

401(k) Participation Is Vital for Retirement Security, December 2007

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GAO Report Highlights Need to Make Plans Accessible

Washington, DC, December 11, 2007 – *The Investment Company Institute issued the following statement on the release of the Government Accountability Office's report, [Low Defined Contribution Plan Savings May Pose Challenges to Retirement Security, Especially for Many Low-Income Workers](#):*

The [GAO report](#) makes it clear: The greatest hazard to a working American's retirement security is lack of access to a retirement plan. Millions of workers could come up short in retirement unless more employers offer, and more workers save in, 401(k) or other defined contribution retirement plans. Increasing participation is vital.

Public policy can help. With fewer barriers to automatic enrollment, more employers are putting their workers on the savings track, with default investments well suited for a retirement horizon. To encourage more employers to offer plans, Congress and regulators should look at ways to make 401(k)s and similar plans simpler and cheaper—and avoid burdensome rules that will drive employers away. And Congress should be creative in pursuing tax policies that will create greater incentives for savings outside of employer-sponsored retirement plans.

When employers offer 401(k)s and workers use them, research by ICI and the Employee Benefit Research Institute shows that workers can save enough over a full career to replace a significant portion of their pre-retirement income. More than 60 percent of today's 30-something 401(k) participants are projected to replace more than half their salary when they retire between 2030 and 2039. Even the lowest-income participants can amass significant 401(k) balances to supplement Social Security, which is their primary source of retirement income.

Those results drive home the message: The least effective 401(k) plan is the one that's not offered or used.

For ICI-EBRI projections on retirement income derived from 401(k) plans, see [The Influence of Automatic Enrollment, Catch-Up, and IRA Contributions on 401\(k\) Accumulations at Retirement](#).