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New Research from EBRI:
Consistent 401(k) Participation Leads to Higher Account Balances

WASHINGTON—The average 401(k) account balance of workers who participated consistently in a 401(k) plan from year-end 2007 to year-end 2013 increased significantly between 2012 and 2013, according to an updated annual study by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) released today.

The study, “What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Account Balances, 2007–2013,” finds that average account balances increased in 2013 for consistent participants in all age cohorts. The increase in account balances reflects several factors, including employer and worker contributions, investment returns, withdrawals, and loans.

Consistent Group Permits Meaningful Analysis of Potential for Accumulation of Assets

The new study looks at the accounts of about 4.2 million “consistent participants”—those who remained active in the same 401(k) plan for the six-year period covering year-end 2007 to year-end 2013—among the 26.4 million participant accounts in the entire EBRI/ICI 401(k) database at year-end 2013. While the separate, annual update report on the EBRI/ICI 401(k) database is based on large cross sections of 401(k) plan participants with a wide range of tenure and participation experience, focusing on accounts that
remain in the database for an extended period allows for a more meaningful analysis of the potential for 401(k) participants to accumulate retirement assets over time.

Key findings of the EBRI/ICI analysis of consistent 401(k) participants:

- Overall, the average account balance of the consistent participants increased at a compound annual average growth rate of 10.9 percent from 2007 to 2013, to $148,399 at year-end 2013. That level, reflecting the higher age and tenure of the consistent group as well as the extended period of ongoing participation, was more than twice the average account balance of $72,383 among participants in the entire EBRI/ICI 401(k) database.

- More than 2 in 5 401(k) participants in the consistent group had more than $100,000 in their 401(k) accounts at their current employers, with nearly a quarter having more than $200,000.

- In contrast, in the broader EBRI/ICI 401(k) database, about 1 in 5 401(k) savers had accounts with more than $100,000, with 1 in 10 having more than $200,000.

- The median 401(k) account balance for consistent participants increased at a compound annual average growth rate of 15.8 percent over the period, to $75,359 at year-end 2013. That level was more than four times the median account balance of $18,433 for participants in the entire EBRI/ICI 401(k) database.

**401(k) Participants Tend to Concentrate Their Accounts in Equity Securities**

Consistent participants in 401(k) plans, on average, held two-thirds of their 401(k) assets in equities, through equity funds, the equity portion of target date and non–target date balanced funds, or company stock. That’s similar to the asset allocation of the 26.4 million participants in the entire EBRI/ICI 401(k) database.

The full analysis is being published simultaneously in the September 2015 issues of *EBRI Issue Brief* and *ICI Research Perspective*.

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