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FAST Facts

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# Younger 401(k) Participants Turning to Target-Date Funds

WASHINGTON—A growing number of recently hired participants in 401(k) retirement plans—particularly those in their 20s— are investing in target-date funds (TDFs), according to an analysis by the nonpartisan Employee Benefit Research Institute (EBRI).

Using data from the EBRI/ICI 401(k) database, the largest of its kind, EBRI finds that the percentage of recently hired 401(k) participants (those with two or fewer years of tenure) holding TDFs increased from 43.6 percent in 2008 to 46.6 percent in 2009, and to 47.6 percent in 2010. As recently as 2006, the percentage of recently hired 401(k) participants holding TDFs was 28.3 percent.

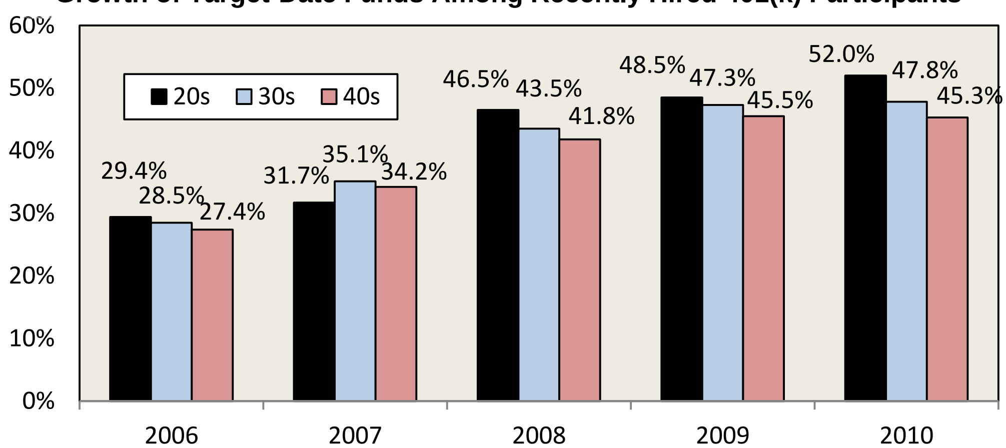
Recent hires in their 20s are especially likely to hold TDFs: 52 percent of them did so in 2010, compared with 41.7 percent of recent hires in their 60s.

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. While there has been rapid growth in the use of TDFs in 401(k) plans in recent years, TDFs are still relatively new for most participants.

The data come from the December 2011 *EBRI Issue Brief* and *ICI Research Perspective* annual update on the EBRI/ICI 401(k) database, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity In 2010," online at both organizations' websites at www.ebri.org/publications/ib and www.ici.org/research/perspective

The Employee Benefit Research Institute is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions.

**Growth of Target-Date Funds Among Recently Hired 401(k) Participants**




Source: EBRI/ICI 401(k) database, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity In 2010," *EBRI Issue Brief* and *ICI Research Perspective,* December 2011, online at both organizations' websites at www.ebri.org/publications/ib and www.ici.org/research/perspective, from Fig. 35.