

## NEWS RELEASE

September 6, 2019

# 401(k) Plans Continue to Offer Millions of Workers a Reliable Way to Save for Retirement

401(k) Plans Continue to Offer Millions of Workers a Reliable Way to Save for Retirement

## National 401(k) Day Reminds Workers to Plan and Commit to Saving

**Washington, DC; September 6, 2019**—The Investment Company Institute (ICI) is celebrating National 401(k) Day this week by spotlighting the strength of 401(k) plans used by tens of millions of workers to save for retirement.

“401(k) plans are a popular choice for investors, as they offer a flexible, proven way to save for retirement,” said ICI Education Foundation (ICIEF) Vice President Tina Kilroy. “Savers appreciate the features of 401(k) plans—including investment choice, tax advantages, and automatic payroll deductions—and express confidence that 401(k)s and similar workplace plans will help them achieve their retirement goals. We encourage savers to use National 401(k) Day as an opportunity to review their financial goals and make sure that they are on track to meet their retirement targets.”

### 401(k) Plans Are Helping Millions of Americans Save for Retirement

More than 55 million Americans participate in 401(k) plans, which held an estimated \$5.67 trillion in assets at the end of the first quarter of 2019. Investors with 401(k)s and similar defined contribution (DC) plan accounts [value the control and choice](#) of investment options offered in their plans. On average, 401(k) plans offer [27 investment options](#), which help investors create a diversified portfolio for their investing needs. In addition, investors who hold mutual funds in their 401(k) plan accounts have benefited from the historical trend of declining mutual fund expense ratios and tend to concentrate their assets in [lower-cost funds](#)—meaning they are making the most of their retirement savings.

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

According to an [ICI household survey](#) conducted in fall 2018, 77 percent of all US households surveyed indicated that they were confident that 401(k) and other employer-sponsored retirement plan accounts can help individuals meet their retirement goals. Confidence among households owning at least one DC account or individual retirement

account (IRA) in fall 2018 was even higher, at 83 percent. Even among households not currently owning retirement plan accounts, 62 percent expressed confidence in these plans.

## **How to Make the Most of a 401(k) Plan**

For eligible savers not yet participating in their employer's 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. Employers contribute to [eight out of 10 401\(k\) plans](#), and often base their contributions on how much the employee contributes.
2. Decide on an 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 approach retirement. More than two-thirds of [401\(k\) plans offer target date funds](#), and more than half of 401(k) investors use this increasingly popular option.
3. Preserve the nest egg. For some workers, it can 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 an additional tax penalty of 10 percent of the taxable amount withdrawn. Instead, workers may want to consider moving the balance into their new employer's plan or remaining in their previous plan. If these options aren't available, investors may consider rolling their account balance into an IRA.

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