

# FAST Facts

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## How the Retirement Plan System Has Changed Over Time

WASHINGTON—How has the distribution of assets in private-sector retirement plans changed over recent years?

A recent study by the nonpartisan Employee Benefit Research Institute (EBRI) showed among private-sector employers, defined benefit (pension) plans have been declining for many years, as defined contribution (401(k)-type) and individual retirement account (IRA) plans have increased. Total defined benefit pension assets were overtaken by defined contribution assets in 1996, and by IRAs in 1998.

The study, in the August *EBRI Issue Brief*, also reported that a growing number of major corporations that still have defined benefit pension plans have been freezing them (to newly hired workers, and, in some cases, for existing workers as well). In addition, it said that this trend makes it even more important for most private-sector workers to save for retirement through individual-account savings plans, as these have become the primary source of tax-advantaged retirement wealth.

The table below shows the distribution of private-sector retirement assets over time.

U.S. Private-Sector Retirement Plan Assets, 1996–2008 (\$ Trillions)			
	Defined Benefit (pension)	Defined Contribution (401(k)-type)	IRA
1996	\$1.59	\$1.63	\$1.47
1998	\$1.91	\$2.24	\$2.15
2000	\$1.98	\$2.49	\$2.63
2002	\$1.64	\$2.04	\$2.53
2004	\$2.13	\$2.79	\$3.30
2005	\$2.28	\$3.02	\$3.65
2006	\$2.53	\$3.48	\$4.22
2007	\$2.67	\$3.73	\$4.75
2008	\$1.93	\$2.67	\$3.61

Source: Federal Reserve, Flow of Funds, 1996–2008, Table L.118b, c and L.225i.

The August 2009 *EBRI Issue Brief* contains additional information about retirement savings. It is available at [www.ebri.org](http://www.ebri.org)

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