

## NEWS RELEASE

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# Study: U.S. Households Believe Current Retirement Saving Incentives Should Be Maintained

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## ICI Surveys Show Americans Committed to Saving, Confident in 401(k) System

Washington, DC, January 24, 2012 - As U.S. policymakers consider tax policy and how to resolve federal budget deficits, more than eight in 10 U.S. households believe the current tax incentives to encourage retirement saving should be preserved, according to new research released today by the Investment Company Institute (ICI). The research is based on data collected in a survey of 3,000 U.S. households in November and December 2011.

The ICI study—[America's Commitment to Retirement Security: Investor Attitudes and Actions](#)—found that such agreement was consistently high across various demographic and financial characteristics. Households were asked their views on changing the tax incentives for retirement plans and whether saving incentives for retirement should be a national priority. Specifically, the survey found:

- Households overwhelmingly support maintaining the tax incentives for retirement saving. Eighty-five percent of all U.S. households disagreed when asked whether the tax advantages of DC accounts should be eliminated. Eighty-three percent opposed any reduction in workers' account contribution limits. Among households owning defined contribution (DC) accounts or individual retirement accounts (IRAs), nearly nine in 10 disagreed with eliminating or reducing the tax incentives.
- A vast majority of households agree that preserving the current retirement savings incentives should be a national priority. Eighty-eight percent of households owning DC accounts or IRAs agree with this policy priority, while 76 percent of households without DC accounts or IRAs agree.

"It is clear that the current tax incentives to encourage Americans to build a nest egg in retirement accounts are effective and command the overwhelming support of the American public," said Paul Schott Stevens, ICI president and CEO. "Our latest household survey shows that a great majority of U.S. households believe, even in an era of necessary federal budget reforms, that preserving these incentives should be a national priority."

## **In Addition to Tax Incentives, Households Value Other Key 401(k) Plan Features**

With millions of U.S. households personally directing their retirement savings, the 2011 household survey also polled respondents about their views on retirement plan saving and their confidence in 401(k) and other DC plan accounts. The results revealed a number of key findings about U.S. households and DC-owning households, including:

- An overwhelming majority of DC-owning households find these plans promote retirement saving. Nine in 10 households with DC accounts agreed that these plans helped them think about the long term and made it easier for them to save. More than 80 percent of DC-owning households said the immediate tax savings from their retirement plans were a big incentive to contribute.
- Households continue to appreciate the key features—such as flexibility and participant control—of DC plans. This finding is similar to ICI surveys in 2008, 2009 and 2010. In addition, households' views on policy changes revealed a preference for preserving retirement account features and flexibility. Eighty-seven percent of households opposed the notion of not allowing individuals to make investment decisions in their DC accounts, and nearly eight in 10 disagreed with the idea of replacing all retirement accounts with a government bond.
- Investors greatly value the ability to choose and control their investments. Nearly all households with DC accounts agreed that it was important to have choice in, and control of, the investment options in their DC plans. Seventy-nine percent said their plan offers a good lineup of investment options.
- Households generally continue to have positive attitudes toward the 401(k) system: In 2011, 65 percent of all U.S. households had favorable impressions of 401(k) and similar plan accounts, compared with 64 percent in 2010. Nearly three-quarters of households expressed confidence DC plan accounts could help participants meet their retirement goals.

"As in prior years, our 2011 survey confirms that Americans, whether they own retirement accounts or not, have a great deal of confidence in the 401(k) system," said Sarah Holden, ICI senior director of retirement and investor research. "Despite the ups and downs of the stock market and other troubling financial and economic news, favorable attitudes and DC plan investors' retirement savings patterns are holding steady."

## **DC Plan Participants Continued Saving in Their Plans, Loan Activity Remains Consistent**

The new ICI research also provides the results of a survey of DC plan recordkeepers covering nearly 24 million DC accounts during the first three quarters of 2011. Specifically, from January through September 2011:

- DC plan participants continued to contribute to their 401(k) accounts. Only 2.2 percent of DC plan participants stopped contributions during these nine months, compared with 3.4 percent of participants during the comparable time period a year earlier.
- DC plan participants generally did not tap their accounts. Only 2.8 percent of DC plan participants took withdrawals during these nine months, with only 1.4 percent taking hardship withdrawals—a pace similar to the same time frame a year earlier.

- Loan activity was similar to the level observed last year. At the end of September 2011, the survey data indicated 18.4 percent of DC plan participants had loans outstanding, compared with 18.2 percent of participants at year-end 2010.

The study released today updates and expands upon a similar study, [Commitment to Retirement Security: Investor Attitudes and Actions](#), which ICI conducted at year-end 2010.

Please visit ICI's 401(k) [resource page](#) for more information.

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