

Consistent 401(k) Participation Leads to Higher Account Balances

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Washington, DC, November 6, 2018—The average 401(k) plan account balance of “consistent 401(k) participants”—those who remained active in the same 401(k) plans from year-end 2010 through year-end 2016—more than doubled in that period, according to new data published today by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI).

The study, “[What Does Consistent Participation in 401\(k\) Plans Generate? Changes in 401\(k\) Account Balances, 2010–2016](#),” examines the accounts of 6.1 million consistent 401(k) participants. The analysis finds that average 401(k) plan account balances for consistent participants increased by 122 percent during this period, with all age groups registering significant increases. 401(k) account balance growth reflects contributions of employers and workers, in addition to investment returns, and varies with participants’ asset allocation, withdrawals, and loan activity.

“Tracking the account balances of a consistent group of 401(k) participants highlights the growth potential of this powerful savings tool,” said Sarah Holden, ICI’s senior director of retirement and investor research. “These results demonstrate the benefit of persistent saving and underscore how 401(k) plans have become such a vital savings vehicle for millions of Americans.”

Why Does This Sample Group Matter?

This study analyzes a subset of the 27.1 million 401(k) plan participants in the EBRI/ICI database—those who remained active in the same 401(k) plans over the past six years. It is important to study consistent participants because the average 401(k) account balance for the database as a whole can be buffeted by 401(k) participants entering and leaving the database as they change jobs or retire, and by plan sponsors entering and leaving the database as they change recordkeepers. EBRI and ICI jointly publish a [separate annual update](#) examining large cross sections of the whole database. Studying consistent participants allows for a more in-depth analysis of the potential for 401(k) participants to accumulate retirement savings over time.

Consistent 401(k) Participants Accumulate Significant Account Balances



¹ The number of 401(k) plan participants varies from year to year in the EBRI/ICI 401(k) database. The year-end 2016 EBRI/ICI 401(k) database represents 27.1 million 401(k) plan participants.

² The consistent sample is 6.1 million 401(k) plan participants with account balances at the end of each year from 2010 through 2016.

Note: Account balances are participant account balances held in 401(k) plans at the participants’ current employers and are net of plan loans. Retirement savings held in plans at previous employers or rolled over into IRAs are not included.

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

“The data in this report help us understand the importance of continuous participation in the 401(k) system,” said Jack VanDerhei,

EBRI's director of research. "By analyzing data from consistent participants over the past six years, we're able to see that 401(k) plan accounts have a very positive financial effect on retirement nest eggs, thus helping savers plan for the future."

Key findings of the EBRI/ICI analysis of 401(k) participants include:

- The average 401(k) plan account balance of the consistent participants grew at a compound annual average rate of 14.2 percent, from 2010 through year-end 2016, to \$167,330. This was more than double the average account balance of \$75,358 among all participants in the EBRI/ICI 401(k) database at year-end 2016.
- Among the group of consistent participants, 26.4 percent had more than \$200,000 in their 401(k) plan accounts at their current employers, while another 18.4 percent had accumulated between \$100,000 and \$200,000.
- About two-thirds of 401(k) participants' assets were invested in equities at year-end 2016—whether through equity funds, the equity portion of target date and non-target date balanced funds, or company stock. Asset allocations were broadly similar across the consistent participant sample and participants in the broader EBRI/ICI 401(k) database at year-end 2016.

The full analysis is being published simultaneously in November 2018 issues of *EBRI Issue Brief* and *ICI Research Perspective*.

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