Distribution decisions among retirement-age defined contribution plan participants

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Data characteristics and challenges

» Full-service recordkeeping system
» January 1, 2004, through December 31, 2009
» Data pulled mid-2010
» More than 133,000 age 60+ participants terminated during this period

The “cash” side of the equation is easy to follow, but . . .

Participants have options:
» Remain in the plan
» Roll over to an IRA
» Take cash
» Pursue a combination of the above strategies

Two-thirds of participants chose a single option:
» Participants categorized based on predominant choice (80%+ of assets)
» Combination participants did not have a predominant behavior
Participant distribution behavior year-end 2009

The overwhelming majority of age 60+ participants leave their employer’s plan within five years of separation

Source: Vanguard 2010.

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Asset distribution behavior year-end 2009

And, the overwhelming majority of age 60+ participant assets leave their employer’s plan within five years

![Chart showing asset distribution behavior year-end 2009](chart)

Source: Vanguard 2010.
Distribution for younger cohorts

Distribution behavior as of year-end 2009

Under age 40

Participants
- Remain in plan: 20%
- Installments: 33%
- Rollover: 43%
- Combination: 4%

Assets
- Remain in plan: 7%
- Installments: 44%
- Rollover: 33%
- Combination: 0%

Age 40 to 60

Participants
- Remain in plan: 6%
- Installments: 28%
- Rollover: 53%
- Combination: 10%

Assets
- Remain in plan: 10%
- Installments: 6%
- Rollover: 53%
- Combination: 30%

Source: Vanguard 2010.
Most assets preserved for retirement

Plan distribution behavior

Source: Vanguard 2011.
Plan distribution behavior by age and account balance

Participants with termination dates in 2010

Note: Cells with less than 100 data points are omitted.
Source: Vanguard 2011.

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Implications

» Throughout the past decade participants have overwhelmingly preserved assets for retirement
» Within 3–5 years most participants, and assets, have rolled over to IRAs
» Retirement income decisions are made beyond the plan
Disclosures

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