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New Research from EBRI:

More Than One Retirement Plan Type? Chances are You Hold More Stocks

WASHINGTON—People who own more than one type of retirement plan are more likely to invest a higher percentage in equities (stocks) than those who don't, according to new research by the nonpartisan Employee Benefit Research Institute (EBRI).

Using data from the Federal Reserve, EBRI looked at investment differences by the type of retirement plan a person owns. Among the key findings:

- Those who own an individual retirement account (IRA) are more likely to be invested all in stocks if they also have a 401(k)-type of plan. Those who participate in both a defined benefit (DB) pension plan and a 401(k)-type plan were less likely to allocate the latter to all interest-earning assets, such as bonds, meaning they also will invest more in stocks.
- As family-head IRA owners' ages increased, the likelihood that they were invested all in stocks decreased.
- As the educational attainment of family head increased, the likelihood that IRA participants were invested all in interest-earning assets decreased.
- If the family head had more than 75 percent of the assets in his or her 401(k)-type plan and the IRA assets included rollover assets, the investment in the IRA was more likely to have a higher stock allocation.
- However, for family heads with a relatively low (25 percent or less) investment in stocks in their 401(k)-type plan, the presence of a rollover also led to a higher likelihood of their IRA being invested more in stocks than was the case when there was no rollover.
- Higher income and net worth were correlated with more investment in stocks.

“Due to the increased participation in defined contribution retirement plans like the 401(k), the manner in which participants allocate assets within these plans could have a significant effect upon the financial resources they ultimately will have available in retirement,” said Craig Copeland, EBRI research associate and author of the study.

EBRI also found that the likelihood of a working family head participating in a retirement plan increased with the size of his or her employer. In 2010, among family heads working for employers with 10–19 employees, 22.4 percent participated in a plan, compared with 67.2 percent of family heads who worked for employers with 500 or more employees.

The data also show that in 2010, 18.9 percent of family heads who participated in an employment-based retirement plan had a DB plan only, while 65.0 percent had a defined contribution (DC) plan only, and the remaining 16.1 percent had both a DB and a DC plan. This was a significant change from 1992, when 42.3 percent had a DB plan only, and 40.8 percent had a DC plan only.

The full article is published in April *EBRI Notes*, “Retirement Plan Participation and Asset Allocation, 2010,” available at www.ebri.org

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