Ten Important Facts About 401(k) Plans
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401(k) Plans

In 1981, the Internal Revenue Service (IRS) proposed regulations for 401(k) plans that allowed pretax contributions to be made from employees’ ordinary wages and salary. Over four decades later, 401(k) plans have grown to become the most common type of employer-sponsored defined contribution (DC) retirement plan in the United States.
401(k) plans represent the largest share of DC plan assets.

Americans held $9.3 trillion in DC plans at year-end 2022, accounting for 27 percent of the $34.2 trillion in retirement assets and about 8 percent of household financial assets. Seventy percent of DC plan assets, or $6.6 trillion, were held in 401(k) plans, accounting for 19 percent of all US retirement assets.

401(k) Plans Represent the Largest Share of DC Plan Assets

Trillions of dollars, fourth quarter 2021

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Assets (Trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>401(k) plans</td>
<td>6.6</td>
</tr>
<tr>
<td>Other private-sector DC plans</td>
<td>0.5</td>
</tr>
<tr>
<td>403(b) plans</td>
<td>1.1</td>
</tr>
<tr>
<td>TSP²</td>
<td>0.7</td>
</tr>
<tr>
<td>457 plans</td>
<td>0.4</td>
</tr>
</tbody>
</table>

**TOTAL DC PLAN ASSETS: $9.3 TRILLION**

1. This category includes Keoghs and DC plans (profit-sharing, thrift-savings, stock bonus, and money purchase) without 401(k) features.
2. This category is the Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP) as reported by the Federal Reserve Board.

Sources: Investment Company Institute and Federal Reserve Board; see Table 6 in “The US Retirement Market, First Quarter 2023” (June 2023), [www.ici.org/research/stats/retirement](http://www.ici.org/research/stats/retirement)
Adults of all ages participate in 401(k) plans.

At year-end 2020, 38 percent of 401(k) participants were in their twenties or thirties, 24 percent were in their forties, 25 percent were in their fifties, and 14 percent were in their sixties. Reflecting the lifecycle of retirement saving, 401(k) participants tend to be in their peak earning and saving years and are slightly older than the broad population of private-sector workers.

### 401(k) Participants Represent a Range of Ages

Percentage of individuals aged 20 to 69 by age, 2020

<table>
<thead>
<tr>
<th>AGE GROUP</th>
<th>Active 401(k) plan participants</th>
<th>Private-sector wage and salary workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twenties</td>
<td>14</td>
<td>24</td>
</tr>
<tr>
<td>Thirties</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Forties</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Fifties</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Sixties</td>
<td>14</td>
<td>24</td>
</tr>
</tbody>
</table>

**MEDIAN: 45 YEARS**

**MEDIAN: 40 YEARS**

Households from all income groups own DC plan accounts.

More than four in 10 US households with DC retirement plan accounts had moderate incomes. Forty-four percent of households owning DC accounts in 2022 had annual incomes between $25,000 and $99,999. Half of households with DC assets reported incomes of $100,000 or more and 6 percent had incomes less than $25,000.

Households with DC Plan Accounts Cover All Income Groups

Percentage of US households with DC accounts and all US households by household income, 2022

**HOUSEHOLD INCOME**

- $200,000 or more: 16%
- $100,000 to $199,999: 34%
- $75,000 to $99,999: 15%
- $50,000 to $74,999: 17%
- $25,000 to $49,999: 12%
- Less than $25,000: 6%

**DC-owning households**
- MEDIAN: $100,000
- MEAN: $135,900

**All US households**
- MEDIAN: $69,000
- MEAN: $106,600

Note: Total reported is household income before taxes in 2021.
Source: 2022 ICI Annual Mutual Fund Shareholder Tracking Survey
Individuals appreciate the tax treatment and investment features of their DC plans.

Most DC account–owning individuals agreed that employer-sponsored retirement accounts helped them “think about the long term, not just my current needs” (90 percent), and that “payroll deduction makes it easier for me to save” (91 percent). Saving in employer-sponsored retirement plans has certain tax advantages. Typically, neither the initial contribution nor investment returns are included in taxable income. Instead, taxes are deferred until the individual withdraws money from the account. Overall, 85 percent of individuals with DC plan accounts agreed that the “tax treatment of my retirement plan is a big incentive to contribute.” In addition, 85 percent of DC account–owning individuals agreed that their plans offer “a good lineup of investment options.” Seventy-nine percent agreed that “knowing that I’m saving from every paycheck makes me less worried about the short-term performance of my investments.”

Views of Individuals Who Own DC Plan Accounts
Percentage of DC-owning individuals agreeing with each statement, fall 2022

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll deduction makes it easier for me to save.</td>
<td>91</td>
</tr>
<tr>
<td>My employer-sponsored retirement account helps me think</td>
<td>90</td>
</tr>
<tr>
<td>about the long term, not just my current needs.</td>
<td></td>
</tr>
<tr>
<td>The tax treatment of my retirement plan is a big incentive to</td>
<td>85</td>
</tr>
<tr>
<td>contribute.</td>
<td></td>
</tr>
<tr>
<td>My employer-sponsored retirement plan offers me a good lineup</td>
<td>85</td>
</tr>
<tr>
<td>of investment options.</td>
<td></td>
</tr>
<tr>
<td>Knowing that I’m saving from every paycheck makes me less</td>
<td>79</td>
</tr>
<tr>
<td>worried about the short-term performance of my investments.</td>
<td></td>
</tr>
</tbody>
</table>

Note: The figure reports the percentage of DC-owning individuals who “strongly agreed” or “somewhat agreed” with the statement. The remaining individuals “somewhat disagreed” or “strongly disagreed.”

Most 401(k) plan participants receive plan contributions from their employers.

In 2020, 91 percent of 401(k) plan participants were in plans with employer contributions.

Most 401(k) Participants Receive Employer Contributions

Percentage of participants in 401(k) plans with employer contributions by plan assets, 2020

<table>
<thead>
<tr>
<th>PLAN ASSETS</th>
<th>Less than $1M</th>
<th>$1M to $10M</th>
<th>&gt;$10M to $100M</th>
<th>More than $100M</th>
<th>All plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>68</td>
<td>81</td>
<td>92</td>
<td>96</td>
<td>91</td>
</tr>
</tbody>
</table>

Source: Investment Company Institute tabulations of US Department of Labor Form 5500 Research File
**401(k) Plan Account Balances Increase with Participant Age and Tenure**

Average 401(k) plan account balance by participant age and tenure, year-end 2020

**YEARS OF TENURE**

- 0 to 2
- >5 to 10
- >20 to 30
- >30

**AGE GROUP**

- 20s
- 40s
- 60s

<table>
<thead>
<tr>
<th>Years of Tenure</th>
<th>20s</th>
<th>40s</th>
<th>60s</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 2</td>
<td>$5,667</td>
<td>$24,986</td>
<td>$59,771</td>
</tr>
<tr>
<td>&gt;5 to 10</td>
<td>$21,865</td>
<td>$76,091</td>
<td>$95,323</td>
</tr>
<tr>
<td>&gt;20 to 30</td>
<td></td>
<td>$198,711</td>
<td>$225,259</td>
</tr>
<tr>
<td>&gt;30</td>
<td></td>
<td></td>
<td>$351,174</td>
</tr>
</tbody>
</table>

Note: At year-end 2020, the average account balance among all 11.5 million 401(k) plan participants was $87,040; the median account balance was $17,961. Account balances are participant account balances held in 401(k) plans at the participants' current employers and are net of plan loans. Retirement savings held in plans at previous employers or rolled over into individual retirement accounts (IRAs) are not included. The tenure variable is generally years working at current employer, and thus may overstate years of participation in the 401(k) plan.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project; see Figure 5 in “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2020,” *ICI Research Perspective* (Nov 2022), www.ici.org/files/2022/per28-11.pdf
401(k) plans offer participants a wide array of investment options.

Domestic equity funds, international equity funds, and domestic bond funds were the most likely investment options to be offered in 401(k) plans in 2020. Nearly all plans offered these types of funds, which can be mutual funds, collective investment trusts (CITs), or separate accounts. Equity funds were the most common investment option, with 401(k) plans offering about 13 funds on average, of which nine were domestic equity funds and three were international equity funds. Target date funds were another common category in 401(k) investment lineups, representing roughly one in 10 fund options when offered in plans.

### 401(k) Plan Lineups Contain Many Investment Options

Percentage of plans offering and average number of investment options among plans offering the specified investment option, 2020

- **Domestic equity funds**: 99.8% offering, 9.3 average funds
- **International equity funds**: 98.3% offering, 3.3 average funds
- **Target date funds**: 87.4% offering, 10.1 average funds
- **Non-target date balanced funds**: 57.8% offering, 2.2 average funds
- **Memo: Index funds**: 95.3% offering, 9.2 average funds

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>Percentage Offering</th>
<th>Average Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity funds</td>
<td>99.8%</td>
<td>9.3</td>
</tr>
<tr>
<td>International equity funds</td>
<td>98.3%</td>
<td>3.3</td>
</tr>
<tr>
<td>Target date funds</td>
<td>87.4%</td>
<td>10.1</td>
</tr>
<tr>
<td>Non-target date balanced funds</td>
<td>57.8%</td>
<td>2.2</td>
</tr>
<tr>
<td>Memo: Index funds</td>
<td>95.3%</td>
<td>9.2</td>
</tr>
<tr>
<td>Domestic bond funds</td>
<td>98.0%</td>
<td>3.1</td>
</tr>
<tr>
<td>International bond funds</td>
<td>30.4%</td>
<td>1.0</td>
</tr>
<tr>
<td>Money funds</td>
<td>45.4%</td>
<td>1.1</td>
</tr>
<tr>
<td>GICs</td>
<td>70.5%</td>
<td>1.1</td>
</tr>
<tr>
<td>Other</td>
<td>68.8%</td>
<td>1.6</td>
</tr>
</tbody>
</table>

1. A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund’s name.

2. **Other** includes commodity funds, real estate funds, and individual stocks (including company stock) and bonds, but each separate option is counted as a unique investment option.

Note: The sample is 59,981 plans with 59.1 million participants and $5.9 trillion in assets. Participant loans are excluded. Funds include mutual funds, collective investment trusts, separate accounts, and other pooled investment products. BrightScope audited 401(k) filings generally include plans with 100 participants or more. Plans with fewer than four investment options or more than 100 investment options are excluded from BrightScope audited 401(k) filings for this analysis.

Equities figure prominently in 401(k) plans, especially among younger 401(k) investors.

Data from the 2020 EBRI/ICI 401(k) database show that equity securities—equity funds, the equity portion of balanced funds, and company stock—represented 68.5 percent of the assets in 401(k) plan participants’ accounts. Equity funds represented 41.8 percent of 401(k) plan participants’ account balances. Another 31.0 percent of 401(k) assets were invested in target date funds, and 59 percent of all 401(k) plan participants had invested at least some of their accounts in target date funds. Additionally, more 401(k) plan participants held equities at year-end 2020 compared with year-end 2007, and many—particularly younger participants—had higher concentrations in equities. Younger 401(k) participants were much more likely to hold equities and high concentrations in equities at year-end 2020 compared with year-end 2007. Of these younger participants, the share holding no equities fell to 7 percent at year-end 2020 from 19 percent at year-end 2007.

Asset Allocation to Equities Varied Widely Among 401(k) Plan Participants

Percentage of participants by age of participant, year-end

PERCENTAGE OF 401(k) PLAN ACCOUNT BALANCE INVESTED IN EQUITIES

Note: Equities include equity funds, company stock, and the equity portion of balanced funds. Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated. Components may not add to 100 percent because of rounding.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project; see Figure 8 in “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2020,” ICI Research Perspective (Nov 2022), www.ici.org/files/2022/per28-11.pdf

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401(k) plan participants have concentrated their assets in lower-cost funds.

Employers offering 401(k) plans typically hire service providers to operate the plans, and these providers charge fees for their services. 401(k) plans have administrative services, participant-focused services, and regulatory and compliance services. Plan costs may be paid by the employer, the plan, or the plan participants, and may be assessed at a plan level or account level as a fixed charge or as a percentage of assets.

Sixty-two percent of 401(k) plan assets as of 2022 were invested in mutual funds—mainly equity mutual funds, representing about 58 percent of 401(k) mutual fund assets or about 36 percent of all 401(k) plan assets. 401(k) plan participants investing in mutual funds tend to invest in lower-cost funds. In 2022, the simple average expense ratio for equity mutual funds offered in the United States, including both index and actively managed strategies, was 1.12 percent. However, taking into account both the funds offered in 401(k) plans and the distribution of assets in those funds, 401(k) plan participants who invested in equity mutual funds paid less than one-third of that amount, 0.33 percent on average.

401(k) Mutual Fund Investors Tend to Pay Lower-Than-Average Expense Ratios

Total expense ratio for equity mutual funds, percent, 2022

<table>
<thead>
<tr>
<th></th>
<th>Industry simple average expense ratio</th>
<th>Industry asset-weighted average expense ratio</th>
<th>401(k) asset-weighted average expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expense ratio</td>
<td>1.12</td>
<td>0.44</td>
<td>0.33</td>
</tr>
</tbody>
</table>

Note: ICI uses asset-weighted average expense ratios to measure the expense ratios that mutual fund investors actually incur for investing in mutual funds. The simple average expense ratio, which measures the average expense ratio of all funds offered for sale, can overstate what investors actually paid because it fails to reflect the fact that investors tend to concentrate their holdings in lower-cost funds. The total expense ratio includes fund operating expenses and any 12b-1 fees. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper and Morningstar; see Figure 6 in “The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2022,” ICI Research Perspective (July 2023), www.ici.org/files/2023/per29-06.pdf
Fewer than one in five 401(k) plan participants have loans outstanding.

Data from the 2020 EBRI/ICI 401(k) database indicate that 53 percent of 401(k) plans offered a plan loan provision to participants, and 84 percent of participants were in plans offering loans. However, relatively few participants made use of this borrowing privilege. Factoring in all 401(k) participants with and without loan access in the database, only 13 percent had loans outstanding at year-end 2020. More recent data from the ICI survey of DC plan recordkeepers similarly show that 12.6 percent of DC plan participants had loans outstanding at the end of March 2023.

Additional Reading

» 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2020
   www.ici.org/research/retirement/ebri-ici-401k

» The BrightScope/ICI Defined Contribution Plan Profile, 2020
   www.ici.org/research/retirement/dc-plan-profile

» The US Retirement Market, First Quarter 2023
   www.ici.org/research/stats/retirement

» The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2022
   www.ici.org/research/industry/fees

» American Views on Defined Contribution Plan Saving, 2022
   www.ici.org/research/retirement/us-views

» Defined Contribution Plan Participants’ Activities, First Quarter 2023
   www.ici.org/research/retirement/dc-plan-activities