

LETTERS TO THE EDITOR & RESPONSES

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Comment, Salon: 401(k) Is Effective Component of Retirement System

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Helaine Olen's [many claims](#) ignore the facts and the research on the American retirement system. The 401(k) is an effective component of an overall retirement system that has successfully provided adequate retirement resources to generations of Americans—and continues to do so.

[As highlighted in a recent ICI white paper](#), academic analysis has found that successive generations of Americans have reached retirement wealthier than previous generations. The poverty rate among individuals aged 65 or older has declined from nearly 30 percent in 1966 to 9 percent in 2011. And despite concerns about the shift toward greater reliance on defined contribution (DC) plans like 401(k)s, [the share of retirees receiving income](#) from private-sector retirement plans and the amount of income that those retirees receive have gone up over time, not down.

[At \\$20.8 trillion](#), assets specifically earmarked for retirement are now at record levels. Adjusted for inflation and population growth, retirement assets have increased nearly six-fold since 1975.

In [testimony submitted in January 2013](#) to the U.S. Senate Committee on Health, Education, Labor and Pensions, ICI noted a study by Dartmouth College economists that compared typical defined benefit (DB) plans with typical 401(k) plans, using data from the Federal Reserve's Survey of Consumer Finances. In a variety of possible labor market and investment return scenarios, the study concluded that "generally, 401(k) plans...are as good or better than [defined benefit] plans in providing for retirement." Furthermore, in an analysis of data from the University of Michigan's Health and Retirement Study that looked at detailed descriptions of retirement plans and at the actual work histories of individuals, economists from MIT, University of Chicago, Dartmouth, and Harvard projected that retirement resources will be higher on average with private-sector DC plans than they would be with private-sector DB plans.

As for fees, [ICI research shows](#) that the expenses incurred by 401(k) plan participants for investing in mutual funds have declined substantially in the past decade-and-a-half. For example, in 1998, participants incurred expenses of 0.74 percent of the 401(k) assets they held in equity funds. By 2012, that had fallen to 0.63 percent, a 15 percent decline.

Though it's hard to make predictions, [ICI studies demonstrate clearly](#) that participants are committed to the value and benefits provided by the 401(k) system. What is also clear, as

the research from ICI and others show, is that 401(k) and other DC plans are key parts of a balanced approach for achieving retirement security for working Americans.

For more information about the 401(k) and its place in America's retirement system, visit <http://www.ici.org/401k>.

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