Allocations to TDFs continue to climb: EBRI and ICI

By Kerry Pechter *Thu, Dec 26, 2013*

Nearly 54% of the account balances of recently hired participants in their 20s was invested in balanced funds, including TDFs, compared with about 7% in 1998, according to a new report.

At year-end 2012, 41% of 401(k) participants held target-date funds (TDFs), according to a report from the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI). That's an increase from 39% in 2011 and 19% in 2006.

Assets in TDFs, which are qualified default investment alternatives (QDIAs) and suitable for automatically-enrolled participants, represented 15% of the total assets in the EBRI/ICI 401(k) database at the end of 2012, up from 13% in 2011 and 5% in 2006.

The findings are available in the report, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012," from EBRI and ICI. Other findings in the report were:

- 61% of 401(k) plan participants' accounts were invested in equities at year-end 2012, either through equity funds, the equity portion of TDFs, the equity portion of non-TDF balanced funds, and company stock. Younger 401(k) plan participants had more than half their account assets in equities while participants in their 60s had less than half of theirs in equities.
- Younger participants are more likely to hold TDFs and TDFs represent a much larger share of their 401(k) assets. At year-end 2012, 52% of 401(k) plan participants in their 20s were invested in TDFs, and those funds made up 34% of their 401(k) assets.
- Nearly 54% of the account balances of recently hired participants in their 20s was invested in balanced funds, including TDFs, compared with about 7% in 1998.
- 21% of all 401(k) participants who were eligible for loans had loans outstanding against their 401(k) accounts at the end of 2012, unchanged from the prior three years (2009−2011), although slightly higher than before the 2008 financial crisis.
- The average 401(k) participant account balance was $63,929 and the median account balance was $17,630 at the end of 2012. The variation reflected differences in age, tenure, salary, contribution rate, rollovers from other plans, asset allocation, withdrawals, loan activity, and employer match.
- The average account balance among 401(k) plan participants in their 60s with more than 30 years of tenure was $224,287.

The full analysis is published in the December 2013 *EBRI Issue Brief* and *ICI Research Perspective,* online at www.ebri.org and www.ici.org/research/perspective. The 2012 EBRI/ICI database includes statistical information on 24 million 401(k) plan participants in 64,619 plans holding $1.536 trillion in assets, covering nearly half of the universe of 401(k) participants.

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