

New Hires Continue to Favor Target Date Funds for 401(k)s

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Equities Remain Dominant Investment Choice for Plan Participants

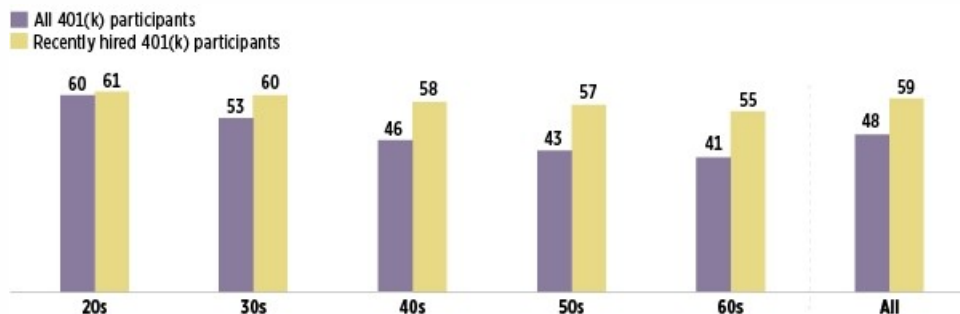
Washington, DC, April 28, 2016—Interest in target date and other types of balanced funds remained strong through 2014, with younger plan participants more likely to hold target date funds than older participants, according to a new joint study released today by the Investment Company Institute (ICI) and the Employee Benefit Research Institute (EBRI). Target date funds, also known as lifecycle funds, are designed to offer a diversified portfolio that automatically rebalances to be more focused on income over time. In 2014, 60 percent of 401(k) participants in their twenties held target date funds, compared with 41 percent of 401(k) participants in their sixties.

The study, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2014” also found that recently hired participants (two or fewer years of tenure) used target date funds—59 percent of recently hired 401(k) participants held target date funds, compared with 48 percent of 401(k) plan participants overall.

“Target date funds are a popular, convenient investment choice for savers looking for professional asset allocation, portfolio diversification, and automatic rebalancing over time,” said Sarah Holden, ICI senior director of retirement and investor research. “More than 70 percent of 401(k) plans included target date funds in their investment lineup in 2014, and recently hired workers, in particular, often invest in these diversified funds.”

Target Date Fund Ownership Is Higher Among Recent Hires

Percentage of 401(k) plan participants or recently hired 401(k) plan participants holding target date funds by age, 2014



Note: Recently hired 401(k) plan participants are those with two or fewer years of tenure.

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

Among participants who were offered target date funds, 65 percent opted to use them.

Equities Continue as Dominant Investment for 401(k) Plan Participants

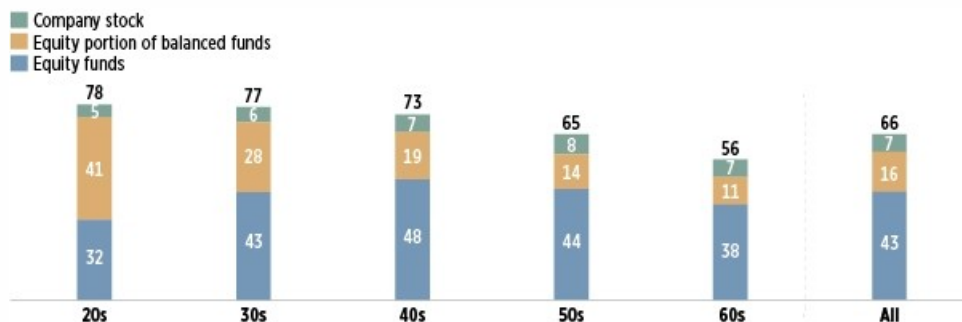
About two-thirds of 401(k) assets continue to be invested in stocks through equity funds, the equity portion of balanced funds, and company stock in 2014. An additional 27 percent of 401(k) assets were in fixed-income securities such as stable value investments,

bond funds, and money funds.

“The bulk of 401(k) assets continued to be invested in equities at year-end 2014,” said Jack VanDerhei, EBRI research director. “This is driven in part by younger plan participants, who have higher concentrations in equities. Participants in their sixties remain focused on growth as well, however, allocating 56 percent of 401(k) plan assets to equity investments.”

Younger 401(k) Plan Participants Hold Higher Share of Account Assets in Equities

Percentage of 401(k) plan balances, 2014



Note: Components may not add to the total because of rounding. Percentages are dollar-weighted averages.

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

In 2014, 8 percent of 401(k) plan participants in their twenties had no equities, while three-quarters of those younger plan participants had more than 80 percent of their account balances invested in equities. In comparison, 12 percent of 401(k) plan participants in their sixties had no equities, while only 22 percent of them had more than 80 percent of their account balances invested in equities.

Other findings in the study include:

- **401(k) participants' investment in company stock continued at historically low levels.** Only 7 percent of 401(k) assets were invested in company stock in 2014. This share has fallen by 63 percent since 1999, when company stock accounted for 19 percent of assets.
- **401(k) participants were slightly less likely to have loans outstanding at year-end 2014 compared with year-end 2013.** At the end of 2014, 20 percent of all 401(k) participants who were eligible for loans had loans outstanding against their 401(k) accounts, down from 21 percent at the end of 2013.
- **The average 401(k) account balance tends to increase with participant age and tenure.** For example, in 2014, participants in their thirties with more than two years and up to five years of tenure had an average 401(k) balance of close to \$25,000, while participants in their sixties with more than 30 years of tenure had an average 401(k) account balance of nearly \$275,000.

The study is based on the EBRI/ICI database of employer-sponsored 401(k) plans, the largest database of its kind, compiled through a collaborative research project undertaken by the two organizations since 1996. The 2014 EBRI/ICI database includes statistical information on 24.9 million 401(k) plan participants in 81,139 plans, which hold \$1.9 trillion in assets and cover 45 percent of the universe of 401(k) participants.

Full results of the annual EBRI/ICI 401(k) database update are posted on each organization's website, at www.ebri.org and www.ici.org.