



A grid of 24 dollar signs arranged in 4 rows and 6 columns. The top two rows have the first four signs in circles and the last two in black boxes. The bottom two rows have all signs in black boxes. A red banner with white text is overlaid across the middle of the grid.

AMERICANS SAVE AT WORK

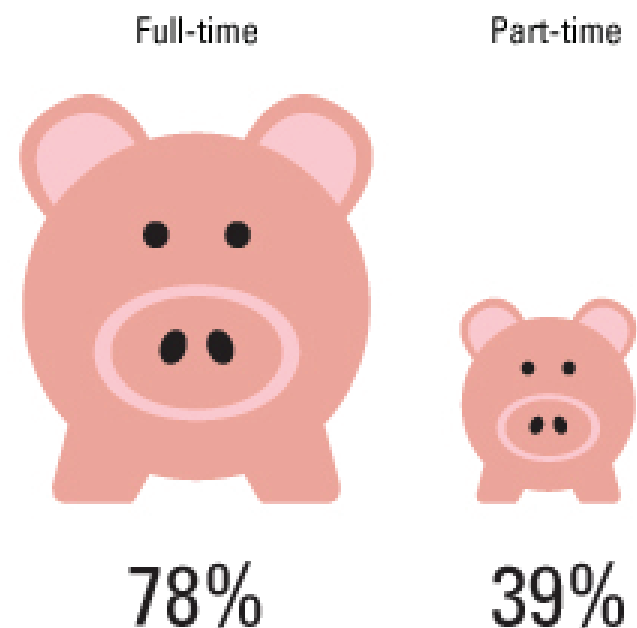
THE REAL FACTS ON 401(k) PLANS

Sixty-seven million Americans participate in private-sector defined contribution plans, like 401(k) plans. Over \$4 trillion has been saved in 401(k) and similar retirement plans. Trillions more have been saved in these plans and rolled into IRAs.

1

Data shows that a majority of all full-time workers have access to a workplace retirement plan

Access to retirement plan benefits by full-time and part-time civilian workers



78% OF FULL-TIME WORKERS HAVE ACCESS TO A **RETIREMENT PLAN**

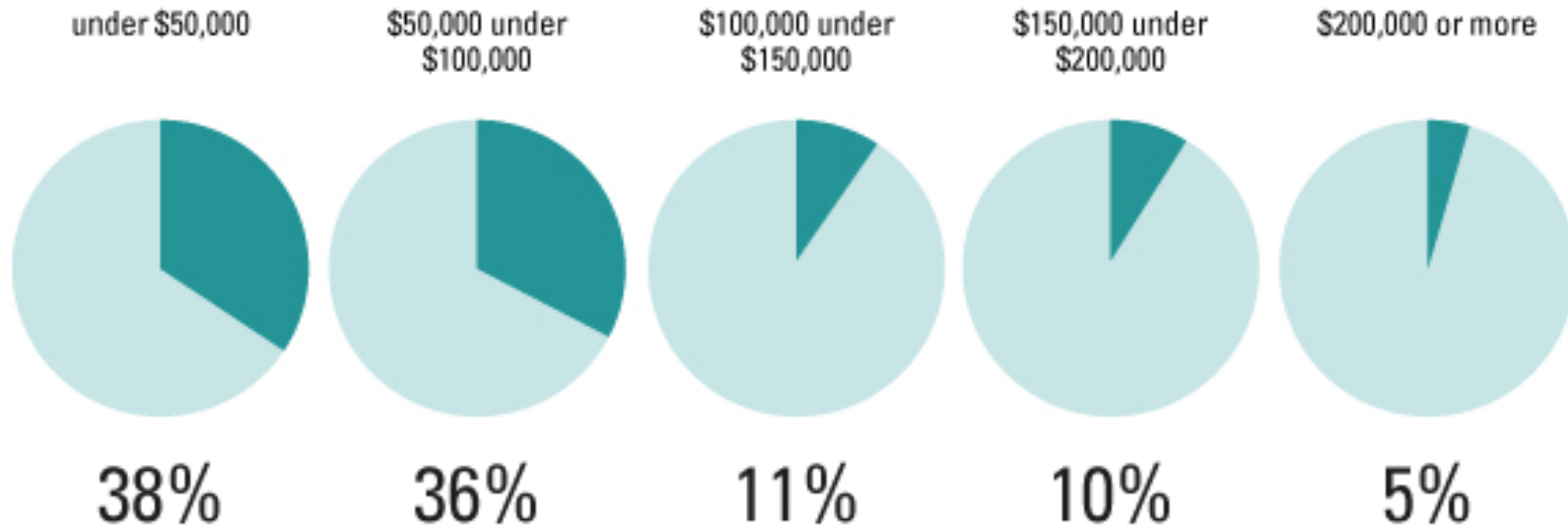
Coverage statistics based on all workers are used to allege that current tax incentives have failed, but the relevant facts show otherwise. The current law incentives are targeted at full-time workers, and have been very successful at extending coverage to the full-time workforce.

Source: Bureau of Labor Statistics, Employee Benefits Survey: Retirement Benefits, March 2010: Retirement benefits: access, participation, and take-up rates: Civilian (March 2010).

2

The vast majority of participants in defined contribution plans have family incomes below \$100,000 a year

Estimated Private Sector Active Participants in 401(k) and profit sharing plans, distributed by adjusted gross income



Participation in employer-sponsored defined contribution plans is heavily weighted toward middle class Americans. Thirty-eight percent of participants in defined contribution plans make less than \$50,000 per year. Nearly three-quarters make less than \$100,000.


74% MAKE
LESS THAN
\$100,000

Source: Internal Revenue Service (IRS) Statistics of Income Division (SOI).

3

Retirement plans benefit low and moderate income workers

Participation Rates by Moderate Income (\$30,000-\$50,000) Workers – IRA Only vs. Employer Plan

 = 2 percent



No employer plan - IRA only (4.6%)



Cover by Employer Plan (71.5%)

401(k) plans are very effective at helping workers save for retirement. Data shows that over 70% of workers earning from \$30,000 to \$50,000 participated in employer-sponsored plans when a plan was available, whereas less than 5% of those without an employer plan contributed to an IRA.

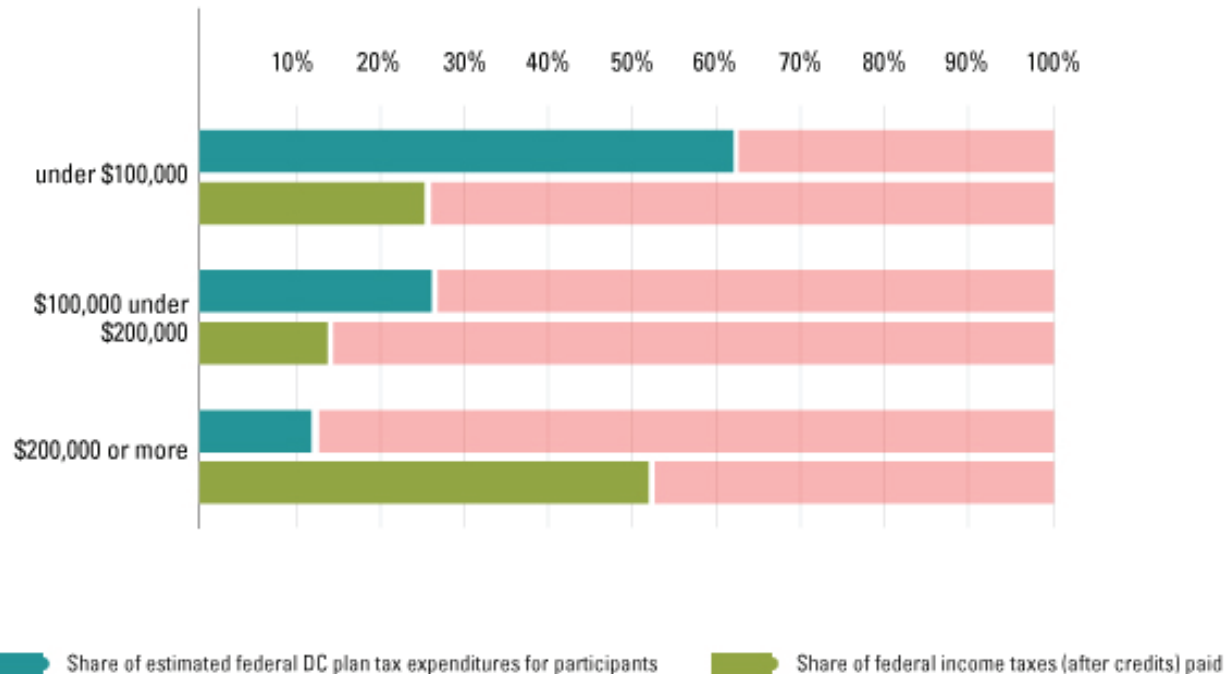
LESS THAN **5%** OF WORKERS **SAVE** FOR RETIREMENT WITHOUT A WORKPLACE PLAN

Source: Employee Benefit Research Institute (2010) estimate using 2008 SIPP (Covered by an Employer Plan) and EBRI estimate (not covered by an Employer Plan-IRA only).

4

The defined contribution plan system is significantly more progressive than the federal income tax system

Estimated distribution of federal tax expenditures for DC plans and federal income taxes paid by adjusted gross income (AGI) for 2010



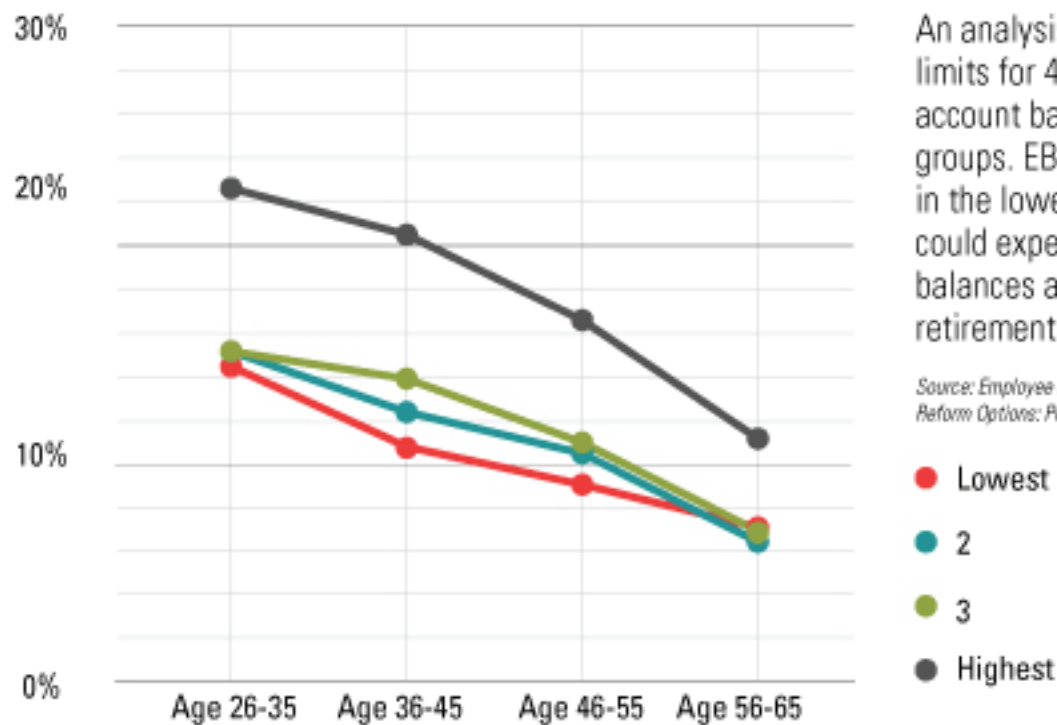
The tax benefits related to participating in defined contribution plans is significantly more progressive than the federal income taxes paid for these participants. For example, households with less than \$100,000 in AGI pay about 26% of income taxes, but receive about 62% of the defined contribution plan tax incentives.

62% OF TAX INCENTIVES ARE RECEIVED BY **\$100,000**
HOUSEHOLDS WITH AGI LESS THAN

5

Proposals to reduce incentives would significantly hurt workers with modest incomes

Average percentage reductions in 401(k) account balances by limiting contributions to the lesser of \$20,000 or 20% of income



An analysis by EBRI shows that reduced limits for 401(k) plans would result in lower account balances at retirement for all income groups. EBRI estimates that younger workers in the lowest income quartile in a small plan could expect a 14% reduction in account balances at Social Security normal retirement age.

Source: Employee Benefits Research Institute, *Tax Reform Options: Promoting Retirement Security (2011)*.

WORKERS **35 AND UNDER** COULD EXPECT **14% LESS** AT RETIREMENT IF CONTRIBUTIONS ARE LIMITED

AMERICANS SAVE AT WORK

401(k) and similar plans have been remarkably successful in getting workers at all income levels to save for retirement. Proposals to raise money in the budget window by reducing savings incentives are short-sighted, producing only short term deficit reduction, with losses outside the budget window, and causing serious long-term damage to the retirement security of tens of millions of working Americans.



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