EBRI
EMPLOYEE BENEFIT RESEARCH INSTITUTE®

Issue Brief
No. 293
May 2006

Individual Account Retirement Plans: An Analysis of the 2004 Survey of Consumer Finances

by Craig Copeland, EBRI

- This *Issue Brief* examines the incidence of individual account plans among families, as well as the average amount of assets accumulated in these accounts, using the most recent data from the Federal Reserve's Survey of Consumer Finances (SCF).
- ***Increasing importance of individual accounts:*** Individual account retirement plans continue to grow in importance as a source of retirement income for future retirees in both the public and private sectors. The wealth that workers are able to accumulate in individual plans during their working years will be crucial to the ability of many workers to maintain a comfortable standard of living in retirement.
- ***Employment-based plan participation:*** In 2004, 40.3 percent of all families had a participant in an employment-based retirement plan (either a defined benefit or defined contribution plan) from a current job, down from 41.6 percent in 2001. Among these families, those with only a defined benefit (pension) plan decreased from 40.0 percent in 1992 to 24.1 percent in 2004. Families with only a defined contribution plan followed the opposite trend, rising from 37.5 percent in 1992 to 51.9 percent in 2004. Families with a 401(k)-type plan reached 73.5 percent in 2004, up from 66.5 percent in 2001 and 31.6 percent in 1992.
- ***IRA/Keogh participation:*** In 2004, 29.1 percent of all families owned either an individual retirement account (IRA) or a Keogh plan, down from 31.4 percent in 2001.
- ***Defined contribution account values:*** Among all families with a defined contribution plan in 2004, the median (midpoint) plan balance was $25,000, up 137 percent from 1992 and 30 percent from 2001.
- ***IRA/Keogh account values:*** Among all families with an IRA/Keogh plan, the median plan balance was $30,000 in 2004, a 4 percent increase from $28,758 in 2001.
- ***Key demographic factors:*** Participation in an employment-based retirement plan is strongly linked to key demographic factors: higher-income, better-educated, white, non-Hispanic heads of families tended to be significantly more likely to have a retirement plan (and higher balances) than their counterparts.
- ***Individual accounts dominate family savings:*** In 2004, defined contribution plan assets comprised 56.4 percent of total financial assets for the median family that participated in such a plan. Among families with defined contribution and/or IRA/Keogh plans in 2004, these assets comprised a median of 62.5 percent of their total financial assets. Both figures mark a significant increase from 2001 levels.
- ***IRA types, by family ownership and assets:*** *By ownership,* the most commonly owned IRA was the regular IRA (44.6 percent of the family heads who owned an IRA owned only that type), followed by the rollover IRA (18 percent) and the Roth IRA (15.9 percent). *By assets,* the regular IRA-only type held 33.4 percent of all family financial assets, followed by regular and rollover IRAs combined (26.6 percent), rollover-only IRAs (24.2 percent), and Roth IRAs (4.0 percent of assets).

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

Table of Contents

Figures

Introduction

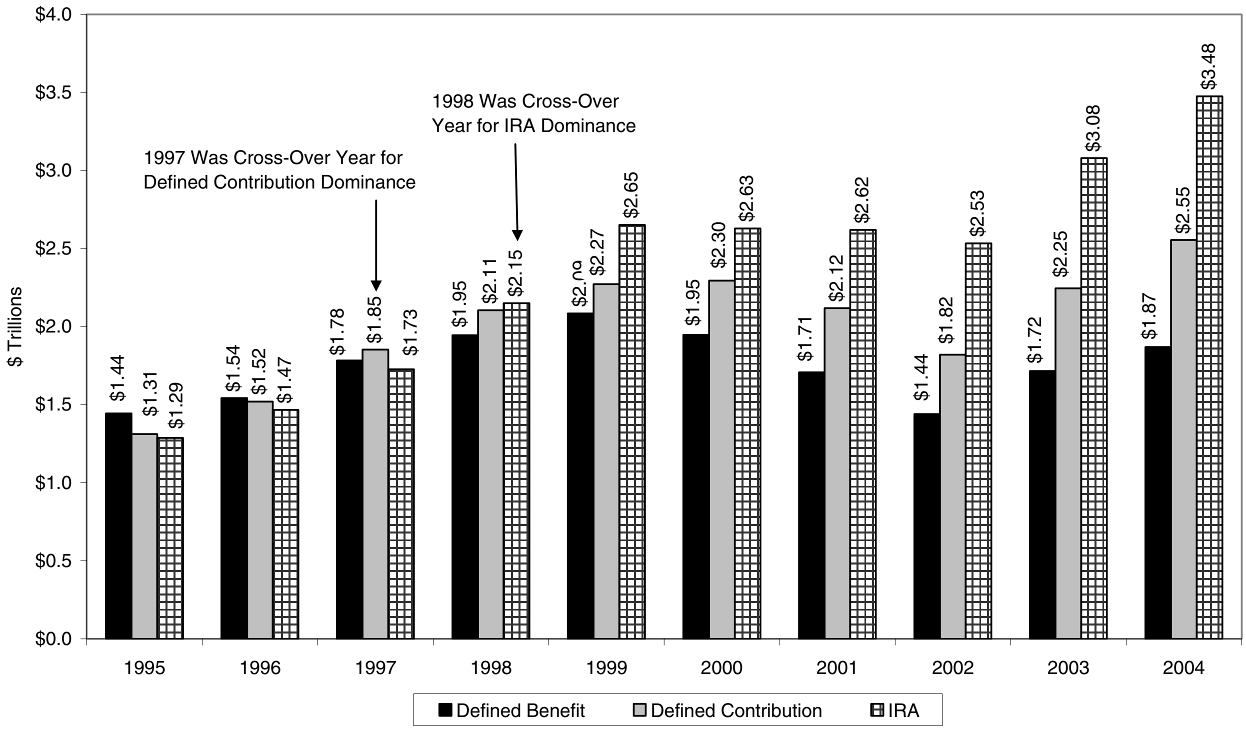
Individual account retirement plans continue to grow in importance as a source of retirement income for future retirees in both the public and private sectors. Individual account plans include a wide range of employment-based, tax-favored retirement savings plans financed by workers' own contributions (most notably defined contribution plans such as the 401(k)), as well as non-employment-based plans like individual retirement accounts (IRAs) and Keogh plans for the self-employed; this is in contrast to the federal old-age support program (Social Security) and so-called "traditional" defined benefit pensions, which provide benefits based on a formula and do not allow for individual investment decisions. With Social Security's projected financial problems that could result in reduced benefits for future retirees (the program was never intended to be the sole source of Americans' retirement income anyway), and private-sector employers shifting away from defined benefit plans, the wealth that workers are able to accumulate during their working years in these individual account plans will be, for many workers, the determining factor in their ability to maintain a comfortable standard of living in retirement.

Among public-sector employers, defined benefit plans remain the predominant type of retirement plan, although defined contribution options are increasing. Among private-sector employers, defined benefit plans have been declining for many years, as defined contribution and IRA plans have increased; defined benefit pension assets were overtaken by defined contribution assets in 1997 and by IRAs in 1998 (Figure 1). Furthermore, a growing number of major corporations that still have defined benefit plans have been freezing them (to newly hired workers, and, in some cases, for existing workers as well), a trend that makes it ever-more important for private-sector workers to build their retirement wealth through individual-account savings plans.[1] Consequently, the amount of assets currently accumulated in these accounts is a strong indicator of how prepared workers will be to supplement whatever Social Security benefits they will receive in retirement.

This *Issue Brief* assesses how prepared Americans are for retirement by examining the incidence of individual account plans among families, as well as the average amount of assets accumulated in these accounts. The Survey of Consumer Finances (SCF), the Federal Reserve Board's triennial survey of wealth, is the basis for this study. SCF is a leading source of data on Americans' wealth, as it provides detailed data on retirement plan incidence and account balances that families have accumulated.[2]

The 2004 SCF does not provide encouraging news about the growth in Americans' overall wealth since 2001. The median (midpoint) increase in American families' net worth was only 1.5 percent from 2001–2004, following increases of 10.4 percent from 1998–2001 and 17.6 percent from 1995–1998. This small increase in median worth from 2001–2004 occurred despite the strong rise in home values over the period, as debt—much of it mortgage debt—increased substantially relative to assets; in essence, much of the wealth growth due to rising home values was lost to higher home debt, including consumer debt through home-equity loans.[3]

Figure 1
U.S. Retirement Plan Assets, 1995–2004



Source: Federal Reserve *Flow of Funds,* 1995–2004, Table L.118.b, c, and l, and EBRI *Pension Investment Report.*

Building on the Employee Benefit Research Institute's (EBRI) previous research using prior SCF surveys (i.e., Copeland, 2003; Copeland and VanDerhei, 2000), this study focuses more specifically on retirement plan assets, concentrating on the amount of assets that American families have accumulated in individual account retirement plans.[4] Using results from the prior studies, this report shows the changes in assets from these accounts as well as changes in the incidence of these individual accounts both inside and outside of employment-based arrangements. Furthermore, particular attention is paid to ownership of individual retirement accounts, as the SCF refined its questions on IRAs to allow for better estimates of the sources of IRA funds between rollovers and contributions and to determine whether the IRA assets are in traditional IRAs or Roth IRAs.

While *asset accumulation* is a vital component of assessing retirement preparedness, it is not the only factor that will determine financial security in retirement. The second vital component is the *use of accumulated funds* in retirement, so that retirees do not outlive their assets. Even for workers with defined benefit plans, which are increasingly offering lump-sum distributions both at preretirement termination of employment and on full retirement, how these assets are spent remains an important decision—especially when the lump-sum option is chosen.[5] Because of the growing prevalence of lump-sum pension distributions, increasing numbers of workers and retirees will have the responsibility of managing their pension distributions themselves, rather than having the lifetime income from an annuity in retirement. Thus, although this *Issue Brief* focuses on participation in all plans that are considered retirement income sources and the estimation of the median and average amounts of assets in these plans, it must be stressed that this is only an indicator of future *potential* financial security, because individuals' financial security in retirement will ultimately be determined by how they take distributions, how they invest them, and how fast they spend them. Retirement plans can help workers accumulate assets, but when individuals are given *choices*, it is their *actions* that will ultimately determine whether or not they achieve financial security.

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

Overall, the results appear to be mixed for the employment-based system: Overall participation in retirement plans is down from 2001, but median and average balances are up significantly in individual account plans.

Trends in Participation

Workers may be able to save for retirement in a tax-advantaged manner either through a retirement plan sponsored by their employer or union or by establishing a plan on their own. Employment-based plans are generally categorized as either *defined benefit plans* or *defined contribution plans*. Typically, defined benefit plans provide benefits that are based on a formula that uses the worker's tenure and salary history, and are not directly affected by the changes in the investment returns of the plan assets. By contrast, defined contribution plans provide benefits that are determined by the level of contributions (both from the worker and the employer) and any asset returns on these contributions. Workers not eligible for a plan through employment, and in some cases workers wanting to augment employment-based plans, as well as non-working spouses, can set up an *individual retirement account* (IRA); and many self-employed workers can establish a *Keogh plan* to save for retirement.

This section examines the trend at the family level of participation in employment-based retirement plans and IRAs and Keoghs for the years 1992, 2001, and 2004.[6] All families and families with a family head under age 65 and a worker (either the head or the spouse) are studied to determine how all families (as well as working families) are doing in terms of benefits from employment-based retirement plan sources. In addition, the participation rates of eligible family heads in defined contribution plans are investigated for 1995, 1998, 2001, and 2004. All families are assessed for the prevalence of IRA and Keogh plan ownership.

Employment-Based Retirement Plan Participation

All Families In 2004, 40.3 percent of families included a participant in an employment-based retirement plan (either a defined benefit or defined contribution plan) from a current job (Figure 2). This was up from 38.8 percent in 1992, but down from 41.6 percent in 2001.[7] A significant shift in the plan type occurred from 1992 to 2001, with the proportion of families that had a plan having only a defined benefit plan decreasing from 40.0 percent to 19.5 percent. However, in 2004, the proportion of families having only a defined benefit plan increased to 24.1 percent, potentially due to the better determination of cash balance plans in the 2004 SCF changes (as described in endnote 7). The proportion of families participating in only a defined contribution plan followed the opposite trend, rising from 37.5 percent in 1992 to 57.7 percent in 2001, before declining 51.9 percent in 2004. The percentage of families with both types of plans also increased in 2004.

The one trend that did continue even under the revised SCF questions was the increase in the proportion of families in an employment-based plan with a 401(k)-type plan: 73.5 percent in 2004, up from 66.5 percent in 2001 and 31.6 percent in 1992. However, the proportion of those with a 401(k)-type plan with a defined benefit plan increased to 31.4 percent in 2004, compared with 26.6 percent in 2001, which was below the 1992 level of 39.2 percent.

Participation in an employment-based retirement plan is strongly linked to family income, the educational level of the family head, and race of the family head. In 2004, only 1.1 percent of families with annual income less than $10,000 had a participant in a plan from a current job, compared with 68.8 percent of the families with income of $100,000 or more. Among families with a head who had not attained a high school diploma, 12.7 percent had a participant in a plan. In contrast, among families with a head who had obtained a college degree or higher, 55.2 percent had a participant in a plan. These differences also existed in 1992 and 2001.[8] Furthermore, families with a white, non-Hispanic head were more likely to have a participant than families with a nonwhite head.

Figure 2

Percentage of All Families With an Employment-Based Retirement Plan, by Various Demographic Categories, 1992, 2001, and 2004

	1992						2001						2004					
		Of Those Participating in a Plan						Of Those Participating in a Plan						Of Those Participating in a Plan				
	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	401(k)-type plan	401(k)-type plan with a DB	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	401(k)-type plan	401(k)-type plan with a DB	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	401(k)-type plan	401(k)-type plan with a DB
Total	38.8%	40.0%	37.5%	22.5%	31.6%	39.2%	41.6%	19.5%	57.7%	22.8%	66.5%	26.6%	40.3%	24.1%	51.9%	24.0%	73.5%	31.4%
Family Income																		
Less than $10,000	2.9	63.5	36.5	0.0	15.1	0.0	3.8	32.4	59.6	8.0	61.8	13.0	1.1	45.7	15.2	39.1	50.6	77.3
$10,000–$24,999	15.1	47.8	48.1	4.1	12.9	6.3	13.4	23.2	72.9	4.0	59.6	5.7	11.2	32.6	59.1	8.3	66.6	12.5
$25,000–$49,999	40.8	49.7	39.1	11.2	26.2	18.7	38.0	25.1	64.7	10.2	59.9	11.5	36.8	29.6	57.8	12.7	67.2	17.1
$50,000–$99,999	65.5	38.1	33.4	28.5	32.9	47.0	63.2	18.1	55.9	26.1	69.7	29.8	61.7	25.7	48.1	26.2	72.9	35.1
$100,000 or more	65.1	24.1	39.0	36.9	48.1	49.6	66.9	14.9	49.9	35.2	69.9	39.4	68.8	15.0	51.0	34.1	81.6	40.1
Age of Family Head																		
<35	39.3	37.0	47.7	15.3	36.2	26.4	42.8	14.6	69.9	15.5	73.6	17.9	38.3	18.1	63.4	18.4	80.0	22.2
35–44	55.8	39.5	35.8	24.7	32.4	40.3	59.6	16.5	59.4	24.1	70.3	27.1	54.9	22.3	54.0	23.7	76.7	30.1
45–54	58.9	40.1	31.8	28.2	28.2	53.3	58.4	23.9	48.5	27.6	61.9	34.1	56.9	29.6	44.1	26.3	67.0	37.7
55–64	40.8	43.8	33.4	22.8	29.2	44.4	42.2	23.8	53.4	22.9	58.8	26.3	47.1	22.6	48.9	28.5	73.9	36.6
65–74	7.6	57.9	30.7	11.5	22.7	20.4	7.4	29.0	58.7	12.3	44.7	24.9	10.9	42.1	43.4	14.5	54.8	23.5
75+	0.3	1.4	98.3	0.4	0.4	100.0	1.1	47.7	6.8	45.6	47.3	96.2	3.0	17.4	52.7	29.9	82.6	36.2
Education of Family Head																		
Below HS diploma	14.3	51.0	37.0	12.0	21.1	20.6	12.7	33.4	55.6	11.0	56.3	16.9	12.7	27.9	56.6	15.4	70.6	20.4
HS diploma	36.2	43.6	37.3	19.2	26.2	35.2	38.4	21.1	58.9	20.0	64.9	23.7	34.9	27.2	51.5	21.3	71.7	28.8
Some college	41.3	38.5	39.8	21.7	27.8	45.5	42.1	18.8	60.1	21.1	65.2	24.2	41.1	24.6	51.5	23.8	73.1	31.2
College degree	55.5	36.7	36.8	26.6	38.3	40.7	57.9	17.4	56.3	26.4	69.1	30.0	55.2	21.9	51.8	26.3	74.8	33.7
Race																		
White non-Hispanic	41.3	37.9	37.6	24.4	34.8	40.0	42.7	18.9	56.5	24.7	66.8	29.0	42.9	22.7	51.8	25.5	74.8	32.8
Nonwhite	31.1	48.5	37.0	14.6	19.0	33.1	38.1	21.8	62.2	16.0	65.4	17.9	33.4	29.4	52.0	18.9	69.1	26.2
Working Status																		
Of family head																		
Someone else	61.4	39.4	37.2	23.4	32.8	39.2	60.8	19.0	57.4	23.6	68.0	27.2	58.6	24.2	50.5	25.3	74.2	32.9
Self-employed	30.4	40.5	43.9	15.7	27.3	46.2	29.2	23.9	61.8	14.4	51.2	18.7	29.1	24.9	63.6	11.6	64.3	15.8
Retired	4.6	66.0	18.6	15.4	10.4	51.2	3.7	24.0	52.0	24.0	60.8	35.8	5.0	20.9	59.8	19.3	76.6	24.7
Other nonwork	7.3	26.6	51.9	21.6	29.6	3.4	7.0	14.7	73.0	12.4	77.3	6.0	11.0	19.3	53.0	27.7	80.7	34.4
Housing Status																		
Own	44.9	37.6	35.9	26.5	34.1	44.6	47.6	18.5	55.5	26.0	67.0	29.6	47.3	28.5	56.7	14.8	70.1	34.0
Rent	28.1	46.8	42.1	11.1	24.8	18.1	29.0	22.8	65.6	11.6	65.0	16.0	24.7	23.1	50.8	26.2	74.3	19.7
Net Worth Percentile																		
Bottom 25%	21.4	46.2	46.9	7.0	21.1	12.4	22.8	29.9	60.6	9.5	56.9	14.2	18.5	37.2	50.8	12.0	60.7	17.3
25–49.9%	41.0	45.0	36.9	18.1	26.8	33.1	43.1	19.5	64.6	15.8	69.8	19.4	44.6	27.8	56.1	16.1	70.6	22.5
50–74.9%	48.1	40.6	35.3	24.1	33.1	38.9	53.2	19.4	51.3	29.3	66.4	31.3	48.6	23.0	46.6	30.4	75.8	39.3
75–89.9%	47.7	36.2	33.7	30.1	38.0	46.4	49.9	15.5	55.2	29.3	66.9	34.6	51.1	16.1	51.8	32.1	79.7	37.9
Top 10%	40.3	24.1	39.9	36.0	42.3	55.9	43.4	12.8	60.9	26.3	70.6	31.0	46.9	18.6	56.6	24.8	76.7	30.8

Source: Employee Benefit Research Institute estimates of the 1992, 2001, and 2004 Survey of Consumer Finances.
Note: All income values are in 2004 dollars.

Note: The 2004 participation levels are not directly comparable to earlier years because of changes in the 2004 survey.

Figure 3

Percentage of Families With Head Under Age 65 and a Worker With an Employment-Based Retirement Plan, by Various Demographic Categories, 1992, 2001, and 2004

	1992						2001						2004					
		Of Those Participating in a Plan						Of Those Participating in a Plan						Of Those Participating in a Plan				
	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	401(k)-type plan	401(k)-type plan with a DB	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	401(k)-type plan	401(k)-type plan with a DB	Any plan	Defined benefit only	Defined contribution only	Both defined benefit and contribution	401(k)-type plan	401(k)-type plan with a DB
Total	57.1%	39.6%	37.6%	22.8%	31.9%	39.6%	57.4%	19.2%	57.9%	22.9%	67.0%	26.5%	50.5%	23.7%	52.1%	24.2%	73.9%	31.5%
Family Income																		
Less than $10,000	10.6	63.5	36.5	0.0	15.1	0.0	11.3	32.4	59.6	8.0	61.8	13.0	1.5	45.7	15.1	39.1	50.5	77.5
$10,000–$24,999	28.9	47.3	48.3	4.9	12.7	6.8	25.0	23.5	72.4	4.0	60.6	5.7	17.9	31.7	59.7	8.6	67.4	12.8
$25,000–$49,999	54.9	49.2	39.8	11.0	26.8	19.0	49.5	24.9	64.6	10.5	60.4	11.7	45.6	30.1	57.5	12.5	66.8	17.2
$50,000–$99,999	75.0	37.8	33.3	28.9	33.0	47.3	73.2	17.6	56.4	26.0	70.3	29.3	71.3	24.8	48.5	26.7	73.7	35.3
$100,000 or more	72.4	23.8	39.0	37.2	47.9	49.8	77.9	14.7	49.8	35.5	69.9	39.7	73.9	14.3	51.5	34.2	82.3	39.9
Age of Family Head																		
<35	45.8	37.0	47.7	15.3	36.2	26.4	46.3	14.6	69.9	15.5	73.6	17.9	38.8	18.1	63.4	18.4	80.0	22.2
35–44	62.0	39.5	35.8	24.7	32.4	40.3	63.2	16.5	59.4	24.1	70.3	27.1	55.5	22.3	54.0	23.7	76.7	30.1
45–54	65.1	40.1	31.8	28.2	28.2	53.3	64.7	23.9	48.5	27.6	61.9	34.1	58.1	29.6	44.1	26.3	67.0	37.7
55–64	60.6	43.8	33.4	22.8	29.2	44.4	55.1	23.8	53.4	22.9	58.8	26.3	50.6	22.6	48.9	28.5	73.9	36.6
Education of Family Head																		
Below HS diploma	34.8	50.3	37.8	11.9	21.7	21.8	27.5	33.7	55.0	11.3	56.0	17.5	19.6	26.7	57.5	15.8	72.8	21.7
HS diploma	52.6	43.6	36.8	19.7	25.9	36.2	52.9	20.3	59.3	20.5	65.7	24.0	44.5	26.8	51.7	21.6	72.1	28.9
Some college	57.2	38.3	39.9	21.8	28.0	45.5	54.2	19.1	59.8	21.2	65.5	24.1	47.6	23.9	51.7	24.5	73.8	31.7
College degree	67.2	36.1	37.1	26.8	38.8	40.6	70.8	17.2	56.5	26.3	69.5	29.7	65.2	21.7	52.1	26.2	75.1	33.6
Race																		
White non-Hispanic	60.5	37.4	37.8	24.8	35.0	40.4	59.7	18.5	56.6	24.9	67.3	28.9	55.9	22.0	52.2	25.8	75.4	32.9
Nonwhite	46.6	48.5	36.9	14.5	19.5	33.1	50.6	21.7	62.4	15.9	65.9	17.8	38.4	29.0	51.9	19.1	69.3	26.7
Housing Status																		
Own	66.5	37.0	35.9	27.0	34.4	45.2	67.0	18.2	55.5	26.2	67.5	29.6	62.7	22.6	50.9	26.5	74.7	34.2
Rent	41.0	46.7	42.3	11.0	25.1	18.1	38.6	22.7	65.8	11.5	65.4	15.7	27.9	28.1	57.2	14.7	70.7	19.7
Net Worth Percentile																		
Bottom 25%	34.1	46.2	46.9	7.0	21.1	12.4	31.4	29.9	60.6	9.5	56.9	14.2	21.3	37.3	51.1	11.6	61.0	17.1
25–49.9%	54.6	45.1	36.8	18.1	27.3	33.1	56.5	19.7	64.5	15.7	69.9	19.2	54.0	26.4	57.1	16.5	71.9	22.6
50–74.9%	71.0	40.0	35.4	24.6	33.2	39.9	74.1	18.8	51.4	29.8	67.2	31.5	64.4	22.6	46.2	31.2	76.1	40.2
75–89.9%	72.7	35.4	33.6	31.0	38.6	47.5	72.3	14.7	55.8	29.5	68.1	33.8	69.5	16.6	51.3	32.1	79.1	38.1
Top 10%	61.9	22.4	40.8	36.8	43.3	55.3	65.0	12.2	60.9	26.9	70.9	31.7	66.9	17.2	57.9	25.0	78.1	30.3

Source: Employee Benefit Research Institute estimates of the 1992, 2001, and 2004 Survey of Consumer Finances.
Note: All income values are in 2004 dollars.

Note: The 2004 participation levels are not directly comparable to earlier years because of changes in the 2004 survey.

Homeownership by a family is a strong indicator of a family's likelihood of having an employment-based retirement plan participant. Approximately 47 percent of families who owned their home had a plan participant in 2004, compared with about 25 percent of families that rented their residence. This difference has persisted since 1992, with the percentage-point difference continuing to increase. In terms of net worth, families in the 75–89.9th-percentile range of net worth were most likely to have a retirement plan participant, while the two surrounding percentile breaks had the next-highest levels. This contradicts the prior years, during which the middle percentile group had the highest percentage of families with a participant.

Families With Family Head Who Was a Worker Under Age 65 The proportion of families with a family head who was under age 65 and a worker that had a participant in an employment-based retirement plan decreased in 2004 to 50.5 percent from 57.4 percent in 2001. This 2004 level is also lower than the 57.1 percent level of 1992 (Figure 3). Consequently, over the 1992–2001 period, the level of participation for this family type was virtually unchanged, before the decline in 2004. As for changes within the various demographic categories, as well as over the 1992–2004 period, the results were qualitatively almost identical with the results for all families' participation. The participation levels across the various categories are higher, because families that have a worker are more likely to have a retirement plan participant (especially in an employment-based plan) than those without a worker.

Defined Contribution Plan Participation Rates of Family Heads

Because most employment-based defined contribution retirement plans are voluntary, individuals who are eligible to participate must choose to do so. The probability of an individual choosing to participate in a plan is correlated with various individual characteristics. Overall in 2004, 75.7 percent of defined contribution plan-eligible family heads chose to participate in the plan (conversely, a quarter of eligible family heads chose not to participate). This was a slight increase from 74.8 percent in 2001, but lower than the peak rate of 77.3 percent in 1998 (Figure 4).[9, 10] The trend that accelerated in 2004 was the decline in family heads who were eligible but not participating in a defined contribution plan but who were participating in a defined benefit plan. This percentage decreased from 45.0 percent in 1995 to 34.8 percent in 2001 and to 21.8 percent in 2004, which corresponds with the decline in define benefit plans.

Demographic differences that have persisted over the four survey years were the increased likelihood of plan participation with increased levels of family income, family net worth, education, or home ownership. For example, in 2004, the participation rate increased from 51.1 percent of family heads with family income of $10,000–$25,000 a year to 89.6 percent for those with family income of $100,000 or more.

Participation rates by the race of the family heads did not follow a consistent trend: in 1995 and 1998, white family heads were significantly more likely to have participated in a plan when eligible than nonwhite family heads. However, in 2001, this difference virtually disappeared, as white family heads had a 74.9 percent participation rate, compared with a nonwhite family head participation rate of 74.4 percent. The gap in the participation rates between the racial categories returned in 2004, with a participation rate of 78.3 percent among white family heads compared with 67.5 percent among nonwhite family heads.

There are no clear patterns across the demographic categories in the percentage of family heads not participating in a defined contribution plan who participated in a defined benefit plan. For example, the nonparticipating family heads with the lowest net worth and family income are the least likely to be in a defined benefit plan, but nonparticipating family heads with the highest net worth and family income are less likely to be in a defined benefit plan than family heads with moderate net worth and family income. From 2001–2004, the percentage of defined contribution nonparticipants who were in a defined benefit plan decreased for family heads in virtually every category.

The defined contribution nonparticipant family heads with the highest probability of being in a defined benefit plan in 2001 experienced the largest declines: Those with annual income of $100,000 or more saw their likelihood of having a defined benefit plan drop from 52.1 percent in 2001 to 26.6 percent in 2004.

IRA/Keogh Participation—All Families

Similar to the drop in the proportion of families with an employment-based retirement plan in a current job, the proportion of families that owned either an IRA or a Keogh plan declined in 2004 to 29.1 percent from 31.4 percent in 2001 (Figure 5).[11] This was after a significant increase from 26.1 percent in 1992.

Figure 4

Participation Rates of Family Heads Eligible for an Employment-Based Defined Contribution Plan, 1995, 1998, 2001, and 2004

	1995		1998		2001		2004	
	Percentage participating	Percentage of those not participating in a defined benefit plan	Percentage participating	Percentage of those not participating in a defined benefit plan	Percentage participating	Percentage of those not participating in a defined benefit plan	Percentage participating	Percentage of those not participating in a defined benefit plan
Total	73.8%	45.0%	77.3%	40.3%	74.8%	34.8%	75.7%	21.8%
Family Income								
Less than $10,000	44.6	3.6	42.3	9.4	56.0	15.5	8.5	0.0
$10,000–$24,999	55.0	21.2	53.3	12.6	59.0	7.2	51.1	10.2
$25,000–$49,999	70.6	51.6	73.8	38.2	69.3	36.4	66.1	18.4
$50,000–$99,999	78.4	49.7	83.3	53.6	77.1	38.3	79.4	31.9
$100,000 or more	83.3	58.5	85.7	72.1	84.0	52.1	89.6	26.6
Age of Family Head								
<35	72.4	30.8	71.6	18.9	69.7	18.5	68.0	10.9
35–44	74.6	44.2	79.1	39.1	81.0	33.9	77.5	24.2
45–54	73.6	56.4	78.1	63.4	73.9	52.5	76.8	35.5
55–64	82.4	60.3	83.6	66.2	76.0	42.0	84.8	24.4
65–74	55.0	81.6	68.8	33.2	44.9	38.0	59.5	0.0
75+	26.1	14.9	99.6	18.0	38.5	0.1	99.8	0.0
Education of Family Head								
Below HS diploma	62.1	46.0	71.0	15.4	52.6	31.6	59.7	19.6
HS diploma	67.9	39.5	75.5	30.5	69.7	39.0	68.1	15.7
Some college	74.0	49.1	69.9	43.6	72.9	24.4	71.4	19.8
College degree	79.7	48.2	82.8	52.2	81.5	37.4	82.6	29.0
Race								
White non-Hispanic	75.5	44.7	79.0	44.0	74.9	34.8	78.3	24.7
Nonwhite	67.5	45.6	69.6	28.8	74.4	34.7	67.5	15.7
Housing Status								
Own	76.9	50.7	82.9	53.9	79.5	41.4	81.4	29.1
Rent	66.3	35.3	63.2	24.4	62.6	25.5	57.9	11.7
Net Worth Percentile								
Bottom 25%	58.6	28.9	54.2	20.7	54.7	26.5	44.0	10.0
25–49.9%	71.1	49.9	76.6	42.6	71.1	31.4	73.5	27.8
50–74.9%	75.3	52.4	84.2	45.4	80.0	49.1	83.1	31.4
75–89.9%	81.5	51.6	82.6	75.1	86.4	26.8	87.7	33.9
Top 10%	89.3	35.4	91.9	66.2	87.1	54.7	92.7	16.7

Source: Employee Benefit Research Institute estimates of the 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Note: Income categories are in 2004 dollars.

Figure 5

Percentage of Families With an IRA/Keogh, and Median Value of Plans, by Various Demographic Categories, 1992, 2001, and 2004

	Percentage With an IRA/Keogh			Median Value of IRA/Keogh		
	1992	2001	2004	1992	2001	2004
Total	26.1%	31.4%	29.1%	$19,769	$28,758	$30,000
Family Income						
Less than $10,000	4.3	6.0	5.1	11,862	7,456	5,000
$10,000–$24,999	10.8	12.1	10.3	7,908	12,781	16,000
$25,000–$49,999	21.5	25.3	23.2	15,815	15,977	17,000
$50,000–$99,999	38.3	39.9	38.5	15,815	26,095	24,000
$100,000 or more	67.9	64.5	60.0	39,539	55,385	83,000
Age of Family Head						
<35	13.1	18.3	16.0	6,722	7,456	8,000
35–44	27.8	29.5	25.2	14,498	15,977	20,000
45–54	34.1	38.7	33.6	23,064	42,604	35,000
55–64	44.5	41.5	43.9	30,313	47,930	60,000
65–74	33.7	41.9	36.4	26,359	63,906	75,000
75+	6.8	25.5	26.5	36,903	48,995	30,000
Education of Family Head						
Below HS diploma	7.6	8.7	6.4	10,544	19,172	12,200
HS diploma	19.7	22.3	22.0	17,133	19,172	17,500
Some college	26.1	28.1	22.9	15,815	18,107	19,000
College degree	43.8	52.3	47.0	23,723	38,344	43,000
Race						
White non-Hispanic	31.1	36.6	35.7	19,769	31,953	32,000
Nonwhite	10.8	14.7	11.9	11,203	9,586	13,000
Working Status of Family Head						
For someone else	27.5	30.3	27.6	15,815	17,042	21,000
Self-employed	42.9	49.8	43.6	28,995	53,255	50,000
Retired	22.3	27.0	27.8	22,405	55,385	44,000
Other nonwork	8.5	20.6	16.2	11,861	23,432	23,000
Housing Status						
Own	34.7	40.3	37.8	21,087	32,858	33,000
Rent	10.7	12.6	9.6	10,807	8,521	12,000
Net Worth Percentile						
Bottom 25%	2.4	4.8	3.0	3,031	3,089	2,500
25–49.9%	12.9	16.9	14.5	5,272	5,858	7,600
50–74.9%	29.6	35.1	36.2	13,180	17,042	15,000
75–89.9%	52.5	60.3	56.2	23,723	47,930	45,000
Top 10%	69.9	81.2	72.1	52,718	111,836	140,000

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

Note: All income values are in 2004 dollars.

Figure 6
Percentage of All Families With a Retirement Plan From a Current or Previous Employer or an IRA/Keogh Plan, 1992, 2001, and 2004

	1992	2001	2004
Total	53.3%	58.6%	56.9%
Family Income			
Less than $10,000	8.0	11.6	10.3
$10,000–$24,999	26.2	25.0	22.6
$25,000–$49,999	57.3	56.1	54.6
$50,000–$99,999	81.9	81.4	80.2
$100,000 or more	88.0	91.6	90.6
Age of Family Head			
<35	47.2	50.4	45.3
35–44	68.1	69.3	65.4
45–54	72.0	73.5	71.1
55–64	63.7	66.7	69.3
65–74	37.9	46.3	46.3
75+	6.8	26.0	29.6
Education of Family Head			
Below HS diploma	21.7	21.2	20.0
HS diploma	50.0	53.2	51.5
Some college	56.6	59.6	55.6
College degree	74.6	80.7	76.6
Race			
White non-Hispanic	58.0	63.0	62.9
Nonwhite	38.9	44.4	41.3
Working Status of Family Head			
For someone else	70.5	70.1	67.1
Self-employed	57.5	64.6	59.2
Retired	26.8	31.1	35.1
Other nonwork	18.1	27.3	28.1
Housing Status			
Own	62.5	68.6	67.8
Rent	36.8	37.5	32.6
Net Worth Percentile			
Bottom 25%	25.3	27.4	21.6
25–49.9%	51.4	53.1	53.7
50–74.9%	61.6	69.9	69.5
75–89.9%	73.5	80.2	81.4
Top 10%	76.8	89.4	84.7

Source: Employee Benefit Research Institute estimates of the 1992, 2001, and 2004 Survey of Consumer Finances.
Note: All income values are in 2004 dollars.

Ownership of an IRA increased with family income, the family head's educational level, and the family's net worth. Of families with less than $10,000 a year in income, just 5.1 percent owned an IRA/Keogh in 2004, compared with 60.0 percent of families with income of $100,000 or more. Not surprisingly, the proportion owning an IRA/Keogh increased even more substantially when measured by net worth: Only 3.0 percent of those in the lowest 25th percentile of net work owned an IRA/Keogh, compared with 72.1 of those in the top 10 percent of net worth. These differences were consistent over the years of the study.

Ownership of IRA/Keoghs also increased with the family head's age through age 64, but families with the oldest heads had a sizeable increase in their likelihood of owning an IRA/ Keogh: from 6.8 percent in 1992 to 26.5 percent in 2004. Families with a white family head were significantly more likely to own an IRA/Keogh than families with nonwhite heads (35.7 percent versus 11.9 percent), and have been since 1992.

Retirement Plan Participation From Any Source—All Families

In 2004, 56.9 percent of families had a participant in a current or previous employer's retirement plan or an IRA/Keogh (Figure 6).[12] The percentage participating in these plans increased with family income, net worth, and educational level of the family head. Families with a white family head and that owned their home were more likely to have participated in one of these plans. Less than 50 percent of families with a head under age 35 participated in one of these plans. This increased to 71.1 percent for families with a head from age 45–54, before decreasing with age to 29.6 percent of families with a head age 75 or older.[13]

In 1992, 53.3 percent of all families had a participant in a current or previous employer's retirement plan or an IRA/Keogh. This proportion increased to 58.6 percent by 2001. The same differences across the demographic groups that were discussed above for 2004 were also present in 1992 and 2001. In most cases, the 2004 levels of participation in these plans was lower than it was in 2001, but families with older (55 and older) or retired heads did show an increase likelihood of participation in 2004.

Individual Account Plan Balances

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

Among all families with a defined contribution plan in 2004, the median (midpoint) plan balance was $25,000 (Figure 7).[14] This is a 137 percent increase from the 1992 value of $10,544 (expressed in constant 2004 dollars) and a 30 percent increase from the 2001 value of $19,172 (2004 dollars).[15] The median balance increased with family income, family head age (through age 65), and family net worth. The same patterns held true in 1992, 1998, and 2001. Families with a white family head or who owned a home had higher median balances. In 2004, the median balance for defined contribution plans of families with a white family head was $30,000, compared with $15,000 for families with a nonwhite head. Families with a head who had some college education saw their median defined contribution plan balance decrease in 2004, while families with heads in the other education categories (both lower and higher) enjoyed higher median balances; as a result, families with heads with some college had the lowest median balance ($13,000).

A noteworthy finding when examining balances across the types of employment-based retirement plans is that families with *both* a defined benefit (pension) plan *and* a 401(k)-type plan have a higher median balance in the 401(k)-type plan than families that have *only* a 401(k)-type plan. In 2004, the median balance in a 401(k)-type plan for families with a defined benefit plan and a 401(k)-type plan was $40,000, while the median balance was $19,000 for families with only a 401(k)-type plan. This difference also occurred in the three prior survey years and was found in all the demographic breakdowns in 2004. This suggests that families that participate in both types of plans (a defined benefit and a 401(k)-type plan) tend to either (1) be more highly compensated and are therefore more able to save, (2) have a more generous defined contribution plan, or (3) have traits in common with those that tend to save more.

Median Values of IRA/Keogh Plans

Among families with an IRA/Keogh plan, the median value of their plan was $30,000 in 2004, a 4 percent increase from $28,758 in 2001 (Figure 5). From 1992–2004, the median IRA/Keogh balance increased 52 percent, from $19,769 in 1992. Again, the factors that were related to higher median IRA/Keogh balances were the same as those related to higher defined contribution plan balances, but with a few exceptions. The IRA/Keogh balance increased through the 65–74 age group, rather than through the 55–64 age group, as was the case for defined contribution plan balances. The higher education level of the family head was associated with higher median IRA/Keogh balances, but there was no clear pattern in the median defined contribution plan balance until the jump for the most educated family heads.

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

The importance of individual account plans to the total financial assets of families that have these plans can be measured by the percentage of financial assets that the plans represent. In 2004, defined contribution plan assets comprised 56.4 percent of total financial assets for the median family that participated in such a plan—a significant increase from 2001, when they represented 45.6 percent of the families' total financial assets (Figure 8). Among families with defined contribution and/or IRA/Keogh plans in 2004, these assets comprised a median of 62.5 percent of their total financial assets—also a significant jump from the 2001 median of 49.9 percent. These median percentages in 2004 were even substantially higher than in 1992, as the proportion of assets increased 55 percent for defined contribution assets and 43 percent for defined contribution and/or IRA/Keogh assets.

Groups deriving a larger percentage of their financial assets from defined contribution plans or IRA/Keoghs are those that have a lower likelihood of having any retirement plan, such as those with family income in the $10,000–$24,999, a family head with lower educational attainment, a family head who is nonwhite, a family head between ages 35–44, or lower net worth. Phrased another way, if those with low income, low education, or young age had a defined contribution plan or IRA/Keogh at all, it was likely to constitute a large proportion of their total assets. For example, in 2004, defined contribution assets represented a median of 69.8 percent of total financial assets for those with defined contribution plans among those families with annual family income from $10,000–$24,999, compared with 46.2 percent for families with income of $100,000 or more. Furthermore, among families with heads ages 35–44, 67.2 percent of their financial assets are from defined contribution plans or IRA/Keoghs if they have such assets, whereas among families with family heads ages 65–74 this figure was 43.8 percent.

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

Figures 9a and 9b provide evidence of the relative importance of IRAs vs. employment-based individual account plans (such as a 401(k)) for 2001 and 2004, respectively. Mean (average) values are reported in these figures, as opposed to the median (midpoint) values in Figures 5 and 7, since in many of the groups

Figure 7

Median Defined Contribution Plan Balances for Families With a Current-Employer Defined Contribution Plan, by Various Demographic Categories, 1992, 1998, 2001, and 2004

	1992				1998				2001				2004			
	Any defined contribution plan	401(k)-type plan	401(k)-type plan with defined benefit plan	401(k)-type plan only	Any defined contribution plan	401(k)-type plan	401(k)-type plan with defined benefit plan	401(k)-type plan only	Any defined contribution plan	401(k)-type plan	401(k)-type plan with defined benefit plan	401(k)-type plan only	Any defined contribution plan	401(k)-type plan	401(k)-type plan with defined benefit plan	401(k)-type plan only
Total	$10,544	$13,180	$23,723	$9,226	$17,390	$17,390	$28,983	$13,912	$19,172	$19,172	$31,953	$14,911	$25,000	$25,000	$40,000	$19,000
Family Income																
Less than $10,000	a	a	a	a	1,391	1,507	780	1,623	426	a	a	a	a	a	a	a
$10,000–$24,999	2,636	1,977	a	1,977	2,319	2,087	1,484	2,087	2,130	2,769	a	2,769	2,000	2,000	4,910	2,000
$25,000–$49,999	5,008	4,745	10,544	3,558	8,115	7,535	5,797	8,115	6,923	5,858	7,456	5,752	9,000	9,100	24,000	7,100
$50,000–$99,999	13,180	14,761	17,133	11,862	23,534	25,505	31,301	22,027	23,432	22,367	26,628	21,302	22,000	22,000	31,000	18,000
$100,000 or more	46,128	50,082	59,308	35,585	69,558	69,558	75,355	69,558	63,906	66,036	79,883	53,788	96,900	97,000	107,300	88,000
Age of Family Head																
<35	4,613	6,590	10,544	5,272	5,797	5,797	8,115	5,217	5,858	6,391	7,030	5,858	8,700	9,000	13,000	7,600
35–44	7,908	9,226	15,815	7,249	17,390	18,549	24,345	17,390	22,367	25,562	45,799	19,172	24,000	24,000	36,000	17,000
45–54	26,359	36,903	47,446	21,087	28,983	31,301	34,779	28,983	27,693	26,628	35,148	25,562	47,200	50,000	75,000	40,000
55–64	25,041	28,995	50,082	12,784	32,460	32,518	46,372	25,505	47,930	46,332	66,036	31,953	60,000	60,000	81,000	50,000
65–74	7,908	6,590	a	a	12,752	12,752	a	12,752	26,628	11,716	a	4,260	a	a	a	a
75+	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Education of Family Head																
Below HS diploma	4,217	3,954	a	3,427	11,593	12,752	a	11,593	5,326	5,326	6,710	4,793	14,000	14,000	35,000	9,000
HS diploma	7,249	7,908	10,544	6,590	12,752	12,752	25,505	11,593	11,716	11,184	19,278	9,692	17,000	17,000	30,000	14,000
Some college	9,226	17,133	18,451	8,303	15,071	13,912	21,679	11,593	13,846	13,846	24,572	12,781	13,000	13,000	22,000	11,000
College degree	17,792	18,451	35,585	10,544	23,186	24,345	34,779	22,026	31,953	31,953	53,255	24,497	40,000	40,000	70,000	32,000
Race																
White Non-Hispanic	10,807	13,180	23,723	9,226	18,549	19,128	28,983	15,071	23,432	21,302	37,279	17,574	30,000	29,000	50,000	20,000
Nonwhite	9,226	12,916	26,359	7,644	11,593	12,752	9,622	13,912	9,053	9,692	9,586	9,692	15,000	15,000	22,000	13,000
Working Status of Family Head																
For someone else	10,544	13,180	22,405	7,908	16,810	17,390	28,983	13,912	18,107	18,107	29,823	14,911	23,500	23,700	40,000	17,000
Self-employed	23,723	34,267	52,718	27,677	27,823	24,345	40,576	23,186	45,799	39,409	70,297	31,953	49,000	50,000	95,000	50,000
Retired	10,280	a	a	a	12,752	8,115	a	12,752	30,888	21,302	63,906	9,052	15,000	14,000	a	9,600
Other nonwork	3,954	a	a	a	6,724	a	a	a	10,651	5,326	a	4,260	34,000	34,000	a	40,000
Housing Status																
Own	14,498	17,792	26,359	11,862	23,882	24,345	28,983	22,027	26,628	26,628	37,279	21,835	32,000	32,000	50,000	27,000
Rent	4,613	5,535	17,133	3,954	5,565	5,797	15,071	5,101	4,260	4,260	9,586	4,260	7,800	8,000	15,000	5,900
Net Worth Percentile																
Bottom 25%	1,582	1,318	a	1,318	2,319	2,087	2,319	2,087	2,024	1,917	2,130	1,917	3,200	3,100	6,000	2,500
25–49.9%	5,272	6,590	7,908	5,272	8,115	8,115	8,115	8,115	7,456	7,456	8,947	7,456	11,000	11,000	17,000	10,000
50–74.9%	13,180	13,839	17,133	13,180	27,823	28,983	28,983	28,983	27,693	27,693	31,953	26,628	30,000	30,000	38,000	24,000
75–89.9%	36,903	36,903	36,903	26,359	57,965	62,138	81,151	52,169	57,515	63,906	100,119	50,060	83,200	84,999	104,000	70,000
Top 10%	79,077	105,436	106,754	98,847	106,656	104,337	121,727	92,744	145,919	149,114	170,416	145,919	180,000	195,000	260,000	159,000

Source: Employee Benefit Research Institute estimates of the 1992, 1998, 2001, and 2004 Survey of Consumer Finances.

[a] Sample size not sufficient for a reliable estimate.

Note: All income and asset values are in 2004 dollars.

Figure 8

Median Percentage of Financial Assets in Employment-Based Defined Contribution Plans and IRAs for All Families With the Specified Asset, by Various Demographic/Economic Categories, 1992, 2001, and 2004

	1992		2001		2004	
	Of those with a DC balance: Percentage of financial assets DC balance represents*	Of those with a DC or IRA balance: Percentage of financial assets DC & IRA balances represent*	Of those with a DC balance: Percentage of financial assets DC balance represents*	Of those with a DC or IRA balance: Percentage of financial assets DC & IRA balances represent*	Of those with a DC balance: Percentage of financial assets DC balance represents*	Of those with a DC or IRA balance: Percentage of financial assets DC & IRA balances represent*
Total	36.4%	43.7%	45.6%	49.9%	56.4%	62.5%
Family Income						
Less than $10,000	9.0	50.2	11.1	28.3	24.5	50.5
$10,000–$24,999	49.3	39.9	57.8	53.3	69.8	57.1
$25,000–$49,999	45.5	45.0	48.6	49.4	69.2	64.6
$50,000–$99,999	36.1	45.9	50.8	54.7	55.2	61.5
$100,000 or more	29.3	39.0	35.9	44.6	46.2	63.9
Age of Family Head						
<35	37.5	45.5	39.5	45.2	55.4	61.0
35–44	36.8	45.7	52.9	60.1	62.5	67.2
45–54	43.9	56.4	44.4	59.0	62.1	70.7
55–64	26.6	43.8	39.0	44.5	52.2	65.8
65–74	13.2	27.5	24.2	39.2	31.8	43.8
75+	6.0	26.4	55.0	18.2	18.5	22.2
Education of Family Head						
Below HS diploma	60.0	53.6	56.6	49.7	73.1	69.1
HS diploma	40.0	44.4	53.0	57.8	64.0	62.4
Some college	34.9	39.5	50.8	48.8	65.9	64.4
College degree	33.9	44.2	37.8	48.0	48.4	61.5
Race						
White non-Hispanic	33.9	42.3	43.4	48.8	51.6	59.4
Nonwhite	60.0	55.6	50.8	55.6	71.4	73.3
Working Status of Family Head						
For someone else	38.5	49.0	48.4	56.4	62.0	69.7
Self-employed	19.9	39.4	25.0	40.2	31.9	50.1
Retired	22.8	31.0	27.1	30.8	25.3	35.7
Other nonwork	85.8	57.5	31.1	35.8	46.2	49.6
Housing Status						
Own	35.2	42.2	43.9	49.0	54.5	62.5
Rent	43.0	52.3	52.4	55.6	64.3	63.3
Net Worth Percentile						
Bottom 25%	58.8	64.5	55.9	58.0	73.2	76.3
25–49.9%	43.9	49.6	55.6	61.0	70.0	73.2
50–74.9%	34.8	45.5	48.3	54.8	59.0	62.7
75–89.9%	34.1	40.3	37.6	45.5	47.6	58.3
Top 10%	21.0	32.0	20.5	30.8	30.3	42.2

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

* Includes DC balances with both current and previous employers.

Note: All income values are in 2004 dollars.

analyzed less than 50 percent of the families hold an account balance in one or more of the components.[16] This is the case because the families had to have a balance in only one of the accounts, not in each account, to be included for analysis in Figures 9a and 9b.

Figure 9b provides information on mean balances for all families with a defined contribution retirement plan (current or previous employer) and/or an IRA/Keogh for 2004. The first four columns provide mean balances for families with a positive account balance for that type of plan. For example, of families with either an IRA or Keogh plan, the average account balance in 2004 was $103,893.[17] However, when families with a Keogh balance are excluded, the balance for those with only an IRA decreases to $100,985. For the relatively small percentage of families with account balances in a previous employer's defined contribution plans, the average balance ($112,797) is larger than the values of the IRA/Keogh balances and that of the current employer defined contribution plan balance of $89,759.[18]

From a public policy perspective, it may be more useful to consider a family's entire portfolio of retirement income from individual account plans. Columns six through nine in Figures 9a and 9b show similar information as the first four columns, although in this case averages are computed for any family with a positive combined account balance in these sources. Column five provides the total account balance for the sum of defined contribution plans with a current employer, any account balance that may have been left in a defined contribution plan of a previous employer, or any of the family's IRA/Keogh assets. The total retirement portfolio account balance for all families with any type of retirement account in 2004 was $127,658—an increase of 15 percent in real terms over the 2001 balance of $111,043.

The final four columns in Figures 9a and 9b show the relative importance for each of the individual account components. Among families owning an individual account plan in 2004, 46.2 percent of the overall average was attributable to IRA/Keogh balances (44.5 percent from IRAs alone), 45.4 percent of the average was from account balances in defined contribution plans with the current employer, while account balances left with a previous employer's defined contribution plan was just over 8 percent of the total. In 2001, IRA/Keoghs represented a significantly larger amount of individual account plan assets at 55.4 percent and 48.6 percent for IRAs only. The defined contribution plan asset percentage was correspondingly lower in 2001 at 40.3 percent. Therefore, defined contribution assets became a much larger percentage of personal account assets from 2001 to 2004, reflecting the significant increase in the average defined contribution plan balance during that period compared with a virtually unchanged average IRA/Keogh balance.

Further exploration of the relative percentage of personal account balances maintained exclusively in IRAs and the changes from 2001 to 2004 reveals some definite demographic and economic influences. There is a marked tendency for lower-income (between $10,000–$25,000) families to have larger percentages of their assets in IRAs. Families with incomes between $10,000–$24,999 had 80.0 percent of their assets in IRAs only in 2004, whereas families with incomes of $100,000 or more had 43.1 percent of their assets in IRAs. The relative significance of this number decreased from its 2001 level for each income group at or above $25,000.

Age also appears to significantly influence the relative value of IRAs for a family with an individual account plan. The families in the 35–44 age group experienced an increase in the percentage of their assets coming from IRAs only, from 24.4 percent in 2001 to 30.4 percent in 2004, while for families in each of the older age groups the percentage of assets coming from IRAs decreased for the most part from 2001 to 2004.

The relationship between education level and the relative importance of IRAs changed noticeably from 2001 to 2004, with the percentage of IRA holdings among families headed by someone with less than a high school diploma decreasing from 59.2 percent in 2001 to 35.0 percent in 2004, while the families headed by someone with at least a college degree experienced a much smaller increase in the percentage of their assets attributable to IRAs—from 49.6 percent to 45.8 percent over the period. In the place of IRAs, the percentage of assets coming from defined contribution plans from a current employer increased across the age groups.

Families headed by a white, non-Hispanic had a larger percentage of their individual account plan assets in IRAs than their nonwhite counterparts (46.7 percent vs. 23.2 percent) in 2004. This is a slight decrease in the gap from 2001, when the percentages were 50.4 percent and 24.5 percent, respectively. This result is driven by the significant increase in the average defined contribution plan balances for both the white and nonwhite headed families, while the average IRA balance increase was much smaller, and for the white-headed families there was a decrease in the IRA/Keogh average balance.

Figure 9a

Mean Balances for All Families With an Individual Account Plan, by Various Demographic Categories, 2001

	Of Those Participating in Specific Plan				Of Those Participating in Any DC Plan or IRA					Composition of Personal Account Plans			
	Any IRA/ Keogh	Having only an IRA	Defined contribution, previous employer	Defined contribution. current employer	With any type of account balance	Defined contribution, current employer	Defined contribution, previous employer	Any IRA/ Keogh	Having only an IRA	Defined contribution, current employer	Defined contribution, previous employer	IRA/ Keogh	IRA only
Total	$103,733	$98,772	$86,676	$71,285	$111,043	$44,792	$4,740	$61,512	$53,919	40.3%	4.3%	55.4%	48.6%
Family Income													
Less than $10,000	51,122	27,708	a	2,506	34,834	703	98	34,032	17,739	2.0	0.3	97.7	50.9
$10,000–$24,999	35,351	37,045	a	10,153	24,622	4,598	589	19,435	19,382	18.7	2.4	78.9	78.7
$25,000–$49,999	51,708	48,020	40,061	20,446	41,353	11,995	2,093	27,265	23,344	29.0	5.1	65.9	56.5
$50,000–$99,999	71,745	69,229	52,532	49,036	75,479	34,236	2,564	38,678	34,718	45.4	3.4	51.2	46.0
$100,000 or more	191,194	185,139	182,939	166,126	260,741	106,621	11,989	142,131	123,909	40.9	4.6	54.5	47.5
Age of Family Head													
<35	16,052	16,497	9,993	17,116	20,290	13,556	293	6,441	6,076	66.8	1.4	31.7	29.9
35–44	45,654	38,513	52,183	56,473	69,315	44,507	3,239	21,568	16,888	64.2	4.7	31.1	24.4
45–54	107,455	100,777	72,783	100,483	138,985	69,100	5,139	64,745	54,840	49.7	3.7	46.6	39.5
55–64	170,707	166,936	187,185	139,096	210,994	75,311	16,308	119,376	107,962	35.7	7.7	56.6	51.2
65–74	167,861	159,861	a	156,198	177,285	18,477	1,436	157,372	140,716	10.4	0.8	88.8	79.4
75+	128,574	126,760	a	199,565	132,957	4,676	0	128,281	116,214	3.5	0.0	96.5	87.4
Education of Family Head													
Below HS diploma	39,565	40,441	a	18,492	33,693	9,096	4,636	19,962	19,935	27.0	13.8	59.2	59.2
HS diploma	58,333	56,999	26,530	36,680	52,869	23,670	1,367	27,833	24,975	44.8	2.6	52.6	47.2
Some college	65,671	61,741	71,076	52,217	71,265	32,777	4,226	34,263	30,095	46.0	5.9	48.1	42.2
College degree	137,805	131,306	131,368	103,513	167,790	65,263	6,879	95,649	83,223	38.9	4.1	57.0	49.6
Race													
White non-Hispanic	112,051	106,456	96,688	80,052	124,364	47,888	5,355	71,121	62,641	38.5	4.3	57.2	50.4
Nonwhite	37,198	33,200	33,726	38,186	45,199	29,231	1,706	14,261	11,060	64.7	3.8	31.6	24.5
Working Status of Family Head													
For someone else	66,855	66,507	53,209	64,097	85,326	50,175	2,733	32,418	29,938	58.8	3.2	38.0	35.1
Self-employed	177,705	158,493	143,078	163,153	215,025	59,703	6,232	149,090	111,544	27.8	2.9	69.3	51.9
Retired	148,679	146,586	204,957	47,129	154,363	4,511	13,561	136,292	129,336	2.9	8.8	88.3	83.8
Other nonwork	78,102	78,109	a	a	84,884	12,809	10,499	61,576	61,568	15.1	12.4	72.5	72.5
Housing Status													
Own	113,256	107,961	101,256	84,637	129,274	51,623	5,616	72,035	63,380	39.9	4.3	55.7	49.0
Rent	40,222	36,240	19,228	21,959	32,949	15,529	988	16,432	13,393	47.1	3.0	49.9	40.6
Net Worth Percentile													
Bottom 25%	4,087	4,023	a	5,193	5,274	4,116	168	989	867	78.0	3.2	18.8	16.4
25–49.9%	11,939	12,190	12,680	14,806	15,963	11,009	597	4,357	4,243	69.0	3.7	27.3	26.6
50–74.9%	28,741	28,679	33,226	41,604	46,112	27,913	2,319	15,880	14,597	60.5	5.0	34.4	31.7
75–89.9%	78,489	76,766	127,670	97,856	119,405	52,647	6,060	60,698	55,346	44.1	5.1	50.8	46.4
Top 10%	275,352	264,325	248,164	309,900	402,357	132,352	15,402	254,603	218,544	32.9	3.8	63.3	54.3

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

[a] Sample size not sufficient for a reliable estimate.

Note: All income and asset values are in 2004 dollars.

Figure 9b

Mean Balances for All Families With an Individual Account Plan, by Various Demographic Categories, 2004

	Of Those Participating in Specific Plan				Of Those Participating in Any DC Plan or IRA					Composition of Personal Account Plans			
	Any IRA/ Keogh	Having only an IRA	Defined contribution, previous employer	Defined contribution, current employer	With any type of account balance	Defined contribution, current employer	Defined contribution, previous employer	Any IRA/ Keogh	Having only an IRA	Defined contribution, current employer	Defined contribution, previous employer	IRA/ Keogh	IRA only
Total	$103,893	$100,985	$112,797	$89,759	$127,658	$58,000	$10,654	$59,004	$56,799	45.4%	8.3%	46.2%	44.5%
Family Income													
Less than $10,000	47,627	48,022	a	a	51,897	8,111	14,969	28,817	28,728	15.6	28.8	55.5	55.4
$10,000–$24,999	55,467	55,904	30,777	8,637	36,136	3,757	3,405	28,974	28,906	10.4	9.4	80.2	80.0
$25,000–$49,999	47,813	47,777	51,875	22,222	40,915	13,518	3,971	23,426	23,058	33.0	9.7	57.3	56.4
$50,000–$99,999	69,008	69,256	88,759	61,110	87,690	42,484	8,225	36,980	35,839	48.4	9.4	42.2	40.9
$100,000 or more	190,795	185,327	230,206	197,188	294,068	139,185	22,099	132,785	126,672	47.3	7.5	45.2	43.1
Age of Family Head													
<35	17,641	17,733	20,845	23,168	27,101	18,228	2,031	6,843	6,668	67.3	7.5	25.2	24.6
35–44	52,506	49,191	54,937	56,066	70,975	44,125	4,267	22,583	21,569	62.2	6.0	31.8	30.4
45–54	91,050	87,914	115,474	119,373	148,898	88,627	9,068	51,203	49,248	59.5	6.1	34.4	33.1
55–64	142,544	135,731	236,009	175,845	230,039	108,904	23,480	97,656	92,635	47.3	10.2	42.5	40.3
65–74	204,712	203,354	125,940	102,802	207,503	19,145	20,162	168,196	165,784	9.2	9.7	81.1	79.9
75+	110,981	107,639	126,394	72,068	118,857	5,432	12,737	100,687	96,043	4.6	10.7	84.7	80.8
Education of Family Head													
Below HS diploma	28,713	28,469	23,737	28,653	30,680	17,474	2,422	10,784	10,732	57.0	7.9	35.1	35.0
HS diploma	53,438	53,491	45,871	50,419	60,893	31,080	3,807	26,006	25,702	51.0	6.3	42.7	42.2
Some college	69,619	69,392	122,747	57,979	80,998	39,430	9,390	32,178	31,859	48.7	11.6	39.7	39.3
College degree	136,066	132,346	146,520	126,780	189,219	82,871	15,564	90,784	86,687	43.8	8.2	48.0	45.8
Race													
White non-Hispanic	110,917	108,027	119,481	100,055	142,419	62,005	11,754	68,660	66,462	43.5	8.3	48.2	46.7
Nonwhite	48,939	43,716	75,728	53,218	63,278	40,531	5,859	16,888	14,650	64.1	9.3	26.7	23.2
Working Status of Family Head													
For someone else	74,782	73,301	93,512	82,800	108,901	67,149	6,832	34,921	34,056	61.7	6.3	32.1	31.3
Self-employed	148,144	136,929	169,846	165,356	203,702	70,599	17,799	115,304	104,289	34.7	8.7	56.6	51.2
Retired	145,467	145,016	133,489	76,836	150,799	10,016	19,530	121,254	120,202	6.6	13.0	80.4	79.7
Other nonwork	73,962	70,288	77,088	88,031	106,963	33,021	26,697	47,245	46,642	30.9	25.0	44.2	43.6
Housing Status													
Own	110,747	107,719	124,329	103,874	145,393	65,848	11,995	67,550	64,991	45.3	8.3	46.5	44.7
Rent	43,954	42,023	45,622	25,580	37,539	18,122	3,840	15,577	15,171	48.3	10.2	41.5	40.4
Net Worth Percentile													
Bottom 25%	3,832	3,672	5,569	7,975	7,685	6,690	269	726	615	87.0	3.5	9.5	8.0
25–49.9%	10,908	10,729	15,511	17,875	18,723	14,065	1,181	3,477	3,328	75.1	6.3	18.6	17.8
50–74.9%	28,844	28,525	40,396	55,793	55,620	35,525	3,570	16,526	16,179	63.9	6.4	29.7	29.1
75–89.9%	83,444	80,832	89,961	126,820	141,737	72,212	9,890	59,635	57,803	50.9	7.0	42.1	40.8
Top 10%	279,202	274,002	329,867	338,624	452,071	165,488	43,246	243,338	233,225	36.6	9.6	53.8	51.6

Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances

[a] Sample size not sufficient for a reliable estimate.

Note: All income and asset values are in 2004 dollars.

Finally, the relatively greater importance to families with lower net worth of defined contribution plan assets from a current employer appears to have decreased since 2001. Families in the lowest 25 percent of net worth saw the percentage of their assets attributable to defined contribution plans from a current employer increase from 78.0 percent in 2001 to 87.0 percent in 2004. Similar increases occurred across all of the net worth categories, but at a lower level. These changes were fueled by the relatively modest to declining average IRA balances, while the average defined contribution plan balances increased significantly.

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

An important issue for policymakers and others is determining how much money will be coming from the various types of IRAs—Roth, rollover, and regular IRAs.[19] Measuring the amount of IRAs attributable to rollovers is particularly important in determining the full impact of wealth generated within the entire employment-based retirement plan system, since rollover IRAs are primarily financed by assets generated in other types of retirement plans. The 2004 SCF improved the ability to determine the source of IRA dollars; while it does not allow for direct comparisons to prior survey years, it does provide the first dataset of the distribution of IRA-type assets held by families.

The analysis starts by examining families that own an IRA, but not a Keogh plan,[20] to determine what type of plans or combination of plans they own:[21]

- The most commonly owned IRA was the regular IRA, with 44.6 percent of the family heads who owned an IRA owning only that type (Figure 10).
- The next-largest singly owned IRA type was the rollover, at 18.0 percent.
- The third-largest type was the Roth IRA, at 15.9 percent.
- Rollover and regular IRAs accounted for 9.7 percent of IRA-type assets held by families; Roth and regular IRAs owned together accounted for 8.3 percent; Roth and rollover IRAs, 2.0 percent; and Roth, rollover, and regular IRAs, 1.6 percent.

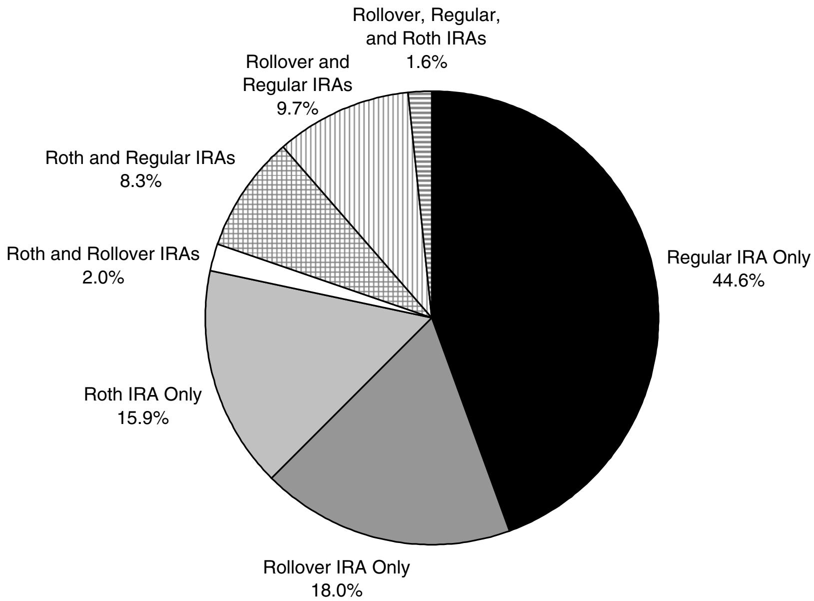
When the breakdown of IRA types is done by the *amount of assets* held in each type, the relative percentages differ significantly from the *ownership* percentages. The regular IRA-only type still has the largest percentage, but on an asset basis it is lower, at 33.4 percent (Figure 11). The rollover IRAs-only percentage increases to 24.2 percent and the rollover and regular IRAs grows tremendously, relative to ownership, to 26.6 percent on an asset basis.[22] The Roth IRAs- only have the analogous decline in asset basis, making up only 4.0 percent of assets, compared with the 15.9 percent of ownership.[23]

Further investigation of families' ownership of IRA/Keoghs indicates that 95.7 percent of those owning these types of plans own only an IRA (Figure 12a). This percentage is very close across all the demographic groups examined, with no group having a percentage lower than 88 percent. Furthermore, 78.6 percent of families that have an IRA own only one type of IRA. Again, this is consistent over the various demographic groups, with almost no group having a percentage below 70 percent.

The most commonly owned IRA is the regular IRA at 63.9 percent, followed by the rollover (31.3 percent) and the Roth (27.8 percent). Regular IRAs for the most part have the highest ownership percentage of IRA types across all demographic groups. However, Roth IRAs emerge as the most prevalent for those families with heads younger than age 35 or with the lowest net worth. These patterns hold true for the ownership of these IRA types singularly.

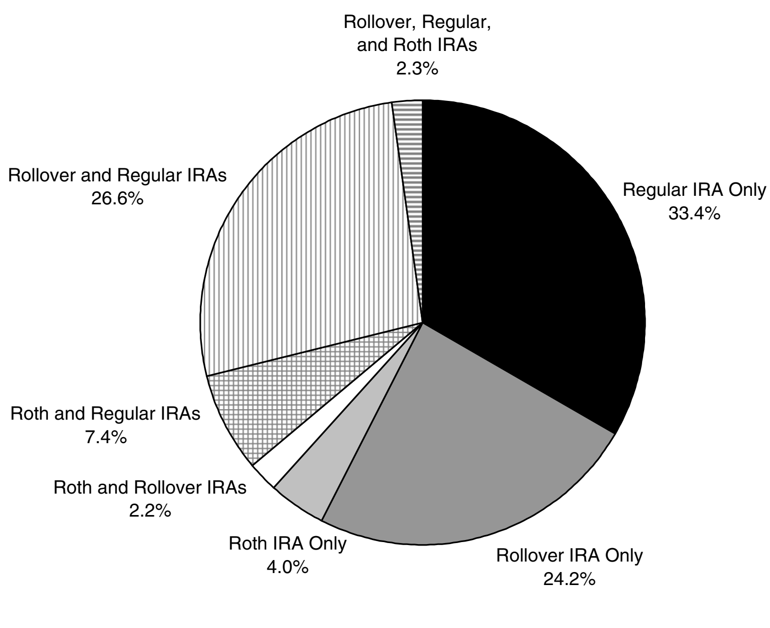
The average IRA/Keogh balance for family heads who own either an IRA or a Keogh plan was $103,893 in 2004, while for those who own only an IRA the average balance was $100,985 (Figure 12b). For those owning only an IRA and only one type of IRA, the average balance was $79,048, compared with $181,727 for those who own a combination of IRAs. Those who had a rollover IRA with another IRA or only a rollover had the highest average balances at $180,374 and $138,368, respectively. The any-rollover ownership had the highest average balance across all the demographic groups, except for families with lowest net worth, where the average regular IRA balance was the highest. The average balances follow the expected patterns across the demographic groups—increasing with age (peaking at age 74), education, and net worth and higher for family heads who own their home and who are white and non-Hispanic. Family income declined in terms of the average IRA balance for families in the middle family income group, but the highest two income groups' average balances were higher than the lower income groups' balances combined.

Figure 10
Percentage of Families' IRA Ownership, by IRA Type or Combination of IRA Types, 2004



Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances.

Figure 11
Percentage of IRA Assets Owned by Families, by IRA Type or Combination of IRA Types, 2004



Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances.

Figure 12a

Percentage of Families With an IRA/Keogh and Percentage With Certain Types of IRAs, by Various Demographic Categories, 2004

	Of Those With IRA/Keogh				Of Those With IRAs Only–No Keogh								
	IRA/ Keogh	IRA– no Keogh	Keogh– no IRA	Both IRA and Keogh	Only one type of IRA	Combination of IRAs	Regular IRA	Rollover IRA	Roth IRA	Regular IRA only	Rollover IRA only	Roth IRA only	Any IRA except rollover
Total	29.1%	95.7%	1.4%	2.8%	78.6%	21.4%	63.9%	31.3%	27.8%	44.5%	18.1%	16.0%	68.7%
Family Income													
Less than $10,000	5.1	98.9	1.1	0.0	99.5	0.5	52.5	36.7	11.3	52.0	36.7	10.8	63.3
$10,000–$24,999	10.3	98.9	1.0	0.1	89.2	10.8	59.8	34.9	16.3	49.2	28.3	11.8	65.1
$25,000–$49,999	23.2	97.5	0.3	1.9	86.9	13.1	68.4	22.5	23.0	56.7	15.2	15.1	77.5
$50,000–$99,999	38.5	96.2	2.7	1.0	78.5	21.6	59.5	28.7	34.0	39.8	18.2	20.5	71.3
$100,000 or more	60.0	93.1	0.9	6.0	69.7	30.3	67.1	39.0	27.9	39.7	16.9	13.1	61.0
Age of Family Head													
<35	16.0	96.8	2.5	0.1	89.0	11.0	41.5	22.0	47.5	32.8	16.3	39.8	78.0
35–44	25.2	93.9	1.7	4.3	77.9	22.1	45.7	37.0	41.2	27.1	23.5	27.3	63.0
45–54	33.6	94.2	1.8	4.1	74.6	25.4	68.0	30.4	29.7	43.9	15.5	15.2	69.6
55–64	43.9	96.6	1.4	2.0	72.2	27.8	72.2	32.9	24.3	46.9	17.5	7.8	67.1
65–74	36.4	97.9	0.4	1.7	79.4	20.6	73.0	37.5	12.2	53.6	21.4	4.5	62.5
75+	26.5	96.4	0.1	3.5	90.7	9.3	82.5	22.3	4.5	73.2	14.4	3.1	77.7
Education of Family Head													
Below HS diploma	6.4	99.6	0.2	0.3	99.7	0.3	63.7	18.2	18.4	63.4	81.8	18.2	81.8
HS diploma	22.0	97.8	0.6	1.6	80.8	19.2	61.8	34.0	25.2	45.1	21.0	14.7	66.0
Some college	22.9	97.2	0.5	2.1	81.5	18.5	59.9	30.5	28.8	42.3	20.6	18.6	69.5
College degree	47.0	94.3	2.0	3.6	75.8	24.2	65.7	31.1	29.2	43.7	16.4	15.8	68.9
Race													
White non-Hispanic	35.7	96.1	1.1	2.8	78.0	22.0	63.7	31.9	27.9	43.9	18.0	16.1	68.1
Nonwhite	11.9	92.5	3.7	2.9	83.6	16.4	65.4	26.0	27.0	49.3	19.1	15.3	74.0
Housing Status													
Own	37.8	95.7	1.2	3.0	77.8	22.2	64.6	32.3	26.9	44.3	18.6	14.9	67.7
Rent	9.6	95.6	3.2	1.2	85.7	14.3	57.8	22.0	35.9	46.2	13.9	25.6	78.0
Net Worth Percentile													
Bottom 25%	3.0	88.4	11.6	0.0	93.4	6.6	40.2	14.6	55.2	33.6	11.2	48.6	85.4
25–49.9%	14.5	95.7	1.5	1.9	91.2	8.8	48.5	26.5	33.8	42.7	20.9	27.6	73.5
50–74.9%	36.2	96.6	1.4	2.0	84.3	15.7	62.2	26.1	28.0	48.0	19.0	17.2	73.9
75–89.9%	56.2	96.6	1.1	2.2	73.6	26.4	63.8	33.5	31.3	39.7	17.9	16.0	66.5
Top 10%	72.1	94.2	0.7	5.1	69.6	30.4	76.3	39.2	17.7	47.6	16.6	5.4	60.8

Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances

Figure 12b

Average Balance of Families' IRA/Keoghs and Certain Types of IRAs and Ratio of Rollover IRA Balances to Nonrollover Balances, by Various Demographic Categories, 2004

	Of Those With IRA/Keogh				Of Those With IRAs Only–No Keogh										
	IRA/ Keogh	IRA- no Keogh	Keogh- no IRA	Both IRA and Keogh	Only One Type of IRA	Combination of IRAs	Regular IRA	Rollover IRA	Roth IRA	Regular IRA only	Rollover IRA only	Roth IRA only	Any IRA except rollover	Ratio of rollover to no rollover	Ratio of rollover only to no rollover
Total	$103,893	$100,985	$79,076	$220,743	$79,048	$181,727	$108,784	$180,374	$58,373	$73,993	$138,368	$25,920	$64,882	2.78	2.13
Family Income															
Less than $10,000	47,627	48,022	a	a	47,964	a	22,364	96,849	9,160	22,011	96,849	6,872	19,712	4.91	4.91
$10,000–$24,999	55,467	55,904	a	11,200	52,765	81,858	35,808	110,852	30,139	25,631	118,914	7,377	26,426	4.19	4.50
$25,000–$49,999	47,813	47,777	2,813	64,690	39,237	104,497	46,499	100,296	34,493	36,421	75,596	13,195	32,556	3.08	2.32
$50,000–$99,999	69,008	69,256	70,450	46,576	54,250	123,867	76,964	128,165	40,333	51,313	95,853	22,999	45,569	2.81	2.10
$100,000 or more	190,795	185,327	139,466	283,489	152,712	257,993	201,730	272,311	100,760	152,917	239,178	45,652	129,660	2.10	1.84
Age of Family Head															
<35	17,641	17,733	17,831	a	14,641	42,674	20,441	40,087	10,798	15,032	30,027	8,004	11,418	3.51	2.63
35–44	52,506	49,161	48,643	129,148	45,284	62,986	61,223	63,827	30,973	57,951	59,284	20,679	40,598	1.57	1.46
45–54	91,050	87,914	31,987	190,108	72,747	132,436	89,779	150,842	62,182	65,038	134,786	31,794	60,387	2.50	2.23
55–64	142,544	135,731	178,143	444,884	108,845	205,610	140,769	212,893	95,315	104,258	150,948	42,160	97,931	2.17	1.54
65–74	204,712	203,354	374,129	243,968	156,433	384,158	176,016	357,917	206,391	99,306	309,933	108,130	110,627	3.24	2.80
75+	110,981	107,639	122,930	203283.5	74,174	435,102	101,848	275,624	56,484	59,645	149,545	67,986	59,462	4.64	2.51
Education of Family Head															
Below HS diploma	28,713	28,469	3,771	a	28,143	a	28,838	39,360	18,217	28,326	39,360	16,259	26,047	1.51	1.51
HS diploma	53,438	53,491	4,686	68,981	39,715	111,596	53,935	87,762	55,855	31,636	69,077	22,609	35,867	2.45	1.93
Some college	69,619	69,392	38,459	95,163	60,022	110,551	76,971	110,995	38,524	62,118	88,169	24,085	51,168	2.17	1.72
College degree	136,066	132,346	90,712	265,654	105,021	218,096	141,419	243,224	65,620	98,431	196,547	28,346	82,281	2.96	2.39
Race															
White non-Hispanic	110,917	108,027	66,566	229,638	84,551	191,385	116,997	190,541	61,403	79,595	147,237	27,919	69,359	2.75	2.12
Nonwhite	48,939	43,716	109,112	154,825	37,265	76,565	43,695	78,855	32,838	33,418	70,082	8,764	31,375	2.51	2.23
Housing Status															
Own	110,747	107,719	97,584	218,659	85,365	186,191	115,652	184,794	63,200	80,466	143,455	18,278	70,920	2.61	2.02
Rent	43,954	42,023	17,363	a	28,806	121,167	41,529	123,579	26,711	19,746	78,483	27,415	18,990	6.51	4.13
Net Worth Percentile															
Bottom 25%	3,832	3,672	5,052	0	2,915	14,358	6,078	5,889	3,818	4,448	627	2,382	3,293	1.79	0.19
25–49.9%	10,908	10,729	24,010	14,602	10,195	16,271	10,846	14,605	8,967	10,808	12,554	7,464	9,333	1.56	1.35
50–74.9%	28,844	28,525	21,915	48,860	26,148	41,256	28,184	41,063	24,533	25,158	39,653	13,976	24,098	1.70	1.65
75–89.9%	83,444	80,832	135,854	169,545	71,797	105,972	71,310	135,658	65,215	51,370	144,360	41,394	53,161	2.55	2.72
Top 10%	279,202	274,002	302,385	372,591	226,698	382,345	267,953	408,989	177,275	193,650	366,883	88,489	186,848	2.19	1.96

Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances.

[a] Sample size not sufficient for a reliable estimate.

To demonstrate the impact of the rollover on the average IRA balance of a family, the last two columns of Figure 12b show the ratio of the any-rollover average balance to the no-rollover average balance, and ratio of the rollover-only average balance to the no-rollover average balance. The impact is substantial, as the rollover average balance is 2.78 times as large as the no-rollover average balance, while if just the rollover-only accounts are included—eliminating the combination of a rollover with another IRA type—the ratio for the rollover-only average balance is 2.13 times as large as the no-rollover average balance. However, this impact varies significantly over the demographic groups. For example, the ratio of the rollover-only to no-rollover balance for those families with a family income of $100, 000 or more was 1.84, whereas this ratio was 4.50 for those family heads with $10,000–$24,999 in family income. Furthermore, the ratio is 2.72 for family heads in families in the 75–89.9 percentile of net worth, while the ratio is 1.35 for those in the 25–49.9 percentile of net worth. Lastly, the families with the least-educated family heads had a ratio of 1.51, while families with heads having at least a college degree had a ratio of 2.39.

The previous sections broke down IRA ownership and assets based upon the family. However, this does not provide the breakdown of the total assets in each of the IRA types, due to the grouping of IRA types within the families. Figures 13a and 13b show the share of total IRA and Keogh assets and IRA assets by type, respectively. Regular IRAs account for 44.7 percent of all IRA and Keogh assets, with rollover assets following very closely behind at 44.3 percent, while Roth IRAs account for 7.4 percent and Keoghs 3.7 percent (Figure 13a). Among total IRA assets, regular IRAs account for 46.4 percent of assets, rollover IRAs 46.0 percent, and Roth IRAs 7.6 percent (Figure 12b). Therefore, rollover IRAs account for virtually the same level of assets as regular IRAs, which together account for over 90 percent of the IRA assets.[24]

Conclusion

While this *Issue Brief* has focused on individual account retirement plans, families could have coverage under "traditional" defined benefit pension plans and are most likely to have coverage under the Social Security program. Although some information on workers' ownership of defined benefit plans is presented in this study, the value of this retirement income is difficult to determine because it depends on assumptions about unknown future events—work decisions, earnings, inflation rates, plan changes, etc. Because of the lack of widely agreed-upon standards for these assumptions, this *Issue Brief* does not include a measure of the present value of such income in this analysis.[25] However, the incidence of defined benefit plans by families appeared to have held relatively steady after a significant decline from 1992 to 2001 (although it cannot be precisely determined due to the question changes within SCF).

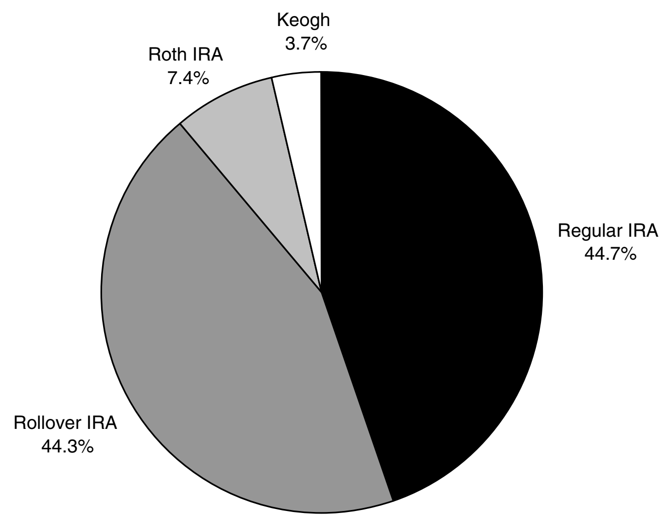
As was suggested in the introduction to this report, many of these defined benefit plans offer a lump-sum (one-time) distribution, and many participants with a choice choose that distribution over an annuity (a guaranteed regular payment for the life of the beneficiary). As a result, even defined benefit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

This analysis of the 1992, 2001, and 2004 versions of the SCF found that the percentage of all families with a participant in an employment-based retirement plan from a current employer increased from 38.8 percent in 1992 to 41.6 percent in 2001 before decreasing to 40.3 percent in 2004. Furthermore, the ownership of 401(k)-type plans among families participating in a retirement plan was shown to have increased again in 2004 to 73.5 percent, even after more than doubling, from 31.6 percent in 1992 to 66.5 percent in 2001. Despite the 2001–2004 decrease in overall participation by families, the percentage of family heads who were *eligible* for defined contribution plans *and chose to participate* increased from 74.8 percent in 2001 to 75.7 percent in 2001, but was still below the peak value of 77.3 percent in 1998.

The percentage of families owning an IRA or Keogh plan decreased from 31.4 percent in 2001 to 29.1 percent in 2004. In addition, the percentage of families with a retirement plan from a current employer, a previous employer's defined contribution plan, or an IRA/Keogh decreased from 58.6 percent in 2001 to 56.9 percent in 2004.

Figure 13a

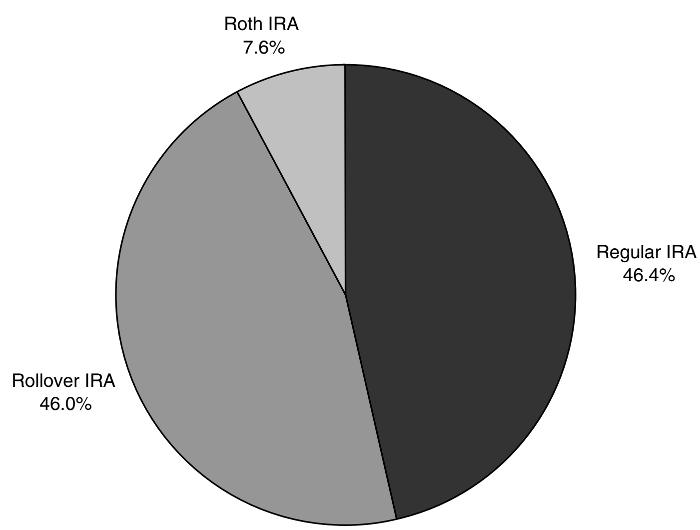
Percentage of Total IRA and Keogh Assets, by Keogh and IRA Type, 2004



Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances.

Figure 13b

Percentage of Total IRA Assets, by IRA Type, 2004



Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances.

While overall participation declined in employment-based plans and IRAs, the median account balance of those participating in these plans increased in 2004. The 1992 median defined contribution plan balance was $10,544, which increased to $19,172 in 2001 and reached $25,000 in 2004. A noteworthy finding from the prior SCFs that persisted in 2004 was that 401(k)-type plan participants who also participate in a defined benefit plan had a higher median balance than 401(k)-type plan participants without a defined benefit plan. The median IRA/Keogh balance also increased to $30,000 in 2004 from $28,758 in 2001.

The median percentage of families' total financial assets comprised by defined contribution plan assets and/or IRA/Keogh assets increased sharply in 2004, and account for a clear majority of these assets:

- Defined contribution plan balances accounted for 45.6 percent of families' total financial assets in 2001, and that share grew to 56.4 percent in 2004.
- Defined contribution and/or IRA/Keogh balances increased their share even more, from 49.9 percent of total family financial assets in 2001 to 62.5 percent in 2004. Across all demographic groups, these assets account for a very large share of financial assets for those who own these accounts.

The average balance for those families owning a defined contribution plan through a current employer increased markedly over the period, but the average balance for families owning an IRA/Keogh account remained virtually unchanged. The average current-employer defined contribution balance increased from $71,285 in 2001 to $89,759 in 2004. In contrast, the average IRA/Keogh was $103,733 in 2001 compared with $103,893 in 2004. As a result, the composition of all retirement plan assets shifted to defined contribution plans, as the percentage of family financial assets attributable to current-employer defined contribution plans increased from 40.3 percent in 2001 to 45.4 percent in 2004 and from 4.3 percent to 8.3 percent for those through a previous employer.

Lastly, a breakdown of IRA ownership by families was examined to determine the relative importance of rollover IRAs. While regular IRAs account for the largest percentage of IRA ownership, rollover IRAs had a virtually identical share of assets as regular IRAs in 2004. Rollover IRAs had by far the largest average balances and, when compared with non-rollover IRAs, the ratio of rollover assets to nonrollover assets ranged from 2.13 to 2.78, depending on whether the rollover combination owners are included.

The increase in IRA wealth is expected to continue in the future as more workers will be in defined contribution plans and will be in them for a longer period of their working lives (since defined contribution plans did not dominant until the 1990s). As VanDerhei and Copeland (2001) show, IRAs will likely be the main source of retirement income for future generations.

While this *Issue Brief* cannot determine whether the balances accumulated are sufficient to fund a comfortable retirement, other studies completed by EBRI have attempted to answer this question. In particular, Holden and VanDerhei (2005b) show that 401(k) plans can provide high replacement rates of preretirement income if workers have access to them and contribute to them during a large portion of their working lives.[26] Furthermore, VanDerhei and Copeland (2003) simulate retirement income and compare it to simulated expenditures in retirement for the American population. From these simulations, the annual additional level of compensation needed to be saved to cover projected expenses was found to be 25 percent or more for many groups, with single women being found to be particularly vulnerable.

While the results of this study do not answer questions about what is needed for retirement, they show the continued growing importance of individual account plans. Consequently, any policy that alters this system could have consequences either positive or negative for Americans' ability to fund a comfortable retirement. A notable finding is how much the presence of these accounts contributes to a family's success in accumulating wealth. In Figure 14, a comparison of the mean and median net worth across family income and family head age shows that families with an individual retirement account plan (defined contribution plan from current or previous employer or an IRA/Keogh plan) have substantially larger amounts of wealth across each group. In particular, the employment-based system is generating much of this wealth from individual account retirement plans, since it includes, obviously, all of the defined contribution assets as well as approximately 40 percent of the IRA wealth. Furthermore, a significantly higher percentage of families in the middle income levels participate in the employment-based retirement plan system than participate in the IRA system (Figures 2 and 5).

Besides the significant contribution of individual retirement account plans, housing equity is a major contributor to net worth. This is particularly true for middle-income families and families with the oldest

Figure 14
Median and Mean Net Worth and Home Equity Percentage of Net Worth for Families With and Without an Individual Account Retirement Plan, by Family Income and Family Head Age, 2004

	With Any Type of Individual Account Plan Retirement Plan Balance			Without Any Type of Individual Account Plan Retirement Plan Balance		
	Mean	Median	Median home equity percentage of net worth	Mean	Median	Median home equity percentage of net worth
Total	$702,225	$217,400	31.6%	$184,875	$24,850	8.8%
Family Income						
less than $10,000	486,375	156,910	7.8	45,604	2,620	0.0
$10,000–$24,999	205,405	100,880	37.0	65,349	10,700	0.0
$25,000–$49,999	229,879	95,800	35.0	106,424	31,820	25.4
$50,000–$99,999	367,643	185,300	32.9	319,345	117,200	42.0
$100,000 or more	1,758,385	590,260	28.1	1,617,785	289,900	27.4
Age of Head						
<35	127,640	47,460	18.4	35,730	4,250	0.0
35–44	419,628	152,600	33.3	130,040	12,300	0.0
45–54	789,304	286,200	31.4	180,561	40,000	36.3
55–64	1,152,011	466,600	31.9	303,640	50,800	30.2
65–74	1,250,981	511,335	34.7	250,146	65,480	51.7
75+	912,747	344,550	47.4	371,666	125,500	59.8

Source: Employee Benefit Research Institute estimates of the 2004 Survey of Consumer Finances.

family heads. Among families that own an individual account retirement plan and have family income of $25,000–$49,999, the median percentage of net worth attributable to home equity is 35.0 percent. Among account-owning families with heads 75 years old or older, the median percentage of net worth attributable to home equity is 47.4 percent.

What level of financial security the employment-based system ultimately delivers to retirees depends on the combination of many factors: Plan type; participation; who makes the contribution; the amount of the contribution; frequency of the contribution; how the contributions are invested; what form of distribution is ultimately taken, and if a lump-sum distribution is taken, how it is invested and how fast it is spent; and other factors. The current Social Security benefit, which is delivered as an inflation-indexed annuity, provides the most consistent and predictable contribution to financial security, followed by a defined benefit plan that is paid out in annuity form. A defined benefit or defined contribution plan tied to employment produces higher rates of participation than pure individual choice plans (such as an IRA), and thus greater contributions to financial security, on average, even if the benefit payment form is a lump-sum distribution.

As stated previously, this study provides estimates of the current levels in retirement accounts and does not answer the questions about ultimate financial security. Consequently, it is only a first step in determining how families and individuals will do financially in retirement. EBRI is continuing its work to advance this first step by performing simulations on a national basis using data results (such as those in this report) as components of more elaborate studies (i.e., VanDerhei and Copeland, 2003; VanDerhei and Copeland, 2004). These studies project both the level of income that would be generated from retirement plan sources and expenditures by families and individuals. From these studies, its clear many American families are going to need to drastically increase their savings, work longer, or significantly decrease their expenditures in retirement if they hope to make ends meet. Obviously, from the results of this study, Americans as whole did not increase their savings significantly from 2001 to 2004, as the percentage of families that participated in a retirement plan declined. However, this study offers some optimism in that the families that did participate in a defined contribution plan had a significant increase in their assets—although this is somewhat mitigated by the overall growth of debt elsewhere.

References

Bucks, Brian K., Arthur B. Kennickell, and Kevin B. Moore. "Recent Changes in U.S. Family Finances: Evidence From the 2001 and 2004 Survey of Consumer Finances." *Federal Reserve Bulletin*, vol. 92 (February 2006): A1–A38.

Copeland, Craig. "Retirement Plan Participation and Retirees' Perception of Their Standard of Living." *EBRI Issue Brief* no. 289 (Employee Benefit Research Institute, January 2006a).

_______. "IRA and Keogh Assets and Contributions, and Income of the Elderly Population, Age 65 and Over, 2004." *EBRI Notes*, no. 1 (Employee Benefit Research Institute, January 2006b): 2–9.

_______. "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2004." *EBRI Issue Brief* no. 286 (Employee Benefit Research Institute, October 2005a).

_______. "Retirement Plan Participation: Survey of Income and Program Participation (SIPP) Data." *EBRI Notes*, no. 9 (Employee Benefit Research Institute, September 2005b): 1–11.

_______. "IRA and Keogh Assets." *EBRI Notes*, no. 2 (Employee Benefit Research Institute, February 2004): 1–7.

_______. "Individual Account Retirement Plans: An Analysis of the 2001 Survey of Consumer Finances." *EBRI Issue Brief* no. 259 (Employee Benefit Research Institute, July 2003).

Copeland, Craig, and Jack VanDerhei. "Personal Account Retirement Plans: An Analysis of the Survey of Consumer Finances." *EBRI Issue Brief* no. 223 (Employee Benefit Research Institute, July 2000).

Holden, Sarah, and Jack VanDerhei. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2004." *EBRI Issue Brief* no. 285 (Employee Benefit Research Institute, September 2005a).

_______. "The Influence of Automatic Enrollment, Catch-Up, and IRA Contributions on 401(k) Accumulations at Retirement." *EBRI Issue Brief* no. 283 (Employee Benefit Research Institute, July 2005b).

_______. "Can 401(k) Accumulations Generate Significant Income for Future Retirees?" ICI *Perspective*. Vol. 8, no. 3; and *EBRI Issue Brief* no. 251 (Investment Company Institute and Employee Benefit Research Institute, November 2002).

Kennickell, Arthur B., and Annika E. Sundén. *Pensions, Social Security, and the Distribution of Wealth*. SCF Working Papers, Finance and Economics Discussion Series 55 (October 1997).

Munnell, Alicia H. and Annika Sundén. "401(k) Plans Are Still Coming Up Short." *An Issue in Brief* no. 43 (Center for Retirement Research at Boston College, March 2006).

Pension Benefit Guaranty Corporation. No. 9. *Pension Insurance Data Book 2004* (Spring 2005). www.pbgc.gov/docs/2004databook.pdf.

Sailer, Peter and Sarah Holden. "Use of Individual Retirement Arrangements to Save for Retirement—Results from a Matched File of Tax Returns and Information Documents for Tax Year 2001." Presented at the 2004 American Statistical Association Meetings, 2004.

U.S. Department of Labor. Bureau of Labor Statistics. *National Compensation Survey: Employee Benefits in Private Industry in the Untied States, 2003* (October 2005). www.bls.gov/ncs/ebs/sp/ebbl0021.pdf.

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

VanDerhei, Jack. "Defined Benefit Plan Freezes: Who's Affected, How Much, and Replacing Lost Accruals." *EBRI Issue Brief* no. 291 (Employee Benefit Research Institute, March 2006).

VanDerhei, Jack, and Craig Copeland. "ERISA at 30: The Decline of Private-Sector Defined Benefit Promises and Annuity Payments? What Will It Mean?" *EBRI Issue Brief* no. 269 (Employee Benefit Research Institute, May 2004).

_______. "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model." *EBRI Issue Brief* no. 263 (Employee Benefit Research Institute, November 2003).

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

Endnotes

[1] See VanDerhei (2006) for a listing of some major corporations that intend to freeze or have frozen their defined benefit plans. Furthermore, this study calculates the additional percentage of compensation needed to replace the benefits not accrued by the freezing of the defined benefit plan that participants under various worker demographic scenarios would have to save or receive.

[2] The basis of this survey is what the Federal Reserve Board refers to as a primary economic unit (PEU), which is a subset of households and closely resembles families in its definition, although it is not precisely families. However, families are the closest concise terminology for the PEU, so families are used in this study. For further information about this issue as well as about SCF in general, see Bucks, Kennickell, and Moore (2006).

[3] See Bucks, Kennickell, and Moore (2006) for a further discussion of the changes in overall net worth from 2001 to 2004.

[4] This study also supplements other studies from EBRI on participation in the employment-based retirement plans and account balances in such plans as well as participation in IRAs and asset levels in IRAs from other data sources. For example, see Copeland (2006a), Copeland (2006b), Copeland (2005a), Copeland (2005b), and Holden and VanDerhei (2005a).

[5] In 1997, 23 percent of full-time employees in medium and large establishments who were participants in a defined benefit plan had a lump-sum option (U.S. Department of Labor, 1999). In 2003, 48 percent of employees who were participants in a defined benefit plan had a lump–sum distribution option (U.S. Department of Labor, 2005). While the 2003 number contains all size establishments and the 1997 number is for medium and large establishments, the overwhelming majority of defined benefit plan participants are in medium and large establishments. Thus, the comparison shows increased availability of the lump-sum option, even when including the small establishment participants, as they could not alone affect the overall number in 2005 to such an extent.

[6] The 2004 Survey of Consumer Finances' questions on employment-based retirement plans were significantly revised from prior years' surveys. One of the goals of these revisions was to better identify the type of plan in which the workers were participating. This includes differentiating between defined benefit and defined contribution, but also within the plan types. Therefore, a cash balance answer was added, and as well as a 401(k) plan, thrift saving plan, and 403(b) plan designation, among others, instead of just a 401(k)-type plan grouping as before. However, by including these revisions in the survey, the trends across plan types cannot be assessed. In contrast, the overall participation in employment-based plans by families should be comparable, since the most general question on being included in a plan was not significantly changed. The numbers in this section are constructed to be as comparable to previous years as possible; some of the new detail is not presented due to comparison reasons, while other detail is not provided because of sample size issues—such as with cash balance plans, where only 60 unique families had this type of plan in the survey.

[7] Using March Current Population Survey (CPS) data, Copeland (2005a) found that the percentage of workers who participated in any type of employment-based retirement plan also decreased from 2001 to 2004. In 2001, 43.0 percent of all workers participated in some type of employment-based retirement plan. This percentage declined to 41.9 percent in 2004. However, these values are not comparable to the SCF results, since the CPS numbers are based on individual workers, while those in the SCF are based on families.

[8] All income and asset values are in 2004 dollars.

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

[10] The questions on participation in defined contribution plans were also refined to determine in which type of plan the worker was eligible to participate. The results in this figure are for defined contribution plans that are directly comparable to the prior years of the survey. Munnell and Sunden (2006) found a higher participation rate for those eligible for 401(k) plans: 79.1 percent in 2004.

[11] In the 2001 survey, Education IRAs (now referred to as Coverdell Education Savings Accounts) were included as a possible IRA type, but in the 2004 survey, this type of account was *not* included as a possible IRA type. The removal of these accounts can explain some of the decline, but not likely the entire decline. From the 2001 survey, less than 2 percent of family heads had an Education IRA, but many had other IRAs as well (Copeland 2003).

[12] For previous employers, this only includes those that have a plan that is *not* in active payment or withdrawal status unless an account balance exists. Bucks, Kennickell, and Moore (2006) report that 57.5 percent of families had a plan from a current or former employer regardless of payment status or plan type in 2004 (this number does not include IRA and Keogh ownership). The percentage of families with a plan from a current or former employer regardless of payment status or an IRA/Keogh plan was 65.4 percent in 2004.

[13] In Copeland (2006a), using SIPP data, 57.8 percent of all wage and salary workers age 16 or older were found to be either currently in an employment-based retirement plan or have at some point participated in one. For those ages 51–60, 72.8 percent were found to be in or to have participated in such a plan.

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

[15] In this *Issue Brief*, all values of the account balances for all years are expressed in 2004 dollars.

[16] By definition, these groups would produce a median value of zero. Given that account balance distributions tend to be skewed to the right (i.e., there are a small number of very large balances), the median value of account balances for defined contribution plans with the current employer in 2004 was $25,000 (Figure 6), whereas the mean value is $89,759 (Figure 8b).

[17] This was an insignificant increase from $103,733 in 2001 (Figure 8a), reported in 2004 dollars.

[18] Results from the EBRI/ICI 401(k) plan database showed an average 401(k) plan balance of $56,878 for year-end 2004 (Holden and VanDerhei, 2005a). There are many reasons for the difference between the results in this study and those of the EBRI/ICI database: 1) this study has the family total because the survey is based on families, not individual participants, as the total is in the EBRI/ICI study; 2) this study cites balances before loans, in contrast to net of loans, as in the EBRI/ICI study; and 3) this study includes more than just 401(k) plans, due to the structure of the identification variable of plans types in the prior survey years of SCF to allow for comparable numbers in 2004 to 2001.

[19] A Roth IRA is a tax-qualified account which is financed by after-tax contributions but qualified distributions are not taxed. A rollover IRA is a tax-qualified account that is established for the purpose of receiving a distribution from another tax-qualified retirement plan (such as an employment-based defined contribution plan). A regular IRA is a tax-qualified account, which can be financed either by deductible contributions or by after-tax contributions, and investment earnings on these contributions are not taxed until the funds are withdrawn (the deductible contributions are taxed at withdrawal but the after-tax contributions are not taxed at withdrawal). The primary difference between a Roth IRA and a regular IRA with after-tax (nondeductible) contributions is that the investment earnings are taxed on withdrawal from a regular IRA but not from a Roth IRA. The eligibility criteria for a Roth IRA are more stringent than for a nondeductible regular IRA.

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

[21] Only 2.8 percent of those owning either an IRA or Keogh owned both an IRA and a Keogh (Figure 11a).

[22] In Copeland (2004), a similar estimate was done from the 2001 SCF. In that study, regular only IRAs represented 34.5 percent of the total family IRA assets—an amount similar to that found in 2004. However, from 2001, rollover IRAs share was 33.9 percent, while regular and rollover IRAs made up only 16.4 percent. Therefore, it appears that many of those with only a rollover IRA in 2001 added a regular IRA to their asset holdings.

[23] Any rollover IRAs that may have been converted to a Roth IRA are only included as a Roth, but given the relatively small amount of assets that Roth IRAs comprise, the percentage point increase attributable to rollover IRAs would not likely reach 5 percentage points.

[24] See Copeland (2006b) for total IRA asset levels through 2004. See also Sailer and Holden (2004) for a breakout of IRA assets by types from the Internal Revenue Service. This study shows that in 2001 over 90 percent of the total IRA assets were in traditional IRAs, which include both regular and rollover IRAs. The Sailer and Holden study also includes the sources (contributions, rollovers, and withdrawals) of the change in total IRA assets during 2001.

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

[26] See Holden and VanDerhei (2002) for an earlier version of this work along with more information about the simulation mode used in these studies.

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

Join EBRI
Sign Up for Updates
Member Login

EBRI.ORG | Employee Benefit Research Institute

Search site search >

ABOUT EBRI | MEDIA | RESEARCH | EDUCATION | PROGRAMS | SURVEYS

PUBLICATIONS

- By Topic
- Data Book
- Facts from EBRI
- Fast Facts
- Fundamentals
- Issue Briefs
- Notes
- Policy Books
- Press Releases
- Special Reports
- Testimony
- How to Subscribe

RESOURCES

- Benefit Bibliography
- Benefit FAQ
- Links to Others
- Reference Shelf
- Special Issues of Periodicals
- What's New at EBRI
- What's New in Employee Benefits

Check Out EBRI's Web Site!

EBRI's Web site is easy to use and packed with useful information!

Look for these special features:

- EBRI's entire library of research publications starts at the main Web page. Click on *EBRI Issue Briefs* and *EBRI Notes* for our in-depth and nonpartisan periodicals.
- To get answers to many frequently asked questions about employee benefits, click on Benefit FAQs.
- EBRI's reliable health and retirement surveys are just a click away through the topic boxes at the top of the page.
- Instantly get e-mail notifications of the latest EBRI data, surveys, publications, and meetings and seminars by clicking on the Sign Up for Updates box at the top of our home page.

There's lots more!
Visit EBRI on-line today: www.ebri.org

EBRI Employee Benefit Research Institute

Employee Benefit Research Institute
2121 K Street, NW, Suite 600 Washington, DC 20037-1896
Phone: (202) 659-0670 / Fax: (202) 775-6312 / E-Mail: info@ebri.org
Copyright 1996 - 2005. Employee Benefit Research Institute. All rights reserved.
EBRI ® and Employee Benefit Research Institute ® are registered trademarks of the Employee Benefit Research Institute.

Created by Matrix Group International, Inc. ®

EBRI Issue Brief

EBRI Employee Benefit Research Institute Issue Brief (ISSN 0887−137X) is published monthly by the Employee Benefit Research Institute, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896, at $300 per year or is included as part of a membership subscription. Periodicals postage rate paid in Washington, DC, and additional mailing offices. POSTMASTER: Send address changes to: *EBRI Issue Brief,* 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Copyright 2006 by Employee Benefit Research Institute. All rights reserved, No. 293.

Who we are

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

What we do

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

Our publications

EBRI Issue Brief is a periodical providing expert evaluations of employee benefit issues and trends, as well as critical analyses of employee benefit policies and proposals. ***EBRI Notes*** is a periodical providing current information on a variety of employee benefit topics. **EBRI's *Pension Investment Report*** provides detailed financial information on the universe of defined benefit, defined contribution, and 401(k) plans. **EBRI *Fundamentals of Employee Benefit Programs*** offers a straightforward, basic explanation of employee benefit programs in the private and public sectors. ***EBRI Databook on Employee Benefits*** is a statistical reference volume on employee benefit programs and work force related issues.

Orders/ subscriptions

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/ASEC Chairman Dallas Salisbury at the above address, (202) 659-0670; e-mail: salisbury@ebri.org

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

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

Did you read this as a pass-along? Stay ahead of employee benefit issues with your own subscription to *EBRI Issue Brief* for only $89/year electronically e-mailed to you or $199/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

© 2006, Employee Benefit Research Institute–Education and Research Fund. All rights reserved.