

NEWS RELEASE

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Millions of Workers Continue to Save for Retirement Through 401(k) Plans

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National 401(k) Day reminds savers to take advantage of their retirement plans

Washington, DC; September 6, 2018—The Investment Company Institute (ICI) is celebrating National 401(k) Day this week by highlighting the strength of 401(k) plans used by tens of millions of workers to save for their futures.

“Our research shows that 401(k) plans are a popular choice for workers because they are a flexible, proven way to save for retirement,” said ICI Education Foundation (ICIEF) Vice President Christina Kilroy. “Workers value the features of 401(k) plans—such as employer contributions, auto-enrollment, tax treatment, and diverse investment options, including target date funds—that make it easier for them to plan and save. Plan participants also express confidence that 401(k)s and similar employer-sponsored plans will help them achieve their retirement goals. ICI and ICIEF urge savers to use National 401(k) Day as an opportunity to review their financial goals and make sure they’re on track.”

401(k) Plans Are Helping Millions of Americans Build Nest Eggs for Retirement

About 55 million Americans participate in 401(k) plans, which held an estimated \$5.3 trillion in assets at the end of March 2018. Investors with 401(k)s and similar defined contribution (DC) plan accounts [appreciate the control and choice](#) of investment options offered in their plans. With 401(k) plans offering on average [more than 20 investment options](#), investors can build a diversified portfolio to match their investing needs. In addition, mutual fund expense ratios have been declining for decades and 401(k) mutual fund investors tend to concentrate their assets in [lower-cost funds](#)—meaning more of their savings is going toward retirement.

Americans Are Confident That 401(k)s Will Help Them Meet Retirement Goals

According to an [ICI household survey](#) conducted in fall 2017, 77 percent of all US households surveyed indicated that they were confident in the ability of 401(k)s and similar retirement plans to help individuals meet their retirement goals. Among households that owned at least one DC account or individual retirement account (IRA), 84 percent expressed confidence. Even among households not currently owning retirement plan

accounts, 63 percent expressed confidence in the savings power of these plans.

Tips for Savers to Make the Most of a 401(k) Plan

For eligible savers not yet enrolled in their employers' plan, enrollment is the first step to taking advantage of a 401(k) plan. Other key steps include:

1. **Max out the employer match** to avoid leaving money on the table. Nine out of 10 participants in 401(k) plans are offered an employer contribution, which is often based on how much the employee contributes.
2. **Determine the investment approach.** Some investors want to build their own portfolios and rebalance them over time. Others prefer to invest in target date funds, which hold a diversified mix of stocks and bonds that automatically rebalance to become less focused on growth and more focused on income as savers near retirement. Nearly two-thirds of [401\(k\) plans offer target date funds](#), and half of 401(k) investors use this increasingly popular option.
3. **Preserve the nest egg.** For some workers, it may be tempting to cash out of a 401(k) when changing jobs, especially if the account balance is small. However, doing so before retirement may result in a large tax bill, including a tax penalty of 10 percent of the taxable amount withdrawn. Instead, workers may want to consider [rolling their account balance into an IRA](#), or if they are allowed to do so, moving the balance into their new employer's plan or remaining in their previous plan.

For more information about 401(k) plans, see ICI's [401\(k\) Resource Center](#), which includes "[Ten Important Facts About 401\(k\) Plans](#)," frequently asked questions (FAQs) covering the [basics of 401\(k\) plans](#) and [401\(k\) plan research](#), and ICI's new retirement website, [FactsOnRetirement.org](#).