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## EXECUTIVE SUMMARY

### **Total Individual Account Retirement Plan Assets, by Demographics, 2007, With Market Adjustments to March 2010**

**IMPORTANCE OF INDIVIDUAL ACCOUNT RETIREMENT PLANS:** Workers' participation in a retirement plan, either through an employment-based arrangement or individually, is a crucial factor in accumulating sufficient resources to pay for expenses in retirement. This article examines the distribution of total assets held in individual account retirement plans (401(k)-type plans, IRAs, and Keogh plans) across various demographic characteristics of American families, based on the latest data from the Federal Reserve's Survey of Consumer Finances.

**EMPLOYMENT-BASED ACCOUNTS DOMINANT:** Total individual account retirement assets amounted to \$8.979 trillion in 2007. Employment-based plan assets (\$4.823 trillion) exceeded individual retirement account/Keogh account assets (\$4.157 trillion) by \$0.666 trillion. Approximately 70 percent of the employment-based retirement plan assets were held by families headed by individuals ages 45–64. The largest concentration of IRA and Keogh assets is held by families with heads in the next oldest age group (ages 55–74), who own just over 60 percent of these assets.

**CONCENTRATION OF RETIREMENT VS. OVERALL ASSETS:** Retirement plan assets are less concentrated than overall financial assets in many categories. For example, families with white, non-Hispanic heads owned 85.1 percent of active employment-based individual account retirement plan assets, compared with 91.9 percent of all financial assets. Families in the top 10 percent of net worth held 50.0 percent of these active employment-based retirement assets, compared with 72.3 percent of all financial assets.

### **Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008**

**LIFETIME INCOME IN RETIREMENT:** Whether or not a worker receives a retirement annuity and/or employment-based pension income in retirement is strongly affected by demographics: Married white males with higher education have a much greater chance of having lifetime income in retirement from an annuity or pension.

**FUTURE TRENDS:** Future retirees will likely be more reliant on assets they must manage themselves. Fewer workers are participating in a defined benefit (pension) plan, which used to almost always pay benefits in the form of an annuity upon retirement. Also, an increasing number of DB plans offer a lump-sum distribution at retirement, and more employees participate in a defined contribution (DC) plan, primarily a 401(k) plan. This trend has had a positive impact, in that many workers who previously had no retirement plan at all now at least have access to a tax-favored plan. However, DC plans are far less likely to offer an annuity option to retirees than are DB plans.

# Total Individual Account Retirement Plan Assets, by Demographics, 2007, With Market Adjustments to March 2010

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## Introduction

Workers' participation in a retirement plan, either through an employment-based arrangement or individually, is a crucial factor in accumulating sufficient resources to pay for expenses in retirement. Participation in these plans has been well documented by the Employee Benefit Research Institute<sup>1</sup> and others. Those with lower earnings, with less education, who are nonwhite, or who are younger have lower likelihoods of participating in a retirement plan. Furthermore, workers in these same groups that do participate have lower average account balances in these plans than their demographic counterparts. However, the distribution of the total assets held by families across various demographic categories has not been the focus of as many studies.<sup>2</sup>

As a public policy matter, it is useful to identify the groups that hold these retirement plan assets as well as those that are not taking advantage of these plans, as new policies could be undertaken to enhance use among the lowest-using groups. Furthermore, recognizing who is holding these assets can inform interested parties on where the individual retirement account market is headed and what new policies, ideas, or products may be desirable to promote better outcomes from the retirement system.

This article examines the distribution of total assets held in individual account retirement plans (401(k)-type plans, IRAs, and Keogh plans) across various demographic characteristics of American families. The distribution of the retirement plan assets is then compared against the distribution of all assets owned. The analysis also shows the changes in the distribution of these assets from 1992 to 2007 as well as market return-adjusted values for March 2010.

Furthermore, the fraction of total assets and financial assets that these individual accounts represent is investigated. In both cases, assets are highly concentrated among specific groups: Those who are older, higher-income, and white. However, retirement plan assets are less highly concentrated than are overall financial assets. Moreover, the assets accumulated in the individual account retirement plans by those in groups that have a lower percentage of these assets represent a considerably greater source of their total financial assets than they do for those in groups with a high concentration of individual account assets.

## Distribution of Individual Account Retirement Plan Assets

Total individual account retirement assets—which include employment-based defined contribution plan assets (both of active plans and plans held at former employers in the public and private sectors), individual retirement account (IRA) assets, and Keogh account assets—amounted to \$8.979 trillion in 2007, according the Federal Reserve's Survey of Consumer Finances (Figure 1). Employment-based plan assets (\$4.823 trillion) exceeded individual retirement account/Keogh account assets (\$4.157 trillion) by \$0.666 trillion.<sup>3,4</sup> The concentration of these assets increased sharply with educational attainment of the family head, family income, and the net worth percentile of the family.

Approximately 70 percent of the employment-based retirement plan assets were held by families headed by individuals ages 45–64. The largest concentration of IRA and Keogh assets is held by families with heads in the next oldest age group (ages 55–74), who own just over 60 percent of these assets. The concentration of these IRA/Keogh assets in the accounts of older individuals is largely a result of rollovers from employment-based retirement plans, after retirement or job change. Furthermore, just less than 90 percent of individual account retirement plan assets were held by families headed by white, non-Hispanic individuals.

Two percent of individual account retirement plan assets were owned by families headed by individuals without a high school diploma. The share for families with a head having only a high school diploma increased to 12.2 percent.

**Figure 1  
Distribution of Individual Account Retirement Plan Assets Across Various Demographic Categories, 2007**

	Total		Total Active		Total Assets		Total Assets		Total Assets			
	Assets		Assets		Assets		Assets		Assets			
	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total		
<b>Total</b>	<b>\$8.979</b>	<b>100.0%</b>	<b>\$4.823</b>	<b>100.0%</b>	<b>\$3.986</b>	<b>100.0%</b>	<b>\$4.157</b>	<b>100.0%</b>	<b>\$75.897</b>	<b>100.0%</b>	<b>\$25.926</b>	<b>100.0%</b>
<b>Age of Head</b>												
<35	0.263	2.9	0.179	3.7	0.166	4.2	0.084	2.0	4.800	6.3	0.713	2.8
35-44	1.037	11.5	0.708	14.7	0.637	16.0	0.330	7.9	10.326	13.6	2.521	9.7
45-54	2.414	26.9	1.603	33.2	1.458	36.6	0.811	19.5	19.100	25.2	6.232	24.0
55-64	3.191	35.5	1.743	36.1	1.403	35.2	1.448	34.8	20.371	26.8	7.871	30.4
65-74	1.685	18.8	0.535	11.1	0.314	7.9	1.150	27.7	13.248	17.5	5.289	20.4
75+	0.390	4.3	0.055	1.1	0.007	0.2	0.335	8.1	8.052	10.6	3.300	12.7
<b>Race of Head</b>												
White non-Hispanic	8.017	89.3	4.137	85.8	3.394	85.1	3.880	93.3	65.225	85.9	23.814	91.9
Nonwhite	0.962	10.7	0.686	14.2	0.591	14.8	0.276	6.6	10.672	14.1	2.111	8.1
<b>Education of Head</b>												
Below HS diploma	0.179	2.0	0.086	1.8	0.050	1.3	0.093	2.2	2.743	3.6	0.573	2.2
HS diploma	1.099	12.2	0.669	13.9	0.576	14.5	0.430	10.3	12.094	15.9	3.072	11.8
Some college	0.987	11.0	0.533	11.1	0.459	11.5	0.454	10.9	9.657	12.7	2.561	9.9
College degree	6.714	74.8	3.535	73.3	2.901	72.8	3.179	76.5	51.403	67.7	19.720	76.1
<b>Family Income</b>												
Less than \$20,000	0.106	1.2	0.035	0.7	0.004	0.1	0.070	1.7	3.081	4.1	0.634	2.4
\$20,000-\$39,999	0.568	6.3	0.188	3.9	0.078	2.0	0.380	9.1	5.252	6.9	1.678	6.5
\$40,000-\$49,999	0.336	3.7	0.114	2.4	0.084	2.1	0.222	5.3	3.121	4.1	0.823	3.2
\$50,000-\$74,999	1.007	11.2	0.584	12.1	0.495	12.4	0.423	10.2	7.504	9.9	2.162	8.3
\$75,000-\$99,999	1.131	12.6	0.669	13.9	0.539	13.5	0.462	11.1	7.128	9.4	2.443	9.4
\$100,000-\$149,999	1.354	15.1	0.874	18.1	0.769	19.3	0.479	11.5	9.631	12.7	2.747	10.6
\$150,000 or more	4.478	49.9	2.359	48.9	2.016	50.6	2.120	51.0	40.181	52.9	15.438	59.5
<b>Net Worth Percentile</b>												
Bottom 25%	0.041	0.5	0.033	0.7	0.029	0.7	0.007	0.2	0.769	1.0	0.105	0.4
25-49.9	0.298	3.3	0.227	4.7	0.198	5.0	0.071	1.7	3.863	5.1	0.603	2.3
50-74.9	1.159	12.9	0.726	15.1	0.666	16.7	0.433	10.4	9.620	12.7	2.233	8.6
75-89.9	2.133	23.8	1.290	26.7	1.100	27.6	0.843	20.3	12.433	16.4	4.232	16.3
Top 10%	5.348	59.6	2.546	52.8	1.994	50.0	2.802	67.4	49.211	64.8	18.752	72.3

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

Approximately 75 percent of individual account retirement plan assets were owned by families whose head was a college graduate. A similar increase occurred across families by family income, as 1.2 percent of individual account retirement plan assets were owned by families with family income below \$20,000, 15.1 percent for families with family incomes of \$100,000–\$149,999, and 49.9 percent for families with family incomes of \$150,000 or more. The families in the top 10 percentile of net worth owned 59.6 percent of individual account retirement plan assets, compared with 0.5 percent of those in the bottom 25 percent of net worth.

However, when comparing the concentration of active employment-based individual account retirement plan assets with that of overall financial assets, the retirement plan assets are less concentrated than overall financial assets in many categories. For example, families with white, non-Hispanic heads owned 85.1 percent of active employment-based individual account retirement plan assets, compared with 91.9 percent of all financial assets (Figure 1). Furthermore, families in the top 10 percent of net worth held 50.0 percent of these active employment-based retirement plan assets, compared with 72.3 percent of all financial assets. The families in the third quartile (50 percent–74.9 percent) of net worth owned 16.7 percent of the active employment-based retirement plan assets, while holding only 8.6 percent of all financial assets.

The concentration of assets is linked to the relative number of participants within the demographic groups. Aside from the wealth and family income groups, the concentration of participants is similar to the concentration of assets within each age, race, and educational level of the family head category (Figure 2). However, the distribution of participants is much more evenly distributed across the wealth and family income groups than are the assets.

### **Growth in Individual Account Retirement Plan Assets**

According to the Survey of Consumer Finances, the total assets in individual account retirement plans increased from \$1.675 trillion in 1992 to \$8.979 trillion in 2007 (Figure 3). Assuming no contributions or withdrawals or changes in asset allocation, the asset level in these plans would be valued at \$8.925 trillion in March 2010, a decrease resulting from the downturn in the stock market.<sup>5</sup>

The distribution of these assets by the family net worth percentile and race of the family head remained relatively constant from 1992 to 2007. For example, in 1992, families headed by a white, non-Hispanic individual accounted for 91.9 percent of the individual account retirement plan assets. By 2007, this was virtually unchanged at 89.3 percent.

However, families headed by older and the most highly educated individuals or with the highest incomes gained in the share of these individual account assets. In 1992, 44 percent of the assets were owned by families headed by individuals 55 or older. The share for this group had increased to 58.6 percent by 2007. In 1992, the share owned by families with a head with a college degree was 69.3 percent; by 2007, this number had increased to 74.8 percent. Families with incomes of \$150,000 or more accounted for 39.1 percent of individual account retirement plans in 1992. This grew to 49.9 percent in 2007.

*Active Employment-Based Individual Account Retirement Plan Assets*—The assets in active employment-based individual account retirement plans increased from \$0.678 trillion in 1992 to \$3.986 trillion in 2007, with an adjusted value of \$4.127 trillion in March 2010 (Figure 4). While the overall distributions of these assets were similar between 1992 and 2007, some trends were different from those of all individual account plans. The percentage of assets held by families headed by nonwhite individuals increased slightly, from 11.6 percent in 1992 to 14.8 percent in 2007. Furthermore, the share of assets held by families in the top 10 percent of net worth declined from 56.5 percent in 1992 to 50.0 percent in 2007. However, the share held by families headed by individuals ages 55–64 increased significantly, as it did for overall assets, from 24.7 percent in 1992 to 35.2 percent in 2007.

*Individual Retirement Account and Keogh Plan Assets*—Individual retirement account and Keogh plan assets increased from \$0.918 trillion in 1992 to \$4.157 in 2007 (Figure 5). The adjusted value for March 2010 for these assets is lower, at \$3.997 trillion. Again, the distributions of the assets across various demographic categories were relatively constant from 1992 to 2007. Families with older heads (age 55 or older) did have a higher share of assets, increasing from 56.3 percent in 1992 to 70.6 percent in 2007. Those families with the highest net worth, family incomes, and

Figure 2  
**Distribution of Individual Account Retirement Plan Family Participants  
 Across Various Demographic Categories, 2007**

	Total Participants		Employment-Based Individual Account Retirement Plan Participants		Total Active Employment-Based Individual Account Retirement Plan Participants		Total IRA & Keogh Participants		All Families <sup>a</sup>	
	(millions)	Percent of Total	(millions)	Percent of Total	(millions)	Percent of Total	(millions)	Percent of Total	(millions)	Percent of Total
<b>Total</b>	61.12	100.0%	42.19	100.0%	38.22	100.0%	35.49	100.0%	113.49	100.0%
<b>Age of Head</b>										
<35	10.464	17.1	8.553	20.3	8.087	21.2	4.076	11.5	24.409	21.5
35-44	13.076	21.4	10.415	24.7	9.918	25.9	6.544	18.4	22.033	19.4
45-54	15.646	25.6	12.666	30.0	11.838	31.0	8.523	24.0	23.549	20.7
55-64	11.919	19.5	7.864	18.6	6.645	17.4	7.721	21.8	19.386	17.1
65-74	6.316	10.3	2.155	5.1	1.546	4.0	5.258	14.8	12.025	10.6
75+	3.695	6.0	0.536	1.3	0.188	0.5	3.369	9.5	12.088	10.7
<b>Race of Head</b>										
White non-Hispanic	47.779	78.2	31.391	74.4	28.141	73.6	30.364	85.6	81.188	71.5
Nonwhite	13.338	21.8	10.797	25.6	10.080	26.4	5.128	14.4	32.301	28.5
<b>Education of Head</b>										
Below HS diploma	3.393	5.6	2.263	5.4	1.979	5.2	1.475	4.2	14.404	12.7
HS diploma	16.479	27.0	10.991	26.1	10.115	26.5	7.710	21.7	37.282	32.9
Some college	11.181	18.3	7.707	18.3	6.714	17.6	5.859	16.5	20.997	18.5
College degree	30.063	49.2	21.227	50.3	19.414	50.8	20.448	57.6	40.807	36.0
<b>Family Income</b>										
Less than \$20,000	2.859	4.7	1.084	2.6	0.656	1.7	1.851	5.2	20.907	18.4
\$20,000-\$39,999	10.306	16.9	5.787	13.7	4.890	12.8	5.510	15.5	27.537	24.3
\$40,000-\$49,999	6.016	9.8	3.953	9.4	3.470	9.1	3.069	8.6	10.743	9.5
\$50,000-\$74,999	13.069	21.4	9.556	22.6	8.678	22.7	6.279	17.7	19.846	17.5
\$75,000-\$99,999	9.481	15.5	7.321	17.4	6.850	17.9	5.449	15.4	12.385	10.9
\$100,000-\$149,999	9.990	16.3	7.831	18.6	7.402	19.4	5.881	16.6	11.623	10.2
\$150,000 or more	9.396	15.4	6.657	15.8	6.276	16.4	7.454	21.0	10.448	9.2
<b>Net Worth Percentile<sup>b</sup></b>										
Bottom 25%	5.499	9.0	4.682	11.1	4.339	11.4	1.329	3.7	26.411	23.3
25-49.9	14.006	22.9	10.950	26.0	9.872	25.8	5.020	14.1	28.968	25.5
50-74.9	18.206	29.8	12.386	29.4	11.546	30.2	10.416	29.3	28.975	25.5
75-89.9	13.579	22.2	8.770	20.8	7.825	20.5	10.055	28.3	17.469	15.4
Top 10%	9.827	16.1	5.400	12.8	4.640	12.1	8.67	24.4	11.667	10.3

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

<sup>a</sup> The "All Families" column includes only those families that have positive assets.

<sup>b</sup> The "Net Worth" categories are for the net worth of all families, not of the ownership of a particular account. Therefore, the percentages won't match the percentile categories.

**Figure 3**  
**Distribution of Individual Account Retirement Plan Assets**  
**Across Various Demographic Categories, 1992, 2001–2010\***

	1992		2001		2004		2007		2010*	
	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total
<b>Total</b>	\$1.675	100.0%	\$5.697	100.0%	\$6.767	75.4%	\$8.979	100.0%	\$8.925	100.0%
<b>Age of Head</b>										
<35	0.108	6.5	0.206	3.6	0.252	3.7	0.263	2.9	0.261	2.9
35–44	0.298	17.8	0.933	16.4	0.862	12.7	1.037	11.5	1.030	11.5
45–54	0.532	31.7	1.772	31.1	1.898	28.0	2.414	26.9	2.403	26.9
55–64	0.470	28.1	1.588	27.9	2.279	33.7	3.191	35.5	3.210	36.0
65–74	0.235	14.0	0.847	14.9	1.060	15.7	1.685	18.8	1.638	18.4
75+	0.032	1.9	0.351	6.2	0.416	6.2	0.390	4.3	0.384	4.3
<b>Race of Head</b>										
White non-Hispanic	1.539	91.9	5.296	93.0	6.125	90.5	8.017	89.3	7.915	88.7
Nonwhite	0.136	8.1	0.401	7.0	0.642	9.5	0.962	10.7	1.011	11.3
<b>Education of Head</b>										
Below HS diploma	0.041	2.5	0.093	1.6	0.082	1.2	0.179	2.0	0.184	2.1
HS diploma	0.280	16.7	0.758	13.3	0.878	13.0	1.099	12.2	1.131	12.7
Some college	0.194	11.6	0.669	11.7	0.727	10.7	0.987	11.0	1.010	11.3
College degree	1.161	69.3	4.177	73.3	5.080	75.1	6.714	74.8	6.601	74.0
<b>Family Income</b>										
Less than \$20,000	0.028	1.6	0.091	1.6	0.124	1.8	0.106	1.2	0.105	1.2
\$20,000–\$39,999	0.118	7.0	0.423	7.4	0.356	5.3	0.568	6.3	0.585	6.6
\$40,000–\$49,999	0.089	5.3	0.232	4.1	0.283	4.2	0.336	3.7	0.338	3.8
\$50,000–\$74,999	0.273	16.3	0.859	15.1	0.944	14.0	1.007	11.2	1.017	11.4
\$75,000–\$99,999	0.220	13.1	0.695	12.2	0.787	11.6	1.131	12.6	1.130	12.7
\$100,000–\$149,999	0.293	17.5	1.095	19.2	1.434	21.2	1.354	15.1	1.350	15.1
\$150,000 or more	0.655	39.1	2.301	40.4	2.839	42.0	4.478	49.9	4.400	49.3
<b>Net Worth Percentile</b>										
Bottom 25%	0.006	0.4	0.019	0.3	0.021	0.3	0.041	0.5	0.046	0.5
25–49.9	0.049	2.9	0.172	3.0	0.206	3.1	0.298	3.3	0.316	3.5
50–74.9	0.216	12.9	0.703	12.3	0.838	12.4	1.159	12.9	1.230	13.8
75–89.9	0.390	23.3	1.369	24.0	1.744	25.8	2.133	23.8	2.120	23.8
Top 10%	1.014	60.5	3.434	60.3	3.957	58.5	5.348	59.6	5.214	58.4

Source: Employee Benefit Research Institute estimates from 1992, 2001, 2004, and 2007 Survey of Consumer Finances.  
\* Estimates based on asset allocation from the 2007 Survey of Consumer Finances, using market returns from end of year 2007 through March 19, 2010.  
This assumes no contributions to or withdrawals from these accounts during that period.

Figure 4  
**Distribution of Active Employment-Based Individual Account Retirement Plan Assets Across Various Demographic Categories, 1992, 2001-2010\***

	1992		2001		2004		2007		2010*	
	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total
<b>Total</b>	\$0.678	100.0%	\$2.196	100.0%	\$2.773	100.0%	\$3.986	100.0%	\$4.127	100.0%
<b>Age of Head</b>										
<35	0.068	10.0	0.136	6.2	0.161	5.8	0.166	4.2	0.169	4.1
35-44	0.149	22.0	0.587	26.7	0.498	18.0	0.637	16.0	0.647	15.7
45-54	0.286	42.2	0.845	38.5	1.061	38.3	1.458	36.6	1.489	36.1
55-64	0.167	24.7	0.530	24.1	0.954	34.4	1.403	35.2	1.498	36.3
65-74	0.008	1.1	0.086	3.9	0.081	2.9	0.314	7.9	0.316	7.7
75+	0.000	0.1	0.012	0.6	0.019	0.7	0.007	0.2	0.008	0.2
<b>Race of Head</b>										
White non-Hispanic	0.600	88.4	1.941	88.4	2.374	85.6	3.394	85.1	3.488	84.5
Nonwhite	0.079	11.6	0.256	11.6	0.399	14.4	0.591	14.8	0.639	15.5
<b>Education of Head</b>										
Below HS diploma	0.012	1.7	0.025	1.1	0.045	1.6	0.050	1.3	0.053	1.3
HS diploma	0.105	15.4	0.325	14.8	0.416	15.0	0.576	14.5	0.606	14.7
Some college	0.078	11.6	0.291	13.3	0.304	11.0	0.459	11.5	0.494	12.0
College degree	0.484	71.3	1.554	70.8	2.008	72.4	2.901	72.8	2.973	72.0
<b>Family Income</b>										
Less than \$20,000	0.005	0.7	0.015	0.7	0.009	0.3	0.004	0.1	0.004	0.1
\$20,000-\$39,999	0.019	2.8	0.096	4.3	0.084	3.0	0.078	2.0	0.095	2.3
\$40,000-\$49,999	0.028	4.1	0.075	3.4	0.084	3.0	0.084	2.1	0.089	2.2
\$50,000-\$74,999	0.099	14.6	0.350	15.9	0.369	13.3	0.495	12.4	0.522	12.6
\$75,000-\$99,999	0.119	17.5	0.349	15.9	0.385	13.9	0.539	13.5	0.554	13.4
\$100,000-\$149,999	0.130	19.1	0.421	19.2	0.650	23.4	0.769	19.3	0.783	19.0
\$150,000 or more	0.279	41.2	0.891	40.6	1.191	43.0	2.016	50.6	2.079	50.4
<b>Net Worth Percentile</b>										
Bottom 25%	0.005	0.7	0.013	0.6	0.016	0.6	0.029	0.7	0.035	0.8
25-49.9	0.031	4.5	0.114	5.2	0.147	5.3	0.198	5.0	0.216	5.2
50-74.9	0.098	14.5	0.415	18.9	0.483	17.4	0.666	16.7	0.738	17.9
75-89.9	0.162	23.8	0.588	26.8	0.825	29.8	1.100	27.6	1.106	26.8
Top 10%	0.383	56.5	1.066	48.5	1.301	46.9	1.994	50.0	2.032	49.2

Source: Employee Benefit Research Institute estimates from 1992, 2001, 2004, and 2007 Survey of Consumer Finances.

\* Estimates based on asset allocation from the 2007 Survey of Consumer Finances using market returns from end of year 2007 through March 19, 2010. This assumes no contributions to or withdrawals from these accounts during that period.

educational attainment of their head all had increased shares of these assets from 1992 to 2007. After the market return adjustments, the relative distributions were almost identical for the 2010 values relative to the 2007 levels.

### **Individual Account Retirement Plan Assets as a Share of All Assets**

While the assets in individual retirement accounts are concentrated in certain families, overall assets are also concentrated in a similar manner—those with more overall assets have more individual account retirement plan assets. However, individual account assets comprise a significant portion of all financial assets among those with lower levels of assets, and in many cases represent a much larger share of these financial assets than of the assets for those with overall high asset levels.

Individual account retirement plan assets represent 36.9 percent of the total financial assets held by families with a head under 35 years of age (Figure 6). This compares with 40.5 percent for families with a head age 55–64. Similar findings occur for families headed by a nonwhite individual, families with a head having only a high school diploma, families with lower net worth, and families with moderate income. Individual account retirement plan assets are 45.6 percent of the total financial assets held by families headed by a nonwhite individual, compared with 33.7 percent for families headed by a white individual. Thirty-six percent of financial assets held for families with a head who has only a high school diploma are from individual account retirement plan assets, while 34 percent of these assets are from individual account plans among families headed by a college graduate.

For families with net worth in the second quartile (25 percent–49.9 percent), almost half (49.4 percent) of their financial assets are from individual account retirement plans, while just over a quarter (28.5 percent) of financial assets held by families in top 10 percent of net worth are from individual account retirement plans. Furthermore, 40.8 percent of the financial assets of families with family income in the \$40,000s were from individual account assets, whereas the individual account assets represented only 29.0 percent of these assets for families with family incomes of \$150,000 or more.

### **Conclusion**

Individual account retirement plan assets are concentrated in families with higher net worth, higher family income, higher educational attainment, with older family heads, and with white non-Hispanic heads. However, assets in general are concentrated in these same groups—those with more assets have more individual account retirement plan assets.

These families with more assets have the ability to accumulate the most assets in an individual account plan due to other sources of assets and higher average incomes. Furthermore, these same individuals are more likely to be offered a plan through an employer, so they may find it easier to save due to the automatic savings created by participating in an employment-based retirement plan. Therefore, these assets have grown significantly for the higher-resource groups.

While the fraction of total assets is smaller in the individual account plans of those with lower net worth, lower income, and who are younger, these assets do comprise a significant portion of their total financial assets—more than one-third, in many cases. Consequently, for those with fewer assets using these plans, these retirement plans have been effective in helping them accumulate assets they otherwise may not have been able to save without these plans.

The most significant shift in these individual account assets from 1992 to 2007 was the fraction of assets held by families headed by individuals age 55 or older. Nearly 60 percent of all individual account retirement plan assets, and 70 percent of individual retirement account and Keogh plan assets, are owned by families headed by individuals in this age group. This fact illustrates the importance of educational efforts and product availability (annuities, fixed withdrawal products, etc.) for retirees as they spend down their assets to pay for expenses in retirement. These products are needed now, as these savings account for 40 percent of all the financial assets of families approaching normal retirement age, with a family head age 55–64.



**Figure 5**  
**Distribution of Individual Retirement Account and Keogh Assets**  
**Across Various Demographic Categories, 1992, 2001–2010**

	1992		2001		2004		2007		2010*	
	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total	(\$ trillion)	Percent of Total
<b>Total</b>	\$0.918	100.0%	\$3.250	100.0%	\$3.383	100.0%	\$4.157	100.0%	\$3.997	100.0%
<b>Age of Head</b>										
<35	0.034	3.7	0.067	2.1	0.070	2.1	0.084	2.0	0.080	2.0
35–44	0.137	14.9	0.301	9.3	0.306	9.0	0.330	7.9	0.317	7.9
45–54	0.230	25.0	0.859	26.4	0.711	21.0	0.811	19.5	0.775	19.4
55–64	0.262	28.5	0.931	28.6	1.068	31.6	1.448	34.8	1.387	34.7
65–74	0.224	24.4	0.754	23.2	0.875	25.9	1.150	27.7	1.107	27.7
75+	0.031	3.4	0.338	10.4	0.353	10.4	0.335	8.1	0.331	8.3
<b>Race of Head</b>										
White non-Hispanic	0.863	94.0	3.120	96.0	3.203	94.7	3.880	93.3	3.721	93.1
Nonwhite	0.055	6.0	0.130	4.0	0.181	5.3	0.276	6.6	0.276	6.9
<b>Education of Head</b>										
Below HS diploma	0.028	3.0	0.055	1.7	0.030	0.9	0.093	2.2	0.093	2.3
HS diploma	0.165	18.0	0.412	12.7	0.403	11.9	0.430	10.3	0.434	10.9
Some college	0.112	12.2	0.336	10.3	0.328	9.7	0.454	10.9	0.445	11.1
College degree	0.613	66.8	2.447	75.3	2.623	77.5	3.179	76.5	3.025	75.7
<b>Family Income</b>										
Less than \$20,000	0.021	2.3	0.074	2.3	0.095	2.8	0.070	1.7	0.071	1.8
\$20,000–\$39,999	0.096	10.4	0.303	9.3	0.245	7.2	0.380	9.1	0.379	9.5
\$40,000–\$49,999	0.048	5.2	0.148	4.5	0.159	4.7	0.222	5.3	0.220	5.5
\$50,000–\$74,999	0.157	17.1	0.480	14.8	0.496	14.7	0.423	10.2	0.410	10.3
\$75,000–\$99,999	0.099	10.7	0.328	10.1	0.303	9.0	0.462	11.1	0.449	11.2
\$100,000–\$149,999	0.152	16.6	0.619	19.0	0.648	19.1	0.479	11.5	0.465	11.6
\$150,000 or more	0.346	37.7	1.298	39.9	1.438	42.5	2.120	51.0	2.002	50.1
<b>Net Worth Percentile</b>										
Bottom 25%	0.002	0.2	0.005	0.2	0.003	0.1	0.007	0.2	0.007	0.2
25–49.9	0.017	1.8	0.050	1.6	0.044	1.3	0.071	1.7	0.069	1.7
50–74.9	0.106	11.5	0.251	7.7	0.293	8.6	0.433	10.4	0.433	10.8
75–89.9	0.209	22.8	0.710	21.8	0.788	23.3	0.843	20.3	0.827	20.7
Top 10%	0.584	63.7	2.233	68.7	2.255	66.7	2.802	67.4	2.660	66.5

Source: Employee Benefit Research Institute estimates from 1992, 2001, 2004, and 2007 Survey of Consumer Finances.  
\* Estimates based on asset allocation from the 2007 Survey of Consumer Finances using market returns from end of year 2007 through March 19, 2010. This assumes no contributions to or withdrawals from these accounts during that period.

Figure 6

### Individual Account Retirement Plan Assets as a Share of Total Assets and Total Financial Assets Across Various Demographic Categories, 2007

	Total Individual Account Retirement Plan Assets		All Employment-Based Individual Account Retirement Plan Assets		Active Employment-Based Individual Account Retirement Plan Assets		Total IRA & Keogh Plan Assets					
	Total Assets (\$ trillion)	Percent of total assets	Financial Assets (\$ trillion)	Percent of total financial assets	(\$ trillion)	Percent of total financial assets	(\$ trillion)	Percent of total financial assets				
									Percent of total assets	Percent of total financial assets	Percent of total assets	Percent of total financial assets
<b>Total</b>	\$75.897	11.8%	\$25.926	34.6%	\$4.823	18.6%	\$3.986	15.4%	\$4.157	5.5%	\$4.157	16.0%
<b>Age of Head</b>												
<35	4.800	5.5	0.713	36.9	0.179	25.1	0.166	23.3	3.5	0.084	1.8	11.8
35-44	10.326	10.0	2.521	41.1	0.708	28.1	0.637	25.3	6.2	0.330	3.2	13.1
45-54	19.100	12.6	6.232	38.7	1.603	25.7	1.458	23.4	7.6	0.811	4.2	13.0
55-64	20.371	15.7	7.871	40.5	1.743	22.1	1.403	17.8	6.9	1.448	7.1	18.4
65-74	13.248	12.7	5.289	31.9	0.535	10.1	0.314	5.9	2.4	1.150	8.7	21.7
75+	8.052	4.8	3.300	11.8	0.055	1.7	0.007	0.2	0.1	0.335	4.2	10.2
<b>Race of Head</b>												
White non-Hispanic	65.225	12.3	23.814	33.7	4.137	17.4	3.394	14.3	5.2	3.880	5.9	16.3
Nonwhite	10.672	9.0	2.111	45.6	0.686	32.5	0.591	28.0	5.5	0.276	2.6	13.1
<b>Education of Head</b>												
Below HS diploma	2.743	6.5	0.573	31.2	0.086	15.0	0.050	8.7	1.8	0.093	3.4	16.2
HS diploma	12.094	9.1	3.072	35.8	0.669	21.8	0.576	18.8	4.8	0.430	3.6	14.0
Some college	9.657	10.2	2.561	38.5	0.533	20.8	0.459	17.9	4.8	0.454	4.7	17.7
College degree	51.403	13.1	19.720	34.0	3.535	17.9	2.901	14.7	5.6	3.179	6.2	16.1
<b>Family Income</b>												
Less than \$20,000	3.081	3.4	0.634	16.7	0.035	1.1	0.004	0.6	0.1	0.070	2.3	11.0
\$20,000-\$39,999	5.252	10.8	1.678	33.8	0.188	3.6	0.078	4.6	1.5	0.380	7.2	22.6
\$40,000-\$49,999	3.121	10.8	0.823	40.8	0.114	3.7	0.084	10.2	2.7	0.222	7.1	27.0
\$50,000-\$74,999	7.504	13.4	2.162	46.6	0.584	7.8	0.495	22.9	6.6	0.423	5.6	19.6
\$75,000-\$99,999	7.128	15.9	2.443	46.3	0.669	9.4	0.539	7.6	7.6	0.462	6.5	18.9
\$100,000-\$149,999	9.631	14.1	2.747	49.3	0.874	31.8	0.769	28.0	8.0	0.479	5.0	17.4
\$150,000 or more	40.181	11.1	15.438	29.0	2.359	15.3	2.016	13.1	5.0	2.120	5.3	13.7
<b>Net Worth Percentile</b>												
Bottom 25%	0.769	5.3	0.105	39.0	0.033	4.3	0.029	27.6	3.8	0.007	0.9	6.7
25-49.9	3.863	7.7	0.603	49.4	0.227	37.6	0.198	32.8	5.1	0.071	1.8	11.8
50-74.9	9.620	12.0	2.233	51.9	0.726	32.5	0.666	29.8	6.9	0.433	4.5	19.4
75-89.9	12.433	17.2	4.232	50.4	1.290	30.5	1.100	26.0	8.8	0.843	6.8	19.9
Top 10%	49.211	10.9	18.752	28.5	2.546	13.6	1.994	10.6	4.1	2.802	5.7	14.9

Source: Employee Benefit Research Institute estimates from the 2007 Survey of Consumer Finances.

**Endnotes**

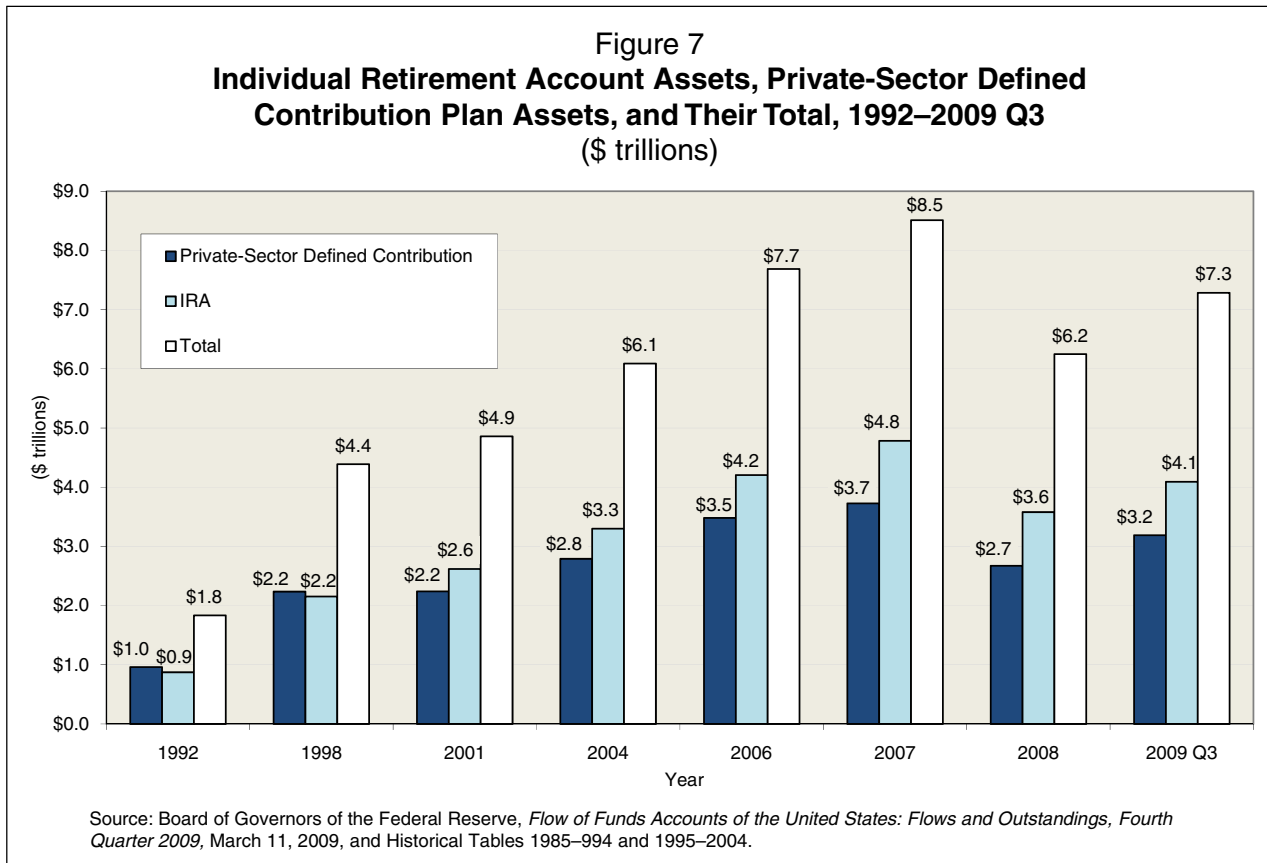
<sup>1</sup> See for example, Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2008," *EBRI Issue Brief*, no. 336 (Employee Benefit Research Institute, November 2009) and Craig Copeland, "Individual Account Retirement Plans: An Analysis of the 2007 Survey of Consumer Finances, With Market Adjustments to June 2009," *EBRI Issue Brief*, no. 333 (Employee Benefit Research Institute, August 2009). For example, 39.6 percent of wage and salary workers ages 25–34 participated in an employment-based retirement plan in 2008, compared with 54.8 percent for those ages 55–64. Furthermore, in 2007, the median family defined contribution plan balance of those with a balance was \$8,000 for those families with a head under age 35, compared with \$81,000 for families with a head age 55–64.

<sup>2</sup> See Craig Copeland, "Total Individual Account Retirement Plan Assets, by Demographics, 2004." *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2008): 1–9 for one study on total individual account plan assets.

<sup>3</sup> The latest data from the Investment Company Institute, the Internal Revenue Service, and the Federal Reserve Board show assets in private-sector defined contribution plans and IRAs increasing from \$1.8 trillion in 1992 to \$7.3 trillion in third quarter of 2009 (Figure 7).

<sup>4</sup> The assets in this study include private sector defined contribution plan assets and public-sector defined contribution assets, whereas the numbers cited in endnote 3 only include private-sector defined contribution assets. There is not a comparable public-sector defined contribution number available.

<sup>5</sup> This adjustment is done by using the asset allocation provided in the SCF, which breaks the allocation down into stocks and interest bearing assets. The equity portion of the allocation is adjusted by the return on the S&P 500 Index from January 1, 2008 to March 19, 2010. The interest-bearing portion is adjusted by the return on the Barclays U.S. Aggregate Bond Index over the same time frame.



# Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008

By Ken McDonnell, *Employee Benefit Research Institute*

## Introduction

This article looks at one slice of the income pie of the older population: retirement annuities and employment-based defined benefit (DB) pensions. It analyzes the population age 50 and over in order to take into account the prevalence of early retirement options available to individuals beginning at age 50.

Recent data from the March 2009 Current Population Survey, conducted by the U.S. Census Bureau, confirm earlier findings that gender, marital status, age, education, and other demographic variables have a significant impact on the likelihood of a worker receiving a retirement annuity and/or employment-based pension income in retirement.<sup>1</sup> There is also a strong correlation between these same variables and the amount of pension income received from private and/or public-sector employment-based retirement plans.<sup>2</sup>

For example, in 2008, 27.7 percent of men age 50 and older with a graduate-level education received an annuity and/or pension income, compared with 19.3 percent of men without a high school diploma—a differential of 8.4 percentage points (Figure 1). While notable, this differential in receipt of an annuity and/or pension income pales in comparison with the differential in the amounts these men received: In 2008, men with graduate-level degrees received 4.2 times the median<sup>3</sup> annuity and/or pension income that was received by men without a high school diploma (calculated from Figure 1). Figure 1 also shows how age, education, marital status, and income are related to annuity and/or pension reciprocity and to the amounts males received in 2008; Figure 2 shows the same data for females.

## Gender

Gender is a particularly strong factor in retirement annuity and/or employment-based pension income reciprocity. Figure 1 shows that in 2008, 43.2 percent of men age 65 and over received annuity and/or pension income, with a mean amount of \$19,557 per year. Figure 2 shows that only 29.4 percent of women age 65 and over received annuity and/or pension income that year, with mean pension income of \$12,137. Hence, a woman age 65 and over in 2008 was almost two-thirds (68.1 percent) as likely to receive an annuity and/or pension payment as her male counterpart. If she did receive one, her mean benefit was likely to be 62.1 percent of that received by a man in the same age group (calculated from Figures 1 and 2).

Women age 50 and over in 2008 were born in 1958 at the latest. They are therefore part of a cohort of women who, on average, spent fewer years in the labor force than younger cohorts. Because of relatively lower labor force participation rates, women in the older age group are more likely to receive pension income through their husbands, as spouses or survivors, than through their own savings or employment. Widows were the largest proportion of women age 50 and over receiving annuities and/or pensions in 2008, at 33.1 percent (Figure 2).

Widows received the lowest mean and median retirement annuity and/or pension income amounts among women of any marital status (Figure 2). In 2008, the mean annuity and/or pension income for widows was \$11,794, compared with \$18,714 for women who were never married (Figure 2).

Figure 1  
**Mean and Median Pension and Annuity Income Reciprocity,  
 Males Over Age 50, by Various Characteristics, 2008**

	Percentage Receiving Pensions and Annuities	For Those Receiving Pensions and Annuities	
		Mean annual income from pensions and annuities	Median annual income from pensions and annuities
Total Age 50 and Over	24.1%	\$21,155	\$15,106
Industry Sector			
Private sector	14.7	15,888	10,800
Public sector	8.4	29,374	24,243
Age			
Age 50–55	4.8	22,438	18,000
Age 56–60	14.6	24,777	21,600
Age 61–64	25.5	25,303	21,000
Age 65–67	37.3	21,918	15,600
Age 68–70	43.1	19,218	15,300
Age 71–75	43.3	20,571	13,200
Age 76–79	43.7	18,775	12,000
Age 80 and over	48.8	17,555	12,000
Age 65 and over	43.2	19,557	13,200
Educational level			
No high school diploma	19.3	10,281	7,200
High school diploma to associate's degree	24.4	17,637	13,200
Bachelor's degree	24.3	27,687	23,500
Graduate degree	27.7	34,493	30,000
Marital status			
Married	25.0	22,195	16,551
Widowed	42.4	15,913	10,093
Divorced or separated	16.8	19,226	13,200
Never married	12.4	19,937	14,424
Income Quintile			
Lowest	6.4	4,380	3,000
Second	26.3	7,601	6,000
Middle	36.0	16,150	14,400
Fourth	26.3	27,734	26,400
Highest	22.2	41,448	38,800

Source: Employee Benefit Research Institute estimates of the 2009 Current Population Survey, March Supplement.

For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at [www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf](http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf)

On average, younger women today spend less time in the work force than men of similar ages and tend to have lower-paying jobs, a situation due in large part to leave taken from work to provide family care-giving. However, on average, today's younger women will likely spend more time in the work force than did women who were age 50 and over in 2008. As other EBRI research has shown, women's participation in retirement plans has risen significantly in recently years, closing the gap in retirement plan participation with men (see *EBRI Issue Brief*, no. 336, "Employment-based Retirement and Pension Plan Participation: Geographic Differences and Trends, 2008," November 2009). Hence, the aggregate pension and annuity reciprocity for women and the amounts they receive are likely to increase over time as these younger generations retire. However, women older than age 50 who are in the lowest income quintiles may continue to be least likely to receive annuity and/or pension income.

Demographic characteristics such as education, marital status, and income remained steady indicators of the likelihood and amount of annuity and/or pension reciprocity from 1975 through 2008 (Figures 3, 4, and 5).

Figure 2  
**Mean and Median Pension and Annuity Income Reciprocity,  
 Females Over Age 50, by Various Characteristics, 2008**

Characteristics	Percentage Receiving Pensions and Annuities	For Those Receiving Pensions and Annuities	
		Mean annual income from pensions and annuities	Median annual income from pensions and annuities
Total Age 50 and Over	18.1%	\$13,742	\$9,600
Industry Sector			
Private sector	10.0	9,700	6,000
Public sector	7.2	18,697	14,941
Age			
Age 50–55	3.3	17,752	13,000
Age 56–60	10.6	18,214	14,400
Age 61–64	19.4	17,413	13,200
Age 65–67	25.1	15,123	10,128
Age 68–70	29.5	13,043	9,600
Age 71–75	29.4	11,905	8,040
Age 76–79	32.2	11,244	7,200
Age 80 and over	30.5	10,841	7,200
Age 65 and over	29.4	12,137	8,040
Educational level			
No high school diploma	13.8	6,721	4,800
High school diploma to associate's degree	18.3	11,246	8,220
Bachelor's degree	17.5	19,273	14,941
Graduate degree	24.7	25,410	21,600
Marital status			
Married	12.9	14,473	9,600
Widowed	33.1	11,794	7,932
Divorced or separated	16.0	15,026	10,800
Never married	17.3	18,714	13,000
Income Quintile			
Lowest	3.4	3,213	3,228
Second	10.0	4,139	2,652
Middle	24.8	6,682	5,376
Fourth	27.7	14,468	13,200
Highest	19.1	28,122	24,000

Source: Employee Benefit Research Institute estimates of the 2009 Current Population Survey, March Supplement.

For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at [www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf](http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf)

## Age

The likelihood of receiving an annuity and/or pension income increases with age, until the oldest age group (those age 80 and over), where data show a lower percentage receiving annuity and/or pension income (Figures 3). However, since 1975, the percentage of individuals age 80 and over receiving annuity and/or pension income has been increasing, from 17.7 percent in 1975 to 37.3 percent in 2008.

Figure 3  
**Percentage of Population Over Age 50 Receiving Pension and Annuity  
Income, by Various Characteristics, Selected Years, 1975–2008**

Characteristics	1975	1980	1985	1990	1995	2000	2005	2008
Total Age 50 and Over	15.3%	18.0%	21.4%	24.2%	24.0%	21.8%	21.7%	20.9%
<b>Industry Sector</b>								
Private sector	9.4	10.9	13.6	15.0	14.8	13.5	12.8	12.2
Public sector	6.2	7.4	8.3	9.7	8.3	7.5	7.8	7.7
<b>Age</b>								
Age 50–55	4.6	5.6	6.1	6.6	5.9	4.8	4.9	4.0
Age 56–60	9.4	10.8	13.3	15.8	14.3	13.7	13.8	12.6
Age 61–64	16.1	20.6	23.8	28.0	25.9	23.4	24.1	22.4
Age 65–67	25.8	29.1	31.8	37.1	34.2	32.3	30.8	31.2
Age 68–70	26.5	29.0	34.1	38.4	37.2	36.2	33.7	35.7
Age 71–75	25.4	29.2	32.5	39.2	38.0	36.4	36.2	35.5
Age 76–80	21.7	24.1	28.8	34.6	36.2	36.1	38.5	37.2
Over age 80	17.7	21.1	25.0	30.2	31.5	33.1	37.4	37.3
Over age 65	23.8	26.9	30.7	36.1	35.4	34.8	35.5	35.4
<b>Gender</b>								
Male	19.2	24.6	28.9	32.5	30.6	26.1	25.5	24.1
Female	11.4	12.4	15.1	19.2	18.4	18.1	18.4	18.1
<b>Educational level</b>								
No high school diploma	13.1	15.2	18.7	22.0	20.0	18.3	18.1	16.4
High school diploma to associate's degree	15.7	18.4	21.3	25.6	24.1	22.3	21.3	21.0
Bachelor's degree	24.6	25.5	27.8	31.0	28.2	22.0	22.4	21.0
Graduate degree	24.7	29.5	31.0	31.5	30.6	25.9	28.1	26.4
<b>Marital status</b>								
Married	14.9	17.4	20.3	24.1	22.9	20.1	20.4	19.5
Widowed	17.1	21.3	26.4	31.8	31.9	33.2	34.9	35.0
Divorced or separated	10.7	12.0	15.1	19.0	17.9	16.1	16.3	16.3
Never married	19.6	20.4	24.7	26.4	21.3	19.3	15.3	14.8
<b>Income Quintile</b>								
Lowest	1.9	1.9	2.9	4.0	4.0	4.0	4.5	4.6
Second	4.3	6.9	9.9	15.1	13.5	13.6	15.5	15.4
Middle	20.9	28.0	32.2	35.3	33.9	35.0	34.4	30.4
Fourth	25.7	30.4	35.8	40.0	39.3	30.9	27.5	27.2
Highest	15.8	19.4	22.5	27.5	25.4	21.3	22.0	22.5

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006, and 2009 Current Population Surveys, March Supplements. For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at [www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf](http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf)

It is also worth noting that, although only 16.6 percent of persons ages 50–60 in 2008 were receiving annuity and/or pension income, those recipients had mean and median incomes that were greater than those received by persons over age 60 (Figures 3, 4, and 5). These data suggest that many persons who retired early may have done so because they were eligible for early retirement benefits and/or were able to purchase a sizable annuity, and therefore no longer needed to work for financial reasons. However, it is also likely that some persons ages 50–60 receiving retirement annuity and/or employment-based pension income were forced out of the labor force involuntarily—by disability or layoffs—and consequently had to settle for below-average pension incomes.

## Industry Sector

While fewer individuals age 50 and over received pension income from a public-sector plan (7.7 percent) than from a private-sector plan (12.2 percent) in 2008, the average amount an individual received from a public-sector plan (\$24,147) was considerably larger than that received by a private-sector plan recipient (\$13,222) (Figures 3 and 5).

Figure 4  
**Median Annual Income from Pensions and Annuities in Constant 2008 Dollars  
for Those Over Age 50, by Various Characteristics, Selected Years, 1975–2008**

Characteristics	1975	1980	1985	1990	1995	2000	2005	2008
Total Age 50 & Over	\$ 9,605	\$9,145	\$9,028	\$9,884	\$10,172	\$11,253	\$12,131	\$12,000
<b>Industry Sector</b>								
Private sector	7,203	6,532	6,747	6,919	7,341	7,502	8,348	8,400
Public sector	15,607	15,677	15,607	15,607	17,106	18,004	19,844	19,200
<b>Age</b>								
Age 50–55	16,008	14,632	16,592	15,649	15,961	16,504	17,198	15,924
Age 56–60	15,607	14,157	15,007	15,122	17,495	17,504	21,167	18,000
Age 61–64	11,938	12,542	12,006	12,493	15,280	16,129	15,875	16,800
Age 65–67	9,605	8,967	9,605	10,213	9,618	12,503	12,127	12,960
Age 68–70	8,932	7,682	8,004	9,202	10,172	11,328	12,127	11,377
Age 71–75	7,444	7,400	6,939	8,237	8,804	10,398	10,583	10,308
Age 76–80	7,203	6,532	6,973	7,314	7,298	9,002	9,260	9,600
Over age 80	7,171	6,574	6,055	6,589	6,781	7,502	8,837	9,000
Over age 65	8,116	7,567	7,315	8,375	8,476	9,707	10,583	10,644
<b>Gender</b>								
Male	11,045	11,445	11,828	13,098	13,562	15,004	15,875	15,106
Female	7,604	5,989	6,003	6,484	6,781	7,517	8,361	9,600
<b>Educational level</b>								
No high school diploma	7,107	6,271	6,003	5,930	6,052	6,167	6,416	5,844
High school diploma to associate's degree	11,037	10,002	9,605	9,884	9,884	10,503	10,583	10,380
Bachelor's degree	16,808	14,760	15,627	17,672	16,326	17,944	19,844	19,200
Graduate degree	21,210	16,984	21,392	22,931	26,096	25,956	26,458	24,717
<b>Marital status</b>								
Married	10,669	10,452	10,929	11,515	11,867	13,503	13,573	14,400
Widowed	7,147	6,271	6,003	6,451	6,781	7,502	8,136	8,400
Divorced or separated	9,184	7,839	9,356	9,884	10,172	11,403	13,163	12,000
Never married	11,838	9,406	10,325	11,070	10,463	12,503	14,552	13,800
<b>Income Quintile</b>								
Lowest	2,401	3,094	1,961	2,155	2,475	3,001	2,765	2,820
Second	3,414	2,822	2,565	2,728	2,492	3,001	3,281	3,500
Middle	5,045	5,283	5,595	5,930	6,154	7,502	8,599	8,676
Fourth	12,006	12,322	12,510	13,837	14,037	16,939	19,844	19,000
Highest	22,259	23,135	23,291	25,039	28,522	31,508	33,073	33,620

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006, and 2009 Current Population Surveys, March Supplements. For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at [www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf](http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf)

## Future Trends

Will today's workers have a steady income stream when they retire? This is an important policy question for government, employers, and employees alike. Current trends show future retirees may not have a steady income stream in retirement. Fewer employees are participating in a DB plan, which, in the past, almost always paid benefits in the form of an annuity upon retirement. In today's work place, an increasing number of DB plans are offering a lump-sum distribution option at retirement. Also, increasing numbers of employees are participating in a defined contribution (DC) plan, primarily a 401(k) plan. This trend has had a positive impact, in that many workers who previously had no retirement plan at all now at least have access to a tax-favored plan. However, DC plans are far less likely to offer an annuity option to retirees than are DB plans.



Figure 5  
**Mean Annual Income from Pensions and Annuities in Constant 2008 Dollars for  
Population Over Age 50, by Various Characteristics, Selected Years, 1975–2008**

Characteristics	1975	1980	1985	1990	1995	2000	2005	2008
<b>Total</b>								
Age 50 and over	\$14,060	\$13,336	\$13,700	\$14,388	\$15,447	\$16,788	\$17,538	\$17,771
<b>Industry Sector</b>								
Private sector	10,093	9,593	10,475	10,724	11,444	12,526	12,659	13,222
Public sector	20,429	19,283	19,693	18,827	21,202	22,212	24,062	24,147
<b>Age</b>								
Age 50–55	20,904	17,546	18,967	18,075	20,927	21,570	20,679	20,568
Age 56–60	20,296	18,149	18,788	18,781	21,392	23,187	25,173	21,980
Age 61–64	16,316	16,556	16,702	17,618	21,335	21,295	21,551	21,804
Age 65–67	13,041	13,086	14,330	15,393	14,465	18,071	17,670	19,178
Age 68–70	12,412	11,399	12,210	13,368	15,073	15,998	16,783	16,455
Age 71–75	11,190	10,659	11,150	12,760	13,547	14,864	15,339	16,534
Age 76–79	10,690	10,609	10,523	11,073	12,321	13,685	14,271	15,082
Age 80 and over	10,693	9,798	8,901	9,909	10,443	11,909	13,165	14,125
Age 65 and over	11,807	11,263	11,655	12,732	13,212	14,691	15,127	16,082
<b>Gender</b>								
Male	15,989	15,924	16,448	17,704	18,862	20,361	20,882	21,155
Female	10,734	8,972	9,286	9,678	10,618	11,800	13,439	13,742
<b>Educational level</b>								
No high school diploma	9,480	8,665	8,462	8,119	8,297	8,939	9,148	8,684
High school diploma to associate's degree	14,867	13,669	13,634	13,894	13,979	14,590	14,747	14,553
Bachelor's degree	21,985	21,435	21,641	22,609	22,795	24,420	23,814	24,294
Graduate degree	27,015	23,871	26,470	27,217	30,287	31,145	30,011	30,696
<b>Marital status</b>								
Married	15,532	14,995	15,707	16,155	17,497	19,157	19,390	19,880
Widowed	10,520	9,322	8,943	10,068	10,473	11,668	12,674	12,972
Divorced or separated	12,939	11,796	13,296	13,966	14,346	16,028	17,212	16,822
Never married	14,641	13,459	14,029	15,342	18,353	17,409	20,428	19,232
<b>Income Quintile</b>								
Lowest	3,437	3,289	2,868	2,908	3,050	3,417	3,348	3,539
Second	4,507	3,599	3,858	3,950	3,918	4,553	5,184	4,931
Middle	6,488	6,503	6,981	7,458	7,372	8,910	9,895	10,039
Fourth	13,824	13,499	14,013	14,883	15,481	18,201	20,567	19,843
Highest	27,457	27,174	28,279	29,586	32,859	36,593	36,503	36,646

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006, and 2009 Current Population Surveys, March Supplements. For past years, see *EBRI Databook on Employee Benefits*, Chapter 8, at [www.ebri.org/pdf/publications/books/databook/DB\\_Chapter%2008.pdf](http://www.ebri.org/pdf/publications/books/databook/DB_Chapter%2008.pdf)

According to data from Hewitt Associates,<sup>4</sup> in 2009 only 14 percent of surveyed employers that offered a 401(k) plan offered an annuity option to retirees, while 100 percent offered a lump-sum distribution option. Furthermore, according to the same Hewitt data, only 1 percent of retirees who were offered an annuity option in their 401(k) plan chose to take that option. Consequently, future retirees will likely be more reliant on assets they must manage themselves instead of receiving a stream of income for life (i.e., an annuity). For further research on future retirees' income, see EBRI Issue Brief, no. 263, "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," November 2003.

## Endnotes

<sup>1</sup> The data in this article were tabulated from the March Current Population Surveys, published annually by the U.S. Census Bureau. Of all datasets reporting income of the older population, the March CPS allows the most detailed breakouts of individual incomes, allowing differences correlated with individual demographic characteristics such as age, gender, marital status, and education to be identified. However, there is some controversy surrounding the validity of the March CPS data in relation to its information about pension income and total income of the older population. For example, the 2008 National Income and Product Accounts (NIPA) survey reports more than \$313.6 billion more income from private pensions and \$155.3 billion more income from public pensions than the March CPS.

Part of this disparity arises from NIPA's accounting of lump-sum distributions paid to younger workers as pension income. In addition, because some pension plans are administered by third parties or are paid out in lump-sum distributions and managed by another party or by the retiree (e.g., in the form of an individual retirement account (IRA)), pension income may be misreported by respondents as coming from other sources (e.g., assets, personal savings). Nevertheless, although March CPS data may understate pension income, it does not necessarily follow that it underestimates total income of the elderly, especially if pension income is simply misreported as originating from other sources in the March CPS. However, the fact that NIPA reports \$70.6 billion more income from Old-Age, Survivors, and Disability Insurance (OASDI) than the March CPS suggests that the March CPS does not only underestimate pension income but may also underestimate total income received by the older population. The extent to which the March CPS underestimates total income or certain types of income is unknown because of the limitations in directly comparing the income of individuals using CPS with that of other datasets.

<sup>2</sup> The term employment-based pension income refers to income coming from employment-based retirement plans (both defined benefit and defined contribution plans, including 401(k) plans) sponsored by both private- and public-sector employers, whether received in the individual's own name or as a survivor, as well as any income from individual retirement accounts (IRAs). Annuities are added because of the prevalence of lump-sum distributions from employment-based plans that could have been a source of these annuities. A retiree may take some or all of the lump-sum distribution and purchase an annuity. Data on annuities and IRAs are included in an attempt to give a complete picture of income generated from employment-based retirement plans throughout an individual's working career. According to data published in the September 2008 *EBRI Notes* (Employee Benefit Research Institute, no. 9: pp. 1–9, [www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content\\_id=3978](http://www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=3978)), rollovers from 401(k) and other types of DC plans account for the largest share of IRA asset growth aside from market gains.

<sup>3</sup> The midpoint: 50 percent above and 50 percent below.

<sup>4</sup> Hewitt Associates LLC, *Survey Findings: Trends and Experience in 401(k) Plans: 2009* (Lincolnshire, IL: Hewitt Associates LLC, 2009).

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