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401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2019

KEY FINDINGS

- » **The bulk of 401(k) assets were invested in stocks.** On average, at year-end 2019, 70 percent of 401(k) participants' assets were invested in equity securities through equity funds, the equity portion of balanced funds, and company stock. Twenty-seven percent of assets were in fixed-income securities such as stable value investments, bond funds, money funds, and the fixed-income portion of balanced funds.
- » **More 401(k) plan participants held equities at year-end 2019 than before the financial market crisis (year-end 2007), and most had the majority of their accounts invested in equities.** For example, nearly 80 percent of participants in their twenties had more than 80 percent of their 401(k) plan accounts invested in equities at year-end 2019, up from less than half of participants in their twenties at year-end 2007. Overall, nearly 95 percent of 401(k) participants had at least some investment in equities at year-end 2019.
- » **At year-end 2019, 87 percent of 401(k) plans, covering 87 percent of 401(k) plan participants, included target date funds in their investment lineup.** At year-end 2019, 31 percent of the assets in the EBRI/ICI 401(k) database were invested in target date funds and 60 percent of 401(k) participants in the database held target date funds. Also known as lifecycle funds, these funds are designed to offer a diversified portfolio that automatically rebalances to be more focused on income over time.
- » **401(k) participants' investment in company stock continued at historically low levels.** Five percent of 401(k) assets were invested in company stock at year-end 2019, in line with recent years. This share has fallen by 73 percent since 1999, when company stock accounted for 19 percent of assets.

Key findings continued »

* Last updated in November 2022

Revised data for the year-end 2019 snapshot of 401(k) plan participants' account balances, asset allocation, and 401(k) plan loan activity are available at www.ici.org/files/2022/per28-04-data.xls.

Sarah Holden, ICI senior director of retirement and investor research; Steven Bass, ICI economist; and Craig Copeland, EBRI director of wealth benefits research, prepared this report.

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This paper is an annual update to EBRI and ICI's ongoing research into 401(k) plan participants' activity. The previous update was "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2018," published in March 2021. The entire series of research updates is available at www.ici.org/research/investors/ebri_ici.

For all of the figures in this report, components may not add to the totals presented because of rounding.

Key findings continued »

- » **A minority of 401(k) participants had loans outstanding.** At year-end 2019, 18 percent of all 401(k) participants who were eligible for loans had loans outstanding against their 401(k) plan accounts, down slightly from year-end 2018. Loans outstanding amounted to 8 percent of the remaining account balance, on average, at year-end 2019, down 2 percentage points from year-end 2018, and well below their historical average. Loan amounts, on average, also decreased in 2019.
- » **The year-end 2019 average 401(k) plan account balance in the database was 10.1 percent higher than the year before, but this may not accurately reflect the experience of typical 401(k) participants.** Changes in a participant's account balance are primarily due to the combination of contributions, investment returns, and withdrawal and loan activity. To understand changes in 401(k) participants' average account balances, it is important to analyze a sample of consistent participants. As with previous EBRI/ICI updates, an analysis of a sample of consistent 401(k) plan participants is expected to be published later this year.
- » **The average 401(k) plan account balance tends to increase with participant age and tenure.** For example, at year-end 2019, participants in their forties with more than two to five years of tenure had an average 401(k) plan account balance of about \$42,000, compared with an average 401(k) plan account balance of about \$340,000 among participants in their fifties with more than 30 years of tenure.



Sarah Holden

Sarah Holden, ICI senior director of retirement and investor research, leads the Institute's research efforts on investor demographics and behavior and retirement and tax policy. Holden, who joined ICI in 1999, heads efforts to track trends in household retirement saving activity and ownership of funds as well as other investments inside and outside retirement accounts. She is responsible for analysis of 401(k) plan participant activity using data collected in a collaborative effort with the Employee Benefit Research Institute (EBRI), known as the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. In addition, she oversees the IRA Investor Database™, which contains data on millions of IRA investors and allows analysis of IRA investors' contribution, rollover, conversion, and withdrawal activity, and asset allocation. Before joining ICI, Holden served as an economist at the Federal Reserve Board of Governors. She has a PhD in economics from the University of Michigan and a BA in mathematics and economics, *cum laude*, from Smith College.



Steven Bass

Steven Bass is an economist in the retirement and investor research division at the Investment Company Institute (ICI). Since joining the Institute in 2008, Bass has participated in research examining 401(k) fees and expenses, investor behavior in retirement accounts, and retiree income sources. His detailed research includes analysis of individual IRA investors in the IRA Investor Database™, which includes data on millions of IRA investors. Before joining the Institute, Bass worked as an economist in the Division of Consumer Expenditure Surveys at the US Bureau of Labor Statistics. Bass is a graduate of Wheaton College (IL) and holds a master's degree in applied economics from Johns Hopkins University.



Craig Copeland

Craig Copeland is the director of wealth benefits research with the Employee Benefit Research Institute (EBRI). He has been with EBRI since 1997. Copeland has authored or coauthored numerous *EBRI Issue Briefs*, *EBRI Notes* articles, chapters in books, and journal articles on employee benefit topics such as ERISA and employment-based health plans, analyses of Social Security reforms, participation in employment-based retirement plans, and the confidence of Americans in their retirement prospects. He also leads EBRI's research on 401(k) plans and IRAs. Copeland received a BS in economics from Purdue University and a PhD in economics from the University of Illinois Urbana-Champaign.



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