Fast Facts from EBRI

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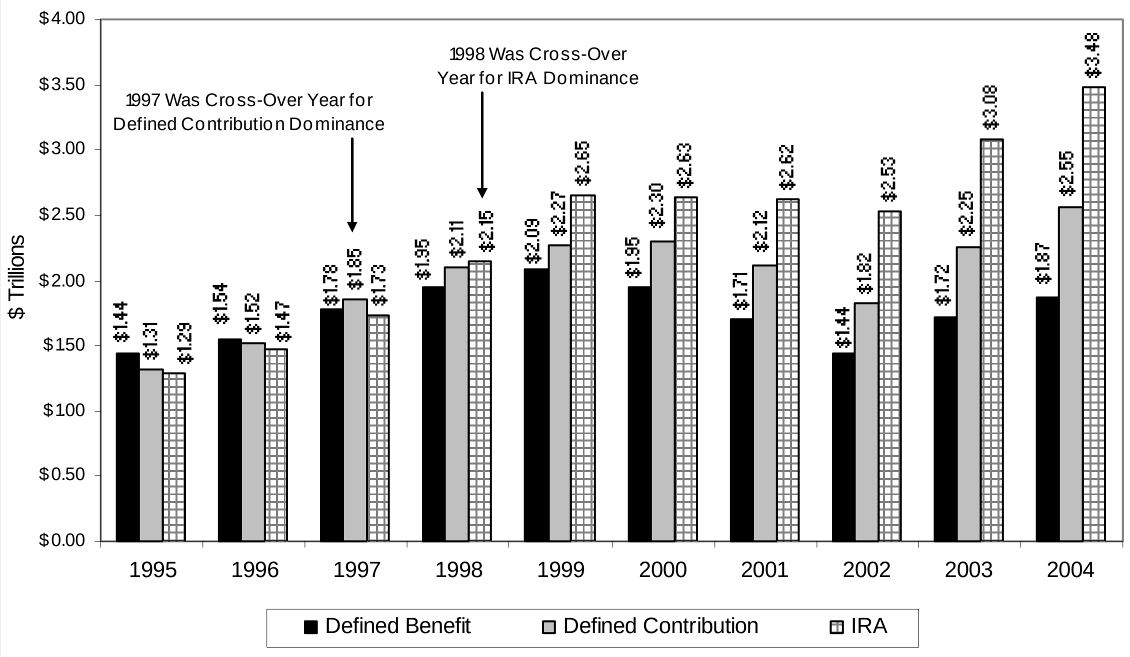
"Traditional" Pension Assets Lost Dominance a Decade Ago, IRAs and 401(k)s Have Long Been Dominant

WASHINGTON—Where are bulk of private-sector retirement assets held in the United States? By a substantial margin—and for many years—individual retirement accounts (IRAs) have held more funds than any other financial vehicle, followed by defined contribution plans (primarily 401(k) plans).

So-called "traditional" defined benefit pension plans were displaced a decade ago by defined contribution plans in terms of assets held. The most recent data from the nonpartisan Employee Benefit Research Institute (EBRI) show that about 61% of private-sector retirement assets currently are held in defined contribution (DC) plans, compared with 39% in "traditional" defined benefit (DB) pensions. In fact, as data from EBRI show, assets held in DC plans first surpassed DB pension assets in 1997—almost 10 years ago. Data from the Federal Reserve and EBRI show that IRAs became dominant in 1998.

As research by EBRI and others has documented, the forces behind these trends involve a move away from defined benefit pensions by employers and a corresponding shift to defined contribution plans (principally the 401(k) plan). The sharp growth in IRAs has been driven by the rollover of assets by workers and retirees from other tax-qualified plans (such as pensions and 401(k)s) to IRAs upon job change or retirement.

U.S. Retirement Plan Assets, 1995–2004



Source: Federal Reserve *Flow of Funds,* 1995–2004, Table L.118.b, c, and I, and EBRI *Pension Investment Report.*

EBRI first reported in 2001 that private-sector pensions had lost their asset dominance to DC plans (*EBRI Notes,* January 2001, "IRA Assets Continue to Grow," http://ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=3226) and most recently updated this trend in its January 2006 *EBRI Notes* ("IRA and Keogh Assets and Contributions," http://ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=3614)