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## *Fast Facts from EBRI*

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Contact: John MacDonald, EBRI, (202) 775-6349, [macdonald@ebri.org](mailto:macdonald@ebri.org)  
*FFE #44, March 8, 2007*

### **Factors Affecting IRA, 401(k)-Type Plan Asset Allocation**

WASHINGTON—How do demographic factors affect the asset allocation decisions made by the heads of families who own individual retirement accounts (IRAs) and 401(k)-type plans?

An article in the February 2007 *EBRI Notes*, published by the nonprofit Employee Benefit Research Institute (EBRI), found account owners made very similar overall asset allocations in stocks and interest-earning assets for both their IRAs and 401(k)-type plans. But differences did appear—some of them significant—depending on the age, income, and educational levels of the plan owners. The article, available at [www.ebri.org](http://www.ebri.org), is based on 2004 data from the Survey of Consumer Finances, a triennial survey of U.S. families sponsored by the Federal Reserve and the Department of the Treasury. Here are some of the details:

#### **IRA Asset Allocation (2004)**

- All stocks: 29.0 percent
- All interest-earning assets: 23.9 percent
- Mixed investments: 47.1 percent

#### **401(k)-Type Plan Allocation (2004)**

- All stocks: 29.1 percent
- All interest-earning assets: 21.3 percent
- Mixed investments: 49.6 percent

#### **Demographic, Other Factors Affecting Allocations (2004)**

→ *Both IRAs and 401(k)-type plans:*

- As the educational attainment of family heads went up, the likelihood that IRA and 401(k)-type plan participants were invested all in interest-earning assets went down. Phrased another way, the more education, the more was held in stocks.
- As family income went up, the percentage of participants with all assets invested in interest-earning assets went down, for participants in both IRAs and 401(k)-type plans.
- Both those who own 401(k)-type plans and those who own IRAs are more likely to be invested all in stocks if they also own the other type of plan. As family heads have more accounts or more wealth, they are more likely to be more invested in stocks.

→ *IRAs:*

- Among family heads owning an IRA, the likelihood that they were invested all in stocks decreased with age. Age did not have a significant impact on the probability of a 401(k)-type participant being invested all in stocks until the family head reached age 65.
- Among IRA participants, the race of the family head did not have a significant effect on the probability of being invested all in stocks. But white, non-Hispanic family heads had a lower likelihood of being invested all in interest-earning assets.

→ *401(k)s:*

- White, non-Hispanic family heads in 401(k)-type plans were more likely to be invested all in stocks and less likely to be invested all in interest-earning assets than nonwhite participants.

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