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New Research from EBRI:

Home Equity, Retirement Accounts Key to Most Families' Financial Assets

WASHINGTON—Home equity and retirement accounts—401(k)-type plans and IRAs—account for nearly all the assets that many families have to depend on in retirement outside of Social Security and traditional pension plans, according to new research from the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI analysis looks at the level of assets held by families with a working family head ages 25–64 in so-called "individual account" (IA) retirement plans: Employment-based defined contribution plans (most commonly a 401(k)) and individual retirement accounts (IRAs). Those levels are compared with all of their financial assets (liquid assets that are most easily exchanged, such as bank accounts, stocks, bonds, and IA retirement plan assets), as well as equity in their homes.

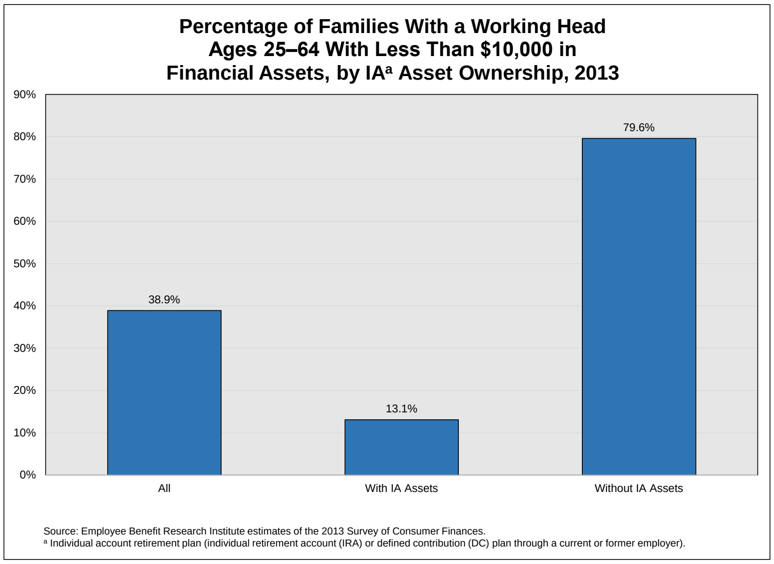
For instance, when measuring what percentage that IA assets plus home equity represents of all financial assets plus home equity of families with a working head ages 25–64, the median (mid-point) percentage for these families is 78.2 percent, with the median for families with heads ages 55–64 reaching 87.4 percent. In other words, one half of all of these families have IA assets plus home equity accounting for more than 78.2 percent of all of their financial assets plus home equity, and the other half have below this threshold.

"The data show that it is overwhelmingly the case that individual account retirement plan assets plus home equity represent almost all of what families have to use for retirement expenses outside of Social Security and traditional pensions," said Craig Copeland, senior research associate at EBRI and author of the report. "Those families without IA assets typically have very low overall assets, so they have almost nothing to draw from for retirement expenses (outside of Social Security)."

The data come from the Federal Reserve's Survey of Consumer Finances (SCF), considered the best source of information on Americans' wealth. Among the key findings of the report:

- ***Families without IA plan assets typically have very low asset levels:*** Among families with a working family head ages 25 to 64 *without* an IA plan, 79.6 percent have financial assets less than $10,000, compared with only 13.1 percent of these families *with* an IA plan.
- ***Most older families have individual account retirement plans:*** The percentage of families with a working head ages 25–64 that have an IA plan ranges from 50.4 percent for families with a head ages 25–34 to 71.4 percent for those families with a head ages 55–64.

- ***Debt levels are sharply lower for those with individual accounts:*** For all families with working head ages 25–64, the median debt-to-asset ratio is 33.4 percent. However, for families with working heads ages 55–64, the median debt-to-asset ratio is 13.4 percent for families with IA assets compared with 34.2 percent for families without IA assets.



The full report, "Importance of Individual Account Retirement Plans and Home Equity in Family Total Wealth," is published in the May 16, 2017, *EBRI Notes*, available online at www.ebri.org

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