OUR STRONG RETIREMENT SYSTEM
An American Success Story
SUMMARY
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The U.S. retirement system has many components: Social Security provides a strong base, complemented by employer-sponsored retirement plans, IRAs, annuities, homeownership, and other savings. A growing component of that system is employer-sponsored defined contribution arrangements, such as 401(k) plans. These plans are popular and successful with employees and employers. With consistent contributions over time, defined contribution plans can generate substantial retirement benefits, especially when combined with Social Security. This report brings to bear the most recent statistical data and the results of rigorous academic research to clearly illustrate:

1. **Americans' retirement well-being has improved over time**, as successive generations of retirees have been better off than previous generations.
2. **Access to and participation in retirement plans are both strong**, with almost 80% of full-time workers having access to employer-sponsored retirement plans, and more than 80% of workers with access to plans participating. With further refinements, coverage could be increased to benefit other workers as well.
3. **Defined contribution plans can produce meaningful retirement benefits**, as evidenced by account balances that reflect combined 401(k) and IRA assets accumulated over a full working career. Near-retirees (age 60–64) have on average nearly $360,000 in their defined contribution accounts and IRAs combined.
4. **The 401(k) is a good fit for America's mobile workforce**, in which workers tend to move from job to job, because these plans are portable. When employees accumulate savings in workplace retirement plans like the 401(k), those assets grow with them when they change jobs.
5. **Americans report high levels of confidence in the 401(k) system**—despite recent market turmoil—and appreciate its many user-friendly features including the tax benefits, the convenience of payroll deduction, their control over their own assets, and the choice of distribution options.

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6. **Retirement plan contributions are tax-deferred, not tax-free**, meaning that efforts to raise money by reducing tax incentives for retirement plans are short-sighted and illusory—and could ultimately decrease retirement savings, especially for low-income workers.

7. **Retirement assets constitute a major share of U.S. households' savings and investments**, providing more than $20 trillion ($5.3 trillion from defined contribution plans alone) in private investment capital for American businesses.

8. **Innovation and incentives improve retirement security**, as demonstrated by initiatives that are well under way (such as automatic enrollment, automatic escalation, and life-cycle investing).

The evidence is compelling: the current retirement savings system is fostering economic security in retirement for Americans across all income levels. Defined contribution plans have grown in importance in U.S. retirement accumulations, rising to be a key component of the voluntary, private-sector employer-sponsored system. Defined contribution plans, which offer workers a portable benefit that grows throughout their careers, are a flexible platform for further innovation and improvement. Defined contribution plans are not just "working," they are strong.

The American Benefits Council (the Council), the American Council of Life Insurers (ACLI), and the Investment Company Institute (ICI) sponsored this white paper, a compilation of research from a wide range of sources. "Our Strong Retirement System: An American Success Story" is available on each organization's website.

The Council: www.americanbenefitscouncil.org/documents2013/strong-retirement120413.pdf

ACLI: www.acli.com/Issues/Retirement%20Plans/Pages/RP13-006.aspx

ICI: www.ici.org/pdf/ppr_13_strong_retirement.pdf