America's Commitment to Retirement Security

Investor Attitudes and Actions, 2013

February 2013

INVESTMENT COMPANY INSTITUTE®

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Suggested citation: Holden, Sarah, and Steven Bass. 2013. *America's Commitment to Retirement Security*: *Investor Attitudes and Actions, 2013*. Washington, DC: Investment Company Institute (February).

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Executive Summary

With millions of U.S. households personally directing their retirement savings, the Investment Company Institute (ICI) has sought to track retirement savers' actions and sentiment over time. This report, the fifth annual update, summarizes results from two recent surveys—a survey of U.S. households and a survey of defined contribution (DC) plan recordkeepers. The household survey results reflect households' responses collected between November 2012 and January 2013. The recordkeeper survey results cover the first nine months of 2012. Both sets of results update surveys fielded in 2008, 2009, 2010, and 2011.[1]

Household Survey Results from November 2012 to January 2013

The household survey polled respondents about their views on DC retirement plan saving and their confidence in 401(k) and other DC plan accounts. Survey responses indicated that households value the discipline and investment opportunity that 401(k) plans represent and that households were largely opposed to changing the tax preferences or investment control in those accounts. A majority of households also affirmed a preference for control over the disposition of their retirement accounts and opposed proposals to require retirement accounts to be converted into a fair contract promising them income for life from either the government or an insurance company. In addition, a vast majority of households agreed that continuing retirement savings incentives should be a national priority.

Views on Defined Contribution Plan Saving

Households generally expressed favorable impressions of DC plan accounts at the end of 2012 and beginning of 2013:

- Sixty-three percent of U.S. households had favorable impressions of 401(k) and similar retirement plan accounts, similar to 65 percent in 2011.
- Among households expressing an opinion, 91 percent had favorable impressions of 401(k) plans, with 42 percent agreeing that they had a "very favorable" impression.
- Most households' impressions were shaped by the ability of these accounts to accumulate significant savings, the performance of retirement plan account investments, and personal experience with such plans.
- Survey responses in 2012/2013 indicated that households appreciate the key features of DC plans, a result that is similar to the previous survey results.
- About nine out of 10 households with DC accounts agreed that these plans helped them think about the long term and made it easier to save. About half of DC-owning households indicated they probably wouldn't be saving for retirement if it weren't for their DC plans. In addition, saving paycheck-by-paycheck made about three-fifths of DC-owning households surveyed less worried about the stock market.
- More than 80 percent of DC-owning households said the immediate tax savings from their retirement plans were a big incentive to contribute.
- Nearly all households with DC accounts agreed that it was important to have choice in, and control of, the investment options in their DC plans. Eighty-four percent indicated that their DC plan offered a good lineup of investment options.

In addition, households' views on policy changes revealed a strong preference to preserve retirement account features and flexibility:

- A majority of U.S. households disagreed with proposals to remove or reduce tax incentives for retirement savings.
- Eighty-five percent of households disagreed with not allowing individuals to make investment decisions in their DC accounts, and more than eight in 10 disagreed with replacing all retirement accounts with a government bond.
- More than nine out of 10 households agreed that retirees should be able to make their own decisions about how to manage their own retirement assets and income and about two-thirds disagreed that retirees should be required to trade a portion of their retirement accounts for a fair contract promising them income for life.

Confidence in Retirement Accounts

Despite the stock market downturn that began in late 2007 and continued through early 2009, and the market volatility experienced from 2010 through 2012, households—whether they had DC plan accounts or not—were generally confident in these plans' ability to help individuals meet their retirement goals.

- » Among households owning DC accounts or individual retirement accounts (IRAs), nearly eight out of 10 indicated they were confident that such accounts can help people meet their retirement goals.
- » Among households not owning DC accounts or IRAs, more than three-fifths expressed confidence that such accounts can help people meet their retirement goals.

Views on National Commitment to Retirement Savings Incentives

As the nation struggles with tax policy and budget deficits, survey respondents were asked whether they agreed that continuing to provide incentives to encourage retirement saving should be a national priority.

- » Overall, 79 percent of U.S. households agreed that this should be a national priority. Agreement that retirement saving incentives should continue to be a national priority was high across demographic and financial characteristics.
- » Among households owning DC accounts or IRAs, 83 percent agreed that continuing to provide retirement savings incentives should be a national priority, while 72 percent of households without DC accounts or IRAs in 2012/2013 agreed.

ICI Survey of Defined Contribution Plan Recordkeepers

The recordkeeper survey focused on activities in more than 24 million DC accounts during the first three quarters of 2012. The results with respect to DC plan saving and investing indicated:

- » Participants have continued saving in their plans. Only 2.1 percent of DC plan participants stopped contributions in the first three quarters of 2012, about the same rate as during the comparable period a year earlier.
- » Most DC plan participants stayed the course with their asset allocations in the first three quarters of 2012; 9.0 percent of DC plan participants changed the asset allocation of their account balances, similar to the rate during comparable periods over the past few years. In addition, 6.5 percent of DC plan participants changed the asset allocation of their contributions during the first three quarters of 2012, down from 8.4 percent during the comparable period in 2011.

The ICI Survey of DC Plan Recordkeepers also gathered information on participants' loan and withdrawal activity:

- During the first three quarters of 2012, DC plan participants generally did not tap their accounts. Withdrawals during the first three quarters of 2012 were at a similar pace as the same time frame a year earlier. Only 2.8 percent of DC plan participants took withdrawals in the first three quarters of 2012, with only 1.4 percent taking hardship withdrawals.
- Loan activity was similar to the level observed last year. At the end of September 2012, the ICI recordkeeper survey data indicated 18.3 percent of DC plan participants had loans outstanding, compared with 18.5 percent of participants at year-end 2011, and up slightly from earlier in 2012.

Introduction

IRAs and DC plan accounts[2] have become a common feature of the U.S. retirement landscape. More than half of total U.S. retirement assets are held in such accounts (Figure 1),[3] and more than two-thirds of U.S. households have a portion of their assets invested in them.[4] The stock market decline that started in late 2007 and continued into early 2009 and the weak economic growth during the past several years have led some opinion leaders and policymakers to raise questions about the value that these retirement accounts provide American workers and retirees.[5]

Against this backdrop (Figure 2) and for the past five years, ICI has sought to find out:

- what, if anything, households have done with respect to their retirement saving in response to the financial market volatility and weak economy;
- what their views were on their 401(k) plans; and
- what their opinions were on some proposed policy changes.

The research has two components: a survey of U.S. households and a survey of DC plan recordkeepers (firms that keep the account-level records of DC plans).

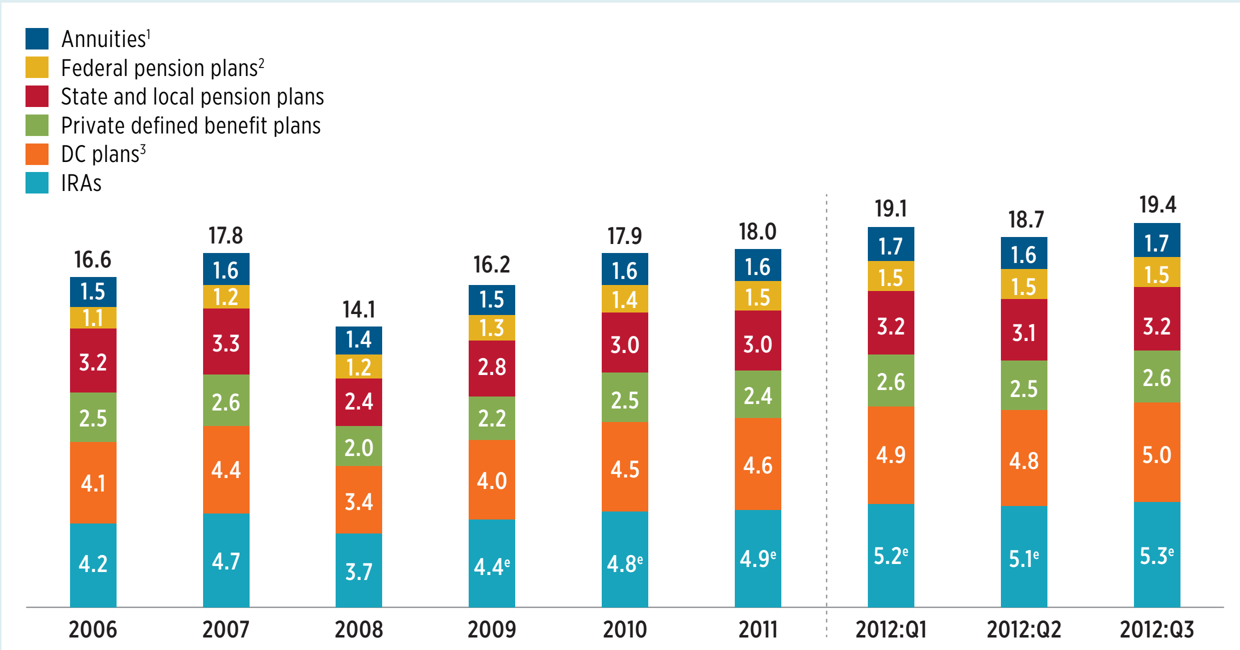
The combination of household survey and recordkeeper data makes it possible to look simultaneously at what households believe and what DC plan investors actually do. For example, household survey information sheds light on one key indicator of investor sentiment: expressed willingness to take financial risk. In 2012/2013, 60 percent of U.S. households indicated they were willing to take average or greater investment risk, compared with 62 percent at the end of 2011, and 57 percent at the end of 2008 (Figure 3). Households owning DC accounts or IRAs indicated greater willingness to take financial risk compared with non-owning households. In 2012/2013, 72 percent of DC- or IRA-owning households were willing to take average or greater financial risk, compared with 43 percent of households not owning these retirement accounts. Such variation in investor sentiment, however, does not necessarily mean changes in investor behavior, and the recordkeeper information is the key to understanding how investor behavior changed. The recordkeeper data in this survey suggest that DC plan participant behavior remained very steady over the past three years of market volatility.

This report is the fifth update of both components of this research.[6] The first component consists of answers to questions included in a series of national telephone surveys that GfK Custom Research North America fielded from mid-November 2012 through mid-January 2013, covering a total sample of 4,000 U.S. households.[7] Second, the recordkeeper survey is updated to cover activity for January 2012 through September 2012, compared with similar periods for 2008, 2009, 2010, and 2011. The surveyed firms track the accounts of about 40 percent of all DC plan participants,[8] and these firms provided information on active DC plan participant contributions, changes in asset allocation, withdrawals, and loans.

FIGURE 1

U.S. Retirement Assets

Trillions of dollars; end-of-period; 2006–2011, 2012:Q1–2012:Q3



[1] Annuities include all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds (including 401(k) plans).

[2] Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust and Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).

[3] DC plans include 403(b) plans, 457 plans, and private employer-sponsored DC plans (including 401(k) plans).

[e] Data are estimated.

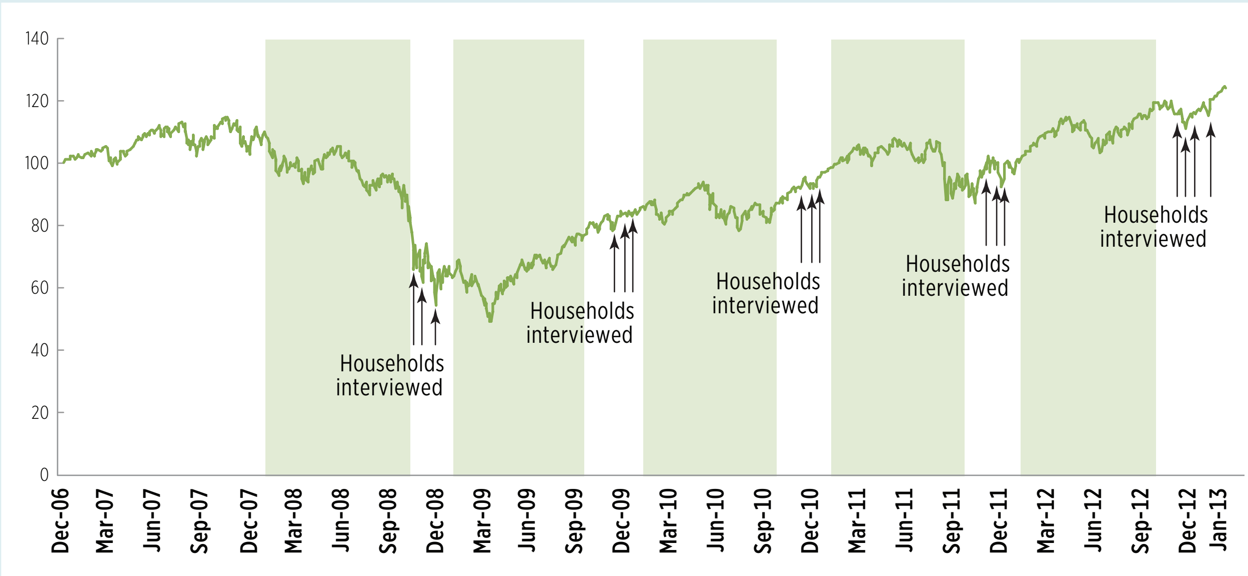
Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE 2

Domestic Stock Market Index

S&P 500 total return index; day-end level, December 2006–January 2013*



*The S&P 500 is an index of 500 stocks chosen for market size, liquidity, and industry group representation. In the figure, the index is set to 100 in December 2006.

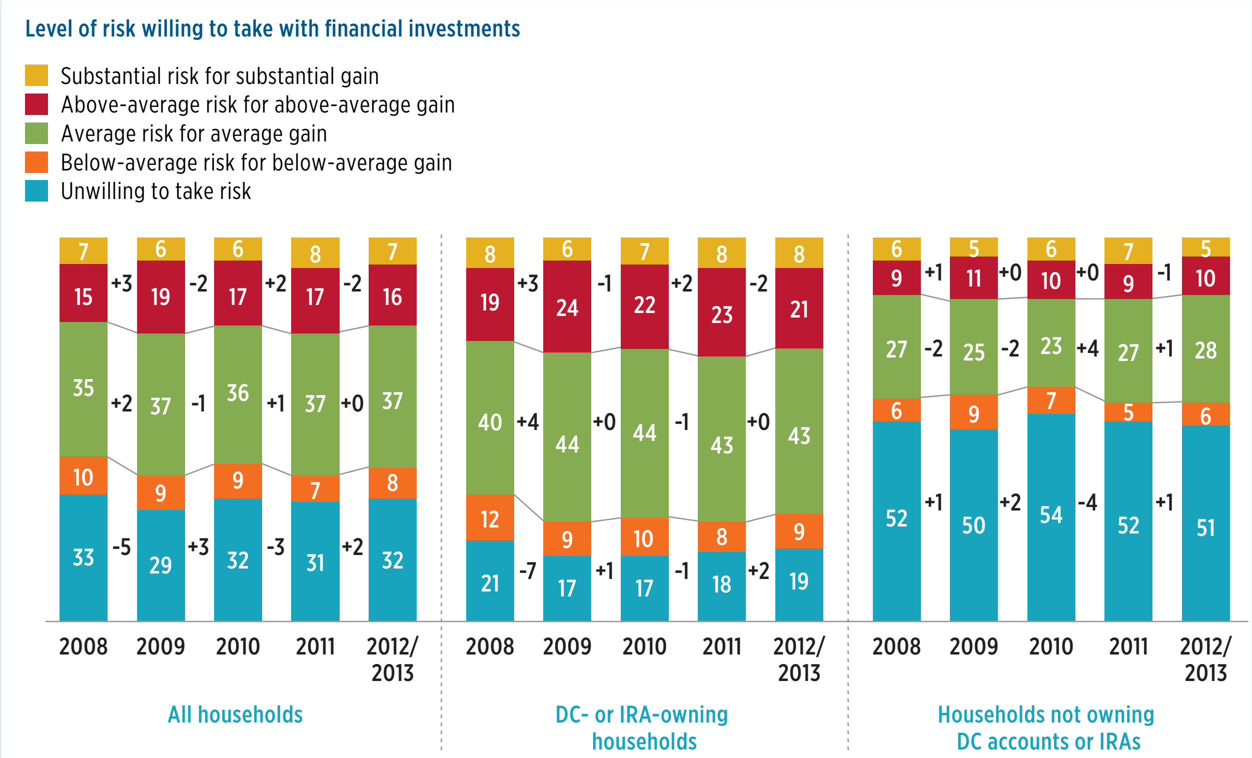
Note: The shaded areas indicate the periods of the ICI Survey of DC Plan Recordkeepers covering DC plan participants' activities for the first nine months of the year (except for 2008 when the survey covered January through October).

Sources: Investment Company Institute, Bloomberg, and Standard & Poor's

FIGURE 3

Households' Willingness to Take Investment Risk

Percentage of U.S. households by ownership status; fall, 2008–2011; November 2012–January 2013



Note: In 2008, the sample includes 1,890 DC- or IRA-owning households and 1,110 households not owning DC accounts or IRAs. In 2009, the sample includes 1,941 DC- or IRA-owning households and 1,059 households not owning DC accounts or IRAs. In 2010, the sample includes 1,851 DC- or IRA-owning households and 1,149 households not owning DC accounts or IRAs. In 2011, the sample includes 1,879 DC- or IRA-owning households and 1,121 households not owning DC accounts or IRAs. In 2012, the sample includes 2,337 DC- or IRA-owning households and 1,663 households not owning DC accounts or IRAs. See Appendix II for the exact wording of the question. For data about the willingness to take risk by ownership status and age in 2012/2013, see Figure A4 in Appendix I.
Source: ICI tabulation of GfK OmniTel survey data (fall, 2008–2011; November 2012–January 2013)

This report sheds light on households' views of 401(k) and similar DC plans by analyzing survey responses to five different sets of questions. First, all households, whether they owned retirement accounts or not, were asked how favorably they viewed DC plan accounts and what influenced their opinions. Second, households owning DC accounts were asked to agree or disagree with statements describing features of DC plans. Third, all households were asked to agree or disagree with some proposed changes to DC accounts. Fourth, all households were asked how much confidence they had in the ability of 401(k) and similar employer-sponsored retirement plan accounts to help individuals meet their retirement goals. Finally, all households were asked about the priority of retirement savings incentives as a matter of national policy.

This report also sheds light on DC plan participants' activities, presenting results from the DC plan recordkeeper survey focusing exclusively on DC plans and on the first three quarters of 2012.

Appendix I summarizes the household survey methodology. It also provides some key demographic characteristics of the household survey respondents and additional analysis to supplement the main discussion in the report. Appendix II presents the exact wording of ICI's household survey questions.

Views of Defined Contribution Plan Accounts

The survey tackled the evaluation of Americans' views on saving in 401(k) and similar accounts through five avenues of questioning:

- soliciting whether respondents had favorable, unfavorable, or no opinions of such accounts;
- asking respondents to agree or disagree with statements evaluating the features of DC account saving;
- asking respondents to agree or disagree with some proposed changes to several key features of DC accounts;
- asking respondents about their degree of confidence in DC accounts to help individuals meet their retirement goals; and
- asking respondents whether they agreed that continuing to provide incentives for retirement saving should be a national priority for the United States.

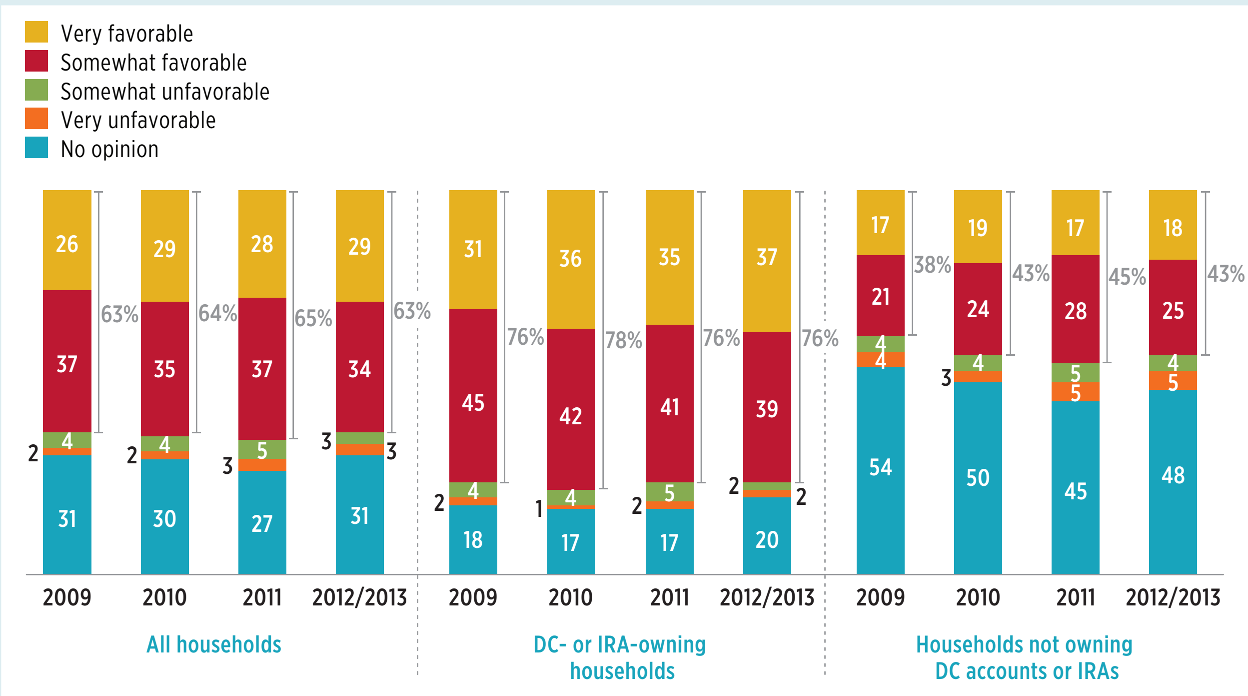
Views on Defined Contribution Plan Savings

A majority of U.S. households continued to have favorable impressions of 401(k) and similar retirement accounts. In 2012/2013, 63 percent of U.S. households had "very" or "somewhat" favorable impressions of DC plan accounts, similar to the 65 percent who had favorable impressions of DC plan accounts in 2011 (Figure 4). Households owning DC accounts or IRAs were more likely to express an opinion of DC account investing and 76 percent of households owning DC accounts or IRAs indicated a favorable impression of such saving. Nevertheless, even among the non-owning respondents, 83 percent of those who expressed an opinion were favorable (compared with 95 percent with favorable opinions among account owners with opinions).

FIGURE 4

Households' Opinions of 401(k) and Similar Retirement Plan Accounts

Percentage of U.S. households by ownership status; fall, 2009–2011; November 2012–January 2013



Note: In 2009, the sample includes 1,931 DC- or IRA-owning households and 1,050 households not owning DC accounts or IRAs. In 2010, the sample includes 1,845 DC- or IRA-owning households and 1,142 households not owning DC accounts or IRAs. In 2011, the sample includes 1,870 DC- or IRA-owning households and 1,105 households not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,335 DC- or IRA-owning households and 1,636 households not owning DC accounts or IRAs.

Source: ICI tabulation of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013)

Respondents who expressed an opinion about 401(k) and similar accounts also were asked about the sources of information and other factors that affect their views of those retirement plans. They were provided with a list of possible influences and asked to indicate (on a four-point scale) whether that particular source or piece of information was important in shaping their opinion.

In general, respondents indicated that their opinions were influenced by many sources of information, with each factor listed being ranked as either "somewhat" or "very" important in influencing their views of 401(k) plans by more than half of respondents (Figure 5). Ninety-four percent of respondents indicated that the ability of retirement accounts to accumulate significant savings was important. Retirement plan account investment performance was identified as an important factor by 93 percent of respondents. Ninety-two percent of respondents indicated their personal experience with a retirement plan was important in shaping their opinion. Media coverage of 401(k) plans was considered important by 58 percent of respondents, well below recent events in financial markets (84 percent), materials or seminars provided by an employer (84 percent), and friends and family (82 percent). These results were similar to the 2009, 2010, and 2011 survey results.[9]

FIGURE 5

What Shapes Opinions of Retirement Plan Accounts

Percentage of U.S. households that have an opinion of 401(k) and similar retirement plan accounts responding that the listed factor is important in shaping their opinions of such accounts by ownership status,[1, 2] November 2012–January 2013

	All households with opinions	DC- or IRA-owning households with opinions	Households with opinions not owning DC accounts or IRAs
The ability of retirement plan accounts to accumulate significant savings	94	97	89
Performance of retirement plan account investments	93	96	86
Personal experience with a retirement plan	92	95	83
Recent events in financial markets	84	87	78
Materials or seminars provided by an employer about a retirement plan	84	84	83
Friends and family	82	81	85
Media coverage about 401(k) plans	58	56	62
Number of respondents	2,730	1,873	857

[1] The figure reports the percentage of households that have an opinion of 401(k) and similar retirement plan accounts who rated the factor as "very important" or "somewhat important." The remaining households rated the factor as "not too important" or "not at all important."

[2] Multiple responses are included.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

Households' Evaluation of Features of Defined Contribution Plan Saving

The household survey explored a variety of characteristics of 401(k) plans to understand the views that households with DC accounts have of 401(k) and other participant-directed retirement plans. Most DC account–owning households agreed that employer-sponsored retirement accounts helped them "think about the long term, not just my current needs" (90 percent), and that payroll deduction "makes it easier for me to save" (89 percent; Figure 6).[10] These top-line results were similar to the 2008, 2009, 2010, and 2011 survey results.[11] In addition, there was little variation in responses among age and income groups, although the lowest-income households (less than $30,000 in household income) were somewhat less likely to agree that payroll deduction made it easier to save, compared with households with income of $30,000 or more.

FIGURE 6

Defined Contribution Account–Owning Households' Views on the Defined Contribution Savings Vehicle

Percentage of DC-owning households agreeing with each statement by age or household income, November 2012–January 2013

		Age of household survey respondent			
	All DC-owning households	Younger than 35	35 to 49	50 to 64	65 or older
It is important to have choice in and control of the investments in my retirement plan account.	96	95	98	97	94
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	90	86	91	92	90
Payroll deduction makes it easier for me to save.	89	84	91	94	89
My employer-sponsored retirement plan offers me a good lineup of investment options.	84	84	84	84	82
The immediate tax savings from my retirement plan are a big incentive to contribute.	84	82	85	86	81
Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance.	61	65	59	59	62
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	51	56	51	48	49
Number of respondents	1,888				

Continued on the next page

FIGURE 6 CONTINUED

Defined Contribution Account–Owning Households' Views on the Defined Contribution Savings Vehicle

Percentage of DC-owning households agreeing with each statement by age or household income, November 2012–January 2013

		Household income			
	All DC-owning households	Less than $30,000	$30,000 to $49,999	$50,000 to $99,999	$100,000 or more
It is important to have choice in and control of the investments in my retirement plan account.	96	95	96	97	96
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	90	80	90	92	93
Payroll deduction makes it easier for me to save.	89	79	90	91	94
My employer-sponsored retirement plan offers me a good lineup of investment options.	84	77	82	85	88
The immediate tax savings from my retirement plan are a big incentive to contribute.	84	76	84	84	88
Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance.	61	56	69	63	59
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	51	65	64	52	37
Number of respondents	1,888				

Note: The figure reports the percentage of DC-owning households who "strongly agreed" or "somewhat agreed" with the statement. The remaining households "somewhat disagreed" or "strongly disagreed." See Appendix II for the exact wording of the question.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

Saving in employer-sponsored retirement plans (and IRAs) has certain tax advantages. For example, the contributions that a worker makes to these plans typically reduce a worker's taxable income by the amount of the contribution. In addition, the retirement accounts benefit from tax-deferred growth because taxes are not due until the individual withdraws money from the account.[12] Overall, 84 percent of DC-owning households agreed that the "immediate tax savings from my retirement plan are a big incentive to contribute" (Figure 6). Agreement was high across all age and income groups, although it was somewhat higher for households with incomes of $100,000 or more (88 percent), compared with households with incomes below $30,000 (76 percent).

Two other possible benefits resonated less with retirement plan participants. Saving from each paycheck into a retirement plan helps workers to continue investing in down markets, dollar-cost average their investments, and benefit when stock and bond markets recover. Interviewees were asked whether "knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." A majority (61 percent) agreed with that statement; households with incomes of $30,000 or more were more likely to indicate that knowing that they were saving from every paycheck made them less worried about the stock market's performance, compared with those earning less than $30,000 (Figure 6).

About half of households with DC accounts agreed with the statement: "I probably wouldn't save for retirement if I didn't have a retirement plan at work" (Figure 6), up from 45 percent in 2011, 44 percent in 2010, 40 percent in 2009, and 43 percent in 2008. Agreement was the highest among households with incomes of less than $50,000 (65 percent among those with household income less than $30,000 and 64 percent among households with income between $30,000 and $49,999) and the weakest among households with incomes of $100,000 or more (37 percent). The fact that higher-income respondents were more likely to disagree is consistent with other household survey information that finds that this group typically lists retirement as its most important savings goal.[13] In addition, for households with higher incomes, Social Security provides a lower replacement of income in retirement than it does for lower-income households, making it far more necessary for middle- and upper-income households to have retirement savings to supplement their Social Security benefits.[14, 15]

The 2012/2013 survey repeated two questions that were new to the 2009 survey: one regarding participants' views on the lineup of investment options in their DC plans, and the other asking their views on the importance of choice in, and control of, investments in their retirement plan accounts. Overall, 84 percent of DC account–owning households agreed that their plans offer a good lineup of investment options (Figure 6), compared with 79 percent in 2011. Satisfaction with the lineup of investment options rose with household income; 88 percent of the higher-income households (household income of $100,000 or more) agreed with the statement compared with 77 percent of the lower-income households (household income of less than $30,000). Nearly all DC account–owning households—regardless of age or income—agreed that it was important for them to have choice in, and control of, their retirement plan investments.

Views on Proposed Changes to Defined Contribution Plan Accounts

Households also were asked their views on changing three key DC plan account features: tax deferral, investment control, and control of the disposition of the accounts.

Views on Tax Deferral

Some opinion leaders and policymakers have questioned the public policy value of the tax deferral that 401(k) plans (and IRAs) receive. Survey respondents were asked whether the government should take away these tax advantages. A very large majority, 85 percent, disagreed that the tax incentives of DC plans should be removed (Figure 7), the same share as in 2011. Opposition to elimination of the tax advantages was the strongest among households with such accounts, with 89 percent opposing the removal of the tax advantages. But even 81 percent of the households without these accounts opposed eliminating the incentives. In 2012/2013, higher-income households were more likely to oppose removal of the tax advantages, compared with lower-income households, as were households 35 or older compared with those younger.[16]

The survey also asked whether the limits on individual's contributions should be reduced.[17] A very large majority opposed reducing the contribution limits, with 82 percent of all households opposed in 2012/2013 (Figure 7), similar to 83 percent in 2011.[18] Among households with retirement accounts in 2012/2013, 87 percent disagreed with reducing the limits, whereas among households without such accounts, 75 percent disagreed with reducing the contribution limits.[19] Similar levels of opposition were expressed by households surveyed in 2009, 2010, and 2011.

The 2011 survey introduced a new question focused on employer contributions to DC plan accounts. In 2012/2013, 79 percent of U.S. households opposed reducing the amount that employers can contribute to DC plan accounts for their employees (Figure 7), similar to the 80 percent who opposed the change in 2011. Among households with retirement accounts in 2012/2013, 86 percent disagreed with reducing the employer contribution limits, whereas among households without such accounts, 70 percent disagreed with reducing the employer contribution limits.

Views on Investment Control

Households also resisted suggestions to change individual investment control in DC accounts. When interviewees were asked if they agreed or disagreed with the statement: "the government should not allow individuals to make their own investment decisions in DC accounts," 85 percent disagreed (Figure 7). Disapproval of this statement was relatively similar across all age groups.[20] The degree of opposition was higher among households with DC accounts or IRAs (88 percent) than it was for those without such plans (81 percent).

In a similar vein, respondents were asked how they viewed a proposal for the government to "replace all retirement accounts with a government bond." Despite the stock market downturn from late 2007 through early 2009 and continued volatility through 2010, 2011, and 2012, government control of workers' savings is not a popular remedy. In 2012/2013, 82 percent of respondents disagreed with this proposal (Figure 7), with the strongest opposition among households aged 50 or older, or households with incomes of $30,000 or more.[21] Among households with retirement accounts, 86 percent opposed this proposal, compared with 75 percent of households without these accounts who disagreed with this recommendation.[22]

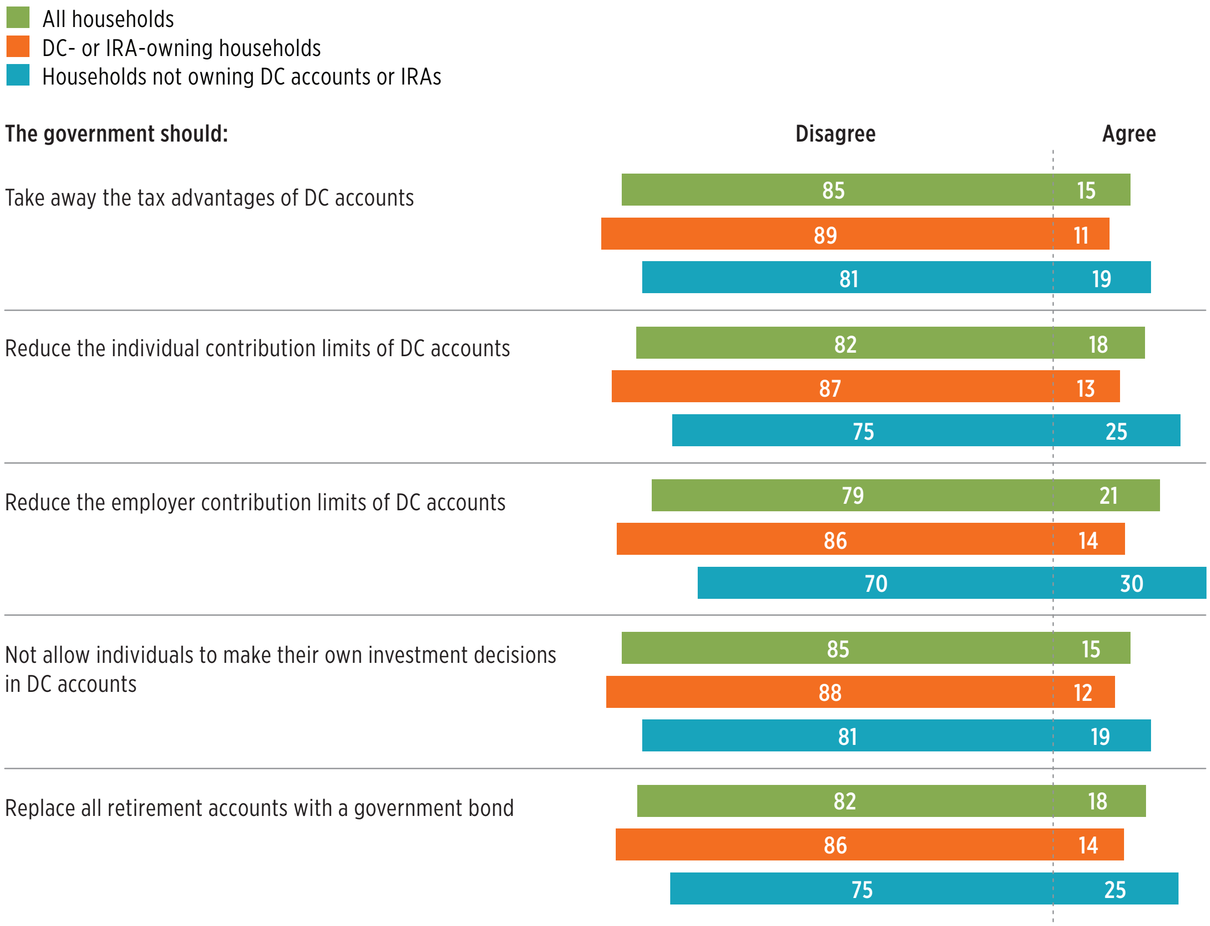
Views on Control of the Disposition of Retirement Account Balances

In 2012/2013, ICI again asked three questions from the 2009 survey which investigated household sentiment regarding possible policy changes that would affect retirees' control of disposition of DC account and IRA balances. The U.S. Department of Labor and the U.S. Department of the Treasury have begun to examine the desirability of policy changes that would encourage annuitization of retirement account balances.[23] While some suggest individuals should annuitize more of their retirement account balances as a means to eliminate the risk of outliving their resources,[24] many U.S. households already have a significant share of their wealth in the form of an annuity through Social Security.[25] Surveying consumer preferences regarding annuitization policy is difficult because the subject matter is complicated and not particularly salient at the current time for many household decisionmakers. In addition, academic research has shown that word choice in surveys on annuities has a dramatic impact on the perceived desirability of the annuity option.[26]

FIGURE 7

Households' Opinions of Suggested Changes to Retirement Accounts

Percentage of U.S. households agreeing or disagreeing with each statement by ownership status, November 2012–January 2013



Number of respondents: 4,000

Note: The figure plots in the "Agree" column the percentage of households who "strongly agreed" or "somewhat agreed" with the statement, and the percentage of households who "somewhat disagreed" or "strongly disagreed" in the "Disagree" column. See Appendix II for the exact wording of the question. For data about these views by household respondent age or household income in 2012/2013, see Figure A5 in Appendix I.

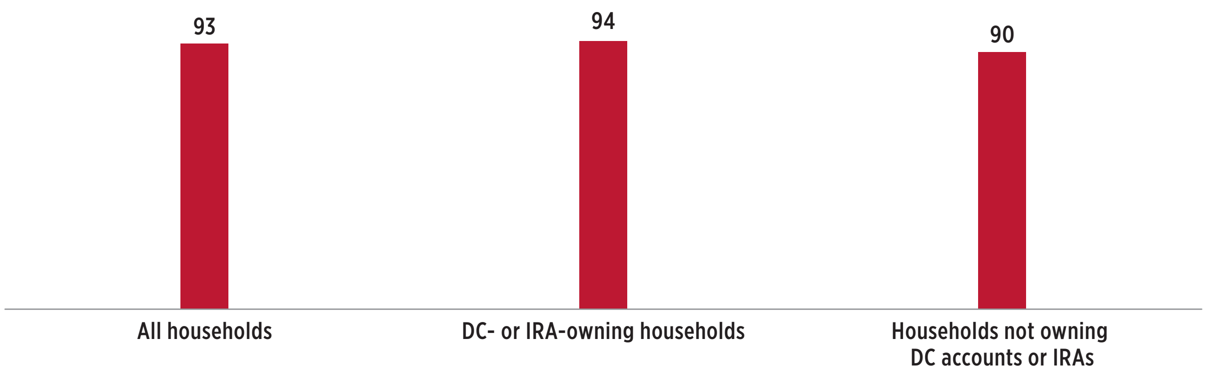
Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

With these difficulties in mind, ICI asked three questions regarding the control of the disposition of retirement account balances. In the first question, respondents were asked to react to a simple statement: "Retirees should be able to make their own decisions about how to manage their own retirement assets and income." In 2012/2013, 93 percent of respondents either "strongly" or "somewhat" agreed with that statement, and the overwhelmingly positive response did not vary much across the population when the sample was split by age, income, or whether the household owned DC accounts or IRAs (Figure 8).[27]

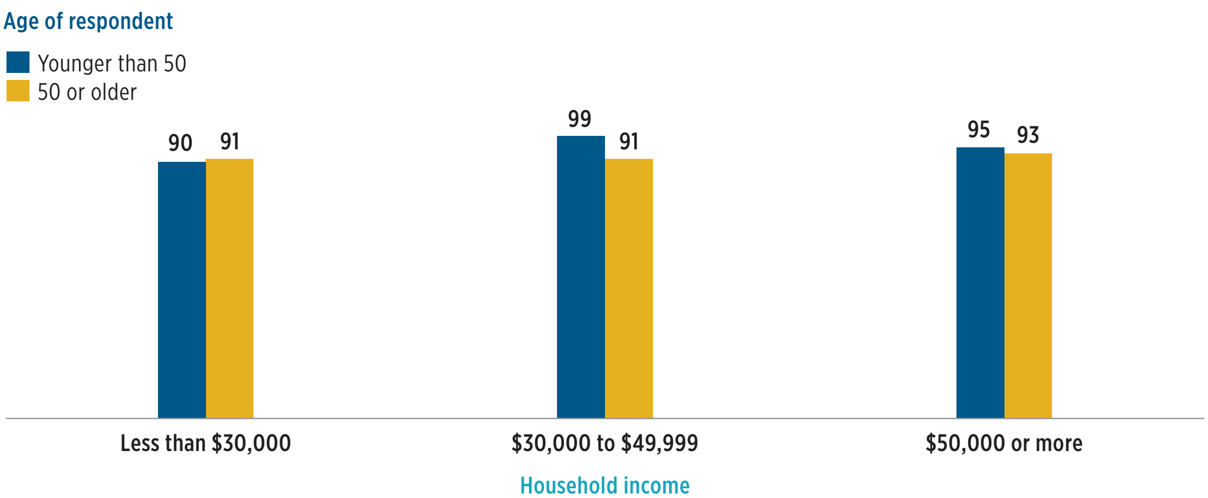
FIGURE 8

Households Agreeing with the Statement: Retirees should be able to make their own decisions about how to manage their own retirement assets and income.

Percentage of U.S. households agreeing by ownership status, November 2012–January 2013



Percentage of U.S. households agreeing by age and household income, November 2012–January 2013



Number of respondents: 3,407

Note: The figure reports the percentage of households who "strongly agreed" or "somewhat agreed" with the statement. The remaining households "somewhat disagreed" or "strongly disagreed."

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

The second and third retirement account disposition questions were focused on sentiment regarding more-specific annuitization policy options. The second statement read: "The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company." The third statement replaced "from an insurance company" with "from the government." The distinction between insurance company and government as annuity provider had only a small effect on household sentiment, so the results for the second and third retirement account disposition questions were very similar.

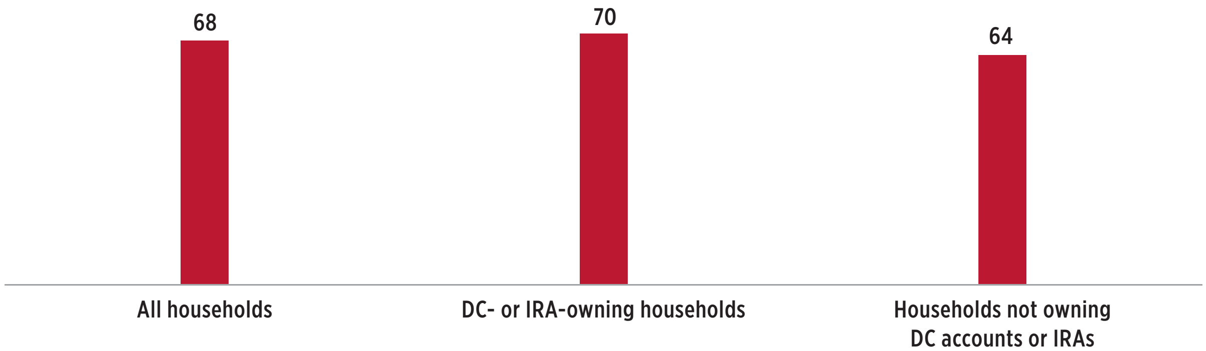
Overall, about two-thirds of respondents either "somewhat disagreed" or "strongly disagreed" with the proposed change in control of account disposition (Figures 9 and 10). The overall disapproval rate occurred even though the question was worded so as to eliminate bias toward disagreement. If anything, the question risked biasing respondents toward agreement; the proposal indicated that the retiree need only trade "a portion" of their assets under a "fair" contract giving them "income for life."

At about 70 percent, the disapproval rates for the proposed annuitization requirements are slightly higher for those owning DC accounts or IRAs (Figures 9 and 10). Disapproval also tends to increase with both age and household income. For example, the disapproval rates for respondents younger than 50 in households with incomes of less than $30,000 are 54 percent for income for life from an insurance company and 46 percent for income for life from the government. At the other extreme, more than three-quarters of respondents aged 50 or older in households with incomes of $50,000 or more disapproved of either proposal.

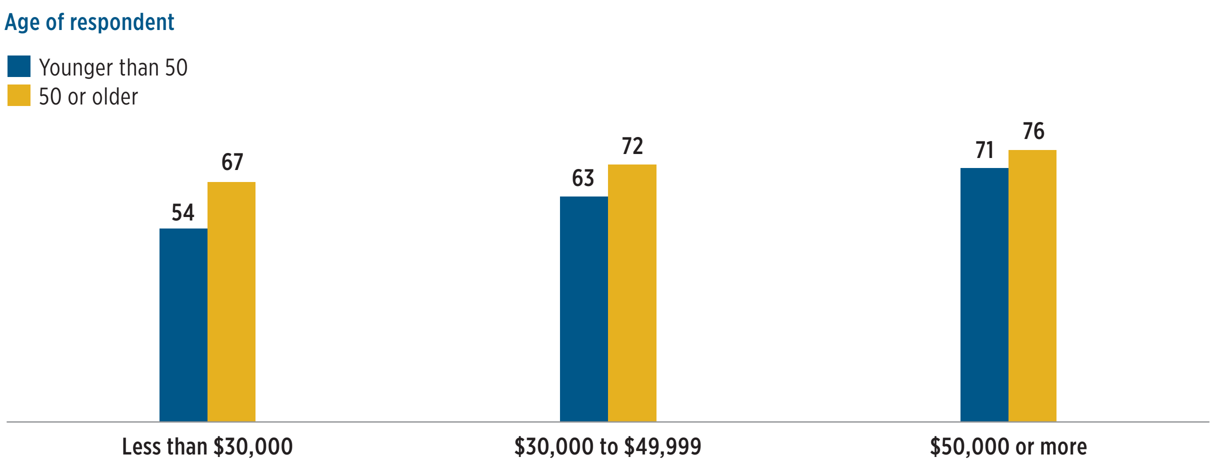
FIGURE 9

Households Disagreeing with the Statement: The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company.

Percentage of U.S. households disagreeing by ownership status, November 2012–January 2013



Percentage of U.S. households disagreeing by age and household income, November 2012–January 2013



Number of respondents: 3,407

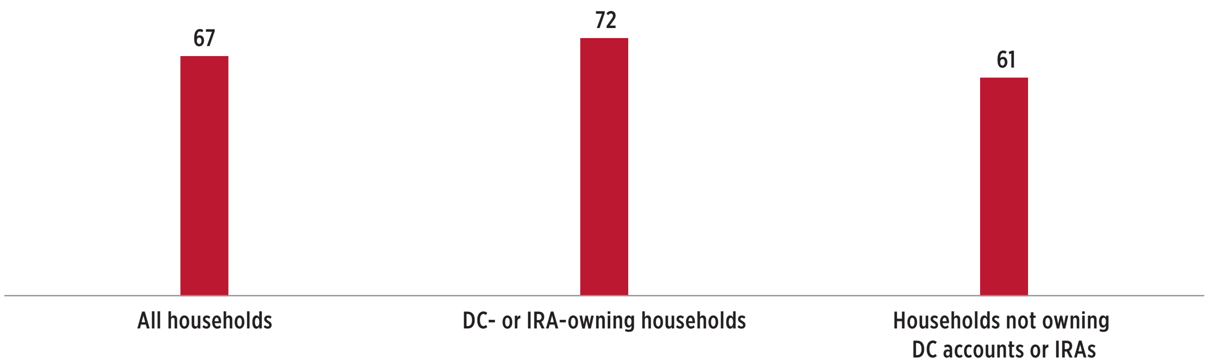
Note: The figure reports the percentage of households who "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed."

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

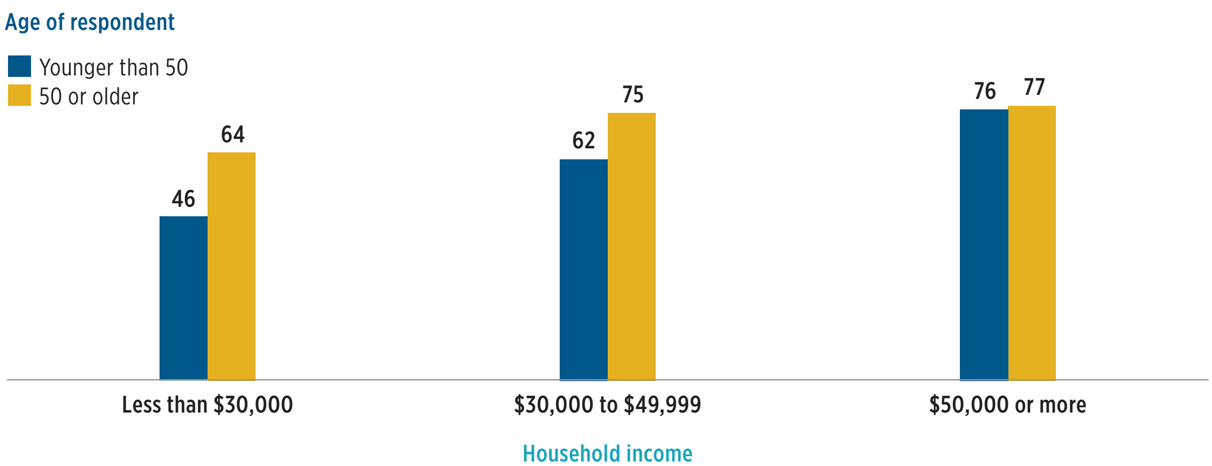
FIGURE 10

Households Disagreeing with the Statement: The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from the government.

Percentage of U.S. households disagreeing by ownership status, November 2012–January 2013



Percentage of U.S. households disagreeing by age and household income, November 2012–January 2013



Number of respondents: 3,407

Note: The figure reports the percentage of households who "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed."

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

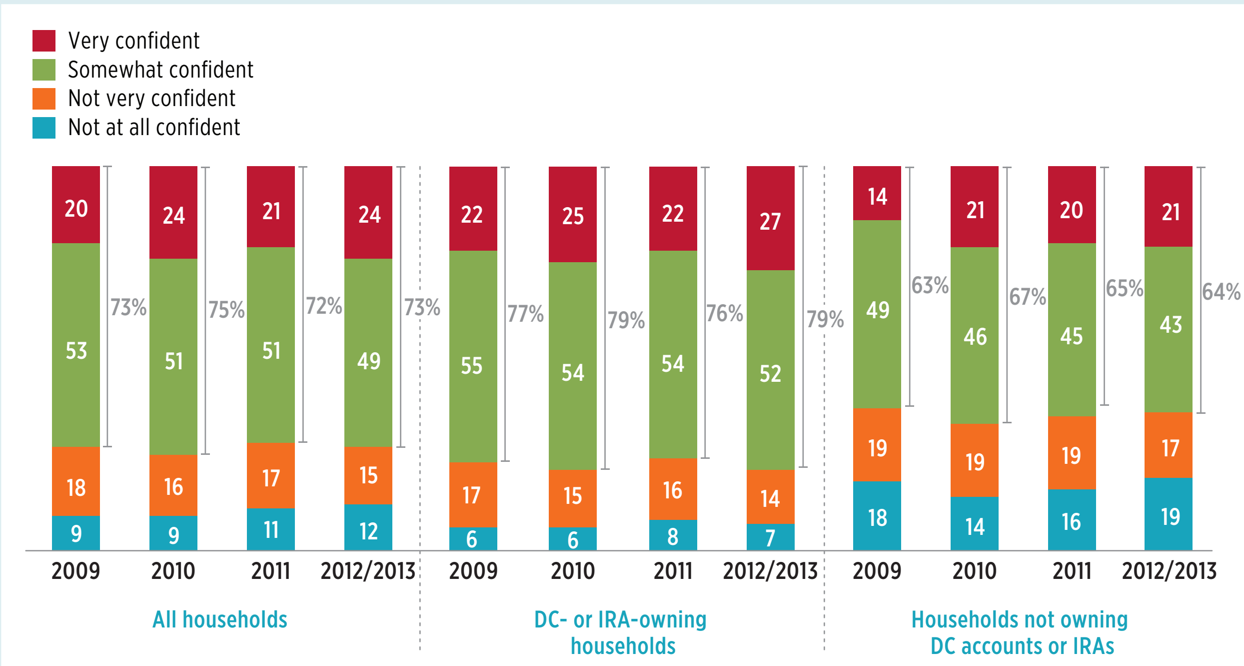
Households' Confidence in Defined Contribution Plan Accounts

The survey also asked respondents to indicate their confidence in the ability of the 401(k) system to help individuals meet their retirement goals. Overall, in 2012/2013, 73 percent of households indicated that they were either "somewhat" or "very" confident that 401(k) and other employer-sponsored retirement plan accounts can help people meet their retirement goals, similar to the confidence levels expressed in 2011 (72 percent), 2010 (75 percent), and 2009 (73 percent; Figure 11). At 79 percent, that confidence was higher among those who currently owned IRAs or DC accounts in 2012/2013, but even 64 percent of non-owners expressed confidence in the retirement plan account approach.[28]

FIGURE 11

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of U.S. households by ownership status; fall, 2009–2011; November 2012–January 2013



Note: In 2009, the sample includes 1,919 DC- or IRA-owning households and 994 households not owning DC accounts or IRAs. In 2010, the sample includes 1,837 DC- or IRA-owning households and 1,107 households not owning DC accounts or IRAs. In 2011, the sample includes 1,866 DC- or IRA-owning households and 1,091 households not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,321 DC- or IRA-owning households and 1,591 households not owning DC accounts or IRAs. For data about confidence by ownership status and age, see Figure A6 in Appendix I.

Source: ICI tabulation of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013)

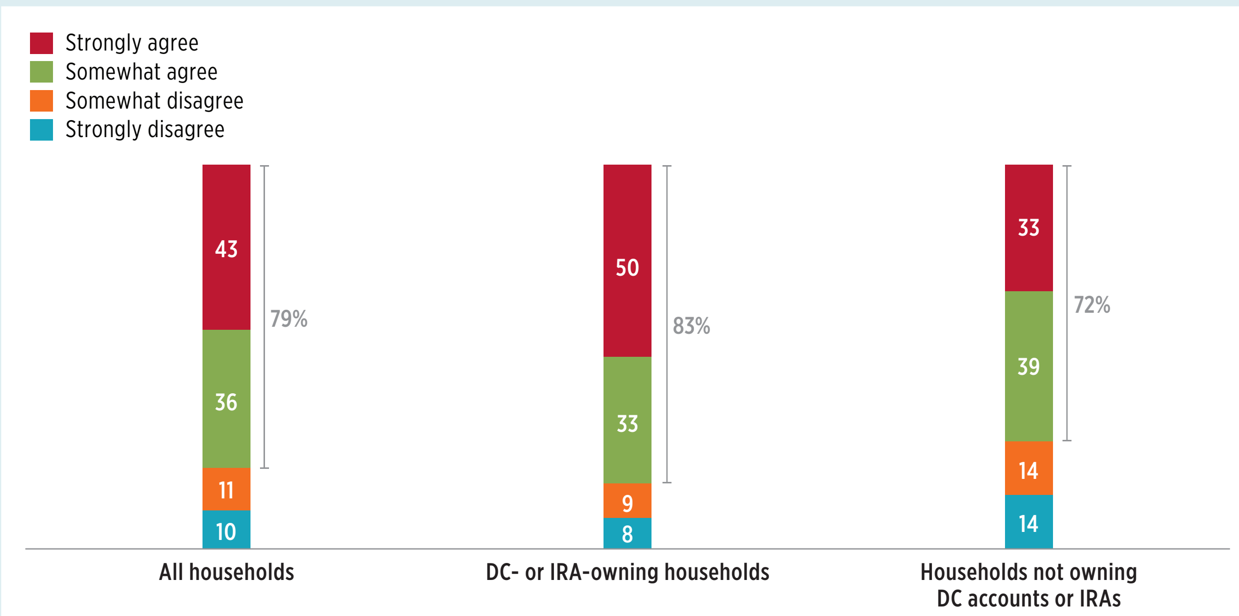
Households' Views on National Commitment to Retirement Savings

Stresses on the U.S. government budget have resulted in reexamination of national priorities with respect to taxes and government spending. Against this backdrop, the 2012/2013 survey repeated a question that was new to the 2011 survey. Households were asked: "Do you agree that continuing to provide incentives to encourage retirement saving should be a national priority?" Seventy-nine percent of U.S. households agreed that continuing these incentives should be a national priority in 2012/2013 (Figure 12). Agreement was higher among households owning DC accounts or IRAs (83 percent), and 72 percent of households without such retirement accounts agreed with keeping such incentives a national priority.

FIGURE 12

A Majority of Households Agree That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by ownership status, November 2012–January 2013



Note: The sample is 3,938 households, of which 2,321 owned DC accounts or IRAs and 1,617 did not. For more information about households' views on savings as a national priority by respondent age or household income, see Figures A7 and A8 in Appendix I.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

Defined Contribution Plan Participant Activity in the First Three Quarters of 2012

The second prong of this research involved a recordkeeper survey focused on DC plan accounts in the first nine months of 2012. To understand how DC plan investors have reacted to the recession and volatile stock market during the past several years, ICI surveyed recordkeeping firms representing a broad range of DC plans. The September 2012 survey included recordkeepers covering more than 24 million employer-based DC retirement plan participant accounts. The broad scope of the recordkeeper survey provides valuable inferences about recent contribution, asset allocation, withdrawal, and loan decisions of participants in these plans.

DC plan participants continued saving in their DC plans during the first three quarters of 2012. Despite concerns that plan participants might stop devoting some of their paychecks to retirement saving during times of financial stress, the recordkeeper survey indicated that only 2.1 percent of DC plan participants stopped making contributions during the first three quarters of 2012, compared with 2.2 percent of plan participants during the first three quarters of 2011, 3.4 percent of plan participants during the first three quarters of 2010, 5.0 percent of plan participants during the first three quarters of 2009, and 3.0 percent of participants during the first 10 months of 2008 (Figure 13).

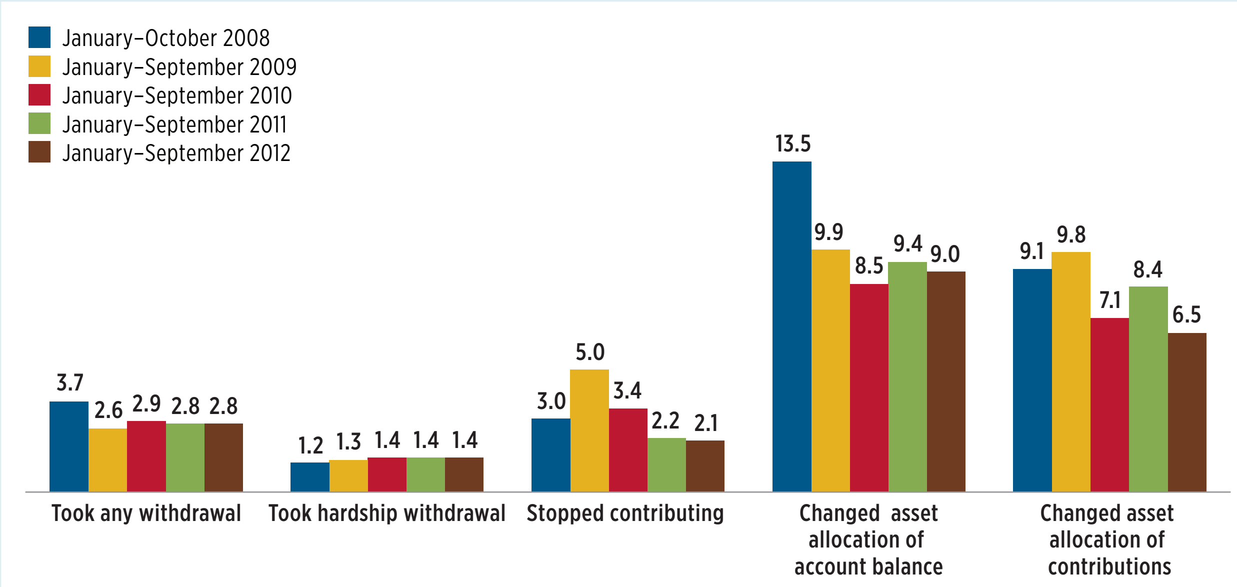
The survey of recordkeeping firms also gathered information about asset allocation changes in DC account balances or contributions. Between January 2012 and September 2012, 9.0 percent of the participants changed the asset allocation of their account balances, slightly lower than during the comparable period in 2012 (Figure 13). In addition, 6.5 percent of the participants changed the asset allocation of their contributions between January 2012 and September 2012, down from 8.4 percent during the first three quarters of 2011. In any given period, a minority of DC plan participants made asset allocation changes.[29]

The withdrawal data indicate that most DC plan participants continued to preserve the assets in their retirement plans at work. Between January 2012 and September 2012, only 2.8 percent of plan participants took withdrawals from their participant-directed retirement plans, with 1.4 percent taking hardship withdrawals (Figure 10).[30] These withdrawal rates are very much in line with the recordkeeper results for the first three quarters of 2009, 2010, and 2011.[31]

FIGURE 13

Defined Contribution Plan Participant Activities

Summary of recordkeeper data; percentage of participants



Note: The samples include more than 22 million DC plan participants for data covering January–October 2008, nearly 24 million DC plan participants for data covering January–September 2009, January–September 2010, and January–September 2011, and more than 24 million DC plan participants for data covering January–September 2012.

Source: ICI Survey of DC Plan Recordkeepers (January–October 2008; January–September 2009; January–September 2010; January–September 2011; and January–September 2012)

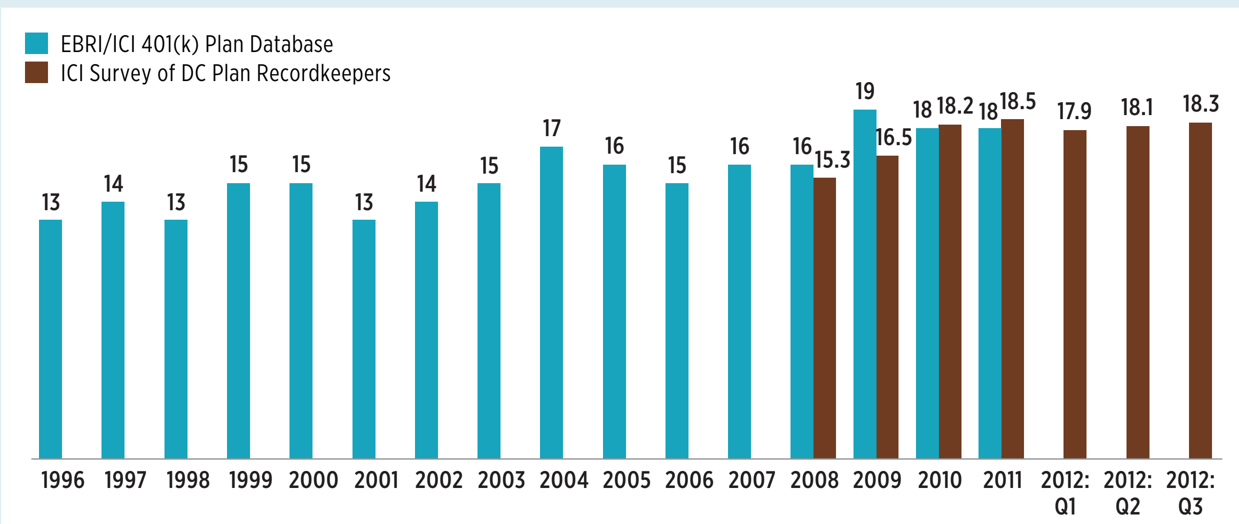
Although loan activity has edged up in the past few years in the wake of the economic stresses, it is still the case that fewer than one in five DC plan participants had loans outstanding at the end of September 2012. The ICI recordkeeper survey data indicated 18.3 percent of participants had loans outstanding at the end of September 2012, compared with 18.5 percent of participants at year-end 2011, 18.2 percent at year-end 2010, 16.5 percent at year-end 2009, and 15.3 percent at year-end 2008 (Figure 14). By comparison, the EBRI/ICI 401(k) database indicated that 16 percent of 401(k) participants had loans outstanding at year-end 2008, 19 percent had loans outstanding at year-end 2009, and 18 percent had loans outstanding at year-end 2010 and year-end 2011.[32]

Furthermore, the size of 401(k) loans, measured either as the dollar amount or as a percentage of the account balance, tends to be quite small, according to EBRI/ICI research. At year-end 2011, the median loan outstanding was $3,785, compared with $3,619 at year-end 2010, $3,972 at year-end 2009, $3,889 at year-end 2008, and $4,167 at year-end 2007. At year-end 2011, on average, loans outstanding represented 14 percent of the remaining account balance.[33] Department of Labor data indicate that in aggregate, 401(k) plan loans outstanding represented less than 2 percent of total 401(k) plan assets in 2010.[34]

FIGURE 14

401(k) Loan Activity

Percentage of participants who had plan loans outstanding; end-of-period; 1996–2011, 2012:Q1–2012:Q3



Note: The EBRI/ICI data cover 401(k) plans; the ICI Survey of DC Plan Recordkeepers covers DC plans more generally (although the bulk of DC plans is 401(k) plans).

Sources: EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (1996–2011) and ICI Survey of DC Plan Recordkeepers (December 2008–September 2012)

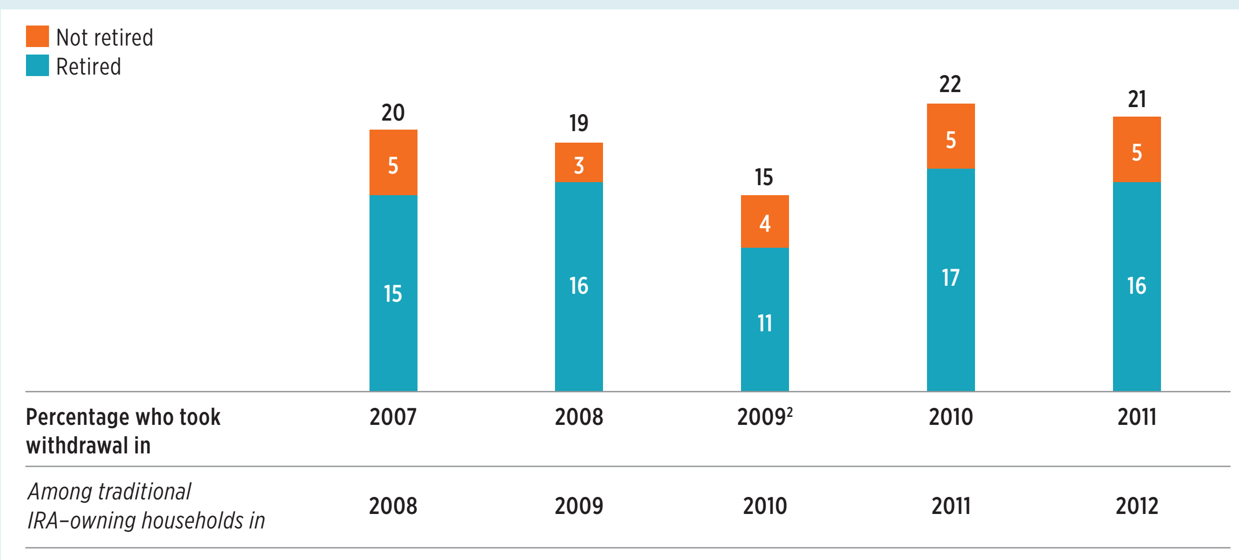
Contribution and Withdrawal Activity in IRAs

Results from a separate ICI survey effort find that IRA-owning households' contribution and withdrawal activities in tax years 2007, 2008, 2009, 2010, and 2011 were not noticeably affected by the economic stresses of the past several years. ICI's annual IRA Owners Survey, fielded in May 2008, May 2009, May 2010, May 2011, and May 2012, found that behavior of IRA-owning households in tax year 2011 was little changed from tax years 2007, 2008, 2009, and 2010. Indeed, 16 percent of all U.S. households contributed to any type of IRA in tax year 2011, compared with 14 percent of all U.S. households in tax year 2010, and 15 percent of all U.S. households in tax years 2009, 2008, and 2007. The percentage of IRA-owning households making contributions also was relatively constant over the past five years: 39 percent of IRA-owning households made contributions in tax year 2011, compared with 36 percent in tax year 2010, 37 percent in tax year 2009, 39 percent in tax year 2008, and 37 percent in tax year 2007. The median contribution amount was $5,000 in tax years 2010 and 2011, up from $4,500 in tax year 2009, and $4,000 in 2008 and 2007. Twenty-one percent of traditional IRA–owning households took withdrawals in tax year 2011 and 22 percent took withdrawals in tax year 2010, up from 15 percent in tax year 2009. Some of the increase in withdrawal activity resulted from the return of required minimum distributions (RMDs) in tax year 2010, which had been suspended in 2009. Despite the volatile stock market and weak economy, traditional IRA withdrawal activity fell in 2009, reflecting the suspension of RMDs in that year. Fifteen percent of traditional IRA–owning households took withdrawals in 2009, down from 19 percent in 2008 and 20 percent in 2007. The median withdrawal amount was $7,000 in 2010 and 2011, compared with $7,500 in 2009, $6,000 in 2008, and $7,000 in 2007.

For additional information on the ICI IRA Owners Survey, see Holden and Schrass 2012a and 2012b.

Traditional IRA Withdrawal Activity Is Limited and Usually Retirement Related

Percentage of U.S. households with traditional IRAs, 2008–2012[1]



[1] The figure reports withdrawal activity in the year indicated among traditional IRA–owning households in the subsequent year.

[2] Required minimum distributions were suspended for tax year 2009.

Source: Investment Company Institute IRA Owners Survey

Appendix I: Characteristics of the GfK Omnitel Survey Sample and Additional Analysis

GfK OmniTel Survey

OmniTel is a weekly national telephone omnibus service of GfK Custom Research North America. The sample for each week's OmniTel wave consists of 1,000 completed interviews, made up of male and female adults (in approximately equal number), all 18 years of age or older. Each OmniTel survey is based on a random digit dialing (RDD) probability sample of all telephone households in the continental United States.[35] ICI included questions in the OmniTel survey for four different weekends between mid-November 2012 and mid-January 2013, resulting in a total sample of 4,000 U.S. households.

For the first week of interviews, the traditional landline telephone sample was supplemented with a cell phone sampling frame. The main purpose behind including a cell phone sample is to ensure better representation of younger and cell phone dominant adults who have become increasingly more difficult to reach via traditional landline telephone samples. The sample in the first wave consisted of 1,000 total completed interviews, of which approximately 750 were landline telephone exchanges and about 250 were cell phone exchanges.

The median age group among the 4,000 U.S. households surveyed is 45 to 49, and the median income group is $40,000 to $49,999. The overall sampling error for the survey is ± 1.5 percentage points at the 95 percent confidence level.[36]

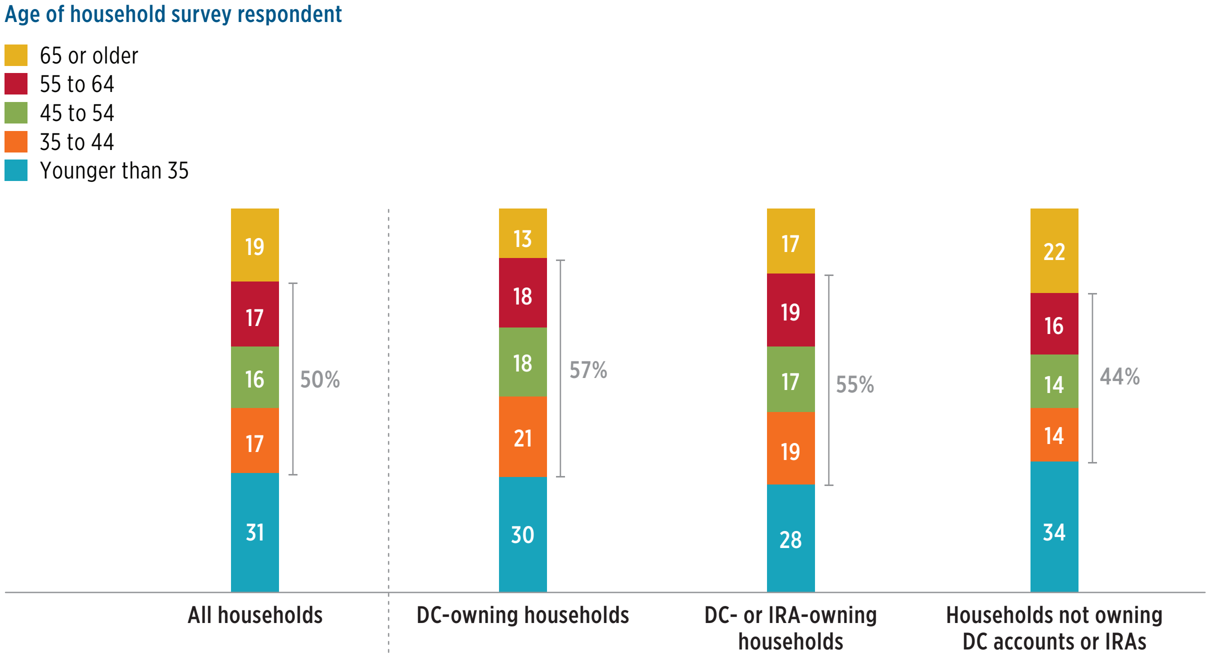
Characteristics of the Survey Sample

The characteristics of the sample are consistent with the samples used in other, ongoing ICI research. The age distributions of DC-owning and DC- or IRA-owning households are more concentrated toward prime working years, ages 35 to 64, compared with households not owning such retirement accounts (Figure A1). Also, incomes of households owning retirement accounts are higher than for non-owners, but about three-fifths of households with retirement accounts have between $25,000 and $100,000 of household income (Figure A2). Households owning DC accounts or IRAs were more likely to be employed full-time compared with households not owning such accounts (Figure A3). Finally, the willingness to take investment risk within the sample follows the same pattern observed in other household surveys, with older households expressing more reluctance to take on more financial risk to increase returns, compared with younger households; and households owning DC accounts or IRAs expressing more willingness to take on financial risk than non-owning households (Figure A4).[37]

FIGURE A1

Age Composition of U.S. Households in the Opinion Survey

Percentage of U.S. households by ownership status and age, November 2012–January 2013



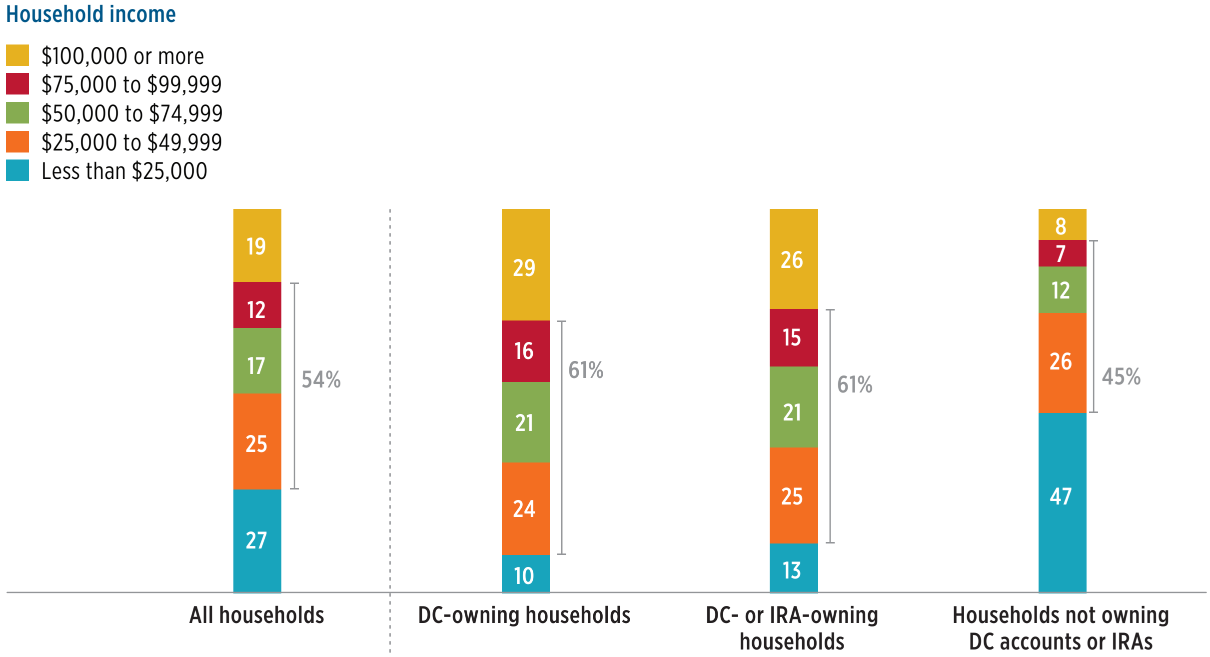
	All households	DC-owning households	DC- or IRA-owning households	Households not owning DC accounts or IRAs
Number of respondents	4,000	1,888	2,337	1,663

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

FIGURE A2

Income Composition of U.S. Households in the Opinion Survey

Percentage of U.S. households by ownership status and household income, November 2012–January 2013



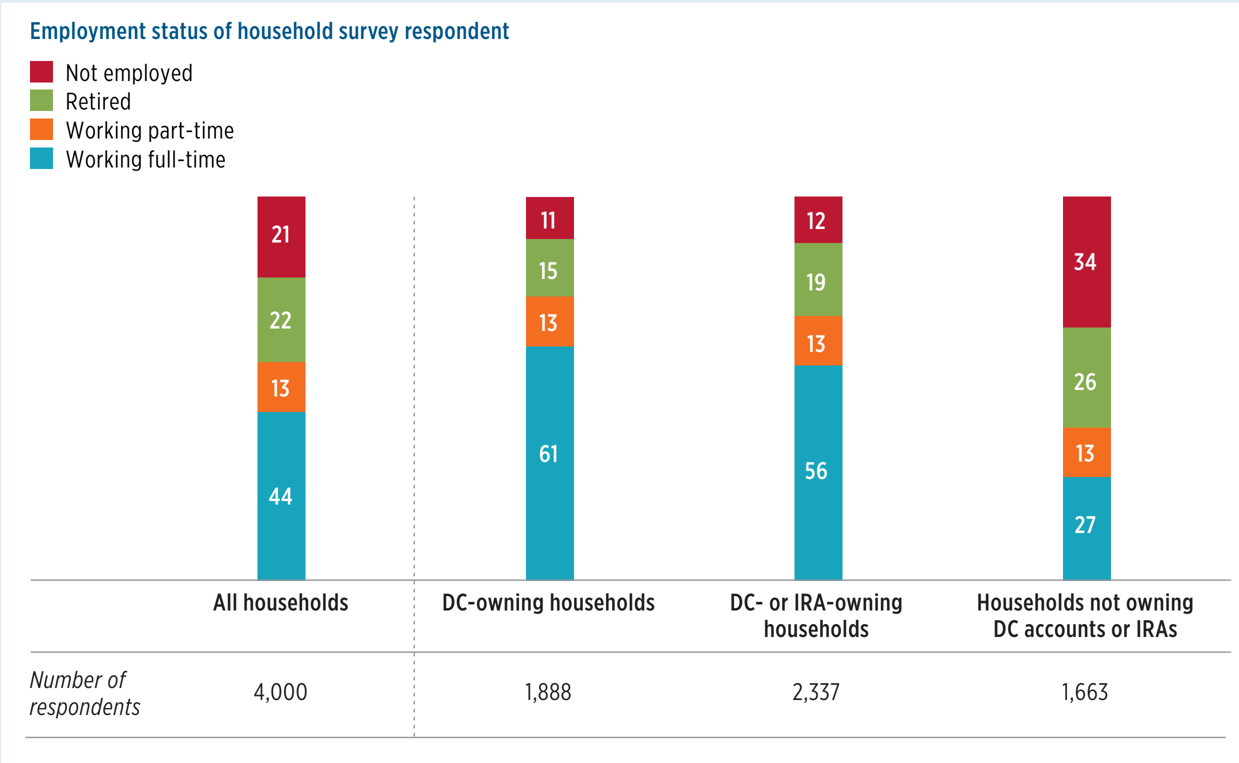
	All households	DC-owning households	DC- or IRA-owning households	Households not owning DC accounts or IRAs
Number of respondents	4,000	1,888	2,337	1,663

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

FIGURE A3

Employment Composition of U.S. Households in the Opinion Survey

Percentage of U.S. households by ownership status and employment status, November 2012–January 2013



Note: Only household survey respondents who indicated they were not employed were asked if they were retired. Survey respondents who were not employed included students, homemakers, and temporarily unemployed individuals.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

FIGURE A4

Households' Willingness to Take Investment Risk Varies with Age

Percentage of U.S. households by age and ownership status, November 2012–January 2013

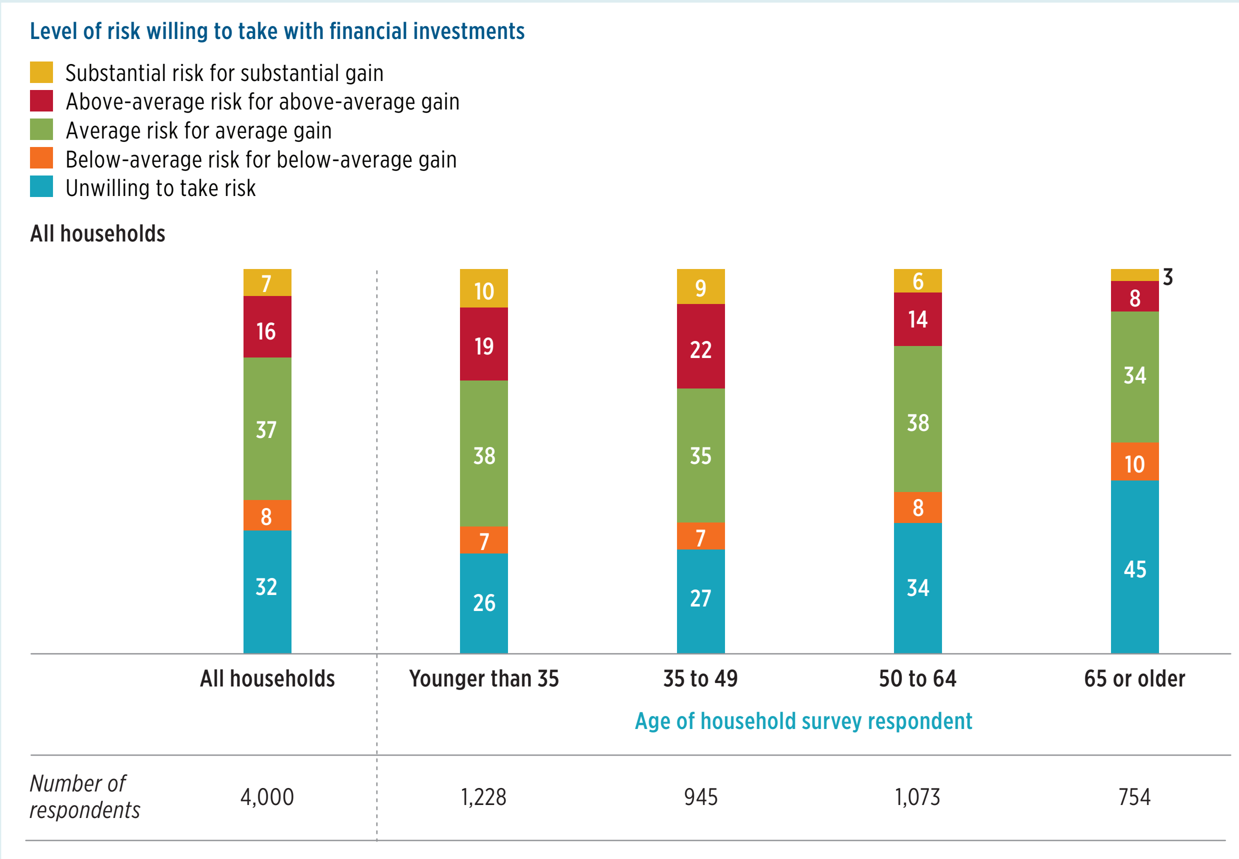


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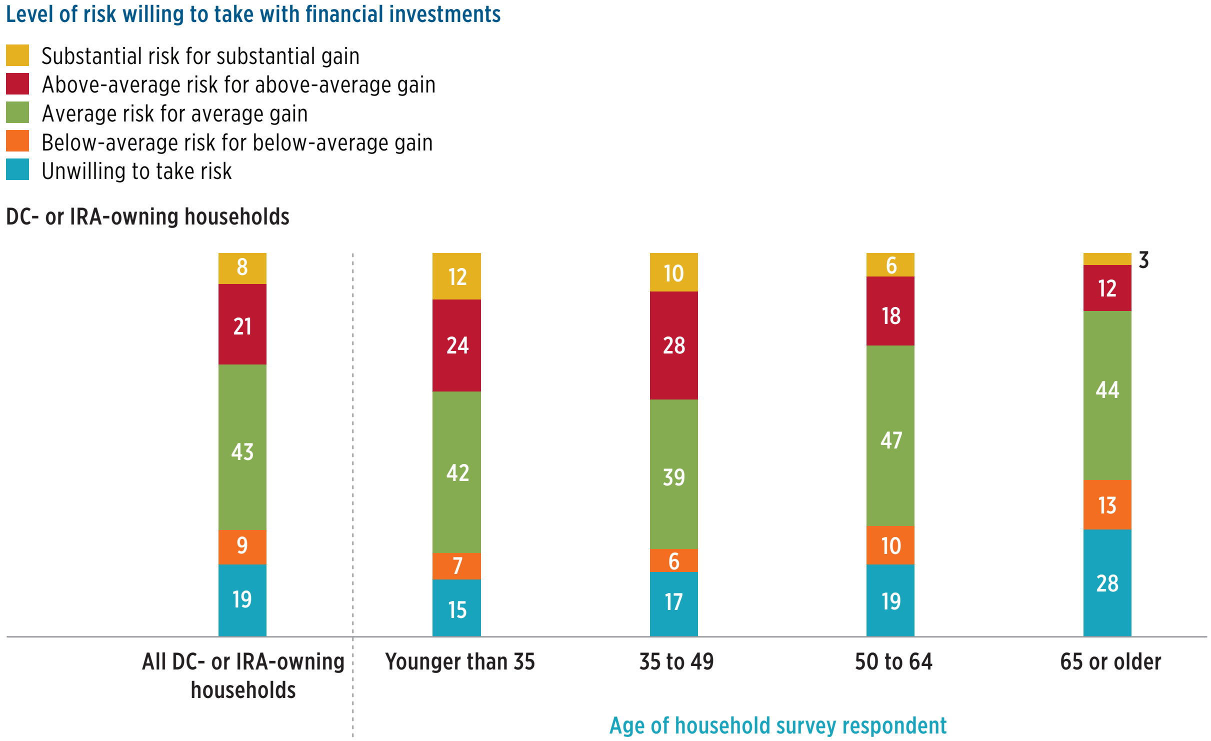
FIGURE A4 CONTINUED

Households' Willingness to Take Investment Risk Varies with Age

Percentage of U.S. households by age and ownership status, November 2012–January 2013



Number of respondents	2,337	661	614	673	389

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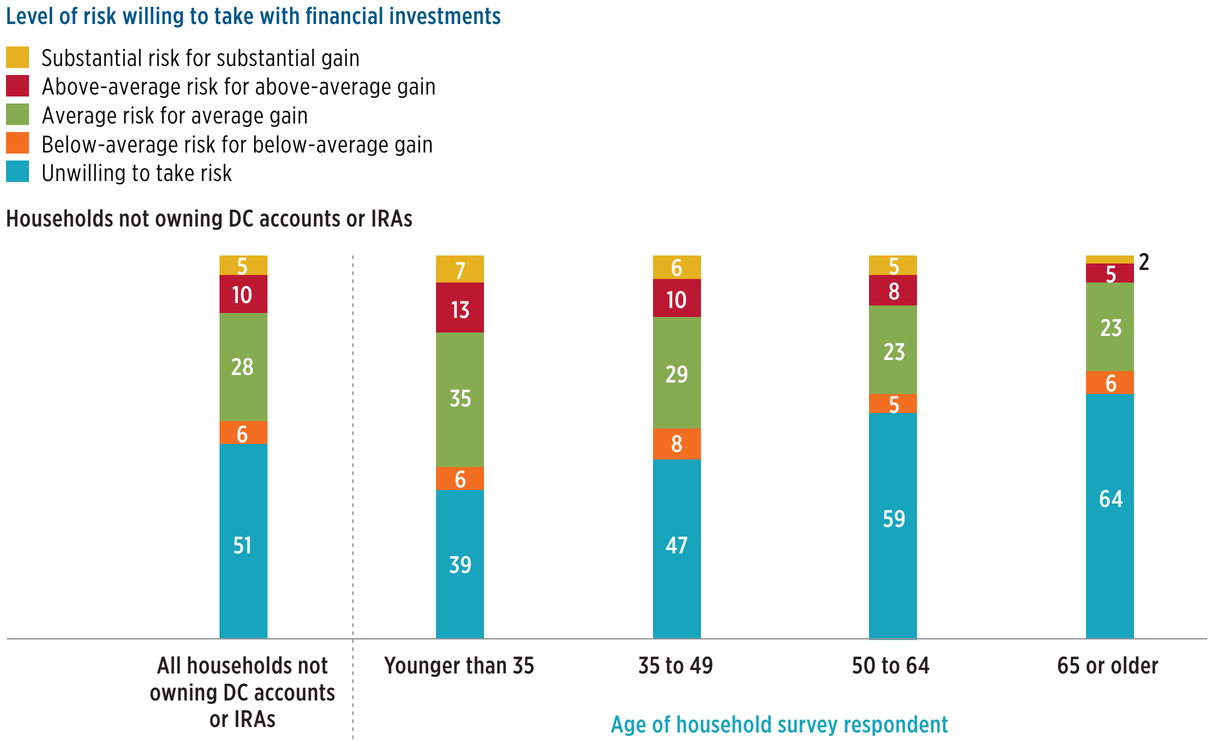
FIGURE A4 CONTINUED

Households' Willingness to Take Investment Risk Varies with Age

Percentage of U.S. households by age and ownership status, November 2012–January 2013



	All households not owning DC accounts or IRAs	Younger than 35	35 to 49	50 to 64	65 or older
Number of respondents	1,663	567	331	400	365

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

Views on Suggested Changes to Defined Contribution Plan Accounts

Figure 7 in the report presented responses to questions regarding respondents' opinions on some suggested changes to the tax treatment and investment control of DC plan accounts. Figure A5 reports responses across all households (whether they own DC accounts or not) by age of the survey respondent or household income.

FIGURE A5

Households' Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Age and Household Income

Percentage of U.S. households disagreeing with each statement by age or household income, November 2012–January 2013

		Age of household survey respondent			
Disagreeing that the government should:	**All households**	**Younger than 35**	**35 to 49**	**50 to 64**	**65 or older**
Take away the tax advantages of DC accounts	85	81	88	87	86
Reduce the amount that individuals can contribute to DC accounts	82	76	84	86	84
Reduce the amount that employers can contribute to DC accounts for their employees	79	73	81	83	82
Not allow individuals to make their own investment decisions in DC accounts	85	83	89	86	82
Replace all retirement accounts with a government bond	82	76	81	85	86
Number of respondents	4,000				

		Household income			
Disagreeing that the government should:	**All households**	**Less than $30,000**	**$30,000 to $49,999**	**$50,000 to $99,999**	**$100,000 or more**
Take away the tax advantages of DC accounts	85	81	86	90	92
Reduce the amount that individuals can contribute to DC accounts	82	72	83	89	91
Reduce the amount that employers can contribute to DC accounts for their employees	79	70	84	83	88
Not allow individuals to make their own investment decisions in DC accounts	85	80	86	89	90
Replace all retirement accounts with a government bond	82	69	84	87	90
Number of respondents	4,000				

Note: Figure reports the percentage of households who "strongly disagreed" or "somewhat disagreed" with the statement. The remaining households "somewhat agreed" or "strongly agreed." See Appendix II for the exact wording of the question.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

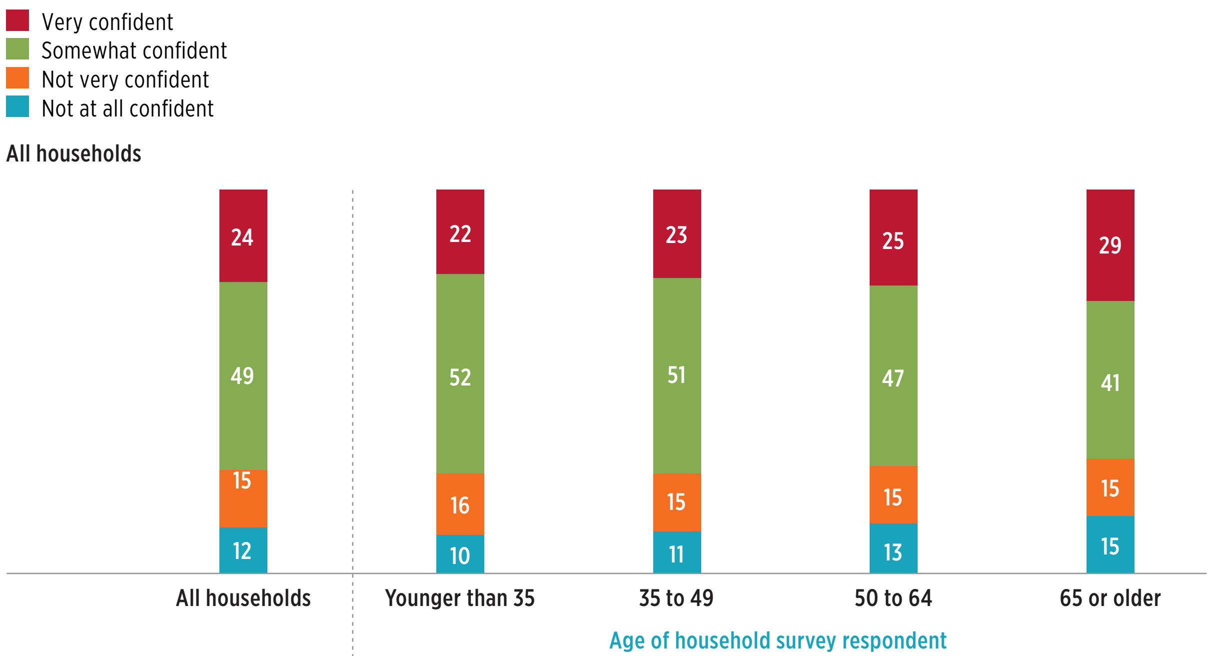
Confidence in Retirement Plan Accounts

Figure 11 in the report summarized respondents' confidence in the ability of retirement plan accounts to help individuals meet their retirement goals. Figure A6 analyzes variation in confidence across households by DC account or IRA ownership status and age of the household survey respondent.

FIGURE A6

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of U.S. households by age and ownership status, November 2012–January 2013



	All households	Younger than 35	35 to 49	50 to 64	65 or older
Number of respondents	3,911	1,203	936	1,053	718

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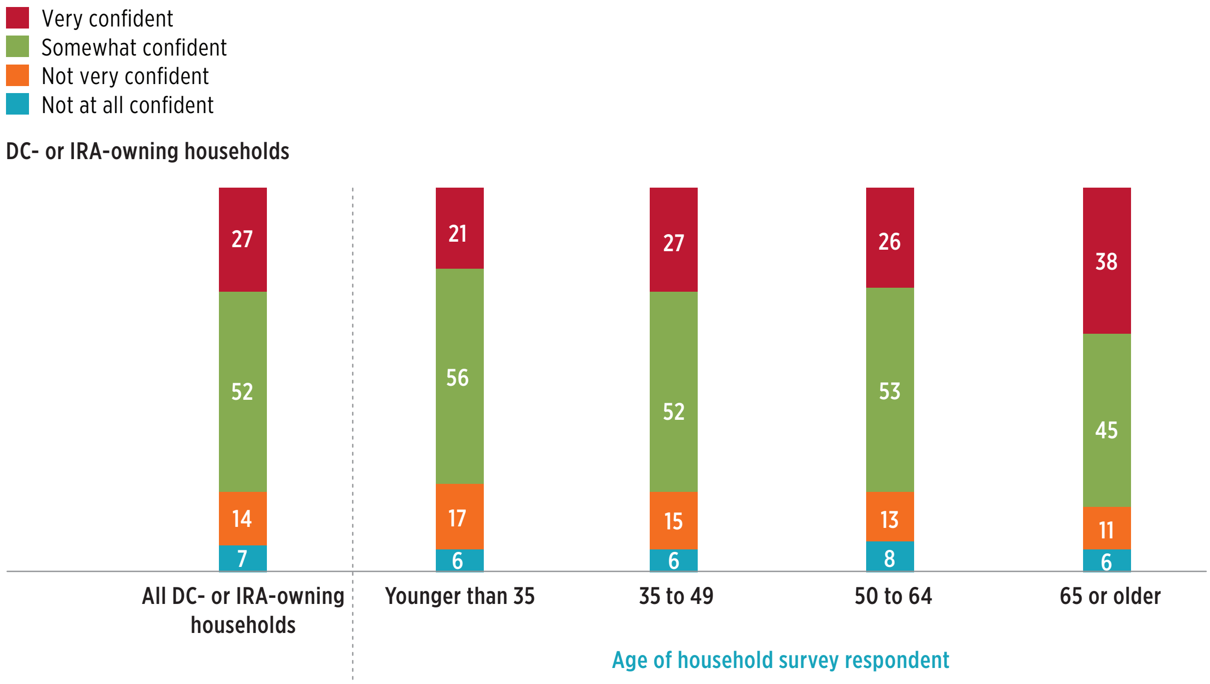
FIGURE A6 CONTINUED

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of U.S. households by age and ownership status, November 2012–January 2013



	All DC- or IRA-owning households	Younger than 35	35 to 49	50 to 64	65 or older
Number of respondents	2,320	661	613	666	380

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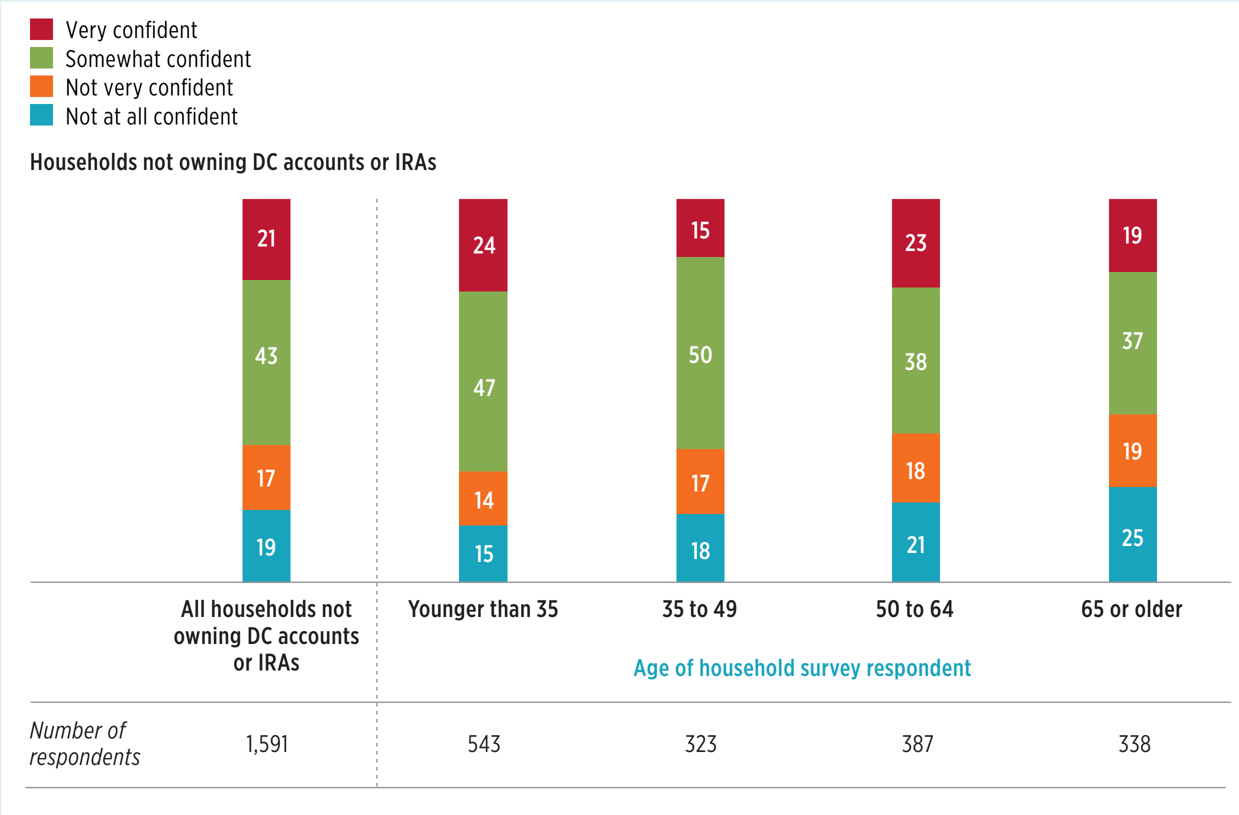
FIGURE A6 CONTINUED

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of U.S. households by age and ownership status, November 2012–January 2013



Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

National Commitment to Retirement Saving

Figure 12 in the report summarized respondents' agreement that continuing to provide incentives to encourage retirement saving should be a national priority. Figure A7 analyzes variation in agreement across households by DC account or IRA ownership status and age of the household survey respondent and Figure A8 analyzes variation in agreement across households by DC account or IRA ownership status and household income.

FIGURE A7

Households' Opinions by Age That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by age and ownership status, November 2012–January 2013

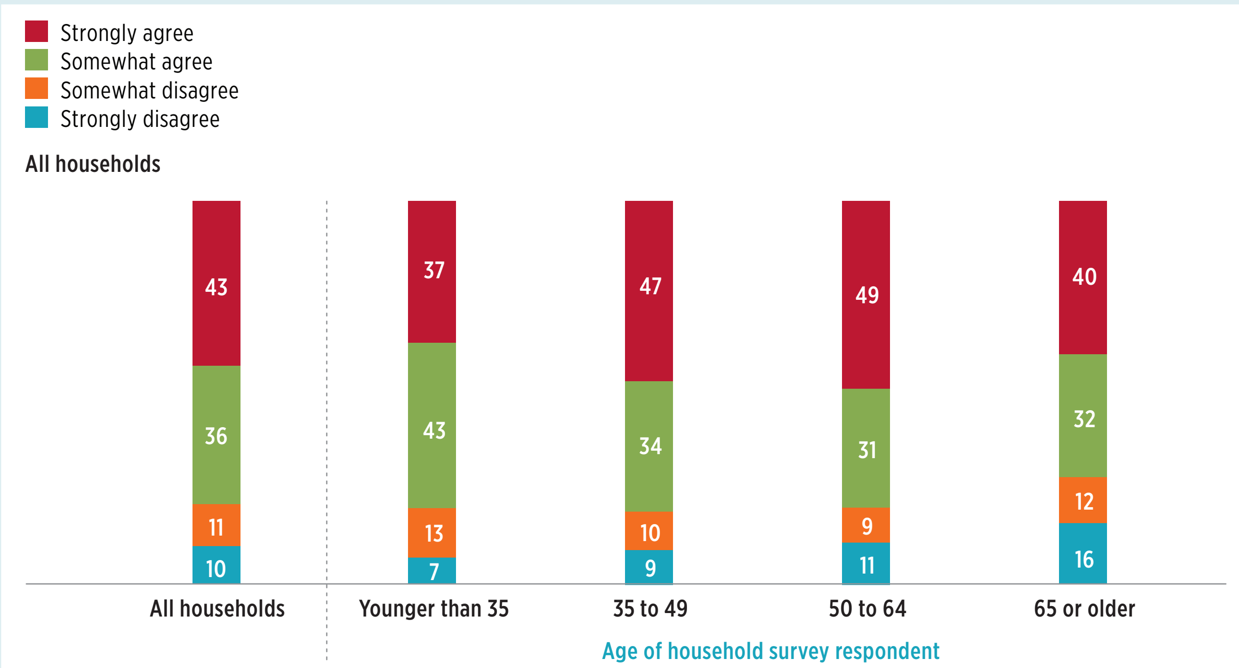


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FIGURE A7 CONTINUED

Households' Opinions by Age That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by age and ownership status, November 2012–January 2013

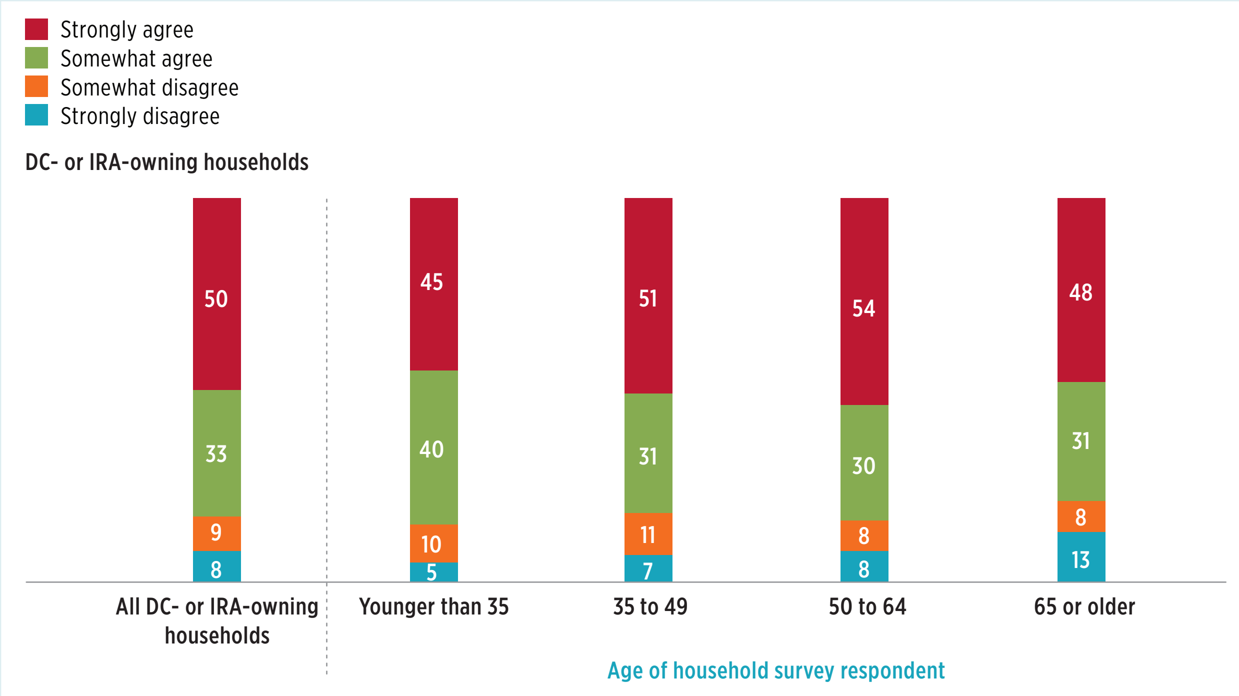

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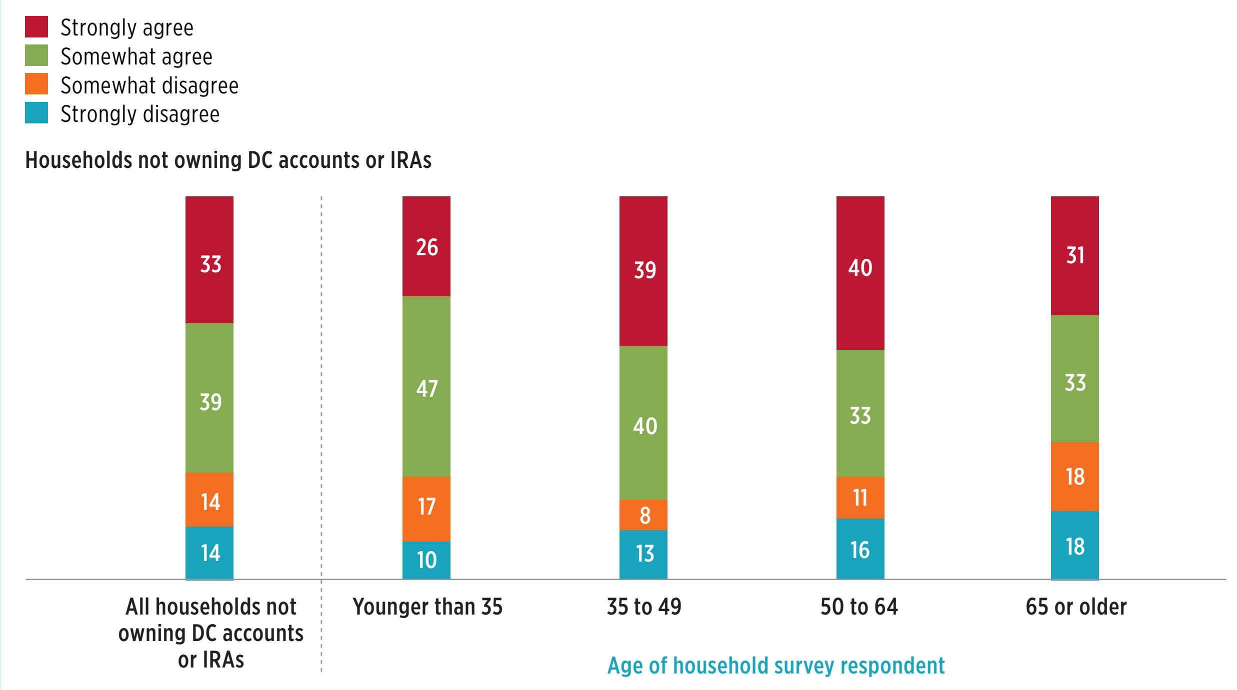
FIGURE A7 CONTINUED

Households' Opinions by Age That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by age and ownership status, November 2012–January 2013



Note: The sample is 3,938 households, of which 2,321 owned DC accounts or IRAs and 1,617 did not.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

FIGURE A8

Households' Opinions by Household Income That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by household income and ownership status, November 2012–January 2013

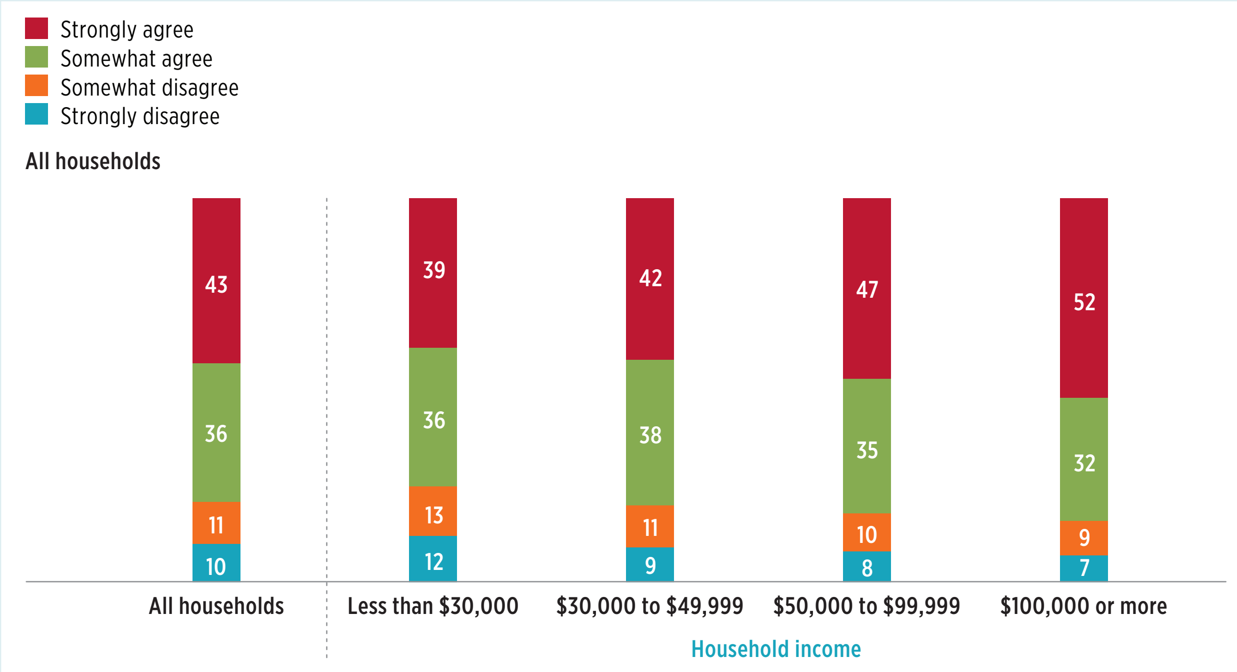


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FIGURE A8 CONTINUED

Households' Opinions by Household Income That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by household income and ownership status, November 2012–January 2013

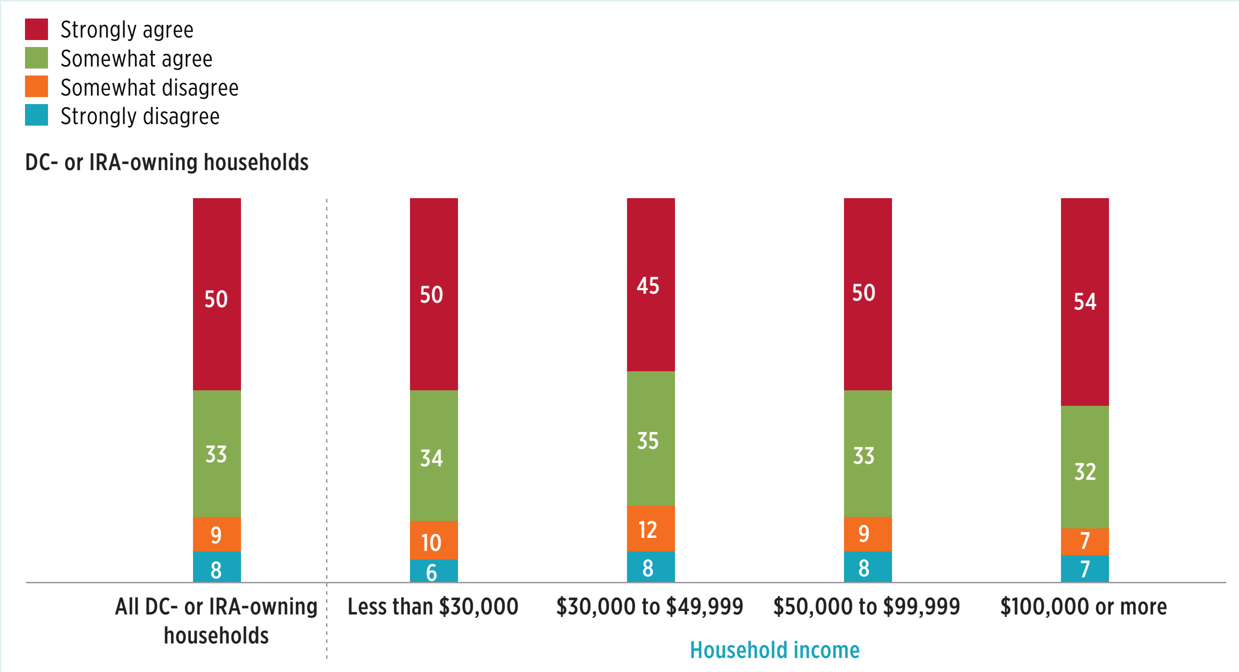

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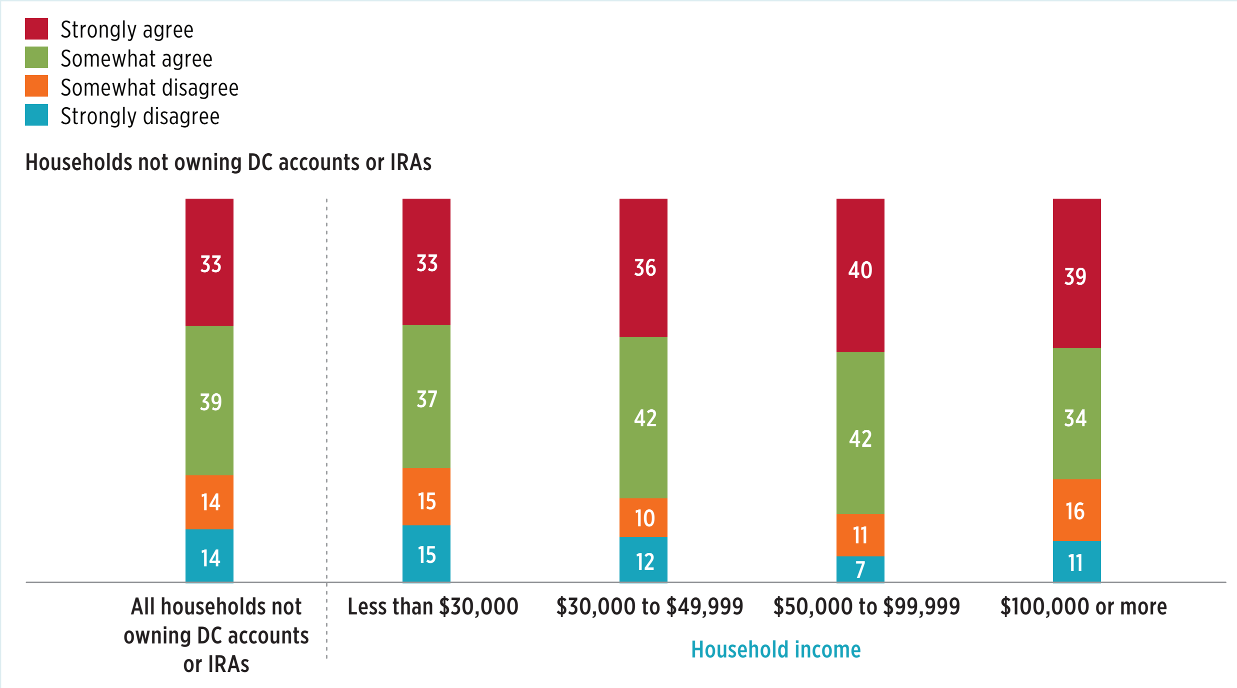
FIGURE A8 CONTINUED

Households' Opinions by Household Income That Incentives for Retirement Savings Should Be a National Priority

Percentage of U.S. households by household income and ownership status, November 2012–January 2013



Note: The sample is 3,968 households, of which 2,321 owned DC accounts or IRAs and 1,617 did not.

Source: ICI tabulation of GfK OmniTel survey data (November 2012–January 2013)

Appendix II: ICI's Survey Questions

I have a few questions relating to the recent financial market performance and your saving and investing.

#1 (ASK ALL:) Do you or does someone else in your household have an employer-sponsored retirement plan account? These retirement plans can be called 401(k), 403(b), 457, or thrift savings plans.

[ ] Yes [ ] No [ ] Don't know

#2 (IF #1 = NO/DON'T KNOW, START WITH:) We are interested in your opinions on these types of retirement plan accounts even if your household doesn't currently own them.

(ASK ALL:) Saving in retirement plan accounts such as 401(k) plans has certain tax advantages. For example, 401(k) contributions typically reduce your taxable income since contributions come out of your pay before taxes are withheld. In addition, the retirement plan accounts benefit from tax-deferred growth because taxes are not due until you withdraw the money from the account.

Please indicate whether you **strongly agree, somewhat agree, somewhat disagree**, or **strongly disagree** with each of the following statements. How about…(READ EACH ITEM and RANDOMIZE LIST.)

The government should take away the tax advantages of such retirement plan accounts.

____

The government should reduce the amount that individuals can contribute to such retirement plan accounts.

____

The government should reduce the amount that employers are permitted to contribute to such retirement plan accounts for their employees.

____

The government should not allow individuals to make their own investment decisions in such accounts.

____

The government should replace all retirement plan accounts with a government bond.

____

#3 (IF #1 = YES, ASK:) When you think about your household's employer-sponsored retirement plan accounts, would you **strongly agree, somewhat agree, somewhat disagree**, or **strongly disagree** with the following statements? Let's start with… (READ EACH ITEM and RANDOMIZE LIST.)

Payroll deduction makes it easier for me to save.

____

My employer-sponsored retirement plan account helps me think about the long term, not just my current needs.

____

I probably wouldn't save for retirement if I didn't have a retirement plan at work.

____

Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance.

____

The immediate tax savings from my retirement plan are a big incentive to contribute.

____

My employer-sponsored retirement plan offers me a good lineup of investment options.

____

It is important to have choice in, and control of, the investments in my retirement plan account.

____

#4 (ASK ALL:) Please tell me which one of the following statements best describes how much investment risk versus reward you personally are usually willing to take when investing. (READ LIST. CHECK ONLY ONE RESPONSE.)

[ ] I am willing to take substantial financial risk for substantial financial gain.
[ ] I am willing to take above-average risk for above-average gain.
[ ] I am willing to take average risk for average gain.
[ ] I am willing to take below-average risk for below-average gain.
[ ] I am not willing to take any financial risk, but I understand I may not make any financial gain.

#5 (IF #1=NO/DON'T KNOW, START WITH:) We are interested in your opinions on employer-sponsored retirement plan accounts, such as 401(k), 403(b), 457, or thrift savings plans, even if your household doesn't currently own them.

(ASK ALL:) Based on your own opinion and experience, I would like to know your impression of 401(k) and similar retirement plan accounts. Would you say you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable impression, or no opinion of retirement plan accounts? (READ LIST. CHECK ONLY ONE RESPONSE.)

[ ] Very favorable
[ ] Somewhat favorable
[ ] Somewhat unfavorable
[ ] Very unfavorable
[ ] No opinion
[ ] Don't know

#6 (ASK ALL, EXCEPT IF #5 = NO OPINION/DON'T KNOW:) How important are each of the following in determining your overall opinion of retirement plan accounts? Please tell me whether each item is **very important, somewhat important, not too important**, or **not at all important**. (READ EACH ITEM and RANDOMIZE LIST.)

Friends and family

____

Media coverage about 401(k) plans

____

Performance of retirement plan account investments**

____

Recent events in financial markets

____

Your personal experience with a retirement plan**

____

Materials or seminars provided by an employer about a retirement plan**

____

The ability of retirement plan accounts to accumulate significant savings

____

** = Accept "not applicable" for these.

#7 (IF #1 = YES, ASK:) Based on your own personal experience, how confident are you that your 401(k) or other employer-sponsored retirement plan accounts can help you meet your retirement goals? Are you...? (READ LIST. CHECK ONLY ONE RESPONSE.)

(IF #1 = NO/DON'T KNOW, ASK:) In your opinion, how confident are you that 401(k) or other employer-sponsored retirement plan accounts can help people meet their retirement goals? Are you...? (READ LIST. CHECK ONLY ONE RESPONSE.)

[ ] Very confident
[ ] Somewhat confident
[ ] Not very confident
[ ] Not at all confident
[ ] Don't know

#8 (ASK ALL) Some people have suggested that the rules be changed governing how retirement savers manage and spend down their retirement plan accounts.

Please indicate whether you **strongly agree, somewhat agree, somewhat disagree**, or **strongly disagree** with each of the following statements. How about…?

Retirees should be able to make their own decisions about how to manage their own retirement assets and income.

The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company. (INTERVIEWER INSTRUCTION: if asked, if necessary, such a contract is usually called an “annuity.”)

The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from the government. (INTERVIEWER INSTRUCTION: if asked, if necessary, such a contract is usually called an “annuity.”)

#9 (ASK ALL:) As the nation struggles with tax policy and budget deficits, do you agree that continuing to provide incentives to encourage retirement saving should be a national priority?

[ ] Strongly agree
[ ] Somewhat agree
[ ] Somewhat disagree
[ ] Strongly disagree
[ ] Don't know

#10 (ASK ALL:) Do you or does someone else in your household have either a traditional IRA or a Roth IRA? These are retirement accounts that individuals can establish on their own.

[ ] Yes [ ] No [ ] Don't know

Notes

[1] For the earlier reports, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; and Holden and Bass 2012.

[2] DC plan accounts include 401(k), 403(b), 457, and other DC plans without 401(k) features.

[3] See Investment Company Institute 2012 for the most recent estimates of total U.S. retirement market assets.

[4] Sixty percent of U.S. households had DC accounts, 40 percent had IRAs, and 68 percent held DC accounts or IRAs on net. These data were tabulated from ICI's Annual Mutual Fund Shareholder Tracking Survey fielded in May 2012 (sample of 4,019 U.S. households). See Holden and Schrass 2012a and 2012b; and Schrass, Bogdan, and Holden 2012 for additional details.

[5] See, for example, Stephen Gandel, "Why It's Time to Retire the 401(k)," *Time*, October 9, 2009; Brett Arends, "Warning: Retirement Disaster Ahead," *Wall Street Journal*, October 28, 2010; E. S. Browning, "Retiring Boomers Find 401(k) Plans Fall Short," *Wall Street Journal*, February 19, 2011; and Steven Greenhouse, "Should the 401(k) Be Reformed or Replaced?" *New York Times*, September 11, 2012.

[6] For the earlier reports, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; and Holden and Bass 2012.

[7] See Appendix I for a description of the household survey methodology and demographic characteristics of the survey respondents. In the first week of interviews, 250 households were contacted on cell phones and 750 on landlines. The second, third, and fourth sets of interviews were conducted with a total of 3,000 households on landlines. See Appendix II for the text of ICI's household survey questions.

[8] There were an estimated 51 million active 401(k) plan participants in 2011 (see Holden et al. 2012) and an estimated 61 million 401(k) participants overall (including retired and separated account holders).

[9] For the earlier survey results, see Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; and Holden and Bass 2012.

[10] See Appendix II for the exact wording of ICI's survey questions.

[11] For the earlier survey results, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; and Holden and Bass 2012.

[12] The benefit of tax deferral is not the up-front tax deduction. Indeed, in many cases the benefits of tax deferral will be equivalent to the tax benefits of Roth treatment, which does not involve an up-front tax deduction. Although not immediately obvious, if tax rates are the same at the time of contribution and the time of distribution, the tax treatment of a Roth contribution—where contributions are taxed but investment earnings and distributions are untaxed—provides the same tax benefits as tax deferral. Because of this fact, tax economists often equate the benefit of tax deferral to earning investment returns—interest, dividends, and capital gains—that are free from tax. For extensive discussion of the tax benefits and revenue costs of tax deferral, see Brady 2012.

[13] The Federal Reserve Board's Survey of Consumer Finances includes questions asking households to give their reasons for saving and to rank the most important reason for saving. Overall, 30 percent of U.S. households in 2010 reported that saving for retirement was their household's primary reason for saving (see Bricker et al. 2012). Prime working-age and middle- to upper-income households were much more likely to indicate that retirement saving was their household's primary savings goal (see

Brady and Bogdan 2012). For additional discussion of savings goals and the U.S. retirement system, see Brady, Burham, and Holden 2012.

[14] An individual's Social Security benefit (called the primary insurance amount, or PIA) is derived using a formula applied to their monthly earnings, averaged over their lifetime, after adjusting for inflation and real wage growth (called the average indexed monthly earnings, or AIME). The PIA for newly eligible retirees in 2013 is equal to 90 percent of the first $791 of AIME; plus 32 percent of AIME between $791 and $4,768; and 15 percent of any AIME over $4,768. The decline in the benefit formula percentages—from 90 percent to 32 percent, and then to 15 percent—is the reason why lower earners get a higher benefit relative to their pre-retirement earnings. See U.S. Social Security Administration 2012 for more details about benefit formulas and parameters.

[15] For example, the first-year replacement rate (scheduled Social Security benefits as a percentage of average career earnings) for retired workers in the 1940–1949 birth cohort (individuals aged 63 to 72 in 2012) decreased as income increased. The median replacement rate for the lowest household lifetime earnings quintile was 70 percent; for the middle quintile, the median Social Security replacement rate was 42 percent; and for the highest quintile, it was 29 percent. See Congressional Budget Office 2012. For additional discussion, see Brady and Bogdan 2012 and Brady, Burham, and Holden 2012.

[16] See Figure A5 in Appendix I.

[17] The 2009, 2010, and 2011 surveys had the same question. The 2008 survey asked a more general question regarding reducing the tax advantages of such retirement accounts, which is not directly comparable.

[18] See Holden and Bass 2012.

[19] Opposition to reducing an individual's contribution limits was the greatest among households aged 35 or older (see Figure A5 in Appendix I). And although middle- and upper-income households were more likely to be opposed, a substantial majority of lower-income households also disagreed with reducing the contribution limits. Among households with incomes of $50,000 or more, about nine in 10 disagreed with reducing the contribution limits, compared with 72 percent of the households making less than $30,000. Eighty-three percent of households with income between $30,000 and $49,999 opposed reducing the individual contribution limit.

[20] See Figure A5 in Appendix I.

[21] See Figure A5 in Appendix I.

[22] The greater level of opposition to the government replacing retirement accounts with a government bond among individuals with 401(k)-type plans and IRAs likely is driven, in part, by the fact that the proposal directly affects their ownership of their retirement accounts. In addition, participants with such accounts are more willing to take investment risk, on average, than are households not investing in these accounts. When asked about their willingness to take investment risk in 2012/2013, 72 percent of DC- or IRA-owning households were willing to take average or greater risk, compared with 43 percent of the households not invested in these plans (see Figure 3). The lower willingness to take financial risk among nonparticipants could explain, in part, why they would be more willing to let the government replace such accounts with a government bond.

[23] For example, see Department of Labor, Employee Benefits Security Administration and Department of the Treasury, Internal Revenue Service 2010 and Investment Company Institute 2010.

[24] See Mitchell et al. 1999 and Beshears et al. 2012.

[25] See Brady, Burham, and Holden 2012.

[26] See Brown et al. 2008 and Beshears et al. 2012.

[27] In 2009, 96 percent of households agreed that "retirees should be able to make their own decisions about how to manage their own retirement assets and income." For the 2009 results, see Holden, Sabelhaus, and Reid 2010.

[28] For analysis of confidence in DC plan accounts by ownership status and age, see Figure A6 in Appendix I.

[29] Other data also indicate that in any given period a minority of DC plan participants are making asset allocation changes. Historically, recordkeepers find that in any given year, DC plan participants generally do not rebalance in their accounts (for references to this research, see note 80 in Holden, Brady, and Hadley 2006). The Employee Benefit Research Institute (EBRI) and ICI collaborate on an annual 401(k) data collection project. Although the EBRI/ICI 401(k) database does not have information on participant trading activity, it is possible to compare snapshots of year-end asset allocations among participants present in multiple years in the database. An analysis of changes in year-end asset allocation among a consistent group of 5.3 million 401(k) participants between year-end 1999 and year-end 2002 suggests that 71 percent of 401(k) participants did not actively change their equity fund allocation during that period (see Holden and VanDerhei 2003). Analysis of a 2007–2008 longitudinal sample drawn from the EBRI/ICI 401(k) database and analysis of a 2008–2009 longitudinal sample drawn from the EBRI/ICI 401(k) database also suggest that most participants did not make dramatic shifts in the asset allocation of their account balances in the year analyzed (see Holden, VanDerhei, and Alonso 2009 and 2010).

[30] There are two types of withdrawals possible from DC plans: nonhardship and hardship. An in-service withdrawal occurs if the participant is still employed by the plan sponsor. Generally, participants withdrawing after age 59½ are categorized as nonhardship withdrawals. A participant seeking a hardship withdrawal must demonstrate financial hardship and generally faces a 10 percent penalty on the taxable portion of the withdrawal. If a plan allows loans, participants are generally required to first take a loan before they are permitted to take a hardship withdrawal.

[31] This level of withdrawal activity is consistent with the rate of withdrawal activity observed in the EBRI/ICI 401(k) database in 2000 (at the beginning of the 2000–2002 bear market in equities). Analysis of the 2000 EBRI/ICI 401(k) database found that 4.5 percent of active 401(k) plan participants had taken in-service withdrawals, including hardship withdrawals. Withdrawal activity varied with participant age; participants younger than 60 were much less likely to take withdrawals compared with participants in their sixties. See Holden and VanDerhei 2002a and 2002b.

[32] The EBRI/ICI 401(k) database update reports loan activity among 401(k) participants in plans that allow loans. At year-end 2011, 87 percent of participants in the database were in plans that offered loans; among those participants, 21 percent had loans outstanding. This translates to 18 percent of all active 401(k) participants having loans outstanding at year-end 2011. The year-end 2011 EBRI/ICI database includes statistical information on 24.0 million 401(k) participants in 64,141 plans, with $1.415 trillion in assets. See Holden et al. 2012.

[33] See Holden et al. 2012.

[34] In plan year 2010 (latest data available), only 1.7 percent of the $3.1 trillion in 401(k) plan assets were participant loans. See U.S. Department of Labor, Employee Benefits Security Administration 2012.

[35] The RDD sampling system is computer-based and provides an equal probability of selection for each and every telephone household. All completed interviews are weighted to ensure accurate and reliable representation of the total population, 18 years or older. The raw data are weighted by a custom-designed computer program, which automatically develops a weighting factor for each respondent. This procedure employs five variables: age, gender, education, race/ethnicity, and geographic region. Each interview is assigned a single weight derived from the relationship between the actual proportion of the population with its specific combination of age, gender, education, race/ethnicity, and geographic region and the proportion in the sample that week.

[36] The use of sample surveys is standard practice for constructing estimates about a total population. Estimates derived through survey sampling are subject to sampling error. As sample size increases, the level of potential sampling error generally becomes smaller.

[37] For example, see Sabelhaus, Bogdan, and Schrass 2008, which reports tabulations of Survey of Consumer Finances data; Schrass, Bogdan, and Holden 2012, which tabulates the 2012 ICI Annual Mutual Fund Shareholder Tracking Survey data; and Holden and Schrass 2012a and 2012b, which tabulate the 2012 ICI IRA Owners Survey data.

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