Rise in 2000—What Next?" *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2002c): 4–7.

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).

Fidelity Investments. *Building Futures Volume III*. Fidelity Investments, 2001

Fronstin, Paul. "Retiree Health Benefits: Trends and Outlook." *EBRI Issue Brief* no. 236 (Employee Benefit Research Institute, August 2001).

Gustman, Alan L., and Thomas L. Steinmeier. "Imperfect Knowledge, Retirement, and Saving." Paper presented at The Third Annual Conference of the Retirement Research Consortium, *Making Hard Choices About Retirement*. Washington, DC, May 17–18, 2001.

Holden, Sarah, and Jack VanDerhei. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2000." *EBRI Issue Brief* no. 239 (Employee Benefit Research Institute, 2001).

KPMG. *Retirement Benefits in the 1990s: 1998 Survey Data*. KPMG Peat Marwick LLP, July 1998.

McDonnell, Ken "Retirement Annuity and Employment-Based Pension Income." *EBRI Notes*, no. 7 (Employee Benefit Research Institute, July 2001): 6–10.

Miller, Lynn. "The Ongoing Growth of Defined Contribution and Individual Account Plans: Issues and Implications." *EBRI Issue Brief* no. 243 (Employee Benefit Research Institute, March 2002).

Profit Sharing/401(k) Council of America. *44th Annual Survey of Profit Sharing and 401(k) Plans*. Profit Sharing/401(k) Council of America, 2001.

Sabelhaus, John. "Projecting IRA Balances and Withdrawals." *EBRI Notes*, no. 5 (Employee Benefit Research Institute, May 1999): 1–4.

Uccello, Cori E. "401(k) Investment Decisions and Social Security Reform." *North American Actuarial Journal*. Vol. 5, no. 1 (January 2001): 70–79.

VanDerhei, Jack L., Sarah Holden, and Carol Quick. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 1998." *EBRI Issue Brief* no. 218 (Employee Benefit Research Institute, February 2000).

Endnotes

[1] Not all of the assets in individual retirement accounts (IRAs) come from rollovers from employment-based plans, as individuals can directly contribute to them. Sabelhaus (1999) showed that the overwhelming majority of the increases in IRA assets during the mid to late 1990s were from rollovers and investment gains—*not* direct contributions.

[2] Age 16 or older is used to give the broadest analysis of the current participation of workers in employment-based plans. For those ages 21–64, the ages that most

closely correspond to individuals' prime working years, the sponsorship rate, participation rate, and vested rate were 65.0 percent, 49.1 percent, and 45.4 percent, respectively.

[3] The participation rate is the percentage of wage and salary workers who participate in an employment-based plan regardless of whether an employer or a union sponsors it. The eligible participation rate, discussed later in this study, is the percentage of workers who are eligible to participate in a plan and do so.

[4] One exception to plans in which workers become participants only by choice would be plans that have qualified nonelective contributions (QNECs)—to which an employer contributes to a salary reduction plan regardless of whether the employee contributes or not.

[5] This agreement can be tacit or overt, as some plans have automatic enrollment, where workers are enrolled automatically once they meet the eligibility requirements unless they opt out. Generally, workers must opt in once they meet eligibility requirements; otherwise, they will not be participants.

[6] This is very close to results found in the 2001 Retirement Confidence Survey, in which 29 percent of those who were eligible to contribute to a salary reduction plan but did not contribute reported that they did not do so because they could not afford to contribute.

[7] This is higher than the eligible participation rate of 77.3 percent found for family heads in the 1998 Survey of Consumer Finances (SCF) in Copeland and VanDerhei (2000).

[8] This result is difficult to understand, as various surveys of 401(k) plans show that more than 90 percent of participants are able to direct at least some of their investments (Profit Sharing/401(k) Council of America, 2001; KPMG, 1998; Fidelity Investments, 2001). The KPMG (1998) survey revealed that only 82 percent of participants in 403(b) plans could direct their investments. However, even when factoring out public-sector workers from the SIPP data, among participants who worked for a private-sector for-profit company and specifically answered yes to the question concerning participation in a salary reduction plan, only 72 percent said they could direct at least some of their investments.

[9] The fact that public-sector plan participants are less likely to direct their investments could be explained by the results in endnote 8, which indicate that 403(b) plan participants were less likely to be able to direct their investments. A 403(b) plan is only allowed in educational, religious, or charitable organizations, which include public schools (grades K–12) and public universities. Consequently, the percentage of public-sector workers in 403(b) plans is larger than in the private sector, as employees of public schools and universities constitute a significant percentage of the public-sector work force.

[10] This may explain or be explained by the finding that union-covered and public-sector workers are less likely to participate in a plan to which the employer contributes, as these types of workers have a high percentage of defined benefit plan participation.

[11] This is the most recent in a series of studies using the EBRI/ICI 401(k) Participant Database. Another study in the series, VanDerhei, Holden, and Quick (2000), will be referred to for comparisons as it examines data closest to the time period examined in this study.

[12] The other investment option would include guaranteed investment contracts, real estate, and annuities.

[13] When looking at the contribution allocations by the participant's ability to direct at least some of the investments, there is very little difference between the two groups in the percentage reporting investing in any of the investment options (Figure 4). While the two groups cannot be compared in terms of the level of investment in the various options, it seems that the closeness of the decisions introduces a further question concerning the percentage of participants reporting an ability to direct

at least some of the investments in a salary reduction plan.

14 The presence of holders of company stock in the public sector can be attributed to the fact that some workers classified as public-sector workers worked for a private firm that supplies goods and services exclusively to governments or through government programs.

15 This appears to contradict work done by Uccello (2001), using the 1995 Survey of Consumer Finances (SCF) data. Copeland (2000) also found a result similar to Uccello's, using the 1998 SCF.

16 This is somewhat smaller than the finding by VanDerhei, Holden and Quick (2000) that in 1998 16 percent of eligible 401(k) plan participants had a loan. However, this study includes more types of the salary reduction plans—such as 403(b) plans, 457 plans, and the Federal Employees Thrift Savings Plan—so the two studies are not directly comparable.

17 The results on age and tenure correspond to those found in VanDerhei, Holden, and Quick (2000), as those in their 30s and 40s were the most likely to have a loan balance and those with longer tenure were also more likely to have a loan. (They did find a drop-off in the loan rate for those with more than 30 years of tenure, which is not comparable to this study since its longest tenure category is 15 years.)

18 VanDerhei, Holden, and Quick (2000) reported an average loan balance of $6,717 for 401(k) participants in 1998. Again, this study includes a broader range of plans, so the data are not directly comparable. Furthermore, participants' recall of plan benefits has been shown to be widely divergent from plan sponsor data (Gustman and Steinmeier, 2001). Therefore, given the level of potential differences in the data, the size discrepancy between the numbers is understandable.

19 VanDerhei, Holden, and Quick (2000) reported a very similar median account balance of $13,038 for 401(k) participants at year-end 1998. They also reported a mean balance of $47,004, while SIPP shows a mean balance of $31,107. However, SIPP's highest recorded balance was $201,000, and VanDerhei, Holden and Quick had numerous observations with balances in excess of $500,000. SIPP appears to have estimated the typical participant but not the more wealthy participants.

20 The decline in the percentage of individuals older than age 60 who have retirement plan benefits through a current or previous job can be largely attributed to the fact that the data only include individuals who have retirement benefits from a previous employer but have not started to receive those benefits. Many individuals over age 60 who had benefits from a previous employer have begun to receive them and are either working to supplement this payment or not working. Therefore, these cases would not be reflected in the data. Furthermore, those who did not have retirement plan benefits from a previous or current job are more likely to still be working, because they are unlikely to have sufficient sources of income to live on otherwise.

21 The levels of participation from current and previous employer's plans from the 1993 data are higher. However, the datasets are not completely comparable due to differences in their collection methods. See EBRI's prior *Issue Brief* comparing these data for further explanations (Copeland, July 2002a). Furthermore, in other studies using a consistent dataset over time (i.e., Copeland, January 2002c), workers' participation rate in a current employer's plan increased from 1993 through 2000. Therefore, the 1993 results are more for the reader's information than a basis for drawing conclusions. Although any result showing higher participation rates in 1998 may represent a change, this cannot be determined with certainty. Thus, the 1993 results are not discussed further.

22 The decline in plan participation among individuals over age 60 can be explained by the fact that those in jobs who had a plan at that age are more likely to retire

than those without a plan. Consequently, for this age group, those without a plan are the ones most likely to still be working. Thus, the percentage participating declines relative to the younger age group, in which all the members are more likely to be actively engaged in the work force.

[23] The Keogh plan is also an option for self-employed workers. However, its use is very limited, as is revealed in Figure 7.

[24] *In own name* refers to an IRA established by the surveyed individual, not by his/her spouse or other relative.

[25] The data do not allow determination of what percentage of these are rollover IRAs.

[26] The SIMPLE IRA (Savings Incentive Match Plan for Employees) was created under the Small Business Job Protection Act (SBJPA) for employers with 100 or fewer employees. Employees are allowed to make elective contributions of up to $6,000, and employers must match employee elective contributions dollar-for-dollar up to 3 percent of compensation or provide a 2 percent contribution for all eligible employees. Distributions or withdrawals are subject to the same tax rules as those applying to traditional IRAs, except for early withdrawals, which are subject to a 25 percent early withdrawal penalty.

[27] This does not include those who made a nondeductible contribution. The incidence of nondeductible contributions was not considered in this dataset. In 1997, $8.7 billion was contributed to deductible IRAs and $3.3 billion was contributed to traditional nondeductible IRAs, as the Roth IRA was not available until 1998 (Copeland, 2001).

[28] The one group of workers this does not include is those who had an IRA at one time but no longer had one at the time of the data collection. The survey only asks about historical participation in employment-based plans.

[29] The Economic Growth and Tax Relief Reconciliation Act of 2001 had numerous other provisions for employment-based retirement plans, including increasing portability between plan types and increasing the levels that can be contributed to these plans.

[30] These dollar amounts represent value at the time of the distribution, so some of the increase in the mean amount for more current distributions can be attributed to inflation.

[31] The 1984 Retirement Equity Act raised the threshold to $3,500 and the 1997 Taxpayer Relief Act increased it to $5,000.

[32] The legislative change of particular importance is the increased value of the cutoff for an allowable forced cash-out. Since future lump-sum distributions will be based upon the $5,000 threshold or a higher amount if it is increased again by legislation, the number of individuals faced with the lower thresholds would decline in this calculation of required versus voluntary distributions.

[33] This includes purchases of consumer items (car, boat), medical and dental expenses, general everyday expenses, and other spending.

[34] For further analysis of lump-sum distributions from this dataset, see Copeland (2002a).

[35] In fact, the Fidelity study (Miller, 2002) showed that among 401(k) participants with less than $10,000 in their accounts, 48 percent left their assets in the plan, compared with 68 percent of those with an account balance of $50,000–$99,999.

[36] This suggests that when the percentage of individuals who leave their benefits in their previous employer's plan is added to the percentage of those who roll over their entire lump-sum distribution to tax-qualified savings, 81.3 percent of individuals with an account balance of $50,000 or more appear to preserve their assets for retirement. This percentage is calculated by adding the 37.4 percent of participants with a balance of $50,000 or more who leave their assets in a previous

employer's plan to the 70.7 percent of those 62.7 percent who take a lump-sum distribution of $50,000 or more and rolled over the entire amount of the distribution or 37.4 percent plus (70.7 percent times 62.7 percent) equals 81.3 percent. (The Fidelity study (Miller, 2002) reported that from 78 percent to 70 percent of participants with balances of $50,000 or more either completely rolled over their lump-sum distribution or left their assets in their account.) This would suggest that as account balances increase, fewer assets will "leak" from the retirement system.

[37] The question of having health insurance from a former employer was only asked of those who reported they had retired from a job, so this percentage does not include anyone receiving this coverage as a dependent. According to Fronstin (2001), among retirees ages 55–64 who had health insurance from an employer, approximately 60 percent had it in their own name. Therefore, this section will focus only on those who said they have retired from a job.

[38] This is similar to the 35.9 percent that is reported in Current Population Survey data on the percentage of Americans age 65 or older receiving pension and annuity income in 1998, as cited in McDonnell (2001).

[39] This difference is even larger for those age 65 or older, as 2.5 percent of those whose most recent distribution was entirely rolled over reported that their standard of living was much worse now than it was in their early 50s, compared to 8.2 percent of those who spent their entire most recent lump-sum distribution.

EBRI

Employee Benefit Research Institute®

The premier organization

for employee benefits research

Established in 1978, the Employee Benefit Research Institute (EBRI) is the only nonprofit, nonpartisan organization committed to original public policy research and education on economic security and employee benefits.

EBRI's overall goal is to promote soundly conceived employee benefit programs. EBRI does not lobby or endorse specific approaches. Rather, it provides balanced analysis of alternatives based on the facts. Through its activities, EBRI is able to fulfill its mission to advance the public's, the media's, and policymakers' knowledge and understanding of employee benefits and their importance to our nation's economy.

Since its inception, EBRI's membership has grown to represent a cross section of pension funds; businesses; trade associations; labor unions; health care providers and insurers; government organizations; and service firms, including actuarial firms, employee benefit consulting firms, law firms, accounting firms, and investment management firms.

Today, EBRI is recognized as one of the most authoritative and objective resources in the world on employee benefit issues—health care, pensions, and economic security.

Employee Benefit Research Institute
2121 K Street, NW ■ Suite 600 ■ Washington, DC ■ 20037
phone (202) 659-0670 ■ Fax (202) 775-6312
www.ebri.org

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 2002 by Employee Benefit Research Institute. All rights reserved, No. 248.

Issue Brief

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. The American Savings Education Council (ASEC) and the Consumer Health Education Council (CHEC) are programs of EBRI-ERF. They are coalitions of private- and public-sector institutions with the goals of public education on saving, retirement planning, health insurance, and health quality.

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) 659-0670; fax number, (202) 775-6312; e-mail: Publications Subscriptions@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

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

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 Brief*s 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