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New Research from EBRI:

Ongoing Contributions and Market Gains Lifted Most 401(k) Balances Well Above Pre-Crisis Levels

Consistent Participants Weathered Bear Market

WASHINGTON—The average 401(k) account balance for participants consistently participating in their 401(k) plans for the four years from 2007 through 2011 was up 23.5 percent at year-end 2011 compared with year-end 2007, despite the sharp decline caused by the bear market in 2008, according to a report released today by the nonpartisan Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI).

Savers Stayed the Course and Rebounded

The study, "401(k) Participants in the Wake of the Financial Crisis: Changes in Account Balances, 2007–2011," analyzes a consistent group of 401(k) participants' accounts over the four-year period from year-end 2007 to year-end 2011, drawn from the EBRI/ICI 401(k) database, the most comprehensive database of 401(k) participant accounts. The data show these participants generally stewarded their accounts through the financial crisis, accumulating account balances that were well above 2007 levels by year-end 2011.

The full report is being published simultaneously in the October *EBRI Issue Brief* and *ICI Perspectives,* online at www.ebri.org and www.ici.org

"The data confirm that, even through tough economic times, the discipline of 401(k) plans—staying the course by investing and continuing contributions—served savers well," said Paul Schott Stevens, ICI president and CEO. "Dollar-cost averaging and putting away money paycheck by paycheck have made a big difference in the bottom line for these savers."

The sharp decline in stock prices during 2008 reduced these participants' overall average balance by 34.8 percent from 2007 to 2008. Growth in the average account balance from 2008 to 2011 overcame that decline, the data show. The growth reflects the net effect of three factors: ongoing contributions (by workers and employers), investment gains and losses, and loan or withdrawal activity.

"Analysis of a consistent group of 2007–2011 401(k) participants highlights the impact of consistent participation in 401(k) plans," noted Dallas Salisbury, EBRI president and CEO. "At year-end 2011, the average account balance among consistent participants was 60 percent higher than the average account balance among all participants in the EBRI/ICI 401(k) database, and the consistent group's median balance was about two and a half times the median balance across all participants at year-end 2011."

Consistent Participant Analysis: 5.4 Percent Average Annual Growth in Account Balance

Though the average 401(k) account balance fluctuated with stock market performance between 2007 and 2011, for consistent participants in the database it showed an average annual growth rate of 5.4 percent, reaching $94,482 at year-end 2011—up from $76,534 at year-end 2007. By way of comparison, between year-end 2007 and year-end 2011, the Standard & Poor's 500 Total Return Index (which measures the large-cap segment of U.S. equities) was down 1.6 percent on average per year and the Russell 2000 Index (which measures the small-cap segment) had a compound average annual growth rate of 0.6 percent.

Contributions by Younger Workers Boost Account Growth
Younger participants or those with smaller initial balances experienced higher percentage growth in account balances compared with older participants or those with larger initial balances. The percentage change in average account balance of consistent participants in their twenties was heavily influenced by the relative size of their contributions to their account balances and increased at a compound average rate of 41.0 percent per year between year-end 2007 and year-end 2011.

About the EBRI/ICI Database
The EBRI/ICI database is the largest of its kind, with records on 24.0 million participants at year-end 2011, including 8.6 million consistent participants—those who have had 401(k) accounts with the same 401(k) plan each year from year-end 2007 through year-end 2011.

EBRI and ICI plan to release the comprehensive year-end 2012 EBRI/ICI 401(k) update later this year.

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or www.asec.org

The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $15.2 trillion and serve more than 90 million shareholders.

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