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Retirement Snapshot, Second Quarter 2010

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Retirement Assets Down, Loan and Withdrawal Activity Edged up,
While Contribution Activity Persisted

Washington, DC, October 20, 2010 - A newly released report, *The U.S. Retirement Market, Second Quarter 2010*, shows that between March 2010 and June 2010, retirement assets fell 5.1 percent, from $16.5 trillion to $15.7 trillion. The report includes assets held in private-sector defined benefit (DB) plans, government pension plans, defined contribution (DC) plans—including 401(k), 403(b), and 457 plans—annuities, and individual retirement accounts (IRAs). Assets earmarked for retirement are a significant component of U.S. households' financial assets, accounting for 36 percent of all household financial assets at the end of the second quarter.

The decline in retirement accumulations reflects market returns. During the second quarter of 2010, equities experienced an 11.4 percent decline, while bonds returned 3.7 percent, according to the Standard & Poor's 500 stock index and the Citigroup Broad Investment Grade Bond Index.

At the end of the second quarter of 2010, IRAs were a significant component of U.S. retirement market assets, holding $4.2 trillion in assets. Employer-sponsored DC plans held another $4.0 trillion in assets, of which $2.7 trillion was held in 401(k) plans. Forty-five percent of IRA assets and 51 percent of DC plan assets were invested in mutual funds.

A separate report with data on almost 24 million DC retirement accounts shows that in the first half of 2010, DC plan participants' loan and withdrawal activity rose slightly compared with the same time period a year earlier. Nevertheless, investors' commitment to 401(k) and similar plans continued, as evidenced by stronger contribution activity and lower levels of participant-initiated changes in asset allocations.

The account report, *Defined Contribution Plan Participants' Activities*, covers nearly 24 million employer-based DC retirement plan accounts as of June 2010. The report's key findings include:

- **Loan activity edged up but remained in line with historical numbers.** As of June 2010, 17.5 percent of DC plan participants had loans outstanding, compared with 16.5 percent with loans outstanding at year-end 2009.
- **Low levels of withdrawal activity edged higher compared with the same time period a year earlier, though hardship withdrawal activity was at the same pace as a year ago.** Only 2.1 percent of DC plan participants took withdrawals in the first half of 2010, compared with 1.8 percent in the first half of 2009. The share of workers taking hardship withdrawals was only 0.9 percent, the same as in the first half of 2009.
- **The share of participants who stopped making contributions in the first half of 2010 was significantly lower than that of the first half of 2009.** Only 1.5 percent of DC plan participants stopped contributing in the first half of 2010, compared with 4.6 percent in the same time frame in 2009.
- **Most DC plan participants stayed the course with asset allocations during the first half of 2010.** Only 6.6 percent of DC plan participants changed the asset allocation of their account balances; 6.3 percent changed the asset allocation of their contributions. These levels of re-allocation activity were lower compared with the activity observed in the first half of 2009.