$300 billion parked with former employers

By Editor Test *Thu, Feb 14, 2013*

After leaving a job and a 401(k) plans, most Americans take five years or more to move their retirement savings into a rollover IRA, according to a new survey of former participants by Cogent Research.

About $300 billion worth of securities is sitting in 401(k) accounts because most Americans take five years or more to roll their defined contribution savings into IRAs when they change jobs, according to a new survey by Cambridge, Mass-based Cogent Research.

Cogent's *Investor Rollover Assets in Motion* report, based on a survey of 4,000 investors with at least $100,000 in investable assets, also showed that hen former plan participants finally do move the money to an IRA custodian, they tend to choose a custodian with a household name.

Fidelity, Vanguard and Charles Schwab are the most popular destinations for rollovers, the survey found. This year, for the first time, T. Rowe Price and USAA were among the top five targets of rollover assets. They were followed by Morgan Stanley Smith Barney, Edward Jones, TD Ameritrade, Wells Fargo Advisors and TIAA-CREF.

Sheer inertia appears to keep the assets in place until a specific life event, such as a marriage or a death, compels a former participant to confront the mild but generally unfamiliar chore of transferring money from a 401(k) account to an IRA. For 71% of investors surveyed, the delay lasted for five years or more. The older the investor, the more likely that was to be true.

"There's definitely a lot of inertia. But once they change jobs or get married or some other significant life event occurs, they say, 'I have to take some action,' and they move those dollars off the sidelines," said Tony Ferreira, a Cogent managing director and co-author of the report.

"Trust" emerged as a more salient selling point than "performance" in Cogent's latest survey of this type. "The first and foremost factor in the choice of a rollover destination is familiarity with the brand. People used to look for performance, but now they are migrating to brands that they either already work with or trust," Ferreira said.

"After brand, 'low fees' was the second biggest reason for choice of IRA provider. The third was 'They make it easy,' and the fourth was 'brand reputation.' The fifth biggest reason was that the IRA provider was the same as their 401(k) provider."