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New Research from EBRI:

Downturn Cut Median Retirement Account Balances by at Least 15 Percent

WASHINGTON—Median asset levels in defined contribution (401(k)) and IRA/Keogh plans dropped at least 15 percent from year-end 2007 to mid-June 2009, reflecting the significant downturn in the economy, according to an analysis of Federal Reserve data published today by the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI study is based on the 2007 Survey of Consumer Finances (SCF), the Federal Reserve Board's triennial survey of wealth, adjusted by EBRI to account for the economic downturn in 2008, which was not reflected in the SCF results. The EBRI analysis adjusted account balances of defined contribution plans and individual retirement accounts (IRAs) based on the asset allocation reported within the plans by using equity and bond market returns from January 1, 2008, to June 19, 2009.

The analysis appears in the August 2009 *EBRI Issue Brief, no. 333,* and is available at www.ebri.org
Here is a summary of the account balance results:

- **Defined Contribution Plans:** Among all families with a defined contribution plan, the median (mid-point) plan balance was $31,800 in 2007, up 16 percent from 2004, the date of the previous SCF release. According to EBRI estimates, this dropped 16.4 percent (to $26,578) from year-end 2007 to mid-June 2009. Losses were higher for families with more than $100,000 a year in income (down 22 percent) or having a net worth in the top 10 percent (down 28 percent).

- **IRA/Keogh Plans:** Among all families with an IRA/Keogh plan, the median value of their plan was $34,000 in 2007, up 3 percent from 2004. EBRI estimates this median value dropped 15 percent (to $28,955) from year-end 2007 to mid-June 2009.

The EBRI analysis also provides extensive information on retirement plan participation and IRA ownership.

In 2007, 40.6 percent of families had a participant in an employment-based retirement plan—either a defined benefit (pension) or defined contribution (401(k)-type) plan—from a *current job*, the EBRI analysis reports. This was up from 38.8 percent in 1992, but virtually unchanged from 40.3 percent in 2004.

A significant shift in the plan type occurred from 1992–2007, with the share of families with a retirement plan having *only* a defined benefit (pension) plan decreasing from 40.0 percent to 17.4 percent. The share of families participating in *only* a defined contribution (401(k)-type) plan had the opposite trend, rising from 37.5 percent in 1992 to 60.3 percent in 2007. The percentage of families with *both* types of plans was unchanged from 1992 to 2007 at 23 percent.

((more))

Here are some of the findings concerning individual retirement account and Keogh plans:

- Families that owned either an IRA or a Keogh plan increased in 2007 to 30.6 percent from 29.1 percent in 2004. This was after a significant increase from 26.1 percent in 1992. Ownership of an IRA increased with family income, the family head's educational level, and the family's net worth.
- In 2007, 66.2 percent of families had a participant in a current or previous employer's retirement plan or an IRA/Keogh, up slightly from 2004 (65.4 percent).
- While regular IRAs account for the largest percentage of IRA ownership, rollover IRAs had a larger share of assets than regular IRAs in 2007. The increase in IRA wealth is expected to continue in the future, as more workers will be in defined contribution plans and will be in them for a longer period of their working lives.

In the conclusion of the *Issue Brief*, author Craig Copeland, EBRI senior research associate, offers the following observation: "Americans have a great deal of work to do after the tremendous loss of wealth in 2008 to ensure financial security in retirement. However, some optimism is warranted, as most individuals continue to contribute to their individual account plans and are in a position to accumulate added wealth as the economy recovers."

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