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EMBARGOED FOR RELEASE: 2:00 p.m. ET, Monday, Nov. 22, 2010
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EBRI/ICI 401(k) Database Update:

AVERAGE 401(k) ACCOUNT BALANCE AMONG CONSISTENT PARTICIPANTS ROSE NEARLY 32 PERCENT IN 2009

Loan Activity Also Increased in 2009

WASHINGTON, DC—The average 401(k) retirement account balance rose 31.9 percent in 2009, according to a report released today by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) analyzing a group of consistent participants. The rise in 2009 was in line with the 2003–2007 pattern of steady increase in account balances and in contrast to the 27.8 percent decline in 2008.

The EBRI/ICI report, *401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009*, is based on the largest database of its kind, with records on 20.7 million participants at year-end 2009, including 4.3 million consistent participants—those who have had 401(k) accounts with the same 401(k) plan each year from year-end 2003 through year-end 2009.

"Looking at consistent participants provides insights into the powerful impact of ongoing participation in 401(k) plans," said Sarah Holden, ICI senior director of retirement and investor research. "Retirement savers, by continuing to invest paycheck-by-paycheck, saw the benefits of being in the market in 2009, as stock values generally climbed during the year."

Consistent Participant Analysis: 10.5 Percent Average Annual Growth in Account Balance

Though the average 401(k) account balance fluctuated with stock market performance, between 2003 and 2009 for consistent participants in the database it showed an average annual growth rate of 10.5 percent, reaching $109,723 at year-end 2009 – up from $61,106 at year-end 2003. The changes in 401(k) participant account balances reflect ongoing worker contributions, employer contributions, investment gains and losses, and loan or withdrawal activity, which also impact the 31.9 percent increase in the average account balance in 2009. By way of comparison, in 2009, the Standard & Poor's 500 stock index rose 26.5 percent, while the Russell 2000 index (measuring the small-cap segment of the U.S. equity universe) rose 27.2 percent. The Barclays Capital U.S. Aggregate Bond Index rose by about 5.9 percent.

Year-End 2009 Snapshot of 401(k) Landscape Finds Increase in Loan Activity in 2009

Examining the entire 20 million plus participant database, the study finds that at year-end 2009, 21 percent of 401(k) participants in plans offering loans had loans outstanding—up from 18 percent at both year-end 2008 and year-end 2007. At year-end 2009, 89 percent of 401(k) participants were in plans offering loans.

((more))

Investors Seek Diversification: Generally Less Company Stock; More Target-Date Funds

The full database analysis shows that 401(k) participants continued to seek diversification of their investments. The share of 401(k) accounts invested in company stock continued to shrink, falling by half of a percentage point to 9.2 percent in 2009. That continued a steady decline that started in 1999. Recently hired 401(k) participants contributed to this trend: they generally were less likely to hold employer stock.

The bulk of 401(k) assets continued to be invested in stocks. On average, at year-end 2009, 60 percent of 401(k) participants' assets were invested in equity securities through equity funds, the equity portion of balanced funds, and company stock. Thirty-six percent were in fixed-income securities such as stable value investments and bond and money funds.

In 2009, more than three-quarters of 401(k) plans included target-date funds in their investment lineup. At year-end 2009, nearly 10 percent of the assets in the EBRI/ICI 401(k) database was invested in target-date funds and 33 percent of 401(k) participants held target-date funds. A target-date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

"401(k) participants continued to embrace target-date fund investing in 2009," said Jack VanDerhei, EBRI director of research. "Although target-date funds represent only one-tenth of 401(k) assets, the data highlight the significant role that they play in individual participants' accounts, particularly recently hired and younger employees who are increasingly using target-date funds to save for retirement."

Younger, Recently Hired Participants Tend to Invest in Target-Date Funds

Analysis of recent hires provides insights into how workers are investing in today's 401(k) environment. The data find they tended to be more likely to hold balanced or target date funds compared with earlier time periods. For example, at year-end 2009, about 42 percent of the account balances of recently-hired participants in their 20s was invested in balanced funds, compared with 36 percent in 2008 and about 7 percent in 1998. At year-end 2009, 31 percent of the account balances of recently hired participants in their 20s was invested in target-date funds, compared with almost 23 percent at year-end 2008.

The full report is being published simultaneously by EBRI and ICI and is on their websites at www.ebri.org/pdf/briefspdf/EBRI_IB_011-2010_No350_401k_Update-09.pdf and www.ici.org/pdf/per16-03.pdf A media webinar for reporters to review the results is being held at 2:00 p.m. ET today (contact EBRI or ICI for details).

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