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FastFacts from EBRI:

Persistence of Target-Date Fund Use in 401(k) Plans Among the Auto-Enrolled

WASHINGTON—People who are automatically enrolled in 401(k)-type retirement plans at work and invest in target-date funds (TDFs) are likely to stay with these funds over time, according to a new analysis by the nonpartisan Employee Benefit Research Institute (EBRI).

Using data from the EBRI/ICI 401(k) database, the largest of its kind in the nation, EBRI finds that participants who were identified as being auto-enrolled in 401(k) plans and using TDFs (often a default investment option) are very likely to stay with them:

- Among participants who were identified as auto-enrollees in 2007, 97.2 percent were still using TDFs in 2008, and 95.7 percent used them in 2008 and 2009.
- While those *not* identified as auto-enrollees continued to invest in TDFs at a lower rate than those identified as auto-enrollees, there was a very high overall persistence rate in TDF use from 2007–2009: just over 90 percent.

A TDF is an investment that automatically resets the asset mix (stocks, bonds, cash equivalents) in its portfolio according to a predetermined (but typically refined) path over a selected time frame, typically until a year at or near which it would be expected for a participant to retire. This year is typically reflected in the investment's name. For example, a TDF for an older worker about to retire (such as a "2015 Fund") would have a lower percentage of equities in its asset mix and more bonds or cash equivalents, while a TDF for a younger worker (such as a "2060 Fund") will have a higher percentage of equities and less bonds or cash equivalents.

The Pension Protection Act of 2006 contained provisions designed to encourage 401(k) plan sponsors to automatically enroll their workers in the plan, so as to boost retirement savings. Workers can opt out of the retirement plan if they choose. Target-date funds are often used as a "default" investment for workers who are auto-enrolled.

The full report on TDFs is published in the August 2011 *EBRI Issue Brief*, "Target-Date Fund Use in 401(k) Plans and the Persistence of Their Use, 2007–2009," online at www.ebri.org