ICI RESEARCH REPORT

American Views on Defined Contribution Plan Saving, 2017

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American Views on Defined Contribution Plan Saving, 2017

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Executive Summary

With millions of US households personally directing their retirement savings, the Investment Company Institute (ICI) has sought to track retirement savers' actions[1] and sentiment. This report, the 10th in this series, summarizes results from a survey of American adults, weighted to be representative of US households by age, income, region, and education level. The survey was designed by ICI research staff and administered by the GfK Group using the KnowledgePanel®, a proprietary, probability-based web panel.[2] This report presents survey results that reflect households' responses collected during December 2017.[3]

The survey polled respondents about their views on defined contribution (DC) retirement account saving and their confidence in 401(k) and other DC plan accounts. Survey responses indicated that households value the discipline and investment opportunity that 401(k) plans represent and that households were largely opposed to changing the tax preferences or investment control in those accounts. A majority of households also affirmed a preference for control of their retirement accounts and opposed proposals to require retirement accounts to be converted into a fair contract promising them income for life from either the government or an insurance company.

Views on Defined Contribution Plan Accounts

Households expressed favorable impressions of DC plan accounts in fall 2017:

- Seventy-four percent of US households had favorable impressions of 401(k) and similar retirement plan accounts in fall 2017, up from 70 percent in fall 2016, and similar to the 72 percent reporting a favorable impression in fall 2015.
- Among households expressing an opinion, 93 percent had favorable impressions of 401(k) plans, with 48 percent agreeing that they had a "very favorable" impression.

Views on Features of Defined Contribution Plan Saving

Survey responses in fall 2017 indicated that households appreciate key features of DC plans, an outcome that is similar to the previous survey results.

- Nine out of 10 households with DC accounts agreed that these plans helped them think about the long term and made it easier to save. Forty-eight percent of DC-owning households indicated they probably would not be saving for retirement if not for their DC plans. In addition, saving paycheck-by-paycheck made 83 percent of DC-owning households surveyed less worried about the short-term performance of their investments.[4]
- More than eight in 10 DC-owning households said the tax treatment of their retirement plans was a big incentive to contribute.
- Nearly all households with DC accounts agreed that it was important to have choice in, and control of, the investments in their DC plans. Eighty-three percent indicated that their DC plan offered a good lineup of investment options.

Views on Proposed Changes to Defined Contribution Plan Accounts

In addition, households' views on policy changes revealed a strong preference for preserving retirement account features and flexibility.

- A strong majority of US households disagreed with proposals to remove or reduce tax incentives for retirement savings.
- In fall 2017, 91 percent of households disagreed that the government should take away the tax advantages of DC accounts, and 91 percent disagreed with reducing the amount that individuals can contribute to DC accounts.

- Support for DC account tax treatment also was widespread even among households not owning DC accounts or individual retirement accounts (IRAs). In fall 2017, 85 percent of households without DC accounts or IRAs rejected the idea of taking away the tax treatment of DC accounts.
- Nearly nine out of 10 households disagreed with the idea of not allowing individuals to make investment decisions in their DC accounts, and 85 percent disagreed with investing all retirement accounts in an investment option selected by a government-appointed board of experts.
- More than nine out of 10 households agreed that retirees should be able to make their own decisions about how to manage their own retirement assets and income and more than eight out of 10 households disagreed that retirees should be required to trade a portion of their retirement accounts for a fair contract promising them income for life.

Confidence in Defined Contribution Plan Accounts

Households—whether they had retirement accounts or not—were confident in DC plans' ability to help individuals meet their retirement goals.

- Among households owning DC accounts or IRAs, 84 percent indicated they were confident that DC plan accounts could help people meet their retirement goals.
- Among households not owning DC accounts or IRAs, 63 percent expressed confidence that DC plan accounts can help people meet their retirement goals.

Introduction

IRAs and DC plan accounts[5] have become a common feature of the US retirement landscape. More than half of total US retirement assets are held in such accounts,[6] and a majority of US households have a portion of their assets invested in them.[7] Given the rising importance of retirement accounts, ICI conducted this survey to find out Americans' views on their 401(k) plans and their opinions on some proposed policy changes.

This is the 10th annual update of a survey research effort started in 2008–2009.[8] This year's survey consists of answers to questions included in a series of national surveys that the GfK Group fielded using the KnowledgePanel® in December 2017, covering a total sample of 2,009 adults in the United States. Survey results are weighted to be representative of US households by age, income, region, and education level. The standard error for the 2016 sample is ± 2.2 percentage points at the 95 percent confidence level.

This report sheds light on households' views of 401(k) and similar DC plan accounts by analyzing survey responses across four different areas of questioning:

- » whether respondents had favorable, unfavorable, or no opinions of DC plan accounts;
- » asking respondents to agree or disagree with statements evaluating the features of DC account saving;
- » asking respondents to agree or disagree with some proposed changes to several key features of DC accounts; and
- » asking respondents about their degree of confidence in DC accounts to help individuals meet their retirement goals.

Views on Defined Contribution Plan Accounts

A majority of US households have favorable impressions of 401(k) and similar retirement accounts. In fall 2017, 74 percent of US households had "very" or "somewhat" favorable impressions of DC plan accounts—the highest proportion yet recorded—up from 70 percent in fall 2016 and 72 percent in fall 2015 (Figure 1). Among households expressing an opinion, 93 percent had favorable impressions of 401(k) plans, with 48 percent expressing the strongest positive response—a "very favorable" impression. Households owning DC accounts or IRAs were more likely to express an opinion of DC account investing—86 percent of these households indicated a favorable impression of such saving. Nevertheless, even among the non-owning respondents, 86 percent of those who expressed an opinion had a favorable view (compared with 93 percent with favorable opinions among account owners with opinions).

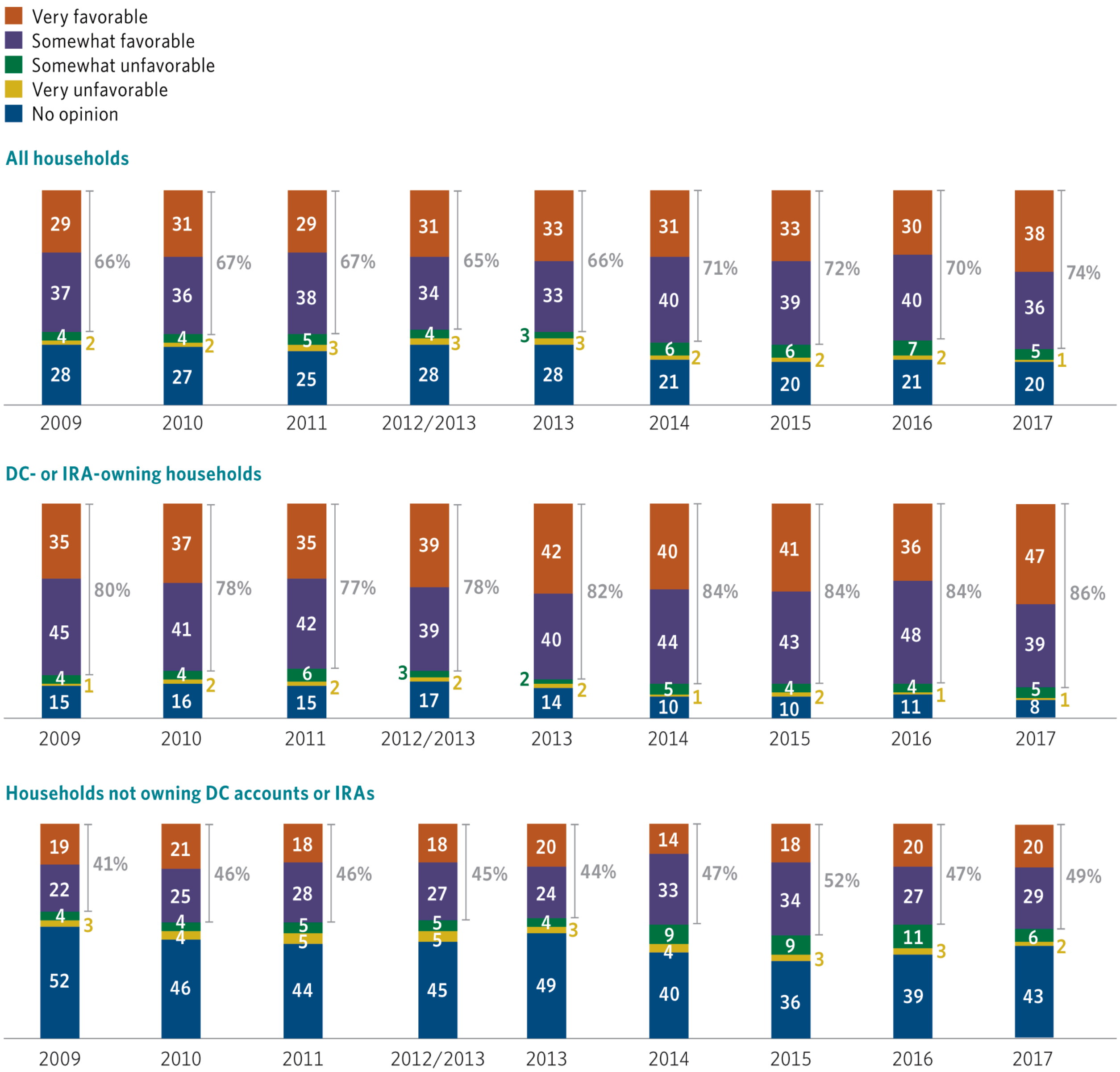
Views on Features of Defined Contribution Plan Saving

To understand the views that households with DC accounts have of 401(k) and other participant-directed retirement plans, the survey explored a variety of characteristics of these plans. Most DC account–owning households agreed that employer-sponsored retirement accounts helped them "think about the long term, not just my current needs" (91 percent), and that payroll deduction "makes it easier for me to save" (92 percent) (Figure 2). These topline results were similar to the prior nine years of survey results.[9] In addition, there was little variation in responses across age and income groups.[10]

FIGURE 1

Household Opinions of 401(k) and Similar Retirement Plan Accounts

Percentage of US households by ownership status; fall, 2009–2011; November 2012–January 2013; fall, 2013–2017



Note: In 2009, the sample includes 1,976 DC- or IRA-owning households and 1,017 households not owning DC accounts or IRAs. In 2010, the sample includes 1,977 DC- or IRA-owning households and 1,026 households not owning DC accounts or IRAs. In 2011, the sample includes 1,965 DC- or IRA-owning households and 1,022 households not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,417 DC- or IRA-owning households and 1,575 households not owning DC accounts or IRAs. In 2013, the sample includes 1,802 DC- or IRA-owning households and 1,189 households not owning DC accounts or IRAs. In 2014, the sample includes 1,855 DC- or IRA-owning households and 1,191 households not owning DC accounts or IRAs. In 2015, the sample includes 1,915 DC- or IRA-owning households and 1,161 households not owning DC accounts or IRAs. In 2016, the sample includes 1,299 DC- or IRA-owning households and 728 households not owning DC accounts or IRAs. In 2017, the sample includes 1,302 DC- or IRA-owning households and 707 households not owning DC accounts or IRAs. The fall 2014, fall 2015, fall 2016, and fall 2017 surveys were online surveys; the prior surveys were conducted over the phone.

Source: ICI tabulation of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013; fall 2013) and GfK KnowledgePanel® OmniWeb survey data (fall, 2014–2017)

Saving in employer-sponsored retirement plans (and IRAs) has certain tax advantages. For example, the contributions that a worker makes to these plans typically reduce current taxable income by the amount of the contribution. In addition, most types of retirement accounts benefit from tax-deferred growth because taxes are not due until the individual withdraws money from the account.[11] Overall, 82 percent of DC-owning households agreed that the "tax treatment of my retirement plan is a big incentive to contribute" (Figure 2). Agreement was high across all age and income groups, although it tended to increase with age and was a bit higher for households with incomes of $50,000 or more (84 percent), compared with households with incomes below $50,000 (79 percent).

Saving from each paycheck into a retirement plan helps workers to continue investing in down markets, dollar-cost average their investments, and benefit when stock and bond markets recover. Respondents were asked whether "knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments."[12] A majority (83 percent) agreed with that statement; ranging from 75 percent of households with incomes of less than $30,000 to 86 percent of households with incomes of $100,000 or more (Figure 2).

Availability of a retirement plan at work facilitates saving. Nearly half (48 percent) of households with DC accounts agreed with the statement: "I probably wouldn't save for retirement if I didn't have a retirement plan at work" (Figure 2). Agreement was the highest (59 percent) among households with incomes of less than $50,000, fell to 54 percent for households with incomes between $50,000 and $99,999, and was the lowest (36 percent) among households with incomes of $100,000 or more. These data do not suggest that higher-income workers do not find their plans valuable—indeed, more than 90 percent of those making $50,000 or more agreed with the sentiment, "my employer-sponsored retirement account helps me think about the long term, not just my current needs." The fact that higher-income respondents were more likely to expect to save outside of a work plan offering is consistent with other household survey information finding that this group typically lists retirement as its most important savings goal.[13] Because Social Security does not replace as much income in retirement for higher-income households as it does for lower-income households, it is necessary for middle- and upper-income households to have retirement savings to supplement their Social Security benefits.[14, 15]

Households viewed the lineup of options in their DC plans favorably, with 83 percent of DC account–owning households agreeing that their plans offer a good lineup of investment options (Figure 2).[16] Satisfaction with the lineup of investment options was high across all age and income groups, although it was somewhat higher for households with incomes of $100,000 or more (88 percent) and somewhat lower for households with incomes of less than $50,000 (79 percent). Regardless of age or income, a vast majority of DC account–owning households agreed that it was important for them to have choice in, and control of, their retirement plan investments.

FIGURE 2

Defined Contribution Account–Owning Households' Views on the Defined Contribution Savings Vehicle

Percentage of DC-owning households agreeing with each statement by age or household income, fall 2017

	All DC-owning households	Age of household survey respondent			
		Younger than 35	35 to 49	50 to 64	65 or older
It is important to have choice in, and control of, the investments in my retirement plan account.	94	92	92	95	96
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	88	91	92	94
Payroll deduction makes it easier for me to save.	92	87	92	94	94
The tax treatment of my retirement plan is a big incentive to contribute.	82	75	81	85	90
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	76	81	86	87
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	84	79	86	84
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	48	51	48	47	47
Number of respondents	*1,077*				

	All DC-owning households	Household income			
		Less than $30,000	$30,000 to $49,999	$50,000 to $99,999	$100,000 or more
It is important to have choice in, and control of, the investments in my retirement plan account.	94	90	92	94	95
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	87	88	91	94
Payroll deduction makes it easier for me to save.	92	85	91	92	94
The tax treatment of my retirement plan is a big incentive to contribute.	82	76	81	79	87
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	79	79	81	88
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	75	80	82	86
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	48	59	60	54	36
Number of respondents	*1,077*				

Note: The figure reports the percentage of DC-owning households who "strongly agreed" or "somewhat agreed" with the statement. The remaining households "somewhat disagreed" or "strongly disagreed."

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

Views on Proposed Changes to Defined Contribution Plan Accounts

Survey respondents also were asked their views on changing three key DC plan account features: tax deferral, investment control, and control of the accounts.[17]

Views on Tax Deferral

Some opinion leaders and policymakers have questioned the public value of the tax deferral that 401(k) plans (and IRAs) receive. Survey respondents were asked whether the government should take away these tax incentives. A very large majority, 91 percent, disagreed that the tax incentives of DC plans should be removed (Figure 3). Opposition to elimination of the tax advantages was the strongest among households with DC accounts or IRAs, with 93 percent opposing the removal of the tax advantages. Additionally, even 85 percent of households without DC accounts or IRAs opposed eliminating the incentives. In fall 2017, higher-income households (95 percent) and older households (94 percent) were more likely to oppose removal of the tax advantages compared with lower-income households (84 percent) and younger households (86 percent) (Figure 4).[18]

The survey also asked whether the limits on individual contributions to DC accounts should be reduced.[19] An overwhelming majority of all households (91 percent) oppose reducing the individual contribution limits (Figure 3). Among households with DC accounts or IRAs in fall 2017, 93 percent disagreed with reducing the contribution limits, and even among households without retirement accounts, 86 percent disagreed.

The survey also asked households about employer contributions to DC plan accounts.[20] In fall 2017, 91 percent of US households opposed reducing the amount that employers can contribute to DC plan accounts for their employees (Figure 3). Among households with DC accounts or IRAs in fall 2017, 94 percent disagreed with reducing the employer contribution limits; among households without retirement accounts, 86 percent disagreed.

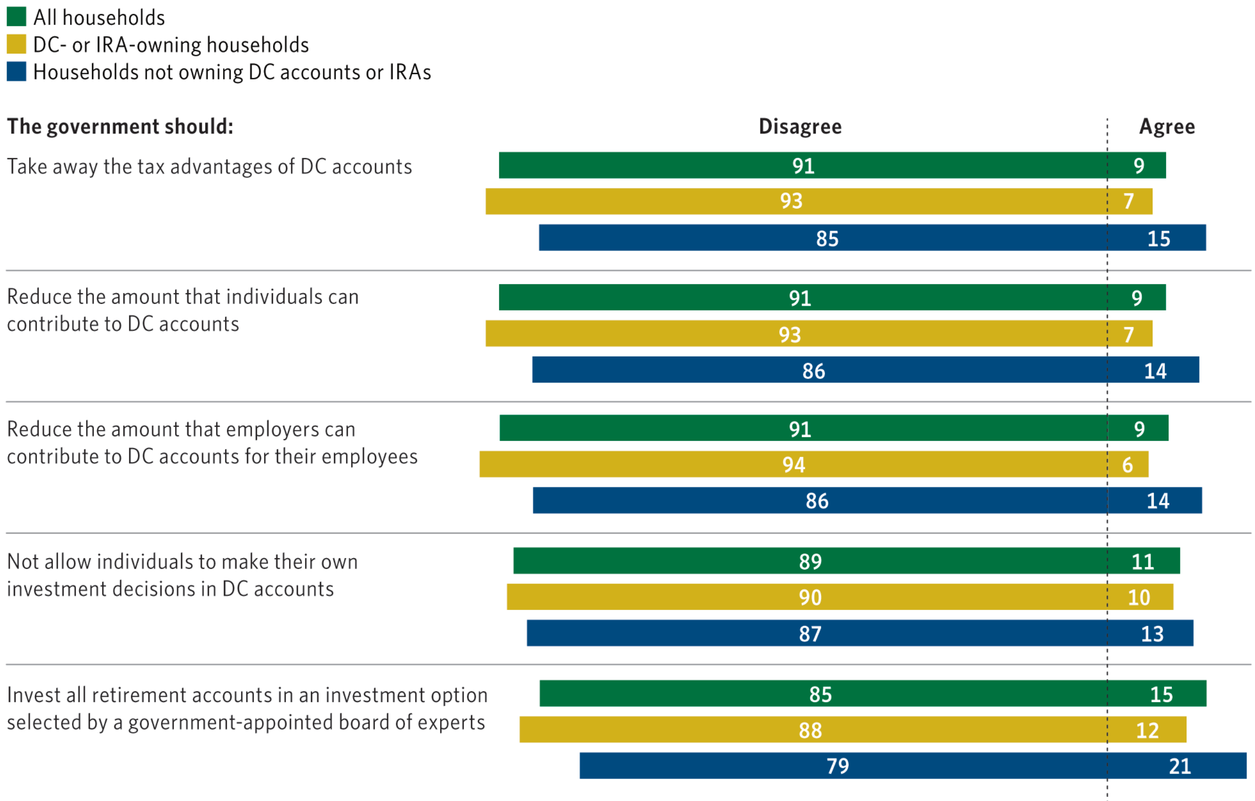
Views on Investment Control

Households also resisted suggestions to change individual investment control in DC accounts. When respondents were asked if they agreed or disagreed with the statement: "The government should not allow individuals to make their own investment decisions in DC accounts," nearly nine out of 10 disagreed (Figure 3). The degree of opposition was similar among households with DC accounts or IRAs and for those without retirement accounts.

FIGURE 3

Household Opinions of Suggested Changes to Retirement Accounts

Percentage of US households agreeing or disagreeing with each statement by ownership status, fall 2017



Number of respondents: 2,009

Note: The figure plots in the "agree" column the percentage of households that "strongly agreed" or "somewhat agreed" with the statement, and plots the percentage of households who "somewhat disagreed" or "strongly disagreed" in the "disagree" column.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

In a similar vein, respondents were asked how they viewed a proposal for the government to "invest all retirement accounts in an investment option selected by a government-appointed board of experts."[21] Despite the historically large stock market downturn from late 2007 through early 2009 and the possibility of stock market volatility, government control of workers' savings is not a popular remedy. In fall 2017, 85 percent of respondents disagreed with this proposal (Figure 3), with the opposition rising with household age (Figure 4). Among households with retirement accounts, 88 percent opposed this proposal, compared with 79 percent of households without retirement accounts (Figure 3).[22]

Views on Control of Retirement Account Balances

In 2017, ICI again asked three questions from the 2009, 2012/2013, 2014, 2015, and 2016 surveys investigating household sentiment on possible policy changes affecting control of DC account and IRA balances.[23] Though some research has suggested that individuals should annuitize more of their retirement account balances as a means to eliminate the risk of outliving their resources,[24] whether and how much a household should annuitize is broadly debated.[25] In fact, most US households already have a significant share of their wealth in the form of an annuity through Social Security, or alternative public-sector pension plans.[26] Surveying consumer preferences regarding annuitization is difficult because the subject matter is complicated[27] and may not be salient at the current time for many households. In addition, academic research has shown that word choice in surveys on annuities has a dramatic impact on the perceived desirability of the annuity option.[28]

FIGURE 4

Household Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Age and Household Income

Percentage of US households disagreeing with each statement by age or household income, fall 2017

Disagreeing that the government should:	All households	Age of household survey respondent: Younger than 35	35 to 49	50 to 64	65 or older
Take away the tax advantages of DC accounts	91	86	88	93	94
Reduce the amount that individuals can contribute to DC accounts	91	86	89	93	94
Reduce the amount that employers can contribute to DC accounts for their employees	91	87	91	94	92
Not allow individuals to make their own investment decisions in DC accounts	89	85	87	91	92
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	85	79	82	88	90
Number of respondents	*2,009*				

Disagreeing that the government should:	All households	Household income: Less than $30,000	$30,000 to $49,999	$50,000 to $99,999	$100,000 or more
Take away the tax advantages of DC accounts	91	84	91	92	95
Reduce the amount that individuals can contribute to DC accounts	91	85	92	91	95
Reduce the amount that employers can contribute to DC accounts for their employees	91	85	91	93	94
Not allow individuals to make their own investment decisions in DC accounts	89	85	91	90	92
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	85	80	88	84	88
Number of respondents	*2,009*				

Note: The figure reports the percentage of households that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed."

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

With these difficulties in mind, ICI asked three questions regarding the control of retirement account balances. In the first question, respondents were asked to react to a simple statement: "Retirees should be able to make their own decisions about how to manage their own retirement assets and income." In fall 2017, 92 percent of respondents either "strongly" or "somewhat" agreed with that statement (Figure 5). Agreement was slightly higher for households with retirement accounts (93 percent) than for households without retirement accounts (89 percent). In addition, agreement with the statement was generally higher for older households.

The second and third questions about control of retirement accounts were focused on sentiment regarding more-specific annuitization policy options. The second statement read: "The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company." The third statement replaced "from an insurance company" with "from the government." The distinction between insurance company and government as annuity provider had only a small effect on household sentiment, so the results for the second and third retirement account disposition questions were very similar.

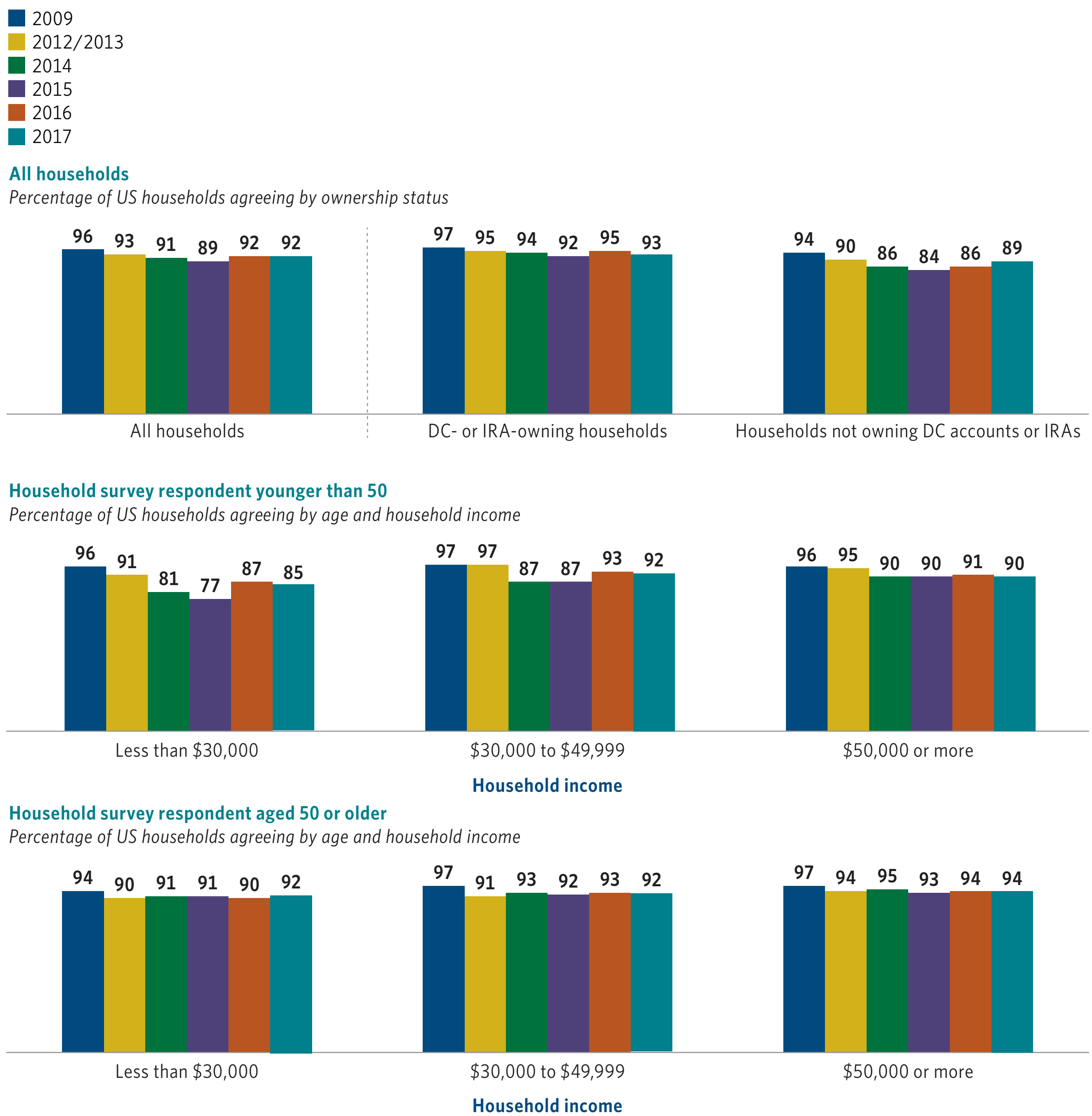
Overall, more than 80 percent of respondents either "somewhat disagreed" or "strongly disagreed" with the proposed change in control of account disposition (Figures 6 and 7). The overall disapproval rate occurred though the question was worded to eliminate bias toward disagreement; the proposal indicated that the retiree trade only "a portion" of their assets under a "fair" contract giving them "income for life."

At more than 80 percent, the disapproval rates for the proposed annuitization requirements are slightly higher for those owning DC accounts or IRAs (Figures 6 and 7). Disapproval also tends to increase with both age and household income. For example, the disapproval rates for respondents younger than 50 in households with incomes of less than $30,000 are 71 percent for income for life from an insurance company and 67 percent for income for life from the government. Nearly 90 percent of respondents aged 50 or older in households with incomes of $50,000 or more disapproved of either proposal.

FIGURE 5

Households Agreeing with the Statement: Retirees should be able to make their own decisions about how to manage their own retirement assets and income

Percent; fall 2009; November 2012–January 2013; fall 2014–2017



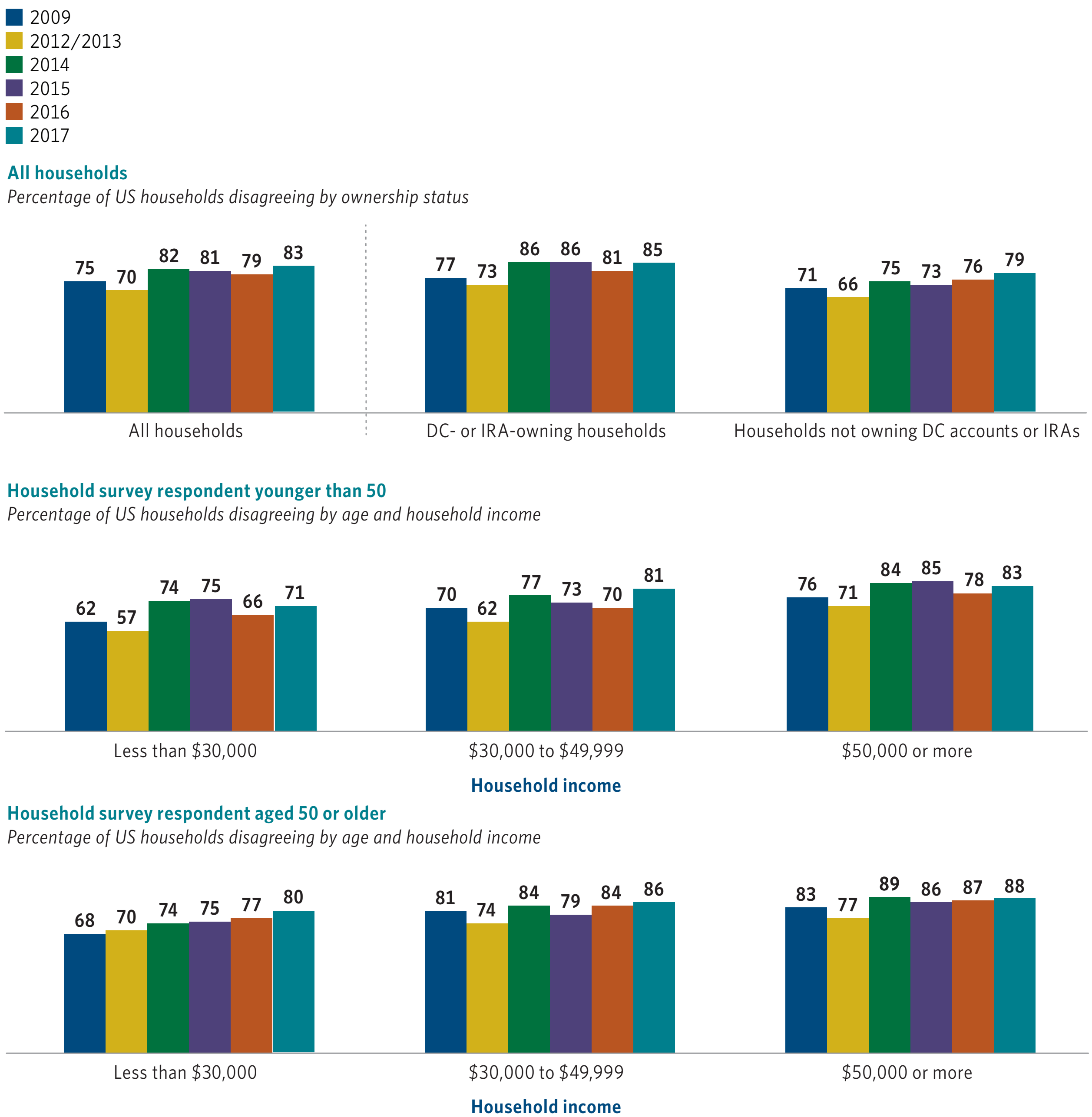
Note: The figure reports the percentage of households that "strongly agreed" or "somewhat agreed" with the statement. The remaining households "somewhat disagreed" or "strongly disagreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, and 2,009 respondents in 2017. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys.

Source: ICI tabulation of GfK OmniTel survey data (fall 2009 and November 2012–January 2013) and GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017)

FIGURE 6

Households Disagreeing with the Statement: The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company

Percent; fall 2009; November 2012–January 2013; fall 2014–2017



Note: The figure reports the percentage of households that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, and 2,009 respondents in 2017. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys.

Source: ICI tabulation of GfK OmniTel survey data (fall 2009 and November 2012–January 2013) and GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017)

FIGURE 7

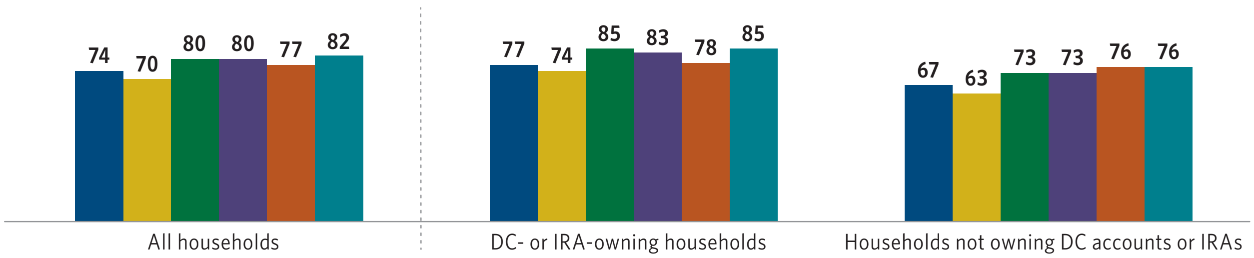
Households Disagreeing with the Statement: The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from the government

Percent; fall 2009; November 2012–January 2013; fall 2014–2017

- 2009
- 2012/2013
- 2014
- 2015
- 2016
- 2017

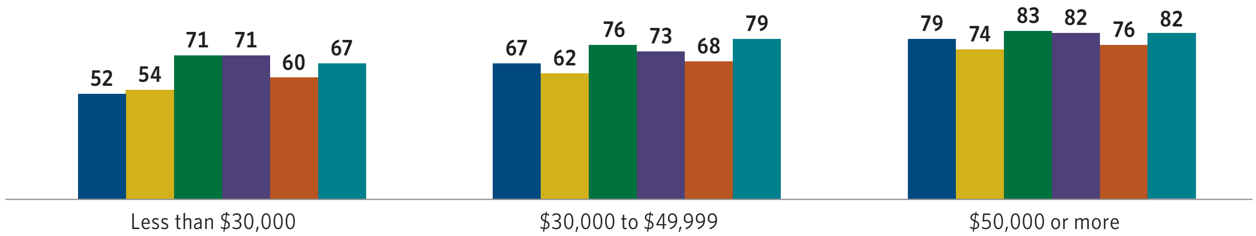
All households

Percentage of US households disagreeing by ownership status



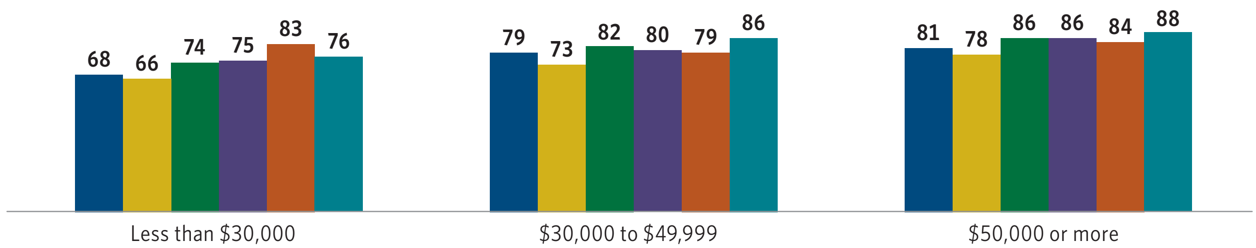
Household survey respondent younger than 50

Percentage of US households disagreeing by age and household income



Household survey respondent aged 50 or older

Percentage of US households disagreeing by age and household income



Note: The figure reports the percentage of households that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, and 2,009 respondents in 2017. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys.

Source: ICI tabulation of GfK OmniTel survey data (fall 2009 and November 2012–January 2013) and GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017)

Confidence in Defined Contribution Plan Accounts

The survey also asked respondents to indicate their confidence in the ability of the 401(k) system to help individuals meet their retirement goals. In fall 2017, 77 percent of US households indicated that they were either "somewhat" or "very" confident that 401(k) and other employer-sponsored retirement plan accounts can help people meet their retirement goals, similar to the confidence levels expressed in prior years (Figure 8). At 84 percent, that confidence was higher among those who currently owned DC accounts or IRAs in fall 2017, but even 63 percent of non-owners expressed confidence in the retirement plan account approach.

Conclusion

In late fall 2017, households expressed favorable impressions of DC plans. These plans have become a common feature of the US retirement landscape with millions of US households now holding a portion of their assets in them. As such, it is important to know what these plans are doing well and whether policy proposals are likely to increase or decrease the value of these plans for households looking to save for retirement during their working years. Households valued current plan design features, and their views on policy changes revealed a strong preference for preserving retirement account features and flexibility. This was especially true for households that use the plans, and for those most in need of them to supplement Social Security. In addition, households not currently using the plans were still strongly in favor of them, suggesting a value for their place in household planning over a longer time span.

Additional Reading

» **What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Account Balances, 2010–2015**
www.ici.org/pdf/per23-09.pdf

» **401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2015**
www.ici.org/pdf/per23-06.pdf

» ***The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2014***
www.ici.org/pdf/ppr_16_dcplan_profile_401k.pdf

» ***The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans 2013***
www.ici.org/pdf/ppr_16_dcplan_profile_403b.pdf

» **The US Retirement Market, Third Quarter 2017**
www.ici.org/info/ret_17_q3_data.xls

» **Defined Contribution Plan Participants' Activities, First Half 2017**
www.ici.org/pdf/ppr_17_rec_survey_q2.pdf

FIGURE 8

Confidence That Defined Contribution Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of US households by ownership status; fall, 2009–2011; November 2012–January 2013; fall, 2013–2017

Note: In 2009, the sample includes 1,976 DC- or IRA-owning households and 1,017 households not owning DC accounts or IRAs. In 2010, the sample includes 1,977 DC- or IRA-owning households and 1,026 households not owning DC accounts or IRAs. In 2011, the sample includes 1,965 DC- or IRA-owning households and 1,022 households not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,417 DC- or IRA-owning households and 1,575 households not owning DC accounts or IRAs. In 2013, the sample includes 1,802 DC- or IRA-owning households and 1,189 households not owning DC accounts or IRAs. In 2014, the sample includes 1,855 DC- or IRA-owning households and 1,191 households not owning DC accounts or IRAs. In 2015, the sample includes 1,915 DC- or IRA-owning households and 1,161 households not owning DC accounts or IRAs. In 2016, the sample includes 1,299 DC- or IRA-owning households and 728 households not owning DC accounts or IRAs. In 2017, the sample includes 1,302 DC- or IRA-owning households and 707 households not owning DC accounts or IRAs. The fall 2014, fall 2015, fall 2016, and fall 2017 surveys were online surveys; the prior surveys were conducted over the phone.

Source: ICI tabulation of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013; fall 2013) and GfK KnowledgePanel® OmniWeb survey data (fall, 2014–2017)

Appendix: Additional Data on American Views on Defined Contribution Plan Saving by Generation

Figure A1 presents the data displayed in Figure 2 regarding views on the DC plan savings vehicle by generation of the household head.

FIGURE A1

Defined Contribution Account–Owning Households' Views on the Defined Contribution Savings Vehicle by Generation

Percentage of DC-owning households agreeing with each statement by generation, fall 2017

		Generation of household survey respondent				
	All DC-owning households	Millennials (younger than 37)	Generation X (aged 37 to 52)	Late Baby Boom (aged 53 to 61)	Early Baby Boom (aged 62 to 71)	Silent or GI (aged 72 or older)
It is important to have choice in, and control of, the investments in my retirement plan account.	94	92	92	95	100	91
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	88	91	92	94	96
Payroll deduction makes it easier for me to save.	92	88	92	94	98	90
The tax treatment of my retirement plan is a big incentive to contribute.	82	75	83	84	92	87
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	78	82	86	88	86
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	83	81	84	86	84
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	48	50	47	48	53	41
Number of respondents	*1,077*					

Note: The figure reports the percentage of DC-owning households that "strongly agreed" or "somewhat agreed" with the statement. The remaining households "somewhat disagreed" or "strongly disagreed."

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

Figure A2 presents the data displayed in Figure 4 regarding opinions on suggested changes to DC plans by generation of the household head.

Figure A3 reports primary savings goals among US households by generation, age, or household income.

FIGURE A2

Household Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Generation

Percentage of US households disagreeing with each statement by generation, fall 2017

		Generation of household survey respondent				
Disagreeing that the government should:	All households	Millennials (younger than 37)	Generation X (aged 37 to 52)	Late Baby Boom (aged 53 to 61)	Early Baby Boom (aged 62 to 71)	Silent or GI (aged 72 or older)
Take away the tax advantages of DC accounts	91	87	89	93	94	94
Reduce the amount that individuals can contribute to DC accounts	91	86	90	93	91	96
Reduce the amount that employers can contribute to DC accounts for their employees	91	88	91	96	89	95
Not allow individuals to make their own investment decisions in DC accounts	89	85	88	93	89	94
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	85	79	84	87	87	92
Number of respondents	*2,009*					

Note: The figure reports the percentage of households that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed."

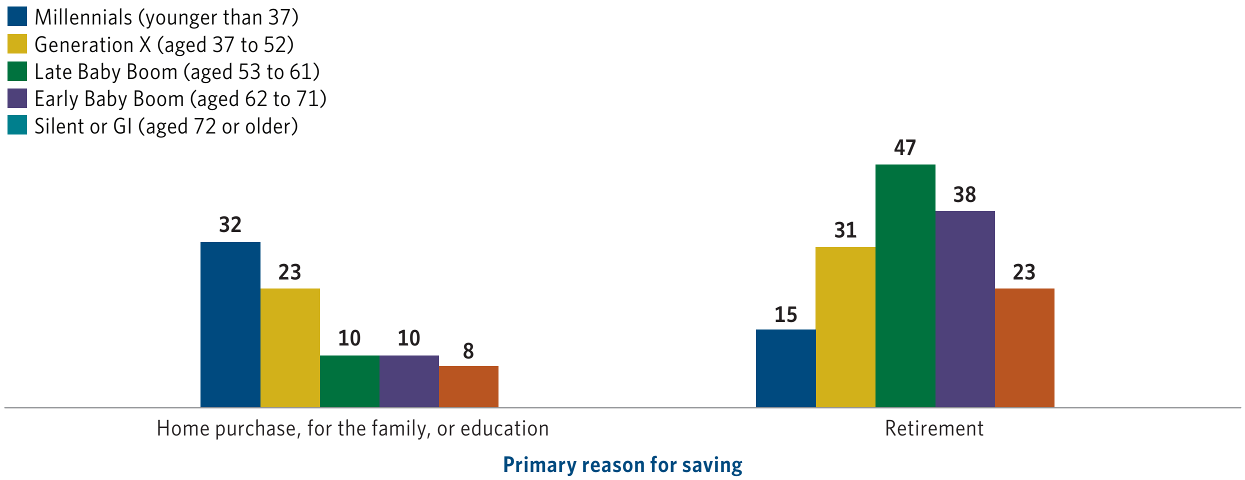
Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

FIGURE A3

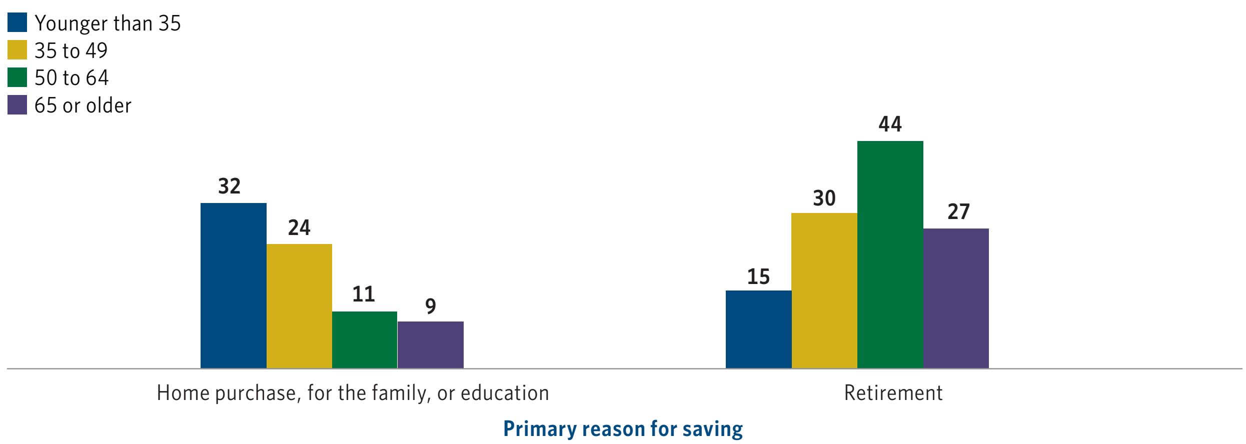
Primary Reason for Household Saving Varies with Generation, Age, and Household Income

Percentage of households by generation, age of head of household, or household income, 2016

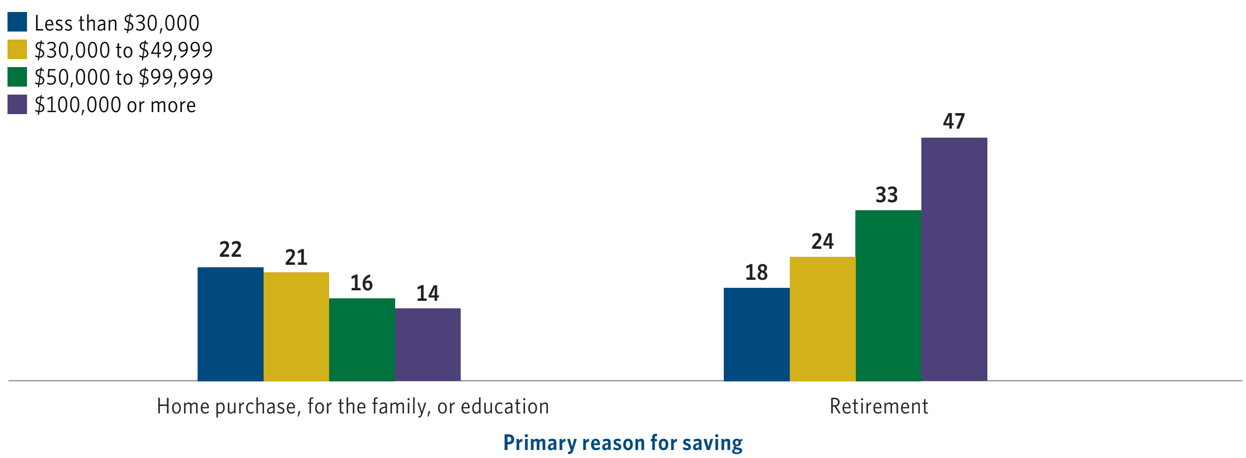
Head of household generation



Head of household age



Household income



Note: Other reasons for household saving include liquidity, investment, and purchases.

Source: Investment Company Institute tabulations of the 2016 Federal Reserve Board Survey of Consumer Finances

Notes

[1] ICI conducts a separate survey of DC plan recordkeepers on a cumulative quarterly basis. For the most recent annual results from that survey, see Holden and Schrass 2017a; for results for the first half of 2017, see Holden and Schrass 2017b.

[2] The survey was conducted using the web-enabled KnowledgePanel®, a probability-based panel designed to be representative of the US population. Initially, participants are chosen scientifically by a random selection of telephone numbers and residential addresses. Persons in selected households are then invited by telephone or by mail to participate in the web-enabled KnowledgePanel®. For those who agree to participate, but do not already have internet access, GfK provides a laptop and ISP connection at no cost. People who already have computers and internet service are permitted to participate using their own equipment. Panelists then receive unique log-in information for accessing surveys online, and are sent emails throughout each month inviting them to participate in research. The Federal Reserve also has used the KnowledgePanel®; see US Federal Reserve Board 2014, 2015, 2016, and 2017.

[3] For the earlier reports, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; Holden and Bass 2012; Holden and Bass 2013; Burham, Bogdan, and Schrass 2014; Schrass, Holden, and Bogdan 2015; Holden, Burham, Bogdan, and Schrass 2016, and Holden, Schrass, and Bogdan 2017a. The fall 2014, 2015, 2016, and 2017 surveys were online surveys; the prior surveys were conducted over the phone.

[4] The wording of this question was changed in the 2017 survey to read: "Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments." In prior years, the statement in question was: "Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." See note 12 and Holden, Schrass, and Bogdan 2017a.

[5] DC plan accounts include 401(k), 403(b), 457, and other DC plans without 401(k) features.

[6] At the end of the third quarter of 2017, total retirement assets were $27.2 trillion, with $7.7 trillion in DC plans and $8.6 trillion in IRAs. See Investment Company Institute 2017b for the most recent estimates of total US retirement market assets.

[7] Forty-eight percent of US households had DC accounts, 35 percent had IRAs, and on net, 56 percent held DC accounts or IRAs. These data were tabulated from ICI's Annual Mutual Fund Shareholder Tracking Survey fielded from May to July 2017 (sample of 5,000 US households). See Holden and Schrass 2017c; and Holden, Schrass, and Bogdan 2017b for additional details.

[8] For the earlier reports, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; Holden and Bass 2012; Holden and Bass 2013; Burham, Bogdan, and Schrass 2014; Schrass, Holden and Bogdan 2015; Holden, Burham, Bogdan, and Schrass 2016; and Holden, Schrass, and Bogdan 2017a. The fall 2014, 2015, 2016, and 2017 surveys were online surveys; the prior surveys were conducted over the phone.

[9] For the earlier reports, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; Holden and Bass 2012; Holden and Bass 2013; Burham, Bogdan, and Schrass 2014; Schrass, Holden and Bogdan 2015; Holden, Burham, Bogdan, and Schrass 2016; and Holden, Schrass, and Bogdan 2017a. The fall 2014, 2015, 2016, and 2017 surveys were online surveys; the prior surveys were conducted over the phone.

[10] Figure A1 in the appendix presents these results by generation of the head of household.

[11] The benefit of tax deferral is not the up-front tax deduction. Indeed, in many cases the benefits of tax deferral are equivalent to the tax benefits of Roth treatment, in which contributions are taxed but investment earnings and distributions are untaxed. Although not immediately obvious, if tax rates are the same at the time of contribution and the time of distribution, the tax treatment of a Roth contribution provides the same tax benefits as tax deferral. For this reason, tax economists often equate the benefit of tax deferral to earning investment returns—interest, dividends, and capital gains—that are free from tax. For extensive discussion of the tax benefits and revenue costs of tax deferral, see Brady 2012. For an analysis of the benefits of the US retirement system—including Social Security and tax deferral—see Brady 2016.

[12] The wording of this question was changed in 2017 (see note 4), which may have contributed to the increase in the percentage of DC-owning households agreeing with the statement. In fall 2017, 83 percent of DC-owning households agreed that "knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments" (see Figure 2). In fall 2016, 68 percent of DC-owning households agreed that "knowing that I'm saving from every paycheck makes me less worried about the stock market's performance" (see Holden, Schrass, and Bogdan 2017a).

[13] The Federal Reserve Board's Survey of Consumer Finances includes questions asking households to give their reasons for saving and to rank the most important reason for saving. Overall, 30 percent of US households in 2016 reported that saving for retirement was their household's primary reason for saving (for a discussion of the Survey of Consumer Finances, see Bricker et al. 2017). Prime working-age and middle- to upper-income households were much more likely to indicate that retirement saving was their household's primary savings goal (see Figure A3 in the appendix). For additional discussion of savings goals and the US retirement system, see Investment Company Institute 2017a; Brady 2016 and 2017; and Brady, Burham, and Holden 2012.

[14] An individual's Social Security benefit (called the primary insurance amount, or PIA) is derived using a formula applied to their monthly earnings, averaged over their lifetime, after adjusting for inflation and real wage growth (called the average indexed monthly earnings, or AIME). The PIA for newly eligible retirees in 2018 is equal to 90 percent of the first $895 of AIME; plus 32 percent of AIME from more than $895 through $5,397; and 15 percent of any AIME more than $5,397. The decline in the benefit formula percentages—from 90 percent to 32 percent, and then to 15 percent—is the reason why lower earners get a higher benefit relative to their pre-retirement earnings. See US Social Security Administration 2017 for more details about benefit formulas and parameters.

[15] For example, the first-year replacement rate (mean scheduled Social Security first-year benefits as a percentage of average inflation-indexed career earnings for retired workers in the 1960–1969 birth cohort [individuals aged 48 to 57 in 2017]) decreased as income increased. The mean replacement rate for the lowest lifetime household earnings quintile was 83 percent; for the middle quintile, the mean Social Security replacement rate was 54 percent; and for the highest quintile, it was 33 percent. See Congressional Budget Office 2017. For additional discussion, see Investment Company Institute 2017a; Brady and Bogdan 2014; and Brady, Burham, and Holden 2012.

[16] For a comprehensive analysis of the asset allocation of 401(k) accounts, see Holden et al. 2017. For insight into the rebalancing activities of 401(k) plan participants in their accounts or contribution allocations, see Holden and Schrass 2017a and 2017b. For an analysis of the number and types of investment options included in 401(k) plan lineups, see BrightScope and Investment Company Institute 2016.

[17] To reduce respondent burden, a question asking about views on a proposal to require workers to participate in a new government-sponsored pension plan was dropped. For the 2015 survey responses to that question, see Holden, Burham, Bogdan, and Schrass 2016.

[18] Figure A2 in the appendix presents these results by generation of the head of household.

[19] The 2009, 2010, 2011, 2012/2013, 2013, 2014, 2015, and 2016 surveys had the same question. The 2008 survey asked a more general question regarding reducing the tax advantages of such retirement accounts, which is not directly comparable.

[20] This question was first introduced in the 2011 survey.

[21] The wording of this statement was revised slightly in the fall 2014 survey to reflect the direction of recent policy proposals. In prior years, respondents were asked about the statement: "replace all retirement accounts with a government bond." With the fall 2014 survey, the statement was revised to "an investment option selected by a government-appointed board of experts," rather than a government bond. Survey respondents' reactions to the new statement in fall 2014 are similar to the reactions to the earlier statements in the earlier surveys (see Schrass, Holden, and Bogdan 2015 and Burham, Bogdan, and Schrass 2014). The 2014 question was repeated in 2015, 2016, and 2017 with similar results.

[22] The greater level of opposition to the government investing all retirement accounts in an investment option selected by a government-appointed board of experts among individuals with 401(k)-type plans and IRAs likely is driven, in part, by the fact that the proposal directly affects their investment of their retirement accounts.

[23] A revised weighting methodology implemented in 2013 resulted in slight revisions to data for years before 2014. Figures 5, 6, and 7 reflect the updated results. For the earlier survey results, see Holden, Sabelhaus, and Reid 2010 and Holden and Bass 2013.

[24] See Mitchell et al. 1999, Beshears et al. 2012, Brown and Weisbenner 2014, and Brown et al. 2014.

[25] See Pashchenko 2013; Ameriks et al. 2014; and Chen, Haberman, and Thomas 2016.

[26] See Brady, Burham, and Holden 2012.

[27] See Shu, Zeithammer, and Payne 2016.

[28] See Brown et al. 2008 and Beshears et al. 2012.

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