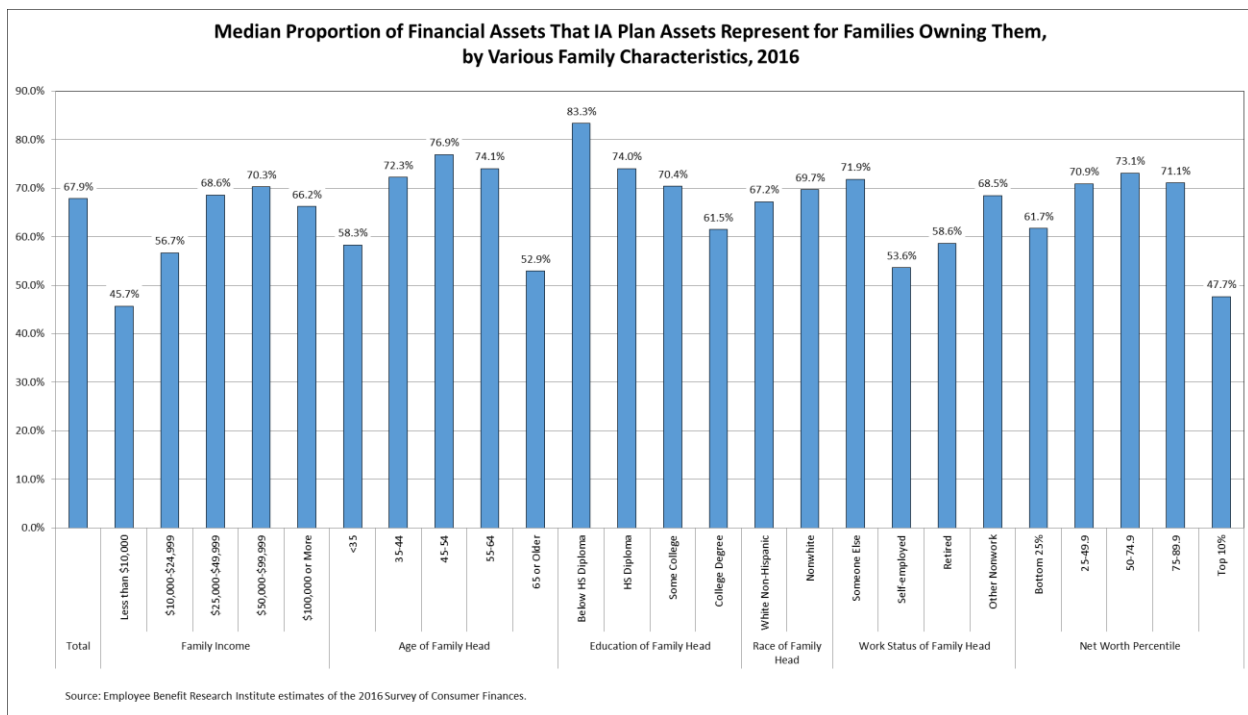


The Importance of Individual Account Retirement Plans to the Financial Well-Being of American Families

As defined contribution plans have proliferated in the private sector, the assets in individual account retirement plans (IA plans) have become the predominant source of financial assets for the American families holding them. This is the finding from EBRI's *Issue Brief*, "Individual Account Retirement Plans: An Analysis of the 2016 Survey of Consumer Finances."

According to the *Survey of Consumer Finances*,¹ assets in IA plans have exploded over the past several decades for families that own them. In 1992, of the families owning IA plan assets, total IA plan assets accounted for 44.3 percent of these families' financial assets at the median. In 2016, this percentage rose by more than half to 67.9 percent.²

In particular, the median share of financial assets that is represented by IA assets is the largest for families whose net worth is in the third quartile (73.1 percent), where the head is age 45-54 (76.9 percent), or who has a head with an education below a high school diploma (83.3 percent).



¹ This analysis is from 2016 data. In this analysis, IA plans include employment-based retirement savings plans (defined contribution plans) financed by both the employer and employee, Keogh plans, and individual retirement accounts (IRAs).

² Note, this is down slightly from 2013 (70.3 percent).

Not only do IA assets make up a large portion of the financial assets of those that own them, but those with IA assets also have substantially higher levels of net worth than those without IA assets. The median net worth of those owning IA assets was \$249,950, in 2016, compared with \$19,200 for families without such assets. Families with IA assets also are more likely to own a home than those without IA assets (78.5 percent vs. 47.6 percent, respectively).

IRA/Keoghs account for the majority of family IA plan assets (50.4 percent) with current employer DC plans following (40.9 percent). Within IRAs, rollover IRAs have the largest share of family IRA assets at 47 percent. However, regular IRAs represent the largest share of IRA assets for families with income in the bottom quartile (60.6 percent), where the heads are ages 65 or older (43.4 percent), and in the lowest net worth quartile (45.0 percent).

Further, even if they do not hold the most assets, regular IRAs were the most common IRAs held by families (29.8 percent had regular IRAs only).

IA plans are an important source of assets for families that own them. Further, families with IA plan assets have larger net worth and are more likely to own a home. As such, IA plans should be considered carefully from a policy perspective.

The EBRI report, “Individual Account Retirement Plans: An Analysis of the 2016 Survey of Consumer Finances” is published as the March 13, 2018 EBRI *Issue Brief*, and is available online [here](#).

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