American Views on Defined Contribution Plan Saving

JANUARY 2015

INVESTMENT COMPANY INSTITUTE®

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

Suggested citation: Schrass, Daniel, Sarah Holden, and Michael Bogdan. 2015. "American Views on Defined Contribution Plan Saving." *ICI Research Report*. Washington, DC: Investment Company Institute (January).

Contents

Figures

American Views on Defined Contribution Plan Saving

Daniel Schrass, ICI Associate Economist; Sarah Holden, ICI Senior Director of Retirement and Investor Research; and Michael Bogdan, ICI Associate Economist; prepared this report.

Executive Summary

With millions of U.S. households personally directing their retirement savings, the Investment Company Institute (ICI) has sought to track retirement savers' actions[1] and sentiment. This report, the seventh annual update, summarizes results from a survey of American adults, weighted to be representative of U.S. households by age, income, region, and education level. The survey was designed by ICI 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 between November 2014 and December 2014.[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 over the disposition 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. In addition, a vast majority of households disagreed with the proposal to require workers to participate in a new government-sponsored pension plan.

Views on Defined Contribution Plan Accounts

Households generally expressed favorable impressions of DC plan accounts in fall 2014:

» Seventy-one percent of U.S. households had favorable impressions of 401(k) and similar retirement plan accounts in fall 2014, up from 66 percent in fall 2013 and 65 percent in 2012/2013.

» Among households expressing an opinion, 90 percent had favorable impressions of 401(k) plans, with 39 percent agreeing that they had a "very favorable" impression.

- Survey responses in fall 2014 indicated that households appreciate the key features of DC plans, a result that is similar to the previous survey results.
- About 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. Close to half 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 70 percent of DC-owning households surveyed less worried about the stock market.
- 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-two 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 to preserve retirement account features and flexibility.

- A strong majority of U.S. households disagreed with proposals to remove or reduce tax incentives for retirement savings.
- In fall 2014, 88 percent of households disagreed that the government should take away the tax advantages of DC accounts, and 90 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 2014, 82 percent of households without DC accounts or IRAs rejected the idea of taking away the tax treatment of DC accounts.
- Eighty-seven percent of households disagreed with not allowing individuals to make investment decisions in their DC accounts, and 84 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 about 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.
- Eighty-one percent of households either "strongly" or "somewhat" disagreed that the government should require that people take part in a new government-sponsored pension plan.

Confidence in Defined Contribution Plan Accounts

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

- Among households owning DC accounts or IRAs, eight in 10 indicated they were confident that such accounts could help people meet their retirement goals.
- Among households not owning DC accounts or IRAs, 61 percent expressed confidence that such accounts can help people meet their retirement goals.

Introduction

IRAs and DC plan accounts[4] have become a common feature of the U.S. retirement landscape. More than half of total U.S. retirement assets are held in such accounts,[5] and nearly six in 10 U.S. households have a portion of their assets invested in them.[6] Given the rising importance of retirement accounts, this survey sought to find out:

- Americans' views on their 401(k) plans; and
- their opinions on some proposed policy changes.

This report is the seventh update of the survey research.[7] The survey consists of answers to questions included in a series of national surveys that the GfK Group fielded using the KnowledgePanel® from mid-November 2014 through mid-December 2014, covering a total sample of 3,046 American adults. Survey results are weighted to be representative of U.S. households by age, income, region, and education level.

This report sheds light on households' views of 401(k) and similar DC plan accounts by analyzing survey responses to four different areas of questioning. First, all households were asked how favorably they viewed DC plan accounts. Second, households owning DC accounts were asked to agree or disagree with statements describing features of DC plans. Third, all households, whether they owned retirement accounts or not, were asked to agree or disagree with some proposed changes to DC accounts and their views on a proposal to require participation in a new government-sponsored pension plan. Finally, all households were asked how much confidence they had in the ability of 401(k) and similar employer-sponsored pension plan accounts to help individuals meet their retirement goals.

Views on Defined Contribution Plan Accounts

The survey assessed Americans' views on saving in 401(k) and similar accounts through four avenues of questioning:

- soliciting whether respondents had favorable, unfavorable, or no opinions of such 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 their views on a new government-sponsored pension plan; and
- asking respondents about their degree of confidence in DC accounts to help individuals meet their retirement goals.

Views on Defined Contribution Plan Saving

A majority of U.S. households continued to have favorable impressions of 401(k) and similar retirement accounts. In fall 2014, 71 percent of U.S. households had "very" or "somewhat" favorable impressions of DC plan accounts, up from 66 percent in fall 2013 (Figure 1). Households owning DC accounts or IRAs were more likely to express an opinion of DC account investing and 84 percent of households owning DC accounts or IRAs indicated a favorable impression of such saving. Nevertheless, even among the non-owning respondents, 78 percent of those who expressed an opinion had a favorable view (compared with 93 percent with favorable opinions among account owners with opinions).

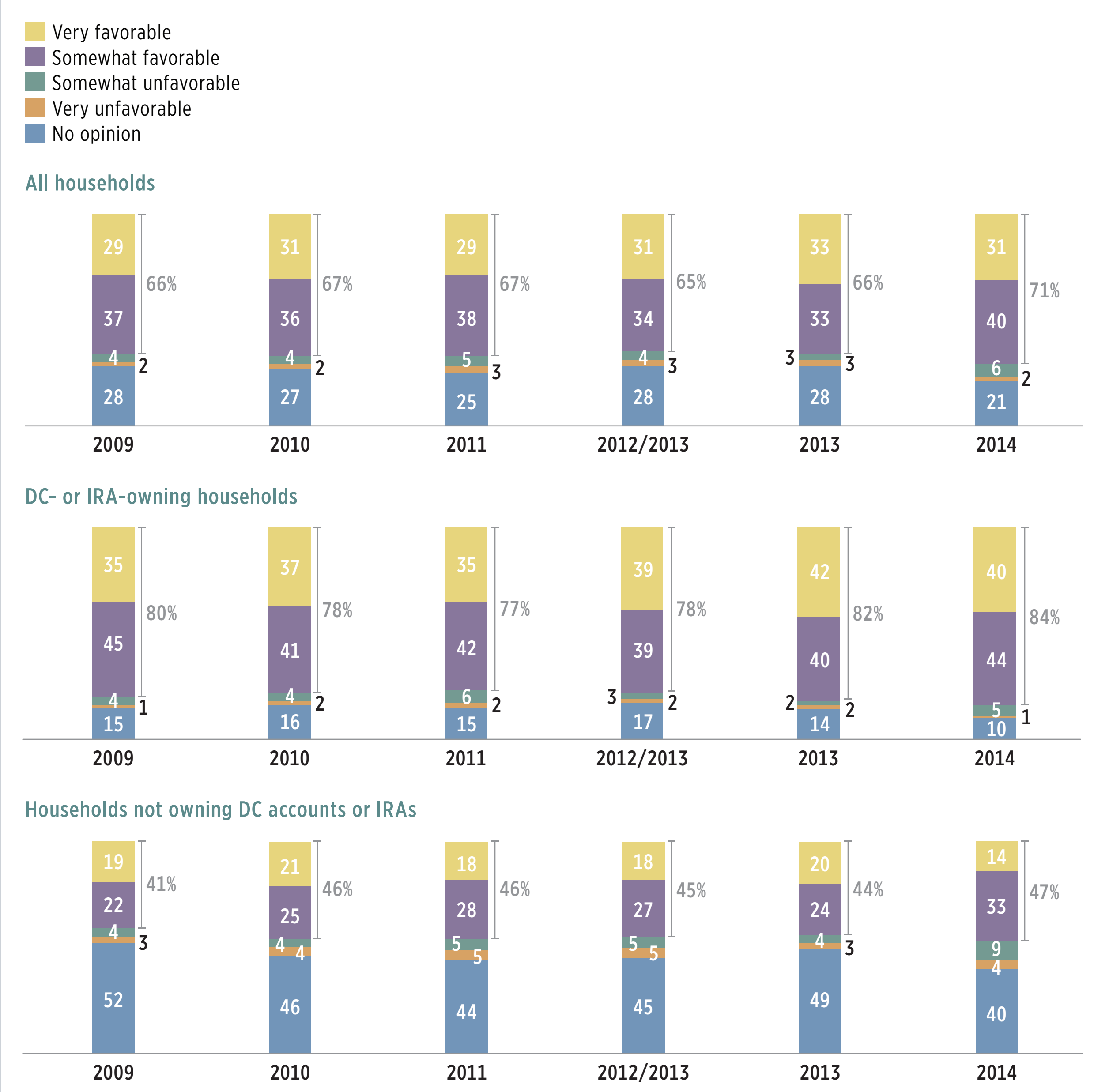
Views on Features of Defined Contribution Plan Saving

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 top-line results were similar to the prior six years of survey results.[8] In addition, there was little variation in responses across age and income groups.

FIGURE 1

Households' Opinions of 401(k) and Similar Retirement Plan Accounts

Percentage of U.S. households by ownership status; fall, 2009–2011; November 2012–January 2013; fall, 2013–2014



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. The fall 2014 survey is an online survey; the prior surveys were conducted over the phone.

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

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, the retirement accounts benefit from tax-deferred growth because taxes are not due until the individual withdraws money from the account.[9] 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 somewhat higher for households with incomes of $30,000 or more (more than 80 percent), compared with households with incomes below $30,000 (75 percent).

Two other possible benefits resonated less with retirement plan participants. First, 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. Interviewees were asked whether "knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." A majority (70 percent) agreed with that statement; younger households were just as likely to indicate that knowing that they were saving from every paycheck made them less worried about the stock market's performance compared with older households (Figure 2).

Second, 46 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 (66 percent) among households with incomes of less than $30,000, fell to 60 percent for households with incomes between $30,000 and $49,999, and was the weakest (33 percent) among households with incomes of $100,000 or more. The fact that higher-income respondents were more likely to disagree is consistent with other household survey information finding that this group typically lists retirement as its most important savings goal.[10] In addition, for households with higher incomes, Social Security does not replace as much income in retirement as it does for lower-income households, making it far more necessary for middle- and upper-income households to have retirement savings to supplement their Social Security benefits.[11, 12]

The fall 2014 survey repeated two questions that were new to the 2009 survey: one regarding participants' views on the lineup of investment options in their DC plans,[13] and the other asking their views on the importance of choice in, and control of, investments in their retirement plan accounts. Overall, 82 percent of DC account–owning households agreed that their plans offer a good lineup of investment options (Figure 2). 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 (87 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 2014

	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	94	96	93
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	89	91	92	90
Payroll deduction makes it easier for me to save.	92	86	93	94	94
The tax treatment of my retirement plan is a big incentive to contribute.	82	77	81	82	89
My employer-sponsored retirement plan offers me a good lineup of investment options.	82	78	83	84	82
Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance.	70	70	69	70	74
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	46	50	47	42	54
Number of respondents	1,532				

	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	92	93	92	97
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	85	91	89	94
Payroll deduction makes it easier for me to save.	92	90	92	91	93
The tax treatment of my retirement plan is a big incentive to contribute.	82	75	81	81	85
My employer-sponsored retirement plan offers me a good lineup of investment options.	82	78	80	80	87
Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance.	70	68	75	66	74
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	46	66	60	47	33
Number of respondents	1,532				

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 2014)

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 disposition of the accounts. In addition, respondents were asked about their views on a proposal to require workers to participate in a new government-sponsored pension plan.

Views on Tax Deferral

Some opinion leaders and policymakers have questioned the public policy 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, 88 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. But even 82 percent of households without DC accounts or IRAs opposed eliminating the incentives. In fall 2014, higher-income households were more likely to oppose removal of the tax advantages (94 percent) compared with lower-income households (82 percent), as were households 50 or older (more than nine out of 10) compared with younger households (more than eight out of 10) (Figure 4).

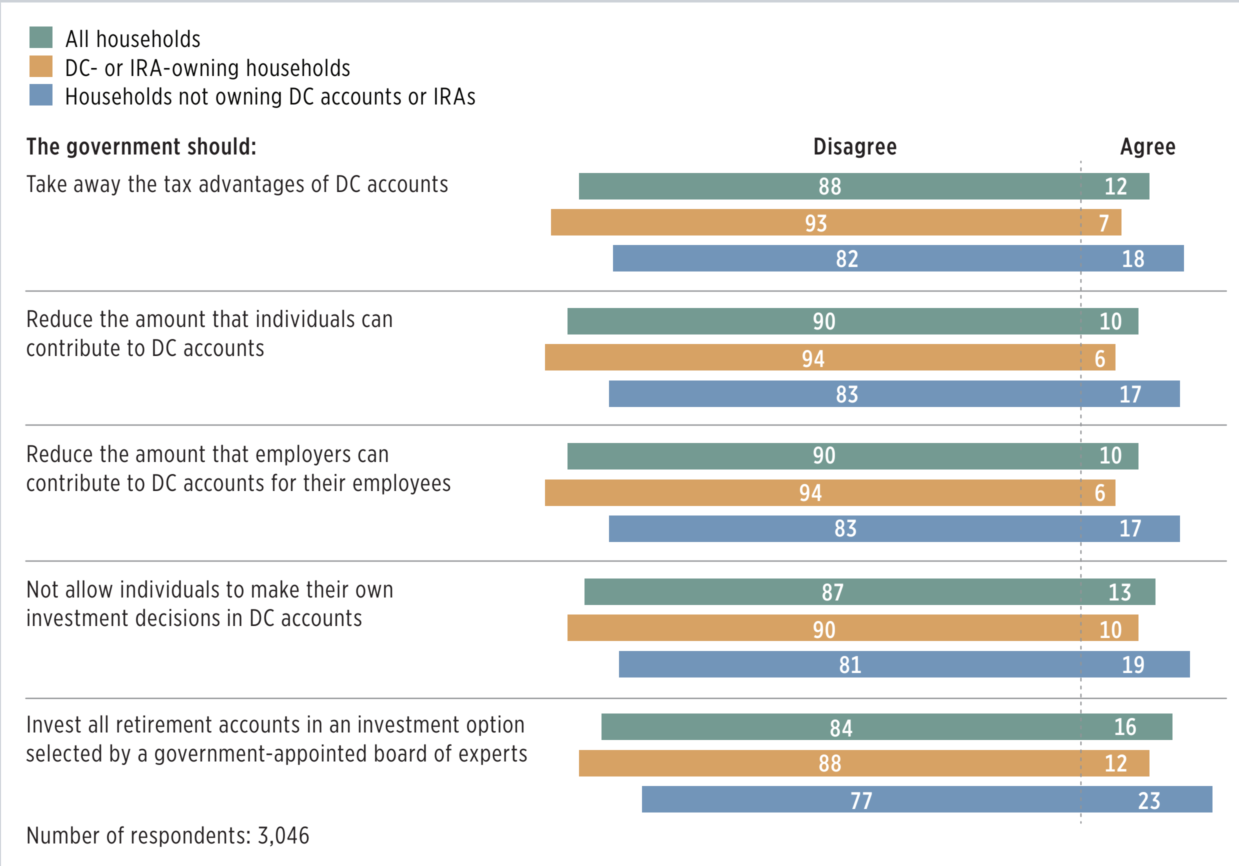
The survey also asked whether the limits on individual contributions to DC accounts should be reduced.[14] A very large majority opposed reducing the contribution limits, with 90 percent of all households opposed in fall 2014 (Figure 3). Among households with DC accounts or IRAs in fall 2014, 94 percent disagreed with reducing the contribution limits, whereas among households without retirement accounts, 83 percent disagreed with reducing the contribution limits.

The survey also asked households about employer contributions to DC plan accounts.[15] In fall 2014, 90 percent of U.S. 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 2014, 94 percent disagreed with reducing the employer contribution limits, whereas among households without retirement accounts, 83 percent disagreed with reducing the employer contribution limits.

FIGURE 3

Households' Opinions of Suggested Changes to Retirement Accounts

Percentage of U.S. households agreeing or disagreeing with each statement by ownership status, fall 2014



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 that "somewhat disagreed" or "strongly disagreed" in the "disagree" column.
Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2014)

FIGURE 4

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

Percentage of U.S. households disagreeing with each statement by age or household income, fall 2014

		Age of household survey respondent			
Disagreeing that the government should:	**All households**	**Younger than 35**	**35 to 49**	**50 to 64**	**65 or older**
Take away the tax advantages of DC accounts	88	84	85	92	91
Reduce the amount that individuals can contribute to DC accounts	90	84	86	93	94
Reduce the amount that employers can contribute to DC accounts for their employees	90	83	87	93	94
Not allow individuals to make their own investment decisions in DC accounts	87	82	85	89	89
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	84	76	83	89	87
Number of respondents	3,046				

		Household income			
Disagreeing that the government should:	**All households**	**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	88	82	87	91	94
Reduce the amount that individuals can contribute to DC accounts	90	85	88	91	95
Reduce the amount that employers can contribute to DC accounts for their employees	90	85	88	92	95
Not allow individuals to make their own investment decisions in DC accounts	87	83	86	88	90
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	84	78	82	87	89
Number of respondents	3,046				

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 2014)

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,” 87 percent disagreed (Figure 3). The degree of opposition was higher among households with DC accounts or IRAs (90 percent) than it was for those without retirement accounts (81 percent).

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.”[16] Despite the stock market downturn from late 2007 through early 2009 and continued stock market volatility, government control of workers’ savings is not a popular remedy. In fall 2014, 84 percent of respondents disagreed with this proposal (Figure 3), with the strongest opposition among households aged 50 or older and households with incomes of $50,000 or more (Figure 4). Among households with retirement accounts, 88 percent opposed this proposal, compared with 77 percent of households without retirement accounts (Figure 3).[17]

Views on Control of the Disposition of Retirement Account Balances

In 2014, ICI again asked three questions from the 2009 and 2012/2013 surveys investigating household sentiment regarding possible policy changes that would affect retirees’ control of disposition of DC account and IRA balances.[18] While some suggest individuals should annuitize more of their retirement account balances as a means to eliminate the risk of outliving their resources,[19] many U.S. households already have a significant share of their wealth in the form of an annuity through Social Security.[20] Surveying consumer preferences regarding annuitization policy is difficult because the subject matter is complicated and not particularly salient at the current time for many household decisionmakers. 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.[21]

With these difficulties in mind, ICI asked three questions regarding the control of the disposition 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 2014, 91 percent of respondents either “strongly” or “somewhat” agreed with that statement (Figure 5). Agreement was higher for households with retirement accounts (94 percent) than for households without retirement accounts (86 percent). In addition, agreement with the statement was higher for older and higher-income households.

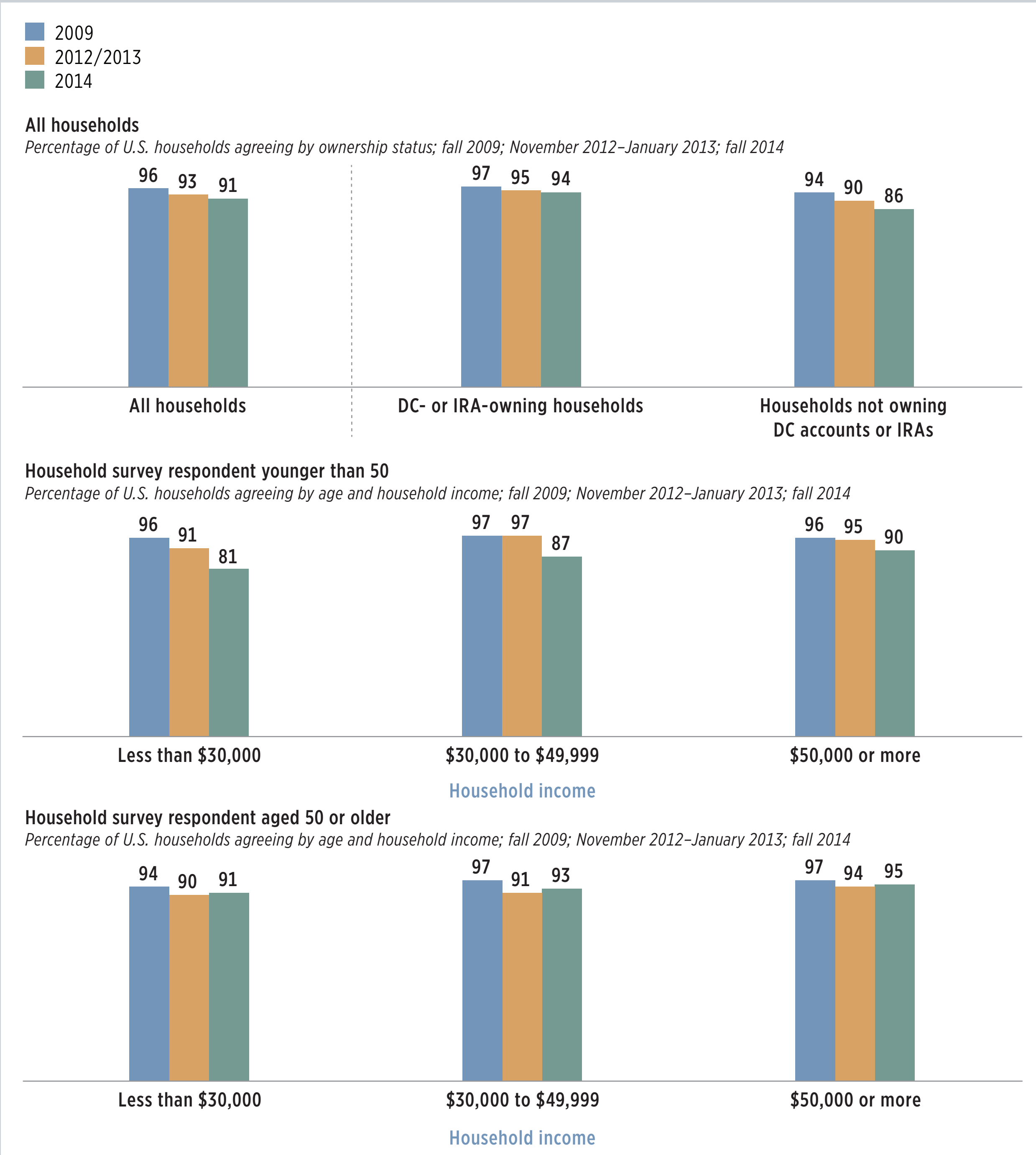
The second and third retirement account disposition questions were focused on sentiment regarding more-specific annuitization policy options. The second statement read: “The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay 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, about 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 even though the question was worded so as to eliminate bias toward disagreement. If anything, the question risked biasing respondents toward agreement; the proposal indicated that the retiree need only trade “a portion” of their assets under a “fair” contract giving them “income for life.”

At about 85 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 74 percent for income for life from an insurance company and 71 percent for income for life from the government. At the other extreme, nearly 90 percent of respondents aged 50 or older in households with incomes of $50,000 or more disapproved of either proposal (Figure 6).

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

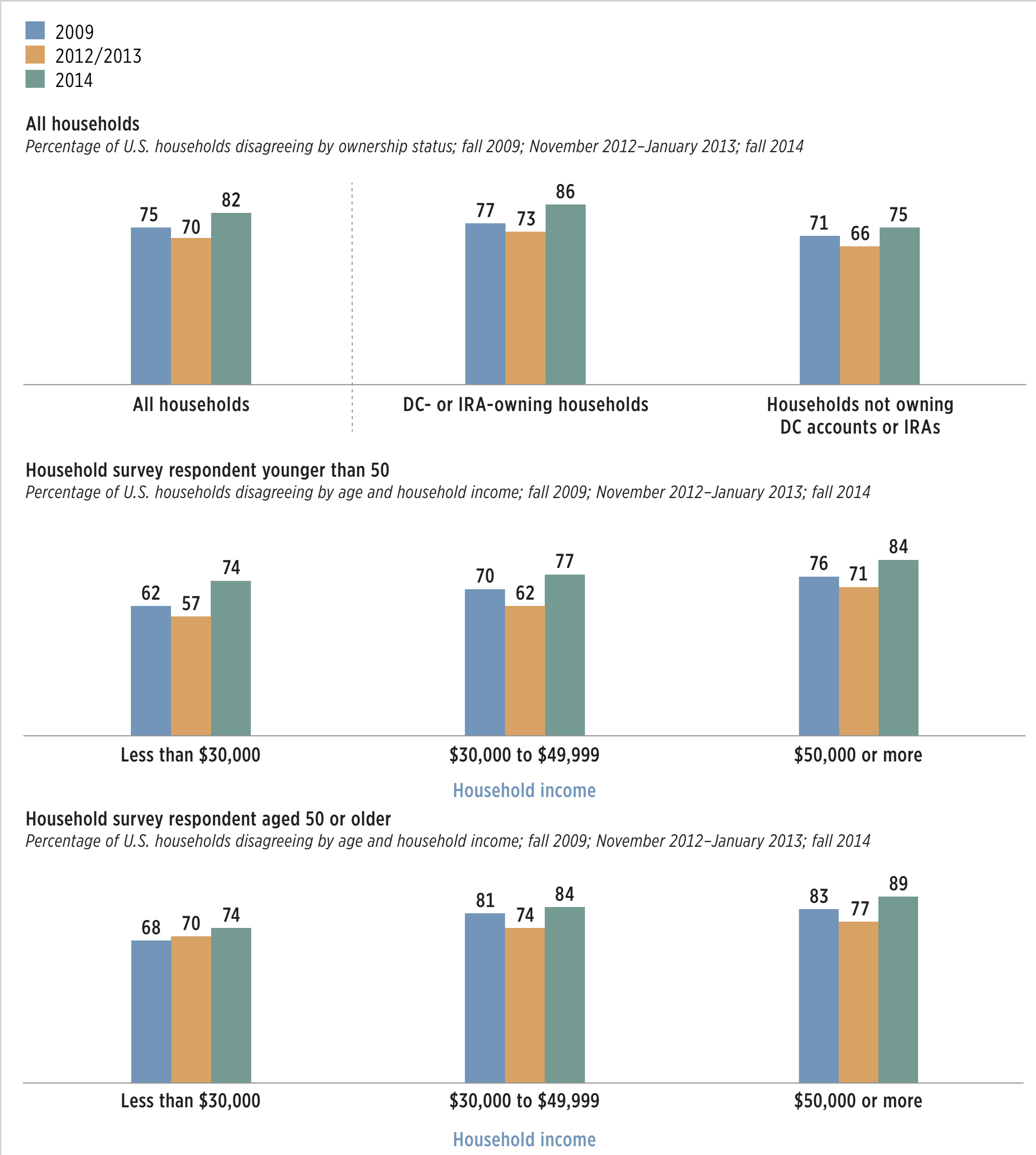


Note: The figure reports the percentage of households that "strongly agreed" or "somewhat agreed" with the statement. The remaining households "somewhat disagreed" or "strongly disagreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012/2013, and 3,046 respondents in 2014. The 2009 and 2012/2013 surveys were phone surveys; the 2014 survey is an online survey.

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

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

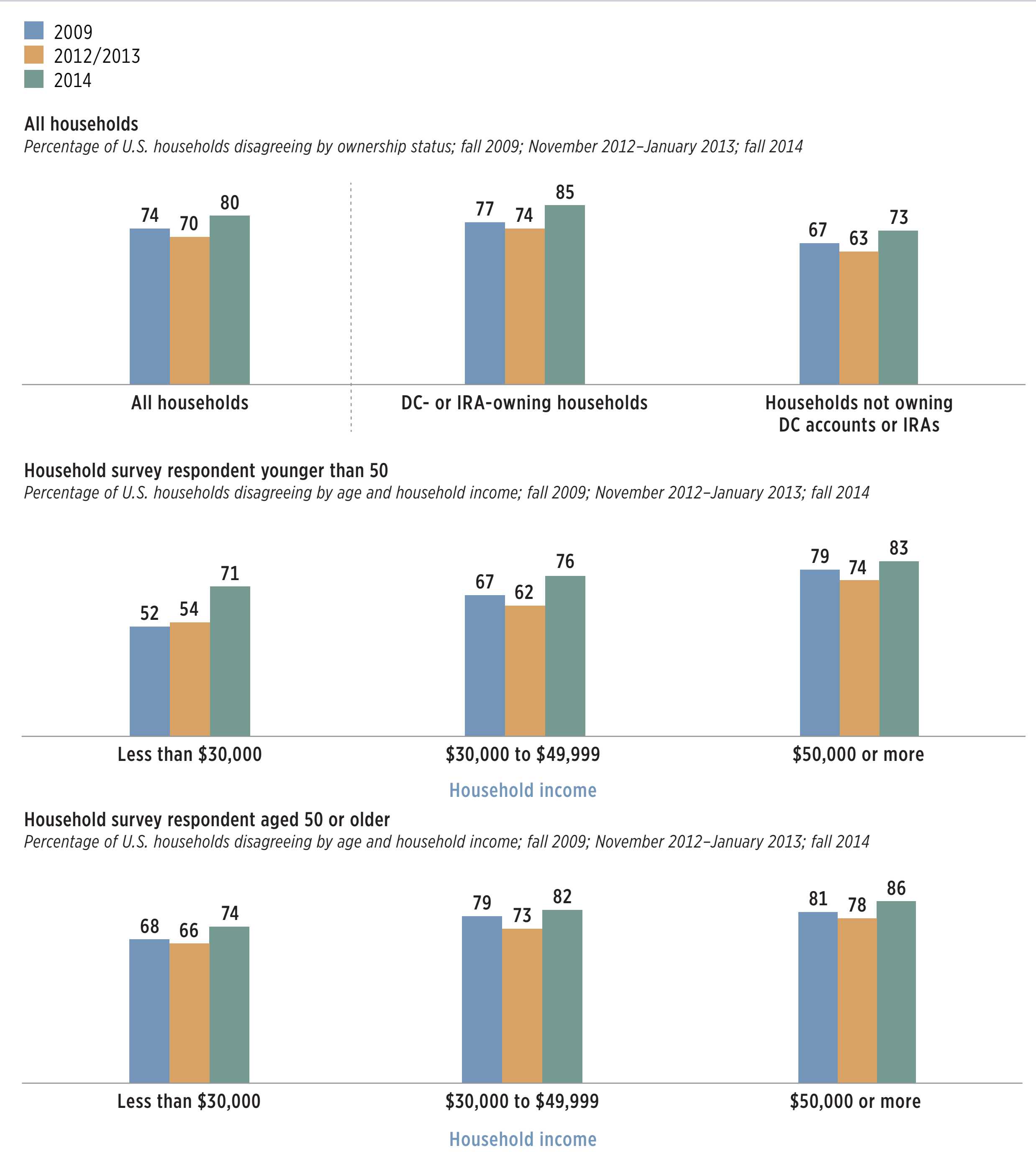


Note: The figure reports the percentage of households that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012/2013, and 3,046 respondents in 2014. The 2009 and 2012/2013 surveys were phone surveys; the 2014 survey is an online survey.

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

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



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, and 3,046 respondents in 2014. The 2009 and 2012/2013 surveys were phone surveys; the 2014 survey is an online survey.

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

Views on Requiring Workers to Participate in a New Government-Sponsored Pension Plan

In 2014, ICI asked a new question on the survey that investigated household sentiment regarding a policy proposal requiring workers to participate in a new government-sponsored pension plan. In the new question, respondents were asked to react to the statement: "There is a proposal to require workers to participate in a new pension plan. Under this plan, retirees' benefits could be reduced or increased depending on investment returns. In addition, current workers' contributions could be used to pay benefits for current retirees. All investment decisions and payouts from the plan would be determined by an investment professional appointed by the government." In fall 2014, 81 percent of respondents either "strongly" or "somewhat" disagreed that the government should require that workers take part in this plan (Figure 8). Opposition to this proposal for a new pension plan was the strongest among households with DC accounts or IRAs, with 84 percent opposing the proposal. But even 77 percent of households without DC accounts or IRAs opposed requiring workers to participate in the new pension plan. In fall 2014, older and higher-income households were more likely to oppose the proposal.

Confidence in Defined Contribution Plan Accounts

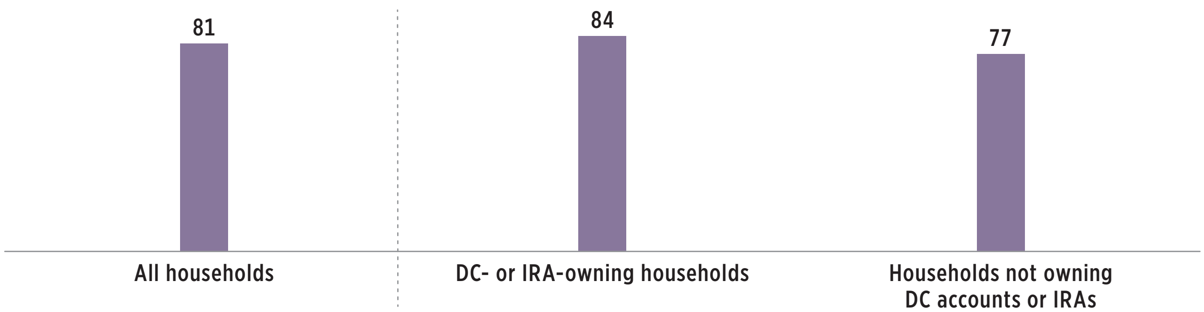
The survey also asked respondents to indicate their confidence in the ability of the 401(k) system to help individuals meet their retirement goals. Overall, in fall 2014, 73 percent of households indicated that they were either "somewhat" or "very" confident that 401(k) and other employer-sponsored retirement plan accounts can help people meet their retirement goals, similar to the confidence levels expressed in 2013 (76 percent), 2012/2013 (73 percent), 2011 (71 percent), 2010 (74 percent), and 2009 (73 percent) (Figure 9). At 80 percent, that confidence was higher among those who currently owned DC accounts or IRAs in fall 2014, but even 61 percent of non-owners expressed confidence in the retirement plan account approach.

FIGURE 8

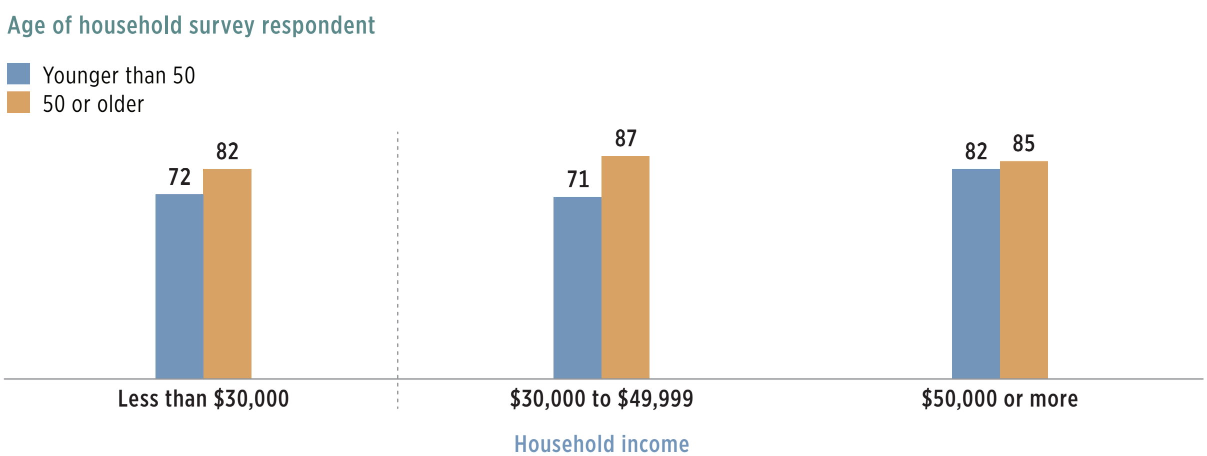
Households' Opinions on Requiring Participation in a New Government-Sponsored Pension Plan

Households disagreeing with the statement: The government should require that workers take part in a new pension plan in which retirees' benefits could be reduced or increased depending on investment returns. In addition, current workers' contributions could be used to pay benefits for current retirees. All investment decisions and payouts from the plan would be determined by an investment professional appointed by the government.

Percentage of U.S. households disagreeing by ownership status, fall 2014



Percentage of U.S. households disagreeing by age and household income, fall 2014



Number of respondents: 3,046

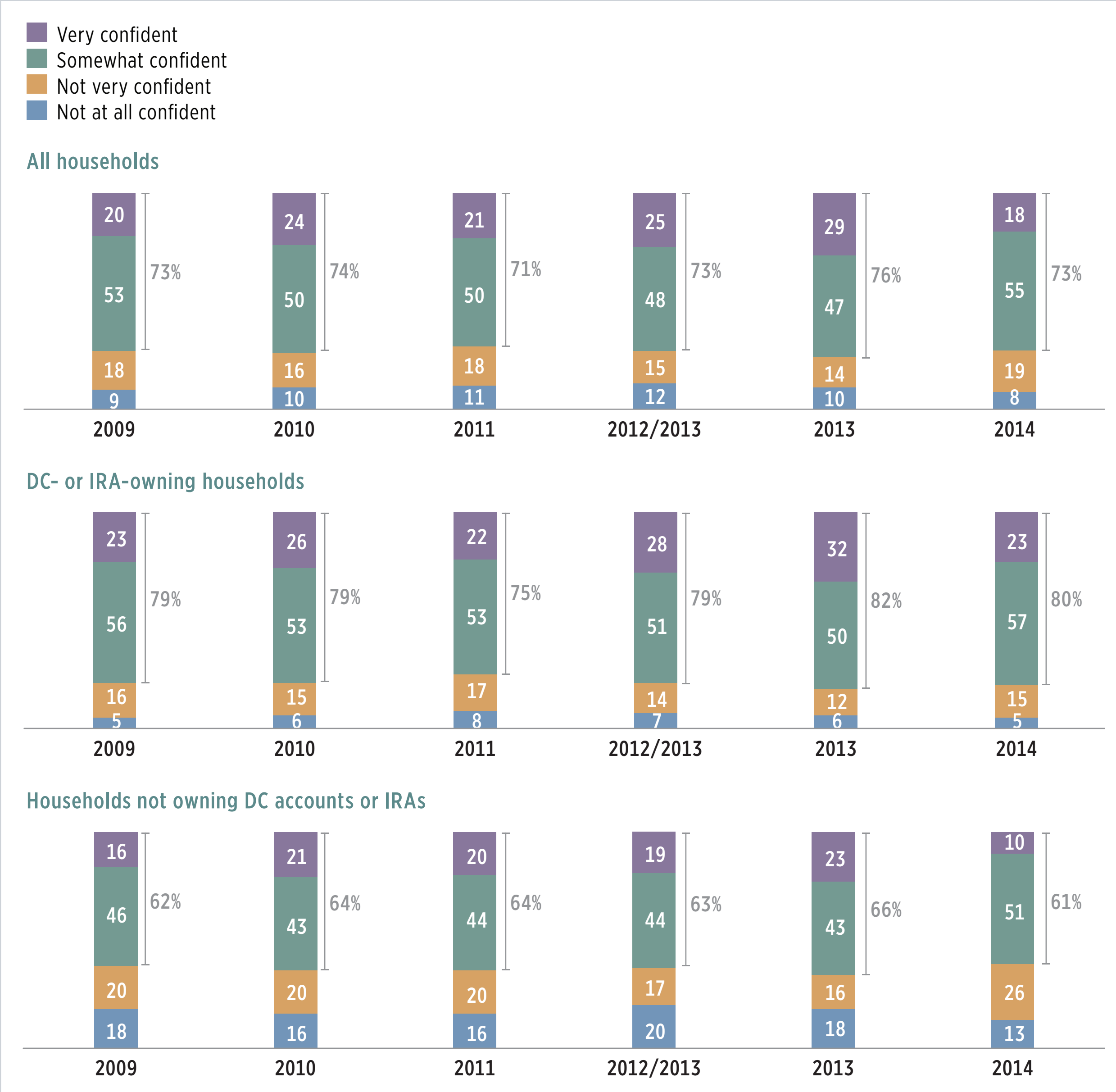
Note: The figure reports the percentage of households that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed."

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (fall 2014)

FIGURE 9

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of U.S. households by ownership status; fall, 2009–2011; November 2012–January 2013; fall, 2013–2014



Note: In 2009, the sample includes 1,959 DC- or IRA-owning households and 969 households not owning DC accounts or IRAs. In 2010, the sample includes 1,966 DC- or IRA-owning households and 997 households not owning DC accounts or IRAs. In 2011, the sample includes 1,961 DC- or IRA-owning households and 1,005 households not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,400 DC- or IRA-owning households and 1,533 households not owning DC accounts or IRAs. In 2013, the sample includes 1,801 DC- or IRA-owning households and 1,173 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. The fall 2014 survey is an online survey; the prior surveys were conducted over the phone.

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

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 2014.

[2] The survey was conducted using the web-enabled KnowledgePanel®, a probability-based panel designed to be representative of the U.S. 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 at no cost a laptop and ISP connection. 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 then are sent emails throughout each month inviting them to participate in research. The Federal Reserve also has used the KnowledgePanel®; see U.S. Federal Reserve Board 2014.

[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; and Burham, Bogdan, and Schrass 2014a. The fall 2014 survey was an online survey; the prior surveys were conducted over the phone.

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

[5] At the end of the third quarter of 2014, total retirement assets were $24.2 trillion, with $6.6 trillion in DC plans and $7.3 trillion in IRAs. See Investment Company Institute 2014 for the most recent estimates of total U.S. retirement market assets.

[6] Forty-six percent of U.S. households had DC accounts, 34 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 2014 (sample of 6,003 U.S. households). See Holden and Schrass 2015, forthcoming; and Burham, Bogdan, and Schrass 2014b for additional details.

[7] 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; and Burham, Bogdan, and Schrass 2014a. The fall 2014 survey was an online survey; the prior surveys were conducted over the phone.

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

[9] The benefit of tax deferral is not the up-front tax deduction. Indeed, in many cases the benefits of tax deferral will be equivalent to the tax benefits of Roth treatment, which does not involve an up-front tax deduction. 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—in which contributions are taxed but investment earnings and distributions are untaxed—provides the same tax benefits as tax deferral. Because of this fact, 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.

[10] 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 U.S. households in 2013 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. 2014). 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 Brady and Bogdan 2014). For additional discussion of savings goals and the U.S. retirement system, see Brady, Burham, and Holden 2012.

[11] 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 2015 is equal to 90 percent of the first $826 of AIME; plus 32 percent of AIME between $826 and $4,980; and 15 percent of any AIME more than $4,980. 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 U.S. Social Security Administration 2015 for more details about benefit formulas and parameters.

[12] For example, the first-year replacement rate (scheduled Social Security benefits as a percentage of average career earnings) for retired workers in the 1940–1949 birth cohort (individuals aged 65 to 74 in 2014) decreased as income increased. The mean replacement rate for the lowest household lifetime earnings quintile was 73 percent; for the middle quintile, the mean Social Security replacement rate was 48 percent; and for the highest quintile, it was 32 percent. See Congressional Budget Office 2014. For additional discussion, see Brady and Bogdan 2014 and Brady, Burham, and Holden 2012.

[13] For a comprehensive analysis of the asset allocation of 401(k) accounts, see Holden et al. 2014. For insight into the rebalancing activities of 401(k) plan participants in their accounts or contribution allocations, see Holden and Schrass 2014.

[14] The 2009, 2010, 2011, 2012/2013, and 2013 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.

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

[16] 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 updated to refer 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. For example, see Burham, Bogdan, and Schrass 2014a.

[17] 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 ownership of their retirement accounts.

[18] A revised weighting methodology resulted in slight revisions to data for prior years. 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.

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

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

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

References

Beshears, John, James J. Choi, David Laibson, Brigitte C. Madrian, and Stephen P. Zeldes. 2012. "What Makes Annuitization More Appealing?" *NBER Working Paper*, no. 18575. Cambridge, MA: National Bureau of Economic Research. Available at www.nber.org/papers/w18575.

Brady, Peter. 2012. *The Tax Benefits and Revenue Costs of Tax Deferral*. Washington, DC: Investment Company Institute (September). Available at www.ici.org/pdf/ppr_12_tax_benefits.pdf.

Brady, Peter, and Michael Bogdan. 2014. "Who Gets Retirement Plans and Why, 2013." *ICI Research Perspective* 20, no. 6 (October). Available at www.ici.org/pdf/per20-06.pdf.

Brady, Peter, Kimberly Burham, and Sarah Holden. 2012. *The Success of the U.S. Retirement System*. Washington, DC: Investment Company Institute (December). Available at www.ici.org/pdf/ppr_12_success_retirement.pdf.

Bricker, Jesse, Lisa J. Dettling, Alice Henriques, Joanne W. Hsu, Kevin B. Moore, John Sabelhaus, Jeffrey Thompson, and Richard A. Windle. 2014. "Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin* (September): 1–41. Available at www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf.

Brown, Jeffrey R., Arie Kapteyn, Erzo F. P. Luttmer, and Olivia S. Mitchell. 2014. "Cognitive Constraints on Valuing Annuities." *Wharton Pension Research Council Working Paper*, no. WP2014-21 (October). Available at www.pensionresearchcouncil.org/publications/document.php?file=1215.

Brown, Jeffrey R., Jeffrey R. Kling, Sendhil Mullainathan, and Marian V. Wrobel. 2008. "Why Don't People Insure Late Life Consumption? A Framing Explanation of the Under-Annuitization Puzzle." *American Economic Review* 98, no. 2: 304–309.

Brown, Jeffrey R., and Scott J. Weisbenner. 2014. "Building Retirement Security Through Defined Contribution Plans." Washington, DC: American Council of Life Insurers (February). Available at www.acli.com/Issues/Retirement%20Plans/Documents/Building%20Retirement%20Security%20through%20Defined%20Contribution%20Plans%20February%202014.pdf.

Burham, Kimberly, Michael Bogdan, and Daniel Schrass. 2014a. "Americans' Views on Defined Contribution Plan Saving." *ICI Research Report* (January). Available at www.ici.org/pdf/ppr_14_dc_plan_saving.pdf.

Burham, Kimberly, Michael Bogdan, and Daniel Schrass. 2014b. "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2014." *ICI Research Perspective* 20, no. 8 (November). Available at www.ici.org/pdf/per20-08.pdf.

Congressional Budget Office. 2014. *The 2014 Long-Term Projections for Social Security: Additional Information*. Washington, DC: Congressional Budget Office (December). Available at www.cbo.gov/sites/default/files/cbofiles/attachments/49795-Social_Security_Update.pdf.

Holden, Sarah, and Steven Bass. 2012. *America's Commitment to Retirement Security: Investor Attitudes and Actions*. Washington, DC: Investment Company Institute (January). Available at www.ici.org/pdf/ppr_12_retir_sec_update.pdf.

Holden, Sarah, and Steven Bass. 2013. *America's Commitment to Retirement Security: Investor Attitudes and Actions, 2013*. Washington, DC: Investment Company Institute (February). Available at www.ici.org/pdf/ppr_13_retir_sec_update.pdf.

Holden, Sarah, Steven Bass, and Brian Reid. 2011. *Commitment to Retirement Security.* Washington, DC: Investment Company Institute (January). Available at www.ici.org/pdf/ppr_11_com_ret.pdf.

Holden, Sarah, John Sabelhaus, and Brian Reid. 2010. *Enduring Confidence in the 401(k) System*. Washington, DC: Investment Company Institute (January). Available at www.ici.org/pdf/ppr_10_ret_saving.pdf.

Holden, Sarah, and Daniel Schrass. 2014. "Defined Contribution Plan Participants' Activities, 2013." *ICI Research Report* (April). Available at www.ici.org/pdf/ppr_13_rec_survey.pdf.

Holden, Sarah, and Daniel Schrass. 2015, forthcoming. "The Role of IRAs in U.S. Households' Saving for Retirement, 2014." *ICI Research Perspective*.

Holden, Sarah, Jack VanDerhei, Luis Alonso, Steven Bass, and AnnMarie Pino. 2014. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2013." *ICI Research Perspective* 20, no. 10, and *EBRI Issue Brief*, no. 408 (December). Available at www.ici.org/pdf/per20-10.pdf.

Investment Company Institute. 2014. "The U.S. Retirement Market, Third Quarter 2014" (December). Available at www.ici.org/info/ret_14_q3_data.xls.

Mitchell, Olivia S., James M. Poterba, Mark J. Warshawsky, and Jeffrey R. Brown. 1999. "New Evidence on the Money's Worth of Individual Annuities." *American Economic Review* 89, no. 5: 1299–1318.

Reid, Brian, and Sarah Holden. 2008. *Retirement Saving in Wake of Financial Market Volatility*. Washington, DC: Investment Company Institute (December). Available at www.ici.org/pdf/ppr_08_ret_saving.pdf.

U.S. Federal Reserve Board. 2014. *Report on the Economic Well-Being of U.S. Households in 2013* (July). Washington, DC: Federal Reserve Board. Available at www.federalreserve.gov/econresdata/2013-report-economic-well-being-us-households-201407.pdf

U.S. Social Security Administration. 2015. *Primary Insurance Amount*. Available at www.ssa.gov/oact/cola/piaformula.html.

1401 H Street, NW
Washington, DC 20005
202-326-5800
www.ici.org