
Take it or Leave it? The Disposition of DC Accounts: Who Rolls Over into an IRA? Who Leaves Money in the Plan and Who Withdraws Cash? p. 10

AT A GLANCE

Trends in Health Coverage for Part-Time Workers, 1999–2012, By Paul Fronstin, Ph.D., EBRI

- The Patient Protection and Affordable Care Act of 2010 (PPACA) requires that employers with 50 or more full-time workers pay a penalty if they fail to provide health coverage to full-time workers in 2014. Although enforcement has been delayed by the Obama administration, it has raised concern that employers may respond by cutting back on health coverage for part-time workers or by increasing the proportion of part-time workers employed.

- The recent recession has already resulted in an increased use of part-time workers. However, since enactment of PPACA there has been a slight drop in the use of part-time workers.

- Part-time workers have experienced a much larger decline in coverage than full-time workers. While PPACA may affect whether part-time workers get coverage through their job, and employers may adjust the mix of full-time and part-time workers in the future, unemployment rates and the strength of the economy may play a larger role on workforce patterns than PPACA.

Take it or Leave it? The Disposition of DC Accounts: Who Rolls Over into an IRA? Who Leaves Money in the Plan and Who Withdraws Cash? by Sudipto Banerjee, Ph.D., EBRI

- A worker’s disposition of his or her DC retirement account balances at the point of separation from a previous employer is one of the most important decisions a DC plan participant faces, but there is very little documented evidence of what they decide to do with their assets. This study uses HRS data to analyze the disposition of DC accounts for a group of workers aged 50 or above.

- Leaving the money in the prior plan was the most common outcome for those who remain in the labor force after leaving a job. A decision to take a cash withdrawal of accumulated savings declined with higher account balances, higher incomes, existing ownership of an IRA account, and higher financial wealth. The decision to take a cash withdrawal also rose with debt levels.

- The decision to rollover those DC distributions to an IRA is the mirror image of the characteristics influencing cash withdrawals. Rollover decisions increased with higher account balances, higher incomes, previous ownership of an IRA account, and greater financial wealth. They also declined with higher debt.

By Paul Fronstin, Ph.D., Employee Benefit Research Institute

Introduction

The Patient Protection and Affordable Care Act of 2010 (PPACA) requires that employers with 50 or more full-time workers pay a penalty if they fail to provide health coverage to full-time workers in 2014. The Obama administration has subsequently indicated that it would delay enforcement of the terms of this “employer mandate.” PPACA defines a full-time employee as one who works 30 or more hours per week on average. As a result, there is concern that employers may respond by cutting back on health coverage for part-time workers or by increasing the proportion of part-time workers employed. Legislation has been introduced in Congress to re-define a full-time employee under PPACA as one who works at least 40 hours per week on average, although passage of it is estimated to increase federal spending and reduce the number of workers with coverage.

The percentage of workers employed part time had already been increasing prior to the passage of PPACA. Between 2006 and 2010, the percentage of workers employed fewer than 30 hours per week increased from 11.9 percent to 14.1 percent (Figure 1). Similarly, the percentage of workers employed 30–39 hours per week increased from 11.4 percent to 13.2 percent over the period. Since passage of PPACA, there has been a slight drop in the use of part-time workers. This may be due to the drop in the unemployment rate, which fell from 9.9 percent in March 2010 (the month PPACA was passed) to 7.9 percent by the end of 2012.

How PPACA affects part-time employment in the future may have more to do with unemployment rates and the strength of the economy than with PPACA per se. Since the end of 2012, the unemployment rate has fallen to 6.6 percent.

This report reviews recent trends in coverage for workers by hours worked and firm size. It examines data from the U.S. Census Bureau’s most recent Current Population Survey. It examines trends in coverage for workers employed full time, 30–39 hours, and fewer than 30 hours.

Availability of Health Coverage for Part-Time Workers

Overall, there were 20 million workers employed under 30 hours per week and 18.8 million employed 30–39 hours per week in 2012 (Figure 2). Among those employed fewer than 30 hours per week, 2.6 million (12.8 percent) had employment-based coverage from their own job. And among those employed between 30–39 hours per week, 6.3 million (33.6 percent) had employment-based coverage from their own job. In contrast, 60.5 percent of workers employed at least 40 hours per week had employment-based coverage from their own job.

Penalties for failing to provide coverage will apply only to employers with 50 or more full-time workers. Most of these employers already offer coverage: In 2013, 91 percent of employers with 50–199 workers offered coverage, and 99 percent of employers with 200 or more workers offered it (Figure 3).

However, not all employers offer coverage to part-time workers: In 2013, 25 percent of employers with three to 199 workers offered coverage to part-time workers, and 47 percent of employers with 200 or more workers offered it to part-time workers (Figure 4). Recently, the percentage of employers with 200 or more workers offering health benefits to part-time workers has been increasing. It increased from 39 percent in 2010 to 47 percent in 2013. There has been no clear trend toward or away from offering coverage to part-time workers among smaller employers. While the percentage of small employers offering health coverage to part-time workers declined from 30 percent to 15 percent between 2009 and 2011, it increased to 28 percent in 2012, and then fell slightly to 25 percent in 2013 (the same level as in 2010).
Figure 1
Distribution of Workers by Usual Hours Worked, Workers Ages 18–64, 1999–2012

Figure 2
Workers Ages 18–64 With Selected Sources of Health Insurance, by Usual Hours Worked, 2012


Note: Details may not add to totals because individuals may receive coverage from more than one source.
**Figure 3**

Percentage of Firms Offering Health Benefits, by Firm Size, 2013

![Bar chart showing the percentage of firms offering health benefits by firm size in 2013.](http://kaiserfamilyfoundation.files.wordpress.com/2013/08/8465-employer-health-benefits-20132.pdf)


**Figure 4**

Among Firms Offering Health Benefits, Percentage That Offer Health Benefits to Part-Time Workers, by Firm Size, 1999–2013

![Line chart showing the percentage of firms offering health benefits to part-time workers by firm size from 1999 to 2013.](http://kaiserfamilyfoundation.files.wordpress.com/2013/08/8465-employer-health-benefits-20132.pdf)

Worker Coverage by Hours Worked

Full-time workers are much more likely than part-time workers to have coverage from their own employer. In 2012, 60.5 percent of workers employed 40 or more hours per week had coverage from their own job, while 33.6 percent of workers employed 30–39 hours per week, and 12.8 percent of workers employed less than 30 hours per week, had such coverage (Figure 5). The percentage of workers with coverage through their own job has been trending downward since 2007 regardless of hours worked per week. However, in relative terms, part-time workers have experienced a much larger decline in coverage than full-time workers. Between 2007 and 2012, workers employed 40 or more hours per week experienced a 3 percent reduction in the likelihood of having coverage from their own job, while those employed 30–39 hours per week experienced a 12 percent decline, and those employed fewer than 30 hours per week experienced a 20 percent decline.

The likelihood that a worker employed fewer than 30 hours per week had employment-based coverage as a dependent fell substantially between 2000 and 2009. In 2009, 35 percent of these workers had dependent coverage, down from 46.7 percent in 2000 (Figure 6). During this time, the percentage of workers employed 30–39 hours with coverage as a dependent fell from 26.8 percent to 20.5 percent, while the percentage of workers employed 40 or more hours per week with coverage as a dependent was mostly constant except for a drop from 14.9 percent in 2003 to 13.4 percent in 2004. The decline among workers employed fewer than 40 hours per week may have been due to the fact that the marriage rate among them steadily fell. Among workers employed fewer than 30 hours per week, it fell from 49 percent to 40 percent between 1999, and 2012, and among those employed 30–39 hours per week, it fell from 51 percent to 45 percent. In contrast, it was nearly unchanged for workers employed 40 or more hours per week (data not shown).

As a result of the drop in dependent coverage, the proportion of workers employed fewer than 30 hours per week without any health insurance increased from 18.1 percent in 1999 to 26.8 percent in 2009, and has been steady since (Figure 7). The percentage of workers employed 30–39 hours per week without any health insurance increased from 19.9 percent to 28.1 percent between 2000 and 2011. The proportion of workers employed 40 or more hours per week without any health insurance increased from 14.1 percent to 16.8 percent between 1999 and 2009, and has been steady since.

Firm-Size Differences

Given that the penalty under PPACA for failing to provide coverage applies only to firms with at least 50 workers, larger firms may be more likely than smaller firms to drop coverage for part-time workers. However, a number of provisions in PPACA are expected to increase premiums for small employers as well, and they may respond by dropping coverage for part-time workers in order to control costs. The remainder of this section examines trends in coverage for workers by hours worked and firm size.

Whether employed by a small employer or large employer, workers employed 40 or more hours per week have seen very little change in the likelihood of having health coverage through their own job. Between 1999 and 2008, the percentage of these workers employed by a small firm with health coverage from their own job bounced around between 43.4 percent and 45.7 percent, with the decline in coverage occurring since 2008 (Figure 8). Similarly, the percentage of workers employed 40 or more hours per week by a large firm with health coverage from their own job ranged between 74.9 percent and 76.2 percent between 1999 and 2008, also with the decline in coverage occurring since 2008. The recent downward trend among workers employed 40 or more hours per week was 8 percent among workers in a small firm and 3 percent among workers in a large firm.

While the recent erosion in coverage for workers employed 40 or more hours per week was stronger in small firms than in large firms, the opposite was true for workers employed less than 30 hours per week. Between 2008 and
Figure 5
Percentage of Workers With Health Coverage Through Their Own Job, by Hours Worked, 1999–2012


Figure 6
Percentage of Workers With Health Coverage as a Dependent, by Hours Worked, 1999–2012

Figure 7
Percentage of Workers Without Any Health Coverage, by Hours Worked, 1999–2012


Figure 8
Percentage of Workers Employed 40 or More Hours, With Health Coverage Through Their Own Job, by Firm Size, 1999–2012

2012, workers employed fewer than 30 hours in a small firm experienced an 11 percent decline in coverage while those in a large firm experienced a 15 percent decline (Figure 9).

Among workers employed 30–39 hours per week, both those who worked for a large employer and those who worked for a small employer experienced a 9 percent decline in coverage between 2008 and 2012. Overall, those employed by a large firm were slightly more than twice as likely as those employed by a small firm to have coverage through their own job. In 2012, 45.1 percent of these workers employed by a large employer had coverage through their own job compared with 20.5 percent among workers employed by a small employer (Figure 10).

**Conclusion**

There is a concern that, as a result of PPACA, part-time workers will be less likely to have access to employment-based health coverage in the future and employers may increase employment of part-time workers at the expense of full-time workers. The recent recession resulted in an increased use of part-time workers, but since 2010 the percentage of workers employed less than 40 hours per week has declined slightly. At the same time, while both full-time and part-time workers have experienced drops in coverage, part-time workers have been affected disproportionately.

While PPACA may affect whether part-time workers get coverage through their job, and employers may adjust the mix of full-time and part-time workers in the future, unemployment rates and the strength of the economy may play a larger role on workforce patterns than PPACA.

**Endnotes**

1 See [https://www.govtrack.us/congress/bills/113/hr2575](https://www.govtrack.us/congress/bills/113/hr2575) and [https://www.govtrack.us/congress/bills/113/s701](https://www.govtrack.us/congress/bills/113/s701)

2 See [http://www.cbo.gov/sites/default/files/cbofiles/attachments/hr2575.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/hr2575.pdf)

3 See [http://data.bls.gov/timeseries/LNS14000000](http://data.bls.gov/timeseries/LNS14000000)
Figure 9
Percentage of Workers Employed Fewer Than 30 Hours, With Health Coverage Through Their Own Job, by Firm Size, 1999–2012


Figure 10
Percentage of Workers Employed 30–39 Hours, With Health Coverage Through Their Own Job, by Firm Size, 1999–2012

Take it or Leave it? The Disposition of DC Accounts: Who Rolls Over into an IRA? Who Leaves Money in the Plan and Who Withdraws Cash?

By Sudipto Banerjee, Ph.D., Employee Benefit Research Institute

Introduction

It is well known that the private retirement asset landscape in the United States has shifted from an emphasis on defined benefit (DB) (pension) plans, to one where defined contribution (DC) plan designs (primarily the 401(k)) dominate (Olsen and VanDerhei, 1997; Poterba, Venti, and Wise, 2007). Along with this shift, individual workers now carry a greater responsibility for managing their retirement savings. This in turn requires making more informed decisions which could dramatically affect their retirement security.

One of the most important decisions that workers with DC plans face is what to do with the money in their defined contribution account when they switch jobs or retire. A poor decision—for example, withdrawing the money prior to age 59½, which results in a 10 percent penalty in addition to income tax on that distribution—could reduce their retirement assets significantly. Individual retirement accounts (IRAs) may offer a larger set of investment alternatives than individual workplace retirement plans, but may also bring with them higher investment and/or administrative costs. Consequently, it is of great importance that people make these decisions wisely.

As shown later in this report, the most common outcomes among those still in the labor force are to leave it in the previous employer’s plan, roll it over into an IRA, or withdraw the money. The most common outcomes among those who retired are to start receiving benefits, roll over the assets to an IRA, or leave it in the former employer’s plan. Less popular options are to take installment/irregular withdrawals, purchase an annuity, or roll it over to their new employer’s plan (if the employer offers one, and if that plan allows for rollovers), or perhaps some combination of these.

Although the disposition of accounts is an important part of the DC system, the literature on this subject is relatively small (Copeland 2013, 2009, 2006; Sabelhaus, Bogdan and Holden, 2008). This study documents the outcome of DC plans using a nationally representative survey (described below) and analyzing how the disposition decisions correlate with a number of demographic and financial variables. The goal is to provide insight for plan administrators, investment managers, and policy makers to help plan participants make better decisions.

Data

The data for this analysis come from the Health and Retirement Study (HRS), a study of a nationally representative sample of U.S. households with individuals age 50 and over. It is a biennial longitudinal survey with waves in even-numbered years, beginning in 1992. Data from 2008 and 2010 were used for this study, combined and used as a single cross-section. In both years, HRS had asked the following question: “When you retired/left the employer, what did you do with the plan?”

a) Withdrew the money/received cash settlement/lump sum.

b) Rolled over into IRA.

c) Left in the plan.

d) Converted to/purchased annuity.

e) Transferred to new employer.
f) Lost benefits.

  g) Received/receiving installments/took irregular payments.

  h) Receiving benefits now.

In 2010, an additional option was added, “expecting future benefits,” and 2.5 percent of respondents chose this option. For comparison, they were grouped with the “left-in-plan” category. There were 654 responses in 2008 and 726 responses in 2010, resulting in a total sample size of 1,380. HRS-provided individual sample weights were used for the analysis.

**Annual Results**

Figure 1 shows the distribution of these outcomes across the two years. Because the survey focused on individuals age 50 and over, it is not surprising that a large percentage of this sample of respondents reported receiving benefits from their plans. (Later results (Figure 12) are shown separately for those who retired from their jobs versus those who remained in the labor force.) Among other alternatives, leaving money in the plan was the most common option, cited by 27.4 percent of respondents in 2010. An IRA rollover was the next-most common option cited (24.9 percent) by 2010 survey respondents. Withdrawals accounted for 15.6 percent and 17.5 percent of all outcomes in 2008 and 2010, respectively (Figures 1 and 1A).

**By Account Balance**

Figure 2 shows how the disposition of DC accounts varied by the amount left in the plan (in 2010 dollars) at the time of separation from the employer. For a large part of the sample (623 observations), the account balance was unknown, and the majority of this group was receiving benefits, but still there were some clear trends. First, the percentage of workers cashing out decreased as the account balance increased. For accounts with a balance of less than $5,000, the cash-out rate was 46.1 percent, compared with 9.6 percent for accounts with a balance of $100,000 or higher. On the other hand, the choice to roll over to an IRA increased steadily with account balance: Only 13.7 percent of those with an account balance of less than $5,000 rolled over their assets to an IRA, compared with 47.0 percent of those with an account balance of $100,000 or higher. However, there was little difference between the percentage of workers who left their assets in the plan by account balance (between 31.2 percent and 32.0 percent) for account balances lower than $100,000, compared with 25.4 percent for accounts with balances higher than $100,000.

**By Income**

Figure 3 shows the distribution of DC account disposition by wage income (in 2010 dollars) at the time of separation from the employer. There were some trends similar to those illustrated in Figure 2. First, cash outs decreased with income: For example, 30.5 percent of those with annual wage income less than $25,000 cashed out, compared with 9.8 percent of those with wage income over $75,000. Second, IRA rollovers increased with income: 18 percent with annual wage income less than $25,000 rolled over their assets to an IRA, while 29.7 percent with wage income of $75,000 or above did so. Third, the decision to leave money in the current plan did not vary significantly with income: For the three income groups below $75,000, the percentage of respondents who left money in the plan ranged between 27.1 percent and 26.4 percent, but for individuals with income above $75,000 this decreased to 20.6 percent.

**By Ownership of an Existing IRA**

It might be expected that those who already own an IRA should find it easier, or are more likely, to roll over their DC account balance to an IRA. Figure 4 shows that was, indeed, the case: Of those already owning an IRA, 33.7 percent rolled over their DC balance into an IRA, compared with 19.3 percent of those who did not already own.
Figure 1
Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Year

Withdrew the Money, 17.5%
Rolled Over into IRA, 24.9%
Left in Plan, 27.4%
Converted to/Purchased Annuity, 1.2%
Transferred to New Employer, 0.5%
Lost Benefits, 0.9%
Receiving Installments/Received Irregular Payments, 1.6%
Receiving Benefits Now, 33.3%

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.

Figure 1A
Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, 2010

Withdrew the Money, 17.5%
Rolled Over into IRA, 24.9%
Left in Plan, 27.4%
Converted to/Purchased Annuity, 1.2%
Transferred to New Employer, 0.5%
Lost Benefits, 0.9%
Receiving Installments/Received Irregular Payments, 1.6%
Receiving Benefits Now, 26.1%

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.
an IRA. Also, IRA owners were much less likely to cash out, as 21.4 percent of those without an existing IRA cashed out, compared with 7.2 percent of IRA owners.

The difference between IRA owners (27.1 percent) and those with no existing IRA (24.8 percent) in terms of the choice to leave the money in the plan was small. So, for the group that left the money in the current plan, neither income, account balance, or already owning an IRA appeared to influence that decision. This indicates behavioral factors rather than financial factors could be driving some of these decisions, though it might also be a non-decision—a simple case of inertia, leaving the money where it already is, rather than making an affirmative choice, or deferring any decision until they need the money.

**Does Account Balance Matter for IRA Holders and Those With No IRA?**

Figure 5 shows how these outcomes varied across different account balance groups for IRA owners and those who didn’t have IRAs at the time of the DC plan asset distribution. Account balance certainly made a difference: For example, among those with no IRA and account balances of less than $5,000 or those between $5,000–$25,000, 49.7 percent and 51.0 percent, respectively, cashed out. In comparison, 17.9 percent and 14.7 percent of those with no IRA and account balances greater than or equal to $25,000 and less than $100,000 and those greater than $100,000, respectively, cashed out. On the other hand, within the same account-balance groups, having an IRA at the point of distribution significantly increased the chances of an IRA rollover. For example, for the smallest account balance category (less than $5,000), only 9.7 percent of those without an existing IRA rolled the money over to an IRA, which is a third of the 30.7 percent of those who already had an IRA.
Withdrew the Money
Rolled Over to an IRA
Left in the Plan
Converted to/Purchased Annuity
Transferred to New Employer
Lost Benefits
Receiving Installments/Took Irregular Payments
Receiving Benefits Now

<25,000 30.5% 18.0% 27.1% 0.3% 1.0% 0.8% 22.2%
>=25,000 & <50,000 20.9% 25.2% 26.9% 0.5% 1.4% 0.2% 1.4% 23.6%
>=50,000 & <75,000 11.3% 19.1% 26.4% 1.9% 0.6% 1.6% 3.1% 36.0%
>=75,000 9.8% 29.7% 20.6% 1.7% 0.8% 0.4% 1.4% 37.1%
Unknown 11.1% 26.8% 26.9% 2.1% 0.8% 1.9% 2.6% 27.9%

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.

Withdrew the Money
Rolled Over to an IRA
Left in the Plan
Converted to/Purchased Annuity
Transferred to New Employer
Lost Benefits
Receiving Installments/Took Irregular Payments
Receiving Benefits Now

Already Had an IRA
Had No IRA Previously

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.
### Figure 5

#### Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Existing IRA and Account Balance (2010$)

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<td>6.1%</td>
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<td>35.47</td>
<td>42.33</td>
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Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

* Defined contribution.

### Figure 6

#### Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Existing IRA and Wage Income (2010 $s)

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<td>33.6%</td>
<td>25.8%</td>
<td>13.0%</td>
<td>13.4%</td>
<td>16.8%</td>
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<td>Rolled over to an IRA</td>
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<td>19.24</td>
<td>23.32</td>
<td>22.47</td>
<td>13.14</td>
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<td>26.64</td>
<td>27.79</td>
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<td>0.55</td>
<td>1.73</td>
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<td>Transferred to New Employer</td>
<td>2.03</td>
<td>0.89</td>
<td>1.01</td>
<td>0.54</td>
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<tr>
<td>Lost Benefits</td>
<td>0.72</td>
<td>0.29</td>
<td>1.92</td>
<td>0.99</td>
<td>3.28</td>
</tr>
<tr>
<td>Receiving Installments/Took Irregular Payments</td>
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<td>1.53</td>
<td>1.00</td>
<td>3.66</td>
<td>4.22</td>
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<tr>
<td>Receiving Benefits Now</td>
<td>20.73</td>
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<td>35.47</td>
<td>42.33</td>
<td>30.41</td>
</tr>
<tr>
<td><strong>Had IRA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrew the Money</td>
<td>33.6%</td>
<td>25.8%</td>
<td>13.0%</td>
<td>13.4%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Rolled over to an IRA</td>
<td>18.74</td>
<td>19.24</td>
<td>23.32</td>
<td>22.47</td>
<td>13.14</td>
</tr>
<tr>
<td>Left in the Plan</td>
<td>25.03</td>
<td>26.64</td>
<td>27.79</td>
<td>20.51</td>
<td>22.52</td>
</tr>
<tr>
<td>Converted to/Purchased Annuity</td>
<td>0.38</td>
<td>0.55</td>
<td>1.73</td>
<td>0.24</td>
<td>3.65</td>
</tr>
<tr>
<td>Transferred to New Employer</td>
<td>2.03</td>
<td>0.89</td>
<td>1.01</td>
<td>0.54</td>
<td>1.91</td>
</tr>
<tr>
<td>Lost Benefits</td>
<td>0.72</td>
<td>0.29</td>
<td>1.92</td>
<td>0.99</td>
<td>3.28</td>
</tr>
<tr>
<td>Receiving Installments/Took Irregular Payments</td>
<td>0.85</td>
<td>1.53</td>
<td>1.00</td>
<td>3.66</td>
<td>4.22</td>
</tr>
<tr>
<td>Receiving Benefits Now</td>
<td>20.73</td>
<td>23.96</td>
<td>35.47</td>
<td>42.33</td>
<td>30.41</td>
</tr>
</tbody>
</table>

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

* Defined contribution.
Does Income Matter for IRA Owners and Those With No IRA?
Figure 6 shows the differences in DC plan distribution outcomes across different wage income groups and among those who did or did not have an existing IRA. As with account balance (Figure 5), income also appeared to make a significant difference in terms of some of the most common outcomes. For example, among those with no IRA, 33.6 percent for those with income less than $25,000 and 25.8 percent among those with income equal to or above $25,000 but less than $50,000 cashed out. For the two higher-income groups (between $50,000–$75,000 and greater than or equal to $75,000), the comparable numbers were 13.0 percent and 13.4 percent, respectively. Also, within income groups, there were some notable differences between those who did and did not own an IRA. For example, for the highest-income group ($75,000 or above), 38.3 percent of those with an existing IRA rolled over their money to an IRA, in contrast to the 22.5 percent of those who did not have an existing IRA.

The Influence of Debt Levels
Figure 7 shows how the decisions varied by the level of debt (credit card balances, medical debts, life insurance policy loans, loans from relatives, etc.) held by the household. There were two general trends: First, cash outs increased with debt. For example, 12.4 percent of respondents with no debt had cashed out, while 27.3 percent of those with debt between $3,000–$10,000 did so, as did 23.8 percent of those with debt of $10,000 or higher. Second, IRA rollovers decreased as debt levels increased: 27.7 percent of those with no debt decided to roll over their DC account balance to an IRA at the time of job separation, compared with 11.4 percent of those with debt of $10,000 or more. There was no clear trend with regard to money left in the plan by debt levels.

Wealth Effects
Considering the impact of non-housing assets (excluding IRA assets) on the decision with regard to DC accounts, Figure 8 shows how the decisions varied with the level of financial assets (in 2010 dollars). The trends were similar to other financial variables. First, the tendency to cash out declined steadily with financial wealth. For example, 32.1 percent of those with zero or negative financial wealth cashed out their DC account balance, but only 8.7 percent of those with financial wealth of $80,000 or more did so. Second, the tendency to roll over to an IRA increased steadily with financial wealth. While 14.8 percent of those with zero or negative financial wealth chose to roll over their balance, 30.5 percent of those with financial wealth of $80,000 or more chose to do so. The percentage of respondents leaving money in the plan did not vary much by financial wealth.

Demographic Factors
Gender
Figure 9 shows there was very little difference between men and women in the distribution of DC account outcomes. For both men and women, receiving benefits was the most common choice (31.1 percent for men and 27.1 percent for women), and an almost identical proportion of men and women left the money in the plan (25.8 percent and 25.3 percent for men and women, respectively). Cash outs and IRA rollovers were slightly higher among women than men.

Marital Status
Previous research has shown that married people are generally in a better financial position and better prepared for retirement than singles. Figure 10 shows the DC account outcomes for singles and individuals married or living with a partner, and while married/partnered people had lower cash out rates and higher IRA rollover rates than singles, the differences were small. Roughly 1 in 5 (19.8 percent) singles had cashed out their DC account balance, compared with 15.3 percent of respondents living in couple households, and IRA rollover rates for singles and married/partnered were 22.9 percent and 24.6 percent, respectively. There was almost no difference in the percentage of respondents opting to leave their DC account in their current plans: 25.8 percent for singles compared with 25.5 percent for married/partnered.
Withdrew the Money
Rolled Over to an IRA
Left in the Plan
Converted to/Purchased Annuity
Transferred to New Employer
Lost Benefits
Receiving Instalments/Took Irregular Payments
Receiving Benefits Now

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.
Figure 9
Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Gender

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.

Figure 10
Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Marital Status

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.
Does Marital Status Within an Income Group Make Any Difference?

While there are some differences observed across marital status groups (singles versus individuals married or living with a partner) within particular income groups, it is hard to see a trend here. Figure 11 shows these differences. In the lowest-income group (less than $25,000), married/partnered were less likely (12.4 percent) than singles (29.5 percent) to roll over to an IRA, but in the highest-income group this pattern reversed (19.9 percent and 32.5 percent for singles and married/partnered, respectively). In the lowest-income group, married/partnered were more likely (33.6 percent) to leave the money in the plan than singles (14 percent), which again reversed for the highest-income group (36.7 percent and 16 percent for singles and married/partnered, respectively).

How Retirees Reacted

The final demographic factor considered for this analysis is labor force status, or, more precisely, how the respondents’ decision changed if he/she retired rather than remained active in the labor force after leaving their current employment. Figure 12 shows the differences in DC plan outcomes: Retirees were less likely to cash out, to roll it over to an IRA, or to leave it in the plan. But as expected, they were much more likely to receive benefits from these plans. Among those who continued to be in the labor force, leaving money in the plan was the most common outcome. More than 1 in 3 (34.8 percent) of those who still remained in the labor force left their money in the plan, compared with 27.0 percent who rolled over their money to an IRA and 18.4 percent who cashed out.  

Conclusion

A worker’s disposition of his or her DC retirement account balances at the point of separation from a previous employer is one of the most important decisions a DC plan participant faces. Although this decision has important implications for the retirement security of workers, the amount of documented evidence on this subject is relatively small (Copeland 2006, 2009, 2013; Sabelhaus, Bogdan and Holden, 2008). This study uses HRS data to analyze the use of DC accounts for a group of workers age 50 or above, and finds a number of notable results and trends.

- First, leaving the money in the prior plan was the most common outcome for those who remain in the labor force after leaving a job.

- Second, a decision to take cash out of accumulated savings declined with higher account balances, higher incomes, existing ownership of an IRA, and higher financial wealth. The decision to cash out also rose with debt levels.

- Third, the decision to roll over those DC distributions to an IRA is the mirror image of the characteristics influencing cash withdrawals. Rollover decisions increased with higher account balances, higher income, previous ownership of an IRA account, and greater financial wealth. They also declined with higher debt.

There is, however, no clear trend with respect to the above-mentioned financial variables and the decision to leave those DC balances in the prior employer plans. This suggests that there may be behavioral factors, such as inertia, driving what might be seen as a “non-decision.” It may also be the case that people are deferring the decision until they need the money.

In terms of demographic characteristics, no significant difference was found between men and women in terms of their DC account outcome choices. Married or partnered individuals were less likely to withdraw their assets and more likely to roll them over into an IRA than singles, but the differences were small.
Figure 11
Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Wage Income (2010 $s) and Marital Status

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Single</th>
<th>Married or Partnered</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>=25,000 &amp; &lt;50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>=50,000 &amp; &lt;75,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>=75,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Withdrew the Money 32.6% 29.5% 25.0% 18.6% 12.0% 11.2% 9.5% 14.7% 9.8%
Rolled over to an IRA 29.49 12.38 21.88 27.12 24.18 16.95 19.89 29.09
Left in the Plan 14.02 33.63 24.27 28.33 29.50 25.17 36.69 16.01 24.28
Converted to/purchased annuity 0.50 0.91 0.21 1.45 2.05 2.12 5.07 1.11
Transferred to new employer 0.98 1.62 0.88 1.00 1.06
Lost benefits 1.26 0.91 0.42 0.07 2.31 5.37 0.72
Receiving installments/irregular payments 1.11 0.63 1.77 4.41 0.46 2.33 2.64
Receiving benefits now 22.60 22.01 25.96 22.27 35.33 36.21 32.25 38.47 28.28 27.83

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.

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Figure 12
Distribution of DC* Plan Asset Disposition When Respondents Retired/Left Employer, by Labor Force Status

Still in labor force Retired from last job

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
* Defined contribution.
References


• “Retirement Plan Participation and Retirees’ Perception of Their Standard of Living.” *EBRI Issue Brief*, no. 289 (Employee Benefit Research Institute, January 2006).


Notes
1 For those who left their assets in the plan, individuals could later roll over to an IRA or withdraw the funds. The results here are only for actions taken at the time of the job change.

2 Debt information is collected biennially, so it is not possible to observe the level of debt for respondents who changed jobs between survey years. For such cases, the average household debt from the adjoining survey years was used.

3 Like debt, financial wealth information is also collected biennially. The last observed level of financial wealth (before the respondent made the DC plan decision) is used here.

4 Copeland (2013) reported that between 2010 and 2012, among workers age 21 and older, 21.9 percent cashed out their account balances at the time of job separation. For those between 51–60, 61–64, and 65 or older, the numbers were 17.0 percent, 5.4 percent, and 5.5 percent, respectively.
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