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**Statement
Before the Senate Finance Committee

Hearing on
Increasing Savings for Retirement**

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STATEMENT OF PAUL J. YAKOBOSKI

EMPLOYEE BENEFIT RESEARCH INSTITUTE

Summary

- Are covered workers taking full advantage of the savings opportunity presented by their 401(k) plan? Are they contributing the maximum amount permitted to their 401(k) account? What determines the amount that they do contribute?
- Our research indicates that most workers with a 401(k) plan do *not* contribute the maximum permitted amount to their plan. At the same time, our research provides stark evidence of the effect that plan features (such as matching provisions) and legal limits can have on workers' decisions regarding their level of contribution to a plan.
- Findings indicate that older workers tend to have their contributions constrained by maximum limits (plan or legal), probably because they tend to be more focused on retirement and thus more likely to contribute at higher levels. Many younger workers recognize the value of the employer match, contributing just enough to take full advantage of that plan feature – but no more.
- As an example, in one plan studied, the younger the participant, the more likely he or she was to contribute just enough to receive the full company match available. Close to 30 percent of workers in their 20s in the plan contributed this amount, compared with 21 percent for those in their 40s and 10 percent for those 60 and older. At the same time, as ages increased, there was a sizable increase in the proportion of participants “maxing out” in their contribution rate. Forty-one percent of participants ages 20 to 39 contributed the maximum amount permissible, compared with 44 percent of participants in their 40s, 58 percent for those in their 50s, and 63 percent for participants ages 60 and older.
- Plan features also appear to interact with worker earnings in determining contribution rates. Lower-earning participants are more likely to contribute the maximum amount that is matched, taking advantage of all the “free” employer money that is available. Higher earners are more likely to contribute the maximum amount allowed by the plan or the tax code.
- These findings indicate that while legal and plan-specific contribution limits do not constrain most plan participants, they do constrain the amount that some individuals (particularly older and higher-earning individuals) actually save for retirement through their 401(k) plan at a point when many are just focusing on the need to save.
- The average account balance (net of plan loans) for all 401(k) participants is \$37,323, and the median balance is \$11,600 (1996 data). Reported account balances do not reflect additional retirement savings held in predecessor plans or rolled over into individual retirement accounts (IRAs). Nor do the balances indicate what savings would be in a “mature” 401(k) plan program.
- Nearly one-half of the participants have account balances with their current employer of less than \$10,000, while nearly 10 percent have balances in excess of \$100,000. Those individuals with balances less than \$10,000 are primarily young workers or workers with short tenure with their current employer. In contrast, those with balances in excess of \$100,000 are older workers with long tenure. Approximately one out of every four participants in his or her 60s had an account balance with the current employer in excess of \$100,000. Similarly, approximately 31 percent of workers with 20 or more years of tenure with their current employer had account balances in excess of \$100,000.

Mr. Chairman and members of the Committee:

I am pleased to appear before you this morning to discuss issues regarding worker saving behavior in 401(k) plans, and in particular their contribution levels and account accumulations. My name is Paul Yakoboski. I am a senior research associate at the Employee Benefit Research Institute (EBRI), a nonprofit, nonpartisan, public policy research organization based in Washington, DC.

EBRI has been committed, since its founding in 1978, to the accurate statistical analysis of economic security issues. Through our research we strive to contribute to the formulation of effective and responsible health and retirement policies. Consistent with our mission, we do not lobby or advocate specific policy recommendations. I ask that my full statement and attachments be entered into the written record.

Contribution Levels in 401(k) Plans

EBRI has analyzed the contribution levels in three large 401(k) plans that had approximately 200,000 participants combined. These plans were sponsored by IBM, AT&T, and New York Life for their employees, and all have employer matching provisions to encourage employees to participate and contribute. There are constraints placed on employees' maximum contribution levels, set by both the specific plan and federal law.¹ These plans also have well-developed educational programs designed to assist workers in making appropriate decisions regarding their participation in a 401(k) plan.

Company A

The maximum contribution allowed under the Company A savings plan was 9 percent of earnings. The match rate in the Company A plan was 30 cents on the dollar for the first 5 percent of earnings that an employee contributed. Company A also had a defined benefit plan in place for its employees.

There were two notable points of cluster in the distribution of contribution rates in the Company A plan: 21 percent of participants contributed 5 percent of pay to the plan and 45 percent contributed 9 percent of pay (table 1). Two different phenomena appear to be at work in determining participant contribution levels in the Company A plan. First, close to one-half of participants appear to have "maxed out" in terms of contributing as much as the plan allowed. Second, one-fifth of workers appear to have contributed just enough to take full advantage of the company match.

These findings indicate that the rates at which workers decide to contribute to the plan are directly dependent upon and constrained by the specific features of the plan. Furthermore, plan features appear to interact with participant demographic characteristics in determining contribution rates. In the Company A plan, the younger the participant, the more likely he or she was to contribute just enough to receive the full company match available. Close to 30 percent of workers in their 20s contributed 5 percent of earnings to the plan (table 1). The percentage contributing 5 percent of earnings dropped to 21 percent for those in their 40s and to 10 percent for those 60 and older.

Corresponding with this, there was a sizable increase in the proportion of participants "maxing out" in their contribution rate as ages increased. Forty-one percent of participants ages 20-39 contributed 9 percent of earnings to the plan, while 44 percent of participants in their 40s maxed out. This jumped to 58 percent for those in their 50s and 63 percent for participants 60 and older (table 1).

This same relationship also applies to contribution rates and participant earnings. In the Company A plan, lower-earning participants were relatively more likely to contribute the amount corresponding to the maximum match (i.e., 5 percent), than were higher-earners. The percentage of participants contributing 5 percent of pay to the Company A plan decreased steadily from 28 percent of participants earning \$10,000-\$19,999—13 percent of those earning \$100,000 or more (table 1). Correspondingly, higher-earners were relatively more likely to max out their contribution at 9 percent than were lower-earners. Twenty-nine percent of participants earning \$10,000-\$19,999 contributed 9 percent of pay to the plan, and this proportion increased steadily to 60 percent of those earning \$75,000-\$99,999. Only 13 percent of those earning \$100,000 or more contributed the maximum 9 percent of pay allowed by the plan, but this is explained by another constraint faced by plan participants. In 1994, the maximum legal 401(k) pretax employee contribution was \$9,240, and 43 percent of Company A plan participants earning \$100,000 or more contributed this amount to the plan (table 1). They were therefore also maxing out in terms of their allowable contribution to the plan.

Company B

Highly compensated employees for Company B were allowed to contribute up to 10 percent of salary to the saving plan, and non-highly compensated employees were allowed to contribute a maximum of 15 percent to the plan. Employee contributions were matched by the plan sponsor dollar-for-dollar for the first 3 percent of earnings contributed. Company B also had a defined benefit plan covering its employees. Given that highly compensated employees and non-highly compensated employees faced different contribution constraints, their contribution rates were analyzed separately.

Among non-highly compensated employees participating in the Company B plan, there was again evidence of specific plan features or provisions driving contribution rate decisions. Twenty-one percent of all non-highly compensated participants contributed 3 percent of pay to the plan (the maximum amount matched by the plan) (table 2). This effect was more likely among younger workers than older workers and it was more likely among lower-earners than among higher-earners, analogous to the Company A findings. Twenty-five percent of participants in their 20s contributed 3 percent of salary, compared with 10 percent of those ages 60 and older. Twenty-seven percent of participants earning \$20,000–\$29,999 contributed 3 percent, compared with 17 percent of those earning \$60,000 or more. Like the Company A findings, there was evidence among non-highly compensated participants in the Company B plan of clustering at the maximum contribution amounts, particularly among older participants. Ten percent of non-highly compensated participants contributed 15 percent of pay (the plan maximum), and essentially no one was constrained by the legal maximum of \$9,240 (table 2). While 31 percent of workers in their 60s or older and 22 percent of those in their 50s contributed the maximum allowable of 15 percent, only 3 percent of participants in their 20s did likewise. The fraction of non-highly compensated participants contributing 15 percent increased from 5 percent among those earning \$10,000–\$19,999, to 15 percent among those earning \$50,000–\$59,999.

Among highly compensated participants in the Company B plan, there was evidence both of clustering at that maximum match amount (3 percent of pay) and significant clustering at the plan-imposed contribution limit (10 percent of pay) or the legal contribution limit. Twenty-seven percent of highly compensated participants in their 20s and 17 percent of those in their 30s contributed 3 percent of pay to the plan (table 3). This fell to 3 percent of those ages 60 and older. A noticeably larger fraction of those with earnings under \$75,000 also contributed 3 percent to the plan.

Twenty-five percent of all highly compensated plan participants contributed either 10 percent of pay or \$9,240 to the plan. Not surprisingly, for highly compensated employees the *legal* maximum was most often the binding constraint rather than the *plan* maximum. Fifteen percent contributed \$9,240 to the plan and an additional 10 percent contributed 10 percent of pay. Older workers were much more likely to “max out” even among the highly compensated. No participants in their 20s and 15 percent of those in their 30s contributed either 10 percent of pay or the legal maximum of \$9,240, compared with 56 percent of those ages 60 and older who were constrained either by the plan limit or the legal limit. Thirty-nine percent of participants earning \$100,000 or more were constrained by the legal maximum, while 27 percent of those earning \$75,000–\$99,999 and 12 percent of those earning less than \$75,000 were constrained by the either the plan maximum of 10 percent or the \$9,240 legal limit (table 3).

Company C

The maximum contribution allowed under the Company C management plan was 16 percent of compensation. The match rate in the plan at that time was 66-2/3 cents on the dollar for the first 6 percent of earnings that an employee contributed. Participants in this plan are allowed to make pretax contributions to a 401(k) plan as well as contributions to a 401(a) plan that requires after-tax contributions. Although there is a tax differential at the time of contribution for the employee, both types of contributions are eligible for the employer match. Table 4 provides information on 401(k) contributions while table 5 provides similar information for total contributions (both pre- and post-tax). Company C also had a defined benefit plan in place for its employees.

There were four notable points of cluster in the distribution of 401(k) contribution rates in the Company C plan: 16.8 percent made no contributions during the year; 29.6 percent of participants contributed 6 percent of pay to the plan; 6.9 percent contributed 16 percent of pay; and 11.6 percent were limited by the 402(g)(1) maximum limit on 401(k) contributions (table 4). However, when total contributions are analyzed, those who made no contributions drops to 4.0 percent while those who contributed just enough to maximize the employer match

increased to 38.4 percent. A total of 8.9 percent of the participants made the maximum combined contribution of 16 percent of compensation (table 5).²

Two different phenomena appear to be at work in determining total contribution levels in the Company C plan. First, close to one-fifth of participants appear to have “maxed out” in terms of contributing as much as is allowed by the plan and/or current legal limits. Second, slightly more than one-third of workers appear to have contributed just enough to take full advantage of the company match.

These findings indicate that the rates at which workers decide to contribute to the plan are directly dependent upon and constrained by the specific features of the plan. Furthermore, plan features appear to interact with participant demographic characteristics in determining contribution rates. In the Company C management plan, the younger the participant the more likely he or she was to contribute just enough to receive the full company match available. Over 46 percent of workers in their 20s contributed 6 percent of earnings to the plan (table 5). Those contributing 6 percent of earnings dropped to 37.9 percent for those in their 40s and to 24.7 percent for those 60 and older. Corresponding with this was a sizable increase in the proportion of participants “maxing out” in their contribution rate as ages increased. Less than 11 percent of participants ages 20–49 contributed 16 percent of compensation to the plan. Twelve percent of participants in their 50s maxed out, compared with 21 percent for participants 60 and older (table 5).

The relationship between contribution rates and participant earnings in the Company C management plan is somewhat unique, in that participants earning \$40,000–\$50,000 annually were relatively more likely to contribute the amount corresponding to the maximum match (i.e., 6 percent), than were either lower- or higher-earners. However, once this threshold level of compensation was obtained, the percentage of participants contributing 6 percent of pay to the Company C management plan decreased steadily from 42.6 percent of participants earning \$40,000–\$50,000 annually to 25.9 percent of those earning \$100,000 or more (table 5).³

Higher-earners were relatively more likely to max out their contribution at 16 percent than were lower-earners, until the 402(g)(1) limit becomes binding. Approximately 12 percent of participants earning under \$40,000 a year contributed a combined 16 percent of pay to the plan, and this proportion increased steadily to 13.1 percent of those earning \$50,000–\$59,999 (table 5). Less than 6 percent of those earning \$60,000 or more contributed the maximum 16 percent of pay allowed by the plan. In 1994, the maximum legal 401(k) pretax employee contribution was \$9,240, which means that anyone earning in excess of \$57,750 a year would be prevented from putting the entire 16 percent of compensation into the 401(k) plan.

Implications

These findings provide stark evidence of the dramatic effect that plan features, i.e., the matching formula and maximum allowable contribution levels, and legal limits can have upon workers when they are deciding how much to contribute to a plan. While most workers do not “max out” with their 401(k) contributions, in the three plans analyzed, 30 percent or more of the participants have their contribution rate directly affected by plan design (maximum matches or contribution limits) or legal limits on contributions.

In addition, these features can affect different workers in different ways. More specifically, participants of differing age and earning levels will respond to different features of the plan (matching formula versus contribution limits) in deciding how much to contribute. Older workers tend to be more focused on retirement and thus are more likely to contribute to a plan at higher levels and are more likely to be constrained by maximum limits (plan or legal). Many younger workers at least recognize the value of the employer match and contribute enough to take full advantage of that plan feature. In fact, the matching formula seems to effectively determine the contribution rate for many participants, particularly younger ones. The maximum contribution limits imposed by the sponsor or the tax code, however, serves to act as a constraint more often for older employees.

Plan features also appear to interact with worker earnings in determining contribution rates. Part of this effect could be attributed to a correlation between earnings and age, i.e., older workers tend to have greater earnings. However, there is also surely a separate effect attributable to earning levels. Lower-earning participants may feel that they cannot afford to contribute the maximum amount allowed by the plan, but they at least want to take advantage of all the “free” employer money that is available and therefore they are more likely to contribute the maximum amount that is matched. Higher-earners likely do not feel as constrained regarding the amount of money they have available to save, and therefore they are more likely to contribute the maximum amount allowed by the plan or the tax code.

The 402(g) limit imposed by law is a binding constraint for some workers that effectively restrains the amount of their earnings that they are able to save for retirement on a tax-deferred basis. It is older, higher-earning participants who are most often constrained by this limit. However, it is precisely at this point in a career, i.e., when one is older and earning levels have risen, that many workers start devoting serious attention to planning and saving for retirement.

Asset Accumulation in 401(k) Plans

EBRI and the Investment Company Institute (ICI) have collaborated in assembling the largest 401(k) database currently available that has detailed information on demographic information, annual contributions, plan balances, asset allocations, and loans. Figures cited in this section are 1996 information on 6.6 million active participants in 27,762 plans holding nearly \$246 billion in assets. Measured against the universe of 401(k) plans, the 1996 database accounts for 9 percent of all plans, 18 percent of all participants, and 31 percent of all assets.⁴

The average account balance for all participants in the EBRI/ICI database is \$37,323.⁵ There is, however, wide variation around the average. For example, 47.2 percent of participants have an account balance of less than \$10,000, while 9.8 percent have an account balance in excess of \$100,000 (chart 1).

A participant's account balance, and thus the variability across participants, depends upon a number of factors. Some of these are specific to the individual and others reflect features of the plan. At the participant level are income, contribution rate, age, length of plan participation, asset allocation, rollovers from other plans, withdrawals, and borrowings. Plan features include age of the plan and employer contributions. These determinants of account balances complicate the interpretation of average balances.

The relationship between account balances and two of the determinants can be examined using information in the EBRI/ICI database. One of these is participant age and the other is tenure of the participant with employer, which serves as a proxy for length of participation in the plan. Age and account balance should generally be positively related, as younger workers are likely to have either lower incomes or shorter periods of plan participation than older workers. In line with this observation, nearly 60 percent of those participants with account balances less than \$10,000 are in their 20s and 30s, while less than one-fifth are in their 50s or 60s (chart 2). Similarly, of those with account balances greater than \$100,000, more than one-half are in their 50s or 60s, while one in 10 are in their 30s and virtually none are in their 20s.

Tenure and plan balances also have a positive association, as long-term employees likely have had a longer period in which to accumulate assets. In fact, nearly 60 percent of those with balances less than \$10,000 have five or less years of tenure, and almost 90 percent of those with balances of more than \$100,000 have at least 10 years of tenure (chart 3).

The effect of participant age and tenure is revealed more clearly by examining the effect of the interaction of the two variables on account balances. For a given age group, the average balance should increase as tenure increases: A 30-year-old participant, for example, with 10 years of tenure should, on average, have accumulated a larger plan balance than a 30-year-old with two years of tenure. This positive relationship is shown in chart 4, which plots the average account balance by tenure for each age group. The average account balance for each age group increases, almost without exception, as tenure increases. The increase is present for all age groups but is especially large for those in their 50s and 60s. In addition, for each tenure group, the average balance rises with age.

An examination of the distribution of account balances underscores the effects of age and tenure. For example, overall, approximately 85 percent of all participants in their 20s have account balances of less than \$10,000 (chart 5). However, only 62 percent of those in their 20s with five to 10 years of tenure have account balances less than \$10,000; the remaining balances exceed this figure (chart 6).

The effect of tenure and age is even more pronounced for older workers. For example, 30 percent of those participants in their 60s have account balances less than \$10,000 (chart 5). However, among those with short tenure (zero to two years), 77 percent of these older participants have account balances under \$10,000 while less than 20 percent of those with long tenure (more than 20 years) are in this range (chart 6). One explanation for the low account balances among this 20 percent may be that their employer's 401(k) plan was only recently established.

Chart 7 shows the effect of age and tenure on account balances for those participants with balances more than \$100,000. Although approximately 25 percent of participants in their 60s have account balances in excess of

\$100,000 (chart 5), less than 10 percent of those with 10 years of tenure or less have account balances of this magnitude. However, more than 30 percent of participants in their 60s with 20-30 years of tenure with their current employer have account balances of this size, and the percentage increases to 43 percent for those with more than 30 years of tenure.⁶

The average balances of older workers with long tenure at one employer indicate that a mature 401(k) plan program will produce substantial account balances. For example, individuals in their 60s with at least 30 years of tenure have average account balances in excess of \$156,000; those in their 50s have balances in excess of \$117,000.

References

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Endnotes

- ¹ In 1994, the year for which data were available, the maximum legal 401(k) pre-tax employee contribution (the 402(g) maximum) was \$9,240.
- ² Since 401(a) contributions are not counted as part of the 402(g)(1) limit, the percentage of participants hitting the limit on elective deferrals will not change between tables 4 and 5.
- ³ Note that the lower percentage of those with compensation in excess of \$100,000 can not be explained by the 401(a)(17) limits, since the 402(g)(1) limit of \$9,240 for the year is more than \$150,000 times 6 percent.
- ⁴ Plans and participants represent 1997 estimates from Cerulli (1998), while assets are for 1996.
- ⁵ Reported balances are net of plan loans. There is an extremely wide range of estimates of average account balances in 401(k) plans. The Department of Labor (DOL, p. 85) provides an average account balance per active participant for 1994 of \$26,766. However, the Goodfellow and Schieber (1997) study of 24 plans found an average balance of \$38,234, and a recent study by the Profit Sharing/401(k) Council of America indicated that the average balance for participants in their survey was \$75,000 in 1996 (Bureau of National Affairs, 1998). The latter number could be considered as an upper bound since it includes profit-sharing and combination plans as well as 401(k) plans.
- ⁶ In one important respect, however, the average balance of the 60s age group with over 30 years of tenure may understate the potential balance because participants in this group could actually have been in a true 401(k) plan for no more than a fraction of that time, given legislative and regulatory chronologies. However, some of these balances are undoubtedly conversions from pre-existing profit-sharing plans.
- A more appropriate way to examine this issue is to project account balances over participants' working lifetimes under a variety of assumptions. Poterba, Venti and Wise (1997) have investigated the magnitude of 401(k) account balances at retirement age. To judge the relative importance of potential 401(k) contributions, they compare projected 401(k) assets of future generations with the 1992 assets of the Health and Retirement Survey (HRS) sample. The mean of 401(k) assets for the entire sample was only \$10,808, but this was significantly affected by the majority of the respondents having had no 401(k) accounts. Using historical experience to project future contributions, the authors find that, on average, a 37-year-old in 1996 would have a 401(k) balance upon retirement at age 65 of \$91,600, and a 27-year-old in 1996, retiring at age 65, would have \$125,500 (measured in 1992 dollars). The calculations assume that one-half of the 401(k) money was invested in stocks and one-half in bonds, and that average returns experienced since 1926 would be realized.

Table 1
Participant Deferral Rates, A Retirement Saving Plan, 1994

	Zero	1 Percent– 2 Percent	3 Percent– 4 Percent	5 Percent	6 Percent	7 Percent	8 Percent	9 Percent	402(g) Maximum	Deferral Percentage ^a
Total	3.5%	5.5%	5.7%	21.4%	7.7%	3.2%	6.9%	45.1%	1.1%	6.7%
Age										
20–29	3.1	5.2	6.5	28.8	8.7	3.0	3.7	41.1	0.0	6.5
30–39	4.1	6.3	6.5	24.0	8.5	3.5	6.0	40.9	0.2	6.5
40–49	3.6	5.9	6.0	20.7	7.5	3.2	7.6	44.3	1.1	6.7
50–59	2.0	2.8	3.1	14.2	5.6	2.5	8.5	58.1	3.3	7.6
60 and over	0.5	0.7	1.6	9.7	5.3	2.4	12.3	63.0	4.5	8.1
Salary (base, not W-2)										
\$10,000–\$19,999	9.6	9.1	8.3	28.2	7.6	3.5	5.3	28.5	0.0	5.5
\$20,000–\$29,999	6.3	7.7	9.1	27.2	8.6	3.5	6.2	31.3	0.0	5.9
\$30,000–\$39,999	4.6	7.7	7.9	24.4	8.2	3.4	6.6	37.1	0.0	6.2
\$40,000–\$49,999	3.5	6.0	6.3	23.0	8.5	3.3	6.4	43.0	0.0	6.6
\$50,000–\$59,999	3.1	5.1	5.2	21.5	7.4	3.1	6.8	47.8	0.0	6.8
\$60,000–\$74,999	2.5	4.0	4.3	18.7	7.2	2.9	7.0	53.4	0.0	7.1
\$75,000–\$99,999	2.1	3.1	2.9	16.1	5.8	2.4	7.7	59.9	0.0	7.5
\$100,000 or more	1.7	2.5	2.5	13.1	7.5	6.4	10.3	13.3	42.8	7.5
Tenure										
2 years or less	1.4	4.7	6.5	30.8	9.8	3.3	2.4	39.5	1.6	6.5
2+ years to 5 years	2.3	5.6	6.3	26.6	8.3	2.7	3.2	44.7	0.4	6.6
5+ years to 10 years	3.4	5.3	5.9	24.1	8.1	3.2	6.1	43.7	0.2	6.6
10+ years to 15 years	4.1	6.0	6.1	22.3	8.0	3.4	7.0	42.7	0.3	6.6
15+ years to 25 years	4.0	6.2	6.5	21.0	7.6	3.2	7.5	43.1	0.9	6.6
Over 25 years	2.3	3.4	3.2	14.9	6.1	2.9	8.1	55.6	3.6	7.4
Gender										
Male	3.3	5.6	5.6	21.9	8.1	3.3	6.8	44.2	1.3	6.7
Female	4.0	5.2	6.2	20.3	6.6	3.0	7.1	47.2	0.4	6.8
Marital Status										
Single	3.9	5.6	6.0	21.4	7.0	3.1	6.7	45.8	0.5	6.7
Married	3.4	5.4	5.7	21.5	7.9	3.2	6.9	44.8	1.2	6.7
Unknown	2.5	4.4	4.4	17.0	7.6	2.1	8.7	52.2	1.1	7.2
Race										
White	3.2	5.2	5.5	21.6	8.0	3.3	6.8	45.4	1.1	6.8
Nonwhite	4.8	6.7	6.8	20.9	6.2	2.8	7.5	43.6	0.7	6.5

Source: Employee Benefit Research Institute.

^aIncludes participants constrained by the 402(g) maximum contribution limit.

Table 2
**Participant Deferral Rates, Company B Retirement Saving Plan, 1994:
 Nonhighly Compensated Employees**

	Zero	Less Than 3 Percent	3 Percent	4 Percent– 6 Percent	6 Percent– 9 Percent	10 Percent	11 Percent– 14 Percent	15 Percent	402(g) Maximum	Deferral Rate ^a
Total	15.1%	9.7%	21.4%	22.1%	11.2%	5.1%	5.6%	9.8%	0.1%	5.4%
Age										
20–29	20.7	18.7	25.0	19.2	7.4	3.9	2.4	2.7	0.0	3.6
30–39	17.5	10.9	23.7	24.1	10.7	4.7	4.7	3.7	0.0	4.4
40–49	14.1	9.2	21.6	24.4	11.1	5.1	5.1	9.3	0.1	5.3
50–59	9.3	3.8	16.5	17.9	13.9	6.1	10.1	22.3	0.1	7.7
60 and over	10.5	2.0	10.0	14.0	16.5	8.5	7.0	31.0	0.5	8.7
Salary										
\$10,000–\$19,999	24.3	17.9	20.8	17.6	9.5	2.6	2.6	4.6	0.0	3.7
\$20,000–\$29,999	18.3	10.9	27.3	20.0	9.4	3.7	4.3	6.1	0.0	4.4
\$30,000–\$39,999	14.6	9.1	19.1	24.6	11.0	5.3	5.7	10.6	0.0	5.5
\$40,000–\$49,999	13.2	8.0	19.0	21.2	14.6	6.3	6.0	11.5	0.0	5.9
\$50,000–\$59,999	9.4	7.0	18.1	24.3	11.3	6.8	7.6	15.4	0.0	6.6
\$60,000–\$74,999	7.1	7.7	16.6	26.0	10.1	7.7	10.7	11.8	2.4	6.9
\$75,000 or more	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	8.0
Tenure										
1 year to 2 years	9.6	20.6	26.1	21.6	10.4	3.0	5.1	3.6	0.0	4.3
2+ years to 5 years	16.0	11.2	27.9	22.9	9.3	4.0	2.7	5.9	0.1	4.4
5+ years to 10 years	16.5	7.7	23.4	21.9	11.1	4.8	5.4	9.3	0.0	5.2
10+ years to 15 year	15.7	8.9	16.0	24.8	12.9	5.7	6.8	9.2	0.0	5.5
15+ years to 25 years	16.2	9.4	16.2	20.7	12.1	5.4	7.2	12.9	0.1	5.9
Over 25 years	10.8	3.5	15.5	20.1	12.3	9.3	8.0	20.1	0.5	7.4
Gender										
Male	13.9	9.3	21.2	25.0	11.5	5.3	5.0	8.6	0.1	5.3
Female	15.6	9.9	21.4	20.8	11.0	5.0	5.8	10.3	0.1	5.4
Marital Status										
Single	16.8	12.1	22.6	20.5	10.1	5.4	5.1	7.3	0.0	4.9
Married	14.0	8.4	20.5	23.1	12.1	5.0	5.6	11.1	0.2	5.6
Unknown	13.0	6.0	20.9	23.3	9.8	3.7	9.3	14.0	0.0	6.2
Race										
White	13.0	8.9	21.6	22.4	11.4	5.3	6.1	11.3	0.1	5.7
Nonwhite	20.5	12.0	20.7	21.1	10.8	4.8	4.3	5.9	0.0	4.5

Source: Employee Benefit Research Institute.

^aIncludes participants constrained by the 402(g) maximum contribution limit.

Table 3
**Participant Deferral Rates, Company B Retirement Saving Plan, 1994:
 Highly Compensated Employees**

	Zero	Less Than 3 Percent	3 Percent	4 Percent– 6 Percent	6 Percent– 9 Percent	10 Percent	402(g) Maximum	Deferral Rate ^a
Total	5.1%	7.0%	15.0%	23.1%	25.0%	9.7%	15.1%	5.9%
Age								
20–29	0.0	18.2	27.3	27.3	27.3	0.0	0.0	4.6
30–39	5.9	10.8	16.7	24.8	26.3	7.4	8.0	5.4
40–49	5.4	6.1	16.6	23.8	24.4	7.6	16.2	5.8
50–59	3.7	4.2	9.3	18.6	26.0	18.1	20.0	6.6
60 and over	3.1	0.0	3.1	21.9	15.6	15.6	40.6	7.0
Salary								
\$10,000–\$74,999	8.0	10.0	20.2	28.5	21.1	11.1	1.1	5.0
\$75,000–\$99,999	3.9	3.9	12.8	20.6	32.3	20.6	6.0	6.7
\$100,000 or more	2.4	5.8	10.2	18.4	24.4	0.0	38.8	6.2
Tenure								
1 year to 2 years	2.8	15.9	14.0	21.5	32.7	4.7	8.4	5.5
2+ years to 5 years	5.3	7.6	14.7	21.8	25.3	11.8	13.5	6.1
5+ years to 10 years	4.3	7.2	19.1	27.8	24.9	6.2	10.5	5.4
10+ years to 15 years	7.5	9.8	16.1	24.1	20.7	8.0	13.8	5.3
15+ years to 25 years	4.6	4.3	14.4	22.6	22.3	11.9	19.9	6.1
Over 25 years	5.9	2.2	9.6	18.4	30.9	13.2	19.9	6.6
Sex								
Male	5.3	7.4	16.2	22.6	23.1	9.4	16.0	5.7
Female	4.3	5.6	10.3	24.9	32.2	10.7	12.0	6.3
Marital Status								
Single	6.1	6.5	13.5	20.0	31.8	11.0	11.0	6.1
Married	4.8	7.2	15.5	24.2	22.6	9.3	16.5	5.8
Unknown	3.7	7.4	11.1	14.8	40.7	11.1	11.1	6.6
Race								
White	4.9	6.9	14.9	22.5	24.9	9.9	16.0	5.9
Nonwhite	6.7	8.4	15.1	27.7	26.1	8.4	7.6	5.5

Source: Employee Benefit Research Institute.

^aIncludes participants constrained by the 402(g) maximum contribution limit.

Table 4
Participant Deferral Rates, Company C Retirement Plan, 1994: Pretax Contributions

	Zero	Less Than 6 Percent	6 Percent	More Than 6 Percent But Less Than 16 Percent	16 Percent	402(g) Maximum	Deferral Rate ^a
Total	16.8%	10.1%	29.6%	25.0%	6.9%	11.6%	6.3%
Salary							
\$10,000–\$19,999	18.2	14.3	37.8	19.4	10.4	0	6.3
\$20,000–\$29,999	22.9	13.1	34.7	19.2	10.0	0.1	5.9
\$30,000–\$39,999	26.1	14.0	30.7	19.2	9.9	0	5.7
\$40,000–\$49,999	21.9	13.0	31.9	21.9	11.2	0	6.2
\$50,000–\$59,999	19.4	11.5	30.2	25.3	11.0	2.6	6.6
\$60,000–\$74,999	14.2	8.5	29.8	29.5	3.3	14.8	6.4
\$75,000–\$99,999	10.7	6.8	27.2	28.0	1.6	25.7	6.4
\$100,000 or more	6.8	5.1	21.9	11.0	2.0	53.1	5.6
Tenure							
2 years or less	4.9	9.3	43.0	26.0	12.7	4.0	7.8
2+ years to 5 years	8.7	11.7	37.7	23.8	10.9	7.2	7.2
5+ years to 10 years	13.3	10.3	33.7	24.8	8.0	9.9	6.7
10+ years to 15 years	17.6	10.8	29.2	24.2	5.9	12.3	6.1
15+ years to 25 years	21.0	10.8	26.9	24.2	5.3	11.7	5.8
Over 25 years	19.2	7.5	23.9	27.4	6.2	15.7	6.3
Age							
20–29	12.1	11.2	40.6	23.8	8.8	3.5	6.7
30–39	15.9	11.6	33.2	24.1	6.3	8.9	6.2
40–49	19.7	10.5	27.7	24.6	5.5	12.1	5.9
50–59	14.7	6.1	22.5	28.2	9.6	19.0	7.2
60 and up	11.5	2.8	18.3	28.2	16.3	22.9	8.5
Sex							
Male	16.4	9.4	30.2	25.0	5.7	13.3	6.2
Female	17.6	11.2	28.6	25.0	9.0	8.7	6.5
Race							
White	16.2	9.7	30.5	25.5	6.7	11.4	6.4
Nonwhite	19.8	12.0	25.5	22.7	7.7	12.3	6.1

Source: Employee Benefit Research Institute.

^aIncludes participants constrained by the 402(g) maximum contribution limits.

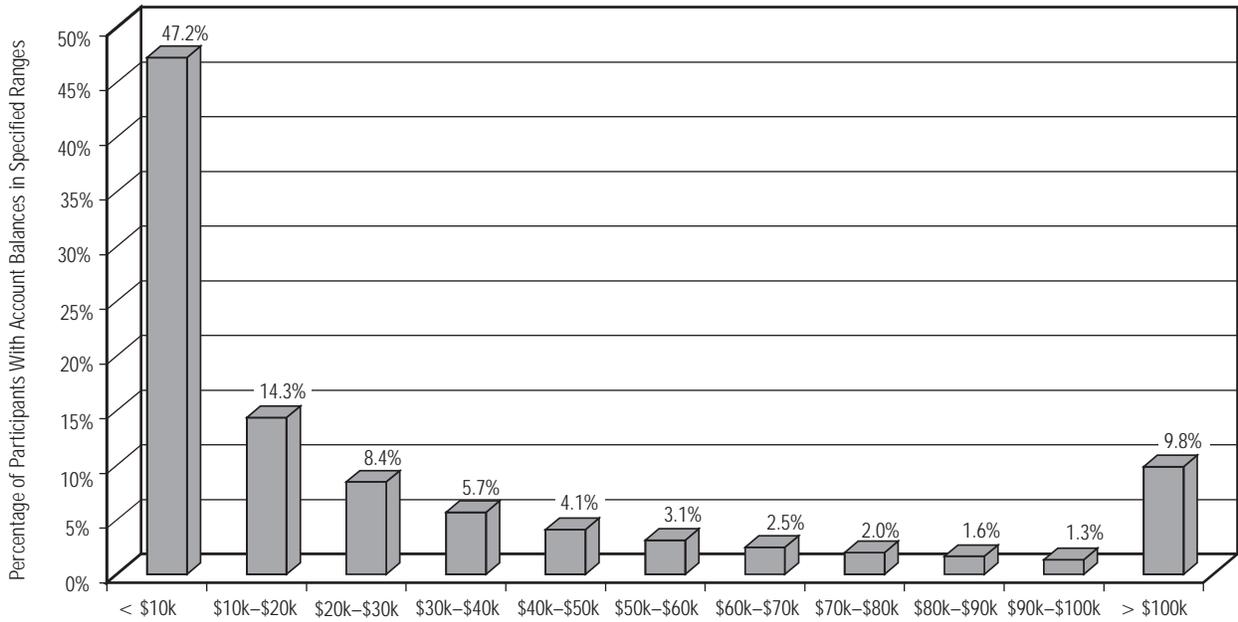
Table 5
**Participant Deferral Rates, Company C Retirement Plan, 1994:
 Pretax and After-Tax Contributions Combined**

	Zero	Less Than 6	6 Percent	More Than 6 But Less Than 16	16 Percent	402(g) Maximum	Deferral Rate ^a
Total	4.0%	9.4%	38.4%	27.7%	8.9%	11.6%	7.6%
Salary							
\$10,000–\$19,999	11.2	13.2	40.7	22.2	12.6	0	7.1
\$20,000–\$29,999	12.9	13.7	40.1	21.3	11.9	0	6.8
\$30,000–\$39,999	10.2	15.0	41.0	22.1	11.6	0	6.9
\$40,000–\$49,999	5.5	14.0	42.6	25.2	12.8	0	7.5
\$50,000–\$59,999	4.3	11.3	40.5	28.2	13.1	2.6	7.8
\$60,000–\$74,999	2.3	7.0	38.1	32.1	5.6	14.8	7.7
\$75,000–\$99,999	1.7	4.7	34.0	29.8	4.1	25.7	7.7
\$100,000 or more	0.9	2.5	25.9	14.6	3.0	53.1	7.0
Tenure							
2 years or less	1.7	7.8	45.0	27.2	14.3	4.0	8.3
2+ years to 5 years	3.3	10.0	41.1	26.0	12.5	7.2	7.9
5+ years to 10 years	4.0	8.8	40.1	27.2	10.0	9.9	7.7
10+ years to 15 years	4.2	9.5	38.8	27.1	8.1	12.3	7.5
15+ years to 25 years	4.9	11.2	37.6	27.4	7.2	11.7	7.2
Over 25 years	3.0	7.3	35.0	30.1	8.8	15.7	7.9
Age							
20–29	4.0	9.4	46.5	26.3	10.3	3.5	7.5
30–39	4.5	10.3	41.1	27.2	7.9	8.9	7.3
40–49	4.3	10.4	37.9	27.6	7.6	12.1	7.4
50–59	2.1	5.4	31.1	29.8	12.5	19.0	8.6
60 and over	1.0	3.3	24.7	26.1	21.9	22.9	10.0
Gender							
Male	3.6	8.6	39.3	27.7	7.6	13.3	7.5
Female	4.6	10.7	36.9	27.8	11.2	8.7	7.7
Race							
White	3.5	8.7	39.6	28.2	8.7	11.4	7.6
Nonwhite	6.3	12.5	33.1	25.6	10.1	12.3	7.4

Source: Employee Benefit Research Institute.

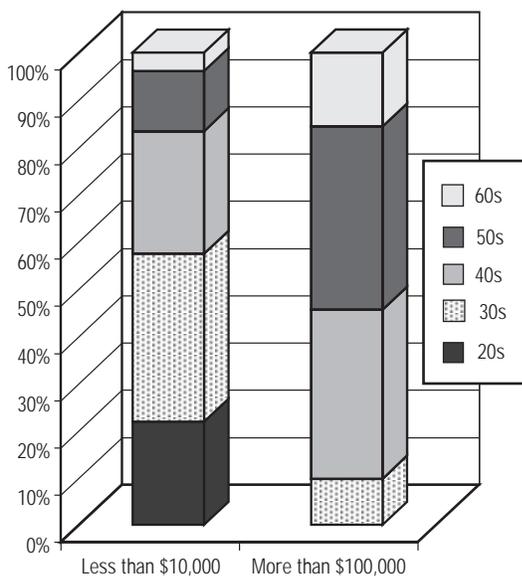
^aIncludes participants constrained by the 402(g) maximum contribution limits.

Chart 1
Distribution of Account Balances



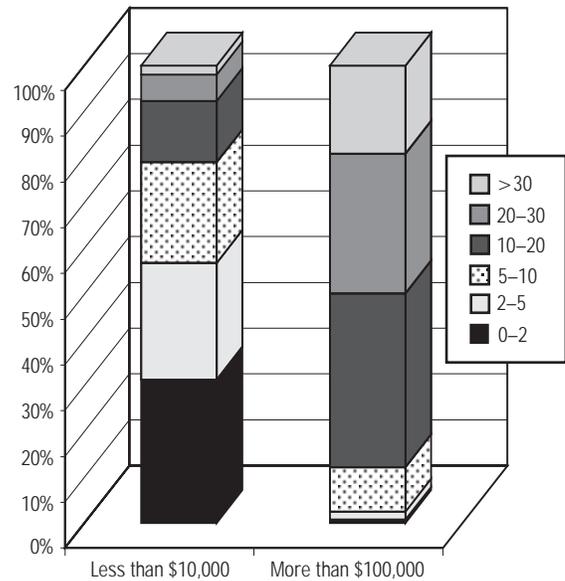
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

Chart 2
Age Composition of Selected Account Balance Categories



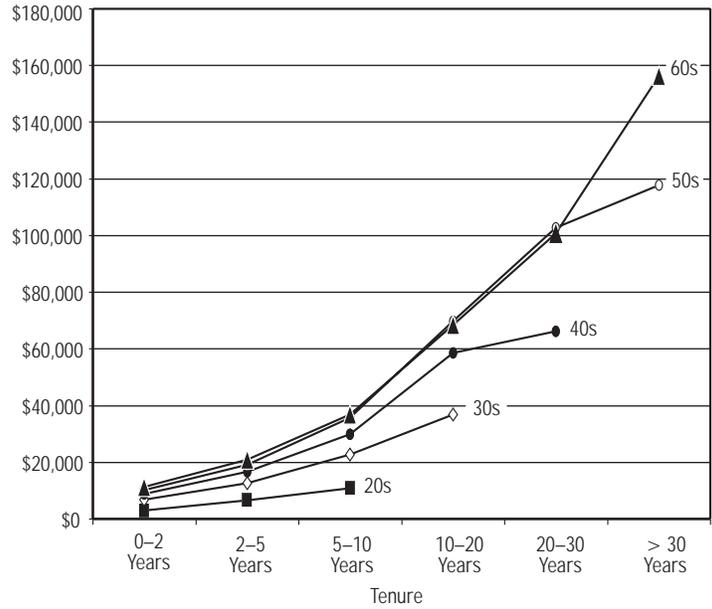
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

Chart 3
Tenure Composition of Selected Account Balance Categories



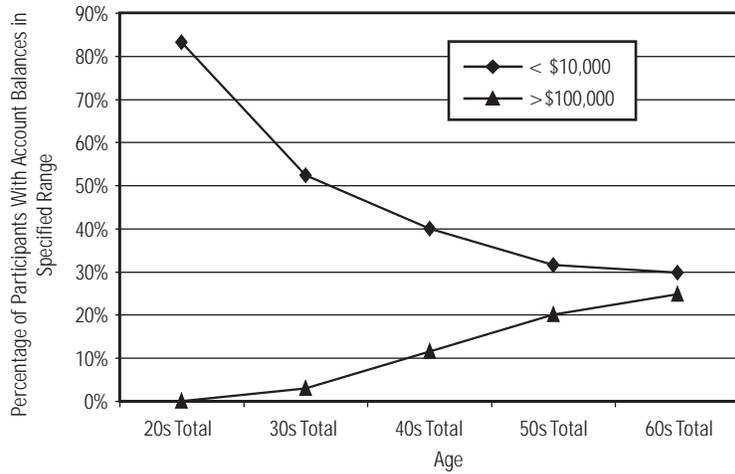
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

Chart 4
Average Account Balance, by Age and by Tenure



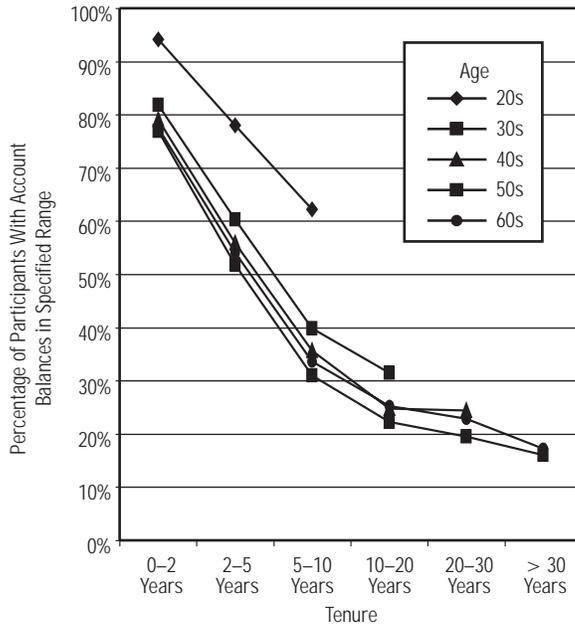
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

Chart 5
Impact of Age on Account Balance



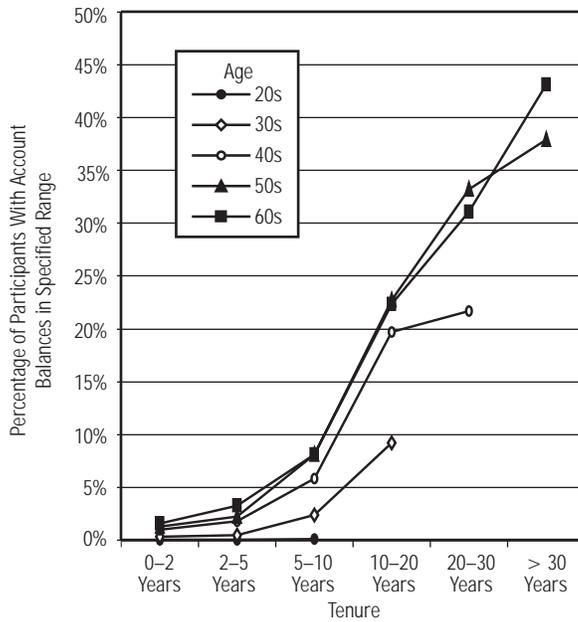
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

Chart 6
**Impact of Age and Tenure on Account Balance,
 Participants With Account Balances**



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

Chart 7
**Impact of Age and Tenure on Account Balance,
 Participants With Account Balances**



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.