

VIDEO

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Focus on Funds: Americans See Many Positives in DC Plans

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A survey of more than 2,000 Americans finds that they value defined contribution (DC) plans as an important retirement savings tool. In the June 23, 2017, edition of *Focus on Funds*, ICI Senior Director of Retirement and Investor Research Sarah Holden details the findings.

Transcript

Stephanie Ortobals-Tibbs, director, ICI media relations: How do American adults feel about the defined contribution (DC) plans that can be an important part of their retirement savings efforts? Recently ICI surveyed Americans on this issue, and I spoke with ICI's senior director of retirement and investor research, Sarah Holden, about the key takeaways.

Sarah Holden, senior director of retirement and investor research, ICI: ICI surveyed more than 2,000 individuals, and we asked those that had defined contribution plan accounts what they felt about the features, what did they appreciate? We found that they really appreciated the focus on saving. Many of them said that the employer highlighting saving for retirement made them think about the long term, rather than just their current needs. They also said that they appreciated the tax treatment of the retirement plan at work, and more than four in 10 of them said that they probably wouldn't have even have saved for retirement except they had this plan at work. So, the employer stepping in and providing this savings opportunity and urging folks into the plan is very important.

Ortbals-Tibbs: So once they're in, participants also have to decide how to invest their contributions. What did we learn from the survey about how they feel about that responsibility?

Holden: We added a bunch of questions about the investment options, because there's concern that with the stock market going up and down that folks might be worried about making those decisions—but we found that 96 percent of the households with DC plans appreciated the choice and control that they had in those plans. Eighty-one percent said that their plan offered them a good lineup of investment options. So they appreciate the range of choices that the employer has put into the plan for them. And two-thirds of them

say that saving paycheck-by-paycheck—little by little—into the stock market actually made them less worried about the stock market. So they recognized that they were just getting in it a little bit at time, and this would help them build their nest egg.

Ortbals-Tibbs: Policymakers are always considering making changes to the US retirement system. What could they learn from this survey that would help inform their thinking?

Holden: We always add a battery of questions that include some of the ideas that are being floated in policy circles. Often, we're looking at suggestions [that policymakers are suggesting] for budget reasons—to reduce the contribution limits or take away the tax advantages of these plans. And we found that households—whether they had plans or not—were absolutely opposed to those ideas.

So the message is, we want to keep the contribution limits, we want to keep the tax treatment. We also asked about taking away the choice and control in the plans—both while you're saving for retirement but also when you reach retirement—and again, households said no, those are good things for people to have and to keep it in the system.

Ortbals-Tibbs: And when you stand back and look at all of this information from this survey, the big picture is really that people have tremendous support for this type of paycheck-by-paycheck savings.

Holden: I think that people recognize that you're working, you're busy, and you have to take a minute to think about your future. And the employer offering that plan gets folks to do that, to think about the longer term. The tax treatment gets you to put the money into the plan. Buying little by little into the stock market makes you a little less nervous about what's going on in the stock market and, at the end of the day, really the discipline of all of this together gets you to a nest egg for retirement.

Additional Resources

- [Release: Mutual Fund Fees in 401\(k\) Plans Continue Downward Trend in 2016](#)
- [Release: ICI Defined Contribution Plan Recordkeeper Data Show Retirement Plan Participants Continued to Save in 2016](#)
- [Release: Americans Support Retaining DC Participants' Investment Control](#)
- [Release: Most Employers Make Contributions to Their 401\(k\) Plans, In-Depth BrightScope/ICI Study Finds](#)
- [Frequently Asked Questions About 401\(k\) Plans: The Basics](#)
- [Focus on Funds: How to Make the Most of 401\(k\) Savings](#)