

ICI Survey: Americans Value Design, Utility of 401(k)s

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Households Oppose Changing Tax Incentives for Retirement Saving

Washington, DC, February 4, 2016—Nearly three-quarters of American households expressed confidence in the ability of 401(k) and other defined contribution (DC) plan accounts to help individuals meet their retirement goals, a new Investment Company Institute (ICI) survey confirmed. Such confidence was higher among households with retirement accounts, and most households with DC plan accounts appreciate the savings and investing features of their plans. Also consistent with past ICI research, the new research showed that Americans value and overwhelmingly oppose changing the current tax incentives for retirement saving.

Saving Paycheck-by-Paycheck Reduces Concerns About Market Volatility

In the eighth annual update of “[American Views on Defined Contribution Plan Saving, 2015](#),” ICI reported that two-thirds of survey respondents with DC plan accounts—young and old—agreed that saving from every paycheck made them less worried about the stock market’s performance. In addition, nine out of 10 DC plan-owning households agreed that these plans helped them think about the long term and made it easier to save. With periodic saving from each paycheck into their retirement plans as investment prices fluctuate, plan participants are “dollar-cost averaging,” and the value of investments they purchase in a down market rises when stock and bond markets recover.

“This study suggests that DC plan design provides a disciplined approach that encourages workers to save and invest for retirement on a regular basis,” said Sarah Holden, ICI’s senior director for retirement and investor research. “In fact, most DC plan-owning households indicated payroll deduction made it easier to save. They also valued choice in, and control of, their DC plan investments.”

Households Largely Oppose Changing Tax Preferences of DC Plan Accounts

ICI's household survey also provides important public opinion data to help inform ongoing discussions surrounding retirement and tax policy. Specifically:

- Eighty-eight percent of households disagreed with the notion that the government should take away the tax advantages of DC accounts, and 90 percent disagreed with reducing the amount that individuals can contribute to DC accounts.
- Even among households not owning DC accounts or individual retirement accounts (IRAs), more than eight in 10 rejected the idea of taking away or reducing the current tax treatment of DC accounts.
- About eight in 10 households with DC accounts said the tax treatment of their retirement plans is a big incentive to contribute.

“This research undergirds our continued stance against any tax reform initiatives that would further limit the benefits of tax deferral on retirement plan contributions or cap the amount Americans can save in their 401(k)s, individual retirement accounts, and pensions,” said ICI President and CEO Paul Schott Stevens. “Our survey consistently finds that Americans strongly support keeping current tax incentives for retirement saving because all workers, regardless of their income, benefit from this current tax treatment. We urge policymakers, as they consider legislation in this area, to preserve these critical savings incentives.”

Households View 401(k)s Favorably, Appreciate Plans' Design and Savings Potential

Among households expressing an opinion in the survey, 90 percent had favorable impressions of 401(k) and other DC plans. Further, nearly all DC account-owning households, valued key design features such as having a choice in, and control of, the investments in their retirement plan accounts.

U.S. households, whether they owned retirement accounts or not, continued to express confidence in DC plans' ability to help individuals meet their retirement goals. Eight in 10 households owning DC accounts or IRAs indicated such confidence. Even among households without a DC account or IRA, three in five reported having this measure of confidence.

The study summarizes results from a survey of more than 3,000 Americans' views on DC retirement account saving, their reactions to proposed policy changes, and their confidence in 401(k) and other DC plan accounts. The results of the survey, which took place from mid-November through mid-December 2015, were weighted to be representative of U.S. households by age, income, region, and education level.

For more information about retirement saving, please visit ICI's [401\(k\) Resource Center](#) and [Individual Retirement Account \(IRA\) Resource Center](#).