

Retirement Plan Assets

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Defined benefit (DB) pensions, the traditional plans that pay, from retirement until death, guaranteed benefits based on years of service and final salary, were once the most common way for workers to save for retirement. In 1989, 42 percent of private-sector full-time workers were enrolled in these plans (Wiatrowski 2011). Since then, the retirement savings landscape has changed dramatically. By 2012, only 20 percent of private-sector full-time workers participated in DB plans, and a quarter of these workers were in frozen plans that locked out new workers or no longer accrued benefits for participants (Bureau of Labor Statistics 2012).

Instead of DB plans, employers are now more likely to offer defined contribution (DC) plans, such as 401(k)s. These enrolled 51 percent of private-sector full-time workers in 2012, up from 40 percent in 1989 (Wiatrowski 2011; Bureau of Labor Statistics 2012). These plans typically create tax-deferred savings accounts for each worker, to which workers and their employers generally contribute. Workers receive whatever has accumulated in their accounts when they retire or leave their employers. When they separate many DC plan participants roll their account balances into Individual Retirement Accounts (IRAs), contributing to IRA's rapid growth over the past two decades. Between 1990 and 2011, the combined value of assets held in DC plans and IRAs increased sixfold, while assets in DB pensions doubled (Board of Governors of the Federal Reserve System 2012a; Board of Governors of the Federal Reserve System 2012b).

This fact sheet reports the value of assets held in retirement plans and how it has changed since 2007—before the 2008 stock market crash and the Great Recession.

Highlights

- The 2008 stock market crash wiped out trillions of dollars in retirement accounts (figure 1). When the stock market eventually bottomed out in the first quarter of 2009, retirement accounts had lost about \$2.7 trillion, 31 percent of their peak 2007 value.
- Despite the ongoing turbulence in the stock market, retirement account balances have increased since 2009—surpassing \$10 trillion for the first time ever in the first quarter of 2013 (according to our estimates). Currently, retirement account balances are 16 percent above their 2007 peak in current dollars and 5 percent above their peak when adjusted for inflation. Stocks soared since the end of last year. As a result, retirement account balances increased 5 percent between the last quarter of 2012 and the first quarter of 2013 alone.
- IRAs account for the majority of retirement account assets. With the stock market crash, their share of retirement account assets increased from 54 to 58 percent between the start of 2007 and 2009. Since then, their relative importance has declined somewhat.
- The impact of the stock market crash was even more dramatic for defined benefit pensions—whose assets declined 37 percent from their peak 2007 value (figure 2).
- In contrast to retirement accounts, defined benefit pensions have not fully recovered from the crash and Great Recession. In the first quarter of 2013, their value was still only \$2.5 trillion—7 percent below their 2007 value in current dollars and 17 percent below their 2007 value adjusted for inflation. DB plan freezes since 2007 likely contributed to this shortfall.

Figure 1. Total Financial Assets in Retirement Accounts, 2007 to 2013 (\$ trillions)



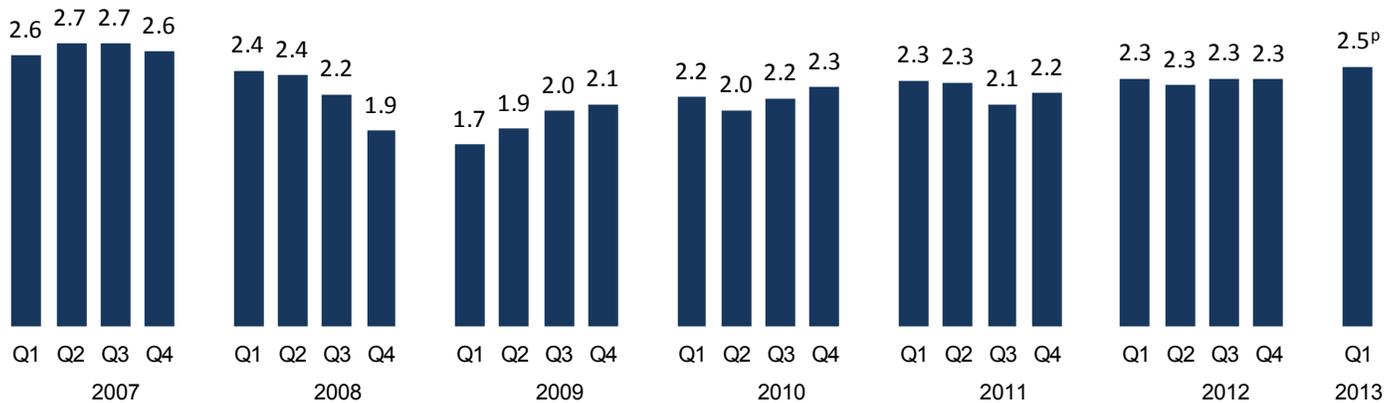
Sources: Author's calculations using the 2013 Flow of Funds Accounts of the United States (Board of Governors of the Federal Reserve System 2013) and the Russell 3000 Index.

Notes: The chart shows balances at the end of each quarter in current year dollars. Numbers are revised as new or updated data are released.

r = revised

p = preliminary

Figure 2. Total Financial Assets in Defined Benefit Plans, 2007 to 2013 (\$ trillions)



Sources: Author's calculations using the 2013 Flow of Funds Accounts of the United States (Board of Governors of the Federal Reserve System 2013) and the Russell 3000 Index.

Notes: The chart shows balances at the end of each quarter in current year dollars. Numbers are revised as new or updated data are released.

p = preliminary

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