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American Views on Defined Contribution Plan Saving, 2020

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American Views on Defined Contribution Plan Saving, 2020

Sarah Holden, ICI senior director of retirement and investor research; Daniel Schrass, ICI economist; Jason Seligman, ICI senior economist; and Michael Bogdan, ICI associate economist, prepared this report.

Executive Summary

With millions of US households personally directing their retirement savings, the Investment Company Institute (ICI) has sought to track retirement savers' actions[1] and sentiment. This report, the 13th in this series, summarizes results from a nationally representative survey of Americans aged 18 or older. The survey was designed by ICI research staff and administered by NORC at the University of Chicago using the AmeriSpeak® probability-based panel.[2] This report presents survey results that reflect individuals' responses collected during November and December 2020.[3]

The survey polled respondents about their views on defined contribution (DC) retirement account saving and their confidence in 401(k) and other DC plan accounts. Survey responses indicated that Americans value the discipline and investment opportunity that 401(k) plans represent and that individuals were largely opposed to changing the tax preferences or investment control in those accounts. A majority of respondents also affirmed a preference for control of their retirement accounts and opposed proposals to require a portion of retirement accounts to be converted into a fair contract promising them income for life from either the government or an insurance company.

Views on Defined Contribution Plan Accounts

Respondents expressed favorable impressions of DC plan accounts in fall 2020:

- Seventy-six percent of Americans had favorable impressions of 401(k) and similar retirement plan accounts in fall 2020, in line with 76 percent in fall 2019 and 75 percent in fall 2018.
- Among individuals expressing an opinion, 88 percent had favorable impressions of 401(k) plans, with 41 percent agreeing that they had a "very favorable" impression.

Views on Features of Defined Contribution Plan Saving

Survey responses in fall 2020 indicated that individuals whose households own DC accounts appreciate key features of DC plans, an outcome that is similar to the previous survey results.

- More than nine out of 10 DC-owning individuals agreed that these plans helped them think about the long term and made it easier to save. Nearly five out of 10 (46 percent) DC-owning individuals indicated that they probably would not be saving for retirement if not for their DC plans. In addition, saving paycheck-by-paycheck made more than eight out of 10 DC-owning individuals surveyed less worried about the short-term performance of their investments.[4]
- Nearly nine out of 10 (86 percent) DC-owning individuals agreed that the tax treatment of their retirement plans was a big incentive to contribute.
- Nearly all DC-owning individuals agreed that it was important to have choice in, and control of, the investments in their DC plans. Almost nine out of 10 indicated that their DC plan offered a good lineup of investment options.

Views on Proposed Changes to Defined Contribution Plan Accounts

In addition, Americans' views on policy changes revealed a strong preference for preserving retirement account features and flexibility.

- A strong majority of Americans disagreed with proposals to remove or reduce tax incentives for retirement savings.
- In fall 2020, nearly nine out of 10 (87 percent) disagreed that the government should take away the tax advantages of DC accounts, and about nine out of 10 (89 percent) disagreed with reducing the amount that individuals can contribute to DC accounts.
- Support for the tax treatment of DC accounts was widespread among individuals whose households did not own DC accounts or individual retirement accounts (IRAs). In fall 2020, about eight out of 10 (79 percent) individuals without DC accounts or IRAs rejected the idea of taking away the tax treatment of DC accounts.
- About nine out of 10 (89 percent) individuals surveyed disagreed with the idea of not allowing individuals to make investment decisions in their DC accounts, and eight out of 10 disagreed with investing all retirement accounts in an investment option selected by a government-appointed board of experts.
- In fall 2020, more than nine out of 10 (91 percent) Americans agreed that retirees should be able to make their own decisions about how to manage their own retirement assets and income and about eight out of 10 individuals disagreed that retirees should be required to trade a portion of their retirement accounts for a fair contract promising them income for life.

Confidence in Defined Contribution Plan Accounts

Americans—whether or not their households had retirement accounts—were confident in the ability of DC plans to help individuals meet their retirement goals.

- Among individuals whose households owned DC accounts or IRAs, more than eight out of 10 (83 percent) indicated that they were confident that DC plan accounts could help people meet their retirement goals.
- Among individuals whose households did not own DC accounts or IRAs, seven out of 10 expressed confidence that DC plan accounts can help people meet their retirement goals.

Introduction

IRAs and DC plan accounts[5] have become a common feature of the US retirement landscape. More than half of total US retirement assets are held in such accounts,[6] and a majority of US households have a portion of their assets invested in them.[7] Given the rising importance of retirement accounts, ICI conducted this survey to find out Americans' views on their 401(k) plans and their opinions on some proposed policy changes.

This is the 13th annual update of a survey research effort started in 2008–2009.[8] This year's survey consists of answers to questions included in a national survey that NORC fielded using the AmeriSpeak® panel. The survey, which was conducted in November and December 2020, covered a total sample of 2,092 individuals aged 18 or older in the United States. Survey results are weighted to be representative of the total population of Americans aged 18 or older.[9] The margin of sampling error for 2020 is ± 2.1 percentage points at the 95 percent confidence level.

This report sheds light on Americans' views of 401(k) and similar DC plan accounts by analyzing survey responses across four different areas of questioning:

» whether respondents had favorable, unfavorable, or no opinions of DC plan accounts;

» asking respondents to agree or disagree with statements evaluating the features of DC account saving;

» asking respondents to agree or disagree with some proposed changes to several key features of DC accounts; and

» asking respondents about their degree of confidence that DC accounts can help individuals meet their retirement goals.

Who Are DC- or IRA-Owning Individuals?

The national survey that NORC fielded using the AmeriSpeak® panel in November and December 2020 covered a total sample of 2,092 individuals aged 18 or older in the United States. Survey results are weighted to be representative of the population of Americans aged 18 or older. Because saving for retirement is a household financial activity, retirement account ownership for each individual surveyed was related to the respondent's household.[10]

From the Survey:

DC-owning individuals are individuals aged 18 or older whose households owned 401(k) or other DC plan accounts at the time of the survey.

DC- or IRA-owning individuals, similarly, are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Views on Defined Contribution Plan Accounts

A majority of Americans have favorable impressions of 401(k) and similar retirement accounts. In fall 2020, 76 percent of Americans had "very" or "somewhat" favorable impressions of DC plan accounts, in line with 76 percent in fall 2019 and 75 percent in fall 2018 (Figure 1). Among all individuals expressing an opinion, 88 percent had favorable impressions of 401(k) plans, with 41 percent expressing the strongest positive response—a "very favorable" impression. Ninety-one percent of individuals whose households owned DC accounts or IRAs with an opinion had favorable impressions of 401(k) and similar retirement accounts compared with 81 percent of non-owning respondents who expressed an opinion.

Views on Features of Defined Contribution Plan Saving

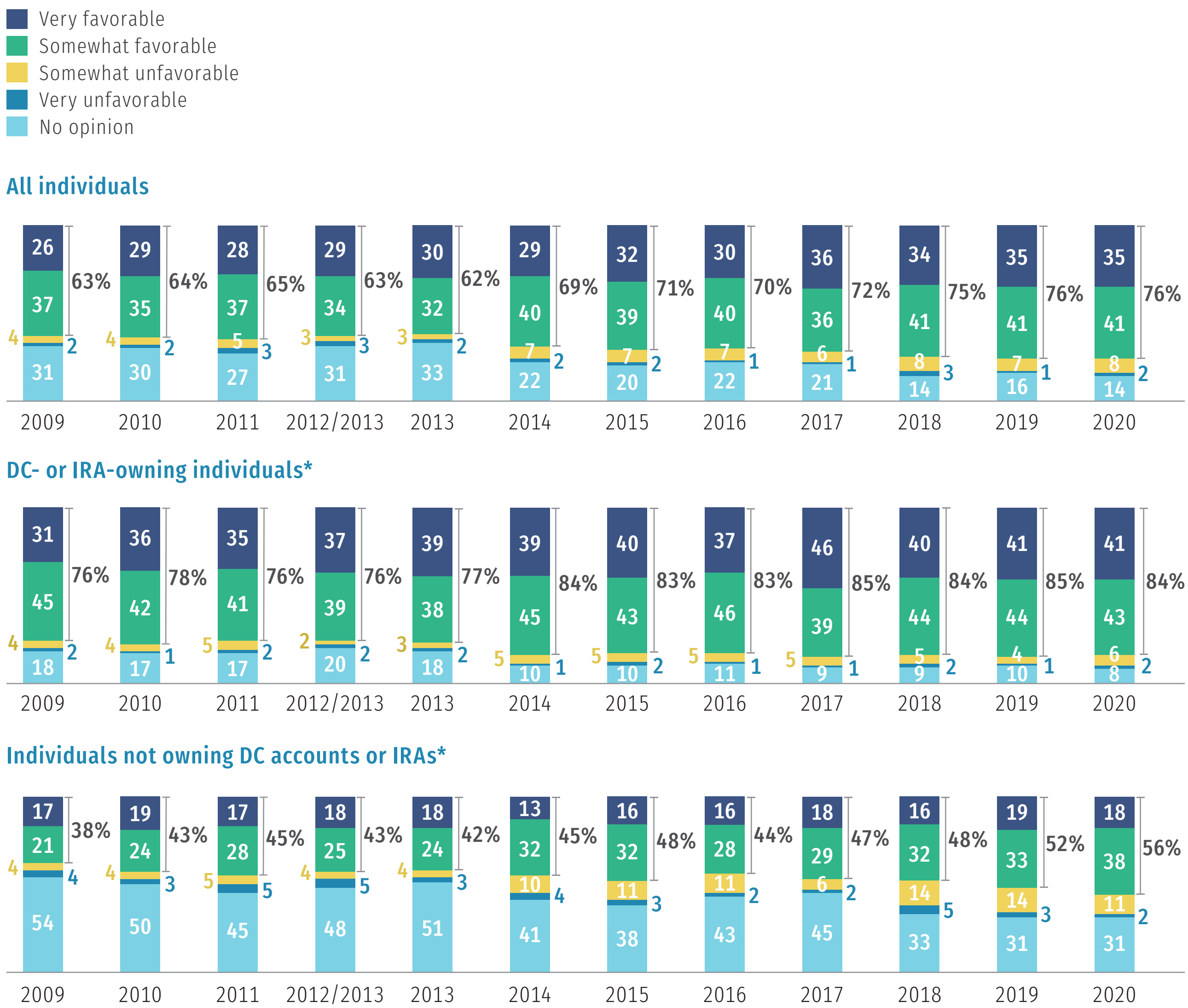
To understand the views that DC-owning individuals have about 401(k) and other participant-directed retirement plans, the survey explored a variety of characteristics of these plans. Most DC-owning individuals agreed that employer-sponsored retirement accounts helped them "think about the long term, not just my current needs" (91 percent), and that payroll deduction "makes it easier for me to save" (90 percent) (Figure 2). These top-line results were similar to prior years of survey results.[11] In addition, there generally was little variation in responses across age and income groups.[12]

Saving in employer-sponsored retirement plans (and IRAs) has certain tax advantages. For example, the contributions that a worker makes to these plans typically reduce current taxable income by the amount of the contribution. In addition, most types of retirement accounts benefit from tax-deferred growth because taxes are not due until the individual withdraws money from the account.[13] Overall, 86 percent of DC-owning individuals agreed that "the tax treatment of my retirement plan is a big incentive to contribute" (Figure 2). Agreement was high across all age and income groups, although it tended to increase with age and was a bit higher for individuals with household incomes of $50,000 or more (88 percent) than for individuals with household incomes below $50,000 (77 percent).

FIGURE 1

Opinions of 401(k) and Similar Retirement Plan Accounts

Percentage of US individuals by ownership status;* fall, 2009–2011; November 2012–January 2013; fall, 2013–2020



*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: In 2009, the sample includes 1,976 DC- or IRA-owning adults and 1,017 adults not owning DC accounts or IRAs. In 2010, the sample includes 1,977 DC- or IRA-owning adults and 1,026 adults not owning DC accounts or IRAs. In 2011, the sample includes 1,965 DC- or IRA-owning adults and 1,022 adults not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,417 DC- or IRA-owning adults and 1,575 adults not owning DC accounts or IRAs. In 2013, the sample includes 1,802 DC- or IRA-owning adults and 1,189 adults not owning DC accounts or IRAs. In 2014, the sample includes 1,855 DC- or IRA-owning adults and 1,191 adults not owning DC accounts or IRAs. In 2015, the sample includes 1,915 DC- or IRA-owning adults and 1,161 adults not owning DC accounts or IRAs. In 2016, the sample includes 1,299 DC- or IRA-owning adults and 728 adults not owning DC accounts or IRAs. In 2017, the sample includes 1,302 DC- or IRA-owning adults and 707 adults not owning DC accounts or IRAs. In 2018, the sample includes 1,520 DC- or IRA-owning adults and 521 adults not owning DC accounts or IRAs. In 2019, the sample includes 1,453 DC- or IRA-owning adults and 575 adults not owning DC accounts or IRAs. In 2020, the sample includes 1,518 DC- or IRA-owning adults and 574 adults not owning DC accounts or IRAs. The fall 2014, fall 2015, fall 2016, fall 2017, fall 2018, fall 2019, and fall 2020 surveys were online surveys; the prior surveys were conducted over the phone. The fall 2018, fall 2019, and fall 2020 surveys were conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. The fall 2019 survey includes 1,848 surveys completed online and 180 surveys conducted over the phone. The fall 2020 survey includes 1,920 surveys completed online and 172 surveys conducted over the phone.

Sources: ICI tabulation of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013; fall 2013), GfK KnowledgePanel® OmniWeb survey data (fall, 2014–2017), and NORC AmeriSpeak® survey data (fall, 2018–2020)

Saving from each paycheck into a retirement plan helps workers to continue investing in down markets, dollar-cost average their investments, and benefit when stock and bond markets recover. Respondents were asked whether "knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments."[14] A majority (83 percent) of DC-owning individuals agreed with that statement, ranging from 69 percent of DC-owning individuals with household incomes of less than $30,000 to 88 percent of DC-owning individuals with household incomes of $100,000 or more, and from 78 percent of DC-owning individuals younger than age 35 to 86 percent of those aged 65 or older (Figure 2).

The availability of a retirement plan at work can help facilitate saving. Forty-six percent of DC-owning individuals agreed with the statement "I probably wouldn't save for retirement if I didn't have a retirement plan at work" (Figure 2). Agreement was the highest (67 percent) among individuals with household incomes less than $30,000; fell to 63 percent for individuals with household incomes between $30,000 and $49,999 and to 52 percent for individuals with household incomes between $50,000 and $99,999; and was the lowest (36 percent) among individuals with household incomes of $100,000 or more. These data do not suggest that higher-income workers do not find their plans valuable—indeed, 92 percent of those making $50,000 or more agreed with the sentiment, "My employer-sponsored retirement account helps me think about the long term, not just my current needs." The fact that higher-income respondents were more likely to expect to save outside of an employer plan offering is consistent with other household survey information finding that this group typically lists retirement as its most important savings goal.[15] Because Social Security does not replace as much income in retirement for higher-income individuals as it does for lower-income individuals, it is necessary for middle- and upper-income individuals to have retirement savings to supplement their Social Security benefits.[16, 17]

Americans viewed the lineup of options in their DC plans favorably, with 87 percent of DC-owning individuals agreeing that their plans offer a good lineup of investment options (Figure 2).[18] Satisfaction with the lineup of investment options was high across all age and household income groups, although it was somewhat higher for DC-owning individuals with household incomes of $100,000 or more (90 percent) and somewhat lower for DC-owning individuals with household incomes of less than $30,000 (81 percent) or household incomes of $30,000 to $99,999 (83 percent). Regardless of age or household income, a vast majority of DC-owning individuals agreed that it was important for them to have choice in, and control of, their retirement plan investments.

FIGURE 2

Views of DC-Owning Individuals

Percentage of DC-owning individuals* agreeing with each statement by age or household income, fall 2020

	All DC-owning individuals*	Age of survey respondent			
		Younger than 35	35 to 49	50 to 64	65 or older
It is important to have choice in, and control of, the investments in my retirement plan account.	96	90	95	99	98
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	84	93	92	96
Payroll deduction makes it easier for me to save.	90	76	92	96	96
The tax treatment of my retirement plan is a big incentive to contribute.	86	80	85	93	89
My employer-sponsored retirement plan offers me a good lineup of investment options.	87	83	84	93	87
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	78	83	85	86
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	46	41	45	48	51
Number of respondents	*1,335*				

	All DC-owning individuals*	Household income			
		Less than $30,000	$30,000 to $49,999	$50,000 to $99,999	$100,000 or more
It is important to have choice in, and control of, the investments in my retirement plan account.	96	86	97	97	96
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	86	88	89	94
Payroll deduction makes it easier for me to save.	90	71	88	89	93
The tax treatment of my retirement plan is a big incentive to contribute.	86	69	84	85	91
My employer-sponsored retirement plan offers me a good lineup of investment options.	87	81	83	83	90
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	69	79	79	88
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	46	67	63	52	36
Number of respondents	*1,335*				

*DC-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts or other DC plan accounts at the time of the survey.

Note: The figure reports the percentage of DC-owning adults who "strongly agreed" or "somewhat agreed" with the statement. The remaining respondents "somewhat disagreed" or "strongly disagreed."

Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

Views on Proposed Changes to Defined Contribution Plan Accounts

Survey respondents were also asked their views on changing three key DC plan account features: tax deferral, investment control, and control of the accounts.[19]

Views on Tax Deferral

Because some opinion leaders and policymakers have questioned the public value of the tax deferral that 401(k) plans and IRAs receive, survey respondents were asked whether the government should take away these tax incentives. A very large majority, 87 percent, disagreed that the tax incentives of DC plans should be removed (Figure 3). Opposition to elimination of the tax advantages was the strongest among individuals whose households owned DC accounts or IRAs, with 91 percent opposing the removal of the tax advantages. Additionally, 79 percent of individuals without DC accounts or IRAs opposed eliminating the incentives. In fall 2020, higher-income individuals (93 percent) and older individuals (89 percent) were more likely to oppose removal of the tax advantages than lower-income individuals (75 percent) and younger individuals (81 percent) (Figure 4).[20]

The survey also asked whether the limits on individual contributions to DC accounts should be reduced.[21] An overwhelming majority of all individuals (89 percent) opposed reducing the individual contribution limits (Figure 3). Among DC- or IRA-owning individuals in fall 2020, 92 percent disagreed with reducing the contribution limits, and among individuals without retirement accounts, 80 percent disagreed.

The survey also asked households about employer contributions to DC plan accounts.[22] In fall 2020, 90 percent of Americans opposed reducing the amount that employers can contribute to DC plan accounts for their employees (Figure 3). Among DC- or IRA-owning individuals in fall 2020, 93 percent disagreed with reducing the employer contribution limits; among those without retirement accounts, 83 percent disagreed.

Views on Investment Control

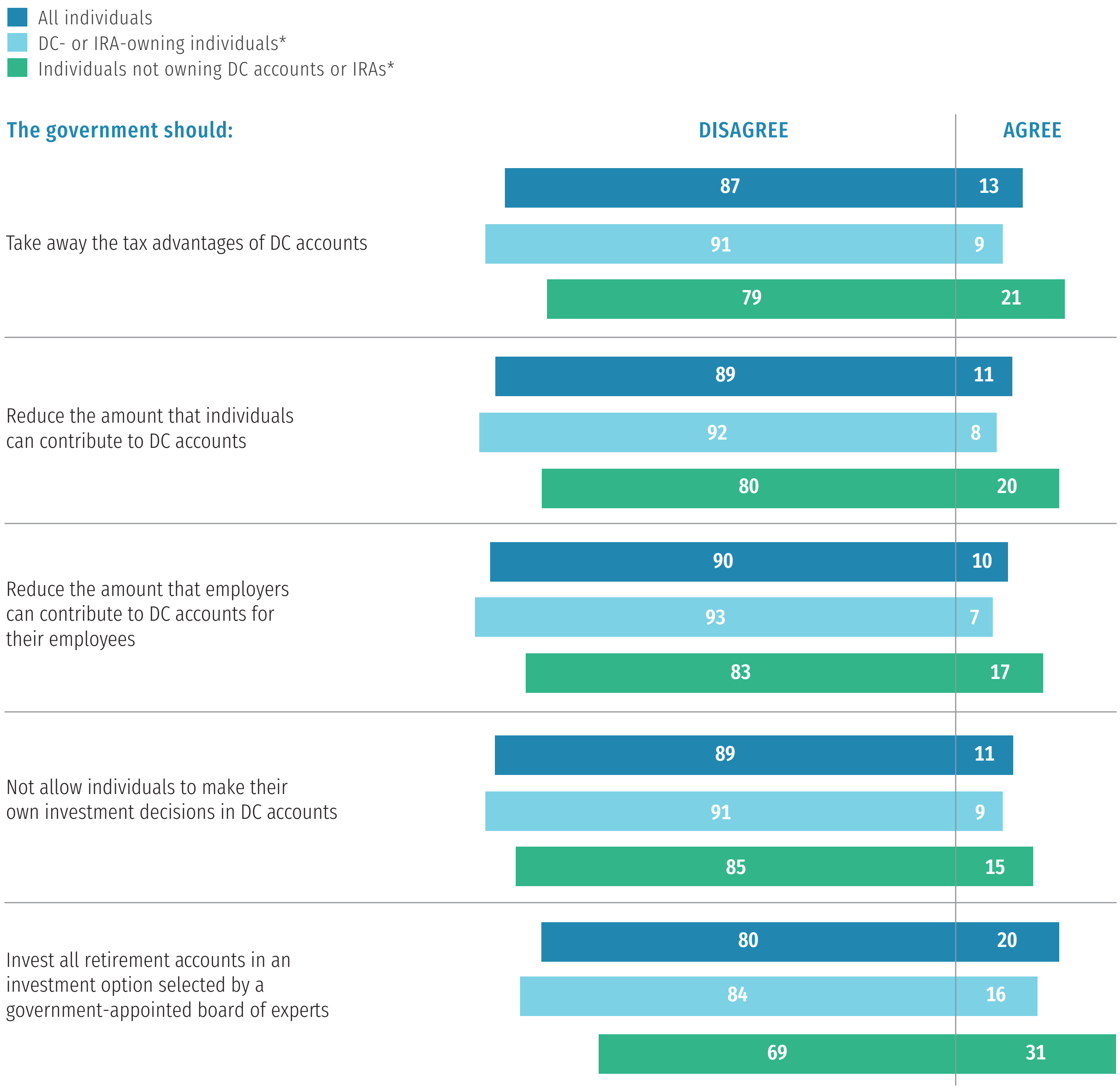
Respondents also resisted suggestions to change individual investment control in DC accounts. When respondents were asked whether they agreed or disagreed with the statement "The government should not allow individuals to make their own investment decisions in DC accounts," 89 percent disagreed (Figure 3). The degree of opposition was somewhat higher among individuals whose households owned DC accounts or IRAs (91 percent) than among those without retirement accounts (85 percent).

In a similar vein, respondents were asked how they viewed a proposal for the government to "invest all retirement accounts in an investment option selected by a government-appointed board of experts."[23] Despite the historically large stock market downturn from late 2007 through early 2009 and the more recent market downturn in early 2020,[24] government control of workers' savings is not a popular remedy. In fall 2020, 80 percent of respondents disagreed with this proposal (Figure 3), with the opposition typically rising with age and household income (Figure 4). Among individuals with retirement accounts, 84 percent opposed this proposal, compared with 69 percent of those without retirement accounts (Figure 3).[25]

FIGURE 3

Opinions of Suggested Changes to Retirement Accounts

Percentage of US individuals agreeing or disagreeing with each statement by ownership status,* fall 2020



Number of respondents: 2,092

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure plots in the “agree” column the percentage of adults who “strongly agreed” or “somewhat agreed” with the statement, and plots the percentage of adults who “somewhat disagreed” or “strongly disagreed” in the “disagree” column.

Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

FIGURE 4

Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Age and Household Income

Percentage of US individuals disagreeing with each statement by age or household income, fall 2020

Disagreeing that the government should:	All individuals	Age of survey respondent: Younger than 35	35 to 49	50 to 64	65 or older
Take away the tax advantages of DC accounts	87	81	89	93	89
Reduce the amount that individuals can contribute to DC accounts	89	82	89	94	93
Reduce the amount that employers can contribute to DC accounts for their employees	90	85	90	94	92
Not allow individuals to make their own investment decisions in DC accounts	89	88	88	92	89
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	80	70	80	86	87
Number of respondents	*2,092*				

Disagreeing that the government should:	All individuals	Household income: Less than $30,000	$30,000 to $49,999	$50,000 to $99,999	$100,000 or more
Take away the tax advantages of DC accounts	87	75	83	89	93
Reduce the amount that individuals can contribute to DC accounts	89	75	86	91	94
Reduce the amount that employers can contribute to DC accounts for their employees	90	77	88	93	94
Not allow individuals to make their own investment decisions in DC accounts	89	82	89	88	93
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	80	68	72	81	87
Number of respondents	*2,092*				

Note: The figure reports the percentage of adults that "strongly disagreed" or "somewhat disagreed" with the statement. The remaining adults "somewhat agreed" or "strongly agreed."

Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

Views on Control of Retirement Account Balances

In 2020, ICI again asked three questions from the 2009, 2012/2013, 2014, 2015, 2016, 2017, 2018, and 2019 surveys investigating individual sentiment on possible policy changes affecting control of DC account and IRA balances. Though some research has suggested that individuals should annuitize more of their retirement account balances as a means of eliminating the risk of outliving their resources,[26] whether and how much a household should annuitize is broadly debated.[27] In fact, most Americans already have a significant share of their wealth in the form of an annuity through Social Security or alternative public-sector pension plans.[28] Surveying consumer preferences regarding annuitization is difficult because the subject matter is complicated[29] and may not be salient at the current time for many households. In addition, academic research has shown that word choice in surveys on annuities has a dramatic impact on the perceived desirability of the annuity option.[30]

With these difficulties in mind, ICI asked three questions regarding the control of retirement account balances. In the first question, respondents were asked to react to a simple statement: "Retirees should be able to make their own decisions about how to manage their own retirement assets and income." In fall 2020, 91 percent of respondents either "strongly agreed" or "somewhat agreed" with that statement (Figure 5). Agreement was slightly higher for individuals whose households owned DC accounts or IRAs (93 percent) than for those without retirement accounts (88 percent). In addition, agreement with the statement was generally higher for older individuals.

The second and third questions about control of retirement accounts were focused on sentiment regarding more-specific annuitization policy options. The second statement read "The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company." The third statement replaced "from an insurance company" with "from the government." The distinction between an insurance company and the government as annuity provider had only a small effect on sentiment (the results for the second and third retirement account disposition questions were similar).

Overall, more than three-quarters of respondents either "somewhat disagreed" or "strongly disagreed" with the proposed change in control of account disposition (Figures 6 and 7). Note that the question was worded in a way to help minimize bias toward disagreement; the proposal indicated that retirees would trade only "a portion" of their assets under a "fair" contract giving them "income for life."

At about 80 percent, the disapproval rates for the proposed annuitization requirements are slightly higher for DC- or IRA-owning individuals than for non-owners (Figures 6 and 7). Disapproval also tends to increase with both age and household income. For example, the disapproval rates for respondents younger than 50 in households with incomes of less than $30,000 are 59 percent for income for life from an insurance company and 58 percent for income for life from the government. More than 80 percent of respondents aged 50 or older in households with incomes of $50,000 or more disapproved of either proposal.

FIGURE 5

Individuals Agreeing with the Statement: Retirees should be able to make their own decisions about how to manage their own retirement assets and income

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure reports the percentage of adults who “strongly agreed” or “somewhat agreed” with the statement. The remaining adults “somewhat disagreed” or “strongly disagreed.” The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, 2,009 respondents in 2017, 2,041 respondents in 2018, 2,028 respondents in 2019, and 2,092 respondents in 2020. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys. The fall 2018, fall 2019, and fall 2020 surveys were conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. The fall 2019 survey includes 1,848 surveys completed online and 180 surveys conducted over the phone. The fall 2020 survey includes 1,920 surveys completed online and 172 surveys conducted over the phone.

Sources: ICI tabulation of GfK OmniTel survey data (fall 2009 and November 2012–January 2013), GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017), and NORC AmeriSpeak® survey data (fall, 2018–2020)

FIGURE 6

Individuals Disagreeing with the Statement: The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from an insurance company

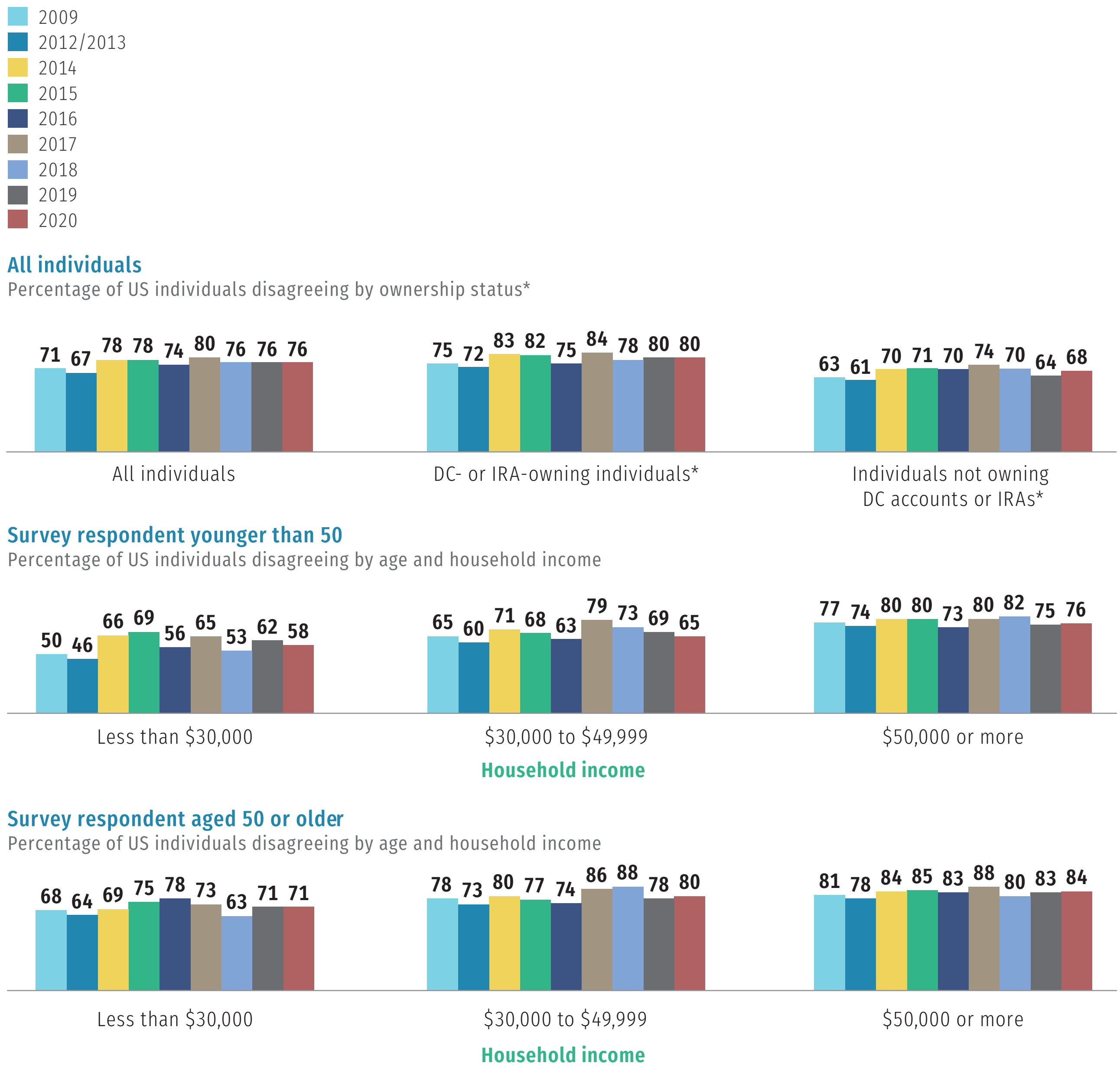
*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure reports the percentage of adults who "strongly disagreed" or "somewhat disagreed" with the statement. The remaining adults "somewhat agreed" or "strongly agreed." The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, 2,009 respondents in 2017, 2,041 respondents in 2018, 2,028 respondents in 2019, and 2,092 respondents in 2020. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys. The fall 2018, fall 2019, and fall 2020 surveys were conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. The fall 2019 survey includes 1,848 surveys completed online and 180 surveys conducted over the phone. The fall 2020 survey includes 1,920 surveys completed online and 172 surveys conducted over the phone.

Sources: ICI tabulation of GfK OmniTel survey data (fall 2009 and November 2012–January 2013), GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017), and NORC AmeriSpeak® survey data (fall, 2018–2020)

FIGURE 7

Individuals Disagreeing with the Statement: The government should require retirees to trade a portion of their retirement plan accounts for a fair contract that promises to pay them income for life from the government



*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: The figure reports the percentage of adults who “strongly disagreed” or “somewhat disagreed” with the statement. The remaining adults “somewhat agreed” or “strongly agreed.” The samples include 3,000 respondents in 2009, 3,407 respondents in 2012–2013, 3,046 respondents in 2014, 3,076 respondents in 2015, 2,027 respondents in 2016, 2,009 respondents in 2017, 2,041 respondents in 2018, 2,028 respondents in 2019, and 2,092 respondents in 2020. The 2009 and 2012/2013 surveys were phone surveys; the 2014, 2015, 2016, and 2017 surveys were online surveys. The fall 2018, fall 2019, and fall 2020 surveys were conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. The fall 2019 survey includes 1,848 surveys completed online and 180 surveys conducted over the phone. The fall 2020 survey includes 1,920 surveys completed online and 172 surveys conducted over the phone.

Sources: ICI tabulation of GfK OmniTel survey data (fall 2009 and November 2012–January 2013), GfK KnowledgePanel® OmniWeb survey data (fall 2014–2017), and NORC AmeriSpeak® survey data (fall, 2018–2020)

Confidence in Defined Contribution Plan Accounts

The survey also asked respondents to indicate their confidence in the ability of the 401(k) system to help individuals meet their retirement goals. In fall 2020, 79 percent of Americans indicated that they were either "somewhat" or "very" confident that 401(k) and other employer-sponsored retirement plan accounts can help people meet their retirement goals, similar to the confidence levels expressed in prior years (Figure 8). At 83 percent, that confidence was higher among individuals whose households currently owned DC accounts or IRAs in fall 2020, and 70 percent of non-owners expressed confidence in the retirement plan account approach.

Additional Reading

- What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Account Balances, 2010–2018
  www.ici.org/pdf/per26-06.pdf
- The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2017
  www.ici.org/pdf/20_ppr_dcplan_profile_401k.pdf
- The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans, 2017
  www.ici.org/pdf/21_ppr_dcplan_profile_403b.pdf
- The US Retirement Market, Third Quarter 2020
  www.ici.org/research/stats/retirement
- Defined Contribution Plan Participants' Activities, First Three Quarters of 2020
  www.ici.org/pdf/20_rpt_recsurveyq3.pdf

FIGURE 8

Confidence That Retirement Plan Accounts Can Help Individuals Meet Retirement Goals

Percentage of US individuals by ownership status;* fall, 2009–2011; November 2012–January 2013; fall, 2013–2020

*DC- or IRA-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts, other DC plan accounts, or IRAs at the time of the survey.

Note: In 2009, the sample includes 1,976 DC- or IRA-owning adults and 1,017 adults not owning DC accounts or IRAs. In 2010, the sample includes 1,977 DC- or IRA-owning adults and 1,026 adults not owning DC accounts or IRAs. In 2011, the sample includes 1,965 DC- or IRA-owning adults and 1,022 adults not owning DC accounts or IRAs. In 2012/2013, the sample includes 2,417 DC- or IRA-owning adults and 1,575 adults not owning DC accounts or IRAs. In 2013, the sample includes 1,802 DC- or IRA-owning adults and 1,189 adults not owning DC accounts or IRAs. In 2014, the sample includes 1,855 DC- or IRA-owning adults and 1,191 adults not owning DC accounts or IRAs. In 2015, the sample includes 1,915 DC- or IRA-owning adults and 1,161 adults not owning DC accounts or IRAs. In 2016, the sample includes 1,299 DC- or IRA-owning adults and 728 adults not owning DC accounts or IRAs. In 2017, the sample includes 1,302 DC- or IRA-owning adults and 707 adults not owning DC accounts or IRAs. In 2018, the sample includes 1,520 DC- or IRA-owning adults and 521 adults not owning DC accounts or IRAs. In 2019, the sample includes 1,453 DC- or IRA-owning adults and 575 adults not owning DC accounts or IRAs. In 2020, the sample includes 1,518 DC- or IRA-owning adults and 574 adults not owning DC accounts or IRAs. The fall 2014, fall 2015, fall 2016, fall 2017, fall 2018, fall 2019, and fall 2020 surveys were online surveys; the prior surveys were conducted over the phone. The fall 2018, fall 2019, and fall 2020 surveys were conducted on the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology. The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. The fall 2019 survey includes 1,848 surveys completed online and 180 surveys conducted over the phone. The fall 2020 survey includes 1,920 surveys completed online and 172 surveys conducted over the phone.

Sources: ICI tabulation of GfK OmniTel survey data (fall, 2009–2011; November 2012–January 2013; fall 2013), GfK KnowledgePanel® OmniWeb survey data (fall, 2014–2017), and NORC AmeriSpeak® survey data (fall, 2018–2020)

Conclusion

In late fall 2020, Americans expressed favorable impressions of DC plans. These plans have become a common feature of the US retirement landscape with millions of US households now holding a portion of their assets in them. As such, it is important to know how these plans are viewed and whether policy proposals are likely to increase or decrease the value of these plans for those looking to save for retirement during their working years. Americans valued current plan design features, and their views on policy changes revealed a strong preference for preserving retirement account features and flexibility. This was especially true for individuals who use the plans and for those most in need of them to supplement Social Security. In addition, those not currently using the plans were still strongly in favor of them, suggesting a value for their place in household planning over a longer time span.

Appendix: Additional Data on American Views on Defined Contribution Plan Saving

American Views on Defined Contribution Plan Saving by Generation

Figure A1 presents the data displayed in Figure 2 regarding views on the DC plan savings vehicle by generation of the survey respondent.

FIGURE A1

Views of DC-Owning Individuals by Generation

Percentage of DC-owning individuals* agreeing with each statement by generation, fall 2020

		Generation of survey respondent				
	All DC-owning individuals*	Generation Z and Millennials (younger than 40)	Generation X (aged 40 to 55)	Late Baby Boom (aged 56 to 64)	Early Baby Boom (aged 65 to 74)	Silent or GI (aged 75 or older)
It is important to have choice in, and control of, the investments in my retirement plan account.	96	91	98	99	98	99
My employer-sponsored retirement account helps me think about the long term, not just my current needs.	91	87	94	90	96	98
Payroll deduction makes it easier for me to save.	90	80	96	94	98	94
The tax treatment of my retirement plan is a big incentive to contribute.	86	80	90	92	92	82
My employer-sponsored retirement plan offers me a good lineup of investment options.	87	84	86	93	87	86
Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments.	83	78	85	85	88	82
I probably wouldn't save for retirement if I didn't have a retirement plan at work.	46	42	45	50	52	49
Number of respondents	*1,335*					

*DC-owning individuals are individuals aged 18 or older whose households owned 401(k) plan accounts or other DC plan accounts at the time of the survey.

Note: The figure reports the percentage of DC-owning adults who "strongly agreed" or "somewhat agreed" with the statement. The remaining adults "somewhat disagreed" or "strongly disagreed."

Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

Figure A2 presents the data displayed in Figure 4 regarding opinions on suggested changes to DC plans by generation of the survey respondent.

FIGURE A2

Opinions of Suggested Changes to Retirement Accounts Vary Somewhat with Generation

Percentage of US individuals disagreeing with each statement by generation, fall 2020

		Generation of survey respondent				
Disagreeing that the government should:	**All individuals**	**Generation Z and Millennials** (younger than 40)	**Generation X** (aged 40 to 55)	**Late Baby Boom** (aged 56 to 64)	**Early Baby Boom** (aged 65 to 74)	**Silent or GI** (aged 75 or older)
Take away the tax advantages of DC accounts	87	82	91	94	90	87
Reduce the amount that individuals can contribute to DC accounts	89	83	90	94	92	97
Reduce the amount that employers can contribute to DC accounts for their employees	90	86	92	94	91	94
Not allow individuals to make their own investment decisions in DC accounts	89	88	88	94	90	88
Invest all retirement accounts in an investment option selected by a government-appointed board of experts	80	72	81	88	87	86
Number of respondents	*2,092*					

Note: The figure reports the percentage of adults who "strongly disagreed" or "somewhat disagreed" with the statement. The remaining adults "somewhat agreed" or "strongly agreed."

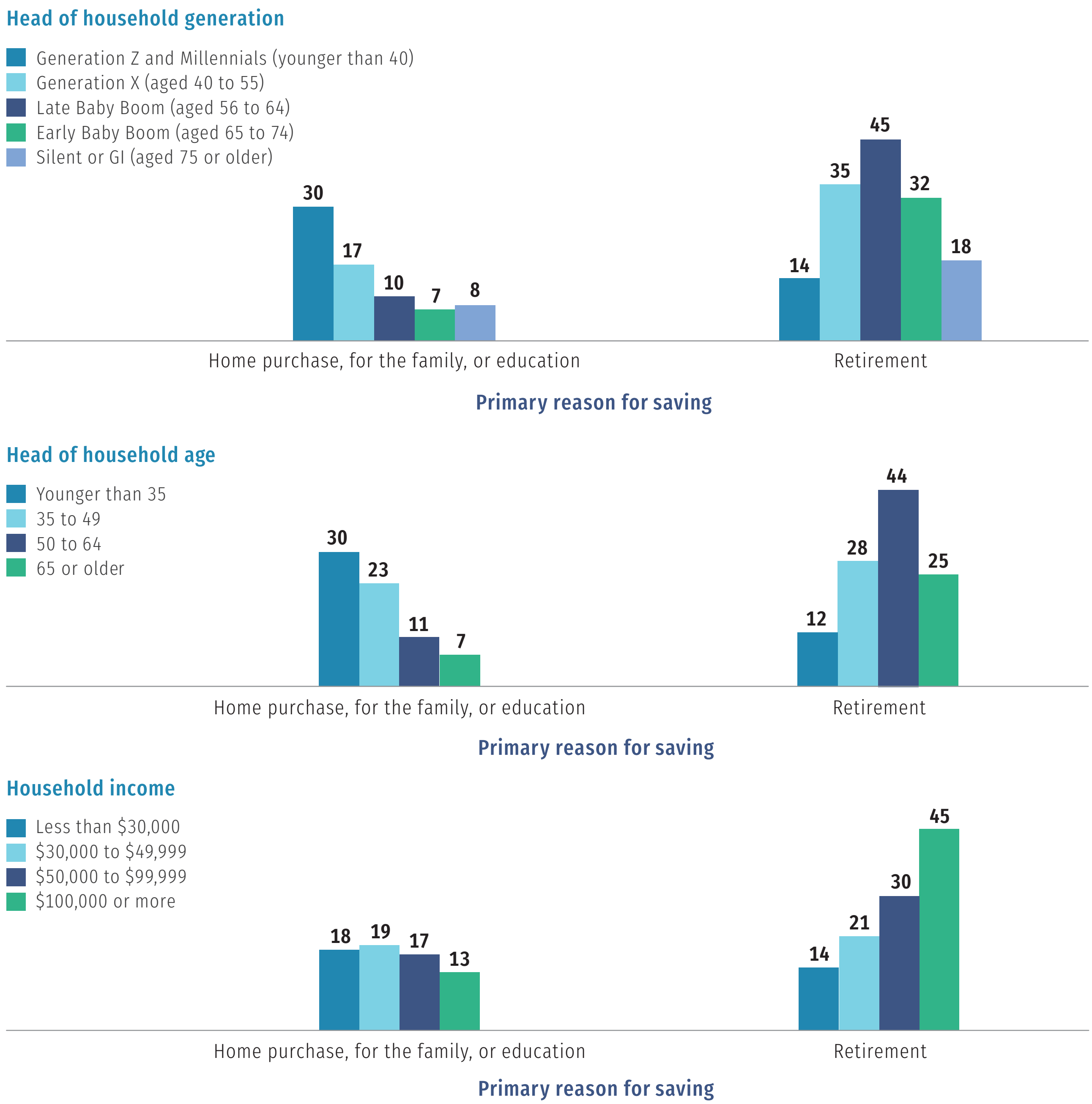
Source: ICI tabulation of NORC AmeriSpeak® survey data (fall 2020)

Figure A3 reports primary savings goals among US households by generation, age, or household income.

FIGURE A3

Primary Reason for Household Saving Varies with Generation, Age, and Household Income

Percentage of US households by generation, age of head of household, or household income, 2019



Note: Other reasons for household saving include liquidity, investment, and purchases; some respondents also reported saving for no particular reason.

Source: Investment Company Institute tabulations of the 2019 Federal Reserve Board Survey of Consumer Finances

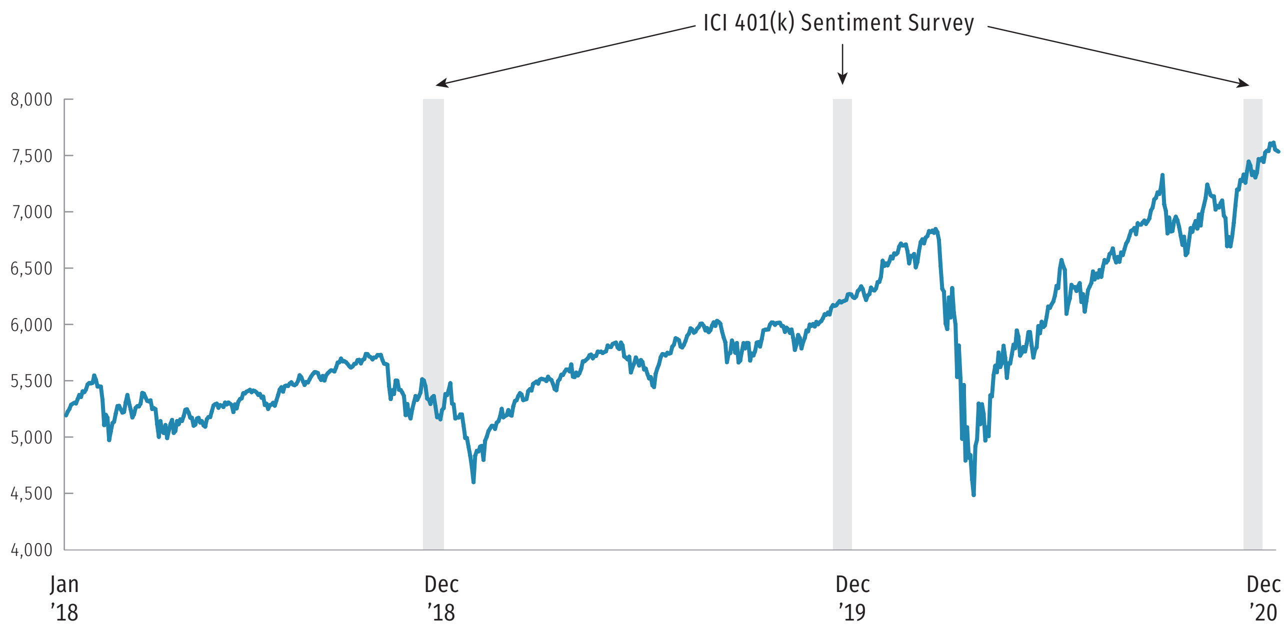
Recent Stock Market Performance

Figure A4 presents the timing of the ICI 401(k) Sentiment Survey along with the S&P 500 total return index from 2018 to 2020.

FIGURE A4

Recent Stock Market Performance

SS&P 500 total return index, 2018–2020



Note: The S&P 500 total return index consists of 500 US stocks chosen for market size, liquidity, and industry group representation.

Sources: Investment Company Institute, Bloomberg, and Standard & Poor's

Notes

[1] ICI conducts a separate survey of DC plan recordkeepers on a cumulative quarterly basis. For the most recent annual results from that survey, see Holden and Schrass 2020; for results for the three quarters of 2020, see Holden, Schrass, and Chism 2020.

[2] The 2020 survey was conducted using the AmeriSpeak® research panel, a probability-based panel designed and operated by NORC at the University of Chicago. The AmeriSpeak® panel is designed to be representative of individuals aged 18 or older in the United States. Initially, randomly selected US households are sampled with a known, non-zero probability of selection from the NORC National Frame; they are then contacted by US mail, telephone interviewers, overnight express mailers, or field interviewers (face-to-face). The NORC National Frame is representative of more than 97 percent of US households and includes additional coverage of population segments that are hard to survey, such as rural and low-income households. Panelists may participate in two or three AmeriSpeak® panel studies per month by phone or online (by computer, tablet, or smartphone).

[3] For the earlier reports, see Reid and Holden 2008; Holden, Sabelhaus, and Reid 2010; Holden, Bass, and Reid 2011; Holden and Bass 2012; Holden and Bass 2013; Burham, Bogdan, and Schrass 2014; Schrass, Holden, and Bogdan 2015; Holden et al. 2016; Holden, Schrass, and Bogdan 2017; Holden et al. 2018; Holden et al. 2019; and Holden et al. 2020. The fall 2014, 2015, 2016, 2017, 2018, 2019, and 2020 surveys were online surveys; the prior surveys were conducted over the phone. The fall 2018, fall 2019, and fall 2020 surveys were conducted using the NORC AmeriSpeak® panel, which uses a mixed-mode data collection methodology (see note 2 for additional detail). The fall 2018 survey includes 1,771 surveys completed online and 270 surveys conducted over the phone. The fall 2019 survey includes 1,848 surveys completed online and 180 surveys conducted over the phone. The fall 2020 survey includes 1,920 surveys completed online and 172 surveys conducted over the phone. Results are weighted to be representative of US individuals aged 18 or older; prior reports were weighted on the basis of US households.

[4] The wording of this question was changed in the 2017 survey to read "Knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments." In prior years, the statement in question was "Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." See note 14 and Holden, Schrass, and Bogdan 2017.

[5] DC plan accounts include 401(k), 403(b), 457, and other DC plans without 401(k) features.

[6] At the end of the third quarter of 2020, total retirement assets were $33.1 trillion, with $9.3 trillion in DC plans and $11.3 trillion in IRAs. See Investment Company Institute 2020c for the most recent estimates of total US retirement market assets.

[7] In 2020, 49 percent of US households had DC accounts, 37 percent had IRAs, and, on net, 59 percent held DC accounts or IRAs. These data were tabulated from ICI's Annual Mutual Fund Shareholder Tracking Survey fielded from May to June 2020 (sample of 3,001 US households). See Holden and Schrass 2021 and Holden, Schrass, and Bogdan 2020 for additional detail.

[8] See note 3.

[9] Prior years' survey results, which had been reported on a household basis, have been reweighted to represent US individuals aged 18 or older. See Holden et al. 2018 for key results from the 2017 and 2018 surveys weighted to represent individuals.

[10] Results are also analyzed on the basis of individuals' household incomes.

[11] See note 3.

[12] Figure A1 in the appendix presents these results by generation of the survey respondent.

[13] The benefit of tax deferral is not the up-front tax deduction. Indeed, in many cases the benefits of tax deferral are equivalent to the tax benefits of Roth treatment, in which contributions are taxed but investment earnings and distributions are untaxed. Although not immediately obvious, if tax rates are the same at the time of contribution and the time of distribution, the tax treatment of a Roth contribution provides the same tax benefits as tax deferral. For this reason, tax economists often equate the benefit of tax deferral to earning investment returns—interest, dividends, and capital gains—that are free from tax. For extensive discussion of the tax benefits and revenue costs of tax deferral, see Brady 2012. For an analysis of the benefits of the US retirement system—including Social Security and tax deferral—see Brady 2016.

[14] The wording of this question was changed in 2017 (see note 4), which may have contributed to the increase in the percentage of DC-owning individuals agreeing with the statement. In fall 2016, 69 percent of DC-owning individuals agreed that "knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." In fall 2017, 83 percent of DC-owning individuals agreed that "knowing that I'm saving from every paycheck makes me less worried about the short-term performance of my investments" (see Holden et al. 2018). This question was repeated in fall 2018, when 79 percent of DC-owning individuals agreed (see Holden et al. 2019), and in fall 2019, when 82 percent of DC-owning individuals agreed (see Holden et al. 2020). In fall 2020, 83 percent of DC-owning individuals agreed (see Figure 2).

[15] The Federal Reserve Board's Survey of Consumer Finances includes questions asking households to give their reasons for saving and to rank the most important reason for saving. Overall, 28 percent of US households in 2019 reported that saving for retirement was their household's primary reason for saving (for a discussion of the Survey of Consumer Finances, see Bhutta et al. 2020). Prime working age and middle- to upper-income households were much more likely to indicate that retirement saving was their household's primary savings goal (see Figure A3 in the appendix). For additional discussion of savings goals and the US retirement system, see Investment Company Institute 2020b; Brady 2016; Brady and Bass 2020; and Brady, Burham, and Holden 2012.

[16] An individual's Social Security benefit (called the primary insurance amount, or PIA) is derived using a formula applied to their monthly earnings, averaged over his or her lifetime, after adjusting for inflation and real wage growth (called the average indexed monthly earnings, or AIME). The PIA for newly eligible retirees in 2021 is equal to 90 percent of the first $996 of AIME, plus 32 percent of AIME from more than $996 through $6,002, and 15 percent of any AIME more than $6,002. The decline in the benefit formula percentages—from 90 percent to 32 percent and then to 15 percent—is the reason why lower earners get a higher benefit relative to their pre-retirement earnings. See US Social Security Administration 2021 for more details about benefit formulas and parameters.

[17] For example, the first-year replacement rate (mean scheduled Social Security first-year benefits as a percentage of average inflation-indexed career earnings for retired workers in the 1960–1969 birth cohort [individuals aged 51 to 60 in 2020]) decreased as income increased. The mean replacement rate for the lowest lifetime household earnings quintile was 75 percent; for the middle quintile, the mean Social Security replacement rate was 48 percent; and for the highest quintile, it was 30 percent. See Congressional Budget Office 2020. For additional discussion, see Investment Company Institute 2020b; Brady and Bogdan 2014; Brady and Bass 2020; and Brady, Burham, and Holden 2012.

[18] For a comprehensive analysis of the asset allocation of 401(k) accounts, see Holden et al. 2018. For insight into the rebalancing activities of 401(k) plan participants in their accounts or contribution allocations, see Holden and Schrass 2020 and Holden, Schrass, and Chism 2020. For an analysis of the number and types of investment options included in 401(k) plan lineups, see BrightScope and Investment Company Institute 2020.

[19] To reduce respondent burden, a question asking about views on a proposal to require workers to participate in a new government-sponsored pension plan was dropped. For the 2015 survey responses to that question, see Holden et al. 2016.

[20] Figure A2 in the appendix presents these results by generation of the survey respondent.

[21] The 2009, 2010, 2011, 2012/2013, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 surveys had the same question. The 2008 survey asked a more general question regarding reducing the tax advantages of such retirement accounts, which is not directly comparable.

[22] This question was first introduced in the 2011 survey.

[23] The wording of this statement was revised slightly in the fall 2014 survey to reflect the direction of recent policy proposals. In prior years, respondents were asked about the statement "Replace all retirement accounts with a government bond." With the fall 2014 survey, the statement was revised to "an investment option selected by a government-appointed board of experts," rather than a government bond. Survey respondents' reactions to the new statement in fall 2014 are similar to the reactions to the earlier statements in the earlier surveys (see Schrass, Holden, and Bogdan 2015 and Burham, Bogdan, and Schrass 2014). The 2014 question was repeated in 2015, 2016, 2017, 2018, 2019, and 2020 with similar results. For earlier results, see note 3.

[24] See Figure A4 in the appendix for the S&P 500 total return index from 2018 to 2020.

[25] The greater level of opposition to the government investing all retirement accounts in an investment option selected by a government-appointed board of experts among individuals whose households have 401(k)-type plans and IRAs is likely driven, in part, by the fact that the proposal directly affects their investment of their retirement accounts.

[26] See Mitchell et al. 1999; Beshears et al. 2012; Brown and Weisbenner 2014; and Brown et al. 2015. For a discussion of the early academic literature modeling the annuitization decision, see Holden and Salinas 2018.

[27] See Sinclair and Smetters 2004; Pashchenko 2013; Ameriks et al. 2014; Reichling and Smetters 2015; and Chen, Haberman, and Thomas 2016. Also, see Investment Company Institute 2020a for a review of the literature on the annuitization decision.

[28] See Brady, Burham, and Holden 2012 and Investment Company Institute 2020a.

[29] See Shu, Zeithammer, and Payne 2016.

[30] See Brown et al. 2008 and Beshears et al. 2012.

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Sarah Holden

Sarah Holden, ICI senior director of retirement and investor research, leads the Institute's research efforts on investor demographics and behavior and retirement and tax policy. Holden, who joined ICI in 1999, heads efforts to track trends in household retirement saving activity and ownership of funds as well as other investments inside and outside retirement accounts. She is responsible for analysis of 401(k) plan participant activity using data collected in a collaborative effort with the Employee Benefit Research Institute (EBRI), known as the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. In addition, she oversees The IRA Investor Database™, which contains data on more than 17 million IRA investors and allows analysis of IRA investors' contribution, rollover, conversion, and withdrawal activity, and asset allocation. Before joining ICI, Holden served as an economist at the Federal Reserve Board of Governors. She has a PhD in economics from the University of Michigan and a BA in mathematics and economics, *cum laude*, from Smith College.

Daniel Schrass

Daniel Schrass is an economist in the retirement and investor research division at ICI. He focuses on investor demographics and behavior, as well as trends in household retirement saving activity. His detailed research includes analysis of IRA-owning households and individual IRA investors in the IRA Investor DatabaseTM, which includes data on more than 17 million IRA investors. He also conducts research with government surveys such as the Survey of Consumer Finances, the Current Population Survey, and the Survey of Household Economics and Decisionmaking. Before joining ICI in October 2007, he served as an economist at the US Bureau of Labor Statistics. He has an MA in applied economics from the Johns Hopkins University and a BS in economics from the Pennsylvania State University.

Jason Seligman

Jason Seligman is a senior economist for retirement and investor research at ICI. He works on investor behavior and retirement policy issues. Before joining ICI in 2017, Seligman served in the federal government as an economist for the US Treasury Office of Economic Policy and at the President's Council of Economic Advisers. He also has academic experience as a faculty member at The Ohio State University and University of Georgia. Seligman holds a PhD in economics from the University of California, Berkeley, and a BA in economics from the University of California, Santa Cruz.

Michael Bogdan

Michael Bogdan is an associate economist in the retirement and investor research division at ICI. Bogdan conducts research concerning the Institute's household surveys. His areas of expertise include households' ownership of mutual funds and other investments, retirement plans, and individual retirement accounts. Bogdan also conducts research with government surveys such as the Survey of Consumer Finances and the Current Population Survey. Before joining ICI in 1997, Bogdan worked for the chemical engineering department at Michigan State University as a technology transfer specialist for the Composite Materials and Structures Center. He has an MA and a BS in economics from Miami University in Oxford, Ohio.

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