
401(k) Balances Bounced Back in 2009: Fidelity

By Editor Test Tue, Feb 23, 2010

A combination of S&P 500 growth and new contributions helped raise average Fidelity 401(k) balances 28% in 2009.

A new study by Fidelity Investments finds that the average balances of 401(k) retirement plans rebounded in 2009, recovering much of the value they lost in 2008, National Underwriter reported.

Average 401(k) account balances ended 2009 at \$64,200, up 5.7% from the end of the third quarter and up 28% for the year, according to Boston-based Fidelity. Standard & Poor's 500 index showed a total return of 26%. The average balances include employer and employee contributions as well as market appreciation.

The average deferral rate remained relatively flat for the year at about 8.2%, but the fourth quarter saw the continuation of a trend of more participants electing to increase their deferral rates than to decrease them, Fidelity said.

The company's analysis of employed participants who had a Fidelity 401(k) account from 1999 to 2009 showed their account balance increased nearly 150% in the period, to \$163,900 at the end of 2009 from \$65,800 at the end of 1999.

The increase in balance was due to continued participant and employer contributions, dollar cost averaging and market returns, Fidelity says. These continuous participants had a median age of 51 years with a deferral rate of 10.4%, the analysis found.

In 2000, Fidelity found participants on average directed over 80% of their new contribution dollars into equities. By contrast, participants were contributing less than 70% to equities by the end of 2009. At the same time, the proportion of participants contributing 100% to equities dropped to 19% in 2009 from 47% percent in 2000.

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