
Time for Boomers to rebalance: Fidelity

By Editorial Staff Thu, Jul 30, 2015

Many older 401(k) account holders, including Baby Boomers close to retirement age, had stock allocations higher than those recommended for their age group, Fidelity found in an analysis of 410(k) accounts that it administers.

Fidelity Investments' latest quarterly analysis of its 401(k) accounts and Individual Retirement Accounts (IRAs) showed that the bull market that started in 2009 has made Boomers richer on paper—but perhaps more heavily allocated to equities than they should be.

In a report released this week, Fidelity shared these statistics:

- **Account balances.** The average 401(k) balance dipped slightly at the end of Q2 to \$91,100 from \$91,800 at the end of Q1, and is nearly flat from the end of Q2 2014 average of \$91,000. However, IRA balances increased to \$96,300 at the end of Q2, up from \$94,000 at the end of Q1 and \$92,500 one year ago.
- **Contributions.** Individuals and their employers remain committed to saving in 401(k) accounts and total contribution rates are reaching record levels. The average 12-month total savings amount, which combines employee contributions and employer contributions (such as a company match), increased from \$9,840 at the end of Q1 to \$10,180 at the end of Q2 – the first time the total savings amount has surpassed \$10,000. The average IRA contribution dipped to \$2,690 at the end of Q2 from \$3,150 at the end of Q1, primarily due to the significant number of people making contributions to their IRA in Q1 to meet the IRS tax deadline.
- **401(k) loans.** While average balances have increased over the past several years, higher savings balances could be contributing to increased loan activity among 401(k) account holders. While the percentage of people initiating a loan (10.1%) and the percentage of loans outstanding (21.9%) have remained steady over the last several quarters, the average 401(k) loan amount continues to increase. For the previous 12 months, the average loan amount reached \$9,720 at the end of Q2, up from \$9,630 at the end of last quarter and \$9,500 a year ago.

Many Boomers top-heavy on stocks

While a rising stock market is one reason the average 401(k) balance is up 50% in the last five years, this has led to an increased percentage of equities within many 401(k) accounts, which can add increased exposure to the negative impact of a market downturn.

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stock allocations higher than those recommended for their age group.

Fidelity compared average asset allocations to an age-based target date fund and found 18% of people 50-54 had a stock allocation at least 10 percentage points or higher than recommended, and for people ages 55-59, that figure increased to 27%.

An additional 11% of people ages 50-54 had 100% of their 401(k) assets in stocks, while 10% of people ages 55-59 had all of their 401(k) assets in stocks.

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