Rollover IRA contributions reached $321.3 billion in 2012: Cerulli

By Editorial Staff *Thu, May 8, 2014*

In a new report, Cerulli examines the size and segmentation of public and private U.S. retirement markets, including defined benefit (DB), DC, and IRA. The report is the eleventh in an annual series.

The regulators call it "leakage" but for broker-dealers it's a veritable gusher. As Americans change jobs or retire, they frequently transfer their savings from low-cost, high-regulated 401(k) plans to rollover IRAs, where the rules and regulations, for better or worse, are much looser.

Cerulli Associates, the Boston-based global analytics firm, follows these asset flows. In a proprietary new study, "Retirement Markets 2013: Data and Dynamics of Employer Sponsored Plans," Cerulli reports that contributions to rollover IRAs rose 7.3% in 2012 to $321.3 billion. Figures for 2013 were not yet available.

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Most of the rollover money originates 401(k) plans, and Cerulli advises plan providers—the biggest include Fidelity Investments, Vanguard, ING U.S. Retirement, Great-West Financial, Principal Financial and others—to reach out to departing participants and try to retain the assets before it is rolled over to an IRA at other fund firm or to a broker-dealer.

There's usually an interim in which to do that. "Participants do not necessarily roll over their assets immediately after leaving their employer," said Bing Waldert, director at Cerulli. "Some take action months or even years after their departure."

Other findings from the report, only a portion of which was released to *RIJ* this week:

- 59.4% of 401(k) assets are investment-only, 41.7% are proprietary and the remaining 8.8% is made up of self-directed brokerage assets, company stock and other.
- In 2014, Cerulli estimated that 32.1% of U.S. retirement assets will be in IRAs, 23.4% will be in public DB plans, 21.7% will be in private DC plans, 14.4% in private DB plans, and 8.4% in public DC plans. In 2002, the IRA share was 26.7%.
- In 2012, there were an estimated 45,010 defined benefit plans in the U.S., of which more than three-fourths had fewer than 100 participants and less than 10% had 100-999 participants. Only 701 DB plans had more than 10,000 participants.
- Only 24,400 of the nation's 307,623 financial advisers (7.9%) received more than 40% of their income from work with defined contribution plans in 2012. More than half of the 24,400 were in the insurance channel, and about 20% were in the independent broker dealer channel. Advisers in the insurance channel. Almost 42,000 advisers "dabbled" DC plans, receiving less than 20% of their income from work with plans.