NEWS RELEASE

August 9, 2004

Ongoing Contributions and Favorable Equity Market Returns Boost 401(k) Account Balances in 2003, August 2004

Ongoing Contributions and Favorable Equity Market Returns Boost 401(k) Account Balances in 2003

Findings From Nation's Largest 401(k) Account Database Also Show Average Asset Allocations Little Changed

Washington, DC, August 9, 2004 – Analyzing the nation's largest database of 401(k) accounts, the Investment Company Institute (ICI) and the Employee Benefit Research Institute (EBRI) today released their annual study on 401(k) plan participants' asset allocations, account balances, and loan activity for 2003. Driven by strong equity market returns and continuing contributions, the average ongoing 401(k) account balance increased last year by 29.1 percent.

The EBRI/ICI Participant-Directed Retirement Plan Data Collection Project is the nation's largest database on 401(k) plan participant accounts. The latest report, which analyzes year-end 2003 data, contains statistical information on about $776 billion in assets held by 15 million 401(k) plan participants in 45,152 plans. The EBRI/ICI project covers approximately 35 percent of all 401(k) participants in the nation.

"These results suggest that American workers continue to see their 401(k) plans as effective, long-term ways to save for retirement," said Sarah Holden, co-author of the report and Senior Economist at the Investment Company Institute. "401(k) participants appear to have stayed the course during the bear market and continued to invest in their retirement."

In 2003, an estimated 42 million workers in the United States participated in 401(k) plans, holding $1.9 trillion in assets.

Account Balances

Among participants with accounts at least since year-end 1999, the EBRI/ICI study found that the average 401(k) account balance increased 29.1 percent in 2003, a turnaround from the declines in recent years. Furthermore, account balances increased across all age and tenure groups during the past year.

“The data suggest that 401(k) participants view their plans as a steady, long-term investment, which is an encouraging finding” Holden said. “The average account balance declines that occurred during the bear market did not deter participants from continuing to invest in their 401(k) plans.”

Average account balances vary by workers’ age and job tenure. Older workers with longer job tenure tend to have higher account balances than younger workers and those with fewer years on the job. Changes in account balances, which are the result of contributions, investment returns, withdrawals, borrowing, and loan repayments, also vary with participant age and job tenure.

- The average balance for ongoing workers in their twenties rose 51.0 percent in 2003 to $23,888.
- For ongoing participants in their thirties, the average balance increased 38.6 percent in 2003, reaching an average of $50,937 at year-end.
- For ongoing workers in their forties, the average account balance increased to $82,999 in 2003 – an increase of 31.6 percent.
- For workers in their fifties and sixties, average account balances increased 24.5 percent and 14.9 percent, respectively in 2003.

The average account balance for all 401(k) participants holding accounts at least since 1999 increased 29.1 percent in 2003 to reach an average of $76,809.

Asset Allocation

Reflecting the stronger performance of equity markets relative to fixed-income securities, 401(k) participants’ allocations in equity securities – equity funds, the equity portion of balanced funds, and company stock – increased to 67 percent of 401(k) assets at year-end 2003 from 62 percent in 2002.

On average, at year-end, 45 percent of 401(k) participants’ assets were invested in equity funds (which include mutual funds and other pooled investments), 16 percent in company stock, 9 percent in balanced funds, 10 percent in bond funds, 13 percent in guaranteed investment contracts and other stable value funds, and 5 percent in money funds.

“The asset allocation patterns we have seen for participants in recent years continued in 2003. Younger participants tended to hold higher allocations of equity assets while older participants tended to invest more in fixed-income assets. These snapshots suggest that participants generally understand the principles of the 401(k) and are putting it to work effectively for their retirement,” Holden said.

The EBRI/ICI Participant-Directed Retirement Plan Data Collection Project was co-authored by Sarah Holden of the ICI and Jack VanDerhei, a Temple University professor and EBRI Fellow. This collaborative project was initiated in 1996 and has been updated each year.
