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EXECUTIVE SUMMARY

Total Individual Account Retirement Plan Assets, by Demographics, 2007, With Market Adjustments to March 2010

IMPORTANCE OF INDIVIDUAL ACCOUNT RETIREMENT PLANS: Workers' participation in a retirement plan, either through an employment-based arrangement or individually, is a crucial factor in accumulating sufficient resources to pay for expenses in retirement. This article examines the distribution of total assets held in individual account retirement plans (401(k)-type plans, IRAs, and Keogh plans) across various demographic characteristics of American families, based on the latest data from the Federal Reserve's Survey of Consumer Finances.

EMPLOYMENT-BASED ACCOUNTS DOMINANT: Total individual account retirement assets amounted to \$8.979 trillion in 2007. Employment-based plan assets (\$4.823 trillion) exceeded individual retirement account/Keogh account assets (\$4.157 trillion) by \$0.666 trillion. Approximately 70 percent of the employment-based retirement plan assets were held by families headed by individuals ages 45–64. The largest concentration of IRA and Keogh assets is held by families with heads in the next oldest age group (ages 55–74), who own just over 60 percent of these assets.

CONCENTRATION OF RETIREMENT VS. OVERALL ASSETS: Retirement plan assets are less concentrated than overall financial assets in many categories. For example, families with white, non-Hispanic heads owned 85.1 percent of active employment-based individual account retirement plan assets, compared with 91.9 percent of all financial assets. Families in the top 10 percent of net worth held 50.0 percent of these active employment-based retirement assets, compared with 72.3 percent of all financial assets.

Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008

LIFETIME INCOME IN RETIREMENT: Whether or not a worker receives a retirement annuity and/or employment-based pension income in retirement is strongly affected by demographics: Married white males with higher education have a much greater chance of having lifetime income in retirement from an annuity or pension.

FUTURE TRENDS: Future retirees will likely be more reliant on assets they must manage themselves. Fewer workers are participating in a defined benefit (pension) plan, which used to almost always pay benefits in the form of an annuity upon retirement. Also, an increasing number of DB plans offer a lump-sum distribution at retirement, and more employees participate in a defined contribution (DC) plan, primarily a 401(k) plan. This trend has had a positive impact, in that many workers who previously had no retirement plan at all now at least have access to a tax-favored plan. However, DC plans are far less likely to offer an annuity option to retirees than are DB plans.

Total Individual Account Retirement Plan Assets, by Demographics, 2007, With Market Adjustments to March 2010

by Craig Copeland, Employee Benefit Research Institute

Introduction

Workers' participation in a retirement plan, either through an employment-based arrangement or individually, is a crucial factor in accumulating sufficient resources to pay for expenses in retirement. Participation in these plans has been well documented by the Employee Benefit Research Institute¹ and others. Those with lower earnings, with less education, who are nonwhite, or who are younger have lower likelihoods of participating in a retirement plan. Furthermore, workers in these same groups that do participate have lower average account balances in these plans than their demographic counterparts. However, the distribution of the total assets held by families across various demographic categories has not been the focus of as many studies.²

As a public policy matter, it is useful to identify the groups that hold these retirement plan assets as well as those that are not taking advantage of these plans, as new policies could be undertaken to enhance use among the lowest-using groups. Furthermore, recognizing who is holding these assets can inform interested parties on where the individual retirement account market is headed and what new policies, ideas, or products may be desirable to promote better outcomes from the retirement system.

This article examines the distribution of total assets held in individual account retirement plans (401(k)-type plans, IRAs, and Keogh plans) across various demographic characteristics of American families. The distribution of the retirement plan assets is then compared against the distribution of all assets owned. The analysis also shows the changes in the distribution of these assets from 1992 to 2007 as well as market return-adjusted values for March 2010.

Furthermore, the fraction of total assets and financial assets that these individual accounts represent is investigated. In both cases, assets are highly concentrated among specific groups: Those who are older, higher-income, and white. However, retirement plan assets are less highly concentrated than are overall financial assets. Moreover, the assets accumulated in the individual account retirement plans by those in groups that have a lower percentage of these assets represent a considerably greater source of their total financial assets than they do for those in groups with a high concentration of individual account assets.

Distribution of Individual Account Retirement Plan Assets

Total individual account retirement assets—which include employment-based defined contribution plan assets (both of active plans and plans held at former employers in the public and private sectors), individual retirement account (IRA) assets, and Keogh account assets—amounted to \$8.979 trillion in 2007, according the Federal Reserve's Survey of Consumer Finances (Figure 1). Employment-based plan assets (\$4.823 trillion) exceeded individual retirement account/Keogh account assets (\$4.157 trillion) by \$0.666 trillion.^{3,4} The concentration of these assets increased sharply with educational attainment of the family head, family income, and the net worth percentile of the family.

Approximately 70 percent of the employment-based retirement plan assets were held by families headed by individuals ages 45–64. The largest concentration of IRA and Keogh assets is held by families with heads in the next oldest age group (ages 55–74), who own just over 60 percent of these assets. The concentration of these IRA/Keogh assets in the accounts of older individuals is largely a result of rollovers from employment-based retirement plans, after retirement or job change. Furthermore, just less than 90 percent of individual account retirement plan assets were held by families headed by white, non-Hispanic individuals.

Two percent of individual account retirement plan assets were owned by families headed by individuals without a high school diploma. The share for families with a head having only a high school diploma increased to 12.2 percent.

**Figure 1
Distribution of Individual Account Retirement Plan Assets Across Various Demographic Categories, 2007**

| | Total | | Total Active | | Total Assets | | Total Assets | | Total Assets | | | |
|-----------------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|-----------------|------------------|-----------------|---------------|
| | Assets | | Assets | | Assets | | Assets | | Assets | | | |
| | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | | |
| Total | \$8.979 | 100.0% | \$4.823 | 100.0% | \$3.986 | 100.0% | \$4.157 | 100.0% | \$75.897 | 100.0% | \$25.926 | 100.0% |
| Age of Head | | | | | | | | | | | | |
| <35 | 0.263 | 2.9 | 0.179 | 3.7 | 0.166 | 4.2 | 0.084 | 2.0 | 4.800 | 6.3 | 0.713 | 2.8 |
| 35-44 | 1.037 | 11.5 | 0.708 | 14.7 | 0.637 | 16.0 | 0.330 | 7.9 | 10.326 | 13.6 | 2.521 | 9.7 |
| 45-54 | 2.414 | 26.9 | 1.603 | 33.2 | 1.458 | 36.6 | 0.811 | 19.5 | 19.100 | 25.2 | 6.232 | 24.0 |
| 55-64 | 3.191 | 35.5 | 1.743 | 36.1 | 1.403 | 35.2 | 1.448 | 34.8 | 20.371 | 26.8 | 7.871 | 30.4 |
| 65-74 | 1.685 | 18.8 | 0.535 | 11.1 | 0.314 | 7.9 | 1.150 | 27.7 | 13.248 | 17.5 | 5.289 | 20.4 |
| 75+ | 0.390 | 4.3 | 0.055 | 1.1 | 0.007 | 0.2 | 0.335 | 8.1 | 8.052 | 10.6 | 3.300 | 12.7 |
| Race of Head | | | | | | | | | | | | |
| White non-Hispanic | 8.017 | 89.3 | 4.137 | 85.8 | 3.394 | 85.1 | 3.880 | 93.3 | 65.225 | 85.9 | 23.814 | 91.9 |
| Nonwhite | 0.962 | 10.7 | 0.686 | 14.2 | 0.591 | 14.8 | 0.276 | 6.6 | 10.672 | 14.1 | 2.111 | 8.1 |
| Education of Head | | | | | | | | | | | | |
| Below HS diploma | 0.179 | 2.0 | 0.086 | 1.8 | 0.050 | 1.3 | 0.093 | 2.2 | 2.743 | 3.6 | 0.573 | 2.2 |
| HS diploma | 1.099 | 12.2 | 0.669 | 13.9 | 0.576 | 14.5 | 0.430 | 10.3 | 12.094 | 15.9 | 3.072 | 11.8 |
| Some college | 0.987 | 11.0 | 0.533 | 11.1 | 0.459 | 11.5 | 0.454 | 10.9 | 9.657 | 12.7 | 2.561 | 9.9 |
| College degree | 6.714 | 74.8 | 3.535 | 73.3 | 2.901 | 72.8 | 3.179 | 76.5 | 51.403 | 67.7 | 19.720 | 76.1 |
| Family Income | | | | | | | | | | | | |
| Less than \$20,000 | 0.106 | 1.2 | 0.035 | 0.7 | 0.004 | 0.1 | 0.070 | 1.7 | 3.081 | 4.1 | 0.634 | 2.4 |
| \$20,000-\$39,999 | 0.568 | 6.3 | 0.188 | 3.9 | 0.078 | 2.0 | 0.380 | 9.1 | 5.252 | 6.9 | 1.678 | 6.5 |
| \$40,000-\$49,999 | 0.336 | 3.7 | 0.114 | 2.4 | 0.084 | 2.1 | 0.222 | 5.3 | 3.121 | 4.1 | 0.823 | 3.2 |
| \$50,000-\$74,999 | 1.007 | 11.2 | 0.584 | 12.1 | 0.495 | 12.4 | 0.423 | 10.2 | 7.504 | 9.9 | 2.162 | 8.3 |
| \$75,000-\$99,999 | 1.131 | 12.6 | 0.669 | 13.9 | 0.539 | 13.5 | 0.462 | 11.1 | 7.128 | 9.4 | 2.443 | 9.4 |
| \$100,000-\$149,999 | 1.354 | 15.1 | 0.874 | 18.1 | 0.769 | 19.3 | 0.479 | 11.5 | 9.631 | 12.7 | 2.747 | 10.6 |
| \$150,000 or more | 4.478 | 49.9 | 2.359 | 48.9 | 2.016 | 50.6 | 2.120 | 51.0 | 40.181 | 52.9 | 15.438 | 59.5 |
| Net Worth Percentile | | | | | | | | | | | | |
| Bottom 25% | 0.041 | 0.5 | 0.033 | 0.7 | 0.029 | 0.7 | 0.007 | 0.2 | 0.769 | 1.0 | 0.105 | 0.4 |
| 25-49.9 | 0.298 | 3.3 | 0.227 | 4.7 | 0.198 | 5.0 | 0.071 | 1.7 | 3.863 | 5.1 | 0.603 | 2.3 |
| 50-74.9 | 1.159 | 12.9 | 0.726 | 15.1 | 0.666 | 16.7 | 0.433 | 10.4 | 9.620 | 12.7 | 2.233 | 8.6 |
| 75-89.9 | 2.133 | 23.8 | 1.290 | 26.7 | 1.100 | 27.6 | 0.843 | 20.3 | 12.433 | 16.4 | 4.232 | 16.3 |
| Top 10% | 5.348 | 59.6 | 2.546 | 52.8 | 1.994 | 50.0 | 2.802 | 67.4 | 49.211 | 64.8 | 18.752 | 72.3 |

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

Approximately 75 percent of individual account retirement plan assets were owned by families whose head was a college graduate. A similar increase occurred across families by family income, as 1.2 percent of individual account retirement plan assets were owned by families with family income below \$20,000, 15.1 percent for families with family incomes of \$100,000–\$149,999, and 49.9 percent for families with family incomes of \$150,000 or more. The families in the top 10 percentile of net worth owned 59.6 percent of individual account retirement plan assets, compared with 0.5 percent of those in the bottom 25 percent of net worth.

However, when comparing the concentration of active employment-based individual account retirement plan assets with that of overall financial assets, the retirement plan assets are less concentrated than overall financial assets in many categories. For example, families with white, non-Hispanic heads owned 85.1 percent of active employment-based individual account retirement plan assets, compared with 91.9 percent of all financial assets (Figure 1). Furthermore, families in the top 10 percent of net worth held 50.0 percent of these active employment-based retirement plan assets, compared with 72.3 percent of all financial assets. The families in the third quartile (50 percent–74.9 percent) of net worth owned 16.7 percent of the active employment-based retirement plan assets, while holding only 8.6 percent of all financial assets.

The concentration of assets is linked to the relative number of participants within the demographic groups. Aside from the wealth and family income groups, the concentration of participants is similar to the concentration of assets within each age, race, and educational level of the family head category (Figure 2). However, the distribution of participants is much more evenly distributed across the wealth and family income groups than are the assets.

Growth in Individual Account Retirement Plan Assets

According to the Survey of Consumer Finances, the total assets in individual account retirement plans increased from \$1.675 trillion in 1992 to \$8.979 trillion in 2007 (Figure 3). Assuming no contributions or withdrawals or changes in asset allocation, the asset level in these plans would be valued at \$8.925 trillion in March 2010, a decrease resulting from the downturn in the stock market.⁵

The distribution of these assets by the family net worth percentile and race of the family head remained relatively constant from 1992 to 2007. For example, in 1992, families headed by a white, non-Hispanic individual accounted for 91.9 percent of the individual account retirement plan assets. By 2007, this was virtually unchanged at 89.3 percent.

However, families headed by older and the most highly educated individuals or with the highest incomes gained in the share of these individual account assets. In 1992, 44 percent of the assets were owned by families headed by individuals 55 or older. The share for this group had increased to 58.6 percent by 2007. In 1992, the share owned by families with a head with a college degree was 69.3 percent; by 2007, this number had increased to 74.8 percent. Families with incomes of \$150,000 or more accounted for 39.1 percent of individual account retirement plans in 1992. This grew to 49.9 percent in 2007.

Active Employment-Based Individual Account Retirement Plan Assets—The assets in active employment-based individual account retirement plans increased from \$0.678 trillion in 1992 to \$3.986 trillion in 2007, with an adjusted value of \$4.127 trillion in March 2010 (Figure 4). While the overall distributions of these assets were similar between 1992 and 2007, some trends were different from those of all individual account plans. The percentage of assets held by families headed by nonwhite individuals increased slightly, from 11.6 percent in 1992 to 14.8 percent in 2007. Furthermore, the share of assets held by families in the top 10 percent of net worth declined from 56.5 percent in 1992 to 50.0 percent in 2007. However, the share held by families headed by individuals ages 55–64 increased significantly, as it did for overall assets, from 24.7 percent in 1992 to 35.2 percent in 2007.

Individual Retirement Account and Keogh Plan Assets—Individual retirement account and Keogh plan assets increased from \$0.918 trillion in 1992 to \$4.157 in 2007 (Figure 5). The adjusted value for March 2010 for these assets is lower, at \$3.997 trillion. Again, the distributions of the assets across various demographic categories were relatively constant from 1992 to 2007. Families with older heads (age 55 or older) did have a higher share of assets, increasing from 56.3 percent in 1992 to 70.6 percent in 2007. Those families with the highest net worth, family incomes, and

Figure 2
**Distribution of Individual Account Retirement Plan Family Participants
 Across Various Demographic Categories, 2007**

| | Total Participants | | Employment-Based Individual Account Retirement Plan Participants | | Total Active Employment-Based Individual Account Retirement Plan Participants | | Total IRA & Keogh Participants | | All Families ^a | |
|---|--------------------|------------------|--|------------------|---|------------------|--------------------------------|------------------|---------------------------|------------------|
| | (millions) | Percent of Total | (millions) | Percent of Total | (millions) | Percent of Total | (millions) | Percent of Total | (millions) | Percent of Total |
| | | | | | | | | | | |
| Total | 61.12 | 100.0% | 42.19 | 100.0% | 38.22 | 100.0% | 35.49 | 100.0% | 113.49 | 100.0% |
| Age of Head | | | | | | | | | | |
| <35 | 10.464 | 17.1 | 8.553 | 20.3 | 8.087 | 21.2 | 4.076 | 11.5 | 24.409 | 21.5 |
| 35-44 | 13.076 | 21.4 | 10.415 | 24.7 | 9.918 | 25.9 | 6.544 | 18.4 | 22.033 | 19.4 |
| 45-54 | 15.646 | 25.6 | 12.666 | 30.0 | 11.838 | 31.0 | 8.523 | 24.0 | 23.549 | 20.7 |
| 55-64 | 11.919 | 19.5 | 7.864 | 18.6 | 6.645 | 17.4 | 7.721 | 21.8 | 19.386 | 17.1 |
| 65-74 | 6.316 | 10.3 | 2.155 | 5.1 | 1.546 | 4.0 | 5.258 | 14.8 | 12.025 | 10.6 |
| 75+ | 3.695 | 6.0 | 0.536 | 1.3 | 0.188 | 0.5 | 3.369 | 9.5 | 12.088 | 10.7 |
| Race of Head | | | | | | | | | | |
| White non-Hispanic | 47.779 | 78.2 | 31.391 | 74.4 | 28.141 | 73.6 | 30.364 | 85.6 | 81.188 | 71.5 |
| Nonwhite | 13.338 | 21.8 | 10.797 | 25.6 | 10.080 | 26.4 | 5.128 | 14.4 | 32.301 | 28.5 |
| Education of Head | | | | | | | | | | |
| Below HS diploma | 3.393 | 5.6 | 2.263 | 5.4 | 1.979 | 5.2 | 1.475 | 4.2 | 14.404 | 12.7 |
| HS diploma | 16.479 | 27.0 | 10.991 | 26.1 | 10.115 | 26.5 | 7.710 | 21.7 | 37.282 | 32.9 |
| Some college | 11.181 | 18.3 | 7.707 | 18.3 | 6.714 | 17.6 | 5.859 | 16.5 | 20.997 | 18.5 |
| College degree | 30.063 | 49.2 | 21.227 | 50.3 | 19.414 | 50.8 | 20.448 | 57.6 | 40.807 | 36.0 |
| Family Income | | | | | | | | | | |
| Less than \$20,000 | 2.859 | 4.7 | 1.084 | 2.6 | 0.656 | 1.7 | 1.851 | 5.2 | 20.907 | 18.4 |
| \$20,000-\$39,999 | 10.306 | 16.9 | 5.787 | 13.7 | 4.890 | 12.8 | 5.510 | 15.5 | 27.537 | 24.3 |
| \$40,000-\$49,999 | 6.016 | 9.8 | 3.953 | 9.4 | 3.470 | 9.1 | 3.069 | 8.6 | 10.743 | 9.5 |
| \$50,000-\$74,999 | 13.069 | 21.4 | 9.556 | 22.6 | 8.678 | 22.7 | 6.279 | 17.7 | 19.846 | 17.5 |
| \$75,000-\$99,999 | 9.481 | 15.5 | 7.321 | 17.4 | 6.850 | 17.9 | 5.449 | 15.4 | 12.385 | 10.9 |
| \$100,000-\$149,999 | 9.990 | 16.3 | 7.831 | 18.6 | 7.402 | 19.4 | 5.881 | 16.6 | 11.623 | 10.2 |
| \$150,000 or more | 9.396 | 15.4 | 6.657 | 15.8 | 6.276 | 16.4 | 7.454 | 21.0 | 10.448 | 9.2 |
| Net Worth Percentile^b | | | | | | | | | | |
| Bottom 25% | 5.499 | 9.0 | 4.682 | 11.1 | 4.339 | 11.4 | 1.329 | 3.7 | 26.411 | 23.3 |
| 25-49.9 | 14.006 | 22.9 | 10.950 | 26.0 | 9.872 | 25.8 | 5.020 | 14.1 | 28.968 | 25.5 |
| 50-74.9 | 18.206 | 29.8 | 12.386 | 29.4 | 11.546 | 30.2 | 10.416 | 29.3 | 28.975 | 25.5 |
| 75-89.9 | 13.579 | 22.2 | 8.770 | 20.8 | 7.825 | 20.5 | 10.055 | 28.3 | 17.469 | 15.4 |
| Top 10% | 9.827 | 16.1 | 5.400 | 12.8 | 4.640 | 12.1 | 8.67 | 24.4 | 11.667 | 10.3 |

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

^a The "All Families" column includes only those families that have positive assets.

^b The "Net Worth" categories are for the net worth of all families, not of the ownership of a particular account. Therefore, the percentages won't match the percentile categories.

Figure 3
Distribution of Individual Account Retirement Plan Assets
Across Various Demographic Categories, 1992, 2001–2010*

| | 1992 | | 2001 | | 2004 | | 2007 | | 2010* | |
|-----------------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|
| | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total |
| Total | \$1.675 | 100.0% | \$5.697 | 100.0% | \$6.767 | 75.4% | \$8.979 | 100.0% | \$8.925 | 100.0% |
| Age of Head | | | | | | | | | | |
| <35 | 0.108 | 6.5 | 0.206 | 3.6 | 0.252 | 3.7 | 0.263 | 2.9 | 0.261 | 2.9 |
| 35–44 | 0.298 | 17.8 | 0.933 | 16.4 | 0.862 | 12.7 | 1.037 | 11.5 | 1.030 | 11.5 |
| 45–54 | 0.532 | 31.7 | 1.772 | 31.1 | 1.898 | 28.0 | 2.414 | 26.9 | 2.403 | 26.9 |
| 55–64 | 0.470 | 28.1 | 1.588 | 27.9 | 2.279 | 33.7 | 3.191 | 35.5 | 3.210 | 36.0 |
| 65–74 | 0.235 | 14.0 | 0.847 | 14.9 | 1.060 | 15.7 | 1.685 | 18.8 | 1.638 | 18.4 |
| 75+ | 0.032 | 1.9 | 0.351 | 6.2 | 0.416 | 6.2 | 0.390 | 4.3 | 0.384 | 4.3 |
| Race of Head | | | | | | | | | | |
| White non-Hispanic | 1.539 | 91.9 | 5.296 | 93.0 | 6.125 | 90.5 | 8.017 | 89.3 | 7.915 | 88.7 |
| Nonwhite | 0.136 | 8.1 | 0.401 | 7.0 | 0.642 | 9.5 | 0.962 | 10.7 | 1.011 | 11.3 |
| Education of Head | | | | | | | | | | |
| Below HS diploma | 0.041 | 2.5 | 0.093 | 1.6 | 0.082 | 1.2 | 0.179 | 2.0 | 0.184 | 2.1 |
| HS diploma | 0.280 | 16.7 | 0.758 | 13.3 | 0.878 | 13.0 | 1.099 | 12.2 | 1.131 | 12.7 |
| Some college | 0.194 | 11.6 | 0.669 | 11.7 | 0.727 | 10.7 | 0.987 | 11.0 | 1.010 | 11.3 |
| College degree | 1.161 | 69.3 | 4.177 | 73.3 | 5.080 | 75.1 | 6.714 | 74.8 | 6.601 | 74.0 |
| Family Income | | | | | | | | | | |
| Less than \$20,000 | 0.028 | 1.6 | 0.091 | 1.6 | 0.124 | 1.8 | 0.106 | 1.2 | 0.105 | 1.2 |
| \$20,000–\$39,999 | 0.118 | 7.0 | 0.423 | 7.4 | 0.356 | 5.3 | 0.568 | 6.3 | 0.585 | 6.6 |
| \$40,000–\$49,999 | 0.089 | 5.3 | 0.232 | 4.1 | 0.283 | 4.2 | 0.336 | 3.7 | 0.338 | 3.8 |
| \$50,000–\$74,999 | 0.273 | 16.3 | 0.859 | 15.1 | 0.944 | 14.0 | 1.007 | 11.2 | 1.017 | 11.4 |
| \$75,000–\$99,999 | 0.220 | 13.1 | 0.695 | 12.2 | 0.787 | 11.6 | 1.131 | 12.6 | 1.130 | 12.7 |
| \$100,000–\$149,999 | 0.293 | 17.5 | 1.095 | 19.2 | 1.434 | 21.2 | 1.354 | 15.1 | 1.350 | 15.1 |
| \$150,000 or more | 0.655 | 39.1 | 2.301 | 40.4 | 2.839 | 42.0 | 4.478 | 49.9 | 4.400 | 49.3 |
| Net Worth Percentile | | | | | | | | | | |
| Bottom 25% | 0.006 | 0.4 | 0.019 | 0.3 | 0.021 | 0.3 | 0.041 | 0.5 | 0.046 | 0.5 |
| 25–49.9 | 0.049 | 2.9 | 0.172 | 3.0 | 0.206 | 3.1 | 0.298 | 3.3 | 0.316 | 3.5 |
| 50–74.9 | 0.216 | 12.9 | 0.703 | 12.3 | 0.838 | 12.4 | 1.159 | 12.9 | 1.230 | 13.8 |
| 75–89.9 | 0.390 | 23.3 | 1.369 | 24.0 | 1.744 | 25.8 | 2.133 | 23.8 | 2.120 | 23.8 |
| Top 10% | 1.014 | 60.5 | 3.434 | 60.3 | 3.957 | 58.5 | 5.348 | 59.6 | 5.214 | 58.4 |

Source: Employee Benefit Research Institute estimates from 1992, 2001, 2004, and 2007 Survey of Consumer Finances.
* Estimates based on asset allocation from the 2007 Survey of Consumer Finances, using market returns from end of year 2007 through March 19, 2010.
This assumes no contributions to or withdrawals from these accounts during that period.

Figure 4
Distribution of Active Employment-Based Individual Account Retirement Plan Assets Across Various Demographic Categories, 1992, 2001–2010*

| | 1992 | | 2001 | | 2004 | | 2007 | | 2010* | |
|-----------------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|
| | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total |
| Total | \$0.678 | 100.0% | \$2.196 | 100.0% | \$2.773 | 100.0% | \$3.986 | 100.0% | \$4.127 | 100.0% |
| Age of Head | | | | | | | | | | |
| <35 | 0.068 | 10.0 | 0.136 | 6.2 | 0.161 | 5.8 | 0.166 | 4.2 | 0.169 | 4.1 |
| 35–44 | 0.149 | 22.0 | 0.587 | 26.7 | 0.498 | 18.0 | 0.637 | 16.0 | 0.647 | 15.7 |
| 45–54 | 0.286 | 42.2 | 0.845 | 38.5 | 1.061 | 38.3 | 1.458 | 36.6 | 1.489 | 36.1 |
| 55–64 | 0.167 | 24.7 | 0.530 | 24.1 | 0.954 | 34.4 | 1.403 | 35.2 | 1.498 | 36.3 |
| 65–74 | 0.008 | 1.1 | 0.086 | 3.9 | 0.081 | 2.9 | 0.314 | 7.9 | 0.316 | 7.7 |
| 75+ | 0.000 | 0.1 | 0.012 | 0.6 | 0.019 | 0.7 | 0.007 | 0.2 | 0.008 | 0.2 |
| Face of Head | | | | | | | | | | |
| White non-Hispanic | 0.600 | 88.4 | 1.941 | 88.4 | 2.374 | 85.6 | 3.394 | 85.1 | 3.488 | 84.5 |
| Nonwhite | 0.079 | 11.6 | 0.256 | 11.6 | 0.399 | 14.4 | 0.591 | 14.8 | 0.639 | 15.5 |
| Education of Head | | | | | | | | | | |
| Below HS diploma | 0.012 | 1.7 | 0.025 | 1.1 | 0.045 | 1.6 | 0.050 | 1.3 | 0.053 | 1.3 |
| HS diploma | 0.105 | 15.4 | 0.325 | 14.8 | 0.416 | 15.0 | 0.576 | 14.5 | 0.606 | 14.7 |
| Some college | 0.078 | 11.6 | 0.291 | 13.3 | 0.304 | 11.0 | 0.459 | 11.5 | 0.494 | 12.0 |
| College degree | 0.484 | 71.3 | 1.554 | 70.8 | 2.008 | 72.4 | 2.901 | 72.8 | 2.973 | 72.0 |
| Family Income | | | | | | | | | | |
| Less than \$20,000 | 0.005 | 0.7 | 0.015 | 0.7 | 0.009 | 0.3 | 0.004 | 0.1 | 0.004 | 0.1 |
| \$20,000–\$39,999 | 0.019 | 2.8 | 0.096 | 4.3 | 0.084 | 3.0 | 0.078 | 2.0 | 0.095 | 2.3 |
| \$40,000–\$49,999 | 0.028 | 4.1 | 0.075 | 3.4 | 0.084 | 3.0 | 0.084 | 2.1 | 0.089 | 2.2 |
| \$50,000–\$74,999 | 0.099 | 14.6 | 0.350 | 15.9 | 0.369 | 13.3 | 0.495 | 12.4 | 0.522 | 12.6 |
| \$75,000–\$99,999 | 0.119 | 17.5 | 0.349 | 15.9 | 0.385 | 13.9 | 0.539 | 13.5 | 0.554 | 13.4 |
| \$100,000–\$149,999 | 0.130 | 19.1 | 0.421 | 19.2 | 0.650 | 23.4 | 0.769 | 19.3 | 0.783 | 19.0 |
| \$150,000 or more | 0.279 | 41.2 | 0.891 | 40.6 | 1.191 | 43.0 | 2.016 | 50.6 | 2.079 | 50.4 |
| Net Worth Percentile | | | | | | | | | | |
| Bottom 25% | 0.005 | 0.7 | 0.013 | 0.6 | 0.016 | 0.6 | 0.029 | 0.7 | 0.035 | 0.8 |
| 25–49.9 | 0.031 | 4.5 | 0.114 | 5.2 | 0.147 | 5.3 | 0.198 | 5.0 | 0.216 | 5.2 |
| 50–74.9 | 0.098 | 14.5 | 0.415 | 18.9 | 0.483 | 17.4 | 0.666 | 16.7 | 0.738 | 17.9 |
| 75–89.9 | 0.162 | 23.8 | 0.588 | 26.8 | 0.825 | 29.8 | 1.100 | 27.6 | 1.106 | 26.8 |
| Top 10% | 0.383 | 56.5 | 1.066 | 48.5 | 1.301 | 46.9 | 1.994 | 50.0 | 2.032 | 49.2 |

Source: Employee Benefit Research Institute estimates from 1992, 2001, 2004, and 2007 Survey of Consumer Finances.

* Estimates based on asset allocation from the 2007 Survey of Consumer Finances using market returns from end of year 2007 through March 19, 2010. This assumes no contributions to or withdrawals from these accounts during that period.

educational attainment of their head all had increased shares of these assets from 1992 to 2007. After the market return adjustments, the relative distributions were almost identical for the 2010 values relative to the 2007 levels.

Individual Account Retirement Plan Assets as a Share of All Assets

While the assets in individual retirement accounts are concentrated in certain families, overall assets are also concentrated in a similar manner—those with more overall assets have more individual account retirement plan assets. However, individual account assets comprise a significant portion of all financial assets among those with lower levels of assets, and in many cases represent a much larger share of these financial assets than of the assets for those with overall high asset levels.

Individual account retirement plan assets represent 36.9 percent of the total financial assets held by families with a head under 35 years of age (Figure 6). This compares with 40.5 percent for families with a head age 55–64. Similar findings occur for families headed by a nonwhite individual, families with a head having only a high school diploma, families with lower net worth, and families with moderate income. Individual account retirement plan assets are 45.6 percent of the total financial assets held by families headed by a nonwhite individual, compared with 33.7 percent for families headed by a white individual. Thirty-six percent of financial assets held for families with a head who has only a high school diploma are from individual account retirement plan assets, while 34 percent of these assets are from individual account plans among families headed by a college graduate.

For families with net worth in the second quartile (25 percent–49.9 percent), almost half (49.4 percent) of their financial assets are from individual account retirement plans, while just over a quarter (28.5 percent) of financial assets held by families in top 10 percent of net worth are from individual account retirement plans. Furthermore, 40.8 percent of the financial assets of families with family income in the \$40,000s were from individual account assets, whereas the individual account assets represented only 29.0 percent of these assets for families with family incomes of \$150,000 or more.

Conclusion

Individual account retirement plan assets are concentrated in families with higher net worth, higher family income, higher educational attainment, with older family heads, and with white non-Hispanic heads. However, assets in general are concentrated in these same groups—those with more assets have more individual account retirement plan assets.

These families with more assets have the ability to accumulate the most assets in an individual account plan due to other sources of assets and higher average incomes. Furthermore, these same individuals are more likely to be offered a plan through an employer, so they may find it easier to save due to the automatic savings created by participating in an employment-based retirement plan. Therefore, these assets have grown significantly for the higher-resource groups.

While the fraction of total assets is smaller in the individual account plans of those with lower net worth, lower income, and who are younger, these assets do comprise a significant portion of their total financial assets—more than one-third, in many cases. Consequently, for those with fewer assets using these plans, these retirement plans have been effective in helping them accumulate assets they otherwise may not have been able to save without these plans.

The most significant shift in these individual account assets from 1992 to 2007 was the fraction of assets held by families headed by individuals age 55 or older. Nearly 60 percent of all individual account retirement plan assets, and 70 percent of individual retirement account and Keogh plan assets, are owned by families headed by individuals in this age group. This fact illustrates the importance of educational efforts and product availability (annuities, fixed withdrawal products, etc.) for retirees as they spend down their assets to pay for expenses in retirement. These products are needed now, as these savings account for 40 percent of all the financial assets of families approaching normal retirement age, with a family head age 55–64.

Figure 5
Distribution of Individual Retirement Account and Keogh Assets
Across Various Demographic Categories, 1992, 2001–2010

| | 1992 | | 2001 | | 2004 | | 2007 | | 2010* | |
|-----------------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|
| | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total | (\$ trillion) | Percent of Total |
| Total | \$0.918 | 100.0% | \$3.250 | 100.0% | \$3.383 | 100.0% | \$4.157 | 100.0% | \$3.997 | 100.0% |
| Age of Head | | | | | | | | | | |
| <35 | 0.034 | 3.7 | 0.067 | 2.1 | 0.070 | 2.1 | 0.084 | 2.0 | 0.080 | 2.0 |
| 35–44 | 0.137 | 14.9 | 0.301 | 9.3 | 0.306 | 9.0 | 0.330 | 7.9 | 0.317 | 7.9 |
| 45–54 | 0.230 | 25.0 | 0.859 | 26.4 | 0.711 | 21.0 | 0.811 | 19.5 | 0.775 | 19.4 |
| 55–64 | 0.262 | 28.5 | 0.931 | 28.6 | 1.068 | 31.6 | 1.448 | 34.8 | 1.387 | 34.7 |
| 65–74 | 0.224 | 24.4 | 0.754 | 23.2 | 0.875 | 25.9 | 1.150 | 27.7 | 1.107 | 27.7 |
| 75+ | 0.031 | 3.4 | 0.338 | 10.4 | 0.353 | 10.4 | 0.335 | 8.1 | 0.331 | 8.3 |
| Race of Head | | | | | | | | | | |
| White non-Hispanic | 0.863 | 94.0 | 3.120 | 96.0 | 3.203 | 94.7 | 3.880 | 93.3 | 3.721 | 93.1 |
| Nonwhite | 0.055 | 6.0 | 0.130 | 4.0 | 0.181 | 5.3 | 0.276 | 6.6 | 0.276 | 6.9 |
| Education of Head | | | | | | | | | | |
| Below HS diploma | 0.028 | 3.0 | 0.055 | 1.7 | 0.030 | 0.9 | 0.093 | 2.2 | 0.093 | 2.3 |
| HS diploma | 0.165 | 18.0 | 0.412 | 12.7 | 0.403 | 11.9 | 0.430 | 10.3 | 0.434 | 10.9 |
| Some college | 0.112 | 12.2 | 0.336 | 10.3 | 0.328 | 9.7 | 0.454 | 10.9 | 0.445 | 11.1 |
| College degree | 0.613 | 66.8 | 2.447 | 75.3 | 2.623 | 77.5 | 3.179 | 76.5 | 3.025 | 75.7 |
| Family Income | | | | | | | | | | |
| Less than \$20,000 | 0.021 | 2.3 | 0.074 | 2.3 | 0.095 | 2.8 | 0.070 | 1.7 | 0.071 | 1.8 |
| \$20,000–\$39,999 | 0.096 | 10.4 | 0.303 | 9.3 | 0.245 | 7.2 | 0.380 | 9.1 | 0.379 | 9.5 |
| \$40,000–\$49,999 | 0.048 | 5.2 | 0.148 | 4.5 | 0.159 | 4.7 | 0.222 | 5.3 | 0.220 | 5.5 |
| \$50,000–\$74,999 | 0.157 | 17.1 | 0.480 | 14.8 | 0.496 | 14.7 | 0.423 | 10.2 | 0.410 | 10.3 |
| \$75,000–\$99,999 | 0.099 | 10.7 | 0.328 | 10.1 | 0.303 | 9.0 | 0.462 | 11.1 | 0.449 | 11.2 |
| \$100,000–\$149,999 | 0.152 | 16.6 | 0.619 | 19.0 | 0.648 | 19.1 | 0.479 | 11.5 | 0.465 | 11.6 |
| \$150,000 or more | 0.346 | 37.7 | 1.298 | 39.9 | 1.438 | 42.5 | 2.120 | 51.0 | 2.002 | 50.1 |
| Net Worth Percentile | | | | | | | | | | |
| Bottom 25% | 0.002 | 0.2 | 0.005 | 0.2 | 0.003 | 0.1 | 0.007 | 0.2 | 0.007 | 0.2 |
| 25–49.9 | 0.017 | 1.8 | 0.050 | 1.6 | 0.044 | 1.3 | 0.071 | 1.7 | 0.069 | 1.7 |
| 50–74.9 | 0.106 | 11.5 | 0.251 | 7.7 | 0.293 | 8.6 | 0.433 | 10.4 | 0.433 | 10.8 |
| 75–89.9 | 0.209 | 22.8 | 0.710 | 21.8 | 0.788 | 23.3 | 0.843 | 20.3 | 0.827 | 20.7 |
| Top 10% | 0.584 | 63.7 | 2.233 | 68.7 | 2.255 | 66.7 | 2.802 | 67.4 | 2.660 | 66.5 |

Source: Employee Benefit Research Institute estimates from 1992, 2001, 2004, and 2007 Survey of Consumer Finances.
* Estimates based on asset allocation from the 2007 Survey of Consumer Finances using market returns from end of year 2007 through March 19, 2010. This assumes no contributions to or withdrawals from these accounts during that period.

Figure 6

**Individual Account Retirement Plan Assets as a Share of Total Assets
and Total Financial Assets Across Various Demographic Categories, 2007**

| | Total Individual Account Retirement Plan Assets | | All Employment-Based Individual Account Retirement Plan Assets | | Active Employment-Based Individual Account Retirement Plan Assets | | Total IRA & Keogh Plan Assets | | | | | |
|-----------------------------|---|-------------------------|--|-----------------------------------|---|-----------------------------------|-------------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
| | Total Assets (\$ trillion) | Percent of total assets | Financial Assets (\$ trillion) | Percent of total financial assets | (\$ trillion) | Percent of total financial assets | (\$ trillion) | Percent of total financial assets | | | | |
| | | | | | | | | | Percent of total assets | Percent of total financial assets | Percent of total assets | Percent of total financial assets |
| Total | \$75.897 | 11.8% | \$25.926 | 34.6% | \$4.823 | 18.6% | \$3.986 | 15.4% | \$4.157 | 5.5% | \$4.157 | 16.0% |
| Age of Head | | | | | | | | | | | | |
| <35 | 4.800 | 5.5 | 0.713 | 36.9 | 0.179 | 25.1 | 0.166 | 23.3 | 3.5 | 0.084 | 1.8 | 11.8 |
| 35-44 | 10.326 | 10.0 | 2.521 | 41.1 | 0.708 | 28.1 | 0.637 | 25.3 | 6.2 | 0.330 | 3.2 | 13.1 |
| 45-54 | 19.100 | 12.6 | 6.232 | 38.7 | 1.603 | 25.7 | 1.458 | 23.4 | 7.6 | 0.811 | 4.2 | 13.0 |
| 55-64 | 20.371 | 15.7 | 7.871 | 40.5 | 1.743 | 22.1 | 1.403 | 17.8 | 6.9 | 1.448 | 7.1 | 18.4 |
| 65-74 | 13.248 | 12.7 | 5.289 | 31.9 | 0.535 | 10.1 | 0.314 | 5.9 | 2.4 | 1.150 | 8.7 | 21.7 |
| 75+ | 8.052 | 4.8 | 3.300 | 11.8 | 0.055 | 1.7 | 0.007 | 0.2 | 0.1 | 0.335 | 4.2 | 10.2 |
| Race of Head | | | | | | | | | | | | |
| White non-Hispanic | 65.225 | 12.3 | 23.814 | 33.7 | 4.137 | 17.4 | 3.394 | 14.3 | 5.2 | 3.880 | 5.9 | 16.3 |
| Nonwhite | 10.672 | 9.0 | 2.111 | 45.6 | 0.686 | 32.5 | 0.591 | 28.0 | 5.5 | 0.276 | 2.6 | 13.1 |
| Education of Head | | | | | | | | | | | | |
| Below HS diploma | 2.743 | 6.5 | 0.573 | 31.2 | 0.086 | 15.0 | 0.050 | 8.7 | 1.8 | 0.093 | 3.4 | 16.2 |
| HS diploma | 12.094 | 9.1 | 3.072 | 35.8 | 0.669 | 21.8 | 0.576 | 18.8 | 4.8 | 0.430 | 3.6 | 14.0 |
| Some college | 9.657 | 10.2 | 2.561 | 38.5 | 0.533 | 20.8 | 0.459 | 17.9 | 4.8 | 0.454 | 4.7 | 17.7 |
| College degree | 51.403 | 13.1 | 19.720 | 34.0 | 3.535 | 17.9 | 2.901 | 14.7 | 5.6 | 3.179 | 6.2 | 16.1 |
| Family Income | | | | | | | | | | | | |
| Less than \$20,000 | 3.081 | 3.4 | 0.634 | 16.7 | 0.035 | 1.1 | 0.004 | 0.6 | 0.1 | 0.070 | 2.3 | 11.0 |
| \$20,000-\$39,999 | 5.252 | 10.8 | 1.678 | 33.8 | 0.188 | 3.6 | 0.078 | 4.6 | 1.5 | 0.380 | 7.2 | 22.6 |
| \$40,000-\$49,999 | 3.121 | 10.8 | 0.823 | 40.8 | 0.114 | 3.7 | 0.084 | 10.2 | 2.7 | 0.222 | 7.1 | 27.0 |
| \$50,000-\$74,999 | 7.504 | 13.4 | 2.162 | 46.6 | 0.584 | 7.8 | 0.495 | 22.9 | 6.6 | 0.423 | 5.6 | 19.6 |
| \$75,000-\$99,999 | 7.128 | 15.9 | 2.443 | 46.3 | 0.669 | 9.4 | 0.539 | 7.6 | 7.6 | 0.462 | 6.5 | 18.9 |
| \$100,000-\$149,999 | 9.631 | 14.1 | 2.747 | 49.3 | 0.874 | 31.8 | 0.769 | 28.0 | 8.0 | 0.479 | 5.0 | 17.4 |
| \$150,000 or more | 40.181 | 11.1 | 15.438 | 29.0 | 2.359 | 15.3 | 2.016 | 13.1 | 5.0 | 2.120 | 5.3 | 13.7 |
| Net Worth Percentile | | | | | | | | | | | | |
| Bottom 25% | 0.769 | 5.3 | 0.105 | 39.0 | 0.033 | 4.3 | 0.029 | 27.6 | 3.8 | 0.007 | 0.9 | 6.7 |
| 25-49.9 | 3.863 | 7.7 | 0.603 | 49.4 | 0.227 | 5.9 | 0.198 | 32.8 | 5.1 | 0.071 | 1.8 | 11.8 |
| 50-74.9 | 9.620 | 12.0 | 2.233 | 51.9 | 0.726 | 7.5 | 0.666 | 29.8 | 6.9 | 0.433 | 4.5 | 19.4 |
| 75-89.9 | 12.433 | 17.2 | 4.232 | 50.4 | 1.290 | 10.4 | 1.100 | 26.0 | 8.8 | 0.843 | 6.8 | 19.9 |
| Top 10% | 49.211 | 10.9 | 18.752 | 28.5 | 2.546 | 5.2 | 1.994 | 10.6 | 4.1 | 2.802 | 5.7 | 14.9 |

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

Endnotes

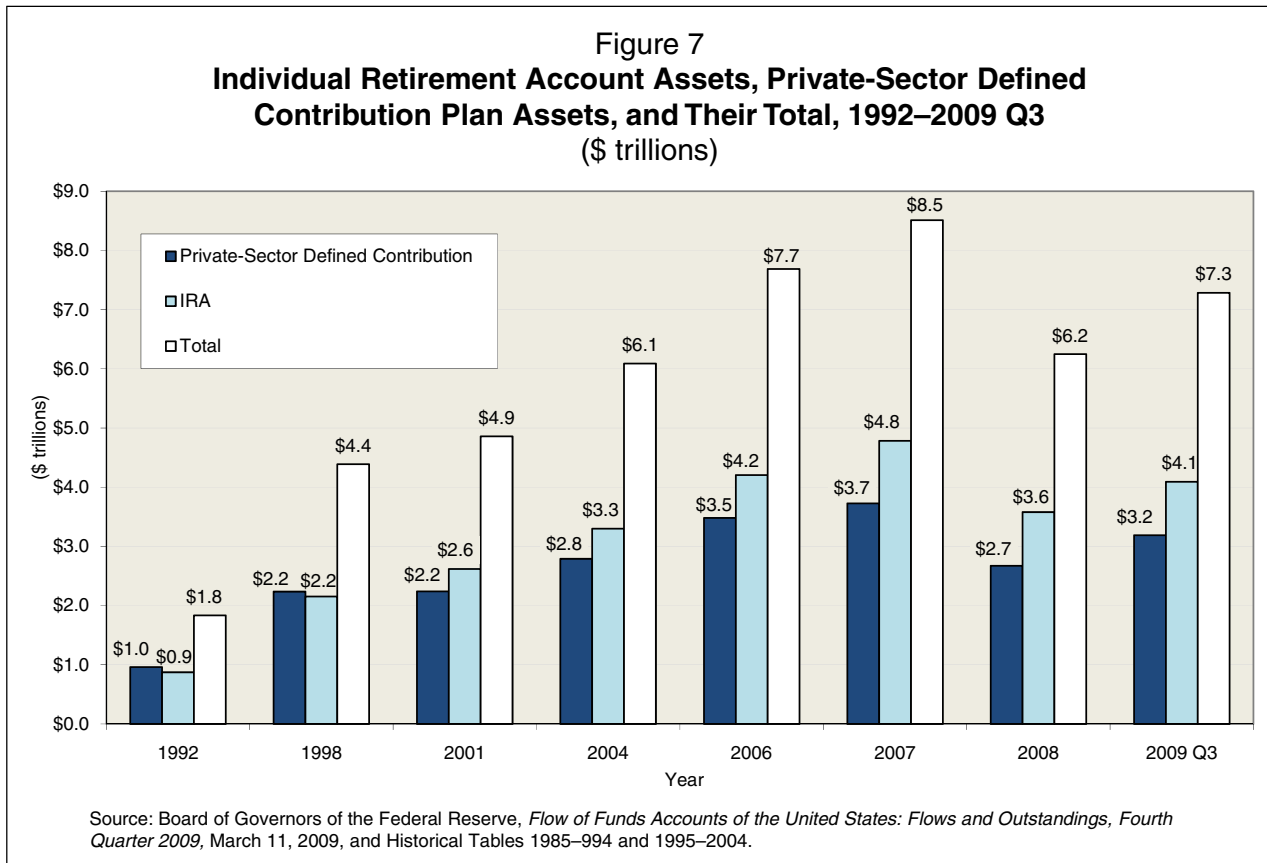
¹ See for example, Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2008," *EBRI Issue Brief*, no. 336 (Employee Benefit Research Institute, November 2009) and Craig Copeland, "Individual Account Retirement Plans: An Analysis of the 2007 Survey of Consumer Finances, With Market Adjustments to June 2009," *EBRI Issue Brief*, no. 333 (Employee Benefit Research Institute, August 2009). For example, 39.6 percent of wage and salary workers ages 25–34 participated in an employment-based retirement plan in 2008, compared with 54.8 percent for those ages 55–64. Furthermore, in 2007, the median family defined contribution plan balance of those with a balance was \$8,000 for those families with a head under age 35, compared with \$81,000 for families with a head age 55–64.

² See Craig Copeland, "Total Individual Account Retirement Plan Assets, by Demographics, 2004." *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2008): 1–9 for one study on total individual account plan assets.

³ The latest data from the Investment Company Institute, the Internal Revenue Service, and the Federal Reserve Board show assets in private-sector defined contribution plans and IRAs increasing from \$1.8 trillion in 1992 to \$7.3 trillion in third quarter of 2009 (Figure 7).

⁴ The assets in this study include private sector defined contribution plan assets and public-sector defined contribution assets, whereas the numbers cited in endnote 3 only include private-sector defined contribution assets. There is not a comparable public-sector defined contribution number available.

⁵ This adjustment is done by using the asset allocation provided in the SCF, which breaks the allocation down into stocks and interest bearing assets. The equity portion of the allocation is adjusted by the return on the S&P 500 Index from January 1, 2008 to March 19, 2010. The interest-bearing portion is adjusted by the return on the Barclays U.S. Aggregate Bond Index over the same time frame.



Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008

By Ken McDonnell, *Employee Benefit Research Institute*

Introduction

This article looks at one slice of the income pie of the older population: retirement annuities and employment-based defined benefit (DB) pensions. It analyzes the population age 50 and over in order to take into account the prevalence of early retirement options available to individuals beginning at age 50.

Recent data from the March 2009 Current Population Survey, conducted by the U.S. Census Bureau, confirm earlier findings that gender, marital status, age, education, and other demographic variables have a significant impact on the likelihood of a worker receiving a retirement annuity and/or employment-based pension income in retirement.¹ There is also be a strong correlation between these same variables and the amount of pension income received from private and/or public-sector employment-based retirement plans.²

For example, in 2008, 27.7 percent of men age 50 and older with a graduate-level education received an annuity and/or pension income, compared with 19.3 percent of men without a high school diploma—a differential of 8.4 percentage points (Figure 1). While notable, this differential in receipt of an annuity and/or pension income pales in comparison with the differential in the amounts these men received: In 2008, men with graduate-level degrees received 4.2 times the median³ annuity and/or pension income that was received by men without a high school diploma (calculated from Figure 1). Figure 1 also shows how age, education, marital status, and income are related to annuity and/or pension recipiency and to the amounts males received in 2008; Figure 2 shows the same data for females.

Gender

Gender is a particularly strong factor in retirement annuity and/or employment-based pension income recipiency. Figure 1 shows that in 2008, 43.2 percent of men age 65 and over received annuity and/or pension income, with a mean amount of \$19,557 per year. Figure 2 shows that only 29.4 percent of women age 65 and over received annuity and/or pension income that year, with mean pension income of \$12,137. Hence, a woman age 65 and over in 2008 was almost two-thirds (68.1 percent) as likely to receive an annuity and/or pension payment as her male counterpart. If she did receive one, her mean benefit was likely to be 62.1 percent of that received by a man in the same age group (calculated from Figures 1 and 2).

Women age 50 and over in 2008 were born in 1958 at the latest. They are therefore part of a cohort of women who, on average, spent fewer years in the labor force than younger cohorts. Because of relatively lower labor force participation rates, women in the older age group are more likely to receive pension income through their husbands, as spouses or survivors, than through their own savings or employment. Widows were the largest proportion of women age 50 and over receiving annuities and/or pensions in 2008, at 33.1 percent (Figure 2).

Widows received the lowest mean and median retirement annuity and/or pension income amounts among women of any marital status (Figure 2). In 2008, the mean annuity and/or pension income for widows was \$11,794, compared with \$18,714 for women who were never married (Figure 2).

Figure 1
**Mean and Median Pension and Annuity Income Reciprocity,
 Males Over Age 50, by Various Characteristics, 2008**

| | Percentage Receiving Pensions and Annuities | For Those Receiving Pensions and Annuities | |
|--|---|---|---|
| | | Mean annual income from pensions and annuities | Median annual income from pensions and annuities |
| Total Age 50 and Over | 24.1% | \$21,155 | \$15,106 |
| Industry Sector | | | |
| Private sector | 14.7 | 15,888 | 10,800 |
| Public sector | 8.4 | 29,374 | 24,243 |
| Age | | | |
| Age 50–55 | 4.8 | 22,438 | 18,000 |
| Age 56–60 | 14.6 | 24,777 | 21,600 |
| Age 61–64 | 25.5 | 25,303 | 21,000 |
| Age 65–67 | 37.3 | 21,918 | 15,600 |
| Age 68–70 | 43.1 | 19,218 | 15,300 |
| Age 71–75 | 43.3 | 20,571 | 13,200 |
| Age 76–79 | 43.7 | 18,775 | 12,000 |
| Age 80 and over | 48.8 | 17,555 | 12,000 |
| Age 65 and over | 43.2 | 19,557 | 13,200 |
| Educational level | | | |
| No high school diploma | 19.3 | 10,281 | 7,200 |
| High school diploma to associate's degree | 24.4 | 17,637 | 13,200 |
| Bachelor's degree | 24.3 | 27,687 | 23,500 |
| Graduate degree | 27.7 | 34,493 | 30,000 |
| Marital status | | | |
| Married | 25.0 | 22,195 | 16,551 |
| Widowed | 42.4 | 15,913 | 10,093 |
| Divorced or separated | 16.8 | 19,226 | 13,200 |
| Never married | 12.4 | 19,937 | 14,424 |
| Income Quintile | | | |
| Lowest | 6.4 | 4,380 | 3,000 |
| Second | 26.3 | 7,601 | 6,000 |
| Middle | 36.0 | 16,150 | 14,400 |
| Fourth | 26.3 | 27,734 | 26,400 |
| Highest | 22.2 | 41,448 | 38,800 |

Source: Employee Benefit Research Institute estimates of the 2009 Current Population Survey, March Supplement.

For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

On average, younger women today spend less time in the work force than men of similar ages and tend to have lower-paying jobs, a situation due in large part to leave taken from work to provide family care-giving. However, on average, today's younger women will likely spend more time in the work force than did women who were age 50 and over in 2008. As other EBRI research has shown, women's participation in retirement plans has risen significantly in recently years, closing the gap in retirement plan participation with men (see *EBRI Issue Brief*, no. 336, "Employment-based Retirement and Pension Plan Participation: Geographic Differences and Trends, 2008," November 2009). Hence, the aggregate pension and annuity reciprocity for women and the amounts they receive are likely to increase over time as these younger generations retire. However, women older than age 50 who are in the lowest income quintiles may continue to be least likely to receive annuity and/or pension income.

Demographic characteristics such as education, marital status, and income remained steady indicators of the likelihood and amount of annuity and/or pension reciprocity from 1975 through 2008 (Figures 3, 4, and 5).

Figure 2
**Mean and Median Pension and Annuity Income Reciprocity,
 Females Over Age 50, by Various Characteristics, 2008**

| Characteristics | Percentage Receiving Pensions and Annuities | For Those Receiving Pensions and Annuities | |
|---|---|--|--|
| | | Mean annual income from pensions and annuities | Median annual income from pensions and annuities |
| Total Age 50 and Over | 18.1% | \$13,742 | \$9,600 |
| Industry Sector | | | |
| Private sector | 10.0 | 9,700 | 6,000 |
| Public sector | 7.2 | 18,697 | 14,941 |
| Age | | | |
| Age 50–55 | 3.3 | 17,752 | 13,000 |
| Age 56–60 | 10.6 | 18,214 | 14,400 |
| Age 61–64 | 19.4 | 17,413 | 13,200 |
| Age 65–67 | 25.1 | 15,123 | 10,128 |
| Age 68–70 | 29.5 | 13,043 | 9,600 |
| Age 71–75 | 29.4 | 11,905 | 8,040 |
| Age 76–79 | 32.2 | 11,244 | 7,200 |
| Age 80 and over | 30.5 | 10,841 | 7,200 |
| Age 65 and over | 29.4 | 12,137 | 8,040 |
| Educational level | | | |
| No high school diploma | 13.8 | 6,721 | 4,800 |
| High school diploma to associate's degree | 18.3 | 11,246 | 8,220 |
| Bachelor's degree | 17.5 | 19,273 | 14,941 |
| Graduate degree | 24.7 | 25,410 | 21,600 |
| Marital status | | | |
| Married | 12.9 | 14,473 | 9,600 |
| Widowed | 33.1 | 11,794 | 7,932 |
| Divorced or separated | 16.0 | 15,026 | 10,800 |
| Never married | 17.3 | 18,714 | 13,000 |
| Income Quintile | | | |
| Lowest | 3.4 | 3,213 | 3,228 |
| Second | 10.0 | 4,139 | 2,652 |
| Middle | 24.8 | 6,682 | 5,376 |
| Fourth | 27.7 | 14,468 | 13,200 |
| Highest | 19.1 | 28,122 | 24,000 |

Source: Employee Benefit Research Institute estimates of the 2009 Current Population Survey, March Supplement.

For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

Age

The likelihood of receiving an annuity and/or pension income increases with age, until the oldest age group (those age 80 and over), where data show a lower percentage receiving annuity and/or pension income (Figures 3). However, since 1975, the percentage of individuals age 80 and over receiving annuity and/or pension income has been increasing, from 17.7 percent in 1975 to 37.3 percent in 2008.

Figure 3
**Percentage of Population Over Age 50 Receiving Pension and Annuity
Income, by Various Characteristics, Selected Years, 1975–2008**

| Characteristics | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2008 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Age 50 and Over | 15.3% | 18.0% | 21.4% | 24.2% | 24.0% | 21.8% | 21.7% | 20.9% |
| Industry Sector | | | | | | | | |
| Private sector | 9.4 | 10.9 | 13.6 | 15.0 | 14.8 | 13.5 | 12.8 | 12.2 |
| Public sector | 6.2 | 7.4 | 8.3 | 9.7 | 8.3 | 7.5 | 7.8 | 7.7 |
| Age | | | | | | | | |
| Age 50–55 | 4.6 | 5.6 | 6.1 | 6.6 | 5.9 | 4.8 | 4.9 | 4.0 |
| Age 56–60 | 9.4 | 10.8 | 13.3 | 15.8 | 14.3 | 13.7 | 13.8 | 12.6 |
| Age 61–64 | 16.1 | 20.6 | 23.8 | 28.0 | 25.9 | 23.4 | 24.1 | 22.4 |
| Age 65–67 | 25.8 | 29.1 | 31.8 | 37.1 | 34.2 | 32.3 | 30.8 | 31.2 |
| Age 68–70 | 26.5 | 29.0 | 34.1 | 38.4 | 37.2 | 36.2 | 33.7 | 35.7 |
| Age 71–75 | 25.4 | 29.2 | 32.5 | 39.2 | 38.0 | 36.4 | 36.2 | 35.5 |
| Age 76–80 | 21.7 | 24.1 | 28.8 | 34.6 | 36.2 | 36.1 | 38.5 | 37.2 |
| Over age 80 | 17.7 | 21.1 | 25.0 | 30.2 | 31.5 | 33.1 | 37.4 | 37.3 |
| Over age 65 | 23.8 | 26.9 | 30.7 | 36.1 | 35.4 | 34.8 | 35.5 | 35.4 |
| Gender | | | | | | | | |
| Male | 19.2 | 24.6 | 28.9 | 32.5 | 30.6 | 26.1 | 25.5 | 24.1 |
| Female | 11.4 | 12.4 | 15.1 | 19.2 | 18.4 | 18.1 | 18.4 | 18.1 |
| Educational level | | | | | | | | |
| No high school diploma | 13.1 | 15.2 | 18.7 | 22.0 | 20.0 | 18.3 | 18.1 | 16.4 |
| High school diploma to associate's degree | 15.7 | 18.4 | 21.3 | 25.6 | 24.1 | 22.3 | 21.3 | 21.0 |
| Bachelor's degree | 24.6 | 25.5 | 27.8 | 31.0 | 28.2 | 22.0 | 22.4 | 21.0 |
| Graduate degree | 24.7 | 29.5 | 31.0 | 31.5 | 30.6 | 25.9 | 28.1 | 26.4 |
| Marital status | | | | | | | | |
| Married | 14.9 | 17.4 | 20.3 | 24.1 | 22.9 | 20.1 | 20.4 | 19.5 |
| Widowed | 17.1 | 21.3 | 26.4 | 31.8 | 31.9 | 33.2 | 34.9 | 35.0 |
| Divorced or separated | 10.7 | 12.0 | 15.1 | 19.0 | 17.9 | 16.1 | 16.3 | 16.3 |
| Never married | 19.6 | 20.4 | 24.7 | 26.4 | 21.3 | 19.3 | 15.3 | 14.8 |
| Income Quintile | | | | | | | | |
| Lowest | 1.9 | 1.9 | 2.9 | 4.0 | 4.0 | 4.0 | 4.5 | 4.6 |
| Second | 4.3 | 6.9 | 9.9 | 15.1 | 13.5 | 13.6 | 15.5 | 15.4 |
| Middle | 20.9 | 28.0 | 32.2 | 35.3 | 33.9 | 35.0 | 34.4 | 30.4 |
| Fourth | 25.7 | 30.4 | 35.8 | 40.0 | 39.3 | 30.9 | 27.5 | 27.2 |
| Highest | 15.8 | 19.4 | 22.5 | 27.5 | 25.4 | 21.3 | 22.0 | 22.5 |

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006, and 2009 Current Population Surveys, March Supplements. For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

It is also worth noting that, although only 16.6 percent of persons ages 50–60 in 2008 were receiving annuity and/or pension income, those recipients had mean and median incomes that were greater than those received by persons over age 60 (Figures 3, 4, and 5). These data suggest that many persons who retired early may have done so because they were eligible for early retirement benefits and/or were able to purchase a sizable annuity, and therefore no longer needed to work for financial reasons. However, it is also likely that some persons ages 50–60 receiving retirement annuity and/or employment-based pension income were forced out of the labor force involuntarily—by disability or layoffs—and consequently had to settle for below-average pension incomes.

Industry Sector

While fewer individuals age 50 and over received pension income from a public-sector plan (7.7 percent) than from a private-sector plan (12.2 percent) in 2008, the average amount an individual received from a public-sector plan (\$24,147) was considerably larger than that received by a private-sector plan recipient (\$13,222) (Figures 3 and 5).

Figure 4
**Median Annual Income from Pensions and Annuities in Constant 2008 Dollars
for Those Over Age 50, by Various Characteristics, Selected Years, 1975–2008**

| Characteristics | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2008 |
|---|----------|---------|---------|---------|----------|----------|----------|----------|
| Total Age 50 & Over | \$ 9,605 | \$9,145 | \$9,028 | \$9,884 | \$10,172 | \$11,253 | \$12,131 | \$12,000 |
| Industry Sector | | | | | | | | |
| Private sector | 7,203 | 6,532 | 6,747 | 6,919 | 7,341 | 7,502 | 8,348 | 8,400 |
| Public sector | 15,607 | 15,677 | 15,607 | 15,607 | 17,106 | 18,004 | 19,844 | 19,200 |
| Age | | | | | | | | |
| Age 50–55 | 16,008 | 14,632 | 16,592 | 15,649 | 15,961 | 16,504 | 17,198 | 15,924 |
| Age 56–60 | 15,607 | 14,157 | 15,007 | 15,122 | 17,495 | 17,504 | 21,167 | 18,000 |
| Age 61–64 | 11,938 | 12,542 | 12,006 | 12,493 | 15,280 | 16,129 | 15,875 | 16,800 |
| Age 65–67 | 9,605 | 8,967 | 9,605 | 10,213 | 9,618 | 12,503 | 12,127 | 12,960 |
| Age 68–70 | 8,932 | 7,682 | 8,004 | 9,202 | 10,172 | 11,328 | 12,127 | 11,377 |
| Age 71–75 | 7,444 | 7,400 | 6,939 | 8,237 | 8,804 | 10,398 | 10,583 | 10,308 |
| Age 76–80 | 7,203 | 6,532 | 6,973 | 7,314 | 7,298 | 9,002 | 9,260 | 9,600 |
| Over age 80 | 7,171 | 6,574 | 6,055 | 6,589 | 6,781 | 7,502 | 8,837 | 9,000 |
| Over age 65 | 8,116 | 7,567 | 7,315 | 8,375 | 8,476 | 9,707 | 10,583 | 10,644 |
| Gender | | | | | | | | |
| Male | 11,045 | 11,445 | 11,828 | 13,098 | 13,562 | 15,004 | 15,875 | 15,106 |
| Female | 7,604 | 5,989 | 6,003 | 6,484 | 6,781 | 7,517 | 8,361 | 9,600 |
| Educational level | | | | | | | | |
| No high school diploma | 7,107 | 6,271 | 6,003 | 5,930 | 6,052 | 6,167 | 6,416 | 5,844 |
| High school diploma to associate's degree | 11,037 | 10,002 | 9,605 | 9,884 | 9,884 | 10,503 | 10,583 | 10,380 |
| Bachelor's degree | 16,808 | 14,760 | 15,627 | 17,672 | 16,326 | 17,944 | 19,844 | 19,200 |
| Graduate degree | 21,210 | 16,984 | 21,392 | 22,931 | 26,096 | 25,956 | 26,458 | 24,717 |
| Marital status | | | | | | | | |
| Married | 10,669 | 10,452 | 10,929 | 11,515 | 11,867 | 13,503 | 13,573 | 14,400 |
| Widowed | 7,147 | 6,271 | 6,003 | 6,451 | 6,781 | 7,502 | 8,136 | 8,400 |
| Divorced or separated | 9,184 | 7,839 | 9,356 | 9,884 | 10,172 | 11,403 | 13,163 | 12,000 |
| Never married | 11,838 | 9,406 | 10,325 | 11,070 | 10,463 | 12,503 | 14,552 | 13,800 |
| Income Quintile | | | | | | | | |
| Lowest | 2,401 | 3,094 | 1,961 | 2,155 | 2,475 | 3,001 | 2,765 | 2,820 |
| Second | 3,414 | 2,822 | 2,565 | 2,728 | 2,492 | 3,001 | 3,281 | 3,500 |
| Middle | 5,045 | 5,283 | 5,595 | 5,930 | 6,154 | 7,502 | 8,599 | 8,676 |
| Fourth | 12,006 | 12,322 | 12,510 | 13,837 | 14,037 | 16,939 | 19,844 | 19,000 |
| Highest | 22,259 | 23,135 | 23,291 | 25,039 | 28,522 | 31,508 | 33,073 | 33,620 |

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006, and 2009 Current Population Surveys, March Supplements. For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

Future Trends

Will today's workers have a steady income stream when they retire? This is an important policy question for government, employers, and employees alike. Current trends show future retirees may not have a steady income stream in retirement. Fewer employees are participating in a DB plan, which, in the past, almost always paid benefits in the form of an annuity upon retirement. In today's work place, an increasing number of DB plans are offering a lump-sum distribution option at retirement. Also, increasing numbers of employees are participating in a defined contribution (DC) plan, primarily a 401(k) plan. This trend has had a positive impact, in that many workers who previously had no retirement plan at all now at least have access to a tax-favored plan. However, DC plans are far less likely to offer an annuity option to retirees than are DB plans.

Figure 5
**Mean Annual Income from Pensions and Annuities in Constant 2008 Dollars for
 Population Over Age 50, by Various Characteristics, Selected Years, 1975–2008**

| Characteristics | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2008 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Total | | | | | | | | |
| Age 50 and over | \$14,060 | \$13,336 | \$13,700 | \$14,388 | \$15,447 | \$16,788 | \$17,538 | \$17,771 |
| Industry Sector | | | | | | | | |
| Private sector | 10,093 | 9,593 | 10,475 | 10,724 | 11,444 | 12,526 | 12,659 | 13,222 |
| Public sector | 20,429 | 19,283 | 19,693 | 18,827 | 21,202 | 22,212 | 24,062 | 24,147 |
| Age | | | | | | | | |
| Age 50–55 | 20,904 | 17,546 | 18,967 | 18,075 | 20,927 | 21,570 | 20,679 | 20,568 |
| Age 56–60 | 20,296 | 18,149 | 18,788 | 18,781 | 21,392 | 23,187 | 25,173 | 21,980 |
| Age 61–64 | 16,316 | 16,556 | 16,702 | 17,618 | 21,335 | 21,295 | 21,551 | 21,804 |
| Age 65–67 | 13,041 | 13,086 | 14,330 | 15,393 | 14,465 | 18,071 | 17,670 | 19,178 |
| Age 68–70 | 12,412 | 11,399 | 12,210 | 13,368 | 15,073 | 15,998 | 16,783 | 16,455 |
| Age 71–75 | 11,190 | 10,659 | 11,150 | 12,760 | 13,547 | 14,864 | 15,339 | 16,534 |
| Age 76–79 | 10,690 | 10,609 | 10,523 | 11,073 | 12,321 | 13,685 | 14,271 | 15,082 |
| Age 80 and over | 10,693 | 9,798 | 8,901 | 9,909 | 10,443 | 11,909 | 13,165 | 14,125 |
| Age 65 and over | 11,807 | 11,263 | 11,655 | 12,732 | 13,212 | 14,691 | 15,127 | 16,082 |
| Gender | | | | | | | | |
| Male | 15,989 | 15,924 | 16,448 | 17,704 | 18,862 | 20,361 | 20,882 | 21,155 |
| Female | 10,734 | 8,972 | 9,286 | 9,678 | 10,618 | 11,800 | 13,439 | 13,742 |
| Educational level | | | | | | | | |
| No high school diploma | 9,480 | 8,665 | 8,462 | 8,119 | 8,297 | 8,939 | 9,148 | 8,684 |
| High school diploma to associate's degree | 14,867 | 13,669 | 13,634 | 13,894 | 13,979 | 14,590 | 14,747 | 14,553 |
| Bachelor's degree | 21,985 | 21,435 | 21,641 | 22,609 | 22,795 | 24,420 | 23,814 | 24,294 |
| Graduate degree | 27,015 | 23,871 | 26,470 | 27,217 | 30,287 | 31,145 | 30,011 | 30,696 |
| Marital status | | | | | | | | |
| Married | 15,532 | 14,995 | 15,707 | 16,155 | 17,497 | 19,157 | 19,390 | 19,880 |
| Widowed | 10,520 | 9,322 | 8,943 | 10,068 | 10,473 | 11,668 | 12,674 | 12,972 |
| Divorced or separated | 12,939 | 11,796 | 13,296 | 13,966 | 14,346 | 16,028 | 17,212 | 16,822 |
| Never married | 14,641 | 13,459 | 14,029 | 15,342 | 18,353 | 17,409 | 20,428 | 19,232 |
| Income Quintile | | | | | | | | |
| Lowest | 3,437 | 3,289 | 2,868 | 2,908 | 3,050 | 3,417 | 3,348 | 3,539 |
| Second | 4,507 | 3,599 | 3,858 | 3,950 | 3,918 | 4,553 | 5,184 | 4,931 |
| Middle | 6,488 | 6,503 | 6,981 | 7,458 | 7,372 | 8,910 | 9,895 | 10,039 |
| Fourth | 13,824 | 13,499 | 14,013 | 14,883 | 15,481 | 18,201 | 20,567 | 19,843 |
| Highest | 27,457 | 27,174 | 28,279 | 29,586 | 32,859 | 36,593 | 36,503 | 36,646 |

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006, and 2009 Current Population Surveys, March Supplements. For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at www.ebri.org/pdf/publications/books/databook/DB_Chapter%2008.pdf

According to data from Hewitt Associates,⁴ in 2009 only 14 percent of surveyed employers that offered a 401(k) plan offered an annuity option to retirees, while 100 percent offered a lump-sum distribution option. Furthermore, according to the same Hewitt data, only 1 percent of retirees who were offered an annuity option in their 401(k) plan chose to take that option. Consequently, future retirees will likely be more reliant on assets they must manage themselves instead of receiving a stream of income for life (i.e., an annuity). For further research on future retirees' income, see EBRI Issue Brief, no. 263, "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," November 2003.

Endnotes

¹ The data in this article were tabulated from the March Current Population Surveys, published annually by the U.S. Census Bureau. Of all datasets reporting income of the older population, the March CPS allows the most detailed breakouts of individual incomes, allowing differences correlated with individual demographic characteristics such as age, gender, marital status, and education to be identified. However, there is some controversy surrounding the validity of the March CPS data in relation to its information about pension income and total income of the older population. For example, the 2008 National Income and Product Accounts (NIPA) survey reports more than \$313.6 billion more income from private pensions and \$155.3 billion more income from public pensions than the March CPS.

Part of this disparity arises from NIPA's accounting of lump-sum distributions paid to younger workers as pension income. In addition, because some pension plans are administered by third parties or are paid out in lump-sum distributions and managed by another party or by the retiree (e.g., in the form of an individual retirement account (IRA)), pension income may be misreported by respondents as coming from other sources (e.g., assets, personal savings). Nevertheless, although March CPS data may understate pension income, it does not necessarily follow that it underestimates total income of the elderly, especially if pension income is simply misreported as originating from other sources in the March CPS. However, the fact that NIPA reports \$70.6 billion more income from Old-Age, Survivors, and Disability Insurance (OASDI) than the March CPS suggests that the March CPS does not only underestimate pension income but may also underestimate total income received by the older population. The extent to which the March CPS underestimates total income or certain types of income is unknown because of the limitations in directly comparing the income of individuals using CPS with that of other datasets.

² The term employment-based pension income refers to income coming from employment-based retirement plans (both defined benefit and defined contribution plans, including 401(k) plans) sponsored by both private- and public-sector employers, whether received in the individual's own name or as a survivor, as well as any income from individual retirement accounts (IRAs). Annuities are added because of the prevalence of lump-sum distributions from employment-based plans that could have been a source of these annuities. A retiree may take some or all of the lump-sum distribution and purchase an annuity. Data on annuities and IRAs are included in an attempt to give a complete picture of income generated from employment-based retirement plans throughout an individual's working career. According to data published in the September 2008 *EBRI Notes* (Employee Benefit Research Institute, no. 9: pp. 1–9, www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=3978), rollovers from 401(k) and other types of DC plans account for the largest share of IRA asset growth aside from market gains.

³ The midpoint: 50 percent above and 50 percent below.

⁴ Hewitt Associates LLC, *Survey Findings: Trends and Experience in 401(k) Plans: 2009* (Lincolnshire, IL: Hewitt Associates LLC, 2009).

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