

# PERSPECTIVE

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## Appendix: Additional Figures for the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project for Year-End 2002

by Sarah Holden and Jack VanDerhei<sup>1</sup>

### OVERVIEW AND SUMMARY

The September 2003 issue of *Perspective* covers the year-end 2002 data gathered by the Employee Benefit Research Institute (EBRI)<sup>2</sup> and the Investment Company Institute (ICI)<sup>3</sup> in their collaborative effort—the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.<sup>4</sup> This Appendix provides supplementary tables and charts for the [September 2003 \*Perspective\*](#).

### THE EBRI/ICI DATABASE

#### *Relationship of Database Plans to the Universe of Plans*

The 2002 EBRI/ICI database appears to be a representative sample of the estimated universe of 401(k) plans. ICI (June 2003) estimates 401(k) plans held \$1,540 billion in assets at year-end 2002 and the EBRI/ICI database represents about 40 percent of 401(k) plan assets. The distribution of assets, participants, and plans in the EBRI/ICI database for 2002 is similar to that reported for the universe of plans estimated by Cerulli Associates (Figure A1).<sup>5</sup>

#### *Distribution of Plans, Participants, and Assets by Plan Size*

The 2002 EBRI/ICI database contains 46,310 401(k) plans with \$618.6 billion of assets and 15,509,185 participants (Figure A2). Because most of the plans have a small number of participants, the asset size for many plans is modest. About 31 percent of the plans have assets of \$250,000 or less, and another 36 percent have plan assets between \$250,001 and \$1,250,000.

<sup>1</sup> Sarah Holden, Senior Economist, Research Department at the Investment Company Institute (ICI) and Jack VanDerhei, Temple University, Employee Benefit Research Institute (EBRI) Fellow. Special thanks to Luis Alonso, Research Associate at EBRI, who managed the database. In addition, thanks to Stefan Kimball at ICI who assisted in preparing the graphics.

<sup>2</sup> The Employee Benefit Research Institute is a nonprofit, nonpartisan, public policy research organization, which does not lobby or take positions on legislative proposals.

<sup>3</sup> The Investment Company Institute is the national association of the U.S. investment company industry. Its membership includes 8,655 open-end investment companies (“mutual funds”), 588 closed-end investment companies, 106 exchange-traded funds, and six sponsors of unit investment trusts. Its mutual fund members manage assets of approximately \$6.9 trillion, accounting for approximately 95 percent of total industry assets, and represent more than 90 million individual shareholders.

<sup>4</sup> In this effort, EBRI and ICI have collected data from some of their members that serve as plan recordkeepers and administrators. The data include demographic information, annual contributions, plan balances, asset allocation, and loan balances.

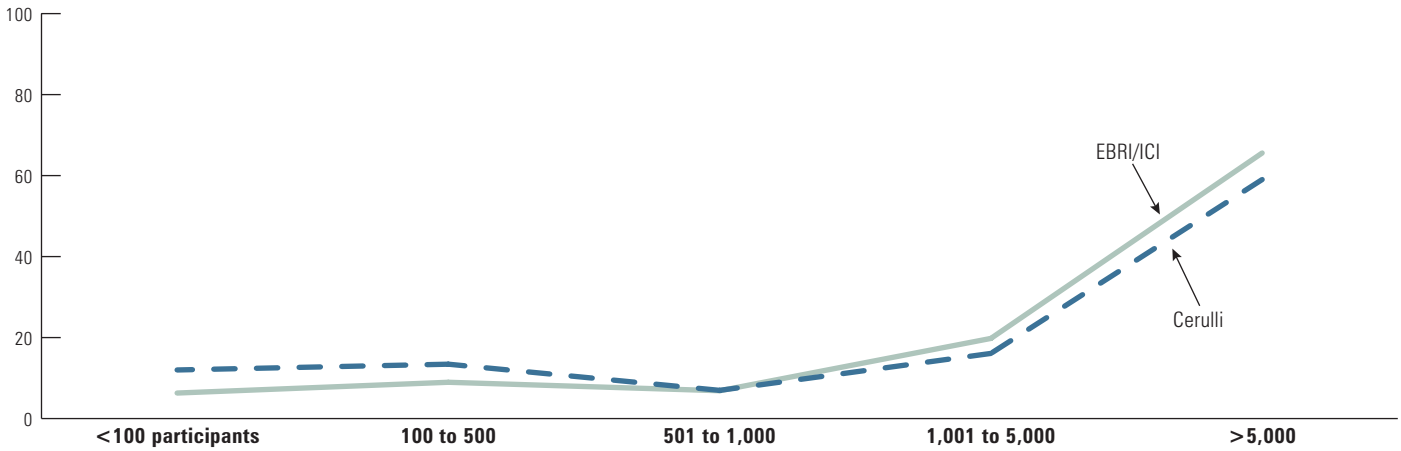
<sup>5</sup> The latest U.S. Department of Labor (Winter 2001–2002) estimate of the universe of 401(k) type plans is for plan-year 1998. For 1998, it reported 300,593 401(k) type plans covering 37 million active participants with \$1,541 billion in assets.

FIGURE A1

### 401(k) Plan Characteristics by Number of Participants: EBRI/ICI Database vs. Cerulli Estimates for All 401(k) Plans, 2002

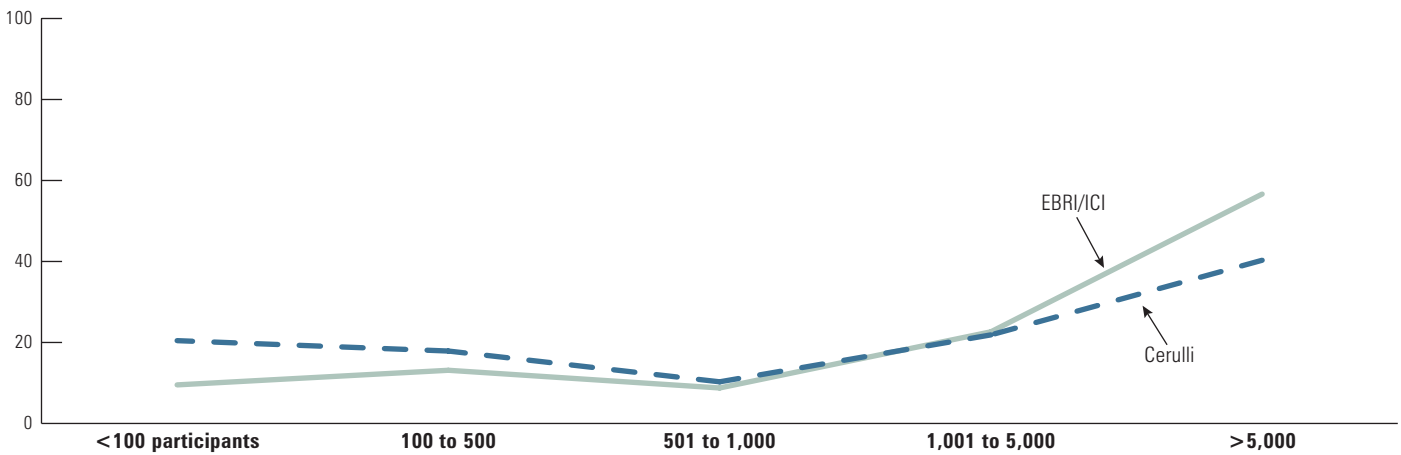
#### Plan Assets

(percent of plan assets)



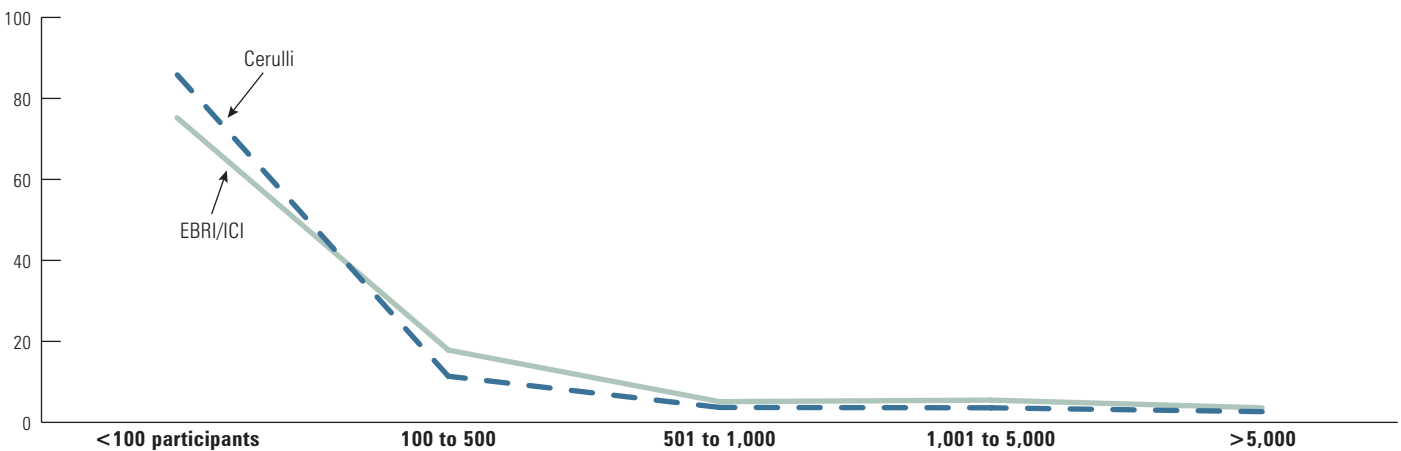
#### Participants

(percent of participants)



#### Plans

(percent of plans)



Sources: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project, Cerulli Associates

FIGURE A2

**EBRI/ICI Database: 401(k) Plan Characteristics by Plan Assets, 2002**

Total Plan Assets	Total Plans	Total Participants	Total Assets	Average Account Balance
\$0 to \$250,000	14,526	226,729	\$1,680,902,739	\$7,414
>\$250,000 to \$625,000	10,202	333,405	\$4,167,035,431	\$12,498
>\$625,000 to \$1,250,000	6,600	403,056	\$5,859,426,485	\$14,538
>\$1,250,000 to \$2,500,000	4,918	461,354	\$8,754,302,312	\$18,975
>\$2,500,000 to \$6,250,000	4,547	821,006	\$17,928,054,508	\$21,837
>\$6,250,000 to \$12,500,000	2,071	791,773	\$18,218,791,484	\$23,010
>\$12,500,000 to \$25,000,000	1,246	821,882	\$21,714,104,882	\$26,420
>\$25,000,000 to \$62,500,000	997	1,422,818	\$39,411,701,647	\$27,700
>\$62,500,000 to \$125,000,000	474	1,304,680	\$41,310,229,583	\$31,663
>\$125,000,000 to \$250,000,000	313	1,550,565	\$54,034,467,883	\$34,848
>\$250,000,000	416	7,371,917	\$405,511,798,460	\$55,008
All	46,310	15,509,185	\$618,590,815,415	\$39,885

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

**The Typical 401(k) Plan Participant**

Participants in 401(k) plans cover wide ranges of age and tenure. Sixty percent of participants are in their thirties or forties, while 11 percent of participants are in their twenties and 7 percent are in their sixties (Figure A3). The median age of the participants in the 2002 EBRI/ICI

database is 43 years, the same as in 2001. Thirty-eight percent of the participants have five or fewer years of tenure, while 6 percent have more than 30 years of tenure. The median tenure at the current employer is seven years, one year longer than the median tenure in the 2001 EBRI/ICI database. Salary information available for a subset of participants indicates that the median annual salary among that group is \$27,153.<sup>6</sup>

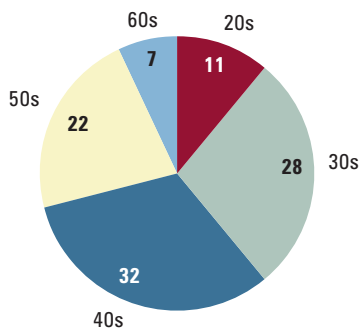
<sup>6</sup>In some analyses, the subset is restricted to participants earning \$20,000 or more. The median salary in that subsample is about \$45,112 in 2002.

FIGURE A3

### 401(k) Participants by Age or Tenure, 2002

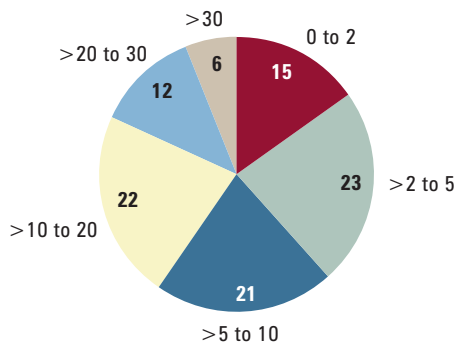
(percent of participants)

#### By Age



Median Age: 43 years

#### By Tenure (years)



Median Tenure: 7 years

Note: Percentages may not add to 100 percent because of rounding.

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

## ASSET ALLOCATION

### Asset Allocation and Investment Options

The investment options<sup>7</sup> that participants are offered by a plan sponsor significantly affect how participants allocate their 401(k) assets. Figure A4 presents the distribution of plans, participants, and assets by four combinations of investment offerings. The first category is the base group that consists of plans that do not offer company stock, guaranteed investment contracts (GICs), or other stable value funds. Almost 29 percent of participants in the 2002 EBRI/ICI database are in these plans—which generally offer equity funds, bond funds, money funds, and balanced funds as investment options. Another 24 percent of participants are in plans that offer GICs and/or other stable value funds as an investment option, in addition to the base options. Alternatively, almost 18 percent of participants are in plans that offer company stock, but no stable value products, while the remaining 30 percent of participants are offered both company stock and stable value products, in addition to the base options.

<sup>7</sup> Investment options are grouped into eight categories. (Account balances are net of loan balances and thus unpaid loan balances are not included in any of the eight asset categories described.) Equity funds consist of pooled investments primarily investing in stocks. These funds include equity mutual funds, bank collective trusts, life insurance separate accounts, and other pooled investments. Similarly, bond funds are any pooled account primarily invested in bonds, and balanced funds are pooled accounts invested in both stocks and bonds. Company stock is equity in the plan's sponsor (the employer). Money funds consist of those funds designed to maintain a stable share price. Stable value products such as guaranteed investment contracts (GICs)—insurance company products that guarantee a specific rate of return on the invested capital over the life of the contract—and other stable value funds—synthetic GICs (a portfolio of fixed-income securities “wrapped” with a guarantee to provide benefit payments according to the plan at book value) or similar instruments—are reported as one category, “GICs and other stable value funds.” The “other” category is the residual for other investments such as real estate funds. The final category, “unknown,” consists of funds that could not be identified. Some administrators supplying data were unable to provide complete asset allocation detail on certain pooled asset classes for one or more of their clients. Only plans in which at least 90 percent of all plan assets could be identified were included in the final EBRI/ICI databases.

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**FIGURE A4****Distribution of 401(k) Plans, Participants, and Assets by Investment Options, 2002**(percent of total)<sup>1</sup>

<b>Investment Options Offered by Plan</b>	<b>Plans</b>	<b>Participants</b>	<b>Assets</b>
Equity, Bond, Money, and/or Balanced Funds	42.7	28.6	20.6
Equity, Bond, Money, and/or Balanced Funds, and GICs <sup>2</sup> and/or Other Stable Value Funds	54.6	23.5	17.6
Equity, Bond, Money, and/or Balanced Funds, and Company Stock	1.2	17.6	21.5
Equity, Bond, Money, and/or Balanced Funds, and Company Stock, and GICs <sup>2</sup> and/or Other Stable Value Funds	1.6	30.4	40.3

<sup>1</sup> Column percentages may not add to 100 percent because of rounding.<sup>2</sup> Guaranteed investment contracts.

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

**Asset Allocation by Investment Options and Age, Salary, or Plan Size**

Holden and VanDerhei (September 2003) discusses the impact of investment options on participants' asset allocations in aggregate. Figure A5 presents the analysis of asset allocation by investment option and also by age of participant.

Salary information is available for a subset of participants in the 2002 EBRI/ICI database.<sup>8</sup> Because asset allocation is influenced by the investment options available to participants, Figure A6 presents asset allocation by salary range and by investment option.

Participant asset allocation also varies with plan size (Figure A7, top panel), but much of the variation can be explained by differences in the investment options offered by plan sponsors. For example, the percentage of plan assets invested in company stock rises with plan size. A portion of this trend occurs because few small plans offer company stock as an investment option. For example, less than 1 percent of participants in small plans are offered company stock as an investment option, while 71 percent of participants in plans with more than 5,000 participants are offered company stock as an investment option. Thus, to analyze the potential effect of plan size, the remaining panels of Figure A7 group plans by investment option and plan size.

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<sup>8</sup> On average, asset allocation of participants missing salary information is similar to the asset allocation for those with such information, in aggregate. However, average allocations to balanced funds among participants for whom salary information is available in both groups of plans offering company stock as an investment option are higher than for participant records without salary information. In addition, in plans offering company stock and GICs and/or other stable value funds, the allocation to company stock tends to be higher among participants for whom salary information is available, while their money fund allocations tend to be slightly lower.

FIGURE A5

**Average Asset Allocation of 401(k) Accounts by Participant Age and Investment Options, 2002**

(percent of account balances)<sup>1</sup>

	Equity Funds	Balanced Funds	Bond Funds	Money Funds	GICs <sup>2</sup> and Other Stable Value Funds	Company Stock
<b>ALL AGES COMBINED</b>						
<b>Investment Options</b>						
Equity, Bond, Money, and/or Balanced Funds	54.8	12.3	19.1	11.1		
Equity, Bond, Money, and/or Balanced Funds, and GICs <sup>2</sup> and/or Other Stable Value Funds	45.3	11.4	8.1	4.6	29.1	
Equity, Bond, Money, and/or Balanced Funds, and Company Stock	37.9	6.2	15.9	9.3		29.6
Equity, Bond, Money, and/or Balanced Funds, and Company Stock, and GICs <sup>2</sup> and/or Other Stable Value Funds	32.1	8.2	5.3	2.7	26.5	24.1
<b>PLANS WITHOUT COMPANY STOCK, GICs,<sup>2</sup> OR OTHER STABLE VALUE FUNDS</b>						
<b>Age</b>						
20s	62.0	13.0	13.0	10.2		
30s	64.8	12.0	12.8	8.3		
40s	59.5	12.6	15.9	9.7		
50s	51.3	12.5	21.2	11.9		
60s	41.2	11.9	28.6	15.1		
<b>PLANS WITH GICs<sup>2</sup> AND/OR OTHER STABLE VALUE FUNDS</b>						
20s	54.4	12.1	8.1	5.3	17.7	
30s	57.0	11.8	7.8	4.1	17.4	
40s	50.3	11.9	8.0	4.3	23.7	
50s	42.0	11.3	8.2	4.5	32.5	
60s	33.0	10.3	8.1	5.3	41.9	
<b>PLANS WITH COMPANY STOCK</b>						
20s	44.7	6.9	10.0	9.2		28.4
30s	45.3	6.3	9.8	7.3		30.3
40s	40.1	6.4	12.7	8.6		31.0
50s	35.3	6.4	17.2	10.2		29.8
60s	31.8	5.3	25.1	11.2		25.7
<b>PLANS WITH COMPANY STOCK AND GICs<sup>2</sup> AND/OR OTHER STABLE VALUE FUNDS</b>						
20s	40.8	11.2	5.5	3.2	11.9	26.0
30s	42.3	9.2	5.1	2.3	12.4	27.4
40s	36.2	9.0	5.3	2.5	18.7	27.1
50s	29.9	8.1	5.6	2.8	28.3	24.2
60s	23.9	6.5	4.8	3.2	42.9	17.8

<sup>1</sup> Minor investment options are not shown; therefore, row percentages will not add to 100 percent.

<sup>2</sup> Guaranteed investment contracts.

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

FIGURE A6

**Average Asset Allocation of 401(k) Accounts by Salary and Investment Options, 2002**

(percent of account balances)<sup>1</sup>

Salary <sup>2</sup>	Equity Funds	Balanced Funds	Bond Funds	Money Funds	GICs <sup>3</sup> and Other Stable Value Funds	Company Stock
<b>PLANS WITHOUT COMPANY STOCK, GICs,<sup>3</sup> OR OTHER STABLE VALUE FUNDS</b>						
\$20,000 to \$40,000	47.7	21.9	18.5	11.0		
>\$40,000 to \$60,000	55.4	16.1	18.5	9.3		
>\$60,000 to \$80,000	59.1	13.3	18.3	8.4		
>\$80,000 to \$100,000	60.8	12.8	17.4	8.0		
>\$100,000	58.6	11.7	17.3	10.1		
All	54.8	12.3	19.1	11.1		
<b>PLANS WITH GICs<sup>3</sup> AND/OR OTHER STABLE VALUE FUNDS</b>						
\$20,000 to \$40,000	38.9	13.5	8.8	5.5	29.5	
>\$40,000 to \$60,000	43.1	12.6	9.0	4.4	28.6	
>\$60,000 to \$80,000	44.8	11.2	8.8	3.3	30.4	
>\$80,000 to \$100,000	44.2	11.1	9.3	2.8	31.6	
>\$100,000	46.5	11.5	8.3	3.2	28.8	
All	45.3	11.4	8.1	4.6	29.1	
<b>PLANS WITH COMPANY STOCK</b>						
\$20,000 to \$40,000	32.0	7.6	12.2	11.4		36.4
>\$40,000 to \$60,000	29.5	11.4	13.8	11.6		31.2
>\$60,000 to \$80,000	30.0	12.4	13.2	11.0		29.5
>\$80,000 to \$100,000	30.1	14.6	14.4	11.1		25.6
>\$100,000	32.5	12.8	15.0	11.0		25.3
All	37.9	6.2	15.9	9.3		29.6
<b>PLANS WITH COMPANY STOCK AND GICs<sup>3</sup> AND/OR OTHER STABLE VALUE FUNDS</b>						
\$20,000 to \$40,000	24.7	12.6	4.6	1.9	27.3	28.6
>\$40,000 to \$60,000	29.7	11.9	4.6	2.0	25.4	26.1
>\$60,000 to \$80,000	33.4	11.1	4.8	2.1	24.7	23.3
>\$80,000 to \$100,000	35.8	9.9	5.0	1.9	24.0	22.9
>\$100,000	33.0	8.9	5.4	1.9	20.7	29.6
All	32.1	8.2	5.3	2.7	26.5	24.1

<sup>1</sup> Minor investment options are not shown; therefore, row percentages will not add to 100 percent.

<sup>2</sup> Salary information is available for a subset of participants in the EBRI/ICI database. See text footnote 8.

<sup>3</sup> Guaranteed investment contracts.

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

FIGURE A7

**Average Asset Allocation of 401(k) Accounts by Plan Size and Investment Options, 2002**

(percent of account balances)<sup>1</sup>

Plan Size by Number of Participants	Equity Funds	Balanced Funds	Bond Funds	Money Funds	GICs <sup>2</sup> and Other Stable Value Funds	Company Stock
<b>ALL PLANS</b>						
1 to 100	46.5	15.1	13.1	10.3	13.6	0.2
101 to 500	50.2	13.6	14.6	9.7	9.3	0.7
501 to 1,000	47.4	12.8	15.0	9.0	10.5	3.3
1,001 to 5,000	44.2	11.2	12.0	8.4	13.9	8.4
>5,000	37.4	7.5	9.8	4.8	17.5	21.6
All	40.3	9.2	10.9	6.2	15.8	16.1
<b>PLANS WITHOUT COMPANY STOCK, GICs,<sup>2</sup> OR OTHER STABLE VALUE FUNDS</b>						
1 to 100	56.4	13.1	15.7	13.5		
101 to 500	55.4	13.5	17.7	11.7		
501 to 1,000	52.7	13.5	20.3	11.1		
1,001 to 5,000	52.6	14.2	18.7	12.9		
>5,000	56.8	9.3	20.7	8.5		
All	54.8	12.3	19.1	11.1		
<b>PLANS WITH GICs<sup>2</sup> AND/OR OTHER STABLE VALUE FUNDS</b>						
1 to 100	38.8	16.9	11.1	7.8	24.4	
101 to 500	43.9	14.1	10.2	6.6	23.4	
501 to 1,000	44.2	13.1	8.9	5.5	26.7	
1,001 to 5,000	45.6	11.0	7.2	3.9	30.8	
>5,000	47.6	8.6	6.8	3.1	31.9	
All	45.3	11.4	8.1	4.6	29.1	
<b>PLANS WITH COMPANY STOCK</b>						
1 to 100 <sup>3</sup>	32.5	9.0	11.3	10.3		36.0
101 to 500	38.8	10.4	15.8	18.7		14.6
501 to 1,000	39.5	7.6	13.4	13.8		24.1
1,001 to 5,000	39.2	8.9	14.2	11.3		25.4
>5,000	37.6	5.6	16.3	8.8		30.7
All	37.9	6.2	15.9	9.3		29.6
<b>PLANS WITH COMPANY STOCK AND GICs<sup>2</sup> AND/OR OTHER STABLE VALUE FUNDS</b>						
1 to 100	44.1	8.2	8.7	9.7	17.8	7.9
101 to 500	38.9	12.8	8.1	5.2	23.0	7.9
501 to 1,000	35.3	12.3	5.6	4.5	26.6	13.7
1,001 to 5,000	35.0	9.2	5.9	4.6	27.3	15.7
>5,000	31.6	8.0	5.2	2.5	26.5	25.4
All	32.1	8.2	5.3	2.7	26.5	24.1

<sup>1</sup> Minor investment options are not shown; therefore, row percentages will not add to 100 percent.

<sup>2</sup> Guaranteed investment contracts.

<sup>3</sup> Because few plans fall into this category, these percentages may be heavily influenced by a few outliers.

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



FIGURE A8

**Asset Allocation Distribution of 401(k) Plan Participant Account Balances to Equity Funds  
by Age, Tenure, and Salary, 2002**  
(percent of participants)

	Zero	1 to 20%	>20% to 80%	>80%	Total
<b>ALL</b>	32.1	9.2	36.6	22.1	100
<b>AGE COHORT</b>					
20s	36.5	6.7	35.1	21.8	100
30s	27.6	7.9	38.8	25.8	100
40s	29.4	9.7	38.4	22.5	100
50s	33.8	11.1	35.8	19.4	100
60s	43.0	11.6	29.0	16.4	100
<b>TENURE (years)</b>					
0 to 2	35.3	6.7	37.8	20.3	100
>2 to 5	30.6	7.8	37.3	24.2	100
>5 to 10	27.6	9.7	38.4	24.4	100
>10 to 20	29.3	11.3	38.2	21.2	100
>20 to 30	35.4	12.2	35.2	17.2	100
>30	45.1	11.3	29.1	14.5	100
<b>SALARY</b>					
\$20,000 to \$40,000	37.3	13.1	34.8	14.8	100
>\$40,000 to \$60,000	32.5	12.6	37.8	17.2	100
>\$60,000 to \$80,000	25.2	12.5	42.6	19.7	100
>\$80,000 to \$100,000	23.3	12.0	44.0	20.7	100
>\$100,000	20.9	11.9	44.0	23.3	100

Note: Row percentages may not add to 100 percent because of rounding.

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

FIGURE A9

**Percentage of 401(k) Plan Participants Without Equity Fund Balances Who Have Equity Exposure by Age and Tenure, 2002**

	Percentage with Company Stock and/or Balanced Funds
<b>AGE COHORT</b>	
20s	49.5
30s	52.0
40s	52.9
50s	54.0
60s	50.5
All	51.7
<b>TENURE (years)</b>	
0 to 2	45.4
>2 to 5	53.6
>5 to 10	54.5
>10 to 20	53.9
>20 to 30	57.2
>30	56.2
All	51.7

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

***Distribution of Equity Fund Allocations and Participant Exposure to Equities***

On average, 40 percent of participant account balances are allocated to equity funds in the year-end 2002 EBRI/ICI database (Figure A7, top panel). However, individual asset allocations vary widely across participants. For example, 32 percent of participants hold no equity funds, while 22 percent of participants hold more than 80 percent of their balances in equity funds (Figure A8). Furthermore, the percentage of participants holding no equity funds tends to increase with age. In contrast, the percentage of participants holding no equity funds tends to fall as salary increases.

Participants with no equity fund balances may still have exposure to the stock market through company stock or balanced funds.

FIGURE A10

**Average Asset Allocation for 401(k) Plan Participants Without Equity Fund Balances by Age and Tenure, 2002**  
(percent of account balances)

	Balanced Funds	Bond Funds	Money Funds	GICs <sup>1</sup> and Other Stable Value Funds	Company Stock	Other	Unknown	Total <sup>2</sup>
<b>AGE COHORT</b>								
20s	21.5	12.6	20.0	20.2	23.6	1.4	0.5	100
30s	16.7	13.7	15.3	19.5	31.6	2.4	0.5	100
40s	13.1	14.2	13.1	25.9	30.7	2.3	0.5	100
50s	10.2	15.0	11.9	34.3	25.9	2.1	0.4	100
60s	7.4	16.8	11.2	45.0	17.6	1.5	0.3	100
All	10.9	15.1	12.5	33.7	25.2	2.0	0.4	100
<b>TENURE (years)</b>								
0 to 2	19.8	19.2	23.7	21.8	13.0	0.8	1.6	100
>2 to 5	20.6	17.5	20.2	19.3	20.1	1.6	0.5	100
>5 to 10	16.5	16.7	17.6	21.3	25.0	2.3	0.5	100
>10 to 20	12.3	14.6	14.1	28.7	27.0	2.7	0.3	100
>20 to 30	9.8	13.5	10.5	35.4	27.9	2.4	0.3	100
>30	6.3	14.3	7.9	48.3	21.5	1.4	0.3	100
All	10.9	15.1	12.5	33.7	25.2	2.0	0.4	100

<sup>1</sup> Guaranteed investment contracts.

<sup>2</sup> Row percentages may not add to 100 percent because of rounding.

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

Indeed, 52 percent of participants with no equity funds have investments in either company stock or balanced funds (Figure A9). As a result, many participants with no equity funds have exposure to equity-related investments through company stock and/or balanced funds (Figure A10).

## ACCOUNT BALANCES

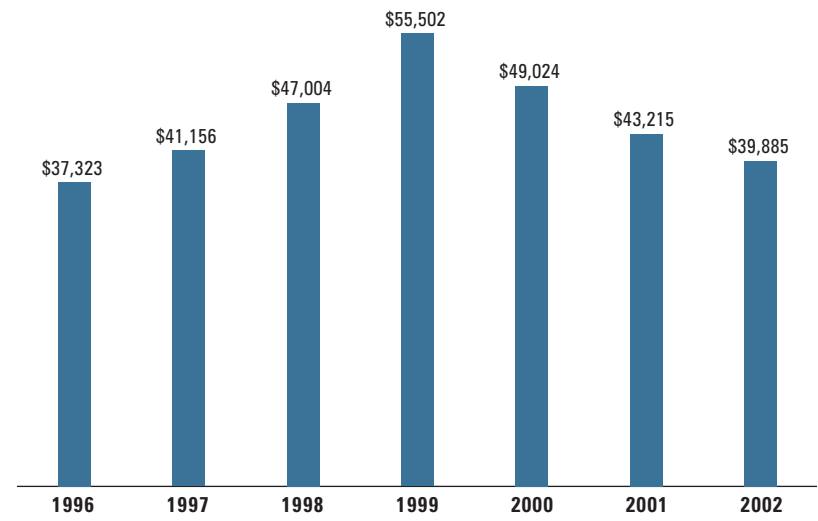
### Average and Median Account Balances

The EBRI/ICI database is constructed from administrative records of 401(k) plans. The database contains only the account balances held in the 401(k) plans at participants' current employers. Retirement savings held in plans at previous employers or rolled over into individual retirement accounts (IRAs) are not included in this analysis. Furthermore, account balances are net of unpaid loan balances. In addition, the EBRI/ICI database for any given year captures a snapshot of the account balances at year-end and thus reflects the entrance of new plans and new participants and the exit of participants who retire or change jobs. At year-end 2002, the average account balance was \$39,885 and the median account balance was \$12,578 (Figure A11).<sup>9</sup> Because of the changing composition of the universe over time, it is not correct to construe the change in average or median account

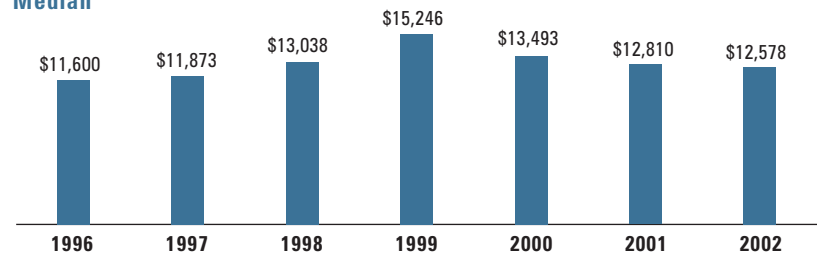
FIGURE A11

### 401(k) Plan Participant Account Balances,<sup>1</sup> 1996–2002<sup>2</sup>

#### Average



#### Median



<sup>1</sup> Account balances are participant account balances held in the 401(k) plans at the participants' current employers and are net of plan loans. Retirement savings held in plans at previous employers or rolled over into IRAs are not included.

<sup>2</sup> Sample of participants changes over time.

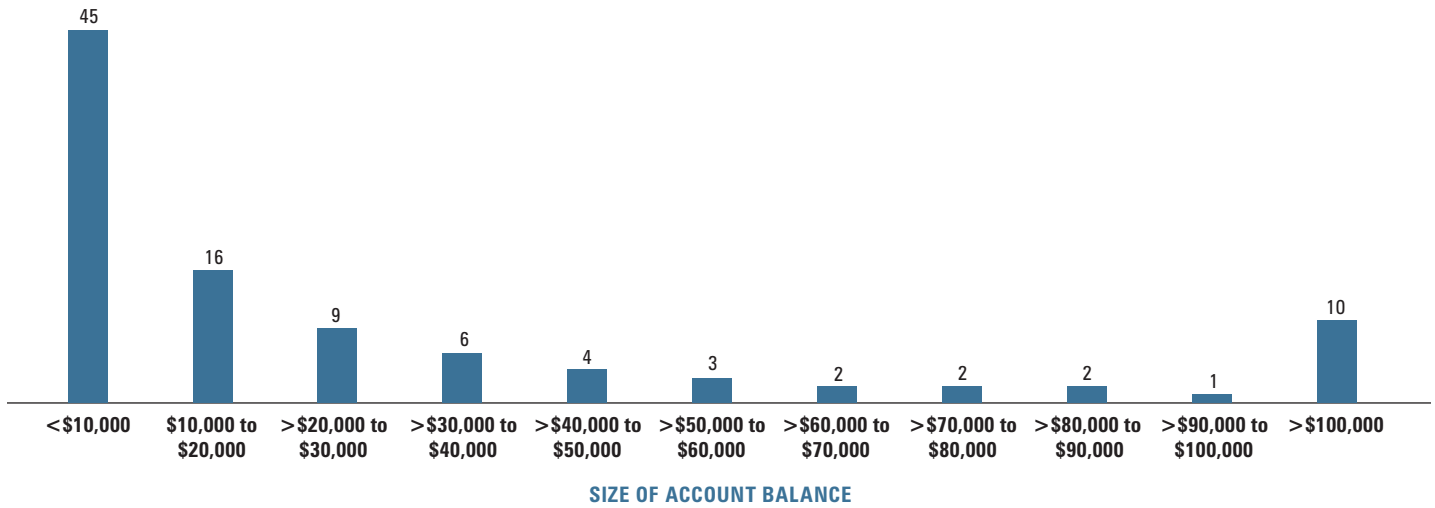
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

<sup>9</sup> A wide range of average account balances is reported for 401(k) type plans. Data for the universe of 401(k) type plans compiled by the Department of Labor from the Form 5500 for 1998 imply an average account balance (including loan balances as a part of account assets) per active participant of \$41,520 (U.S. Department of Labor, Winter 2001–2002), a figure that is within 12 percent of the \$47,004 average balance estimate from the 1998 EBRI/ICI database. Profit Sharing/401(k) Council of America (2002) suggests that the average account balance (also including loans) for plan sponsors participating in their 2001 survey, which includes profit-sharing and combination plans as well as 401(k) plans, is approximately \$70,300.

FIGURE A12

**Distribution of 401(k) Account Balances by Size of Account Balance, 2002**

(percent of participants with account balances in specified ranges)

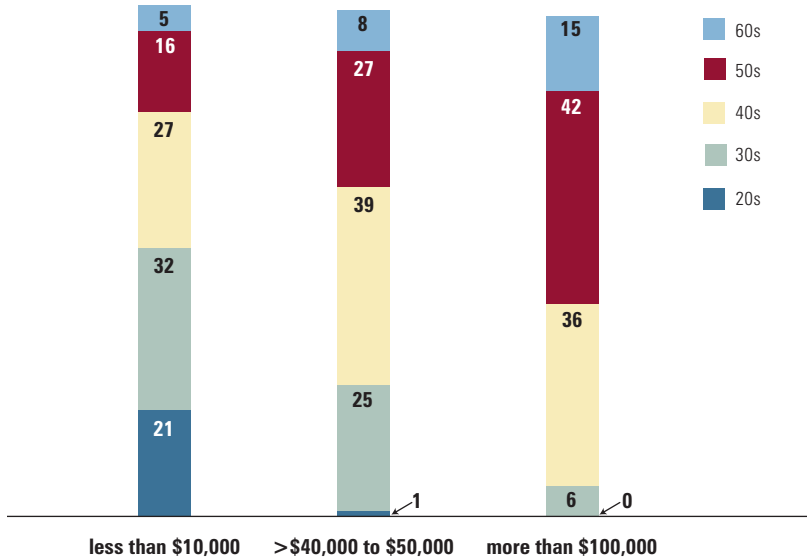


Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

FIGURE A13

**Age Composition of Selected 401(k) Account Balance Categories, 2002**

(percent)



Note: Percentages may not add to 100 percent because of rounding.

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

balance for the entire database as the experience of “typical” 401(k) plan participants.<sup>10,11</sup>

There is wide variation in 401(k) plan participants’ account balances around the average of \$39,885 at year-end 2002. About three-quarters of the participants in the 2002 EBRI/ICI database have account balances that are lower than the average. Indeed, 45 percent of participants have account balances of less than \$10,000, while 10 percent of participants have account balances greater than \$100,000 (Figure A12). The variation in account balances partly reflects the effects of participant age, tenure, contribution behavior, rollovers from other plans, asset allocation, withdrawals, loan activity, and employer contribution rates. Information in the EBRI/ICI database can be used to examine the relationship between account balances and age, tenure, and salary of participants.

<sup>10</sup> For an analysis of the change in account balances of the group of participants with accounts at the end of each year from 1999 through 2002, see Holden and VanDerhei (September 2003).

<sup>11</sup> The difference in average account balance between the consistent subset at year-end 2002 (\$57,668) and the entire year-end 2002 EBRI/ICI database (\$39,885) is explained, in part, by the different tenure composition of the participants. While 38 percent of the participants in the year-end 2002 EBRI/ICI database have five or fewer years of tenure and 18 percent have more than 20 years of tenure (Figure A3), at year-end 2002, only 17 percent of the consistent subset of participants have five or fewer years of tenure and 26 percent have more than 20 years of tenure.

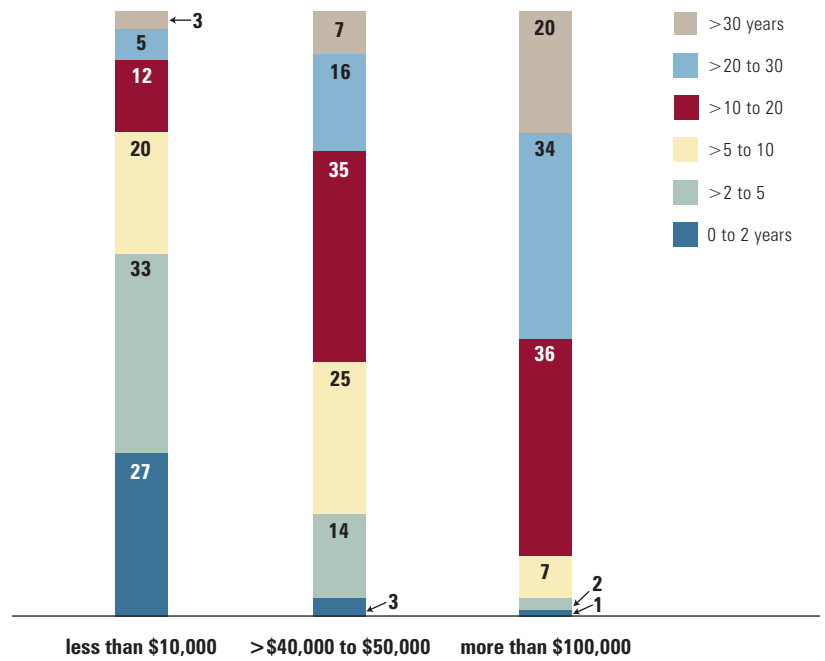
### Relationship of Age and Tenure to Account Balances

There is a positive correlation between age and account balance among participants in the 2002 EBRI/ICI database.<sup>12</sup> Examination of the age composition of account balances finds that 53 percent of participants with account balances of less than \$10,000 are in their twenties or thirties (Figure A13). Similarly, of those with account balances greater than \$100,000, more than half are in their fifties or sixties. The positive correlation between age and account balance is expected because younger workers are likely to have lower incomes and to have had less time to accumulate a balance with their current employer. In addition, they are less likely to have rollovers from a previous job’s plan in their current plan accounts.

There is a positive correlation between account balance and tenure among participants in the 2002 EBRI/ICI database. The participant’s tenure with the employer serves as a proxy for length of participation in the 401(k) plan.<sup>13</sup>

FIGURE A14

**Tenure Composition of Selected 401(k) Account Balance Categories, 2002**  
(percent)



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

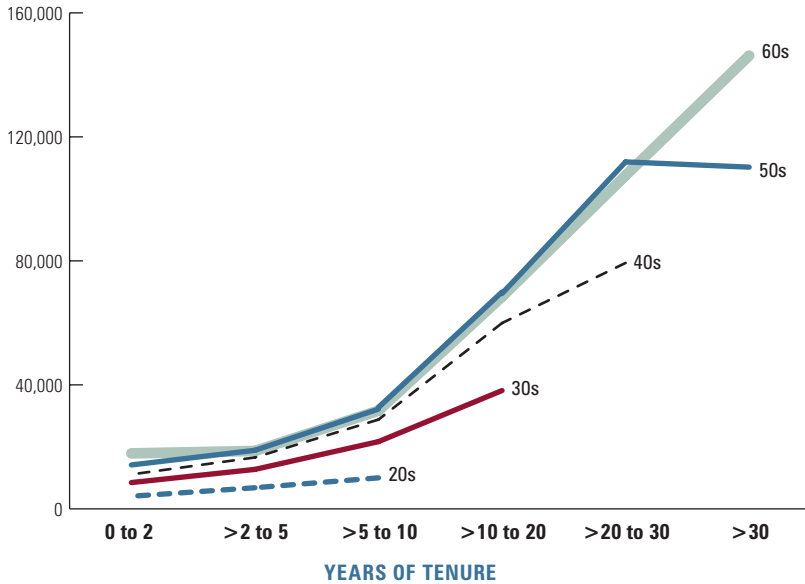
<sup>12</sup> Approximately 1½ percent of the participants in the database had a missing birth date; were younger than 20 years old; or were older than 69 years old. They were not included in this analysis.

<sup>13</sup> Approximately 9 percent of the participants in the database had a missing tenure range and were not included in this analysis. In addition, for one data provider, “years of participation” are used for the tenure variable.

FIGURE A15

**Average 401(k) Account Balance by Age and Tenure, 2002**

(dollars)

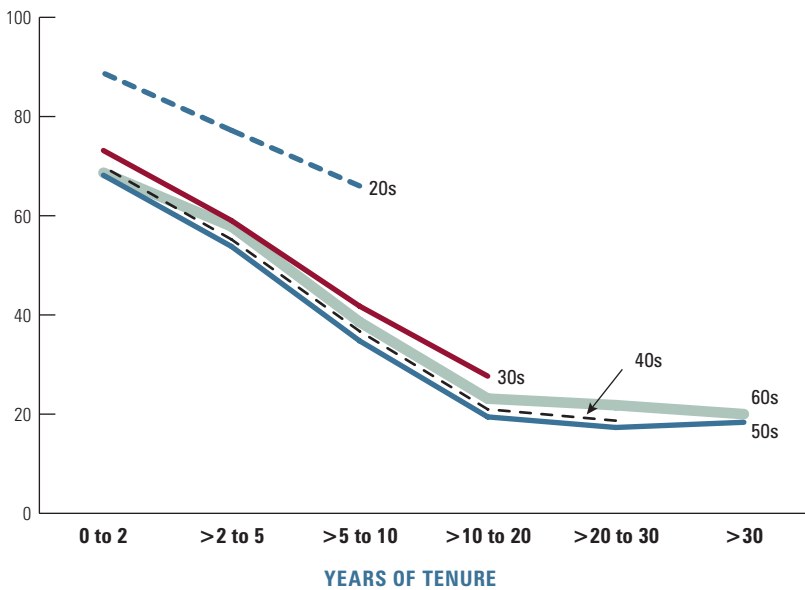


Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

FIGURE A16

**401(k) Account Balances Less Than \$10,000 by Age and Tenure, 2002**

(percent of participants with account balances less than \$10,000)



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

Indeed, 60 percent of participants with account balances of less than \$10,000 have five or fewer years of tenure, while 90 percent of participants with account balances greater than \$100,000 have more than 10 years of tenure (Figure A14).<sup>14</sup>

Examining the interaction of both age and tenure with account balances reveals that, for a given age group, average account balances tend to increase with tenure. For example, the average account balance of participants in their sixties with up to two years of tenure is \$17,892, compared with \$146,211 for participants in their sixties with more than 30 years of tenure (Figure A15). Similarly, the average account balance of participants in their forties with up to two years of tenure is \$11,112, compared with \$79,333 for participants in their forties with more than 20 years of tenure. The increase in account balance as tenure increases tends to be largest for participants in their fifties and sixties.

The distribution of account balances underscores the effects of age and tenure on account balances. In a given age group, fewer years of tenure means a higher percentage of participants with account balances of less than \$10,000. For example, 89 percent of participants in their twenties with two or fewer years of tenure have account balances of less than \$10,000, compared with 66 percent of participants in their twenties with between five and 10 years of tenure (Figure A16). Older workers display

<sup>14</sup> The positive correlation between tenure and account balance is expected because long-term employees have had more time to accumulate an account balance. However, a rollover from a previous employer's plan could interfere with this positive correlation because a rollover could give a short-tenure employee a high account balance. There is some discernible evidence of rollover assets among the participants with account balances greater than \$100,000 as 1 percent of them have two or fewer years of tenure and 2 percent of them have between two and five years of tenure.

a similar pattern. For example, 69 percent of participants in their sixties with two or fewer years of tenure have account balances of less than \$10,000. In contrast, only about 21 percent of those in their sixties with more than 20 years of tenure have account balances of less than \$10,000.<sup>15</sup>

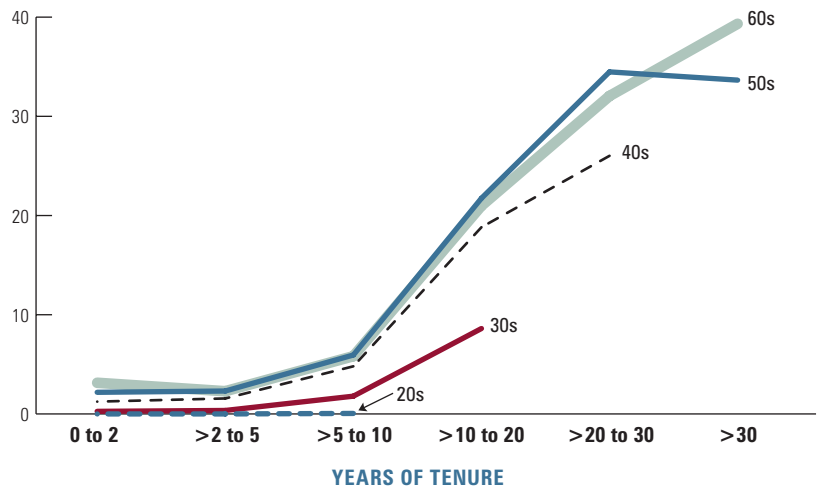
In a given age group, longer tenure means a higher percentage of people with account balances greater than \$100,000. For example, about 4 percent of participants in their sixties with 10 or fewer years of tenure have account balances in excess of \$100,000 (Figure A17). However, about 32 percent of participants in their sixties with between 20 and 30 years of tenure with their current employer have account balances greater than \$100,000. The percentage increases to 39 percent for participants in their sixties with more than 30 years of tenure.

### Relationship Between Account Balances and Salary

This section examines how the ratio of 2002 account balances to 2002 salary varies with age, tenure, and salary.<sup>16</sup> The ratio of participant account balances to salary is positively correlated with age and tenure. Participants in their sixties, having had more time to accumulate assets, tend to have higher ratios, while those in their twenties have the lowest ratios (Figure A18).

FIGURE A17

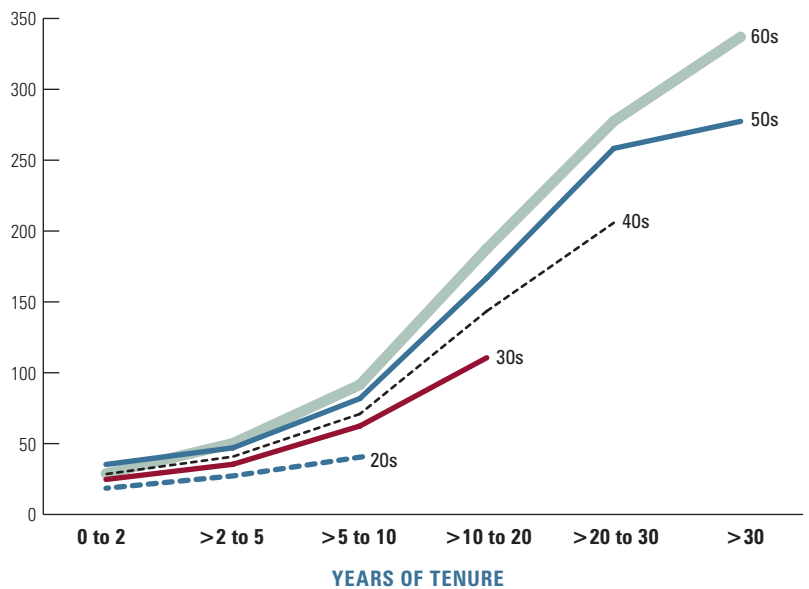
**401(k) Account Balances Over \$100,000 by Age and Tenure, 2002**  
(percent of participants with account balances over \$100,000)



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

FIGURE A18

**Ratio of 401(k) Account Balance to Salary by Age and Tenure, 2002**  
(percent)



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

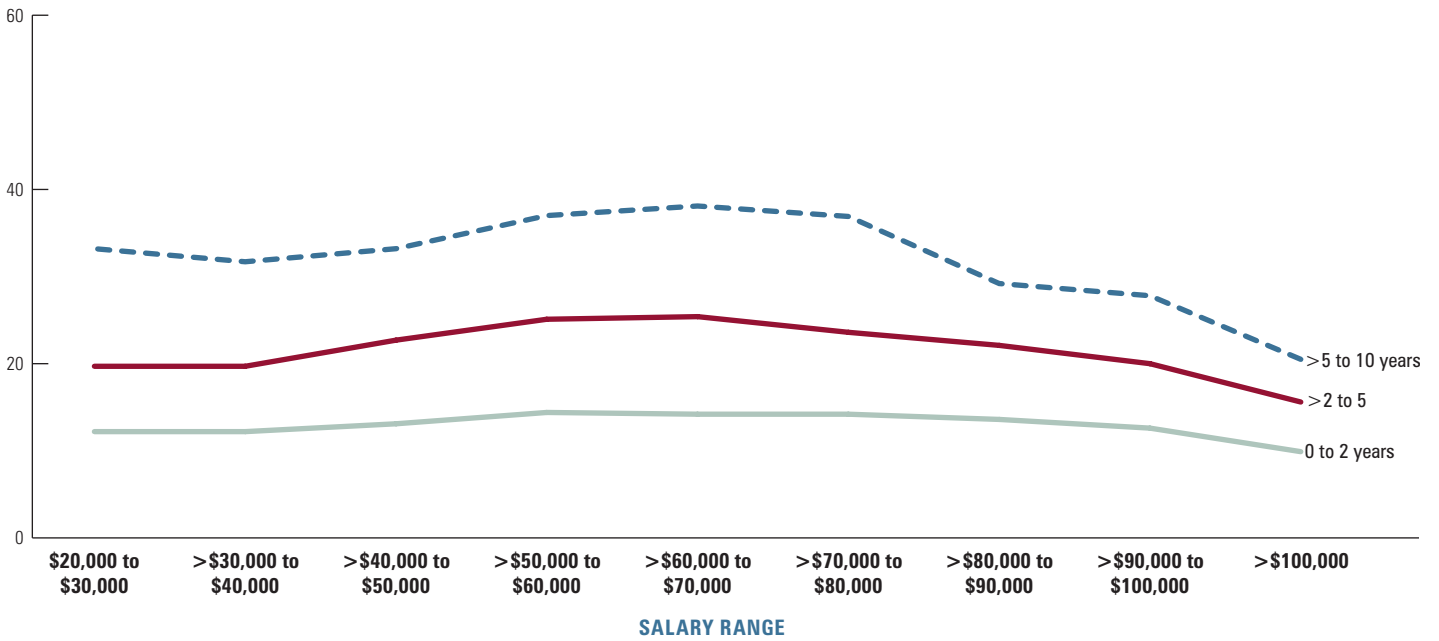
<sup>15</sup> Two possible explanations for the low account balances among this group are: (1) that their employer's 401(k) plan has only recently been established (indeed, 49 percent of all 401(k) type plans in existence in 1995 were established after 1989 (U.S. Department of Labor (Spring 1999), table B.10)), or (2) that the employee only recently joined the plan. In either event, job tenure would not accurately reflect actual 401(k) plan participation.

<sup>16</sup> The ratio of 401(k) account balance (at the current employer) to salary alone is not an indicator of preparedness for retirement. A complete analysis of preparedness for retirement would require estimating projected balances at retirement by also considering retirement income from Social Security, defined benefit plans, IRAs, and other defined contribution plans, possibly from previous employment. For references to such research, see Holden and VanDerhei (January/February 2001). In addition, Holden and VanDerhei (November 2002) develops a model that projects the proportion of an individual's pre-retirement income that might be replaced by 401(k) plan accumulations at retirement, under several different projected scenarios.

FIGURE A19

**Ratio of 401(k) Account Balance to Salary for Participants in Their Twenties by Tenure, 2002**

(percent)

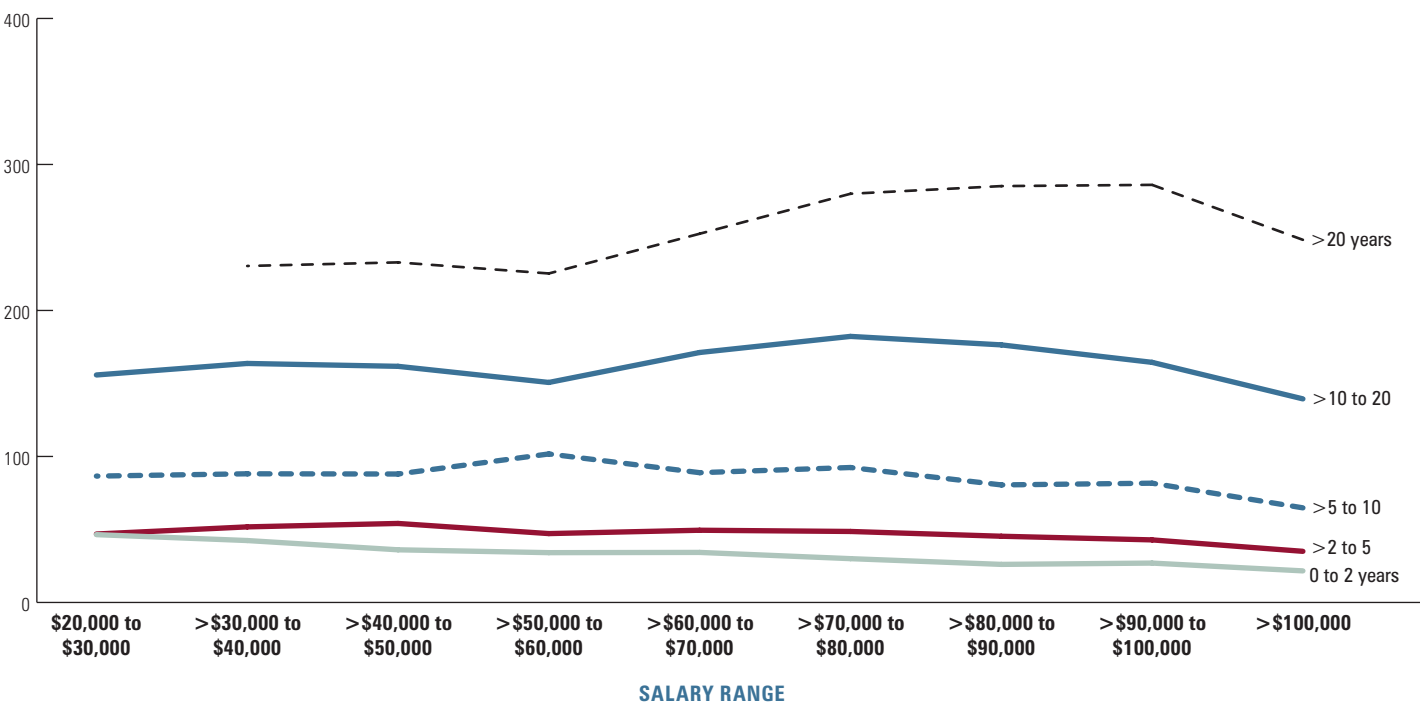


Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

FIGURE A20

**Ratio of 401(k) Account Balance to Salary for Participants in Their Sixties by Tenure, 2002**

(percent)



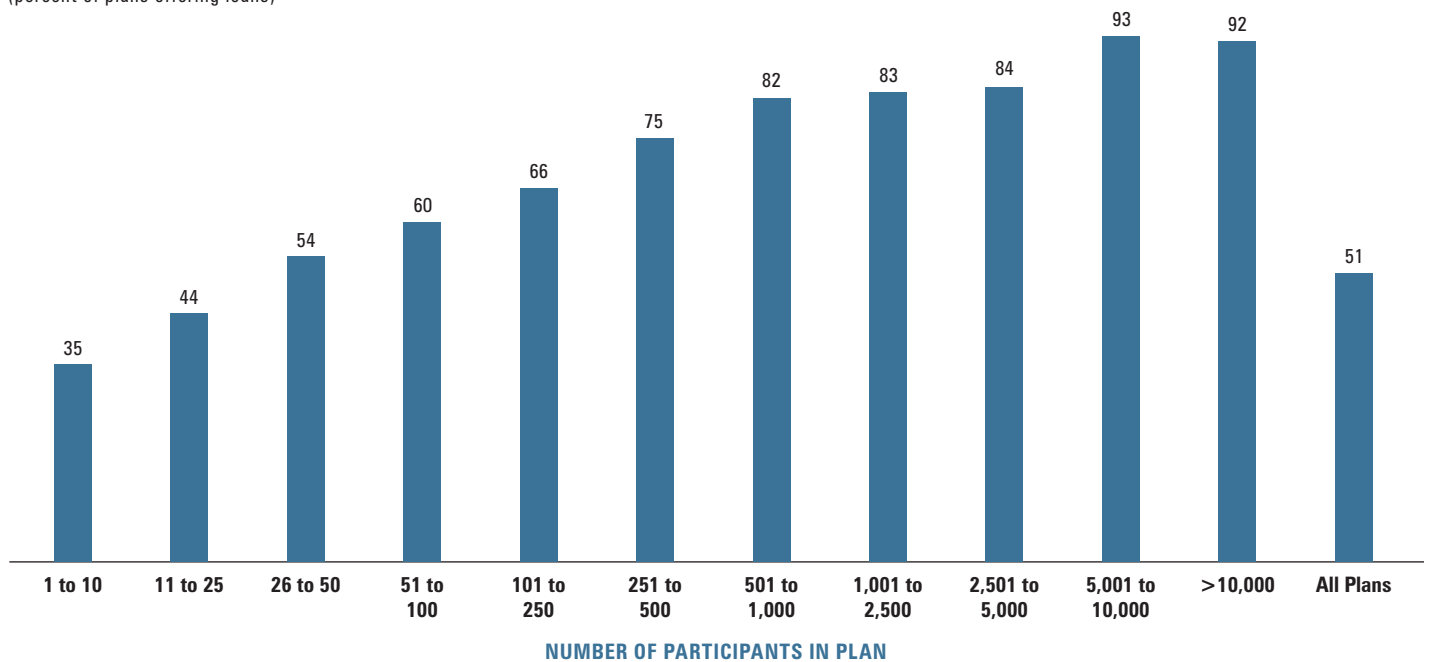
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project



FIGURE A21

**Availability of 401(k) Plan Loans by Plan Size, 2002**

(percent of plans offering loans)



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

In addition, for any given age and tenure combination, the ratio of account balance to salary varies somewhat with salary. For example, among participants in their twenties, the ratio tends to increase slightly with salary for low-to-moderate salary groups (Figure A19). However, at high salary levels the ratio tends to decline somewhat. A similar pattern occurs among participants in their sixties (Figure A20).<sup>17</sup>

**PLAN LOANS**

*Availability and Use of Plan Loans by Plan Size*

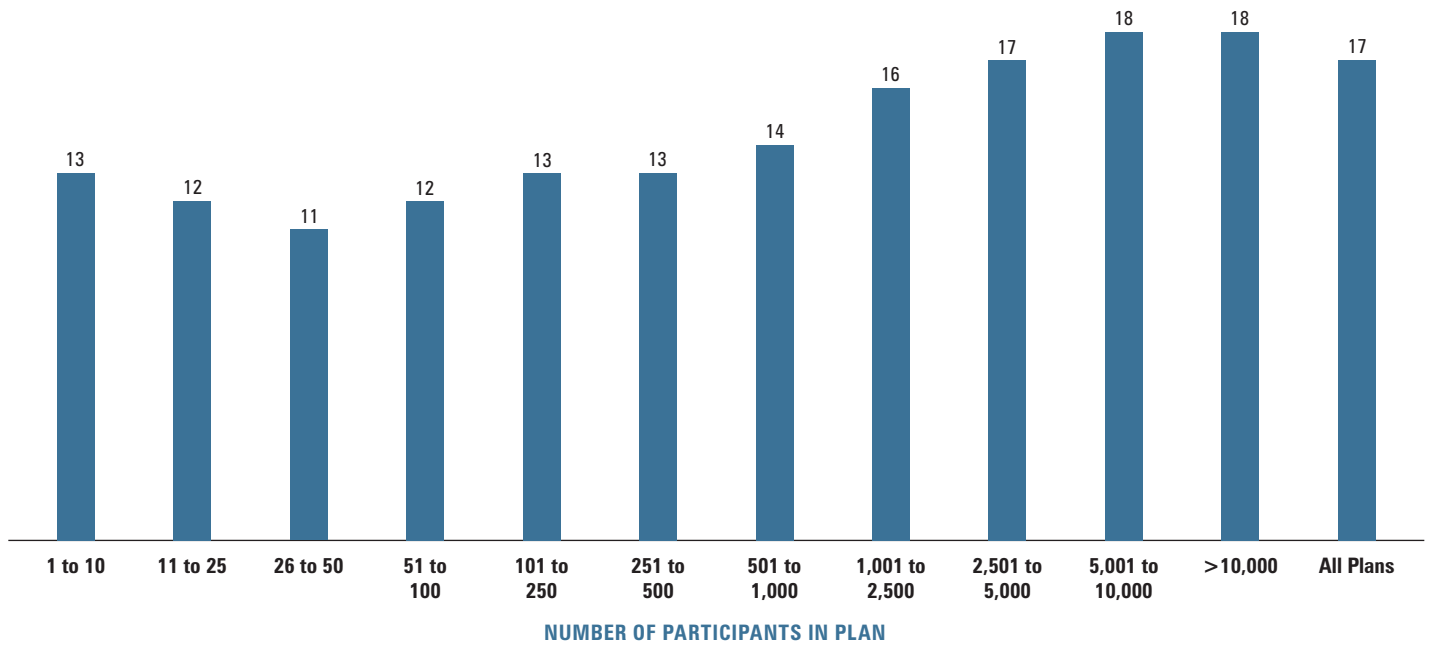
Fifty-one percent of the plans for which loan data are available in the 2002 EBRI/ICI database offer a plan loan provision to participants (Figure A21).<sup>18</sup> The loan feature is more commonly associated with large plans (measured by the number of participants in the plan). Ninety-two percent of plans with more than 10,000 participants

<sup>17</sup> The tendency of the ratio of account balances to salary to peak at higher salary levels and then fall off likely reflects the influence of two competing forces. First, empirical research (see Holden and VanDerhei (October 2001) for a complete discussion of EBRI/ICI findings and others' research on the relationship between contribution rates and salary) suggests that higher earners tend to contribute higher percentages of salary; therefore, one would expect the ratio of account balance to salary to rise with salary. However, tax code contribution limits and nondiscrimination rules constrain these high-income individuals' ability to save. The contribution limits (elective deferral limits in Internal Revenue Code (IRC) Section 402(g); total contribution limits in IRC Section 415(c)); and nondiscrimination rules (Actual Deferral Percentage and Actual Contribution Percentage (ADP/ACP) nondiscrimination rules in IRC Sections 401(k) and 401(m)) aim to assure that employees of all income ranges attain the benefits of the 401(k) plan.

<sup>18</sup> Plan-specific information on loan provisions is available for the majority of the plans in the sample (including virtually all of the small plans). Some plans without this information are classified as having a loan provision if any participant in the plan had an outstanding loan balance. This may understate the number of plans offering loans (or participants eligible for loans) because some plans may have offered, but had no participant take out, a plan loan. It is likely that this omission is small as the U.S. General Accounting Office (October 1997) finds that more than 95 percent of 401(k) plans that offer loans had at least one plan participant with an outstanding loan.

FIGURE A22

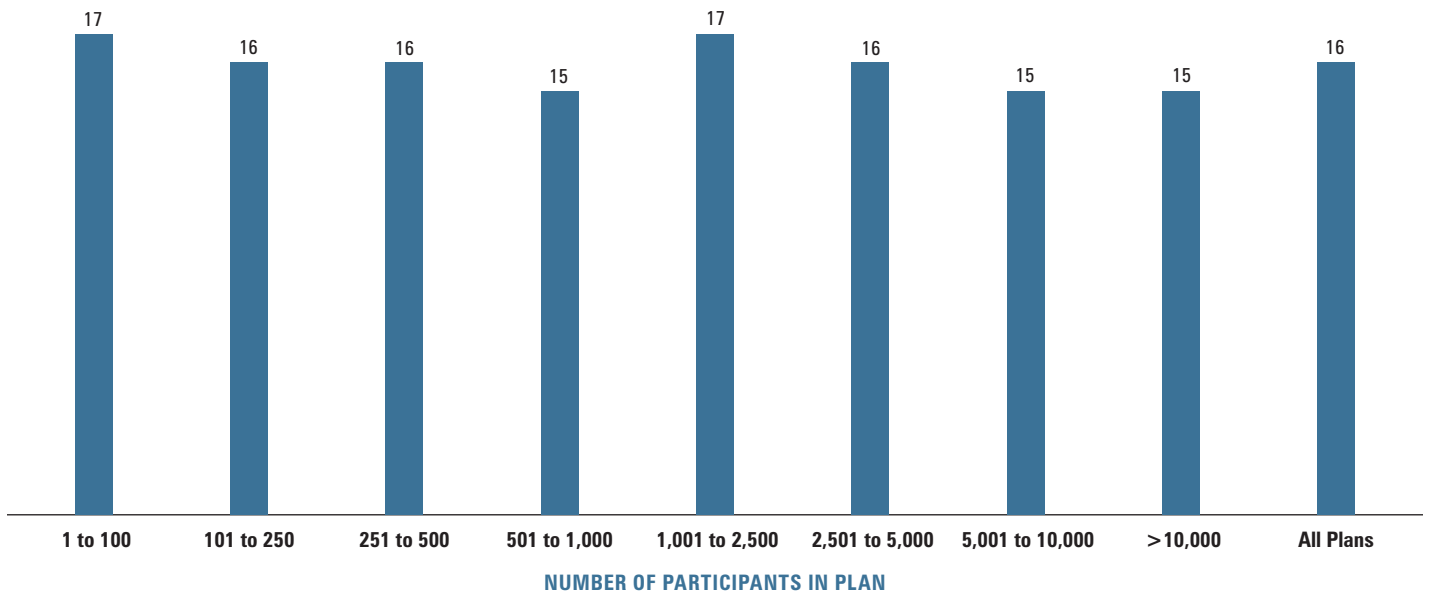
Percentage of Eligible 401(k) Plan Participants with Loans by Plan Size, 2002



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

FIGURE A23

Loan Balances as a Percentage of 401(k) Account Balances for Participants with Loans by Plan Size, 2002



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

include a loan provision, compared with 35 percent of plans with 10 or fewer participants. Finally, participants in smaller plans that offer loans tend to be less likely to have taken out a loan than participants in larger plans (Figure A22). Loan ratios vary only slightly when participants are grouped based on the size of their 401(k) plans (measured by the number of plan participants; Figure A23).

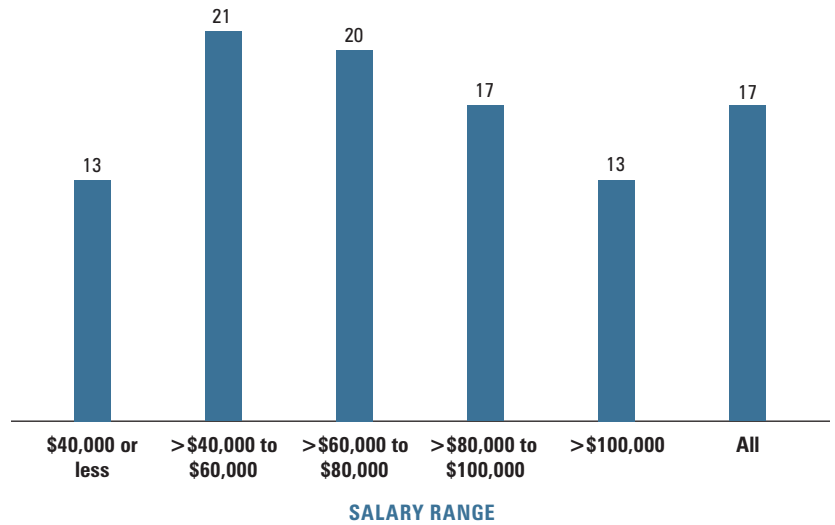
### Loan Activity by Salary

Loan activity varies with salary. Participants earning between \$40,001 and \$100,000 are more likely to have a loan outstanding than those earning more or less (Figure A24).

Among participants with a loan outstanding, loan ratios tend to decrease as salary increases, falling from 18 percent for participants earning \$40,000 or less to 10 percent for participants earning in excess of \$100,000 (Figure A25).

FIGURE A24

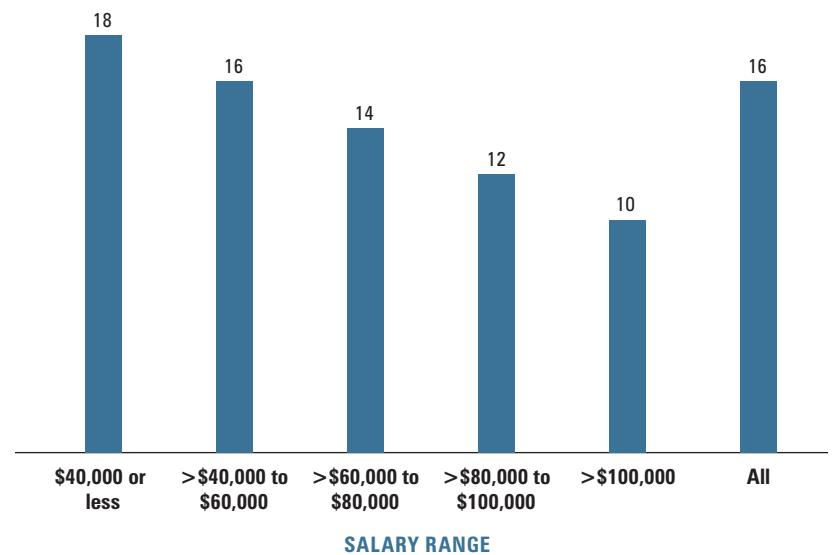
### Percentage of Eligible 401(k) Plan Participants with Loans by Salary, 2002



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

FIGURE A25

### Loan Balances as a Percentage of 401(k) Account Balances for Participants with Loans by Salary, 2002



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

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