



Fast Facts from EBRI

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How Do 401(k) Participants Allocate Their Assets?

WASHINGTON—What do the latest figures show about how Americans are allocating their assets in 401(k) accounts? What are the trends in company stock allocation?

Overall, 401(k) plan participants tend to be heavily invested in stocks. At year-end 2005, equity securities—equity funds, the equity portion of balanced funds, and company stock—represented an average of two-thirds (68 percent) of 401(k) plan participants' assets, a level that has varied relatively little in recent years. The share of company stock continued to fall, accounting for 13 percent of 401(k) plan assets on average at year-end 2005, down from 19 percent in 1999.

The data are from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project, the nation's largest repository of information about individual 401(k) plan participant accounts. A full report on the year-end 2005 data appeared in the August 2006 *EBRI Issue Brief*, available at www.ebri.org, the Web site of the nonpartisan Employee Benefit Research Institute (EBRI), and at www.ici.org, the Web site of the Investment Company Institute (ICI), the trade association of the mutual fund industry. Here are selected details:

401(k) Plan Asset Allocation at Year-end 2005

Equity funds: 48 percent.	Balanced funds: 11 percent.
Company stock: 13 percent.	Bond funds: 10 percent.
Guaranteed investment contracts (GICs), other stable value funds: 13 percent.	Money market funds: 4 percent.

- Altogether, the average asset allocation of 401(k) participants was little changed in 2005 from 2004.
- As observed in prior years, younger 401(k) plan participants tended to hold a higher portion of their accounts in equity assets than older participants. On average, participants in their 20s held 52 percent of their account balances in equity funds, compared with about 38 percent of account balances for participants in their 60s.

Assets Allocated to Company Stock at Year-end 2005

- The share of 401(k) participants' allocation in company stock has declined over the last decade. It was 19 percent in 1996 and 1999 but has declined since 2000.
- While some of the decline since 2000 reflects a drop in stock prices during the 2000–2002 bear market, the share of assets in company stock has continued to drop during the stock market's rebound.
- The recent downward trend suggests a change in plan design and in participants' behavior. Fewer recent hires are holding company stock, and fewer are holding high concentrations of company stock.

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