The Changing Landscape of Individual Account Retirement Plan Assets and the Differences by Race/Ethnicity

Total private-sector defined contribution (DC) plan and individual retirement account (IRA) assets each overtook private-sector defined benefit (DB) pension assets by 1998. Since then, IRA assets have continued to grow in importance, overtaking assets in private-sector DC plans by 2001 and reaching a point of being 49 percent larger than assets held in private-sector DC plans by the end of 2019.\(^1\) In addition, significant changes have also occurred in types of IRAs held. Using the Federal Reserve’s Survey of Consumer Finances (SCF),\(^2\) this Fast Fact shows these changes.

### About Individual Account (IA) Retirement Plans

IA plans include employment-based retirement savings plans financed by employer and employee contributions (most notably, defined contribution (DC) plans such as 401(k) plans) as well as Keogh plans for the self-employed and individual retirement accounts (IRAs) for savings outside of the workplace (as well as, in certain cases, as part of an employment-based plan). The assets within DC plans could be from a current employer or could be left in previous employers’ plans.

### IA Plan Assets Are More Likely to Be Held at Previous Employer DC Plans and IRAs

From 2010 to 2019, the share of individual account (IA) plan assets held both in a previous employer’s DC plan as well as in an IRA increased significantly, rising from 7.2 percent to 11.0 percent for a previous employer’s DC plan and from 41.6 percent to 49.8 percent for IRAs over this period (Figure 1). At the same time, the share of IA retirement plan assets in the current employer DC plan decreased: In 2010, just over half (51.2 percent) of the IA assets were held in the current employer’s DC plans. That declined to 39.2 percent of the assets being held there in 2019.

### IRA Assets Are More Likely to Be Held in Rollover and Roth IRAs

Within IRAs, the type of IRAs in which the assets were held also changed (Figure 1). Namely, the share in both Roth and Rollover IRAs increased. Rollover IRAs’ assets accounted for just under one-half (49.3 percent) in 2019, up from 44.5 percent in 2010, and Roth IRAs’ share rose from 11.4 percent to 14.4 percent. These increases were at the expense of Regular (Traditional) IRAs that were not from rollovers. Such IRAs’ portion of assets declined from 44.1 percent to 36.1 percent over the same time period.

### Families With Black/African American or Hispanic heads Were More Likely to Have Their IA Assets in Current-Employer DC Plans and Regular IRAs

IA plan assets of families with white, non-Hispanic heads were much more concentrated in IRAs/Keoghs than those of families with Black/African American or Hispanic heads. Specifically, more than one-half (52.5 percent) of the IA assets owned by families with white, non-Hispanic heads were in IRAs compared with less than a quarter for families with Black/African American or Hispanic heads. Conversely, two-thirds (61.6 percent) of the IA assets held by families with Black/African American heads were in the DC plan of their current employer, as
was almost three quarters (73.3 percent) of IA assets held by families with Hispanic heads. This compares with just 36.3 percent of the IA assets held by families with white, non-Hispanic heads being in a DC plan of their current employer (Figure 2).

**Figure 1**
Where Individual Account (IA) Retirement Plans Assets and IRA Assets Are Held, 2010 and 2019

![Chart showing IA Retirement Plan Assets, by Source](chart1.png)


**Figure 2**
Where Individual Account (IA) Retirement Plans Assets and IRA Assets Are Held, by Race/Ethnicity of Family Heads, 2010 and 2019

![Chart showing IRA Assets, by IRA Type](chart2.png)

The shares of IRA assets held in the various types of IRAs by families with heads of different races/ethnicities were not aligned. Families with white, non-Hispanic heads were more likely to have assets in Rollover IRAs (50.6 percent). In contrast, families with Black/African American and Hispanic heads were more likely to have their assets in Regular (Traditional, nonrollover) IRAs: Families with Hispanic heads had a majority (57.9 percent) of their IRA assets in this type of IRA, and families with Black/African American heads had just under one-half (47.0 percent) of their assets in this type of IRA.

**Conclusion**

The employment-based DC plan environment has clearly matured, as shown by the rise in IA plan assets being held in previous-employer DC plans and IRAs. The dollars that workers built up in DC plans during employment are now going to IRAs or being left behind in a previous employer’s DC plan. This is bringing new challenges to both workers and employers. Workers must figure out how to manage these assets. Plan sponsors, who thought they may enjoy the benefits of more assets in their plans, could have more responsibilities in keeping track of the former employees and more tasks on the withdrawal of assets, such as required minimum distributions (RMDs) and periodic withdrawals.

The data also point to a potentially very troubling result among families with Black/African American or Hispanic heads: The fact that such families have fewer assets in IRAs and more in current-employer DC plans suggests that retirement assets are potentially not being retained at job change—e.g., rolled over or kept in a previous employer’s DC plan. Such a phenomenon could exacerbate the racial wealth gap. In part, this trend could be owed to lower wages leading to lower DC plan balances: Small DC plan balances are correlated with a higher likelihood of assets being cashed out at job change.

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3 For more information on the relative assets being held in IA plans by families with heads of different races/ethnicities, see Copeland, Craig, “The Status of American Families’ Accumulations in Individual Account Retirement Plans and Differences by Race/Ethnicity: An Analysis of the 2019 Survey of Consumer Finances,” EBRI Issue Brief, no. 527 (Employee Benefit Research Institute, March 11, 2021).

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