

Focus on Funds: Americans Trust Their 401(k)s

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Americans are confident that 401(k) plans and other defined contribution plan accounts will help them meet their retirement saving goals. In the February 16, 2018, edition of *Focus on Funds*, ICI Senior Director of Retirement and Investor Research Sarah Holden shares findings from a recent ICI survey.

Transcript

Stephanie Ortvals-Tibbs, ICI director, media relations: What do Americans think of their 401(k) and retirement accounts? Each year, ICI does a survey that gives us insight on this issue. Sarah Holden, ICI's senior director of retirement and investor research, shared with me the latest findings.

Sarah Holden, ICI senior director of retirement and investor research: This survey is just one of the ways in which we keep an eye on, or keep track of, what people are doing in terms of saving for retirement. We know that there's \$27.2 trillion earmarked for retirement, and the largest pieces within that are in individual retirement accounts [IRAs] and defined contribution plans like 401(k) plans and 403(b) plans.

So this means that 60 percent of the assets earmarked for retirement are actually being managed by individuals. Individuals are making decisions on how much to save and how to invest that money, and the question then is, how are they feeling about that responsibility?

Ortvals-Tibbs: The way that you get at understanding better how they feel about that is, you have in this survey a series of statements, and you have them react to those. What do the statements and their reactions tell you about people's feelings toward these accounts?

Holden: We asked the defined contribution account-owning households how they feel about the saving and investing features of those plans. And what we find is that, really, the vast majority appreciate the investment choices and control that they have over those investments. And they also really appreciate the fact that the employer offered the plan, because the plan is a way to have you think about the long term—not just your current needs. And they said that the ease of payroll deduction made it so much easier for them to save for their futures.

Ortbals-Tibbs: Sarah, it is interesting that this year, the survey also would have come in, to some extent, against the backdrop of US tax reform. You asked people questions about how they feel about the tax treatment of the retirement savings in these accounts. What have you learned?

Holden: One of the questions we ask of the people who currently have accounts is, how important was the tax treatment to their decision to contribute to the plan—so, to participate in the plan? And they say it was very important to that decision. So, among those who have a plan now, we know that it's important to the decision to participate.

We also just run policy changes by all US households. We get your opinion, whether or not you have an account now. And we asked US households what they thought of the idea of reducing the contribution limits to the plans. The vast majority said, "Don't do it; it's a bad idea."

What was interesting was that, while 91 percent of households overall said, "don't reduce the contribution limits," even [among] households who don't have an account now, 86 percent of them said "don't do it." This is something we see widespread support, even if I'm not currently participating—because in the future, I might be participating, and I recognize the value of this benefit.

Ortbals-Tibbs: It really is interesting to see that, high-level across the board, a belief in these defined contribution accounts and what they can do for someone's retirement savings.

Holden: Another question on this survey involved people's confidence in the accounts, and we found that people who had the accounts were confident it would help them reach their goals. We asked the question of the people who didn't have accounts, and they also had a favorable view of the accounts.

Additional Resources

- [Release: Americans Trust Their 401\(k\)s](#)
- [Focus on Funds: Smart Strategies Help Savers Make the Most of Their 401\(k\)](#)
- [Frequently Asked Questions About 401\(k\) Plans: The Basics](#)
- [Release: Mutual Fund Fees in 401\(k\) Plans Continue Downward Trend in 2016](#)
- [Release: Americans Support Retaining DC Participants' Investment Control](#)
- [Release: Most Employers Make Contributions to Their 401\(k\) Plans, In-Depth BrightScope/ICI Study Finds](#)