
Balances of "Consistent" 401(k) Participants Up 32% in 2009

By Editor Test *Wed, Nov 24, 2010*

But about one in five of over 20 million participants had loans outstanding at the end of 2009, up from 18% at both year-end 2008 and year-end 2007.

The average 401(k) retirement account balance rose 31.9% in 2009, according to an survey of consistent participants by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI).

After the 27.8% decline in 2008, the rise in 2009 was in line with the 2003-2007 pattern of steady increases in account balances. The full report is being published simultaneously at www.ebri.org and www.ici.org.

The EBRI/ICI survey, *401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009*, is based on records on 20.7 million participants at year-end 2009, including 4.3 million who have had 401(k) accounts with the same 401(k) plan each year from year-end 2003 through year-end 2009.

Though the average 401(k) account balance fluctuated with stock market performance, balances of consistent participants grew at an average annual rate of 10.5% between 2003 and 2009, to \$109,723 at year-end 2009 from \$61,106 at year-end 2003.

The average account balance increased 31.9% in 2009 (compared with a 26.5% rise in the S&P 500 and a 27.2% increase in the Russell 2000 indices), which included changes in 401(k) participant account balances reflect ongoing worker contributions, employer contributions, investment gains and losses, and loan or withdrawal activity. The Barclays Capital U.S. Aggregate Bond Index rose by about 5.9 percent.

About one in five of over 20 million participants had loans outstanding at the end of 2009, up from 18% at both year-end 2008 and year-end 2007. At year-end 2009, 89% percent of 401(k) participants were in plans offering loans.

The share of 401(k) accounts invested in company stock continued its decade-long decline, falling by half a percentage point to 9.2% in 2009. Recently hired 401(k) participants generally were less likely to hold employer stock.

Stocks are still the most popular asset class. At year-end 2009, 60% of participants' assets were invested in equity funds, the equity portion of balanced funds, and company stock, while 36% was in stable value investments and bond and money funds.

More than three-quarters of 401(k) plans offered target-date funds (TDFs) last year. At year-end 2009, nearly 10% of the assets in the EBRI/ICI 401(k) database were invested in TDFs. One in three 401(k) participants held TDFs.

Recent hires were more likely to hold balanced funds or TDFs compared with earlier time periods. At year-end 2009, about 42% of the balances of participants in their 20s was invested in balanced funds, compared with 36% in 2008 and about only 7% in 1998. At year-end 2009, 31% of the balances of recently hired participants in their 20s was in TDFs, up from almost 23% at year-end 2008.

© 2010 RIJ Publishing LLC. All rights reserved.