INVESTMENT COMPANY INSTITUTE

1401 H Street, NW, Washington, DC 20005-2148, USA
202/326-5800 www.ici.org

Retirement: Key Facts and Positions
Access to Retirement Accounts Prior to Retirement

One of the many strengths of the 401(k) system is its flexibility. Policymakers have built into 401(k) plans a careful mix of incentives that help workers save and preserve their savings for retirement—but allow limited access in case of need through hardship withdrawals and loans.

Recently, some policymakers and observers have expressed concerns prompted by the perception that the level of such withdrawals has increased. Questions have thus been raised about the retirement security of workers who access retirement funds before retirement age. As this conversation takes place, it's important to be aware of key facts, notably in three areas: 401(k) loans, withdrawals, and access to funds during job changes.

401(k) loan amounts are modest.

- The EBRI/ICI 401(k) database, which covers more than 64,000 401(k) plans, provides a very clear picture of 401(k) loans.
- As the latest EBRI/ICI study shows, fewer than one in five 401(k) participants have loans outstanding and, in those cases, loan amounts are modest.
    - Among 401(k) participants with loans outstanding, loans on average represent only 14 percent of the remaining account balance.
- The total amount of 401(k) loans outstanding is less than 2 percent of overall 401(k) plan assets.
- Research also finds that the availability of the loan feature actually boosts participation and contributions. This suggests that participants appreciate this flexibility and are more likely to participate in a plan if they know they will have access to a portion of their assets if needed.

401(k) withdrawals are rare.

- Participants in defined contribution (DC) plans, such as 401(k) plans, generally do not tap their accounts through withdrawals while working.
- The latest data from ICI's DC plan recordkeeping survey, which covered the first three quarters of 2012, finds that only 2.8 percent of DC plan participants took withdrawals, with only 1.4 percent taking hardship withdrawals.

Research indicates that most pension assets are preserved at job change.

- Several studies show that most pension assets are preserved at job change.
- For example, Vanguard's recent examination of its recordkeeping data revealed that 30 percent of all participants could have taken their account as a distribution because they had terminated employment in 2011 or prior years.
    - Those participants preserved 96 percent of their plan assets that were available for distribution.

For more key facts and positions on retirement, please see http://www.ici.org/retirement.