

ICI's Response to July 7 401(k) Commentary on Huffingtonpost.com

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I'm writing from the Investment Company Institute, the national association for mutual funds. More than 40 percent of the assets in 401(k) plans and individual retirement accounts are in mutual funds, so we take a strong interest in retirement issues. And we join policymakers and others in the call to strengthen and improve the 401(k) system.

Today, half of the nation's retirement assets are invested in defined contribution plans or IRAs. That's more than 7 trillion dollars—and most of those dollars would not have been saved without 401(k)s. That's just one measure of the success of 401(k)s in bolstering Americans' retirement security. The 401(k) plan is one of the very best values an investor can find: participants in 401(k) plans enjoy favorable tax treatment, they benefit from the discipline of automatic investing, they typically pay low costs and receive an employer contribution or "match." These plans are modern, portable, and flexible, to fit the needs of today's mobile workforce.

It is true that the bear market has been wider, deeper, and more unsettling than any downturn in generations. And it has had a significant impact on retirement savings of all types—traditional pensions as well as 401(k)s. Yet despite the effect on their retirement balances, working Americans strongly support 401(k)s. We know this because we examined account records of 22 million DC participants through the end of 2008. They were not panicking: only 3.7 percent had stopped contributing to their accounts, and only 3.9 percent had taken any withdrawals. Clearly, 401(k) savers are staying the course.

As the poster notes, there are a number of fees associated with 401(k) plans. That's because 401(k)s package together a lot of services that plan sponsors and participants need and value. What counts for employers and workers is the aggregate fee for the full package. Unfortunately, some commentators have tended to exaggerate that total, in part because data has been sparse. We commissioned Deloitte Consulting to conduct a thorough study of 401(k) fees, collecting more than 1,000 data points from each of 130 plans. The [Deloitte study](#) found that among those plans, the median all-in fee was 72 basis points. When the fees were weighted to reflect the number of participants in each segment of the 401(k) market, the median fee was 86 basis points—still far less than the fee numbers that are often discussed. (We also provide a [detailed explanation](#) of our study.)

Chairman Miller is not alone in pushing for better disclosure. The mutual fund industry has been leading the charge for [30 years](#). In February, ICI's president and CEO, Paul Stevens, [testified](#) before Chairman Miller and the House Education and Labor Committee in favor of 401(k) reforms, including "simple, straightforward disclosure focused on the key information that allows comparisons among the investment options available in their plan." Today, we are actively engaged with a number of members of Congress who are considering legislation on 401(k) disclosure.

If Congress chooses to legislate in this area, lawmakers will have a once-in-a-generation opportunity to get it right. The right disclosure will be tailored to meet the specific (and different) needs of sponsors and participants. For participants, disclosure must be clear, concise, and useful, without information overload. Stevens outlines his views on the best way to achieve these goals in a [guest column](#) in [Ignites](#) today, which we encourage your readers to read.

ICI will continue to work with members of Congress and regulators to ensure that 401(k) participants get the information that they want, need, and can use to make better decisions to enhance their retirement security. After 33 years, we're not about to give up. Thanks for the opportunity to comment.

Ilanthe Zabel
Senior Director
Media Relations

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