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SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE
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AUGUST 23, 2011

New York Times Editorial Misrepresents the Behavior of 401(k) Investors

By Brian Reid

A recent *New York Times* editorial misrepresents the behavior of 401(k) investors to present an inaccurate portrayal of the risks that Americans face in preparing for retirement. The editorial's implicit assumption that all 401(k) balances are fully invested in stocks is wrong—particularly for the cohort approaching retirement. Data analyzed by the Investment Company Institute and the Employee Benefit Research Institute show that most 401(k) investors diversify their savings, and that typical asset allocations grow more conservative as savers approach retirement age. In particular, only 22 percent of 401(k) participants in their sixties have 80 percent or more of their assets invested in stocks or stock funds. By comparison, 54 percent of 401(k) participants in their twenties are similarly invested.

Savers in 401(k)s don't share the notion that these plans are broken. Regular studies and surveys we launched in 2008—in the depths of the financial crisis—demonstrate that savers have consistently stayed the course, continued to contribute, and expressed their strong confidence that 401(k) plans will help them meet their retirement goals. Participants who have been in the same 401(k) plan continuously since 2003 saw their assets grow at an average annual rate of 10.5 percent through 2009—even with the bear market. Some academics and commentators may be ready to give up on 401(k)s, but retirement savers are not. They're in it for the long-term, as investors should be.

- Learn more about 401(k) plans.
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Brian Reid was Chief Economist of the Investment Company Institute.