

Where are we today with 401(k)s?

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Where are we today?

A look at households in—or on verge of—retirement

- Age 65-69 households in 2008, Health and Retirement Study (HRS)
- Married households (55%) versus single-person households (45%)
- Note: Single-person households may arise from being never married or divorced or widowed.

Personal Retirement Accounts (PRAs)

- PRAs = DC accounts + IRAs (contributory or rollover)
- PRAs can include DB rollovers

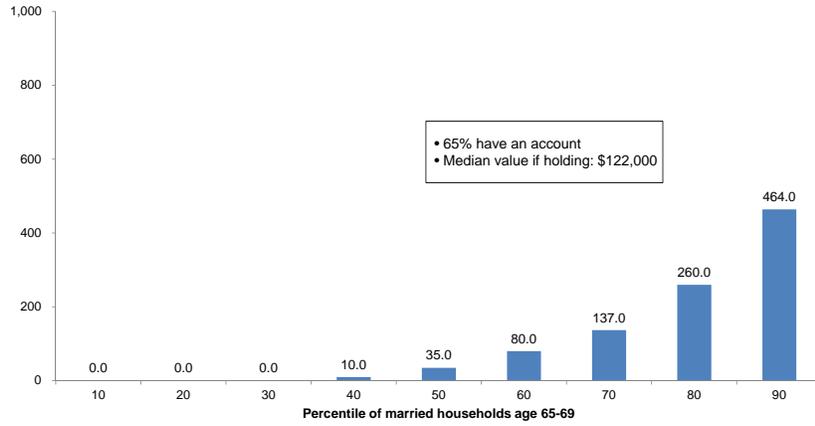
Caveats when interpreting

- Most of these households have not spent a working career in DC plans. (They were around 40 in 1981.) We are probably seeing system near its "mid point" of evolution.
- That said, some benefited from being in predecessor plans (after-tax savings, profit-sharing, ESOP plans).

Source of data: Poterba, Venti and Wise, 2012, "The Composition and Drawdown of Wealth in Retirement," NBER Working Paper 17536, www.nber.org.

Who has what in their PRAs? (Married couples)

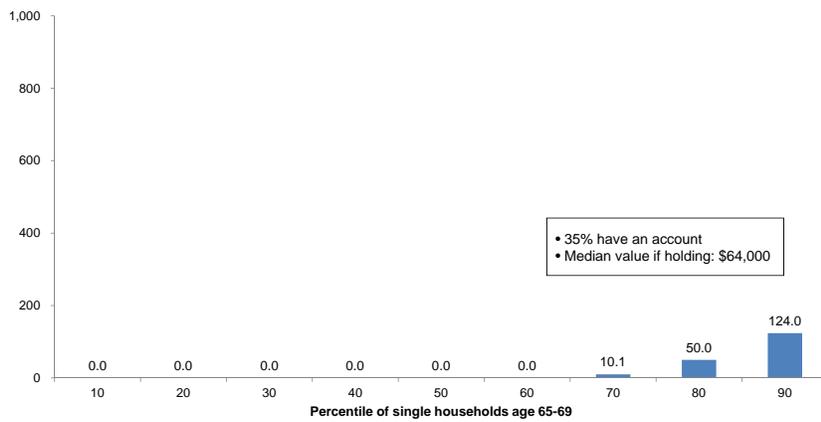
PRAs, married couples, age 65-69, 2008



3 Source: Poterba, Venti, Wise (2012).

Who has what in their PRAs? (Single households)

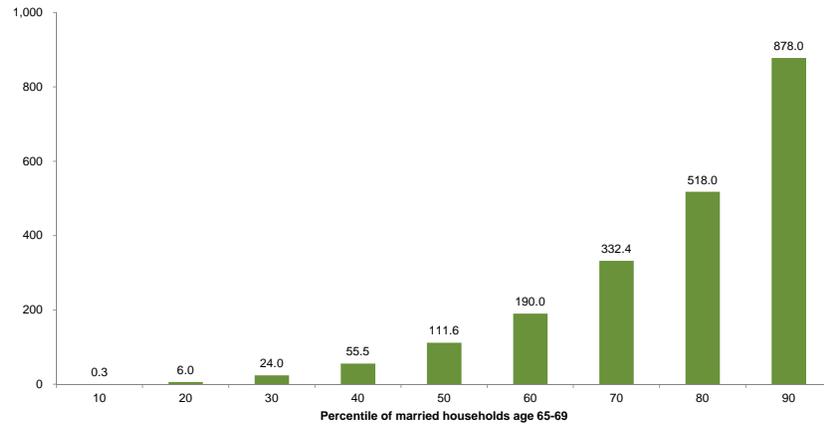
PRAs, single person households, age 65-69, 2008



4 Source: Poterba, Venti, Wise (2012).

Who has what in their PRAs and financial accounts? (Married couples)

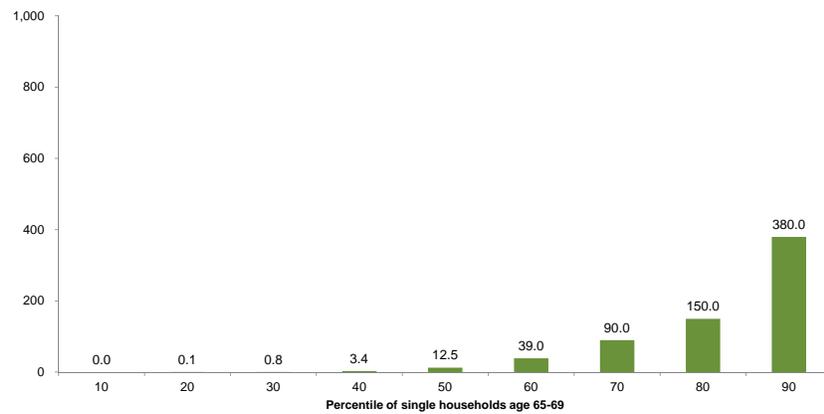
PRAs and financial assets, married couples, age 65-69, 2008



5 Source: Poterba, Venti, Wise (2012).

Who has what in their PRAs and financial accounts? (Single households)

PRAs and financial assets, single-person households, age 65-69, 2008



6 Source: Poterba, Venti, Wise (2012).

Two questions

The coverage question—who has a tax-deferred account?

- Coverage among age 65-69 will grow from current levels (boosted by auto enrollment), but level off.
- There are various strategies for boosting coverage, each with distinct tradeoffs.

The savings question—how much is in the accounts?

- As system continues to mature, balances will rise due to three factors: ongoing contributions, market returns and tenure in DC plans.
- Balances are likely to continue to double every 8-9 years, so long-term outlook is positive.
- Options to improve savings fall along a spectrum of choice, from voluntary to "nudging" to mandatory.
- Leakage at job change is also a consideration.

A final observation

- Being a single-person household is a major risk factor in retirement wealth accumulation.