



EBRI News

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New Research from EBRI:

Individual Account Retirement Plan Assets Concentrated in Families With High Incomes, but Important to Lower-Income Families, Too

WASHINGTON—Assets in individual account retirement plans are concentrated in families with high family income and higher net worth, as well as in families with older family heads, higher educational attainment, and white, non-Hispanic family heads, according to a study released today by the nonpartisan Employee Benefit Research Institute (EBRI).

These assets were in employment-based defined contribution plans (typically 401(k) plans), individual retirement accounts (IRAs), and Keogh plans. The study, in the March 2008 *EBRI Notes*, reports individual account retirement plans assets amounted to \$6.767 trillion in 2004, according to the most recent data from the Survey of Consumer Finances. The study is available at www.ebri.org

One example of the influence of the demographic characteristics: More than 60 percent of assets in individual account retirement plans were held by individuals with a family income of \$100,000 or more in 2004. At the same time, the study reports that among families with low levels of assets, savings in individual accounts retirement plans accounted for a greater share of their total financial assets than for families with high assets levels.

Here is how the EBRI study describes the influence of some demographic factors on the distribution of those assets in 2004:

By Race

- 90.5 percent of assets were held by white non-Hispanics.
- 9.5 percent of assets were held by nonwhites.

By Education

- 14.2 percent of assets were held by individuals with a high school diploma or less.
- 10.7 percent of assets were held by individuals with some college education.
- 75.1 percent of assets were held by individuals with a college degree.

By Annual Family Income

- 11.3 percent of assets were held by individuals with incomes of less than \$50,000.
- 25.6 percent of assets were held by individuals with incomes of \$50,000 to \$99,999.
- 63.2 percent of assets were held by individuals with incomes of \$100,000 or more.

In addition, the study notes that individual account assets comprise a significant portion of all financial assets among those with low assets and, in many cases, represent a much larger share of these financial assets than of those with overall high assets. The study includes these examples for 2004:

- Individual account retirement plans accounted for 43.1 percent of the total financial assets of families headed by nonwhites, compared with 31.2 percent of families headed by white non-Hispanics.
- For those in families where the family head had an income of \$20,000 to \$39,999 a year, individual account retirement plans accounted for 28.5 percent of their total financial assets, compared with 26.0 percent for families with an annual income of \$150,000 a year or more.
- For families in the bottom 25 percent of total net worth, individual account retirement plans accounted for 31.2 percent of their total financial assets, compared with 26.2 percent for families in the top 10 percent of total net worth.

The most significant shift in individual account assets from 1992–2004 has been the fraction of assets held by families headed by individuals age 55 or older, the study says. More than one-half of all individual account retirement plan assets and more than two-thirds of IRA and Keogh plan assets were owned by families headed by these individuals.

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