

Focus on Funds: Retirement Plan Participation Continues to Increase

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ICI research shows that most workers who are likely to have the ability to save for retirement and to be focused primarily on saving for retirement participate in an employer-sponsored retirement plan. In the March 6, 2020, edition of *Focus on Funds*, ICI Senior Economic Adviser Peter Brady shares the key findings.

Transcript

Stephanie Ortals-Tibbs, ICI director of media relations: Who participates in American retirement plans and why? ICI has a long track record of expertise in this area, led by one of our economists, Peter Brady. What do you see as some of the key findings as part of our [latest report](#)?

Peter Brady, ICI senior economic adviser: Among workers who have both the desire and the means to save for retirement, the vast majority—78 percent—participate in a plan either directly or through a spouse.

Ortals-Tibbs: So tell me how you arrive at this 78 percent number.

Brady: Well, we start with all workers aged 26 to 64, and what we find is 64 percent either participate in a retirement plan where they work or have a spouse who does. If we exclude from the analysis the very lowest income—those who have income of less than \$20,000 per person—that rate goes up to 72 percent. Now these workers—the very lowest-income workers—may rationally choose not to save for retirement because Social Security benefits alone will replace a very high share of their earnings.

If we also exclude younger workers—so 26 to 45—with slightly higher income, about up to \$40,000 per person—the rate goes up to 78 percent. Now these workers may want to save for retirement, but they may rationally decide to delay doing so until they're a bit older, when their earnings are typically going to be higher and when other priorities such as education, family, [and] home are taken care of.

Ortals-Tibbs: It certainly does seem logical to think that as people have their income increase, have their age increase as they get older, that they would think more seriously about retirement savings, and you see that in your data.

Brady: Younger households report that the primary reason they save is typically something other than retirement: And the focus on

retirement savings increases more and more with age.

Ortbals-Tibbs: And why is the finding that participation increases with income and age so important?

Brady: So, public policy debates often focus on the share of workers who are participating in a retirement plan at a single point in time, but this understates the importance of employer plans for workers. Many lower income and younger workers who are not participating today will participate at some point in the future before retirement. And the few hitting retirement having not participated, some of those will actually have a spouse who has participated. The end result is if you look at the data, most working households that are approaching retirement have accumulated resources from these plans.

Additional Resources

- [ICI Research Perspective: Who Participates in Retirement Plans](#)
- [A Resource for Facts on America's Retirement System](#)
- [How America Supports Retirement](#)
- [Retirement Resource Center](#)
- [ICI Explains: Who Invests in Mutual Funds and Why?](#)