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FAST Facts

What “Average” 401(k) Balances Can Miss

While so-called “average” 401(k) balances are a widely cited benchmark of retirement savings progress, they can present a distorted picture, as illustrated in a recent report by the nonpartisan Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI).

While annual updates of the EBRI/ICI 401(k) database provide an invaluable perspective of 401(k) account balances, asset allocation, and loan activity across wide cross-sections of participants, the report explains that the cross-sectional analysis is not well-suited to addressing the question of the impact of participation in 401(k) plans over time.

In the normal course of events, individuals change jobs, employers change 401(k) providers, and so those “averages,” of necessity, include the experience of different individuals over time. Consequently, in order to accurately assess the impact of participation in 401(k) plans over time, and to understand how 401(k) plan participants have fared over an extended period, it is important to analyze a group of consistent participants—a longitudinal sample.

The EBRI/ICI report notes that, at year-end 2011, 13.0 percent of the consistent group (8.6 million 401(k) plan participants with account balances at the end of each year from 2007 through 2011) had more than $200,000 in their 401(k) accounts at their current employers, while another 15.0 percent had between $100,000 and $200,000. In contrast, in the broader EBRI/ICI 401(k) database, 7.5 percent had accounts with more than $200,000, and 9.2 percent had accounts between $100,000 and $200,000.

Reflecting their higher average age and tenure, the consistent group also had median and average account balances that were much higher than the median and average account balances of the broader EBRI/ICI 401(k) database.

It is, of course, important to remember that even in a longitudinal sample, “average” balances may include participants with widely divergent circumstances, notably age and tenure. Thus, while the average year-end 2011 balance for the entire longitudinal sample was roughly $95,000, as the accompanying chart indicates, that includes an average balance of less than $20,000 among those in their 20s, and balances in excess of $220,000 for workers in their 60s.

Average Account Balances Among 401(k) Participants Present from Year-End 2007 Through Year-End 2011[a] by Age and Tenure[b]

Age Group[b]	Tenure (years)[b]	2007	2008	2009	2010	2011
20s	All	$4,903	$4,932	$11,586	$16,654	$19,392
	>2 to 5	3,165	3,917	11,212	16,669	19,712
	>5 to 10	6,516	6,126	13,481	19,147	22,445
30s	All	25,075	17,223	32,274	41,265	44,897
	>2 to 5	11,476	8,817	20,443	27,524	30,783
	>5 to 10	22,241	15,525	31,169	40,644	44,947
	>10 to 20	43,695	28,488	49,302	61,086	65,373
40s	All	62,318	39,459	66,063	79,604	83,690
	>2 to 5	21,937	14,729	30,404	38,958	42,500
	>5 to 10	38,964	24,982	46,616	58,142	62,472
	>10 to 20	77,887	47,776	80,979	96,825	101,560
	>20 to 30	122,453	77,632	118,952	139,314	144,439
50s	All	107,358	69,593	107,090	124,539	129,508
	>2 to 5	26,758	18,175	35,750	45,115	49,508
	>5 to 10	45,379	29,655	53,182	65,397	70,753
	>10 to 20	92,277	57,634	94,119	110,620	115,916
	>20 to 30	174,295	110,623	167,017	190,771	196,019
	>30	196,487	131,027	187,214	213,064	219,701
60s	All	130,398	85,739	123,085	135,350	135,008
	>2 to 5	31,181	21,352	38,387	46,241	49,705
	>5 to 10	48,035	31,805	54,617	64,875	68,471
	>10 to 20	97,081	61,425	95,687	107,837	109,550
	>20 to 30	181,019	115,871	165,758	179,677	177,385
	>30	235,633	157,024	212,880	227,525	222,851
All[a]	All	76,534	49,912	77,983	91,038	94,482

Source: Tabulations from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project
[a] The analysis is based on a sample of 8.6 million 401(k) plan participants with account balances at the end of each year from 2007 through 2011.
[b] Age and tenure groups are based on participant age and tenure at year-end 2011.

The *EBRI Issue Brief/ICI Perspective,* “401(k) Participants in the Wake of the Financial Crisis: Changes in Account Balances, 2007–2011,” is available online at EBRI’s and ICI’s websites: www.ebri.org, www.ici.org

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