Ownership in 401(k) Plans Continues to Grow, While IRA Ownership Falls

WASHINGTON—Although fewer American families are participating in a retirement plan at work, more of those with a plan are in a 401(k). At the same time, ownership of individual retirement accounts (IRAs) is falling, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI).

Analyzing the four-year period from 2007–2010, EBRI finds that the share of American families with a member in any employment-based retirement plan from a current employer increased steadily from 38.8 percent in 1992 to 40.6 percent in 2007, before declining in 2010 to 37.9 percent.

Ownership of 401(k)-type plans among families participating in a retirement plan more than doubled from 31.6 percent in 1992 to 79.5 percent in 2007, and increased again in 2010 to 82.1 percent. But the percentage of families owning an IRA or Keogh retirement plan (for the self-employed) declined from 30.6 percent in 2007 to 28.0 percent in 2010. In addition, the percentage of families with a retirement plan from a current employer, a previous employer’s defined contribution plan, or an IRA/Keogh declined from 66.2 percent in 2007 to 63.8 percent in 2010.

As in the past, EBRI found that retirement plan assets account for a growing majority of most Americans’ financial wealth, outside the value of their home. The median (mid-point) percentage of families’ total financial assets comprised by defined contribution plan assets and/or IRA/Keogh assets (assuming the family had any) increased from 2007 to 2010, and accounted for a clear majority of these assets:

- Defined contribution plan balances accounted for 58.1 percent of families’ total financial assets in 2007, and that share grew to 61.4 percent in 2010.
- Defined contribution and/or IRA/Keogh balances increased their share as well, from 64.1 percent of total family financial assets in 2007 to 65.7 percent in 2010. Across all demographic groups, these assets account for a very large share of total financial assets for those who own these accounts.

However, the EBRI report notes that the most recent data, along with other EBRI research, indicate that many people are unlikely to afford a comfortable retirement. “Americans lost a tremendous amount of wealth between 2007 and 2010, and the percentage of families that participated in an employment-based retirement plan and/or owned an IRA decreased as well,” said Craig Copeland, EBRI senior research associated and author of the report.

However, he added, the percentage of family heads who were eligible to participate in a defined contribution plan and actually did so remained virtually unchanged during this time. Therefore, despite all the bad news that resulted from this period, one positive factor should be noted: “Those eligible to participate in a retirement plan continued to participate—which may help change the likelihood of a lower retirement standard for many Americans,” Copeland said.
The report is based on the most recent data from the Survey of Consumer Finances (SCF), the Federal Reserve Board’s triennial survey of wealth. The full report is published in the September *EBRI Issue Brief*, “Individual Account Retirement Plans: An Analysis of the 2010 Survey of Consumer Finances,” available online at [www.ebri.org](http://www.ebri.org).

Concerning IRAs, the EBRI report once again quantifies the degree to which IRA assets are rolled over from employment-based retirement plans (such as defined benefit pensions or defined contribution 401(k)-type plans), and do not come from new contributions. While regular IRAs account for the largest percentage of IRA ownership, rollover IRAs had a larger share of assets than regular IRAs in 2010.

Specifically, among total IRA assets, rollover IRAs account for 44.5 percent of assets, regular IRAs 44.1 percent, and Roth IRAs 11.4 percent. Therefore, rollover IRAs account for a larger share of assets than regular IRAs, while the two together account for just under 90 percent of the IRA assets.

The report notes that tracking individual-account retirement plans such as 401(k)s and IRAs is important because traditional defined benefit pension plans have long been declining in the private sector, while defined contribution retirement plans have increased—a trend that makes it ever-more important for most private-sector workers to build their retirement wealth through individual-account savings plans. Consequently, the amount of assets accumulated in these accounts provides an indication of how prepared—or unprepared—most workers’ finances will be to supplement the Social Security benefits they will receive in retirement.

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