

America's Commitment to Retirement Security

Investor Attitudes and Actions

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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 and sentiment over time. This report, our fourth annual update, summarizes results from two surveys covering 2011 data—a survey of U.S. households and a survey of defined contribution (DC) plan recordkeepers. The household survey results reflect households' responses collected in the last two months of 2011. The recordkeeper survey results cover the first nine months of 2011. Both sets of results update surveys fielded in 2008, 2009, and 2010.¹

Household Survey Results from November 2011 to December 2011

The household survey polled respondents about their views on DC retirement plan 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. In addition, a vast majority of households agree that continuing retirement savings incentives should be a national priority.

Views on Defined Contribution Plan Saving

Households generally expressed favorable impressions of DC plan accounts in the fall of 2011:

- » Sixty-five percent of U.S. households had favorable impressions of 401(k) and similar plan accounts, compared with 64 percent in 2010.
- » Among households expressing an opinion, 89 percent had favorable impressions of 401(k) plans, with 38 percent agreeing that they had a “very favorable” impression.
- » Most households’ impressions were shaped by the ability of these accounts to accumulate significant savings, the performance of retirement plan account investments, and personal experience with such plans.
- » Survey responses in the fall of 2011 indicated that households appreciate the key features of DC plans, a result 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 for them to save. Forty-five percent of DC-owning households indicated they probably wouldn’t be saving for retirement if it weren’t for their DC plans. In addition, saving paycheck-by-paycheck made more than half of DC-owning households surveyed less worried about the stock market.
- » More than 80 percent of DC-owning households said the immediate tax savings from their retirement plans were a big incentive to contribute.
- » Nearly all households with DC accounts agreed that it was important to have choice in, and control of, the investment options in their DC plans. Seventy-nine percent indicated that their DC plan offered a good lineup of investment options.
- » In addition, households’ views on policy changes revealed a strong preference to preserve retirement account features and flexibility.
- » A majority of households disagreed with proposals to remove or reduce tax incentives for retirement savings.
- » Eighty-seven percent of households disagreed with not allowing individuals to make investment decisions in their DC accounts, and nearly eight in 10 disagreed with replacing all retirement accounts with a government bond.

Confidence in Retirement Accounts

Despite the stock market downturn that began in late 2007 and continued through early 2009, and the market volatility experienced in 2010 and 2011, households—whether they had DC plan accounts or not—were generally confident in these plans’ ability to help individuals meet their retirement goals.

- » Among households owning DC accounts or individual retirement accounts (IRAs), more than three-quarters indicated they were confident that such accounts can help people meet their retirement goals.
- » Among households not owning DC accounts or IRAs, nearly two-thirds expressed confidence that such accounts could help people meet their retirement goals.

Views on National Commitment to Retirement Savings Incentives

As the nation struggles with tax policy and budget deficits, survey respondents were asked whether they agreed that continuing to provide incentives to encourage retirement saving should be a national priority.

- » Overall, 84 percent of U.S. households agreed that this should be a national priority. Agreement that retirement saving incentives should continue to be a national priority was high across demographic and financial characteristics.
- » Among households owning DC accounts or IRAs, 88 percent agreed that continuing to provide retirement savings incentives should be a national priority, while 76 percent of households without DC accounts or IRAs in 2011 agreed.

ICI Survey of Defined Contribution Plan Recordkeepers

The recordkeeper survey focused on activities in nearly 24 million DC accounts during the first three quarters of 2011. The results with respect to DC plan saving and investing indicated:

- » Participants have continued saving in their plans. Only 2.2 percent of DC plan participants stopped contributions in the first three quarters of 2011, compared with 3.4 percent of participants during the comparable time period a year earlier.
- » Most DC plan participants stayed the course with their asset allocations in the first three quarters of 2011. During the first three quarters of 2011, 9.4 percent of DC plan participants changed the asset allocation of their account balances, and 8.4 percent changed the asset allocation of their contributions. These rates of asset allocation activity were similar to rates during similar time periods in the previous two years.

The ICI Survey of DC Plan Recordkeepers also gathered information on participants' loan and withdrawal activity:

- » During the first three quarters of 2011, DC plan participants generally did not tap their accounts. Withdrawals during the first three quarters of 2011 were at a similar pace as the same time frame a year earlier. Only 2.8 percent of DC plan participants took withdrawals in the first three quarters of 2011, with only 1.4 percent taking hardship withdrawals.
- » Loan activity was similar to the level observed last year. At the end of September 2011, the ICI recordkeeper survey data indicated 18.4 percent of DC plan participants had loans outstanding, compared with 18.2 percent of participants at year-end 2010.