

FACTS from EBRI

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401(k) Plan Account Balances, Asset Allocation, and Loan Activity Plan Year 2000

Account Balances

- In 2000, the average account balance (net of plan loans) for the 401(k) plans of participants' current employers was \$49,024, and the median account balance was \$13,493, according to year-end data from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (figures 1 and 2).¹ Many of these participants may have rolled over accumulations with previous employers into individual retirement accounts (IRAs).
- The average account balance of participants who held accounts in both 1999 and 2000 declined only 0.1 percent in 2000. The change in a participant's account balance reflects contributions, investment returns, withdrawals, borrowing, and loan repayments (figure 1).
- Among participants in the 2000 EBRI/ICI database, both age and tenure are positively correlated with account balances. This is because younger workers are likely to have lower incomes and to have spent less time with their current employer in which to accumulate a balance. In addition, younger workers are less likely than older workers to have rolled over assets from a previous job's plan into the current plan accounts.
- The average account balance for plan participants in their 40s who had been at their current job for two years or less was \$12,145, compared with \$89,874 for participants in their 40s with 20 or more years of tenure. The average account balance for those in their 60s who had been at their current position for two years or less was \$16,132, compared with \$177,289 for participants in their 60s with more than 30 years tenure.

Asset Allocation

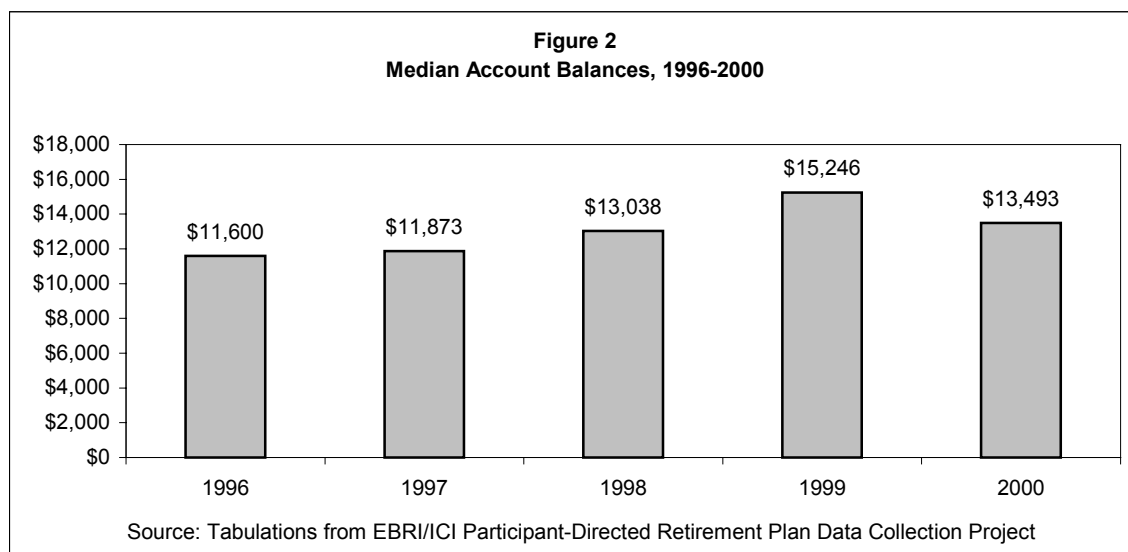
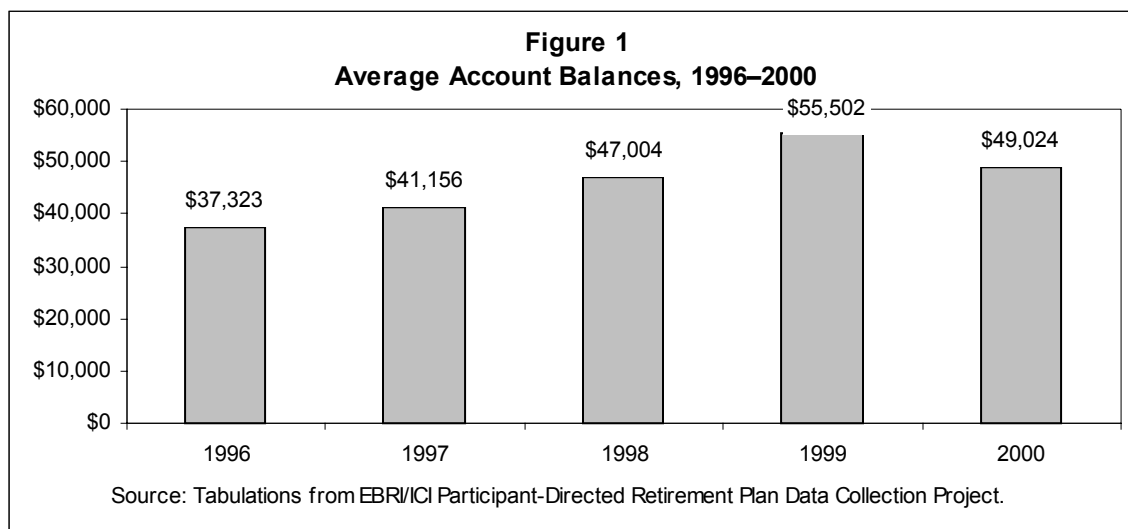
- Participants in the 401(k) plans in the 2000 EBRI/ICI database had, on average, 51.3 percent of their plan balance invested in equity funds, 18.6 percent invested in company stock, 10.4 percent in guaranteed investment contracts (GICs), 8.0 percent in balanced funds, 5.1 percent in bond funds, 4.2 percent in money funds, and 1.0 percent in other stable value funds.
- Participant asset allocation varies considerably by age. Younger participants tend to invest a greater percentage of their account balances in equity funds; older participants are more disposed to invest in GICs. On average, participants in their 20s have 61.4 percent of their account balances in equity funds, compared with 39.8 percent for those in their 60s. Participants in their 20s invest 4.0 percent of their account balance in GICs, and those in their 60s invest 19.3 percent.
- The asset allocation of participant-directed balances in plans in which employer contributions are required to be invested in company stock differs markedly from that of participants in other plans. In plans where employer contributions are automatically invested in company stock, 52.9 percent of the total balance is invested in company stock. In the participant-directed portion of these accounts, 33.2 percent was invested in company stock. In plans with a company stock investment option but no employer-directed contributions, 22.2 percent of the total account balance of these accounts was invested in company stock.

Loan Activity

- Of the 35,367 401(k) plans in the EBRI/ICI database, 58 percent offered a plan loan to participants. The loan feature is primarily associated with large plans. In the database, more than 88 percent of the plans with more than 5,000 participants offered borrowing privileges to employees. In contrast, only 54 percent of the plans with 100 or fewer employees had a loan feature.
- The concentration of loans in large plans means that most participants in 401(k) plans have borrowing privileges. In the database, 83 percent of participants were in plans offering loans. However, only 18 percent of those eligible for loans had loans outstanding at the end of 2000.

¹ The EBRI/ICI 401(k) data collection project is the most comprehensive source of 401(k) plan participant-level data available to date, and contains 11.8 million active 401(k) plan participants in 35,367 plans with \$579.8 billion in assets. The 2000 database accounts for 11 percent of all 401(k) plans, 28 percent of all 401(k) participants, and about 33 percent of the assets held in 401(k) plans.

- Loan activity varies by age. Individuals in their 40s (21 percent), 30s (19 percent), and 50s (17 percent) were most likely to utilize the loan provision. Eleven percent of participants in their 20s and 9 percent of those in their 60s had loans outstanding.
- Loan activity varies by job tenure. Individuals with 10–20 years and 20–30 years job tenure were most likely to have a loan outstanding, 26 percent each. Those with 0–two years of job tenure were least likely to have a loan outstanding, 5 percent.
- For those with outstanding loans at the end of 2000, the average level of the unpaid balance as a percentage of account balances was 14 percent.
- The loan ratio decreases with age, dropping from 30.0 percent for participants in their 20s to 9 percent for those in their 60s. The loan ratio also decreases with job tenure, dropping from 25 percent for those individuals with two to five years of tenure to 8.0 percent for individuals with more than 30 years of job tenure.



For more information, contact Ken McDonnell, (202) 659-0670, or see EBRI's Web site at www.ebri.org
 Source: Sarah Holden and Jack VanDerhei, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity," *EBRI Issue Brief* no. 239, November 2001.

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