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American Views on Defined Contribution Plan Saving, 2018

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Contents

Figures

American Views on Defined Contribution Plan Saving, 2018

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Executive Summary

With millions of US households personally directing their retirement savings, the Investment Company Institute (ICI) has sought to track retirement savers' actions[1] and sentiment. This report, the 11th in this series, summarizes results from a nationally representative survey of Americans aged 18 or older. The survey was designed by ICI research staff and administered by NORC at the University of Chicago using the AmeriSpeak® probability-based panel.[2] This report presents survey results that reflect individuals' responses collected during December 2018.[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 Americans value the discipline and investment opportunity that 401(k) plans represent and that individuals were largely opposed to changing the tax preferences or investment control in those accounts. A majority of respondents also affirmed a preference for control 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.

Views on Defined Contribution Plan Accounts

Respondents expressed favorable impressions of DC plan accounts in fall 2018:

- » Seventy-five percent of Americans had favorable impressions of 401(k) and similar retirement plan accounts in fall 2018, up from 72 percent in fall 2017 and 70 percent in fall 2016.
- » Among individuals expressing an opinion, 87 percent had favorable impressions of 401(k) plans, with 40 percent agreeing that they had a "very favorable" impression.

Views on Features of Defined Contribution Plan Saving

Survey responses in fall 2018 indicated that individuals whose households own DC accounts appreciate key features of DC plans, an outcome that is similar to the previous survey results.

- » Nine out of 10 DC-owning individuals agreed that these plans helped them think about the long term and made it easier to save. Nearly five out of 10 DC-owning individuals indicated they probably would not be saving for retirement if not for their DC plans. In addition, saving paycheck-by-paycheck made nearly eight out of 10 DC-owning individuals surveyed less worried about the short-term performance of their investments.[4]
- » More than eight in 10 DC-owning individuals agreed the tax treatment of their retirement plans was a big incentive to contribute.
- » Nearly all DC-owning individuals agreed that it was important to have choice in, and control of, the investments in their DC plans. More than eight in 10 indicated that their DC plan offered a good lineup of investment options.

Views on Proposed Changes to Defined Contribution Plan Accounts

In addition, Americans' views on policy changes revealed a strong preference for preserving retirement account features and flexibility.

- » A strong majority of Americans disagreed with proposals to remove or reduce tax incentives for retirement savings.
- » In fall 2018, 88 percent disagreed that the government should take away the tax advantages of DC accounts, and 88 percent disagreed with reducing the amount that individuals can contribute to DC accounts.
- » Support for the tax treatment of DC accounts also was widespread even among individuals whose households did not own DC accounts or individual retirement accounts (IRAs). In fall 2018, 81 percent of individuals without DC accounts or IRAs rejected the idea of taking away the tax treatment of DC accounts.
- » Eighty-five percent of individuals surveyed disagreed with the idea of not allowing individuals to make investment decisions in their DC accounts, and 82 percent disagreed with investing all retirement accounts in an investment option selected by a government-appointed board of experts.
- » In fall 2018, 89 percent of Americans agreed that retirees should be able to make their own decisions about how to manage their own retirement assets and income and nearly eight out of 10 individuals disagreed that retirees should be required to trade a portion of their retirement accounts for a fair contract promising them income for life.

Confidence in Defined Contribution Plan Accounts

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

- » Among individuals whose households owned DC accounts or IRAs, 83 percent indicated they were confident that DC plan accounts could help people meet their retirement goals.
- » Among individuals whose households did not own DC accounts or IRAs, 62 percent expressed confidence that DC plan accounts can help people meet their retirement goals.

Introduction

IRAs and DC plan accounts[5] have become a common feature of the US retirement landscape. More than half of total US retirement assets are held in such accounts,[6] and a majority of US households have a portion of their assets invested in them.[7] Given the rising importance of retirement accounts, ICI conducted this survey to find out Americans' views on their 401(k) plans and their opinions on some proposed policy changes.

This is the 11th annual update of a survey research effort started in 2008–2009.[8] This year's survey consists of answers to questions included in a national survey that NORC fielded using the AmeriSpeak® panel in December 2018, covering a total sample of 2,041 individuals aged 18 or older in the United States. Survey results are weighted to be representative of the total population of Americans aged 18 or older.[9] The standard error for the 2018 sample is ± 2.2 percentage points at the 95 percent confidence level.

This report sheds light on Americans' views of 401(k) and similar DC plan accounts by analyzing survey responses across four different areas of questioning:

- whether respondents had favorable, unfavorable, or no opinions of DC plan 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
- asking respondents about their degree of confidence that DC accounts can help individuals meet their retirement goals.

Who Are DC- or IRA-Owning Individuals?

The national survey that NORC fielded using the AmeriSpeak® panel in December 2018 covered a total sample of 2,041 individuals aged 18 or older in the United States. Survey results are weighted to be representative of the population of Americans aged 18 or older. Because saving for retirement is a household financial activity, retirement account ownership for each individual surveyed was related to the respondent's household.[10]

From the survey:

DC-owning individuals are individuals aged 18 or older whose households owned 401(k) or other DC plan accounts at the time of the survey.

DC- or IRA-owning individuals, similarly, are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Views on Defined Contribution Plan Accounts

A majority of Americans have favorable impressions of 401(k) and similar retirement accounts. In fall 2018, three-quarters of Americans had "very" or "somewhat" favorable impressions of DC plan accounts—the highest proportion yet recorded—up from 72 percent in fall 2017 and 70 percent in fall 2016 (Figure 1). Among individuals expressing an opinion, 87 percent had favorable impressions of 401(k) plans, with 40 percent expressing the strongest positive response—a "very favorable" impression. Individuals whose households owned DC accounts or IRAs were more likely to express an opinion of DC account investing—84 percent of these individuals indicated a favorable impression of such saving. Nevertheless, even among the non-owning respondents, 72 percent of those who expressed an opinion had a favorable view (compared with 92 percent with favorable opinions among account owners with opinions).

Views on Features of Defined Contribution Plan Saving

To understand the views that individuals whose households owned DC accounts (DC-owning individuals) have of 401(k) and other participant-directed retirement plans, the survey explored a variety of characteristics of these plans. Most DC-owning individuals 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" (91 percent) (Figure 2). These topline results were similar to the prior 10 years of survey results.[11] In addition, there was little variation in responses across age and income groups.[12]

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, most types of retirement accounts benefit from tax-deferred growth because taxes are not due until the individual withdraws money from the account.[13] Overall, 85 percent of DC-owning individuals 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 a bit higher for individuals with household incomes of $50,000 or more (87 percent), compared with individuals with household incomes below $50,000 (77 percent).

FIGURE 1

Opinions of 401(k) and Similar Retirement Plan Accounts

Percentage of US individuals by ownership status; fall, 2009–2011; November 2012–January 2013; fall, 2013–2018*

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: In 2009, the sample includes 1,976 DC- or IRA-owning individuals and 1,017 individuals not owning DC accounts or IRAs. In 2010, the sample includes 1,977 DC- or IRA-owning individuals and 1,026 individuals not owning DC accounts or IRAs. In 2011, the sample includes 1,965 DC- or IRA-owning individuals and 1,022 individuals not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,417 DC- or IRA-owning individuals and 1,575 individuals not owning DC accounts or IRAs. In 2013, the sample includes 1,802 DC- or IRA-owning individuals and 1,189 individuals not owning DC accounts or IRAs. In 2014, the sample includes 1,855 DC- or IRA-owning individuals and 1,191 individuals not owning DC accounts or IRAs. In 2015, the sample includes 1,915 DC- or IRA-owning individuals and 1,161 individuals not owning DC accounts or IRAs. In 2016, the sample includes 1,299 DC- or IRA-owning individuals and 728 individuals not owning DC accounts or IRAs. In 2017, the sample includes 1,302 DC- or IRA-owning individuals and 707 individuals not owning DC accounts or IRAs. In 2018, the sample includes 1,520 DC- or IRA-owning individuals and 521 individuals not owning DC accounts or IRAs. The fall 2014, fall 2015, fall 2016, and fall 2017 surveys were online surveys; the prior surveys were conducted over the phone. The fall 2018 survey was conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone.

Sources: ICI tabulations of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013; fall 2013), GfK KnowledgePanel® OmniWeb survey data (fall, 2014–2017), and NORC AmeriSpeak® survey data (fall 2018)

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. Respondents were asked whether “knowing that I’m saving from every paycheck makes me less worried about the short-term performance of my investments.”[14] A majority (79 percent) of DC-owning individuals agreed with that statement; ranging from 64 percent of DC-owning individuals with household incomes of less than $30,000 to 84 percent of DC-owning individuals with household incomes of $100,000 or more (Figure 2).

The availability of a retirement plan at work facilitates saving. Nearly half (49 percent) of DC-owning individuals 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 (70 percent) among individuals with household incomes of less than $30,000, fell to 56 percent for individuals with household incomes between $50,000 and $99,999, and was the lowest (37 percent) among individuals with household incomes of $100,000 or more. These data do not suggest that higher-income workers do not find their plans valuable—indeed, more than 90 percent of those making $50,000 or more agreed with the sentiment, “my employer-sponsored retirement account helps me think about the long term, not just my current needs.” The fact that higher-income respondents were more likely to expect to save outside of an employer plan offering is consistent with other household survey information finding that this group typically lists retirement as its most important savings goal.[15] Because Social Security does not replace as much income in retirement for higher-income individuals as it does for lower-income individuals, it is necessary for middle- and upper-income individuals to have retirement savings to supplement their Social Security benefits.[16, 17]

Americans viewed the lineup of options in their DC plans favorably, with 83 percent of DC-owning individuals agreeing that their plans offer a good lineup of investment options (Figure 2).[18] Satisfaction with the lineup of investment options was high across all age and household income groups, although it was somewhat higher for DC-owning individuals with household incomes of $100,000 or more (89 percent) and somewhat lower for DC-owning individuals with household incomes of less than $30,000 (67 percent). Regardless of age or household income, a vast majority of DC-owning individuals agreed that it was important for them to have choice in, and control of, their retirement plan investments.

FIGURE 2

Defined Contribution Account–Owning Individuals' Views on the Defined Contribution Savings Vehicle

Percentage of DC-owning individuals agreeing with each statement by age or household income, fall 2018*

	All DC-owning individuals*	Age of 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	87	97	96	96
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	85	92	94	96
Payroll deduction makes it easier for me to save.	91	83	92	95	97
The tax treatment of my retirement plan is a big incentive to contribute.	85	76	85	90	92
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	74	87	86	89
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	79	76	80	76	87
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	49	53	49	49	40
Number of respondents	*1,358*				

	All DC-owning individuals*	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	82	93	94	96
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	78	90	90	95
Payroll deduction makes it easier for me to save.	91	79	88	89	95
The tax treatment of my retirement plan is a big incentive to contribute.	85	68	85	84	89
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	67	84	80	89
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	79	64	75	76	84
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	49	70	57	56	37
Number of respondents	*1,358*				

*DC-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts or other DC plan accounts at the time of the survey.

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

Source: ICI tabulations of NORC AmeriSpeak® survey data (fall 2018)

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 accounts.[19]

Views on Tax Deferral

Because some opinion leaders and policymakers have questioned the public 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 individuals whose households owned DC accounts or IRAs, with 91 percent opposing the removal of the tax advantages. Additionally, even 81 percent of individuals without DC accounts or IRAs opposed eliminating the incentives. In fall 2018, higher-income individuals (96 percent) and older individuals (94 percent) were more likely to oppose removal of the tax advantages compared with lower-income individuals (78 percent) and younger individuals (80 percent) (Figure 4).[20]

The survey also asked whether the limits on individual contributions to DC accounts should be reduced.[21] An overwhelming majority of all individuals (88 percent) opposed reducing the individual contribution limits (Figure 3). Among DC- or IRA-owning individuals in fall 2018, 90 percent disagreed with reducing the contribution limits, and even among individuals without retirement accounts, 81 percent disagreed.

The survey also asked households about employer contributions to DC plan accounts.[22] In fall 2018, 87 percent of Americans opposed reducing the amount that employers can contribute to DC plan accounts for their employees (Figure 3). Among DC- or IRA-owning individuals in fall 2018, 88 percent disagreed with reducing the employer contribution limits; among those without retirement accounts, 81 percent disagreed.

Views on Investment Control

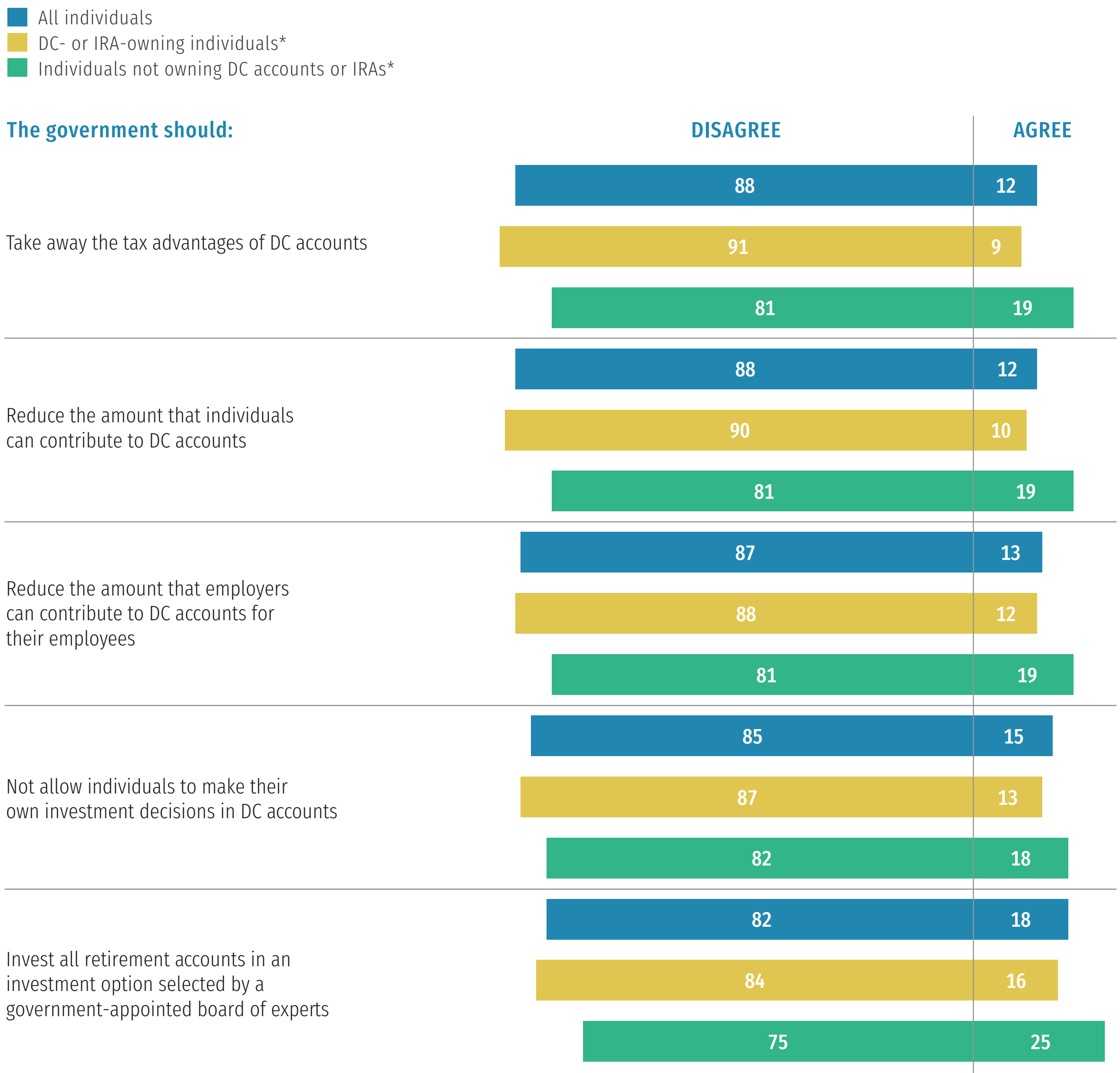
Respondents also resisted suggestions to change individual investment control in DC accounts. When respondents were asked if they agreed or disagreed with the statement: "The government should not allow individuals to make their own investment decisions in DC accounts," 85 percent disagreed (Figure 3). The degree of opposition was slightly higher among individuals whose households owned DC accounts or IRAs (87 percent) than for those without retirement accounts (82 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."[23] Despite the historically large stock market downturn from late 2007 through early 2009 and stock market volatility in December 2018,[24] government control of workers' savings is not a popular remedy. In fall 2018, 82 percent of respondents disagreed with this proposal (Figure 3), with the opposition rising with age and household income (Figure 4). Among individuals with retirement accounts, 84 percent opposed this proposal, compared with 75 percent of those without retirement accounts (Figure 3).[25]

FIGURE 3

Opinions of Suggested Changes to Retirement Accounts

Percentage of US individuals agreeing or disagreeing with each statement by ownership status, fall 2018*



Number of respondents: 2,041

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure plots in the "agree" column the percentage of respondents that "strongly agreed" or "somewhat agreed" with the statement, and plots the percentage of respondents who "somewhat disagreed" or "strongly disagreed" in the "disagree" column.

Source: ICI tabulations of NORC AmeriSpeak® survey data (fall 2018)

FIGURE 4

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

Percentage of US individuals disagreeing with each statement by age or household income, fall 2018

		Age of survey respondent			
Disagreeing that the government should:	All individuals	Younger than 35	35 to 49	50 to 64	65 or older
Take away the tax advantages of DC accounts	88	80	90	92	94
Reduce the amount that individuals can contribute to DC accounts	88	81	90	92	90
Reduce the amount that employers can contribute to DC accounts for their employees	87	77	90	92	90
Not allow individuals to make their own investment decisions in DC accounts	85	78	88	88	89
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	82	73	84	87	86
Number of respondents	*2,041*				

		Household income			
Disagreeing that the government should:	All individuals	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	78	86	86	96
Reduce the amount that individuals can contribute to DC accounts	88	78	84	88	95
Reduce the amount that employers can contribute to DC accounts for their employees	87	74	84	87	94
Not allow individuals to make their own investment decisions in DC accounts	85	76	88	87	88
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	82	70	78	80	90
Number of respondents	*2,041*				

Note: The figure reports the percentage of respondents that “strongly disagreed” or “somewhat disagreed” with the statement. The remaining respondents “somewhat agreed” or “strongly agreed.”

Source: ICI tabulations of NORC AmeriSpeak® survey data (fall 2018)

Views on Control of Retirement Account Balances

In 2018, ICI again asked three questions from the 2009, 2012/2013, 2014, 2015, 2016, and 2017 surveys investigating individual sentiment on possible policy changes affecting control of DC account and IRA balances. Though some research has suggested that individuals should annuitize more of their retirement account balances as a means of eliminating the risk of outliving their resources,[26] whether and how much a household should annuitize is broadly debated.[27] In fact, most Americans already have a significant share of their wealth in the form of an annuity through Social Security, or alternative public-sector pension plans.[28] Surveying consumer preferences regarding annuitization is difficult because the subject matter is complicated[29] and may not be salient at the current time for many households. 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.[30]

With these difficulties in mind, ICI asked three questions regarding the control 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 2018, 89 percent of respondents either “strongly” or “somewhat” agreed with that statement (Figure 5). Agreement was slightly higher for individuals whose households owned DC accounts or IRAs (91 percent) than for those without retirement accounts (85 percent). In addition, agreement with the statement was generally higher for older individuals.

The second and third questions about control of retirement accounts 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 sentiment, so the results for the second and third retirement account disposition questions were very similar.

Overall, more than three-quarters of respondents either “somewhat disagreed” or “strongly disagreed” with the proposed change in control of account disposition (Figures 6 and 7). Note that the question was worded in a way to help minimize bias towards disagreement; the proposal indicated that the retiree trade only “a portion” of their assets under a “fair” contract giving them “income for life.”

At about 80 percent, the disapproval rates for the proposed annuitization requirements are slightly higher for DC- or IRA-owning individuals (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 57 percent for income for life from an insurance company and 53 percent for income for life from the government. About 80 percent of respondents aged 50 or older in households with incomes of $50,000 or more disapproved of either proposal.

FIGURE 5

Individuals Agreeing with the Statement: Retirees should be able to make their own decisions about how to manage their own retirement assets and income

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure reports the percentage of individuals that "strongly agreed" or "somewhat agreed" with the statement. The remaining individuals "somewhat disagreed" or "strongly disagreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, 2,009 respondents in 2017, and 2,041 respondents in 2018. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys. The fall 2018 survey was conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone.

Sources: ICI tabulations of GfK OmniTel survey data (fall 2009 and November 2012–January 2013), GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017), and NORC AmeriSpeak® survey data (fall 2018)

FIGURE 6

Individuals 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

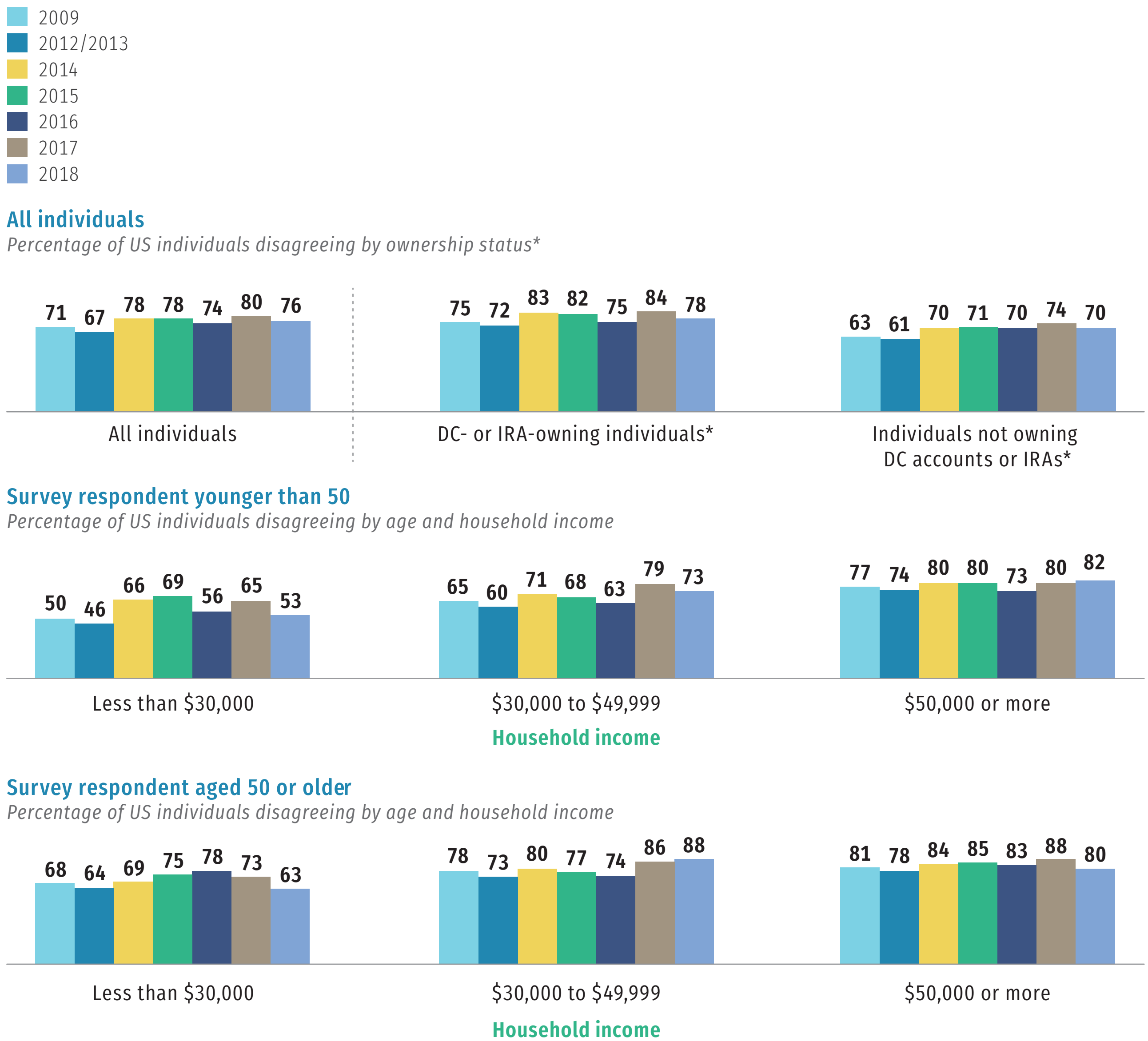
*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure reports the percentage of individuals that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining individuals "somewhat agreed" or "strongly agreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, 2,009 respondents in 2017, and 2,041 respondents in 2018. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys. The fall 2018 survey was conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone.

Sources: ICI tabulations of GfK OmniTel survey data (fall 2009 and November 2012–January 2013), GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017), and NORC AmeriSpeak® survey data (fall 2018)

FIGURE 7

Individuals 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



*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure reports the percentage of individuals that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining individuals "somewhat agreed" or "strongly agreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, 2,009 respondents in 2017, and 2,041 respondents in 2018. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys. The fall 2018 survey was conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone.

Sources: ICI tabulations of GfK OmniTel survey data (fall 2009 and November 2012–January 2013), GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017), and NORC AmeriSpeak® survey data (fall 2018)

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. In fall 2018, 77 percent of Americans 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 prior years (Figure 8). At 83 percent, that confidence was higher among individuals whose households currently owned DC accounts or IRAs in fall 2018, but even 62 percent of non-owners expressed confidence in the retirement plan account approach.

Additional Reading

- What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Account Balances, 2010–2016
  www.ici.org/pdf/per24-07.pdf
- 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2016
  www.ici.org/pdf/per24-06.pdf
- *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2015*
  www.ici.org/pdf/ppr_18_dcplan_profile_401k.pdf
- *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans, 2015*
  www.ici.org/pdf/ppr_18_dcplan_profile_403b.pdf
- The US Retirement Market, Third Quarter 2018
  www.ici.org/research/stats/retirement
- Defined Contribution Plan Participants' Activities, First Half 2018
  www.ici.org/pdf/ppr_18_rec_survey_q2.pdf

FIGURE 8

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of US individuals by ownership status; fall, 2009–2011; November 2012–January 2013; fall, 2013–2018*

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: In 2009, the sample includes 1,976 DC- or IRA-owning individuals and 1,017 individuals not owning DC accounts or IRAs. In 2010, the sample includes 1,977 DC- or IRA-owning individuals and 1,026 individuals not owning DC accounts or IRAs. In 2011, the sample includes 1,965 DC- or IRA-owning individuals and 1,022 individuals not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,417 DC- or IRA-owning individuals and 1,575 individuals not owning DC accounts or IRAs. In 2013, the sample includes 1,802 DC- or IRA-owning individuals and 1,189 individuals not owning DC accounts or IRAs. In 2014, the sample includes 1,855 DC- or IRA-owning individuals and 1,191 individuals not owning DC accounts or IRAs. In 2015, the sample includes 1,915 DC- or IRA-owning individuals and 1,161 individuals not owning DC accounts or IRAs. In 2016, the sample includes 1,299 DC- or IRA-owning individuals and 728 individuals not owning DC accounts or IRAs. In 2017, the sample includes 1,302 DC- or IRA-owning individuals and 707 individuals not owning DC accounts or IRAs. In 2018, the sample includes 1,520 DC- or IRA-owning individuals and 521 individuals not owning DC accounts or IRAs. The fall 2014, fall 2015, fall 2016, and fall 2017 surveys were online surveys; the prior surveys were conducted over the phone. The fall 2018 survey was conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone.

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Conclusion

In late fall 2018, Americans expressed favorable impressions of DC plans. These plans have become a common feature of the US retirement landscape with millions of US households now holding a portion of their assets in them. As such, it is important to know what these plans are doing well and whether policy proposals are likely to increase or decrease the value of these plans for those looking to save for retirement during their working years. Americans valued current plan design features, and their views on policy changes revealed a strong preference for preserving retirement account features and flexibility. This was especially true for individuals that use the plans, and for those most in need of them to supplement Social Security. In addition, those not currently using the plans were still strongly in favor of them, suggesting a value for their place in household planning over a longer time span.

Appendix: Additional Data on American Views on Defined Contribution Plan Saving

American Views on Defined Contribution Plan Saving by Generation

Figure A1 presents the data displayed in Figure 2 regarding views on the DC plan savings vehicle by generation of the survey respondent.

FIGURE A1

Defined Contribution Account–Owning Individuals' Views on the Defined Contribution Savings Vehicle by Generation

Percentage of DC-owning individuals agreeing with each statement by generation, fall 2018*

		Generation of survey respondent				
	All DC-owning individuals	Millennials (younger than 38)	Generation X (aged 38 to 53)	Late Baby Boom (aged 54 to 62)	Early Baby Boom (aged 63 to 72)	Silent or GI (aged 73 or older)
It is important to have choice in, and control of, the investments in my retirement plan account.	94	89	96	97	95	97
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	87	93	93	97	95
Payroll deduction makes it easier for me to save.	91	84	92	95	98	97
The tax treatment of my retirement plan is a big incentive to contribute.	85	77	86	91	90	92
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	77	85	86	87	92
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	79	78	76	78	84	88
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	49	54	47	50	41	42
Number of respondents	*1,358*					

*DC-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts or other DC plan accounts at the time of the survey.

Note: The figure reports the percentage of DC-owning respondents that "strongly agreed" or "somewhat agreed" with the statement. The remaining respondents "somewhat disagreed" or "strongly disagreed."

Source: ICI tabulations of NORC AmeriSpeak® survey data (fall 2018)

Figure A2 presents the data displayed in Figure 4 regarding opinions on suggested changes to DC plans by generation of the survey respondent.

FIGURE A2

Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Generation

Percentage of US individuals disagreeing with each statement by generation, fall 2018

		Generation of survey respondent				
Disagreeing that the government should:	**All individuals**	**Millennials** (younger than 38)	**Generation X** (aged 38 to 53)	**Late Baby Boom** (aged 54 to 62)	**Early Baby Boom** (aged 63 to 72)	**Silent or GI** (aged 73 or older)
Take away the tax advantages of DC accounts	88	82	91	92	95	92
Reduce the amount that individuals can contribute to DC accounts	88	83	90	92	91	90
Reduce the amount that employers can contribute to DC accounts for their employees	87	79	90	92	92	89
Not allow individuals to make their own investment decisions in DC accounts	85	79	89	88	91	87
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	82	74	85	86	87	84
Number of respondents	*2,041*					

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

Source: ICI tabulations of NORC AmeriSpeak® survey data (fall 2018)

Figure A3 reports primary savings goals among US households by generation, age, or household income.

FIGURE A3

Primary Reason for Household Saving Varies with Generation, Age, and Household Income

Percentage of households by generation, age of head of household, or household income, 2016

Note: Other reasons for household saving include liquidity, investment, and purchases; some respondents also reported saving for no particular reason.

Source: ICI tabulations of the 2016 Federal Reserve Board Survey of Consumer Finances

American Views on Defined Contribution Plan Saving, 2017 Results for Individuals

Figure A4 presents the results for Figure 2 from the 2017 survey reweighted to represent individuals aged 18 or older in the United States.

FIGURE A4

Defined Contribution Account–Owning Individuals' Views on the Defined Contribution Savings Vehicle, 2017

Percentage of DC-owning individuals agreeing with each statement by age or household income, fall 2017*

		Age of survey respondent			
	All DC-owning individuals*	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.	93	92	92	95	96
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	86	91	93	97
Payroll deduction makes it easier for me to save.	92	84	93	95	95
The tax treatment of my retirement plan is a big incentive to contribute.	83	74	82	87	93
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	76	82	86	90
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	82	80	86	88
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	48	49	49	45	47
Number of respondents	*1,150*				

continued on next page

FIGURE A4 *continued*

Defined Contribution Account–Owning Individuals' Views on the Defined Contribution Savings Vehicle, 2017

Percentage of DC-owning individuals agreeing with each statement by age or household income, fall 2017*

		Household income			
	All DC-owning individuals*	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.	93	88	91	94	95
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	89	87	91	93
Payroll deduction makes it easier for me to save.	92	87	91	92	93
The tax treatment of my retirement plan is a big incentive to contribute.	83	74	80	81	88
My employer-sponsored retirement plan offers me a good lineup of investment options.	83	80	79	81	87
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	79	81	82	86
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	48	68	62	53	35
Number of respondents	*1,150*				

*DC-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts or other DC plan accounts at the time of the survey.

Note: The figure reports the percentage of DC-owning individuals who "strongly agreed" or "somewhat agreed" with the statement. The remaining individuals "somewhat disagreed" or "strongly disagreed."

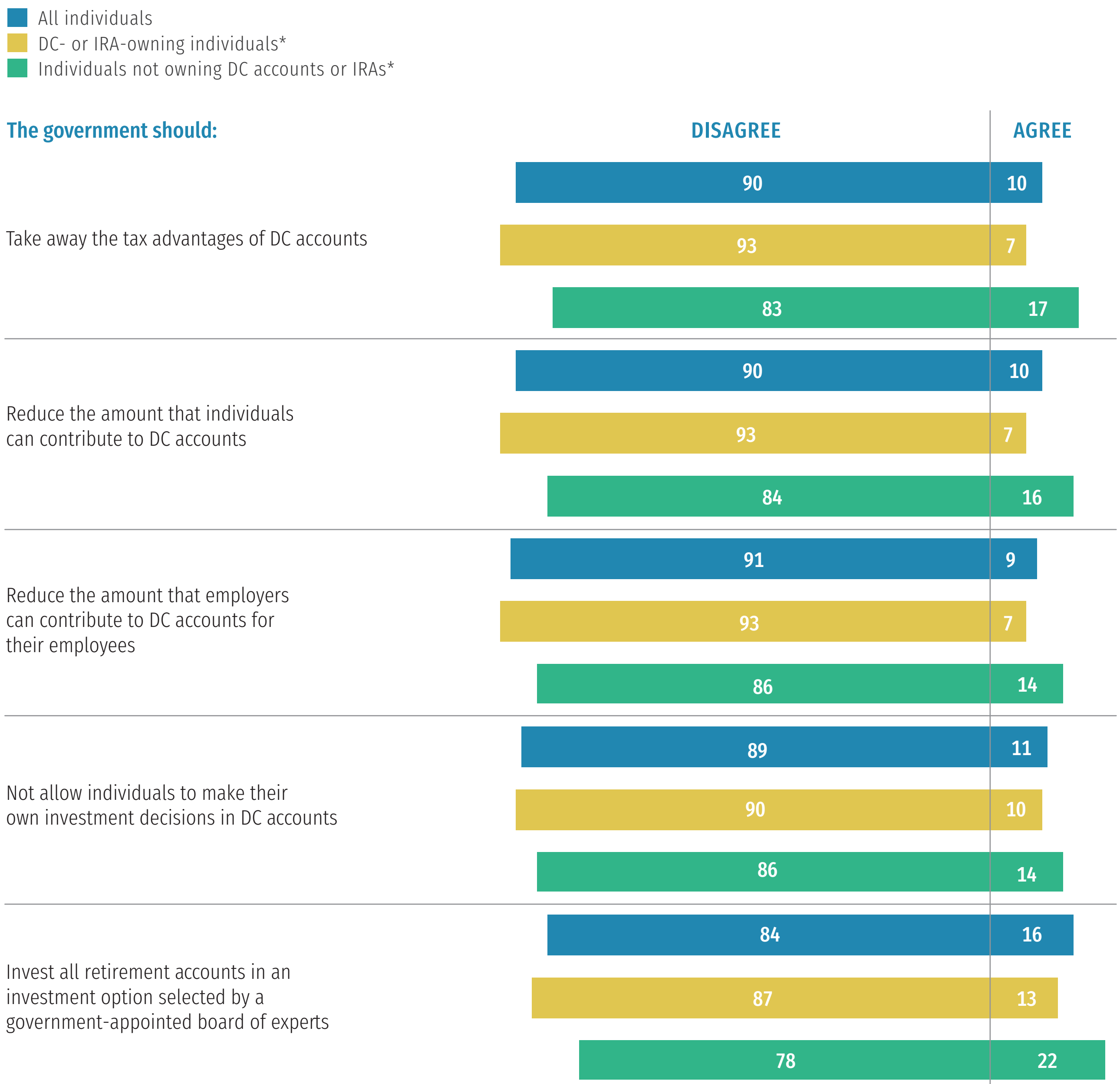
Source: ICI tabulations of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

Figure A5 presents the results for Figure 3 from the 2017 survey reweighted to represent individuals aged 18 or older in the United States.

FIGURE A5

Opinions of Suggested Changes to Retirement Accounts, 2017

Percentage of US individuals agreeing or disagreeing with each statement by ownership status, fall 2017



Number of respondents: 2,009

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure plots in the “agree” column the percentage of respondents that “strongly agreed” or “somewhat agreed” with the statement, and plots the percentage of respondents who “somewhat disagreed” or “strongly disagreed” in the “disagree” column.

Source: ICI tabulations of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

Figure A6 presents the results for Figure 4 from the 2017 survey reweighted to represent individuals aged 18 or older in the United States.

FIGURE A6

Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Age and Household Income, 2017

Percentage of US individuals disagreeing with each statement by age or household income, fall 2017

		Age of survey respondent			
Disagreeing that the government should:	**All individuals**	**Younger than 35**	**35 to 49**	**50 to 64**	**65 or older**
Take away the tax advantages of DC accounts	90	85	88	93	95
Reduce the amount that individuals can contribute to DC accounts	90	85	89	93	94
Reduce the amount that employers can contribute to DC accounts for their employees	91	86	91	94	94
Not allow individuals to make their own investment decisions in DC accounts	89	85	88	91	94
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	84	79	82	87	90
Number of respondents	*2,009*				

		Household income			
Disagreeing that the government should:	**All individuals**	**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	90	81	88	92	94
Reduce the amount that individuals can contribute to DC accounts	90	81	90	91	95
Reduce the amount that employers can contribute to DC accounts for their employees	91	84	89	93	94
Not allow individuals to make their own investment decisions in DC accounts	89	82	90	89	92
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	84	76	86	84	88
Number of respondents	*2,009*				

Note: The figure reports the percentage of respondents that “strongly disagreed” or “somewhat disagreed” with the statement. The remaining respondents “somewhat agreed” or “strongly agreed.”

Source: ICI tabulations of GfK KnowledgePanel® OmniWeb survey data (fall 2017)

Stock Market Performance in 2018

Figure A7 presents data on the level of the S&P 500 total return index during 2018.

FIGURE A7

Equity Market Declined in December 2018

S&P 500 total return index, 2018

Note: The S&P 500 total return index consists of 500 US stocks chosen for market size, liquidity, and industry group representation.

Sources: Bloomberg and Standard & Poor's

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 2018a; for results for the first half of 2018, see Holden and Schrass 2018b.

[2] The 2018 survey was conducted using the AmeriSpeak® research panel, a probability-based panel designed and operated by NORC at the University of Chicago. The AmeriSpeak® panel is designed to be representative of individuals aged 18 or older in the United States. Initially, randomly selected US households are sampled with a known, non-zero probability of selection from the NORC National Frame, and then contacted by US mail, telephone interviewers, overnight express mailers, or field interviewers (face to face). The NORC National Frame is representative of more than 97 percent of US households and includes additional coverage of population segments that are hard to survey, such as rural and low-income households. Panelists may participate in two to three AmeriSpeak® panel studies per month by phone or online (by computer, tablet, or smartphone).

[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; Burham, Bogdan, and Schrass 2014; Schrass, Holden, and Bogdan 2015; Holden, Burham, Bogdan, and Schrass 2016; Holden, Schrass, and Bogdan 2017; and Holden, Schrass, Seligman, and Bogdan 2018. The fall 2014, 2015, 2016, and 2017 surveys were online surveys; the prior surveys were conducted over the phone. The fall 2018 survey was conducted using the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology (see note 2 for additional detail). The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. Results are weighted to be representative of US individuals aged 18 or older; prior reports were weighted on the basis of US households.

[4] The wording of this question was changed in the 2017 survey to read: "Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments." In prior years, the statement in question was: "Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." See note 14 and Holden, Schrass, and Bogdan 2017.

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

[6] At the end of the third quarter of 2018, total retirement assets were $29.2 trillion, with $8.1 trillion in DC plans and $9.5 trillion in IRAs. See Investment Company Institute 2018b for the most recent estimates of total US retirement market assets.

[7] In mid-2018, 48 percent of US households had DC accounts, 33 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 2018 (sample of 5,001 US households). See Holden and Schrass 2018c; and Holden, Schrass, and Bogdan 2018 for additional detail.

[8] See note 3.

[9] Prior years' survey results, which had been reported on a household basis, have been reweighted to represent US individuals aged 18 or older. See Figures A4 to A6 for key results from the 2017 survey weighted to represent individuals.

[10] Results also are analyzed on the basis of individuals' household incomes.

[11] See note 3.

[12] Figure A1 in the appendix presents these results by generation of the survey respondent.

[13] The benefit of tax deferral is not the up-front tax deduction. Indeed, in many cases the benefits of tax deferral are equivalent to the tax benefits of Roth treatment, in which contributions are taxed but investment earnings and distributions are untaxed. 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 provides the same tax benefits as tax deferral. For this reason, 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. For an analysis of the benefits of the US retirement system—including Social Security and tax deferral—see Brady 2016.

[14] The wording of this question was changed in 2017 (see note 4), which may have contributed to the increase in the percentage of DC-owning individuals agreeing with the statement. In fall 2017, 83 percent of DC-owning individuals agreed that "knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments" (see Figure A4 in the appendix). In fall 2018, 79 percent of DC-owning individuals agreed that "knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments" (see Figure 2). In fall 2016, 69 percent of DC-owning individuals agreed that "knowing that I'm saving from every paycheck makes me less worried about the stock market's performance."

[15] 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 US households in 2016 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. 2017). 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 Figure A3 in the appendix). For additional discussion of savings goals and the US retirement system, see Investment Company Institute 2018a; Brady 2016; Brady and Bass 2018; and Brady, Burham, and Holden 2012.

[16] 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 2019 is equal to 90 percent of the first $926 of AIME; plus 32 percent of AIME from more than $926 through $5,583; and 15 percent of any AIME more than $5,583. 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 US Social Security Administration 2018 for more details about benefit formulas and parameters.

[17] For example, the first-year replacement rate (mean scheduled Social Security first-year benefits as a percentage of average inflation-indexed career earnings for retired workers in the 1960–1969 birth cohort [individuals aged 49 to 58 in 2018]) decreased as income increased. The mean replacement rate for the lowest lifetime household earnings quintile was 85 percent; for the middle quintile, the mean Social Security replacement rate was 55 percent; and for the highest quintile, it was 34 percent. See Congressional Budget Office 2018. For additional discussion, see Investment Company Institute 2018a; Brady and Bogdan 2014; and Brady, Burham, and Holden 2012.

[18] For a comprehensive analysis of the asset allocation of 401(k) accounts, see Holden et al. 2018. For insight into the rebalancing activities of 401(k) plan participants in their accounts or contribution allocations, see Holden and Schrass 2018a and 2018b. For an analysis of the number and types of investment options included in 401(k) plan lineups, see BrightScope and Investment Company Institute 2018.

[19] To reduce respondent burden, a question asking about views on a proposal to require workers to participate in a new government-sponsored pension plan was dropped. For the 2015 survey responses to that question, see Holden, Burham, Bogdan, and Schrass 2016.

[20] Figure A2 in the appendix presents these results by generation of the survey respondent.

[21] The 2009, 2010, 2011, 2012/2013, 2013, 2014, 2015, 2016, and 2017 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.

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

[23] 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 revised 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 (see Schrass, Holden, and Bogdan 2015 and Burham, Bogdan, and Schrass 2014). The 2014 question was repeated in 2015, 2016, 2017, and 2018 with similar results.

[24] The S&P 500 total return index was falling while the survey was in the field. See Figure A7 in the appendix.

[25] 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 whose households have 401(k)-type plans and IRAs likely is driven, in part, by the fact that the proposal directly affects their investment of their retirement accounts.

[26] See Mitchell et al. 1999, Beshears et al. 2012, Brown and Weisbenner 2014, and Brown et al. 2014. For a discussion of the early academic literature modeling the annuitization decision, see Holden and Salinas 2018.

[27] See Sinclair and Smetters 2004; Pashchenko 2013; Ameriks et al. 2014; Reichling and Smetters 2015; and Chen, Haberman, and Thomas 2016.

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

[29] See Shu, Zeithammer, and Payne 2016.

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

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