

EBRI/ICI Study Shows 401(k) Participants' Asset Allocations Favor Investment in Equities

Washington, DC; November 29, 2022—According to a new joint study from the Employee Benefit Research Institute (EBRI) and Investment Company Institute (ICI), entitled “[401\(k\) Plan Asset Allocation, Account Balances, and Loan Activity in 2020](#),” at year-end 2020, 42 percent of 401(k) plan participants’ account balances were invested in equity funds, on average, in line with recent years. Another 35 percent of 401(k) participants’ account balances were invested in balanced funds, largely target date funds.

“Our research finds that younger 401(k) plan participants today are much more comfortable holding a significant portion of their savings in equities,” said Sarah Holden, ICI Senior Director of Retirement and Investor Research. “At year-end 2020, nearly 80 percent of 401(k) plan participants in their twenties had more than 80 percent of their account balance invested in equities, compared with less than half prior to the global financial crisis.”

Key findings in the report include:

- **Younger 401(k) plan participants tend to favor equity investing more than older 401(k) plan participants.** On average, at year-end 2020, 69 percent of 401(k) participants’ assets were invested in equity securities through equity funds, the equity portion of balanced funds, and company stock. Younger participants, as a group, had more than 80 percent of their 401(k) plan assets invested in equities, compared with 56 percent of 401(k) plan assets among participants in their sixties.
- **Ownership of investments in equities is widely embraced by 401(k) plan participants.** Overall, 94 percent of 401(k) participants had at least some investment in equities at year-end 2020. More 401(k) plan participants held equities at year-end 2020 than before the global financial crisis (year-end 2007), and most had the majority of their accounts invested in equities.
- **Target date funds continue to be a popular investment option among 401(k) plan participants.** At year-end 2020, 86 percent of 401(k) plans, covering 87 percent of 401(k) plan participants, included target date funds in their investment lineup. Target date funds were 31 percent of the assets in the EBRI/ICI 401(k) database, and 59 percent of 401(k) participants in the database held target date funds. Also known as lifecycle funds, these funds are designed to offer a diversified portfolio that automatically rebalances to be more focused on income over time.
- **401(k) plans draw in many young retirement savers and new hires.** At year-end 2020, 38 percent of 401(k) plan participants were in their twenties or thirties, and 24 percent were in their forties. Forty-three percent of 401(k) plan participants had five or fewer years of tenure, including about one-fifth who were recent hires (two or fewer years of tenure).
- **401(k) plan loans are widely available but rarely taken.** At year-end 2020, 84 percent of 401(k) plan participants were in plans allowing loans, but only 16 percent of 401(k) participants who were eligible for loans had loans outstanding against their 401(k) plan accounts, down from year-end 2019. Loans outstanding amounted to 8 percent of the remaining account balance, on average, at year-end 2020, the same as year-end 2019, and well below their historical average. Loan amounts, on average, increased in 2020, but remained small relative to the remaining account balance.

“Even during the turmoil of the COVID-19 pandemic and loosening of the regulations around plan loans in 2020, the percentage of 401(k) plan participants eligible to take a loan who had an outstanding loan balance declined slightly in 2020 from 2019, to a level last seen in the early 2000s,” said Craig Copeland, EBRI Director of Wealth Benefits Research. “At year-end 2020, only 16 percent of 401(k) participants who were eligible for loans had loans outstanding against their 401(k) plan accounts, showing the ability of 401(k) plan participants to hold their course in preparing for retirement during unprecedented times.”

About the Study

The study is based on the EBRI/ICI database of employer-sponsored 401(k) plans, compiled through a collaborative research project undertaken by the two organizations since 1996. The project is unique because it includes data provided by a wide variety of plan recordkeepers and, therefore, represents the activity of participants in 401(k) plans of varying sizes—from very large corporations to small businesses—with a variety of investment options. The 2020 EBRI/ICI database includes statistical information on 11.5 million 401(k) plan participants in 76,507 plans, which hold \$1.0 trillion in assets, and covers 19 percent of the universe of active 401(k) participants.

Full results of the annual EBRI/ICI 401(k) database update are posted on each organization's website at www.ebri.org and www.ici.org/research/investors/ebri_ici.

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