

How Misleading Is a Myopic View of Retirement Accounts?

Evidence From a Comparison of Combined 401(k) Plan and IRA Balances to the Balance of Either Account Type Separately

Very often, reporting on retirement assets focuses only on the average balances of one retirement account type, e.g., 401(k) plans or individual retirement accounts (IRAs). Such reporting can understate the amount of retirement assets workers or retirees have accumulated, as many individuals hold both a 401(k) plan *and* an IRA. This *Fast Fact* examines the difference between the amount of assets held by those having *both* a 401(k) plan and an IRA and what is held in each of these types of plans separately.

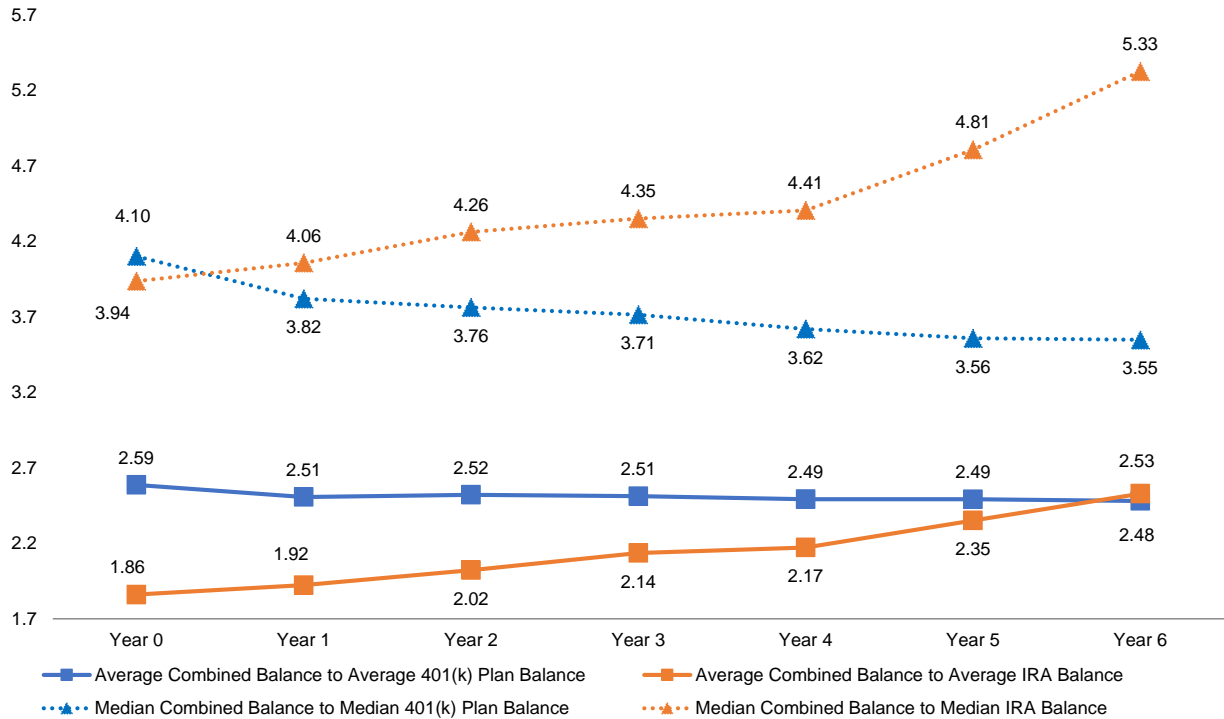
Using a unique longitudinal dataset — the EBRI Integrated 401(k)/IRA Database — the average and median combined balances of individuals who maintained both a 401(k) plan and an IRA over a seven-year period are compared with the average and median balances of those who maintained a 401(k) plan or an IRA each year. The key findings are:

- Individuals who have an IRA and a 401(k) plan have two and a half times, on average, the assets of those held, on average, in maintained 401(k) plans.
- The ratio of the average combined balance of those having both a 401(k) plan and an IRA to the average 401(k) plan balance was highest in the initial year — at 2.59 — and lowest in the last year of the study — at 2.48 — reflecting higher ongoing contributions to the 401(k) plan over the period.
- In contrast, the average combined balances of those with both a 401(k) plan and an IRA started at 1.86 times the size of the average balance held in maintained IRAs and increased each year to 2.53 times the size of the average IRA balance in the final year of the study, which was again a result of the ongoing higher relative 401(k) plan contribution levels.
- At the median, the trend is even more pronounced: The median combined balance was about four times larger than the median 401(k) plan balance in the first year of the study, decreasing to about 3.5 times in the last year. The ratio of the median combined balance to the median IRA balance increased sharply after the fourth year, reaching 5.33 in the last year.

Focusing on only one type of retirement plan paints a misleading picture — potentially a dramatically misleading picture — of individuals' overall retirement savings. At the same time, it is important to note that these overall results do not show the nuances associated with the impact on retirement asset levels of tenure, job changes, and retirement. All of this can lead to leakage from the retirement system or missed opportunities to contribute to the accounts, as individuals may move their assets from one account type to another. For how these relative balances can vary, see the full study, "[Having Both a 401\(k\) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?](#)" *EBRI Issue Brief*, Aug. 20, 2020.

Ratio of Combined to Individual 401(k) Plan and IRA Balances

For Those Who Held the Respective Account(s) Each Year



Source: The EBRI Integrated 401(k)/IRA Database.

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