

VIDEO

January 10, 2014

Focus on Funds: Latest Data on 401(k) Investing in Equities

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The January 10, 2014, issue of *Focus on Funds* examines equity ownership by younger and older 401(k) account holders, as well as their buying patterns since 2007.

Video Transcript

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

There's new insight available on 401(k) plan participants' asset allocations before and after the financial crisis.

In collaboration with the Employee Benefit Research Institute, ICI recently published results from the 401(k) Database, which has data on 24 million 401(k) plan participants. Sarah Holden, who heads ICI's retirement research, shares the biggest takeaway, which is that both young and old investors have largely stayed in the market.

Sarah Holden, ICI Senior Director, Retirement and Investor Research: In the wake of poor stock market performance during the financial crisis, there was concern that investors, particularly younger investors, would shy away from equity investing. Looking at young 401(k) plan participants' equity investments, we find that this is not the case.

In fact, now more young 401(k) plan participants are holding equities, and more are holding high concentrations in equities—through equity funds, balanced funds, target date funds, or company stock.

Specifically, while at year-end 2007 nearly one-fifth of 401(k) plan participants in their twenties held no equities at all, at year-end 2012, fewer than one-tenth held no equities.

More importantly, at year-end 2012, nearly two-thirds of these young participants had more than 80 percent of their 401(k) account invested in equities.

Stephanie Ortvals-Tibbs: The story for older 401(k) investors is a little different, but also the vast majority of them also hold equities in their 401(k) accounts.

Sarah Holden: At year-end 2012, while slightly more older 401(k) plan participants were holding equities, they are more likely to have a more diversified allocation between equities and fixed-income investments.

While at year-end 2007, 30 percent of 401(k) plan participants in their sixties had more than 80 percent of their 401(k) accounts invested in equities, at year-end 2012, only 20 percent had such high concentrations.

I should note that part of the story here in the differences between the younger and older investors reflects the role of target date funds.

Stephanie Ortvals-Tibbs: Holden will share more insights about the use of target date funds in 401(k) accounts in an upcoming interview.

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

Additional Resources

- [Release: EBRI/ICI 401\(k\) Data](#)
- [Graphics: Latest Data on 401\(k\) Investing in Equities \(pdf\)](#)

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