
One in five 401(k) participants has no outside savings: Fidelity

By Editor Test *Mon, Jul 18, 2011*

But nearly one in 10 corporate defined contribution participants increased their contribution rate during the first quarter of 2011, the largest percentage to do so since Fidelity started tracking the figure in 2006.

More than half (55%) of current plan participants say they would not be saving for retirement if not for their 401(k) plan and 19% said they had no other retirement savings than their workplace plan, according to a new survey by Fidelity Investments.

Fidelity, the nation's largest provider of 401(k) plans and IRAs, surveyed 1,000 current and retired workplace plan participants. In what Fidelity took as a sign of difficult economic times, 54% said they would "contribute more to their 401(k)s if they could.

In May, Fidelity reported that nearly one in 10 corporate defined contribution participants increased their contribution rate during the first quarter of 2011, the largest percentage to do so since Fidelity started tracking the figure in 2006. This corresponds with the survey that found 53% of working respondents increased their contribution rate in the last five years, despite historic market volatility and economic uncertainty.

When asked why they increased their contributions, 23% of working respondents said they wanted to take full advantage of employer matching dollars, and 38% said they had received a raise or had extra money available.

Only 23% of working respondents reported ever decreasing their workplace plan contribution percentage. For those who decreased contributions, 46% reported needing extra money, and 9% said it was due to the elimination of a company match. Forty percent of these respondents said they already do - or possibly will - regret the decision to decrease their retirement savings contribution.

Fidelity's survey found that 23% of working respondents have taken a loan from their retirement plan, with many saying they needed to do so for an unforeseen emergency. But 29% of those respondents said they would not do so again.

Many plan sponsors require complete repayment of the loan within 60 days if the participant leaves the company or is laid off, which could trigger a fee and tax bill.

To supplement their workplace plan, 37% of working respondents are building retirement savings in an IRA. In addition, 33% are in an employer-sponsored pension plan, 28% have savings in bank accounts, and 28% have investments in stocks or bonds. Pre-retirees 55 and older are the most active users of IRAs, with 44% saying they utilize them.

