

ICI: Tax Data Show More Americans Participate in Retirement Plans, Upsetting Conventional Wisdom

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Nearly Two-Thirds of Taxpayers Participated in a Retirement Plan Directly, or Through a Spouse; Other Measures Understate Participation

Washington, DC, July 26, 2017—An Investment Company Institute (ICI) analysis of newly available Internal Revenue Service (IRS) data shows that 63 percent of all workers aged 26 to 64 participated in an employer-sponsored retirement plan either directly or through a spouse. The data provide an alternative measure to the most commonly cited data on retirement plan participation, the US Bureau of Labor Statistics' Current Population Survey (CPS), which, between 2008 and 2013, understated retirement plan participation by about 5 percentage points, according to ICI's analysis.

“More American workers are benefiting from employer plans than the conventional wisdom would suggest,” says ICI Senior Economist Peter J. Brady, who authored the paper. “The common view of retirement preparation is distorted by two factors. First, the most commonly cited statistics understate retirement plan participation. Second, most statistics lump together younger and older workers, ignoring the fact that the participation rate increases as workers approach retirement. Many of the younger and lower-income workers who are not participating today will do so later in their careers, and as a result, will reach retirement having accumulated employer plan resources.”

The new report, “[Who Participates in Retirement Plans](#),” uses new tabulations of 2013 tax data published by the IRS Statistics of Income (SOI) Division to analyze participation in employer-sponsored retirement plans. The tabulations reveal which private-sector and government workers were active

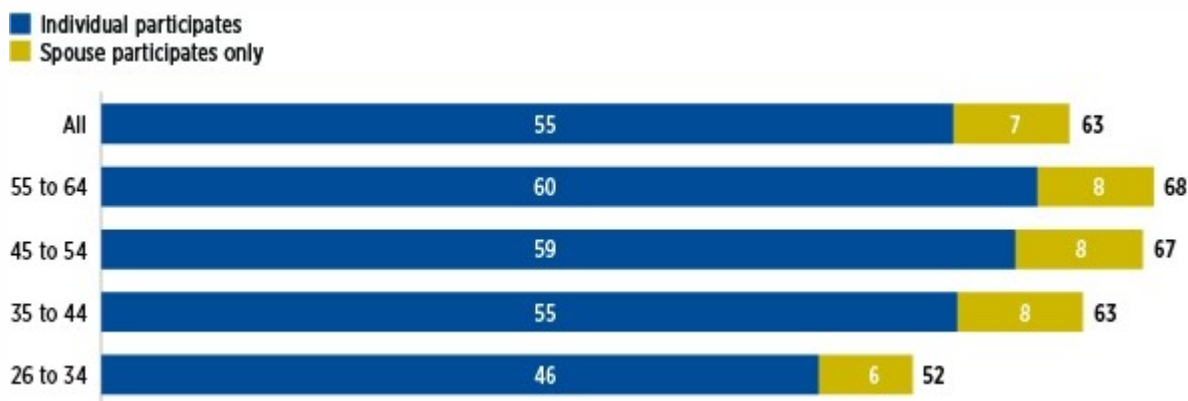
participants in retirement plans. To be an active participant, a worker must have made a contribution or have had an employer contribution to a defined contribution (DC) plan, or had a defined benefit (DB) plan through their employer.

Key Findings:

- **Retirement plan participation increases with age.** Participation ranged from 52 percent of those aged 26 to 34 to 68 percent of those aged 55 to 64. These data are consistent with generational savings patterns observed in previous studies. Specifically, younger households are more likely to report that they save primarily for reasons other than retirement—for example, for a home purchase, for the family, or education.

Older Workers Are More Likely to Participate in a Retirement Plan

Percentage of taxpayers aged 26 to 64 with a Form W-2 who are active participants in a retirement plan or who have a spouse who is an active participant, by age, 2013



Source: IRS Statistics of Income Division

- **Retirement plan participation increases with income.** Almost three-quarters—73 percent—of individual filers with adjusted gross incomes (AGIs) of \$20,000 or more and joint filers with AGIs of \$40,000 or more participated in retirement plans directly, or through a spouse. For individuals with AGIs less than \$20,000 per person, 25 percent participated. For those with AGIs of \$100,000 per person or more, 85 percent participated.
- **Tabulations of administrative tax data offer an alternative source for retirement plan participation statistics.** Recent changes to the CPS underscore the need for more reliable measures of retirement plan participation. Specifically, comparisons with tax data suggest that the CPS understated the participation rate by about 5 percentage points from 2008 to 2013. The CPS participation rate inexplicably fell 10 percentage points between 2013 and 2015 following a revision to the survey questionnaire—a drop that is not corroborated in any other data source.

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