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Steady 401(k) Participation Results in Higher Account Balances

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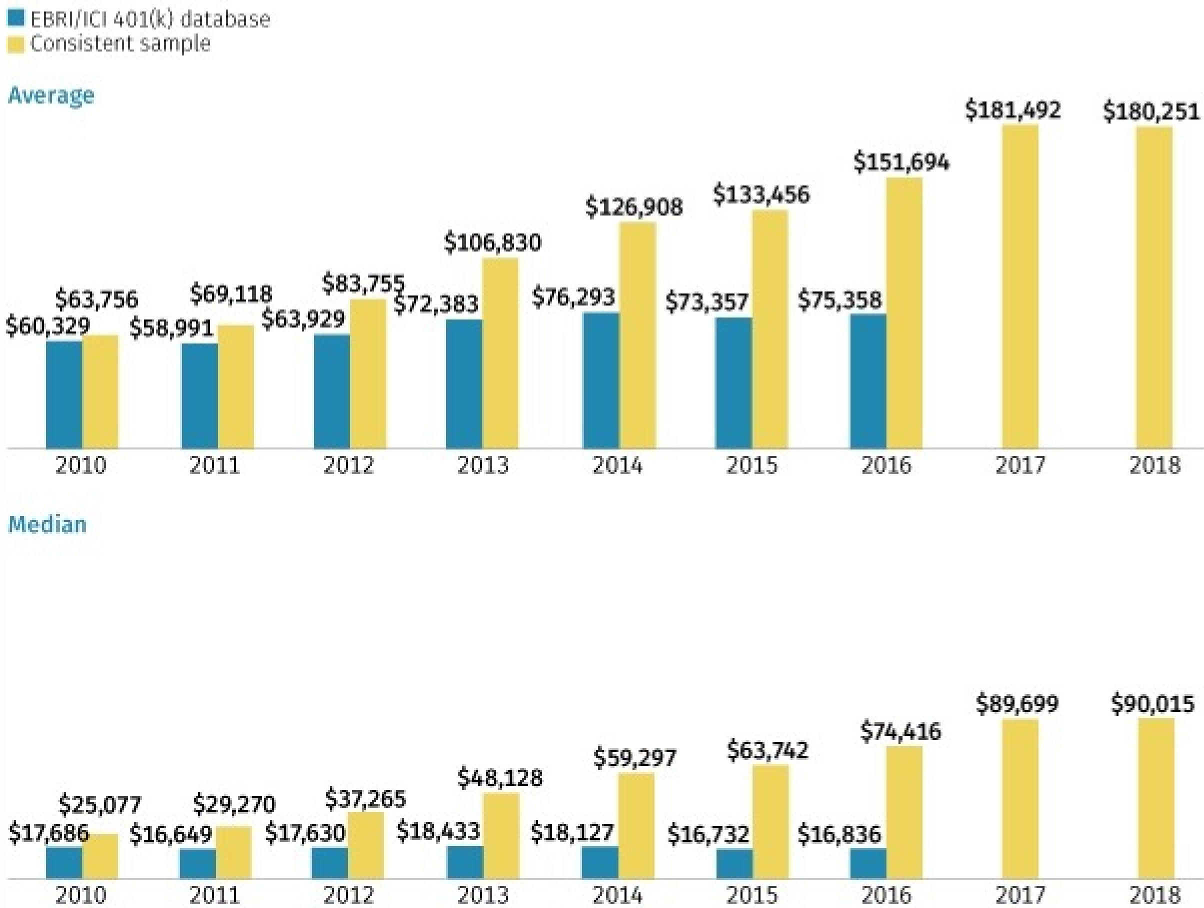
Washington, DC; October 1, 2020—The average 401(k) plan account balance of "consistent 401(k) participants"—those who remained active in the same 401(k) plans from year-end 2010 through year-end 2018—almost tripled in that period, according to new data published today by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI).

The study, "What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Plan Account Balances, 2010–2018," examines the accounts of 1.9 million consistent 401(k) participants. The analysis finds that average 401(k) plan account balances for consistent participants rose from $63,756 to $180,251 during this period, with all age groups registering significant increases. Changes in 401(k) plan account balances reflect contributions (from both employers and participants), investment returns (which depend on financial market performance and the asset allocation of the account), withdrawals, and loan activity.

"These results again confirm the potential of 401(k) plans and powerfully demonstrate why they are a vital savings vehicle," said Sarah Holden, ICI's senior director of retirement and investor research. "Tracking the account balances of a consistent group of 401(k) participants provides evidence of the ability of the 401(k) system to build a significant nest egg, helping millions of Americans save for retirement."

Why Does This Sample Group Matter?

This study analyzes a subset of the 401(k) plan participants in the EBRI/ICI database—those who remained in the same 401(k) plans between year-end 2010 and year-end 2018. It is important to study consistent participants because the average 401(k) account balance for the entire database can be affected by 401(k) participants entering and leaving the database as they change jobs or retire, and by plan sponsors entering and leaving the database as they change recordkeepers. EBRI and ICI jointly publish separate updates examining cross sections of the whole database. Studying consistent participants allows for a more in-depth analysis of the potential for 401(k) participants to accumulate retirement savings over time.



Note: Account balances are participant account balances held in 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.
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

"The 401(k) system helps millions save and invest for their retirement," said Jack VanDerhei, EBRI's director of research. "Analyzing data from consistent participants over the past eight years, we see how 401(k) accounts grew over time among all age groups to help these savers meet their financial goals."

Key findings of the EBRI/ICI analysis of 401(k) participants include:

- The median 401(k) plan account balance for consistent participants increased at a compound annual growth rate of 17.3 percent over the period, from $25,077 at year-end 2010 to $90,015 at

year-end 2018.
- Overall, the average account balance increased at a compound annual average growth rate of 13.9 percent from 2010 to 2018, rising from $63,756 to $180,251 at year-end 2018.
- At year-end 2018, 28 percent of the consistent group had more than $200,000 in their 401(k) plan accounts at their current employers, while another 19 percent had between $100,000 and $200,000.
- About two-thirds of consistent 401(k) plan participants' assets at year-end 2018 were invested in equities, including equity funds, the equity portion of target date funds, the equity portion of non–target date balanced funds, and company stock.

The full analysis is being published simultaneously in October 2020 issues of EBRI Issue Brief and ICI Research Perspective.
