



How Is the Financial Crisis Affecting Retirement Savings? August 2009, Update

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The stock market lost 56 percent of its value between September 30, 2007, and March 9, 2009. These losses reduced the retirement savings of American households. Recently, however, a good portion of these losses has been reversed. Equities gained 53 percent between March 9, 2009 and August 31, 2009.

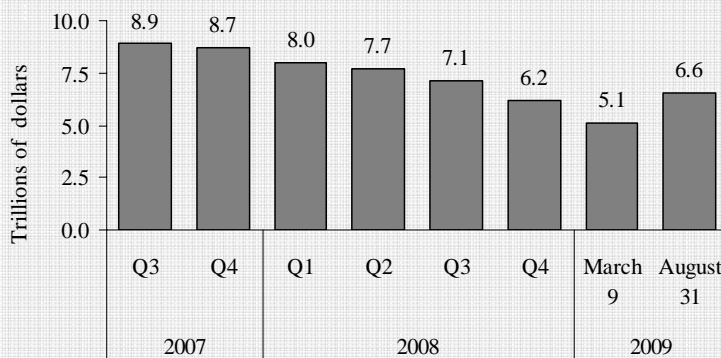
How Much Have Retirement Accounts Fallen?

- Assets in retirement accounts (defined contribution plans and IRAs) reached \$8.9 trillion on September 30, 2007 (expressed in constant 2009 dollars). About 70 percent of these assets were invested in stocks. As of August 31, 2009, retirement accounts have fallen \$2.3 trillion (26 percent) off their peak value (figure 1).
- However, retirement accounts are well off their lows. These accounts gained approximately \$1.5 trillion (29 percent) between March 9, 2009 and August 31, 2009.

How Is the Financial Turmoil Affecting Older Americans?

- Older households typically hold less in stocks and are thus less exposed to market fluctuations than their younger counterparts. Nonetheless, equities account for about half of the assets in the typical account of households age 50 and older.
- Market fluctuations affect high socioeconomic groups the most because they hold more assets invested in equities. They also have the most to gain from the recent recovery (Butrica et al. 2009).
- Losses disrupt retirement plans the most for those nearing retirement because they have less time to recover. The recession could also affect these households, with job losses limiting their ability to save for retirement (Butrica et al. 2009).

Figure 1. Accumulations in Retirement Accounts, 2007 and 2009



Source: Author's calculations using the 2009 Flow of Funds Accounts of the United States and the Russell 3000 Index.

Note: Estimates are for end of quarter (2007-2008), March 9, 2009, and August 31, 2009. These estimates are expressed in constant 2009 dollars.

Reference

Butrica, Barbara, Karen E. Smith, and Eric Toder. 2009. "How Will the Stock Market Collapse Affect Retirement Incomes?" Brief No. 20. June. The Retirement Policy Program at The Urban Institute.

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