

New Research Paper Illustrates Important Role 401(k)s Play in Successful U.S. Retirement System

New Research Paper Illustrates Important Role 401(k)s Play in Successful U.S. Retirement System

Washington, DC, December 4, 2013 - A new collection of rigorous research and up-to-date statistics paints a clear picture of America's retirement system as a strong source of financial security for U.S. workers in their golden years, with defined contribution (DC) plans, such as 401(k)s, playing an important role.

The paper, "[Our Strong Retirement System: An American Success Story](#)," developed by the American Council of Life Insurers (ACLI), American Benefits Council (the Council), and Investment Company Institute (ICI), makes clear that voluntary, employer-sponsored retirement plans provide a critical source of savings for millions of American workers at all ages and income levels.

"Our private retirement system has come under attack from those who seek to radically change it or replace it with government-backed programs," said Walter Welsh, ACLI Executive Vice President, Taxes and Retirement Security. "As employers and organizations committed to helping Americans save for retirement, we believe that such changes would be extraordinarily risky for the majority of workers who rely so heavily on these plans."

Americans Are Accumulating Substantial Retirement Assets

The U.S. retirement system has many components: Social Security provides a strong foundation in retirement for all working Americans, complemented by employer-sponsored retirement plans, individual retirement accounts (IRAs), annuities, homeownership, and other savings.

Assets earmarked for retirement constitute a major share of U.S. households' savings and investments. As of mid-2013, Americans had more than \$20 trillion in retirement assets through DC plans, defined benefit plans, IRAs, and annuities. Assets in DC plans totaled \$5.3 trillion, and IRAs accounted for an additional \$5.7 trillion.

Data show almost 80 percent of full-time workers have access to employer-sponsored retirement plans and that DC plans can produce meaningful retirement benefits. For example, one study finds that near-retirees (age 60–64) have on average nearly \$360,000 in their DC accounts and IRAs combined.

"Looking at the research done by well-respected academics, it's clear that the current retirement system is serving Americans well, with each successive generation doing better than the one before it. We can and should build on that success," said Sarah Holden, ICI Senior Director, Retirement and Investor Research.

Americans Support 401(k)s

As the paper points out, access to and participation in retirement plans are robust, despite the economic upheaval of the past five years. Indeed, Americans continue to report high levels of confidence in the 401(k) system and accumulate substantial savings. And 401(k)s have proven to be a good fit for today's mobile workforce, because they are transparent and portable, providing a benefit that grows with workers as they move from job to job.

Current Retirement Tax Treatment Should Be Maintained

"Congress is currently contemplating comprehensive tax reform and we want policymakers to understand the importance of the private retirement system and the role of tax deferral in promoting retirement savings and retirement security," said Lynn Dudley, American Benefits Council Senior Vice President, Retirement and International Benefits Policy. "Lawmakers will find evidence in this report that efforts to raise money by reducing the tax incentives for retirement plans are short-sighted and illusory—and could ultimately decrease retirement savings, especially for low-income workers."

The paper concludes that tax and retirement policy should build on the existing system, rather than destroy or destabilize it. Innovations in plan design and various incentives, including automatic enrollment, automatic escalation, and life-cycle investing, have already improved retirement security.

The [full text of the paper](#) and a [summary](#) are available on each organization's website.

About [ACLI](#)

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with more than 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums.

About the [American Benefits Council](#)

The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.

About [ICI](#)

The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). Members of ICI manage total assets of \$15.7 trillion and serve more than 90 million shareholders.

About the Paper

The paper was developed by the staffs of ACLI, the Council, and ICI based on a draft by Robert Stowe England, calling on the best available research over the history of the private retirement system, with a focus on DC plan data over the past several years.