

For Immediate Release

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EBRI Finds Auto Portability Preserves Retirement Savings

Washington, D.C. – August 15, 2019 — A new Employee Benefit Research Institute study addresses the potential benefits of using auto portability for handling 401(k) accounts upon termination of employment. “The Impact of Auto Portability on Preserving Retirement Savings Currently Lost to 401(k) Cashout Leakage” examines automatically taking a participant’s account from a former employer’s retirement plan and combining it with their active account in a new employer’s plan. This would help keep the defined contribution (DC) assets in the retirement system and — in theory — reduce leakage from cashouts upon employment termination. Cashouts are the most significant form of leakage from DC plans, especially among workers with low plan balances.

Using EBRI’s Retirement Security Projection Model,[®] the study projects that auto portability would produce significant decreases in retirement deficits for specific demographic segments, ranging from 13 percent for single females to 29 percent for married households where the female dies first. For households with 21–30 years of future eligibility, the decreases range from 21 percent for single females to 38 percent for married households where the female dies first.

As a stand-alone policy initiative, EBRI projects that the present value of additional accumulations over 40 years resulting from “partial” auto portability, which would be applied to accounts with participant balances less than \$5,000, would be \$1,509 billion. The value would be \$1,987 billion under “full” auto portability, which would apply to all accounts regardless of the size of a participant balance. Under partial auto portability, those currently 25–34 are projected to have an additional \$659 billion in retirement funds, increasing to \$847 billion for full auto portability.

“When considered in tandem with other legislative initiatives that expand workplace access to retirement plans, we found that the addition of auto portability with auto-IRAs resulted in an aggregate reduction in the Retirement Savings Shortfall by an incremental \$293 billion, for a total reduction of \$697 billion or 18.2 percent of the current deficit,” said Jack VanDerhei, EBRI director of research and author of the study. “While policies that expand retirement plan coverage can significantly impact aggregate savings shortfalls, our analysis further suggests that an auto portability initiative that reduces plan leakage can materially augment such efforts.”

The study, “The Impact of Auto Portability on Preserving Retirement Savings Currently Lost to 401(k) Cashout Leakage,” is available at www.ebri.org.

About EBRI

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and financial 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, who include a broad range of public, private, for-profit and nonprofit organizations. For more information visit www.ebri.org.