

VIDEO

August 8, 2014

Focus on Funds: New Research on Consistent 401(k) Contributors

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The August 8, 2014, edition of *Focus on Funds* offers insights from the newly released EBRI/ICI analysis of consistent 401(k) participants. This study follows participants from 2007 (before the financial crisis) through 2012.

Transcript

Stephanie Ortballs-Tibbs, ICI Director, Media Relations: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

A new analysis from the EBRI/ICI database tracks consistent participants in 401(k) plans—and shows that they have fared well.

Consistent participants are 401(k) participants who had accounts at the end of each year from 2007 through 2012.

The new analysis is important because it focuses on those who tend to regularly save, and reveals the benefits of consistently saving while filtering out the effects of plans and participants entering and leaving the database.

Sarah Holden, senior director of retirement and investor research, has the highlights.

Sarah Holden, ICI Senior Director, Retirement and Investor Research: We see that consistent 401(k) participants stayed the course through the financial crisis and great recession, and benefitted from their decision.

The average account balance of this consistent group fell in 2008 as stock values declined, but then grew rapidly between 2009 and 2012, fueled by ongoing contributions and investment returns.

Workers who participated consistently in a 401(k) plan from year-end 2007 to year-end 2012 saw their average account balance increase at a compound average annual growth rate of nearly 7 percent during that period. This growth occurred despite a nearly 35

percent drop in that group's average 401(k) account balance during the 2008 financial crisis.

The data show that regular savers can accumulate significant balances in their 401(k) accounts, even within a relatively short period, such as five years.

Average Account Balances for 401(k) Participants

All participants versus consistent participants in EBRI/ICI 401(k) database

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

At year-end 2012, the average account balance of the consistent 401(k) participants was 67 percent higher than among all 401(k) plan participants.

Stephanie Ortvals-Tibbs: The full report is on our website.

In a few weeks' time we'll offer more highlights, focusing on what the EBRI/ICI 401(k) database reveals about target-date fund investing before and after the financial crisis.

That's this week in funds. See you next week.

Additional Resources

- [Accounts of Consistent 401\(k\) Participants Grew 6.8 Percent Annually During the Five Years That Included Financial Crisis](#)
- [Graphic: Average Account Balances for 401\(k\) Participants \(pdf\)](#)
- [ICI Retirement Research](#)

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