
Vanguard issues its annual DC report: "How America Saves"

By Editor Test *Wed, Jun 12, 2013*

From the start of 2008 to the end of 2012, the average Vanguard DC account balance rose by cumulative 12% from market performance alone (not counting contributions), according to Vanguard's fact-filled annual retirement plan report.

The 2013 edition of [How America Saves](#), Vanguard's annual compendium of data on its own full-service defined contribution business, which includes some 1,600 plan sponsors with three million participants and about \$500 billion under management, or about one-eighth of all dollars in DC plans in the U.S.

This year's results show the steady growth in the use of target-date funds and managed account solutions by plan participants. "At year-end 2012, 36% of all Vanguard participants were solely invested in an automatic investment program—compared with just 17% at the end of 2007. Twenty-seven percent of all participants were invested in a single target-date fund; another 6% held one traditional balanced fund; and 3% used a managed account program," the report said.

Vanguard expects the trend to continue. "Among new plan entrants (those participants entering the plan for the first time in 2012), a total of 73% of new participants were solely invested in a professionally managed allocation. Because of the growing use of target-date options, we anticipate that 55% of all participants and 80% of new plan entrants will be entirely invested in a professionally managed allocation by 2017," the report said.

In terms of accumulations, there's a "barbell" shape to the distribution of account values over participant income levels. For instance, 24% of accounts have \$100,000 or more and 31% of accounts have less than \$10,000. In between, the percentages drop to the single digits.

The average and median balances hide those extremes. "In 2012, the median participant account balance was \$27,843 and the average was \$86,212. Vanguard participants' median and average account balances rose by 9% and 10%, respectively, during 2012. Over the five-year 2007-2012 period, median and average balances rose 11% and 10%, respectively," the report said.

If an average participant had contributed nothing between the end of 2007 and the end of 2012, his or her account value would have gone up by a combined total of 12%, Vanguard's data tabulators found. "Reflecting strong stock market performance in 2012, the median 1-year participant total return was 13.3%. Despite the dramatic decline in stock prices during the 5-year period, 5-year participant total returns averaged 2.3% per year or 12% cumulatively," the report said.

The data show that about \$150 billion of the \$500 billion in Vanguard's DC plans belongs to people who no longer work for the plan sponsor but who haven't moved their money out of the plan. That's \$150 billion in potential IRA rollover money for competing fund companies and custodians.

"Participants separating from service largely preserved their assets for retirement," the report said. "During 2012, about 30% of all participants could have taken their account as a distribution because they

had separated from service in the current year or prior years. "The majority of these participants (82%) continued to preserve their plan assets for retirement by either remaining in their employer's plan or rolling over their savings to an IRA or new employer plan. In terms of assets, 96% of all plan assets available for distribution were preserved and only 4% were taken in cash."

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