

Americans Committed to Saving for Retirement: ICI Year-End Data

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T. Rowe Price data show participant balances have recovered nearly to pre-crash levels amid increased adoption of automated services and target-date portfolios

Washington, DC, April 26, 2010 – After the worst market crash since the Great Depression, Americans continued to save for retirement in their 401(k) and other defined contribution (DC) retirement plans throughout 2009, and their saving efforts have helped fuel significant recovery in account balances.

New data released by the Investment Company Institute and T. Rowe Price Group show that American workers remain committed to saving in their DC retirement plans. Steady contributions to their plans and recovery in the U.S. markets in 2009 have helped restore investors' account balances. New ICI recordkeeper data, covering nearly 24 million participants in the DC system from January through December 2009, found participants continued to save in their plans in 2009. Only 3.4 percent of plan participants stopped making contributions during the year. T. Rowe Price found that at the end of 2009, only nine months after equity markets hit bottom, 401(k) participant balances in plans it administers had on average recovered to within 8 percent of year-end 2007 levels, before the market collapse.

"In 2009, plan participants persisted in saving for their retirements, and those who did have been rewarded as the market continued to recover through the end of the calendar year," said ICI President and CEO Paul Schott Stevens. "Earlier ICI household surveys have found that investors support the 401(k) system and want to retain its key features, such as the tax advantages and choice and control. The recordkeeper data show investors are committed to saving—but the 401(k) system can serve working Americans even better. ICI continues to work with regulators and Congress to refine the 401(k) system and find ways to make these plans accessible to more Americans."

Edward C. Bernard, Vice-Chairman of T. Rowe Price and Chairman of ICI, added, "The evidence from the plans we administer shows that the defined contribution system is working just as it should. Participants in our plans, supported by sensible legislation and regulation and strong fiduciary oversight from plan sponsors, did not panic during the tumult of 2008 to 2009. Instead, they maintained their long-term focus, continued to save, and increasingly adopted target-date funds as one good solution for investing for retirement. As a result, the vast majority of participants reaped the benefit of the historic market recovery last year."

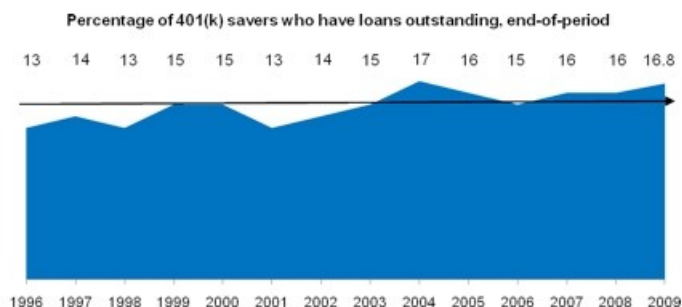
Other findings from T. Rowe Price's DC plan universe include:

- During the height of the market collapse in October 2008, 98 percent of participants made no changes to asset allocations and 96 percent made no changes of any sort to their plans. This is consistent with participant behavior both before and after the crisis.
- Only 16 percent of plan sponsors eliminated or reduced their matching contributions as of the fourth quarter of 2009. Of these sponsors, more than a third are reinstating the match.
- The percentages of participants using target-date funds has risen steadily in recent years and stood at more than half at year end 2009.
- Plan sponsor adoption of automatic enrollment and auto increase has grown markedly in recent years.

Aggregated Recordkeeper Data: Investors Staying the Course

The ICI DC plan recordkeeper data also found in 2009:

- The 3.4 percent of plan participants who stopped making contributions during the year was slightly lower than the 3.7 percent of participants who stopped contributing during the course of 2008.
- Most participants continue to safeguard retirement assets for intended use. From January through December 2009, only 3.1 percent of participants took withdrawals from their retirement plans, with 1.6 percent taking hardship withdrawals. For 2008, these numbers were 3.9 percent and 1.3 percent respectively.
- Participant loan activity increased slightly from year-end 2008, but remains in line with the historical experience. At year end, 16.8 percent of DC plan participants in the sample had loans outstanding. This level of activity is in line with findings from the [EBRI/ICI 401\(k\) database](#), which showed 17 percent of 401(k) participants had loans outstanding at year-end 2004.



Sources: EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (1996–2008); ICI survey of DC plan recordkeeper data (January–December 2009)

U.S. Retirement Market Snapshot: Positive Numbers in 2009

In 2009, overall U.S. retirement market assets rose 14 percent from 2008 to \$16 trillion, accounting for 35 percent of all household financial assets in the country. Each of the retirement system components experienced growth: in 2009, assets in DC plans and IRAs were both up 18 percent, while private-sector defined benefit plan assets were up 10 percent and government plan assets were up 12 percent.

At the end of the calendar year, employer-sponsored DC plans held \$4.1 trillion in assets, of which \$2.8 trillion was held in 401(k) plans. Fifty-five percent of 401(k) plan assets were invested in mutual funds in 2009. Target date mutual funds saw inflows throughout 2009; at year end these funds held \$256 billion in assets, compared with \$160 billion at the end of 2008.

The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$11.62 trillion and serve almost 90 million shareholders.

Founded in 1937, Baltimore-based T. Rowe Price Group, Inc, (troweprice.com) is a global investment management organization with \$419.0 billion in assets under management as of March 31, 2010. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research.