

ICI VIEWPOINTS

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New ICI Research Shows Americans' Commitment to Retirement Security

By Sarah Holden

Following the start of the financial crisis, we began closely monitoring the behavior of investors in defined contribution retirement (DC) plans, as well as the views of U.S. households of those plans. As we've studied these topics, the results have been consistent and clear: Americans are committed to saving for retirement and value the characteristics, such as the tax benefits and individual choice and control, that come with DC plans.

Our latest research in this area is a publication we released today: [*Commitment to Retirement Security: Investor Attitudes and Actions*](#). This report presents findings from a survey of U.S. households conducted in November and December 2010 about respondents' views on the 401(k) system. The report also examines data from DC plan recordkeepers, focusing on activities in nearly 24 million DC accounts from January through September 2010. The combination of these data makes it possible to look at households' opinions about 401(k) plans and retirement saving alongside the actions that DC plan investors actually took.

Our household survey asked Americans about changes they may have made over the past three years in three areas of financial planning for retirement: their regular saving amounts, their investment strategy, and their retirement age. From the results, you can see why we put "commitment" in the title of this report: three-quarters of U.S. households with financial investments have continued to save in similar or even greater amounts, compared with three years ago.

Understandably, Americans have made changes following the crisis. Almost three out of five households with investments had adopted a more conservative approach in their retirement planning over the past three years. Specifically, 58 percent had increased their regular savings, adjusted their asset mix to be more conservative, or delayed their plans for retirement. Some made changes in two or even all three of these areas.

The 2010 household survey also demonstrated American households' strong support for key features of DC plans. For example, support is overwhelming for preserving the tax incentives for retirement saving: 88 percent of all U.S. households disagreed when asked whether the tax advantages of DC accounts should be eliminated, while 82 percent opposed any reduction in account contribution limits.

Our recordkeeper survey shows that DC plan participants acted consistently with the views and actions they reported in the household survey. From January through September 2010, only 3.4 percent of DC plan participants stopped contributions to their accounts, compared with 5.0 percent of participants during the comparable period of time a year earlier.

The recordkeeper data also indicate that loan activity continued to edge up in the third quarter of 2010. At the end of the third quarter, 18 percent of DC plan participants had loans outstanding compared with 16.5 percent at year-end 2009 and 15.3 percent at year-end 2008. Nevertheless, it is still the case that fewer than one out of five plan participants had a loan outstanding. Loans are part of the flexibility that helps DC plans work for individuals. The availability of loans tends to increase participation and contribution amounts. Among participants with loans, the loans tend to be small, and they tend to be repaid with interest.

There's much more detail in our report. You can find it, along with other studies and related materials, at our [401\(k\) Resource Center](#).

- Read [*Commitment to Retirement Security: Investor Attitudes and Actions*](#)
- Find more ICI [retirement research](#).

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