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Retirement Plan Participation and Retirees' Perception of Their Standard of Living

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- ***SIPP data and retirement plan coverage***—This *Issue Brief* focuses on a critical factor in retirement security: the presence of income or assets from an employment-based retirement plan. It is the third in a series of EBRI publications based on the Retirement and Pension Plan Coverage Topical Module of the 2001 Survey of Income and Program Participation (SIPP), which has a wealth of data on workers' participation in these plans as well as the plans' characteristics and features. This report examines SIPP's more detailed questions concerning workers' participation in employment-based and other retirement plans.
- ***Sponsorship, participation, and vested rates***—As of 2003, 67.3 percent of wage and salary workers age 16 or older worked for an employer or union that sponsored any type of retirement plan (defined contribution or defined benefit) for its employees or members (the "sponsorship rate"). Almost 51 percent of the wage and salary workers participated in a plan (the "participation level"), with 46.8 percent being entitled to a benefit or eligible to receive a lump-sum distribution from a plan if their job terminated at the time of survey (the "vested rate").
- ***IRAs raise retirement coverage rate***—When workers who are participating in a current or previous job's plan are added to those who own an individual retirement account (IRA) or Keogh, the proportion of all workers who had some type of retirement plan in 2003 is 55.1 percent. Among workers ages 51–60, 69.4 percent had some form of retirement plan, and individuals with 15 or more years of tenure in a job had a 75.3 percent probability of having a plan.
- ***Lump-sum distributions***—Through 2003, 46.7 percent of those taking a lump-sum distribution used at least some portion of the money for tax-qualified savings (another employment-based plan, IRA, or annuity), while 21.6 percent used at least some portion of it for consumption. The other most prevalent uses were buying a home, paying off debt, or starting a business (32.0 percent of lump-sum recipients used their distributions for these reasons).
- ***Standard of living in retirement***—A significantly higher percentage of those who spent their lump-sum distributions entirely reported their standard of living as being somewhat or much worse than was reported by those who had rolled over their entire distribution (24.5 percent compared with 16.2 percent). In both cases the percentage who reported being much worse was fairly small, but the consequences of spending lump-sum distributions highlight the fact that those who took a lump-sum distribution and spent it entirely were approximately 50 percent more likely to describe their standard of living as being somewhat or much worse than was reported by all of those age 55 or older who rolled over their assets.

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Introduction

An important issue facing all Americans is the degree of financial security that they have or will have in retirement. This *Issue Brief* focuses on a critical factor in retirement security: the presence of income or assets from an employment-based retirement plan. It is the third in a series of Employee Benefit Research Institute (EBRI) publications based on the Retirement and Pension Plan Coverage Topical Module of the 2001 Survey of Income and Program Participation (SIPP), which has a wealth of data on workers' participation in these plans as well as the plans' characteristics and features. The first publication focused on "top-line" results on overall participation in employment-based plans and type of plan (defined benefit or defined contribution) the participants deemed to be their primary plan (Copeland, 2005c); it also examined contributions to salary reduction or 401(k)-type plans. The second publication focused on individuals' decisions on the uses of lump-sum distributions and on the factors determining these decisions (Copeland, 2005a).

This report completes the analysis by examining the survey's more detailed questions concerning workers' participation in employment-based and other retirement plans. The first section determines not only the percentage of workers who are participating in an employment-based retirement plan but also a breakdown of which type of plans they are in regardless of what they consider to be their primary plan. The next section focuses more specifically on participation in salary reduction or 401(k)-type plans. It also explores workers' reasons for *not* participating in a salary reduction plan when working in a job where a plan is sponsored. A discussion of the features or decisions made in salary reduction plans (such as the ability to direct investments and whether the employer contributes) concludes the section.

Since most workers have more than one job during their career, their access to and decision to participate in an employment-based plan will vary across these jobs. Consequently, historical participation in employment-based retirement plans is examined to determine the probability that a worker has ever participated in a plan. An important component of lifetime participation in employment-based retirement plans is the individual retirement account (IRA), as these accounts hold many assets from the employment-based plans of workers who change jobs and take a lump-sum distribution.[1] Data on IRA ownership are studied and then combined with data on historical participation in employment-based plans to determine workers' likelihood of ever having participated in a tax-preferred retirement plan. An important decision for those who have ever participated in a tax-preferred retirement plan is whether to take a lump-sum distribution on leaving an employer or retiring. A discussion of this issue is included, supplementing the earlier analysis by Copeland (2005a).

The final section of this report compares the standard of living of individuals age 55 or older with the standard they maintained when they were in their early 50s. This allows for an assessment of how the current near elderly and elderly are doing, and of the importance of such factors as pension income and health insurance in maintaining their standard of living. These findings can provide insight for workers currently preparing for retirement.

Furthermore, an appendix to this report provides longer term trend results with detailed breaks for demographic characteristics that are not discussed in this report or Copeland (2005c), which presents the "topline" participation results.

The 2001 Survey of Income and Program Participation (SIPP) is conducted by the U.S. Census Bureau and follows the same households for a three-year period, asking various questions on their economic situations and demographic characteristics. The interviews of the households are conducted every four months, where more specialized topics are asked in addition to the core set of questions. The specialized questions on employment-based retirement plans are included in the Retirement and Pension Plan Coverage Topical Module, the seventh topical module, which was fielded from January–April of 2003 but not released until early to mid-2005.[2]

Employment-Based Plans

As of 2003, 67.3 percent of wage and salary workers age 16 or older worked for an employer or union that sponsored any type of retirement plan (defined contribution or defined benefit) for its employees or members (the "sponsorship rate") (Figure 1).[3] Almost 51 percent of the wage and salary workers participated in a plan (the "participation level"), with 46.8 percent being entitled to a benefit or eligible to receive a lump-sum distribution from a plan if their job terminated at the time of survey (the "vested rate").[4]

The participation level varies considerably across various workers and workers' employer characteristics. It increases with the worker's job tenure, annual hours worked, earnings, educational attainment, and age through age 60. Furthermore, male, union-covered, and white workers were more likely to participate than other workers. Concerning firm characteristics, workers of the largest employers, in the public sector, or in the mining or manufacturing industries were the most likely to participate in an employment-based retirement plan.

The differences between workers in the public and private sectors were particularly noteworthy. In the public sector, 73.8 percent of workers reported participating in a plan, compared with 46.2 percent in the private sector. The sponsorship and vested rates varied across the examined groups in a manner that was virtually identical to that of the participation level, except for women having a higher likelihood of working for an employer that sponsors a plan despite having a lower participation level and vested rate.

SIPP has more detailed information on plan types than some other datasets, such as the March Current Population Survey.[5] Therefore, SIPP is used to examine in detail the plans in which workers are participating. Of those participating in a plan in 2003, 26.7 percent were in a defined benefit plan only, 53.9 percent were in a defined contribution plan only, and 17.6 percent had both plans (Figure 1).[6, 7] For private-sector workers, this breakdown became significantly more skewed toward defined contribution plans, with 66.2 percent of workers in a defined contribution plan only, 15.5 in defined benefit plan only, and 16.6 percent in both. Public-sector workers had just the inverse for those with only one type of plan: 60.8 percent had a defined benefit plan only, 16.1 percent a defined contribution plan only, and 20.9 percent both. Female and union-covered workers were also more likely to have a defined benefit plan only.

Salary Reduction Plans

A specific type of employment-based retirement plan is the salary reduction plan, which would include retirement plans such as 401(k) plans or 403(b) plans, as a worker's take-home pay can be used (reduced) to make contributions to the plan.[8] Consequently, these plans generally require the employee to decide to participate (contribute) in the plan, unlike traditional defined benefit plans in which participation is typically automatic upon meeting eligibility requirements.[9, 10] According to the SIPP data, 49.0 percent of wage and salary workers worked at a place of employment where a salary reduction plan was sponsored for at least some of the employees (see the sponsorship rates in Figure 2). Thirty-four percent of all wage and salary workers participated in a salary reduction plan, and 33.1 percent of these workers were entitled to a benefit or eligible to receive a lump-sum distribution from a salary reduction plan if their job terminated at the time of survey (the participation level and vested rate, respectively, in Figure 2).

The sponsorship rate, to reiterate, includes any workers who work for an employer that offers a plan to *any* of its employees. However, not all of these workers are *eligible* to participate in the plan. In the SIPP data, follow-up questions were asked of those who worked where a plan was sponsored but who did not participate in the plan, to determine why they did not participate. The predominant reason for not participating, other than ineligibility (49.8 percent), was the inability to afford to contribute, which was cited by 17.8 percent of nonparticipants working where a plan was sponsored; however, those eligible to participate but not participating represent more than one-third (Figure 2).[11, 12] Probably the most disturbing result is that 5.1 percent of respondents say they had not thought about participating, which translates into about 10 percent of those eligible to participate but who did not do so. After accounting for those who were not eligible, the eligible participation rate for salary reduction plans was 82.0 percent.[13]

The factors or characteristics of workers that are associated with higher overall participation levels in salary reduction plans are similar to those associated with the participation levels for all retirement plans. Those workers who are defined benefit plan participants, white, male, in a union-covered job, or in the mining or manufacturing industries are also more likely to be salary reduction plan participants. Furthermore, the likelihood of being a participant increases with age, earnings, firm size, hours of work, tenure, and educational attainment.

While many of these same patterns apply to the likelihood of participation given eligibility (eligible participation rate), some exceptions emerge. The eligible participation rate actually decreased as firm size increased, as this rate is 85.9 percent for those in firms with fewer than 25 employees and 81.3 percent for

Figure 1

Percentage of Wage and Salary Workers Who Participate in an Employment-Based Retirement Plan and Percentage of Those Participating in Each Plan Type, 2003

					Of Those Participating			
	Total	Sponsorship Rate	Participation Level	Vested Rate	Defined benefit only	Defined contribution only	Both plan types	Plan indeterminate
	(thousands)							
Total	125,635	67.3%	50.9%	46.8%	26.7%	53.9%	17.6%	1.8%
Tenure								
Less than 1 year	22,966	53.9	24.7	21.2	25.2	56.5	14.3	4.0
1–4 years	44,475	63.5	42.5	37.6	24.6	59.1	13.7	2.7
5–9 years	23,845	71.0	60.3	55.8	25.4	57.2	15.7	1.7
10–14 years	13,150	75.8	68.3	64.7	28.5	52.4	18.0	1.0
15 or more years	21,200	80.3	75.7	72.5	29.7	44.7	25.0	0.6
Age								
16–20	7,491	39.3	5.2	4.5	16.8	67.5	14.1	1.6
21–30	27,009	60.6	36.6	32.3	26.0	58.7	13.5	1.9
31–40	30,504	70.4	56.1	51.3	25.5	56.4	16.4	1.8
41–50	32,204	73.0	62.1	57.7	27.1	52.1	18.8	2.0
51–60	20,990	75.1	64.5	60.1	27.6	49.8	20.8	1.8
61–64	3,779	67.7	54.1	50.1	28.4	53.1	17.2	1.4
65 or older	3,658	52.0	27.6	26.0	32.6	50.5	16.5	0.5
Firm Size (by number of employees)								
Fewer than 25	28,190	30.8	23.2	19.8	15.8	73.1	8.9	2.2
25–99	13,946	56.8	40.8	37.6	13.0	76.1	9.2	1.7
100 or more	62,100	79.4	57.9	54.0	15.8	63.4	19.1	1.6
Public sector	21,400	86.9	73.8	67.4	60.8	16.1	20.9	2.2
Annual Earnings								
No Income/unrptd.	2,973	43.7	27.6	23.3	28.5	57.1	12.1	2.3
$1–$4,999	7,387	42.2	13.1	11.7	27.5	58.9	11.9	1.8
$5,000–$9,999	11,061	46.6	19.4	17.2	32.9	51.2	13.9	2.0
$10,000–$14,999	14,743	49.7	27.8	25.0	28.9	56.7	13.2	1.2
$15,000–$19,999	14,996	61.3	40.0	36.3	29.8	57.5	11.4	1.4
$20,000–$24,999	14,315	68.3	51.6	47.3	26.7	58.0	14.2	1.1
$25,000–$29,999	12,455	73.9	59.5	54.3	30.0	52.6	15.4	2.0
$30,000–$49,999	27,877	81.2	70.8	65.6	27.3	52.1	18.5	2.2
$50,000 or more	19,828	84.8	77.8	72.5	21.5	52.5	24.1	2.0
Gender								
Male	65,937	66.7	52.7	48.5	23.9	56.9	17.6	1.6
Female	59,699	68.0	49.0	44.9	30.0	50.2	17.7	2.1
Union Status								
Union covered	16,740	90.7	80.6	73.8	33.1	43.0	22.1	1.9
Not union covered	108,896	63.7	46.4	42.6	22.3	59.4	16.4	1.8
Industry								
Agriculture	2,063	71.6	19.7	17.3	16.5	63.2	15.6	4.7
Mining	589	73.4	65.6	61.7	4.4	74.2	21.4	0.0
Construction	7,012	46.6	36.3	32.1	19.6	69.0	11.0	0.5
Manufacturing	16,764	76.5	64.5	60.5	14.7	63.9	20.4	1.1
Transportation, communications, utilities	6,924	74.6	58.7	54.5	13.4	62.8	21.9	1.9
Wholesale trade	4,662	67.9	54.3	50.4	12.5	72.5	12.9	2.1
Retail trade	20,569	54.2	29.7	27.0	15.8	69.4	13.3	1.5
Finance, insurance, real estate	7,736	74.3	58.2	54.0	10.9	63.8	23.3	2.0
Professional services	23,666	68.6	49.8	45.6	19.7	63.7	14.2	2.4
Other services	14,252	51.6	35.5	32.3	13.1	73.4	12.1	1.4
All private	104,236	63.3	46.2	42.6	15.5	66.2	16.6	1.7
Public sector	21,400	86.9	73.8	67.4	60.8	16.1	20.9	2.2

(continued next page)

Figure 1 *(continued)*

	Total	Sponsorship Rate	Participation Level	Vested Rate	Of Those Participating: Defined benefit only	Defined contribution only	Both plan types	Plan indeterminate
	(thousands)				(percentage)			
Race								
White	91,115	70.3	54.3	49.9	25.5	54.6	17.9	1.9
Black	13,207	67.5	48.6	44.7	32.5	47.9	17.8	1.8
Hispanic	15,474	49.7	33.7	30.9	31.0	52.8	15.1	1.1
Other	5,839	66.6	49.3	44.5	25.3	56.1	17.4	1.3
Education								
Less than HS diploma	14,192	42.4	24.2	22.2	26.8	59.1	13.5	0.6
HS diploma	35,211	62.9	45.8	41.9	27.1	56.1	15.4	1.4
Some college	40,199	68.7	49.9	45.7	25.8	54.7	17.4	2.0
Bachelor's degree	23,866	78.3	65.0	60.0	24.8	53.6	19.6	2.1
Graduate degree	12,169	82.7	72.7	67.2	31.1	46.3	20.5	2.2
Annual Hours								
1–999	9,461	45.3	14.6	12.0	28.6	56.1	11.7	3.6
1,000–1,499	10,235	48.8	20.8	18.9	30.5	50.9	15.9	2.7
1,500–1,999	14,575	60.7	40.3	36.5	32.1	48.2	17.3	2.4
2,000 or more	91,363	72.7	59.8	55.1	25.9	54.5	17.9	1.7

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

those in firms with 100 or more employees. There is also essentially no difference in this rate between defined benefit plan participants and non-defined benefit plan participants. The most-often reported reason for not participating when eligible is not being able to afford to participate in all categories, except for workers who are the oldest, longest tenured, highest earning, and most educated. The most frequent response among these groups is that they do not want to tie up the money or "other" reasons.

Salary reduction plans contain various features that provide potential incentives for workers to participate or choices that workers must contemplate. SIPP has data on a certain number of these features and, along with its extensive demographic and employer characteristics data, allows for a detailed examination of the frequency of these features.

Direct Investment

Of all salary reduction plan participants, 77.2 percent reported that they can direct at least some of their investments in their plan (Figure 3).[14] Approximately 90 percent of the participants who are able to direct investment can direct all of their investments. Private-sector plan participants in general were significantly more likely to be able to direct their investments than public-sector workers.[15] Furthermore, employees at small firms had a slightly higher probability of being able to direct all of their investments than were employees of larger firms. This is likely due to restrictions placed on matching company stock contributions found more commonly among large employers. Furthermore, union-covered participants were less likely to be able to direct their investments than were nonunion-covered participants. This is likely because there are a greater percentage of public-sector workers in union-covered jobs than there are private-sector workers. Otherwise, no significant differences emerged on the likelihood of being able to directly invest assets across salary reduction participants.

Employer Contributions

About 83 percent of salary reduction plan participants were in a plan to which their employer contributes (Figure 3). Participants who work for larger private-sector employers were more likely to have employer contributions to their plan. Furthermore, participants who were *not* also defined benefit plan participants were more likely to be in a plan to which the employer contributes.[16] Those with the lowest balances had the lowest probability of being in a plan to which the employer contributes—possibly a cause of the smaller balances.

Figure 2

Percentage of Wage and Salary Workers Who Participate in a Salary Reduction Plan and Reasons for Not Participating in a Sponsored Plan, 2003

				Reasons for Not Participating in a Sponsored Salary Reduction Plan									
	Sponsorship Rate	Participation Level	Vested Rate	No one in job type allowed	Do not work enough hours	Have not worked long enough at employer	Cannot afford to contribute	Do not want to tie up money	Have not thought about it	Other reasons for choosing not to participate	Other	Percentage Ineligible	Salary Reduction Plan Eligible Participation Rate
Total	49.0%	34.0%	33.1%	9.2%	20.7%	19.9%	17.8%	9.8%	5.1%	7.8%	9.8%	49.8%	82.0%
Tenure													
Less than 1 year	40.3	16.5	15.5	9.5	25.2	39.1	9.2	4.0	3.5	4.2	5.3	73.7	72.6
1–4 years	47.2	29.0	27.8	9.6	21.1	15.5	19.3	10.3	5.9	8.1	10.2	46.3	74.7
5–9 years	52.2	41.1	40.2	7.5	16.4	9.0	28.1	11.7	5.8	8.8	12.8	32.9	84.6
10–14 years	53.4	45.4	44.5	9.1	18.8	3.8	23.0	16.4	4.4	11.1	13.4	31.7	89.2
15 or more years	55.5	48.6	48.0	8.8	11.4	4.0	18.4	20.0	5.9	15.6	15.9	24.2	90.2
Age													
16–20	24.8	4.0	3.9	16.5	50.3	14.4	5.8	2.1	2.7	5.0	3.2	81.2	51.1
21–30	46.2	25.1	23.8	8.8	19.4	25.2	18.2	8.0	7.2	5.5	7.7	53.4	71.8
31–40	52.6	38.2	37.1	6.3	15.7	21.0	21.6	11.1	6.1	7.3	10.9	43.0	82.4
41–50	53.5	41.3	40.4	8.9	15.3	20.2	20.3	12.0	3.7	6.9	12.7	44.4	85.8
51–60	53.1	42.3	41.5	10.6	16.8	13.7	18.4	13.1	3.3	12.4	11.8	41.1	86.9
61–64	45.1	34.9	33.8	10.9	20.6	10.8	7.2	12.8	2.2	26.8	8.8	42.2	85.6
65 or older	29.1	14.8	14.3	10.8	46.6	0.7	2.9	6.7	2.1	18.7	11.5	58.2	71.1
Firm Size (by number of employees)													
Fewer than 25	21.7	15.6	15.1	8.2	21.0	29.3	12.3	6.5	4.1	7.6	11.1	58.5	85.9
25–99	46.2	32.7	31.7	6.8	20.0	29.8	15.4	9.1	2.7	8.2	8.1	56.7	84.8
100 or more	65.6	45.8	44.5	8.3	19.9	18.8	19.6	10.7	6.1	7.2	9.6	46.9	81.3
Public sector	38.4	25.1	24.5	15.4	24.6	12.2	14.7	8.3	3.3	10.5	10.9	52.3	79.9
Annual Earnings													
No income/unreported	30.9	16.6	15.5	10.0	27.9	23.8	14.2	2.4	3.3	14.0	4.5	61.7	76.2
$1–$4,999	27.0	8.5	8.2	18.8	52.4	9.3	4.9	2.9	1.4	5.8	4.5	80.5	70.6
$5,000–$9,999	31.3	12.0	11.4	12.5	42.4	14.7	11.7	3.4	4.1	4.5	6.7	69.7	67.1
$10,000–$14,999	36.1	17.7	17.1	9.2	22.6	22.9	20.8	8.0	4.9	3.9	7.6	54.7	68.1
$15,000–$19,999	43.9	25.6	24.6	8.1	17.2	21.4	20.8	9.5	5.9	8.1	9.1	46.6	72.5
$20,000–$24,999	50.9	34.8	33.4	8.5	11.8	24.1	22.0	10.1	6.1	6.9	10.4	44.5	79.4
$25,000–$29,999	53.7	38.3	37.4	7.0	10.4	19.9	26.5	10.9	5.2	8.6	11.6	37.3	79.8
$30,000–$49,999	59.0	46.8	45.7	6.6	10.4	20.2	16.4	14.4	5.0	12.3	14.8	37.2	85.9
$50,000 or more	64.7	55.8	54.7	7.5	13.4	20.0	14.2	17.3	7.7	9.2	10.7	40.9	91.4
Gender													
Male	49.5	36.6	35.7	9.7	15.9	21.4	17.3	12.1	4.7	8.6	10.3	47.0	84.3
Female	48.4	31.2	30.2	8.8	24.7	18.6	18.1	7.8	5.4	7.2	9.3	52.1	79.1
Union Status													
Union covered	55.2	41.6	40.1	10.2	15.6	11.0	21.6	13.9	5.4	10.0	12.3	36.7	82.8
Not union covered	48.0	32.9	32.0	9.1	21.4	21.1	17.2	9.2	5.1	7.5	9.4	51.6	81.8

(continued)

Figure 2 *(continued)*

	Sponsorship Rate	Participation Level	Vested Rate	Reasons for Not Participating in a Sponsored Salary Reduction Plan: No one in job type allowed	Do not work enough hours	Have not worked long enough at employer	Cannot afford to contribute	Do not want to tie up money	Have not thought about it	Other reasons for choosing not to participate	Other	Percentage Ineligible	Salary Reduction Plan Eligible Participation Rate
							(percentage)						
Industry													
Agriculture	21.7	13.3	12.6	6.8	13.5	35.8	16.0	9.2	13.7	2.4	2.5	56.1	78.1
Mining	67.5	61.4	58.8	25.5	0.0	55.0	10.1	0.0	0.0	9.5	0.0	80.5	98.1
Construction	34.3	25.2	24.1	11.7	10.9	27.1	20.5	9.9	4.3	3.5	12.1	49.7	84.8
Manufacturing	65.0	52.2	51.1	8.0	6.2	21.7	26.3	13.8	5.9	6.4	11.8	35.9	86.4
Transportation, communications, utilities	63.3	47.8	46.1	9.0	16.6	18.2	21.6	11.7	4.5	8.8	9.7	43.7	84.5
Wholesale trade	56.8	43.7	42.5	0.9	12.5	27.0	25.3	9.5	2.3	7.3	15.3	40.4	84.8
Retail trade	42.2	23.0	22.3	8.5	29.1	20.5	16.6	8.3	4.6	6.8	5.7	58.1	74.2
Finance, insurance, real estate	64.1	47.9	46.8	2.7	20.2	24.3	18.8	9.6	6.6	8.9	8.9	47.2	84.8
Professional services	53.2	36.0	34.9	8.5	23.7	19.0	14.1	9.9	5.6	7.9	11.4	51.1	81.0
Other services	41.3	27.7	27.0	10.4	17.2	21.2	17.2	9.6	6.7	8.2	9.5	48.8	79.7
All private	51.1	35.9	34.9	8.1	20.0	21.2	18.3	10.0	5.4	7.4	9.6	49.4	82.3
Public sector	38.4	25.1	24.5	15.4	24.6	12.2	14.7	8.3	3.3	10.5	10.9	52.3	79.9
Race													
White	51.7	36.8	35.8	9.1	21.7	19.2	16.0	9.9	4.8	9.3	10.1	50.0	83.1
Black	47.3	30.4	29.2	6.4	18.7	23.3	23.5	9.7	5.7	3.7	9.1	48.4	77.7
Hispanic	34.8	21.3	20.7	10.7	17.9	22.0	22.8	8.0	6.4	2.8	9.4	50.6	76.2
Other	47.9	33.7	32.3	14.9	17.0	16.6	18.3	12.0	5.9	8.2	7.1	48.5	82.2
Education													
Less than HS diploma	29.9	16.3	15.8	13.5	28.2	16.0	18.4	7.8	4.8	5.8	5.6	57.7	74.0
HS diploma	46.1	30.5	29.5	7.2	17.9	20.4	21.3	11.3	5.4	6.2	10.4	45.5	78.2
Some college	50.7	33.8	32.8	8.4	21.9	20.7	18.5	9.2	4.5	7.7	9.2	50.9	80.3
Bachelor's degree	57.9	44.5	43.5	10.0	19.7	21.0	12.2	10.2	6.4	9.9	10.5	50.8	87.1
Graduate degree	56.0	45.1	44.0	13.3	18.0	16.5	11.9	8.4	4.7	13.0	14.3	47.7	88.8
Defined Benefit Plan Participant													
Participant	46.4	37.2	37.0	4.9	2.7	4.5	26.8	20.8	9.1	13.8	17.5	12.1	82.0
Nonparticipant	49.7	33.1	31.9	9.9	23.6	22.4	16.3	8.0	4.5	6.9	8.5	55.9	81.9
Annual Hours													
1–999	45.3	14.6	12.0	15.8	56.0	10.8	4.0	2.2	1.3	4.8	5.0	82.7	73.2
1,000–1,499	48.8	20.8	18.9	14.3	49.2	11.0	7.6	3.8	1.8	7.7	4.5	74.6	70.8
1,500–1,999	42.5	24.4	23.6	9.2	25.6	18.6	17.9	6.5	6.5	5.9	9.8	53.4	74.4
2,000 or more	53.9	40.6	39.5	7.3	9.5	23.1	21.5	12.6	6.0	8.7	11.4	39.8	83.5

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

Figure 3

Percentage of Salary Reduction Plan Participants Age 16 or Older Who Can Direct Investments and Percentage Whose Employer Contributes to Their Plan, by Various Characteristics, 2003

	Salary Reduction Participants (thousands)	Can Direct Invesment	Of Those Directing Investment		Employer Contributes	Employer Contributions Depend on Employee Contributions		
			All	Part		Entirely	Partly	Not at all
Total	42,041	77.2%	89.7%	10.3%	83.4%	57.7%	22.3%	20.0%
Tenure								
Less than 1 year	3,735	75.2	89.6	10.4	83.4	60.2	21.0	18.7
1–4 years	12,667	76.5	91.3	8.7	84.2	60.9	21.1	18.0
5–9 years	9,653	79.5	89.0	11.1	86.2	56.4	24.5	19.1
10–14 years	5,855	76.2	90.4	9.6	82.5	54.7	23.0	22.3
15 or more years	10,131	77.3	88.0	12.0	80.0	55.7	21.7	22.6
Age								
16–20	296	69.9	85.9	14.1	88.5	74.9	15.8	9.3
21–30	6,651	76.2	90.7	9.3	86.0	59.7	22.3	18.1
31–40	11,550	78.8	89.0	11.0	83.8	56.5	23.9	19.6
41–50	13,085	78.4	89.6	10.5	82.9	56.6	22.5	20.9
51–60	8,675	75.2	89.7	10.3	80.7	58.9	20.2	21.0
61–64	1,275	71.0	90.9	9.1	88.0	55.6	23.0	21.5
65 or older	508	78.6	91.5	8.5	82.5	63.2	18.5	18.3
Firm Size (by number of employees)								
Fewer than 25	4,277	78.6	92.0	8.0	83.1	58.2	20.3	21.5
25–99	4,488	80.6	91.7	8.3	82.1	61.0	21.1	17.9
100 or more	28,189	79.1	88.9	11.1	88.2	59.7	23.8	16.5
Public Sector	5,087	62.8	90.4	9.7	57.9	36.6	13.7	49.8
Annual Earnings								
No income/unrptd	488	77.2	83.9	16.1	88.9	63.7	20.6	15.7
$1–$4,999	540	71.1	84.0	16.0	86.0	61.9	22.8	15.4
$5,000–$9,999	1,064	72.4	88.7	11.3	81.9	56.2	16.7	27.1
$10,000–$14,999	1,864	71.9	90.7	9.3	84.9	59.5	23.4	17.1
$15,000–$19,999	3,135	72.8	90.0	10.0	86.8	60.9	20.1	19.0
$20,000–$24,999	4,151	77.1	90.6	9.4	84.8	61.4	21.4	17.2
$25,000–$29,999	3,942	74.0	89.3	10.7	86.8	61.8	20.0	18.2
$30,000–$49,999	13,628	78.2	89.9	10.2	83.0	58.3	21.6	20.1
$50,000 or more	13,230	79.5	89.6	10.4	81.0	53.2	25.0	21.8
Gender								
Male	23,800	78.2	89.7	10.3	83.6	59.3	22.5	18.2
Female	18,242	75.9	89.7	10.3	83.0	55.7	22.0	22.3
Union Status								
Union covered	6,734	68.1	91.2	8.9	70.7	51.4	21.4	27.2
Not union covered	35,307	78.9	89.4	10.6	85.8	58.7	22.4	18.9
Industry								
Agriculture	265	74.4	87.3	12.7	90.6	53.6	22.7	23.7
Mining	361	76.5	92.3	7.7	100.0	64.7	23.6	11.8
Construction	1,736	76.1	89.9	10.1	85.0	61.7	24.6	13.8
Manufacturing	8,652	79.9	90.1	9.9	88.2	61.9	22.3	15.9
Transportation, communications, utilities	3,287	80.4	87.5	12.5	88.3	62.5	23.6	14.0
Wholesale trade	2,035	83.0	92.0	8.0	89.4	58.6	23.4	18.0
Retail trade	4,689	78.1	89.9	10.1	88.6	61.2	22.4	16.4
Finance, insurance, real estate	3,668	83.1	90.8	9.2	89.8	55.5	27.7	16.9
Professional services	8,361	77.9	88.6	11.4	83.2	56.2	22.9	20.8
Other services	3,899	77.1	89.3	10.8	83.6	61.1	20.3	18.6
All private	36,954	79.2	89.6	10.4	86.9	59.7	23.1	17.3
Public sector	5,087	62.8	90.4	9.7	57.9	36.6	13.7	49.8

(continued)

Figure 3 *(continued)*

	Salary Reduction Participants	Can Direct Invesment	Of Those Directing Investment: All	Of Those Directing Investment: Part	Employer Contributes	Employer Contributions Depend on Employee Contributions: Entirely	Partly	Not at all
	(thousands)				(percentage)			
Race								
White	32,868	78.2	89.8	10.2	82.9	56.6	22.7	20.8
Black	3,972	73.0	89.9	10.2	86.7	66.6	19.1	14.3
Hispanic	3,258	72.5	89.9	10.1	83.5	58.0	21.3	20.8
Other	1,943	76.1	86.6	13.4	84.6	57.9	24.8	17.3
Education								
Less than HS diploma	2,266	72.3	87.5	12.5	88.0	60.3	23.1	16.6
HS diploma	10,556	76.8	90.3	9.7	85.2	61.7	20.7	17.6
Some college	13,393	76.9	89.1	10.9	84.3	58.6	22.6	18.8
Bachelor's degree	10,415	78.6	89.2	10.8	83.1	54.5	23.2	22.3
Graduate degree	5,411	78.2	91.5	8.5	76.0	52.0	22.7	25.3
Defined Benefit Plan Participant								
Participant	10,480	72.4	89.0	11.0	77.7	51.4	19.9	28.7
Nonparticipant	31,562	78.8	89.9	10.1	85.2	59.6	23.0	17.3
Account Balance								
$1–$999	3,067	70.5	90.0	10.0	78.8	58.6	21.4	19.9
$1,000–$4,999	6,848	77.7	91.6	8.4	80.4	60.5	23.1	16.4
$5,000–$9,999	6,632	78.2	89.8	10.2	82.3	59.7	21.3	19.0
$10,000–$19,999	9,317	77.2	90.1	9.9	84.8	60.8	18.4	20.8
$20,000–$39,999	6,525	79.2	88.1	11.9	85.2	55.7	24.9	19.4
$40,000–$69,999	3,660	77.0	89.0	11.0	84.3	57.8	21.4	20.8
$70,000 or more	5,992	77.0	88.6	11.4	85.4	49.6	26.7	23.8

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

Among participants in a plan to which the employer contributes, 57.7 percent were in a plan in which the employer contributions depends *entirely* on the participants' contributions; 22.3 percent were in a plan in which the employer contributions depend *partly* on their contributions; and 20.0 percent were in a plan to which employer contributions do *not* depend *at all* on their contributions (Figure 3). The one significant deviation from this overall pattern is in the case of public-sector workers, who are less likely to be in a plan in which the employer contributions depend entirely on participant contributions and instead are in plans whose employer contributions do not depend at all on their contributions.[17]

Retirement Plan History

Participation in a retirement plan through current employment at a specific moment in time does not tell the full story of a worker's preparedness for retirement or the availability of some form of retirement income from an employment-based retirement plan. The number of plans workers participate in at their current job could have a significant positive effect on their future retirement income, particularly for those who receive additional employer contributions to more than one plan.[18] In addition, workers at different stages in life have a different likelihood of having access to a plan, depending on their tenure or type of employer. Furthermore, workers will choose to participate (or not to participate) at different points of their careers, depending upon their circumstances. Thus, it is important to consider workers' entire careers and the number of plans they have participated in when determining the impact of participation in employment-based plans.

The percentage of wage and salary workers age 16 or older who participated in an employment-based retirement plan increased from 46.7 percent in 1998 to 50.9 percent in 2003. However, the percentage of participants in a plan who were in more than one retirement plan through their employment decreased from 21.0 percent in 1998 to 18.1 percent in 2003 (Figure 4). The likelihood of having more than one plan increased with tenure, educational attainment, and earnings. Working for a large (100 or more employees) or public-sector employer; working in the mining; transportation, communications, and utilities; and finance, insurance, and real estate industries; or being in a union-covered job also increased the chances that a worker was participating in more than one plan. These patterns emerged for workers having more than one plan in both 1998 and 2003.

Figure 4

Percentage of All Wage and Salary Workers Age 16 or Older Who Participate in a Current Job's Employment-Based Retirement Plan, Participate in More Than One Plan in a Current Job, Have Retirement Plan Benefits From a Former Job, Have Ever Participated in a Plan, by Various Characteristics, 1998 and 2003

	1998					2003				
	Total (thousands)	Participate in a current job's plan	Of those in a current job's plan in more than one plan	Have a plan from a current or former job	Have ever participated in an employment-based plan	Total (thousands)	Participate in a current job's plan	Of those in a current job's plan in more than one plan	Have a plan from a current or former job	Have ever participated in an employment-based plan
Total	118,824	46.7%	21.0%	48.7%	53.7%	125,635	50.9%	18.1%	53.2%	57.8%
Tenure										
Less than 1 year	24,896	21.1	18.8	24.5	31.3	22,966	24.7	15.5	28.7	36.0
1–4 years	40,211	37.7	16.8	40.1	46.0	44,475	42.5	15.0	45.3	50.3
5–9 years	21,252	57.0	19.3	58.7	62.8	23,845	60.3	16.9	61.9	65.1
10–14 years	13,391	66.4	22.5	67.1	70.5	13,150	68.3	17.6	69.7	73.1
15 or more years	19,074	73.7	26.7	74.3	77.2	21,200	75.7	24.2	76.6	79.5
Age										
16–20	8,198	6.6	22.6	6.6	6.6	7,491	5.2	15.8	5.2	5.2
21–30	26,843	32.2	16.7	33.3	36.8	27,009	36.6	13.9	37.6	40.4
31–40	32,126	53.1	20.5	55.3	60.2	30,504	56.1	17.9	59.1	63.8
41–50	29,243	59.5	22.7	62.3	67.0	32,204	62.1	19.2	64.7	69.2
51–60	16,304	59.1	23.1	62.1	68.6	20,990	64.5	20.2	67.7	72.8
61–64	2,950	49.3	18.8	51.0	61.4	3,779	54.1	16.8	57.5	66.4
65 or older	3,160	23.1	16.7	24.5	46.6	3,658	27.6	19.0	28.9	48.9
Firm Size (by number of employees)										
Fewer than 25	26,087	17.8	10.8	20.4	28.2	28,190	23.2	8.8	26.5	33.1
25–99	13,789	34.6	13.5	36.8	42.9	13,946	40.8	10.9	43.9	48.9
100 or more	59,661	54.1	22.7	56.0	60.0	62,100	57.9	19.0	59.9	63.8
Public sector	19,288	71.3	22.9	72.9	76.1	21,400	73.8	22.6	75.1	78.6
Annual Earnings										
No income/unrptd.	3,811	31.4	23.2	34.6	42.9	2,973	27.6	12.4	30.2	40.5
$1–$4,999	9,305	12.3	17.9	13.7	19.3	7,387	13.1	12.3	15.2	21.4
$5,000–$9,999	13,493	17.9	15.1	20.0	26.1	11,061	19.4	13.2	21.4	28.1
$10,000–$14,999	17,207	29.5	14.4	31.3	35.9	14,743	27.8	12.9	30.0	34.8
$15,000–$19,999	15,447	43.6	14.3	45.6	51.7	14,996	40.0	12.1	42.0	46.5
$20,000–$24,999	13,393	53.4	17.1	55.4	60.4	14,315	51.6	14.3	54.0	58.4
$25,000–$29,999	11,363	61.4	20.2	63.3	68.0	12,455	59.5	15.0	61.6	66.6
$30,000–$49,999	22,695	69.2	23.5	71.5	75.5	27,877	70.8	19.4	73.4	77.1
$50,000 or more	12,110	74.6	30.4	76.9	80.4	19,828	77.8	24.9	80.1	83.1
Gender										
Male	62,622	49.3	22.1	51.3	56.3	65,937	52.7	18.2	54.9	59.2
Female	56,202	43.8	19.5	45.8	50.8	59,699	49.0	18.0	51.4	56.2
Union Status										
Union covered	17,237	76.8	24.6	77.6	79.8	16,740	80.6	22.3	81.6	83.4
Not union covered	101,588	41.6	19.8	43.8	49.3	108,896	46.4	17.0	48.9	53.9
Industry										
Agriculture	1,866	14.7	16.6	16.9	21.0	2,063	19.7	19.7	21.4	25.4
Mining	620	60.6	30.9	61.9	64.2	589	65.6	23.7	67.1	72.0
Construction	5,842	33.5	19.9	35.8	41.8	7,012	36.3	11.2	38.3	43.0
Manufacturing	19,745	59.7	22.9	61.3	65.2	16,764	64.5	18.2	66.6	69.7
Transportation, communications, utilities	6,681	56.4	25.9	58.3	63.5	6,924	58.7	20.9	60.7	65.5
Wholesale trade	4,757	47.3	17.0	49.2	54.5	4,662	54.3	16.1	56.6	60.9
Retail trade	19,937	24.4	17.1	26.0	30.3	20,569	29.7	13.2	31.4	35.6
Finance, insurance, real estate	7,029	52.9	26.4	56.1	63.0	7,736	58.2	23.7	60.7	67.1
Prof. services	20,118	45.5	16.6	48.3	54.3	23,666	49.8	14.9	52.9	58.9
Other services	12,943	27.5	15.0	29.7	36.8	14,252	35.5	14.0	39.1	44.6
All private	99,536	41.9	20.3	44.0	49.3	104,236	46.2	16.7	48.7	53.5
Public sector	19,288	71.3	22.9	72.9	76.1	21,400	73.8	22.6	75.1	78.6

(continued)

Figure 4 *(continued)*

	1998					2003				
	Total	Participate in a current job's plan	Of those in a current job's plan in more than one plan	Have a plan from a current or former job	Have ever participated in an employment-based plan	Total	Participate in a current job's plan	Of those in a current job's plan in more than one plan	Have a plan from a current or former job	Have ever participated in an employment-based plan
	(thousands)	(percentage)				(thousands)	(percentage)			
Race										
White	89,228	49.5	21.3	51.9	57.4	91,115	54.3	18.1	56.9	62.1
Black	12,808	43.6	21.1	44.6	48.7	13,207	48.6	19.1	50.1	54.1
Hispanic	11,913	31.2	17.6	32.0	34.0	15,474	33.7	16.4	34.8	37.1
Other	4,875	40.9	19.5	42.6	46.5	5,839	49.3	19.1	51.2	54.2
Education										
Less than HS dip.	14,693	22.2	15.8	22.8	25.4	14,192	24.2	13.4	24.8	26.9
HS diploma	36,439	42.6	18.7	44.3	49.1	35,211	45.8	14.4	47.5	52.0
Some college	36,929	47.0	20.8	49.0	54.8	40,199	49.9	18.5	52.2	57.6
Bachelor's degree	20,859	59.7	23.1	63.1	68.4	23,866	65.0	20.3	68.7	73.2
Graduate degree	9,904	69.3	25.1	72.2	77.5	12,169	72.7	22.1	76.2	81.3

Source: Employee Benefit Research Institute estimates of the 1996 and 2001 Survey of Income and Program Participation Topical Module 7.

Among these wage and salary workers, 50.9 percent participated in a retirement plan through a current job in 2003, but 53.2 percent either currently participated or still had retirement benefits from a plan through a previous employer but had not begun receiving benefits (Figure 4). For those age 51–60, the proportion who were currently participating in a plan or had retirement benefits from a previous job jumped to 67.7 percent.[19] Furthermore, 69.7 percent of wage and salary workers with job tenure of 10–14 years and 76.6 percent of those with job tenure of 15 or more years were participating in or entitled to benefits from a plan through a current or former job. The percentages for 1998 follow a similar pattern, but the levels were somewhat lower.

Some individuals who had retirement benefits from a previous job could have taken a lump-sum distribution from the plan for the entire amount of their account balance in a defined contribution plan or for the present value of their accruals in a defined benefit plan. Thus, these workers would no longer be entitled to a retirement benefit from their previous employer. The preservation of the benefit or assets would depend on what the worker did with the lump-sum distribution, i.e., rolled it over to an IRA or subsequent employer's plan, or spent it. These decisions will be discussed in a later section, but it is also informative to know the percentage of workers who participated in an employment-based plan at least once in order to determine the full extent of participation in these plans. In 2003, workers were asked if they ever participated in a retirement plan through a previous employer and their responses were combined with those who said they were currently participating; 57.8 percent responded that at some point in their career they had participated in a retirement plan through an employment-based arrangement. This number reached 72.8 percent for those ages 51–60 and 79.5 percent for those with job tenures of 15 or more years.[20] Consequently, when examined on a lifetime basis, employment-based retirement plan participation is considerably larger than when it is limited to workers who are currently participating.

Another component of the retirement plan puzzle in terms of lifetime participation in retirement plans is the IRA. Most of the asset growth in IRAs during the mid-1990s was the result of rollovers from other employment-based retirement plans and asset returns, not from new contributions (Sabelhaus, 1999).[21] Consequently, participation in IRAs must also be considered in a lifetime participation assessment. For the self-employed, Keogh plans allows them the opportunity to save money on a tax-preferred basis at comparable amounts to what can be saved in employment-based retirement plans offered to salaried workers.

As of year-end 2002, 16.9 percent of all workers age 16 or older had an IRA and/or a Keogh plan in their own name (Figure 5).[22, 23] IRA/Keogh ownership in the worker's own name increased substantially with age, from 6.7 percent of those age 21–30 to 31.1 percent of those age 61–64. Higher earnings and

Figure 5

Percentage of All Workers Age 16 or Older Who Have an IRA or Keogh Plan in Their Own Name and Who Contributed to the Plans, by Various Characteristics, 1997 and 2002

	1997			2002		
	Number of workers (thousands)	Have IRA or Keogh in own name	Made tax-deductible contribution to IRA or Keogh in 1997	Number of workers (thousands)	Have IRA or Keogh in own name	Made tax-deductible contribution to IRA or Keogh in 2002
Total	131,079	16.9%	5.0%	137,921	16.9%	4.6%
Tenure						
Less than 1 year	26,361	8.6	2.1	24,356	10.6	2.5
1–4 years	43,914	13.9	3.8	48,147	14.2	3.7
5–9 years	23,675	18.3	5.7	26,187	18.1	5.1
10–14 years	14,981	21.2	7.4	14,825	20.0	5.9
15 or more years	22,148	28.2	8.5	24,406	25.4	7.4
Age						
16–20	8,474	0.6	0.2	7,776	0.8	0.1
21–30	28,231	5.6	1.9	28,184	6.7	1.8
31–40	35,171	14.3	4.1	33,168	15.4	4.4
41–50	32,599	22.4	6.9	35,499	19.2	5.6
51–60	18,626	29.5	8.9	23,800	27.5	7.6
61–64	3,588	34.9	10.5	4,518	31.1	7.7
65 or older	4,390	32.2	5.6	4,975	30.2	5.3
Firm Size (by number of employees)						
Fewer than 25	37,928	19.6	7.2	40,029	18.4	6.0
25–99	13,878	14.5	4.2	14,086	16.9	4.3
100 or more	59,766	15.2	3.8	62,243	15.7	3.8
Public sector	19,507	18.6	5.1	21,563	17.7	4.8
Annual Earnings						
No income/unreported	6,862	18.1	5.1	5,675	20.7	5.7
$1–$4,999	10,837	9.3	2.6	8,999	10.3	2.5
$5,000–$9,999	14,941	8.9	2.6	12,295	9.2	1.6
$10,000–$14,999	18,606	9.3	3.0	15,946	9.4	2.7
$15,000–$19,999	16,148	11.6	3.8	15,831	10.8	2.8
$20,000–$24,999	14,244	15.2	4.4	15,301	13.3	3.9
$25,000–$29,999	12,026	17.9	5.2	12,992	15.2	4.7
$30,000–$49,999	24,007	23.1	6.8	29,309	20.7	5.5
$50,000 or more	13,407	38.3	11.1	21,573	31.6	9.1
Gender						
Male	69,847	17.2	5.2	73,159	17.3	4.9
Female	61,232	16.6	4.8	64,762	16.5	4.4
Union Status						
Union covered	17,237	17.4	4.3	16,740	16.9	4.8
Not union covered	113,842	16.8	5.1	121,181	16.9	4.6
Industry						
Agriculture	3,283	17.2	5.6	3,239	14.4	3.9
Mining	634	15.2	4.6	621	19.9	9.2
Construction	7,508	13.4	5.1	8,850	13.8	4.5
Manufacturing	20,196	15.4	3.8	17,287	17.0	4.3
Transportation, communications, utilities	7,163	17.8	4.8	7,474	16.3	4.3
Wholesale trade	5,180	19.6	5.8	4,962	19.7	4.7
Retail trade	21,604	10.2	3.4	22,028	9.4	2.4
Finance, insurance, real estate	7,647	25.5	7.7	8,485	25.5	6.9
Professional services	22,202	22.1	6.2	25,660	21.3	6.1
Other services	16,154	14.8	5.1	17,752	16.1	4.4
All private	111,572	16.6	5.0	116,358	16.8	4.6
Public sector	19,507	18.6	5.1	21,563	17.7	4.8

(continued)

Figure 5 *(continued)*

	1997			2002		
	Number of workers	Have IRA or Keogh in own name	Made tax-deductible contribution to IRA or Keogh in 1997	Number of workers	Have IRA or Keogh in own name	Made tax-deductible contribution to IRA or Keogh in 2002
	(thousands)	(percentage)		(thousands)	(percentage)	
Race						
White	99,374	20.1	5.9	100,754	20.6	5.5
Black	13,450	5.9	1.8	13,924	5.6	2.0
Hispanic	12,826	4.9	1.7	16,772	4.9	1.3
Other	5,429	13.3	4.8	6,470	14.6	4.8
Education						
Less than HS diploma	16,386	4.0	1.3	15,846	3.5	1.0
HS diploma	40,322	10.7	3.3	38,636	10.9	2.8
Some college	40,448	15.9	4.7	43,858	14.8	3.9
Bachelor's degree	22,807	27.8	8.0	26,066	26.9	7.5
Graduate degree	11,116	39.9	11.9	13,515	37.4	11.0
Employment-Based Retirement Plan Participant						
Nonparticipant	75,945	13.2	4.6	72,303	11.1	2.2
Participant	55,133	22.0	5.5	65,618	23.3	7.4
Employment-Based Defined Benefit Plan Participant						
Nonparticipant	107,930	15.8	5.0	109,407	16.0	4.5
Participant	23,149	21.9	5.1	28,514	20.5	5.2
Employment-Based Salary Reduction Plan Participant						
Nonparticipant	91,813	14.3	4.7	94,594	14.2	4.0
Participant	39,265	22.9	5.8	43,326	22.8	6.0

Source: Employee Benefit Research Institute estimates of the 1996 and 2001 Survey of Income and Program Participation Topical Module 7.

more educational attainment are also associated with an increased likelihood of IRA/Keogh ownership: 10.8 percent of those earning \$15,000–\$19,999 owned an IRA/Keogh, compared with 31.6 percent of those earning \$50,000 or more and 10.9 percent of those with only a high school diploma owned an IRA/Keogh, compared with 37.4 percent with a graduate degree. Furthermore, workers who participated in an employment-based plan had a higher probability of owning an IRA, although the type of job-based plan did not affect this probability.

A contradictory finding related to the likelihood of participating in an employment-based retirement plan is that workers at small employers are more likely to own an IRA/Keogh than those at large employers. There are two likely explanations for this result. First, some small employers offer their employees a SIMPLE IRA retirement plan,[24] so these workers have an IRA also by definition, whereas employees of large employers would have to have two separate plans for an IRA and an employment-based plan. Second, since the workers at small employers have a lower probability of being offered an employment-based plan, those who want to save for retirement would have to use an IRA to receive the tax benefits similar to those available in employment-based retirement savings plans, albeit at lower contribution levels.

The percentage of workers who made a tax-deductible contribution to an IRA/Keogh in 2002 (4.6 percent) was significantly smaller than the percentage who owned them (16.9 percent) and was also a slight decline from the 5.0 percent contribution rate in 1997 (Figure 5).[25] Across various characteristics, the workers who were more likely to own an IRA/Keogh were also more likely to contribute to one. The one exception was that defined benefit participants were more likely than nonparticipants to own an IRA/Keogh, but there was virtually no difference in their likelihood of making a tax-deductible IRA/Keogh contribution.

Figure 6

Percentage of All Workers Age 16 or Older Who Currently Participate in Some Type of Retirement Plan or Have Ever Participated in Some Type of Retirement Plan,[a] by Various Characteristics, 1998 and 2003

	1998			2003		
	Total workers (thousands)	Currently have some type of retirement plan	Have ever participated in some type of retirement plan	Total workers (thousands)	Currently have some type of retirement plan	Have ever participated in some type of retirement plan
Total	131,079	51.9%	56.0%	137,921	55.1%	58.9%
Tenure						
Less than 1 year	26,361	28.6	33.9	24,356	32.9	38.6
1–4 years	43,914	43.9	48.5	48,147	47.8	51.8
5–9 years	23,675	60.8	64.3	26,187	62.6	65.4
10–14 years	14,981	68.6	71.4	14,825	69.2	72.0
15 or more years	22,148	74.9	77.7	24,406	75.3	78.4
Age						
16–20	8,474	7.0	7.0	7,776	5.7	5.7
21–30	28,231	34.6	37.9	28,184	38.7	41.3
31–40	35,171	56.6	60.7	33,168	59.8	63.7
41–50	32,599	64.8	68.4	35,499	65.4	69.1
51–60	18,626	67.0	71.9	23,800	69.4	73.3
61–64	3,588	62.1	68.5	4,518	63.7	70.1
65 or older	4,390	44.5	59.0	4,975	44.1	58.4
Firm Size (by number of employees)						
Fewer than 25	37,928	31.4	37.5	40,029	32.7	38.4
25–99	13,878	43.0	47.5	14,086	49.2	53.0
100 or more	59,766	59.2	62.3	62,243	63.1	66.1
Public sector	19,507	76.1	78.5	21,563	77.6	80.1
Annual Earnings						
No income/unreported	6,862	36.8	44.5	5,675	35.9	43.9
$1–$4,999	10,837	19.9	24.2	8,999	22.0	27.1
$5,000–$9,999	14,941	25.4	30.0	12,295	25.8	31.0
$10,000–$14,999	18,606	34.9	38.9	15,946	33.3	37.3
$15,000–$19,999	16,148	49.2	54.2	15,831	45.0	48.6
$20,000–$24,999	14,244	58.9	62.9	15,301	56.5	60.2
$25,000–$29,999	12,026	66.6	70.5	12,992	64.4	68.3
$30,000–$49,999	24,007	74.6	77.5	29,309	74.8	77.8
$50,000 or more	13,407	81.0	83.3	21,573	81.0	83.4
Gender						
Male	69,847	53.5	57.6	73,159	56.0	59.8
Female	61,232	50.2	54.1	64,762	54.1	57.9
Union Status						
Union covered	17,237	79.7	81.5	16,740	83.2	84.7
Not union covered	113,842	47.7	52.1	121,181	51.2	55.4
Industry						
Agriculture	3,283	25.7	31.0	3,239	27.2	31.7
Mining	634	64.6	66.9	621	68.0	73.4
Construction	7,508	37.6	42.4	8,850	38.2	42.8
Manufacturing	20,196	63.9	67.1	17,287	68.8	71.1
Transportation, communications, utilities	7,163	59.8	64.2	7,474	60.8	64.9
Wholesale trade	5,180	54.6	58.7	4,962	59.9	63.3
Retail trade	21,604	30.5	34.3	22,028	34.2	38.1
Finance, insurance, real estate	7,647	64.1	68.3	8,485	64.9	69.2
Professional services	22,202	54.4	59.2	25,660	57.8	62.5
Other services	16,154	34.4	39.9	17,752	41.3	45.8
All private	111,572	47.7	52.0	116,358	51.0	55.0
Public sector	19,507	76.1	78.5	21,563	77.6	80.1

(continued)

Figure 6 *(continued)*

	1998			2003		
	Total workers	Currently have some type of retirement plan	Have ever participated in some type of retirement plan	Total workers	Currently have some type of retirement plan	Have ever participated in some type of retirement plan
	(thousands)	(percentage)		(thousands)	(percentage)	
Race						
White	99,374	55.9	60.3	100,754	59.7	63.8
Black	13,450	44.4	48.4	13,924	49.2	52.9
Hispanic	12,826	31.9	33.7	16,772	34.3	36.5
Other	5,429	44.8	48.5	6,470	51.0	53.8
Education						
Less than HS diploma	16,386	23.3	25.7	15,846	24.4	26.4
HS diploma	40,322	46.0	50.1	38,636	48.5	52.5
Some college	40,448	52.2	57.0	43,858	54.2	58.7
Bachelor's degree	22,807	69.4	73.2	26,066	72.0	75.4
Graduate degree	11,116	78.9	82.6	13,515	80.6	84.2

Source: Employee Benefit Research Institute estimates of the 1996 and 2001 Survey of Income and Program Participation Topical Module 7.
[a] This does not include those who only had an IRA or Keogh previously but no longer do so. It does include those who currently have an IRA or Keogh or have ever participated in an employment-based retirement plan.

Since tax-preferred vehicles for accumulating retirement assets consist of both employment-based and individual retirement plans, looking at the combination of their ownership/participation levels gives a more complete picture of Americans' financial preparation for retirement. When workers who are participating in a current or previous job's plan are added to those who own an IRA or Keogh, the proportion of all workers who had some type of retirement plan in 2003 was 55.1 percent (Figure 6).[26] Among workers 51–60, 69.4 percent had some form of retirement plan, and individuals with 15 or more years of tenure in a job had a 75.3 percent probability of having a plan. Furthermore, those with the highest earnings, most education, or union coverage had the highest likelihood of having some type of tax-preferred retirement plan. These are all increases from 1998 levels, where the similar patterns of ownership across the various characteristics were essentially the same.

Next, it was determined that 58.9 percent of all workers had participated in some type of retirement plan sometime during their work life, as of in 2003 (Figure 6).[27] For those ages 51–60, almost 73.3 percent had ever participated in a plan, while among those with 15 or more years of tenure just over 78 percent had ever had a plan. Again, those with the highest earnings, the most education, or a union-covered job had the highest probability of ever having had a plan—at more than 80 percent for these groups. Again, these levels higher than in 1998, when 56.0 percent of all workers had ever participated in some type of retirement plan.

There were two factors that could account for the difference between the proportion of individuals who *had ever* been in a plan and the proportion *currently* in a plan: not vesting in a previous job's plan and spending a lump-sum distribution at job termination. Unfortunately, the cause cannot be determined from the available data. While vesting periods could be made shorter, immediate vesting in all cases could make the sponsorship of a plan more costly, which could lead to a reduction in the number of employers or unions sponsoring retirement plans. However, understanding which workers spend their lump-sum distributions and the reasons they do so could lead to the creation of legislation designed to stimulate the continued accumulation of retirement assets. One example of such legislation is the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) (P.L. 107-16),[28] which requires employers to establish a rollover IRA as the cash-out default option for lump-sums between $1,000 and $5,000. Additionally, repeated educational messages/campaigns specifically targeted at groups who disproportionately spend their distributions could be used more broadly.

Lump-Sum Distributions

What individuals chose to do with a lump-sum distribution can have a significant impact on how much, if any, assets they have at retirement. Consequently, it is important to identify those groups that are rolling over their assets or using their assets for other purposes. As of 2003, nearly 16 million individuals had taken a lump-sum distribution of their retirement plan assets (Figure 7). The mean, or average, amount (in 2003 dollars) of these distributions was $30,072 and the median amount was $8,118. Approximately 55 percent of these distributions were for less than $10,000, and 41.7 percent were received from 1999 through 2003.

Furthermore, approximately 55 percent went to individuals from ages 21– 40, just less than 90 percent were received by whites, and slightly more than half went to females. Recipients ages 61–64 had the highest mean amount of any age category, and the mean distribution was significantly higher for males than for females.

Figure 7
Number, Mean Amount, Median Amount, and Source of Most Recent Lump-Sum Distributions, 2003

					Source of the Lump-Sum Distribution			
	Total Recipients (thousands)	Total Recipients (percentage)	Mean Amount*	Median Amount*	Private employer	Federal government employer	State or Local government employer	Other
Total	15,983	100.0%	$30,072	$8,118	80.8%	3.4%	13.5%	2.3%
Amount of Most Recent Lump-Sum Distribution								
$1–$499	905	5.7	269	300	77.5	1.9	19.0	1.6
$500–$999	858	5.4	736	745	77.8	1.9	19.9	0.4
$1,000–$2,499	2,411	15.1	1,681	1,658	80.4	2.6	15.0	2.0
$2,500–$4,999	2,238	14.0	3,620	3,584	80.3	2.0	15.3	2.4
$5,000–$9,999	2,371	14.8	7,254	7,254	80.6	3.5	14.7	1.2
$10,000–$19,999	2,437	15.2	13,955	13,464	78.4	4.8	13.6	3.2
$20,000–$49,999	2,342	14.7	31,623	29,475	80.8	5.2	10.7	3.2
$50,000 or more	2,422	15.2	141,371	102,780	86.7	3.2	7.4	2.8
Year in Which Most Recent Lump-Sum Distribution Was Received								
Before 1980	701	4.4	86,999	16,275	53.7	9.8	36.4	1.2
1980–1986	1,498	9.4	43,810	13,890	72.8	4.9	21.3	0.9
1987–1993	3,058	19.1	31,159	10,200	79.2	4.6	13.3	2.9
1994–1998	4,062	25.4	27,695	8,976	83.8	3.0	11.2	2.0
1999–2003	6,664	41.7	21,946	5,380	84.4	2.0	11.0	2.7
Age of Recipient When Most Recent Lump-Sum Distribution Was Received								
16–20	195	1.2	15,298	2,431	77.9	2.5	15.3	4.4
21–30	4,352	27.2	16,880	3,844	81.4	3.6	14.3	0.7
31–40	4,747	29.7	22,495	7,735	78.7	3.4	16.2	1.8
41–50	3,223	20.2	32,859	10,760	81.5	3.0	12.5	3.1
51–60	2,119	13.3	55,124	17,685	82.7	3.2	11.0	3.2
61–64	678	4.2	63,911	30,720	84.0	2.7	8.2	5.1
65 and older	669	4.2	46,910	16,575	80.3	6.0	7.5	6.2
Gender								
Male	7,555	47.3	40,700	10,881	84.6	2.5	11.2	1.8
Female	8,428	52.7	20,545	5,895	77.4	4.2	15.6	2.8
Race								
White	13,861	86.7	32,169	8,608	81.1	3.3	13.4	2.3
Black	900	5.6	13,305	4,368	76.3	4.9	15.7	3.2
Hispanic	634	4.0	12,799	4,096	77.8	3.0	16.5	2.7
Other	589	3.7	24,269	8,070	85.1	3.2	10.7	1.1

Source: Employee Benefit Research Institute estimates from the 2001 Survey of Income and Program Participation Topical Module 7.
* In 2003 dollars.

Overall, 80.8 percent of the individuals who received a distribution received their most recent payment from a private-sector employer (Figure 7). The source of the distributions differed across certain characteristics. For example, in more recent years, there has been a sharp increase in the percentage of distributions coming from private-sector employers and a corresponding decrease in distributions originating from public-sector employers. Furthermore, males and those with the largest distributions received a significantly higher percentage of distributions from private-sector employers.

The decision to take a lump-sum distribution is not always up to the individual. Under federal regulations, private-sector plan sponsors can require workers to take a lump-sum payment at termination if the value of their retirement account is less than $5,000, in order to avoid the administrative costs of small, inactive accounts.[29] Among lump-sum distribution recipients, 37.7 percent reported that they were required to take their most recent distribution, and 62.3 percent said that they took their most recent distribution voluntarily (Figure 8). The portion of those required to take the distribution is likely to decrease in the future, as the $5,000 cut-off for allowable forced cashouts is not indexed for inflation

Figure 8

How Was the Lump-Sum Withdrawn and Where Was the Lump-Sum Rolled Over to for the Most Recent Lump-Sum Distributions, 2003

	How Withdrawn?		Where Was Lump Sum Rolled Over to?[b]			
	Voluntarily	Plan required	Plan at job	Individual annuity	Individual retirement account	Other
Total	62.3%	37.7%	12.7%	7.2%	70.2%	9.9%
Amount of Most Recent Lump-Sum Distribution[a]						
$1–$499	31.3	68.7	6.3	7.7	57.0	29.0
$500–$999	55.9	44.1	18.4	3.1	72.3	6.3
$1,000–$2,499	50.5	49.5	12.4	5.7	74.6	7.3
$2,500–$4,999	48.7	51.3	13.3	4.9	73.4	8.4
$5,000–$9,999	57.4	42.6	18.5	4.7	65.9	11.0
$10,000–$19,999	50.5	49.5	14.2	7.6	68.4	9.9
$20,000–$49,999	59.7	40.4	12.4	9.8	67.8	10.0
$50,000 or more	68.0	32.1	8.6	8.5	73.3	9.7
Year in Which Most Recent Lump-Sum Distribution Was Received						
Before 1980	59.4	40.6	2.9	16.1	76.1	5.0
1980–1986	60.0	40.0	9.8	7.1	67.3	15.9
1987–1993	53.6	46.4	9.4	7.8	73.3	9.5
1994–1998	58.3	41.7	13.4	6.7	69.7	10.2
1999–2003	56.8	43.3	14.8	6.8	69.2	9.3
Age of Recipient When Most Recent Lump-Sum Distribution Was Received						
16–20	19.1	80.9	11.6	0.0	88.4	0.0
21–30	54.2	45.8	15.9	4.9	70.6	8.7
31–40	54.2	45.8	17.0	6.1	67.2	9.8
41–50	55.1	44.9	12.7	8.0	69.3	10.1
51–60	66.0	34.0	5.9	7.9	74.4	11.8
61–64	62.7	37.3	4.8	9.8	75.2	10.3
65 and older	57.9	42.1	3.1	18.2	69.6	9.1
Gender						
Male	58.9	41.2	12.8	7.1	69.9	10.2
Female	54.8	45.2	12.6	7.3	70.5	9.6
Race						
White	53.8	43.2	12.0	6.8	71.5	9.6
Black	65.8	34.2	29.7	13.1	34.3	22.9
Hispanic	53.8	46.2	17.6	5.8	67.4	9.3
Other	52.1	48.0	13.9	12.7	65.7	7.8

Source: Employee Benefit Research Institute estimates from the 2001 Survey of Income and Program Participation Topical Module 7.

[a] In 2003 dollars.

[b] Includes only the lump sums that were rolled over.

(although the threshold has been increased legislatively in the past and if done so again would alter a trend of fewer forced cashouts).[30] What workers are likely to do with these forced distributions will certainly be affected by EGTRRA, which stipulates that required lump-sum distributions of more than $1,000 but less than $5,000 must be placed in a rollover IRA unless otherwise requested. (This is scheduled take effect in early 2006.)

Individuals have choices of where to roll over their retirement assets and preserve their tax preference until retirement or withdrawal. They can roll over the assets to a plan at a new job if allowed by that plan, to an IRA, or to an individual annuity.[31] The overwhelming choice for rollovers was an IRA, accounting for 70.2 percent of the most recent lump-sum distributions that were rolled. The next most likely choice was to roll over a distribution to a plan at another job, at 12.7 percent. Current distributions were more likely to have been rolled over to a plan at another job, increasing from 9.8 percent for distributions taken from 1980–1986 to 14.8 percent for those taken from 1999–2003.

Individuals electing an annuity made up the smallest group of those electing a rollover, at 7.2 percent. However, the percentage choosing an annuity did increase with age, reaching 18.2 percent for those ages 65 or older. Annuity use by date of the most recent distributions has remained essentially unchanged for those distributions taken from 1980 or after, at about 7 percent.

Not everyone who takes a lump-sum distribution rolls over those assets. They could use the money for various other reasons, such as starting a business, buying a home, obtaining higher education, paying off debts, or just spending the money. Through 2003, 46.7 percent of those taking a lump-sum distribution used at least some portion of the money for tax-qualified savings (another employment-based plan, IRA, or annuity), while 21.6 percent used at least some portion of it for consumption (Figure 9).[32] The other most prevalent uses were buying a home, paying off debt, or starting a business (32.0 percent of lump-sum recipients used their distributions for these reasons). At least some portion of a lump-sum distribution is likely to be used for tax-qualified savings if the distribution is larger, the recipient is older (through age 60) at time of the distribution, male, white, or has annual earnings of $30,000 or more.

For the most recent distributions (1999–2003), the likelihood of rolling over some portion of the lump sum decreased relative to that of those taken before 1999. Correspondingly, an increase occurred in the percentage of those using some of their lump-sum distribution for buying a home, paying off debt, or starting a business. Therefore, the more recent lump-sum recipients appear to be either forced to, or choose to, use the assets for a more immediate financial purpose rather than holding them for retirement—owing particularly to rising housing costs. Depending upon the choices, the effect cannot be assumed to be negative for retirement adequacy. For instance, an individual who uses these assets to purchase a home that he or she would not otherwise have could have a more secure retirement than someone who has assets at retirement but is required to pay rent monthly.

Among those using their entire lump-sum distributions for only one purpose, 43.4 percent rolled over the entire amount to tax-qualified savings (Figure 10). Approximately 12 percent used the entire distribution on consumption, while an additional 21.8 percent used their entire distribution for buying a home, paying off debt, or starting a business. Factors related to the use of the *entire* lump-sum distribution follow the same patterns as those related to the use of at least *some portion* of it.[33]

The average loss of retirement assets from these most recent distributions among those individuals cashing out (not rolling over) their lump-sum distributions by the time they reach age 65 ranges from $24,138 (assuming a 3 percent annual rate of return), $40,972 (assuming a 5 percent annual rate of return) to $179,483 (assuming a 10 percent rate of return). Despite these numbers being fairly small (except for the high-rate return value), these amounts could certainly make a difference in many individuals' retirements.

One alternative available to participants at job termination is to leave the assets in the former employer's plan until retirement or some other future date. This choice is generally not considered in the discussion of those who take a lump-sum distribution. Thus, the percentage of individuals who are preserving their assets until retirement or at least a future date tend to be understated by analyses that omit those who leave their assets in the plan.

Figure 9

Uses of Any Portion of Americans' Most Recent Lump-Sum Distributions, 2003

	Total Recipients (thousands)	Tax-Qualified Savings	Non Tax-Qualified Savings	Home, Business, or Debt	Education Expenses	Job Change Related Expenses	Consumption
Total	15,983	46.7%	10.0%	32.0%	1.5%	6.2%	21.6%
Amount of Most Recent Lump-Sum Distribution							
$1–$499	905	19.9	4.7	38.2	3.4	3.5	35.2
$500–$999	858	26.0	7.8	40.1	0.7	9.9	25.9
$1,000–$2,499	2,411	32.5	8.7	40.2	1.0	6.6	26.3
$2,500–$4,999	2,238	38.8	9.2	34.4	1.5	6.1	25.6
$5,000–$9,999	2,371	41.2	8.6	37.2	1.7	10.3	23.1
$10,000–$19,999	2,437	49.1	11.6	35.1	2.1	6.3	18.6
$20,000–$49,999	2,342	61.4	11.2	25.6	1.3	5.2	17.5
$50,000 or more	2,422	74.4	13.7	14.2	1.0	2.4	12.1
Year in Which Most Recent Lump-Sum Distribution Was Received							
Before 1980	701	24.0	15.8	40.3	2.0	6.6	30.4
1980–1986	1,498	35.2	15.9	36.1	1.5	7.6	26.3
1987–1993	3,058	49.3	9.9	29.8	1.4	6.2	21.1
1994–1998	4,062	52.3	9.0	27.9	1.2	6.2	20.9
1999–2003	6,664	47.2	8.8	33.6	1.7	5.8	20.2
Age of Recipient When Most Recent Lump-Sum Distribution Was Received							
16–20	195	16.4	11.1	25.5	2.9	10.3	51.0
21–30	4,352	35.3	8.5	38.7	2.1	6.1	25.6
31–40	4,747	46.8	7.3	35.0	1.8	7.9	20.1
41–50	3,223	53.3	10.6	27.8	1.6	6.6	20.4
51–60	2,119	60.3	12.6	24.2	0.2	3.2	17.5
61–64	678	58.3	16.9	18.9	0.0	2.3	17.8
65 and older	669	43.4	21.4	26.7	0.0	5.2	20.2
Annualized Earnings in 2003*							
No income	4,745	44.9	13.9	31.2	1.2	6.4	22.8
$1–$5,000	418	36.0	6.2	42.2	2.0	6.6	26.5
$5,000–$9,999	604	41.8	8.3	37.9	1.1	5.4	26.9
$10,000–$14,999	606	42.8	6.9	35.4	0.6	5.8	19.9
$15,000–$19,999	870	36.4	10.0	40.8	0.7	9.1	27.9
$20,000–$24,999	1,126	39.0	9.3	36.6	3.8	5.9	23.0
$25,000–$29,999	1,000	35.7	7.2	39.2	0.7	10.8	28.9
$30,000–$49,999	3,310	46.0	9.7	31.5	2.1	6.4	21.8
$50,000 or more	3,305	61.7	7.3	24.4	1.3	3.6	14.0
Gender							
Male	7,555	49.8	10.0	30.6	1.3	6.6	19.3
Female	8,428	43.9	10.1	33.2	1.7	5.8	23.7
Race							
White	13,861	49.3	10.2	30.5	1.5	5.6	20.1
Black	900	23.5	11.9	44.0	2.0	12.8	38.6
Hispanic	634	25.6	8.8	47.3	1.3	10.2	30.2
Other	589	44.3	5.2	30.8	0.7	6.1	21.6

Source: Employee Benefit Research Institute estimates from the 2001 Survey of Income and Program Participation Topical Module 7.

* This is the monthly income of the reference month of the respondent annualized or multiplied by 12.

Figure 10

Uses of Entire Portion of Americans' Most Recent Lump-Sum Distributions, 2003

	Tax-Qualified Savings	Non Tax-Qualified Savings	Home, Business, or Debt	Education Expenses	Job Change Related Expenses	Consumption
Total	43.4%	6.2%	21.8%	0.8%	2.5%	11.9%
Amount of Most Recent Lump-Sum Distribution						
$1–$499	19.9	4.7	34.5	3.4	1.8	32.0
$500–$999	25.5	6.5	33.0	0.7	7.2	18.0
$1,000–$2,499	30.3	6.8	31.5	0.4	2.5	16.9
$2,500–$4,999	36.5	5.6	24.4	1.0	3.0	17.6
$5,000–$9,999	38.8	4.5	24.5	1.2	3.0	10.5
$10,000–$19,999	45.0	6.3	21.9	0.4	2.5	7.7
$20,000–$49,999	56.5	6.7	12.8	0.4	1.7	5.4
$50,000 or more	68.1	7.7	7.1	0.5	0.8	4.1
Year in Which Most Recent Lump-Sum Distribution Was Received						
Before 1980	20.6	11.6	28.7	1.6	3.7	18.7
1980–1986	30.9	8.9	24.3	34.0	3.1	15.4
1987–1993	45.8	5.7	19.7	1.1	2.8	11.4
1994–1998	48.0	5.5	18.8	0.7	2.3	12.2
1999–2003	44.7	5.7	23.3	0.8	2.2	10.5
Age of Recipient When Most Recent Lump-Sum Distribution Was Received						
16–20	16.4	5.8	15.5	2.9	6.9	37.2
21–30	32.7	5.7	29.4	1.5	2.8	16.3
31–40	44.1	4.1	23.2	0.9	3.6	9.9
41–50	49.5	6.2	17.6	0.3	2.1	10.7
51–60	55.5	7.4	14.0	0.2	0.6	7.5
61–64	54.4	11.8	12.2	0.0	0.0	9.7
65 and older	37.8	14.8	19.4	0.0	1.4	12.4
Annualized Earnings in 2003*						
No income	40.6	8.9	20.2	0.5	1.7	12.5
$1–$5,000	34.6	3.2	31.6	2.0	0.7	13.5
$5,000–$9,999	37.1	5.6	24.3	0.0	2.1	15.0
$10,000–$14,999	40.5	4.7	28.5	0.6	2.5	14.2
$15,000–$19,999	31.2	5.7	27.7	0.2	3.0	14.3
$20,000–$24,999	36.6	6.3	26.1	2.5	2.9	13.1
$25,000–$29,999	31.8	4.4	25.0	0.4	6.2	14.7
$30,000–$49,999	43.8	6.0	21.4	1.2	2.8	11.6
$50,000 or more	58.8	3.9	17.6	0.6	2.1	8.4
Gender						
Male	47.0	6.3	20.8	0.7	2.6	9.9
Female	40.2	6.1	22.7	0.9	2.4	13.7
Race						
White	45.9	6.3	20.9	0.9	2.3	11.0
Black	20.6	5.9	25.8	0.3	4.0	20.9
Hispanic	21.4	7.3	33.5	0.0	4.3	15.5
Other	43.4	4.4	23.8	0.7	3.0	16.1

Source: Employee Benefit Research Institute estimates from the 2001 Survey of Income and Program Participation Topical Module 7.

*This is the monthly income of the reference month of the respondent annualized or multiplied by 12.

As of 2003, 51 percent of workers who had retirement plan benefits at a previous employer received a lump-sum payment only, and another 11 percent received a lump-sum payment and retained some assets in a former employer's plan (Figure 11).[34] The remaining 38 percent of these workers had left their retirement benefits in their former job's plan only. This figure includes those who had a defined benefit or a defined contribution plan.

One of the most important factors in the decision to roll over a lump-sum distribution to another tax-preferred retirement savings vehicle is the size of the distribution. Thus, size would also be expected to be a factor in the decision to retain benefits in a previous employer's plan.[35] A close proxy can be derived from the SIPP data to investigate this issue. While lump-sum distribution recipients could have received a payment from either a defined benefit or a defined contribution plan, only those who had a defined contribution plan were asked the value of their plan at a previous job, and then were asked only the account balance at the time of survey, not at the time of job termination. With these caveats in mind, a comparison can be made (by lump-sum amount and account balance) of those who either received only a lump-sum distribution or who only retained their benefits. Among individuals with account balances and lump-sum amounts of less than $5,000, the percentage who left their retirement plan benefits in a previous employer's plan ranged from 12.6 percent to 18.5 percent. For individuals with balances or distributions of $5,000 or more, the percentage leaving their retirement plan benefits in a previous employer's plan ranged from 30.9 percent to 39.7 percent (Figure 12). Consequently, individuals with higher balances are not only more likely to roll over their lump-sum distributions to other tax-qualified savings, but also are significantly more likely to retain their benefits in a previous employer's plan.[36]

Standard of Living

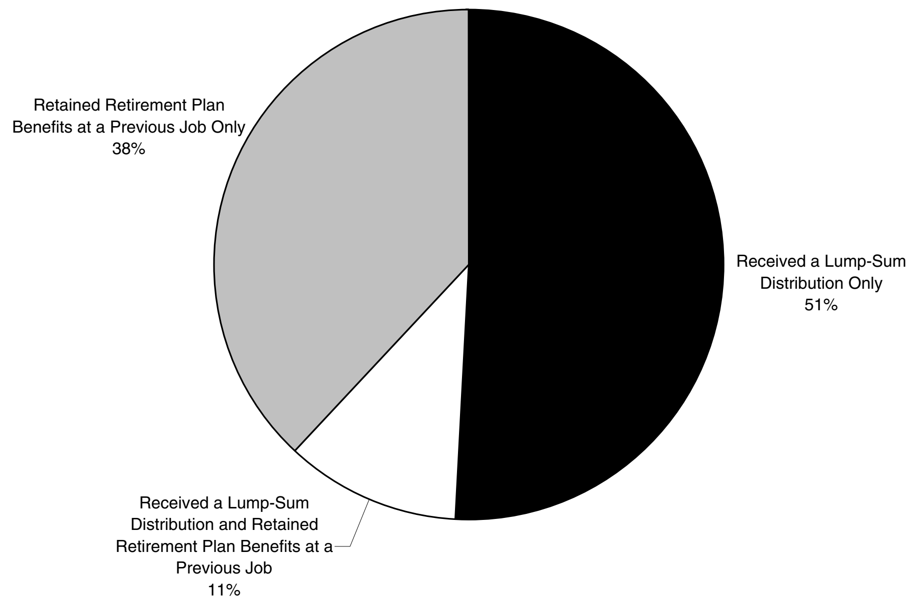
In addition to establishing how workers are currently preparing for retirement, it is also important to assess those in or near retirement to determine how effective the retirement system is at providing a secure financial retirement for the current near elderly and elderly. In order to provide an indication of how current elderly and near elderly (age 55 and older) Americans perceive that they are doing, SIPP includes a question asking these individuals to compare their current standard of living with the standard they maintained when they were in their early 50s. Their responses show that the majority is doing about the same or better now than when they were in their early 50s, with approximately three-fourths reporting that their standard of living is about the same or better (Figure 13).

While this relatively high percentage of older Americans who perceive they have been able to at least maintain their standard of living is fairly consistent across various demographic characteristics, some clearly are not doing as well. Among all Americans age 55 and older, divorced or separated individuals and those having family income below $15,000 are more likely to report that their standard of living is much worse. Approximately 10 percent of divorced or separated individuals report their standard of living is much worse currently, compared with 6.7 percent of all individuals age 55 or older and 5.1 percent of married persons (Figure 14). Furthermore, more than 12 percent of those having family income below $15,000 reported they were much worse currently, compared with only 2.8 percent of those having family income of $50,000 or more. Other groups that report they are doing disproportionately worse are minorities and those with less education. The age of the individual does not appear to be a factor until the oldest ages (85 or older), when the percentage of those being worse off increases significantly while the percentage of those doing much or somewhat better decreases.

Among those who said they retired from a job and are 55 or older, the percentage reporting that their standard of living is at least the same as it was in their early 50s was only slightly lower than the percentage for all those age 55 or older (Figure 13). The same differences that were reported for all Americans age 55 and older across the investigated demographic characteristics were also found among those who reported having retired from a job (Figure 15). The one significant difference among those who said they had retired from a job was that those ages 55–64 were significantly more likely to have reported that they were doing much worse than all Americans ages 55–64 (8.8 percent compared with 6.0 percent). This difference is

Figure 11

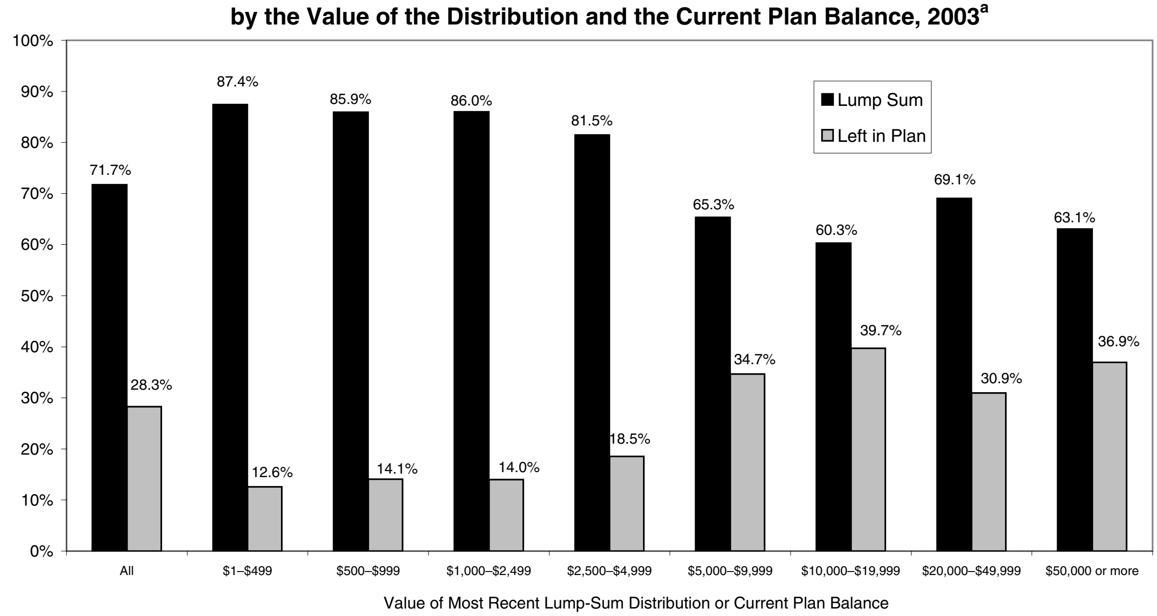
Percentage of Former Participants in an Employment-Based Retirement Plan Who Either Took a Lump-Sum Distribution or Retained Their Benefits in Their Previous Job's Plan, 2003



Source: Employee Benefit Research Institute estimates from the 2001 Survey of Income and Program Participation Topical Module 7.

Figure 12

Percentage of Individuals Who Had a Retirement Plan at a Previous Job Who Took a Lump-Sum Distribution Versus Leaving the Assets in the Plan, by the Value of the Distribution and the Current Plan Balance, 2003[a]

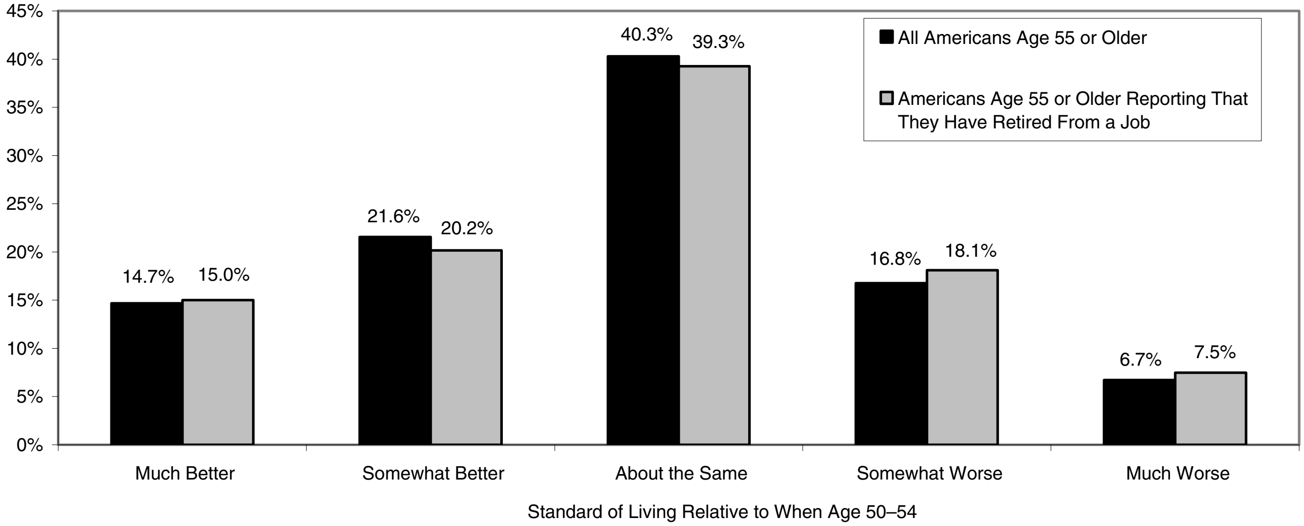


Source: Employee Benefit Research Institute estimates from the 2001 Survey of Income and Program Participation Topical Module 7.

[a] This only looks at those who took only a lump-sum distribution or retained their retirment plan benefits in a previous job's plan, not a combination of the two. Furthermore, only individuals who reported a balance in the previous job's plan were included. The balance is at the time of the survey, not at the time of the job termination, with all lump-sum distributions in 2003 dollars.

Figure 13

Self-Reported Standard of Living Among All Americans and Retirees Age 55 or Older, Relative to When They Were Age 50–54, 2003



Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

Figure 14

Self-Reported Standard of Living Among Americans Age 55 or Older Relative to When They Were Ages 50–54, by Various Demographic Characteristics, 2003

	Much Better	Somewhat Better	About the Same	Somewhat Worse	Much Worse
All	14.7%	21.6%	40.3%	16.8%	6.7%
Family Income					
Less than $10,000	10.4	14.1	37.3	23.7	14.5
$10,000–$14,999	7.7	16.4	41.2	22.0	12.8
$15,000–$19,999	11.4	18.3	39.1	22.1	9.1
$20,000–$24,999	11.8	18.0	41.4	21.4	7.4
$25,000–$29,999	15.1	18.3	38.7	21.2	6.7
$30,000–$49,999	15.0	22.8	42.4	14.6	5.3
$50,000 or more	19.2	26.9	40.0	11.1	2.8
Gender					
Male	15.5	22.3	40.3	15.7	6.2
Female	14.0	20.9	40.3	17.7	7.1
Race					
White	14.6	21.7	41.0	16.3	6.4
Black	11.3	21.4	38.4	19.7	9.2
Hispanic	15.8	19.2	34.4	22.7	8.0
Other	22.1	22.5	41.1	9.4	5.0
Education					
Less than HS diploma	13.2	17.8	37.8	21.2	10.1
HS diploma	13.2	22.1	41.4	16.9	6.4
Some college	15.2	21.8	39.3	17.2	6.6
Bachelor's degree	17.6	23.2	41.2	13.5	4.6
Graduate degree	18.4	26.1	44.4	8.4	2.7
Age					
55–64	14.1	23.7	41.2	15.1	6.0
65–70	16.4	21.6	39.6	15.7	6.7
71–75	16.2	18.8	38.4	19.8	6.7
76–84	14.4	20.0	38.7	19.4	7.5
85 or older	11.2	16.2	45.0	17.6	10.1
Marital Status					
Married	16.1	23.2	40.6	14.9	5.1
Widowed	11.9	19.3	38.9	20.5	9.4
Divorced or separated	13.7	18.6	38.1	19.5	10.1
Never married	9.8	16.7	49.7	17.4	6.5

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

likely attributable to the availability of health insurance. (This is not as significant a concern for those ages 65 or older, for whom Medicare is virtually universal.)

The availability of health insurance coverage and the existence of pension income (traditional defined benefit annuity payments) are two significant factors in retirees' ability to maintain their standard of living. In 2003, 19.3 percent of Americans age 55 or older reported having health insurance in their own name from a former employer (Figure 16).[37] However, for those who reported they had retired from a job, 38.1 percent had health insurance from their former employer in their own name (Figure 16). The level of health insurance coverage from a former employer differed significantly across various demographic characteristics. Individuals who were more likely to have this coverage were those with more family income, more educational attainment, or male. In addition, those who were younger were more likely to have health care coverage, with 48.4 percent of those ages 55–64 having the coverage, compared with 36.8 percent for next highest age group (ages 65–70). However, the higher rate for the 55–64 age group is not likely to make up for the lack of other health insurance (Medicare), which covers those age 65 or older, as other options for those ages 55–64 are not easily obtainable, particularly for those in poor health.

Figure 15
Americans Age 55 or Older Who Said They Have Retired From a Job Self-Reported Standard of Living Relative to When They Were Ages 50–54, by Various Demographic Characteristics, 2003

	Much Better	Somewhat Better	About the Same	Somewhat Worse	Much Worse
All	15.0%	20.2%	39.3%	18.1%	7.5%
Family Income					
Less than $10,000	9.2	13.2	34.4	27.0	16.3
$10,000–$14,999	7.9	14.9	41.1	23.3	12.9
$15,000–$19,999	11.7	18.2	37.3	23.2	9.6
$20,000–$24,999	12.6	16.9	41.4	20.6	8.5
$25,000–$29,999	16.2	17.5	37.7	21.4	7.3
$30,000–$49,999	15.3	21.9	42.1	15.5	5.2
$50,000 or more	21.0	25.4	38.2	11.8	3.6
Gender					
Male	15.7	20.2	39.8	17.1	7.2
Female	14.2	20.1	38.6	19.3	7.9
Race					
White	15.2	20.2	40.2	17.3	7.0
Black	11.1	19.0	36.4	21.5	12.0
Hispanic	15.2	19.1	28.5	28.0	9.2
Other	20.1	24.1	38.6	13.4	3.9
Education					
Less than HS diploma	12.9	17.0	36.7	22.8	10.5
HS diploma	13.0	20.8	39.9	19.0	7.4
Some college	16.0	19.8	37.7	19.0	7.5
Bachelor's degree	18.4	21.1	41.3	14.0	5.2
Graduate degree	19.7	25.0	44.4	7.0	3.9
Age					
55–64	13.8	21.2	38.4	17.8	8.8
65–70	15.9	21.9	40.5	15.6	6.2
71–75	17.6	18.4	37.5	19.9	6.6
76–84	14.4	19.7	39.1	19.4	7.4
85 or older	11.9	17.2	43.2	18.4	9.4
Marital Status					
Married	16.5	21.7	39.7	16.3	5.8
Widowed	12.0	18.9	38.4	20.7	10.0
Divorced or separated	14.1	15.5	35.1	22.9	12.4
Never married	10.3	15.0	49.0	19.4	6.3

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

Figure 16

Percentage of Americans Age 55 or Older Who Have Pension Income or Health Insurance From a Former Employer in Own Name, by Retirement Status and Various Demographic Characteristics, 2003

	All Ages 55 or Older			Those Said They Retired From a Job		
	Total	Have pension Income	Have health insurance from a former employer in own name[a]	Total	Have pension Income	Have health insurance from a former employer in own name[a]
	(thousands)			(thousands)		
All	61,329	36.1%	19.3%	31,093	59.6%	38.1%
Family Income						
Less than $10,000	6,356	12.4	5.9	2,928	17.1	12.8
$10,000–$14,999	5,276	30.7	11.3	2,967	37.5	20.1
$15,000–$19,999	5,714	37.9	16.3	3,264	48.6	28.6
$20,000–$24,999	5,309	41.7	20.7	3,051	59.4	36.1
$25,000–$29,999	4,362	42.5	23.1	2,522	63.7	40.0
$30,000–$49,999	14,029	43.7	25.0	7,826	69.4	44.9
$50,000 or more	20,283	36.4	21.3	8,535	76.0	50.7
Gender						
Male	27,478	43.8	28.9	16,664	68.2	47.7
Female	33,851	29.9	11.6	14,429	49.6	27.1
Race						
White	49,802	38.2	20.6	26,035	60.9	39.3
Black	5,279	33.6	18.1	2,681	55.9	35.7
Hispanic	4,073	22.0	9.4	1,581	48.3	24.2
Other	2,176	22.1	12.5	796	52.0	34.1
Education						
Less than HS diploma	13,594	29.6	10.8	6,674	46.0	21.9
HS diploma	19,872	36.3	18.3	10,147	57.0	35.8
Some college	14,779	36.7	20.3	7,522	60.7	39.9
Bachelor's degree	7,757	38.4	25.5	3,917	70.9	50.5
Graduate degree	5,326	47.2	33.4	2,834	82.6	62.7
Age						
55–64	27,234	22.4	14.0	7,871	66.9	48.4
65–70	11,201	44.2	24.7	7,505	58.2	36.8
71–75	8,442	48.0	24.9	5,957	57.1	35.2
76–84	10,816	50.0	23.8	7,377	57.5	34.8
85 or older	3,636	45.7	16.7	2,384	52.5	25.5
Marital Status						
Married	38,230	34.8	20.9	19,580	62.8	40.9
Widowed	12,794	46.4	16.3	6,842	52.6	30.5
Divorced or separated	7,849	26.4	16.2	3,403	54.8	37.5
Never married	2,455	33.5	19.9	1,268	61.4	38.5

Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

[a] The question only asked the individuals who retired from a job if they had health insurance from their former employer. Consequently, this does not report those who receive this coverage as a dependent, so the number receiving insurance through an employer is under-counted.

Pension income is another important factor in maintaining retirees' standard of living. In 2003, just over 59 percent of those ages 55 or older who said they had retired from a job received pension income, while 36.1 percent of all Americans age 55 or older received pension income (Figure 15).[38] Again, the existence of pension income varies across individual characteristics. In particular, male, college educated, younger (if retired from a job), and individuals with higher family income were more likely to have pension income.

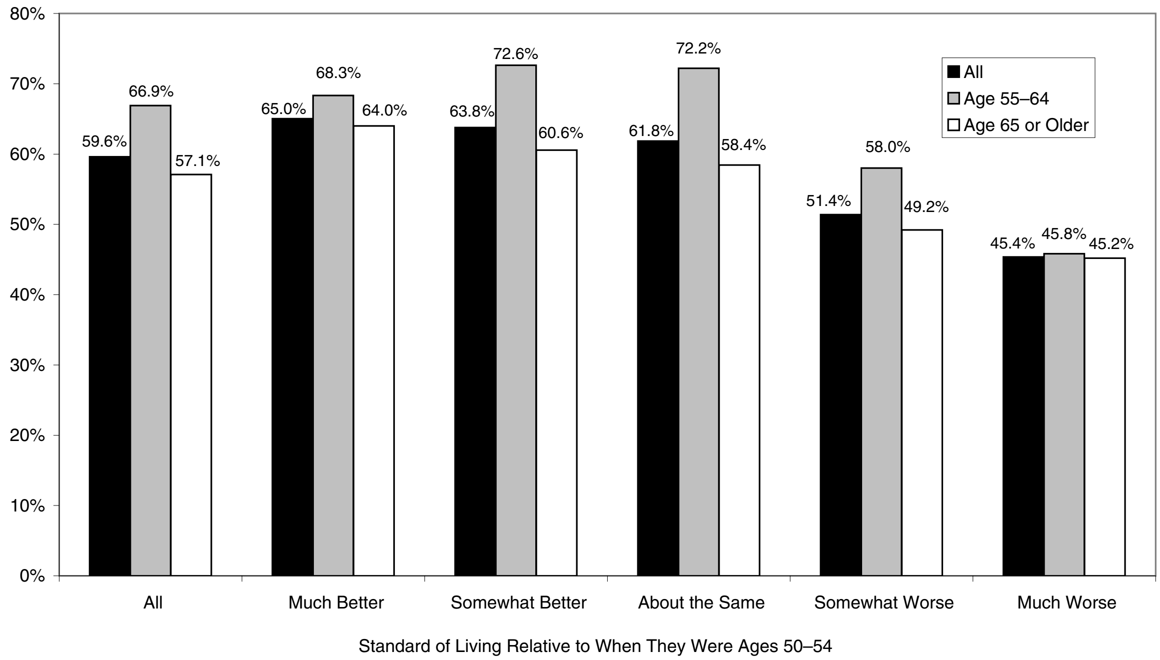
To determine the effect of these two factors on individuals' current self-reported standard of living, the percentage of those age 55 or older and retired from a job having pension income or health insurance from a former employer is examined for each standard-of-living response. Focusing on those age 65 or older who had retired from a job, 64.0 percent of those who reported their standard of living was much better had pension income, compared with 45.2 percent of those reporting their standard of living was much worse having pension income (Figure 17). The difference is more pronounced among those ages 55–64: 68.3 percent of those who said their standard of living was much better had pension income, compared with 45.8 percent of those reporting their standard of living was much worse having pension income. This represents a one-third difference in the percentage with pension income between the two groups.

Concerning health insurance in one's own name (i.e., the primary beneficiary) from a former employer, 44.1 percent of those who reported their standard of living was much better had this insurance, while 25.8 percent of those who said their standard of living was much worse had it (Figure 18). In this case, the percentage decline in having health insurance in one's own name between the much better and much worse categories was larger for those age 65 and older, with a 45.5 percent difference. The 55–64 age group showed a 35.7 percent difference between the two categories. This seems to reinforce the finding that for those age 55 or older, health insurance in addition to, or in the absence of, Medicare is a significant factor in the ability to maintain one's standard of living in retirement.

Another potential factor affecting the retirement standard of living in an era of increased availability of lump-sum distributions is the retention of lump-sum distributions through rollovers to other tax-deferred accounts. A significantly higher percentage of those who spent their lump-sum distributions entirely reported their standard of living as being somewhat or much worse than was reported by those who had rolled over their entire distribution (24.5 percent compared with 16.2 percent) (Figure 19).[39] This may be because those who spend their lump-sum distributions do not plan for retirement and consequently are worse off in old age, or because spending the lump-sum distribution left these individuals without resources they needed to maintain their standard of living in older age. In both cases, the percentage who reported being much worse was fairly small, but the consequences of spending lump-sum distributions highlight the fact that those who took a lump-sum distribution and spent it entirely were approximately 50 percent more likely to describe their standard of living as being somewhat or much worse than was reported by all of those age 55 or older who rolled over their assets. This issue is expected to become increasingly troublesome, as more individuals who reach age 55 will have been faced with making a decision concerning a lump-sum distribution.

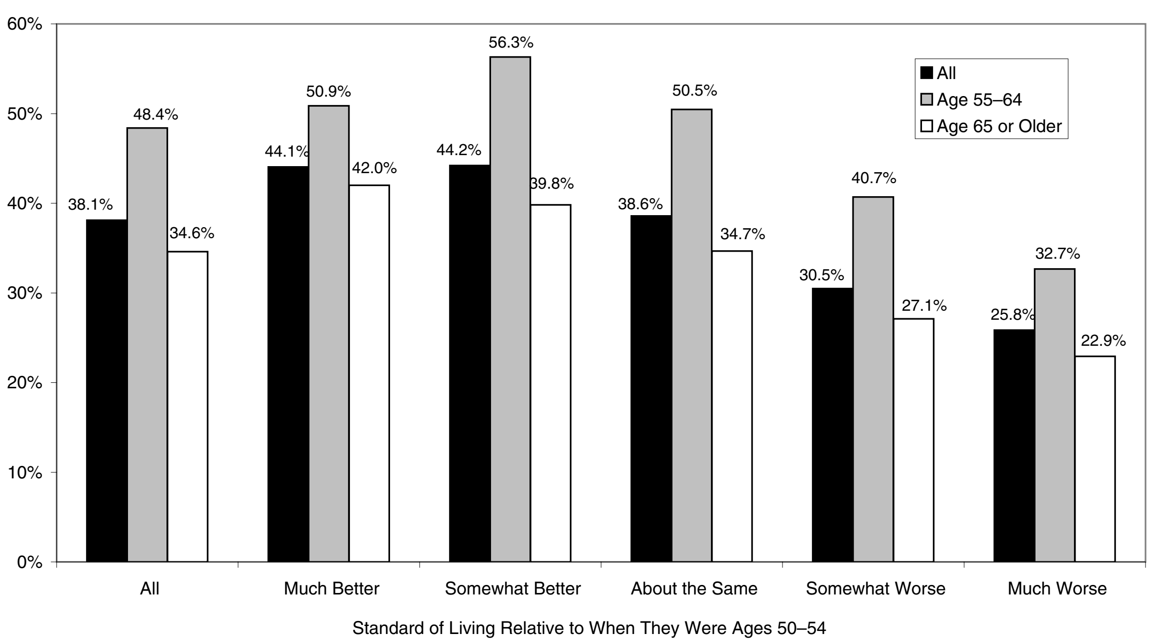
The ultimate decisions workers make on what to do with rollover assets will have a significant impact on the likelihood that retirees will be able to cover the same level of expenses throughout retirement. In a study using the EBRI-ERF Retirement Security Projection Model®, this impact was quantified, specifically by looking at how much additional savings individuals would need to save to have a 75 percent chance of covering the same level of living costs throughout their retirement years. It found that if everyone annuitized all their account balances, individuals would need to save a median amount of 25–35 percent less than would need to be saved under current annuity utilization (VanDerhei and Copeland, 2004). This level varies by the family composition, birth year, and the lifetime income quartile of an individual. For example, single women, born from 1941–1945 and having lifetime income in the third quartile of those birth years, would have a median reduction in savings needs of approximately 26 percent, compared with the approximate median 35 percent reduction for single women born from 1961–1965 with lifetime income in the third quartile (Figure 20).

Figure 17
Percentage of Those Age 55 or Older Who Said They Have Retired From a Job and Have Pension Income, by Self-Reported Standard Living Relative to When They Were Ages 50–54, 2003



Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

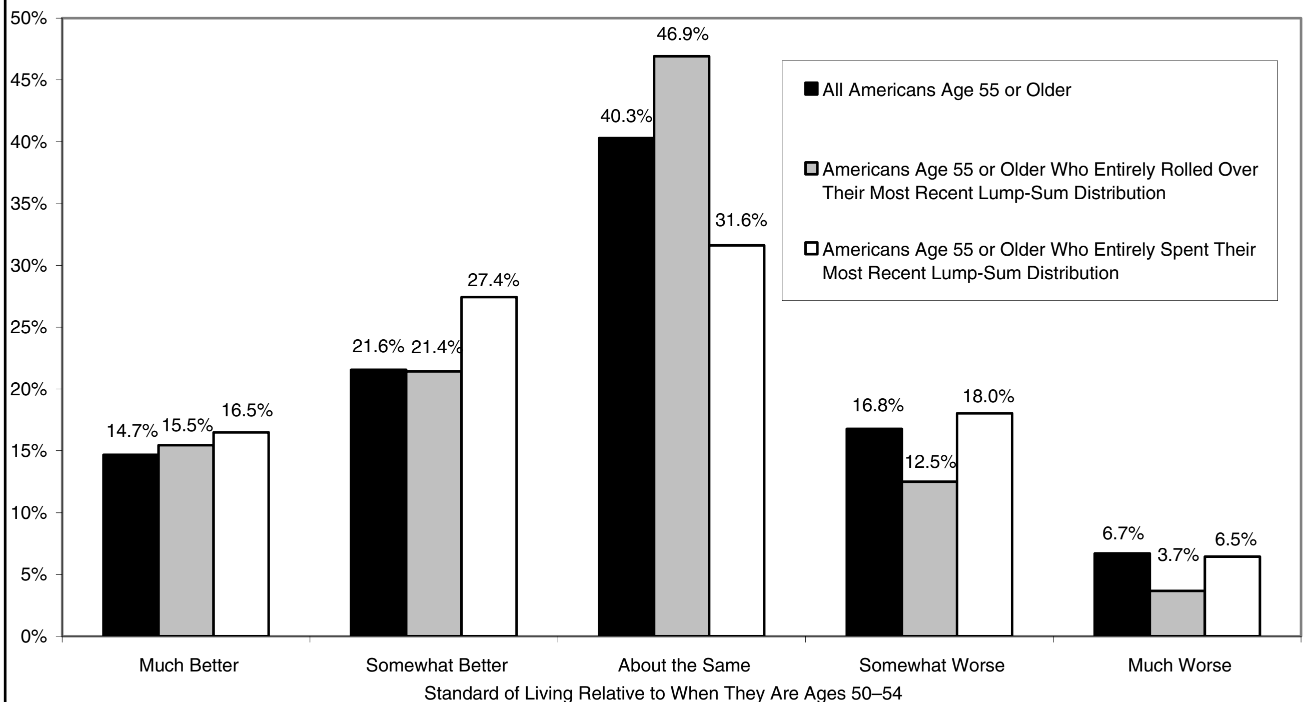
Figure 18
Percentage of Those Age 55 or Older Who Said They Have Retired From a Job and Have Health Insurance From a Former Employer, by Self-Reported Standard of Living Relative to When They Were Ages 50–54, 2003



Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

Figure 19

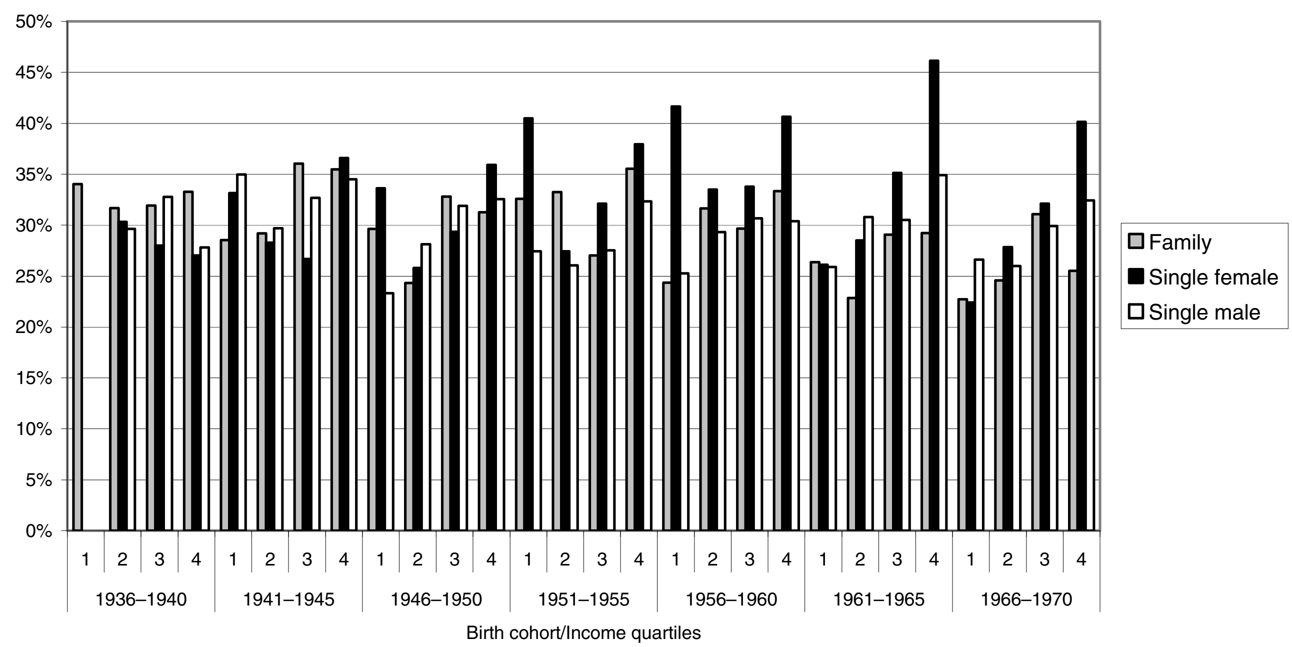
Americans Age 55 and Older Self-Reported Standard of Living Relative to When They Were Age 50–54, by Use of Most Recent Lump-Sum Distribution, 2003



Source: Employee Benefit Research Institute estimates of the 2001 Survey of Income and Program Participation Topical Module 7.

Figure 20

Reduction in Median Percentage of Additional Compensation That Must Be Saved Annually Until Retirement for a 75% Chance of Covering Simulated Expense, as a Result of Annuitizing All Individual Accounts at Retirement



Source: EBRI-ERF Retirement Security Projection Model.®

Conclusion

Slightly more than one-half of all wage and salary workers are participating in an employment-based retirement plan at their current job. Furthermore, approximately one-third of wage and salary workers participate in a salary reduction or 401(k)-type plan. The same worker and employer characteristics affect both overall participation in a plan and the decision to participate in a salary reduction plan. In particular, workers who earn less, are younger, are members of minority groups, have shorter job tenure, are female, are less educated, are not covered by a union, or work for a small employer all have lower overall participation levels, as well as eligible participation rates (except for workers at large employers and public-sector workers having lower eligible participation rates in salary reduction plans). Consequently, focusing on these groups offers the greatest potential to increase workers' chances of having some type of retirement plan during their working lives.

Data on the participation of workers in a current job do not give a full picture of those who have participated or will have participated in a plan by retirement. Workers change jobs and make different decisions regarding retirement plan participation over their careers. On an historical basis, workers ages 51–60 have approximately a 73 percent probability of having ever participated in an employment-based plan. Thus, the extent of employment-based retirement plan use over workers' lifetimes is significantly greater than the current overall participation rate of roughly 50 percent.

However, many workers do not always secure these potential benefits for retirement because they fail to preserve lump-sum distributions when they change jobs or retire. Many of the groups that have lower participation rates appear to be the same ones that are not securing these benefits. These workers need to be educated on the importance of saving their benefits for retirement, or they will be faced with significantly lower standards of living in retirement or will depend on public welfare to help them financially during this period.

While having pension income is important, it is not all that individuals need for a financially secure retirement. In particular, as health care expenditures continue to grow in importance for retirees, some form of health insurance to supplement Medicare, or cover individuals until they are eligible for Medicare, is of utmost importance. As shown in the section on the near elderly and elderly's standard of living relative to when they were in their early 50s, the incidence of both pension income and health insurance from a former employer has a significant impact on retirees' ability to maintain their standard of living.[40] In addition, the finding that those who spent their entire most recent lump-sum distribution are likely to have a much worse standard of living in retirement than those who roll over their most recent distribution shows the importance of retaining any retirement plan benefits for retirement.

While rolling over assets is important for retirement security, it is only the first step, as determining how the assets are used in retirement is the next step in ensuring retirement security. If assets are drawn down too fast, retirees may have to significantly reduce their standard of living as they age, or frugal retirees may reduce their standard of living below what it needs to be. When doing the "draw-down" calculation to figure out how much a retiree can afford to spend each year, understanding life expectancy is critical. Life expectancy is not the age at which all individuals will die, but the *average* death age for a group of individuals. Therefore, roughly speaking, half of the group will die *before* the life expectancy, and half will die *after*. Consequently, individuals face longevity risk—the risk of living longer than expected—which means that many individuals would need to save more than what is needed for just living to life expectancy. A product that insures against longevity risk—an annuity—has not been used to a very significant extent, as shown in Figure 8, despite its potential to reduce the median additional savings needed to cover the same level of expenses throughout retirement, as shown in Figure 20. Thus, many individuals are not currently protecting themselves against longevity. This may not be problematic for *today's* retirees, given that Social Security is paid as an annuity and most traditional defined benefit plans have been paid as annuities. However, as significantly more dollars for retirement are accumulated in individual account plans (without an automatic annuity option), and as retiree health coverage declines with the steady erosion of defined benefit plans, protection from longevity risk will become a much more important factor for retirees.

Preparing for retirement has become a lifetime endeavor both during individuals' working years and their retirement years. Otherwise, working will have to be a lifetime endeavor, or retirees will be left with much lower standards of living when the preparation fails, health status declines, or overspending occurs.

Appendix

This study in most cases focused on results from the 2001 SIPP with the exception of the retirement plan history section, where changes from the 1996 SIPP were discussed. In this appendix, longer trends for the most important trends are examined across various demographic and worker characteristic categories. The employee benefit supplements to the Current Population Survey (CPS) in May 1988 and April 1993 asked essentially the same questions prior to being added to SIPP in the 1996 Panel, so trends from 1988, 1993, 1998, and 2003 are presented. However, caution should be used from 1993 to 1998 because of the movement in the questions from the CPS to SIPP.[41] The overall results for these trends were presented in the September 2005 *EBRI Notes*, but the examination across the demographic/worker characteristic categories are presented in this study. The work force studied in this appendix is a smaller work force—specifically, because agricultural workers are excluded—than that presented in the body of the report due to data limitations of the earlier data sets.

Participation Level. In general, the participation level across the worker characteristics increased from 1988 to 1993, but then declined in 1998 before an increase in 2003 (Figure A1). However, a couple of significant exceptions resulted in the participation levels among workers in the smaller firms, as they had a continuous increase in this percentage from 1988 to 2003. Furthermore, individuals with low levels of tenure also experienced this continuous increase.

Primary Plan. The choice of primary plan shifted from defined benefit to defined contribution from 1988 to 2003 (Figure A2). In 1988, 25.8 percent of employment-based retirement plan participants considered a defined contribution plan to be their primary plan. By 2003, this number had increased to 57.7 percent. This increase in primary defined contribution plans was virtually universal. However, the shift was significantly slower for those working in the public sector or in a union-covered job.

Salary Reduction Plans. The percentage of workers who participated in a salary reduction plan increased considerably from 1988 to 2003 (Figure A3). This was reflected across all of the categories examined, with participants in the public sector having a much flatter increase.

Contribution Rates. The percentage of earnings contributed to a salary reduction plan showed a slight increase, from 1993 to 2003 (Figure A4). The overall levels increased from 7.1 percent in 1993 to 7.5 percent in 2003. This upward trend was the predominant trend across the examined categories. Given the sample sizes, only those working for smaller employers showed a statistically significant decline from 1998 to 2003, while workers from the largest employers showed a slight increase.[42] Otherwise, the significant changes were increasing.

Overall Trends Compared With Other Surveys. The overall trend in participation levels in this study contradicts the results from those found from the March Current Population Survey. The March CPS shows a decline in the percentage of wage and salary workers participating in an employment-based retirement from 1998 to 2003, while the SIPP showed an increase (Figure A5). This was just the opposite of the trends found between 1993 and 1998 between the two surveys. Further examination cannot determine precisely the cause of the discrepancy in the results, but survey differences both in timing and methodology are important factors in these results. Regardless of the trends, both surveys essentially reveal that only half of wage and salary workers are currently participating in an employment-based retirement plan. For a further discussion of the differences in the results between SIPP and the March CPS, see Copeland (2005c) and Purcell (2005).

Figure A1

Civilian Nonagricultural Wage and Salary Workers, Aged 16 and Over, Sponsorship Rate and Participation Rate, by Various Characteristics, 1988, 1993, 1998, and 2003

	Total Workers (thousands)				Sponsorship Rate				Participation Level			
	1988	1993	1998	2003	1988	1993	1998	2003	1988	1993	1998	2003
Total	101,744	105,815	116,958	123,573	63.1%	64.4%	65.0%	67.9%	47.7%	49.3%	47.2%	51.5%
Annual Hours												
1–999	8,170	8,461	8,713	9,271	35.1	39.2	41.4	45.6	7.6	8.8	11.8	14.6
1,000–1,499	7,459	8,085	9,718	10,071	48.6	49.5	46.7	49.2	24.8	24.0	19.1	21.0
1,500–1,999	11,374	12,355	13,629	14,393	61.5	61.5	59.7	61.2	43.9	44.7	37.5	40.5
2,000 or more	66,498	68,614	84,898	89,838	72.0	73.0	70.3	73.4	59.2	61.1	55.6	60.4
Tenure												
Less than 1 year	19,478	19,643	24,439	22,600	42.5	41.3	52.7	54.4	14.8	12.1	21.3	24.9
1–4 years	33,888	34,345	39,581	43,676	57.2	58.1	60.4	64.2	38.0	37.8	38.1	43.0
5–9 years	17,140	21,167	20,908	23,459	73.9	71.6	68.9	71.6	64.4	63.0	57.7	60.9
10–14 years	10,944	11,380	13,172	12,919	80.1	79.2	74.3	76.6	74.2	74.3	67.1	69.1
15 or more years	15,884	17,552	18,859	20,920	84.9	85.6	79.6	80.9	81.1	81.8	74.3	76.3
Age												
16–20	8,373	6,634	8,013	7,309	32.1	33.6	40.5	39.7	6.3	3.7	6.7	5.1
21–30	28,895	26,359	26,361	26,449	59.0	58.8	59.4	61.4	38.7	35.9	32.6	37.0
31–40	27,710	31,047	31,581	29,944	69.9	68.3	69.2	71.2	55.8	55.4	53.6	56.8
41–50	19,453	23,459	28,853	31,775	70.9	72.9	72.0	73.5	61.2	63.5	60.1	62.6
51–60	12,393	13,164	16,141	20,753	69.6	69.8	69.5	75.6	60.2	62.0	59.5	64.9
61–64	2,631	2,781	2,920	3,731	61.3	64.9	62.2	68.3	52.1	54.1	49.8	54.6
65 or older	2,289	2,371	3,089	3,613	45.8	47.1	45.5	52.3	28.5	30.4	23.3	27.7
Firm Size (by number of employees)												
Fewer than 25	21,726	22,499	24,827	26,843	19.6	20.2	27.4	31.3	14.2	15.4	18.3	23.7
25–99	12,344	12,901	13,513	13,635	50.4	49.6	51.4	57.6	35.5	36.0	35.1	41.4
100 or more	58,771	62,484	59,330	61,695	83.6	84.9	77.0	79.6	64.8	66.2	54.2	58.0
Annual Earnings (1993 $)												
Less than $5,000	7,595	7,275	9,075	8,436	28.3	30.3	39.8	42.9	4.1	3.7	12.6	13.3
$5,000–$9,999	10,119	10,419	13,181	12,783	38.5	40.9	44.0	47.1	13.9	14.2	18.2	21.3
$10,000–$14,999	12,463	15,015	16,771	15,414	52.1	51.0	53.6	54.2	30.9	30.8	30.1	31.2
$15,000–$19,999	13,658	14,238	15,180	16,938	63.6	65.7	64.1	63.9	46.6	47.5	44.0	44.7
$20,000–$24,999	10,956	12,408	13,214	14,017	73.0	75.8	70.6	72.4	58.6	63.2	53.8	56.6
$25,000–$29,999	9,841	9,737	11,247	12,046	77.0	78.3	76.0	75.9	64.7	67.3	61.7	63.3
$30,000–$49,999	20,993	19,858	22,544	25,317	84.5	85.4	80.5	83.0	75.7	77.9	69.5	73.0
$50,000 or more	7,876	8,566	12,068	15,755	86.8	88.1	82.3	85.9	78.8	82.9	74.6	79.3
Gender												
Male	54,764	55,582	61,192	64,386	64.9	64.6	65.6	67.6	52.0	52.0	50.1	53.5
Female	46,980	50,233	55,766	59,186	61.0	64.1	64.3	68.3	42.7	46.3	44.0	49.3
Union Status												
Union covered	19,335	18,498	17,193	16,671	90.9	90.0	88.1	90.7	80.7	80.3	76.7	80.7
Not union covered	82,408	87,317	99,765	106,902	56.5	59.0	61.0	64.4	40.0	42.7	42.1	46.9
Industry												
Mining	712	648	620	432	73.3	74.4	74.4	73.4	63.5	68.5	60.6	65.7
Construction	5,591	4,858	5,842	7,012	36.5	36.7	43.7	46.6	29.5	30.9	33.5	36.3
Manufacturing	21,211	18,809	19,745	16,764	75.7	76.1	74.2	76.5	61.6	63.4	59.7	64.5
Transportation, communications, utilities	6,036	6,490	6,681	6,924	70.5	72.9	71.6	74.6	58.2	60.9	56.4	58.7
Wholesale trade	4,109	4,426	4,757	4,662	61.5	60.1	62.6	67.9	46.2	48.8	47.3	54.3
Retail trade	17,015	18,175	19,937	20,569	39.4	43.9	49.6	54.2	22.3	25.5	24.4	29.7
Finance, insurance, real estate	7,186	6,927	7,029	7,736	73.4	73.7	71.4	74.3	54.3	56.2	52.9	58.2
Professional services	13,324	16,346	20,118	23,666	59.6	66.1	65.5	68.6	39.1	44.8	45.5	49.8
Other services	9,509	10,629	12,943	14,252	31.6	32.4	45.7	51.6	18.9	20.6	27.5	35.5
Public	17,052	18,496	19,288	21,400	92.9	90.9	85.8	86.9	77.9	76.5	71.3	73.8
Race												
White	87,923	90,654	98,659	103,326	63.2	64.5	65.3	68.1	47.9	49.9	48.0	52.1
Black	10,754	11,622	13,217	13,964	63.1	64.7	64.8	67.3	46.8	46.5	43.5	48.2
Other	3,067	3,539	5,082	6,284	60.2	60.1	58.5	65.9	45.5	43.7	40.6	48.7

Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Note: Total participants will not add up in the income category as some participants income was indeterminable from the data and firm size has exlcuded public-sector workers.

Figure A2

Reported Primary Retirement Plan Type Among Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, Who Participate in a Retirement Plan, by Selected Demographic Characteristics, 1988, 1993, 1998, and 2003

	Total Participants (thousands)				Defined Benefit Plan				Defined Contribution Plan			
	1988	1993	1998	2003	1988	1993	1998	2003	1988	1993	1998	2003
Total	48,553	52,179	55,172	63,576	56.7%	38.2%	46.3%	40.5%	25.8%	49.8%	51.5%	57.7%
Annual Hours												
1–999	625	750	1,027	1,355	48.2	39.3	44.8	35.8	32.0	51.5	48.1	60.5
1,000–1,499	1,851	1,940	1,856	2,114	55.4	44.6	45.8	42.3	23.8	42.0	48.3	55.0
1,500–1,999	4,998	5,518	5,116	5,832	53.8	44.1	52.2	45.8	27.6	42.3	44.8	52.0
2,000 or more	39,345	41,889	47,173	54,276	57.8	37.7	45.7	40.0	25.3	50.8	52.5	58.3
Tenure												
Less than 1 year	2,886	2,371	5,210	5,618	46.8	27.7	41.1	35.6	22.3	54.5	53.1	60.4
1–4 years	12,866	12,978	15,060	18,799	46.8	31.1	39.2	34.8	31.3	57.0	57.8	62.6
5–9 years	11,040	13,328	12,058	14,275	55.2	35.4	42.6	37.3	28.5	52.2	55.9	61.0
10–14 years	8,125	8,451	8,842	8,930	60.3	37.8	48.4	42.7	25.4	49.4	50.0	56.3
15 or more years	12,880	14,351	14,002	15,954	68.3	49.4	57.6	50.7	19.1	40.7	41.5	48.7
Age												
16–20	525	244	533	371	53.1	32.4	46.6	25.3	20.9	44.1	52.3	73.1
21–30	11,168	9,456	8,604	9,792	49.9	31.0	36.9	35.9	30.1	55.3	60.3	62.4
31–40	15,472	17,189	16,922	16,998	55.2	35.6	41.5	37.6	26.9	53.0	56.3	60.6
41–50	11,905	14,902	17,332	19,900	59.8	42.2	50.5	42.0	24.6	47.0	47.4	56.0
51–60	7,460	8,160	9,605	13,477	63.7	42.8	54.1	45.0	20.5	44.3	44.0	53.2
61–64	1,371	1,506	1,454	2,037	65.7	48.8	52.8	41.6	19.8	40.7	45.1	57.1
65 or older	653	722	721	1,000	56.6	40.9	50.1	47.2	22.8	44.4	48.3	52.4
Firm Size (number of employees)												
Fewer than 25	3,095	3,456	4,537	6,363	41.1	33.7	31.9	22.7	33.4	51.6	65.0	75.3
25–99	4,377	4,648	4,739	5,643	47.0	31.1	28.9	19.5	34.5	57.1	69.8	78.8
100 or more	38,106	41,381	32,143	35,776	59.6	39.7	36.6	29.3	24.3	49.2	61.6	69.1
Annual Earnings (1993 $)												
Less than $5,000	312	267	1,146	1,122	50.2	28.5	45.7	35.5	20.3	61.8	52.7	63.0
$5,000–$9,999	1,406	1,476	2,393	2,726	50.7	35.5	49.9	42.9	25.2	44.3	48.5	54.9
$10,000–$14,999	3,846	4,630	5,041	4,811	51.6	35.3	44.1	39.1	26.8	43.9	53.7	59.9
$15,000–$19,999	6,359	6,760	6,685	7,572	54.5	36.1	43.5	37.6	26.6	49.4	54.9	61.4
$20,000–$24,999	6,424	7,836	7,108	7,936	55.2	40.1	47.2	40.4	26.1	47.3	50.3	57.9
$25,000–$29,999	6,371	6,557	6,941	7,630	59.4	37.7	48.1	42.7	23.6	50.1	49.7	55.2
$30,000–$49,999	15,897	15,466	15,669	18,469	59.9	42.1	47.8	42.3	24.8	48.9	49.8	55.7
$50,000 or more	6,204	7,103	9,003	12,500	57.9	36.4	43.5	39.0	27.4	57.2	54.0	59.0
Gender												
Male	28,487	28,927	30,643	34,422	57.9	38.1	44.7	37.8	25.6	50.7	53.3	60.6
Female	20,066	23,252	24,529	29,154	55.0	38.4	48.3	43.7	26.0	48.7	49.3	54.2
Union Status												
Union covered	15,610	14,852	13,195	13,452	67.2	54.4	66.9	62.3	18.3	33.2	30.5	35.8
Not union covered	32,943	37,328	41,977	50,124	51.7	31.8	39.8	34.7	29.3	56.4	58.2	63.6
Industry												
Mining	452	443	376	386	56.9	24.6	28.6	19.3	31.1	66.0	68.3	80.7
Construction	1,650	1,504	1,957	2,544	46.8	41.6	39.3	27.8	34.5	40.9	58.2	71.7
Manufacturing	13,075	11,929	11,786	10,811	59.3	35.4	36.7	29.6	23.1	53.0	62.4	69.3
Transportation, communications, utilities	3,513	3,955	3,767	4,063	62.9	36.6	41.3	29.2	22.8	52.9	57.7	68.9
Wholesale trade	1,897	2,160	2,251	2,533	49.3	23.9	27.3	19.9	31.7	64.6	71.0	78.0
Retail trade	3,786	4,628	4,857	6,107	50.3	28.2	31.3	25.9	28.2	55.1	67.5	72.6
Finance, insurance, real estate	3,900	3,892	3,718	4,499	50.0	26.9	35.4	26.3	31.3	64.3	63.2	71.8
Professional services	5,207	7,318	9,151	11,777	47.4	34.5	37.0	29.8	31.3	52.0	59.8	67.8
Other services	1,799	2,194	3,556	5,061	39.9	22.3	28.2	21.5	34.1	66.2	69.0	77.0
Public	13,275	14,154	13,752	15,794	64.6	53.9	79.5	80.5	21.5	35.0	17.2	17.3
Race												
White	42,125	45,232	47,354	53,790	56.6	38.5	44.9	39.7	26.3	50.4	52.9	58.5
Black	5,033	5,402	5,755	6,725	58.8	37.4	58.2	47.9	21.4	43.6	39.2	50.4
Other	1,395	1,545	2,062	3,061	54.1	33.2	43.1	38.2	24.9	53.7	55.0	60.3

Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Note: The defined contribution and defined benefit columns do not add to 100%. Primary plan type other/don't know/unreported makes up the difference.

Total participants will not add up in the income category as some participants income was indeterminable from the data and firm size has exlcuded public-sector workers.

Figure A3

Salary Reduction Plan Sponsorship Rate, Participation Rate, and Percentage the Plan Is Primary Among Civilian Nonagricultural Wage and Salary Workers Age 16 and Over, 1988, 1993, 1998, and 2003

	Sponsorship Rate				Participation Rate				Primary Plan			
	1988	1993	1998	2003	1988	1993	1998	2003	1988	1993	1998	2003
Total	26.9%	36.8%	45.9%	49.9%	15.3%	23.8%	29.1%	34.9%	7.5%	17.4%	22.4%	28.3%
Annual Hours												
1–999	6.3	12.5	27.1	28.5	1.5	3.9	6.4	9.5	1.1	2.8	4.9	8.5
1,000–1,499	13.8	20.0	32.0	34.2	5.6	8.1	10.4	13.3	3.2	6.2	8.6	10.9
1,500–1,999	23.6	30.6	39.0	43.3	13.3	17.6	20.2	25.0	6.8	12.6	15.5	20.2
2,000 or more	33.5	45.3	50.5	55.0	19.7	30.7	35.0	41.5	9.4	22.4	26.9	33.7
Tenure												
Less than 1 year	12.8	18.9	39.0	40.8	3.3	5.3	12.5	16.8	2.3	4.5	10.3	14.5
1–4 years	24.0	32.5	43.7	48.1	12.1	18.5	24.4	29.7	7.6	15.1	20.4	25.7
5–9 years	32.5	43.7	48.7	53.2	20.2	31.2	36.8	42.1	10.5	24.1	29.6	35.5
10–14 years	36.9	48.3	51.3	54.6	24.6	36.4	41.2	46.5	10.5	26.0	31.1	37.3
15 or more years	41.1	50.7	52.5	57.1	28.1	38.0	43.4	50.1	9.5	23.4	28.3	35.2
Age												
16–20	6.4	9.6	27.8	25.0	1.1	1.2	4.4	3.9	0.9	1.0	3.3	3.5
21–30	24.6	32.7	44.6	46.8	11.9	16.9	21.3	25.5	7.3	13.7	18.1	22.2
31–40	32.1	42.0	50.9	53.5	18.0	28.0	34.9	39.1	8.7	21.6	28.3	32.8
41–50	32.6	43.0	48.9	54.5	20.8	30.5	35.4	42.2	9.0	20.7	26.0	33.5
51–60	29.0	38.6	46.3	54.4	20.3	28.7	34.9	43.6	8.3	19.3	24.2	33.1
61–64	21.3	34.0	40.5	46.7	13.8	25.4	28.4	36.4	6.2	16.3	20.3	29.9
65 or older	13.0	20.9	27.6	30.7	7.0	11.6	11.5	16.3	4.4	7.5	9.4	12.8
Firm Size (by number of employees)												
Fewer than 25	4.9	7.7	18.6	24.3	3.5	5.5	11.0	18.1	2.7	4.6	9.7	16.6
25–99	15.9	24.8	38.7	47.1	9.2	16.6	24.9	33.4	6.5	13.7	22.5	31.0
100 or more	39.1	51.4	61.1	65.7	22.1	33.3	39.5	45.9	10.0	23.9	31.7	38.6
Annual Earnings (1993 $)												
Less than $5,000	3.8	8.1	27.2	27.7	1.1	1.6	7.3	9.0	0.8	1.4	6.0	8.0
$5,000–$9,999	8.8	13.1	29.6	32.5	2.6	4.4	10.3	13.6	1.5	3.6	8.2	11.3
$10,000–$14,999	15.3	22.7	37.5	39.9	5.6	10.0	17.5	20.4	4.1	7.9	14.6	17.7
$15,000–$19,999	22.2	35.7	45.7	47.1	10.3	19.5	26.3	29.9	6.2	15.3	21.9	25.9
$20,000–$24,999	30.2	43.9	48.1	52.7	15.5	26.7	30.8	37.0	8.6	20.7	24.5	31.3
$25,000–$29,999	35.4	46.5	52.8	55.7	20.0	31.1	36.8	41.7	10.0	23.7	28.5	33.4
$30,000–$49,999	43.9	57.1	57.5	60.9	27.8	41.3	43.8	49.0	12.6	28.9	32.4	38.7
$50,000 or more	55.4	67.6	62.0	67.3	40.9	56.3	51.9	58.9	15.6	37.5	37.8	45.2
Gender												
Male	28.1	38.5	47.4	50.8	17.2	26.4	32.0	37.9	8.3	19.1	24.8	31.0
Female	25.4	34.9	44.3	48.9	13.1	20.8	25.9	31.7	6.6	15.6	19.9	25.5
Union Status												
Union covered	35.4	45.6	51.7	55.2	19.1	27.0	36.1	41.7	7.5	16.7	21.0	27.1
Not union covered	24.9	34.9	44.9	49.1	14.4	23.1	27.9	33.9	7.5	17.6	22.7	28.5
Industry												
Mining	39.4	53.9	60.4	68.8	28.0	43.5	46.4	62.7	16.5	35.9	38.0	52.9
Construction	10.4	14.4	29.8	35.7	7.7	10.6	19.9	26.6	4.7	8.5	16.9	24.0
Manufacturing	34.9	48.6	59.6	65.2	21.2	35.6	43.9	52.4	9.4	25.2	35.5	43.2
Transportation, communications, utilities	36.3	51.0	59.0	63.6	24.1	36.3	42.5	48.1	9.1	24.7	30.4	39.4
Wholesale trade	24.6	36.5	50.7	57.3	16.4	27.5	36.3	44.3	9.3	23.0	31.7	40.5
Retail trade	11.4	20.4	38.2	42.7	5.9	10.8	17.7	23.5	3.5	9.0	15.4	20.7
Finance, insurance, real estate	41.0	52.8	58.1	65.0	25.6	36.0	40.7	48.7	12.7	28.3	31.3	40.5
Professional services	23.6	35.6	47.6	53.8	11.2	20.7	29.0	36.6	7.1	15.8	24.5	31.9
Other services	12.8	20.1	35.8	42.3	7.3	13.1	20.2	28.6	4.9	10.7	17.8	26.0
Public	38.7	45.8	39.0	38.4	19.4	26.2	23.3	25.1	8.4	16.9	10.3	11.8
Race												
White	27.3	37.5	46.5	50.4	15.9	24.6	30.0	35.6	7.7	17.9	23.4	29.0
Black	23.6	31.7	42.6	47.2	10.6	17.0	23.7	30.3	6.0	13.1	16.2	23.5
Other	24.5	33.9	41.6	48.8	15.0	23.9	26.1	34.4	7.9	19.0	20.3	28.4

Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure A4

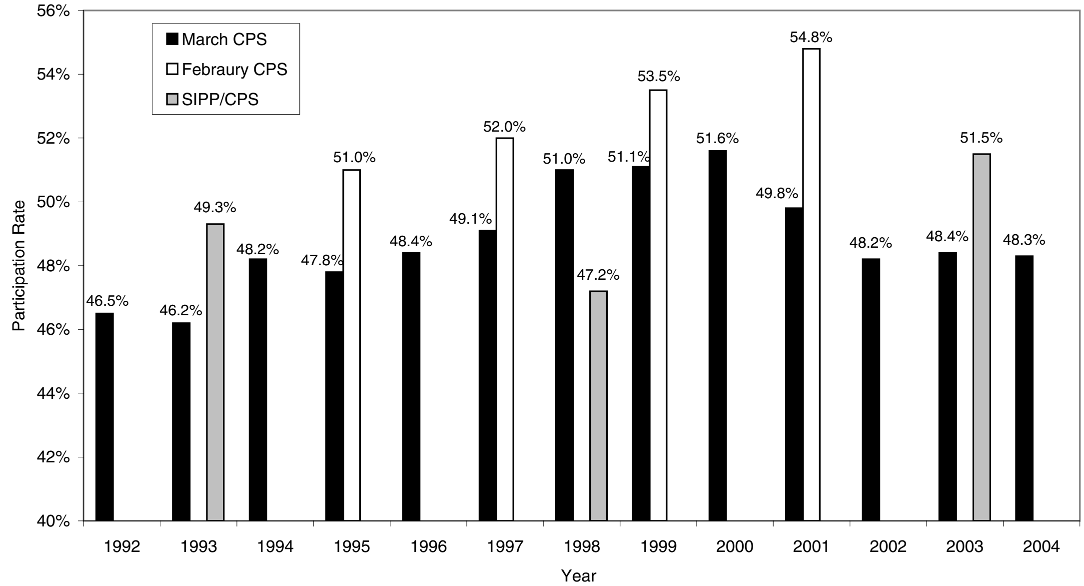
Average Employee Contribution Rate to Salary Reduction Plans, Nonagricultural Wage and Salary Workers Age 16 and Over, by Selected Characteristics 1993, 1998, and 2003

	Average Contribution Rate		
	1993	1998	2003
Total	7.1%	7.4%	7.5%
Annual Hours			
1–999	8.9	10.4	10.7
1,000–1,499	7.0	9.5	8.7
1,500–1,999	7.3	7.8	7.5
2,000 or more	7.0	7.3	7.4
Tenure			
Less than 1 year	6.6	8.2	7.6
1–4 years	6.9	7.2	7.3
5–9 years	6.8	7.3	7.5
10–14 years	7.0	7.2	7.6
15 or more years	7.8	7.8	7.8
Age			
16–20	4.9	6.4	7.1
21–30	6.3	6.8	6.8
31–40	6.6	7.2	7.3
41–50	7.6	7.5	7.6
51–60	8.0	8.2	8.2
61–64	9.1	9.1	8.2
65 or older	8.3	7.9	9.1
Firm Size (by number of employees)			
Fewer than 25	8.1	8.2	7.5
25–99	6.8	7.3	6.9
100 or more	7.1	7.4	7.6
Annual Earnings (1993 $)			
Less than $5,000	7.9	13.1	12.5
$5,000–$9,999	7.5	10.1	10.5
$10,000–$14,999	6.4	8.4	8.3
$15,000–$19,999	5.8	7.3	7.9
$20,000–$24,999	6.3	7.2	7.1
$25,000–$29,999	6.8	7.1	7.1
$30,000–$49,999	7.4	7.2	7.2
$50,000 or more	7.9	6.7	7.0
Gender			
Male	7.3	7.5	7.7
Female	7.0	7.4	7.3
Union Status			
Union covered	7.7	7.5	7.6
Not union covered	7.0	7.4	7.5
Industry			
Mining	7.5	7.5	8.1
Construction	6.6	7.3	7.5
Manufacturing	6.8	7.1	7.7
Transportation, communications, utilities	7.4	8.0	7.5
Wholesale trade	7.0	7.9	7.5
Retail trade	6.9	7.7	7.2
Finance, insurance, real estate	6.7	6.8	7.3
Professional services	7.9	7.6	7.6
Other services	6.9	8.0	7.8
Public	7.3	7.3	7.5
Race			
White	7.1	7.5	7.6
Black	7.5	6.6	6.2
Other	8.0	7.5	8.5

Source: Employee Benefit Research Institute estimates of the April 1993 Current Population Survey employee benefit supplement and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure A5

Percentage of Wage and Salary Workers Ages 21–64 Participating in an Employment-Based Pension or Retirement Plan, 1992–2000 and February 1995–February 2001



Source: Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends." *EBRI Issue Brief,* no. 274 (Employee Benefit Research Institute, October 2005) and Craig Copeland, "Pension Participation: February 2001," *EBRI Notes,* no. 12 (Employee Benefit Research Institute, December 2001): 1–5.

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Endnotes

[1] Not all of the assets in individual retirement accounts (IRAs) come from rollovers from employment-based plans, as individuals can directly contribute to them. Sabelhaus (1999) showed that the overwhelming majority of the increases in IRA assets during the mid to late 1990s were from rollovers and investment gains—*not* direct contributions. See Copeland (2006) for the most recent level of IRA assets and data on the sources of the growth in IRA assets.

[2] The 2001 Panel of the Survey of Income and Program Participation (SIPP), conducted by the U.S. Census Bureau, follows the same households for a three-year period, asking various questions on their economic and demographic status. Survey participants are interviewed at four-month intervals about a core set of demographic and economic issues. In addition, topical modules ask more specific questions about important economic issues. Topical Module 7, fielded in January–April 2003, asked questions about workers' participation in retirement and/or pension plans. For more information about the Survey of Income and Program Participation (SIPP), see www.bls.census.gov/sipp/ (last accessed December 1, 2005).

[3] Age 16 or older is used to give the broadest analysis of the current participation of workers in employment-based plans. For those ages 21–64, the ages that most closely correspond to individuals' prime working years, the sponsorship rate, participation rate, and vested rate were 69.6 percent, 54.7 percent, and 50.2 percent, respectively.

[4] The participation level is the percentage of wage and salary workers who participate in an employment-based plan regardless of whether an employer or a union sponsors it. The eligible participation rate, discussed later in this study, is the percentage of workers who are eligible to participate in a plan and do so. Participation level is different from the commonly used participation rate, in that the participation is the fraction of the studied work force that participates in a plan regardless of their eligibility. Participation rate is used exclusive for the determining the percentage of the eligible participants who participate.

[5] See Copeland (2005c) for results on participation levels from the Current Population Survey (CPS) and for comparisons of the CPS with other datasets. See also Copeland (2005b) for the most recent results from the CPS on employment-based retirement plan participation.

[6] The remaining 1.8 percent were in plans that could not be determined from the data set.

[7] In SIPP, participants are asked about their most important pension or retirement plan: The question asks if your plan's "benefit is defined by a formula usually involving your earnings and years on the job," are "contributions made by you and/or your employer going into an individual account for you," or if "your employer contributes a value equal to a percent of your earnings each year and there is a rate of return on that contribution. This type of plan is sometimes called a cash balance plan." The first (as well as the third) describes a defined benefit plan, while the second describes a defined contribution plan. The survey also contains follow-up questions describing specific features of the most important plan. In some cases, the answers are in conflict with the type of plan that the worker has. Consequently, the estimates of the pension/retirement plan type in this study combine answers from these questions to determine the type of workers' plan. In the determination of plan type, the answer to the "plan type" question was the initial classification. However, respondents who answered that their most important plan allowed tax-deferred contributions *and* that their employer's contributions depended upon the workers' contributions, that they had the ability to choose how any of the money in the plan was invested, or that they had taken or could take a loan from their plan (characteristics virtually exclusive to defined contribution plans in the private sector) were added to the defined contribution category, if they were not already there for those in the private sector. Moreover, any respondents who said that their benefit was affected by their participation in the Social Security program were classified as having a defined benefit plan. Lastly, any who did not answer that they participated in a plan until the follow-up question on participating in a tax-deferred plan were considered to have a defined contribution plan. If the questions are not combined and only the pension plan-type question is used, 51.0 percent reported that they were in a defined benefit plan (plan based on earnings and years on the job or cash balance plan), compared with 43.3 percent who reported being in a defined contribution plan

(individual account plan). The remainder was indeterminate from this variable. For a further discussion of plan type determination using SIPP, see Copeland (2005c). Also see Gustman and Steinmeier (2001) for a discussion of the difficulty individuals experience in correctly identifying their plan types and the value they can expect from them.

[8] These plans have also been referred to as 401(k)-type plans in other EBRI publications. For example, see Copeland (2003). The contributions could be either before or after the calculation of income taxes.

[9] One exception to plans in which workers become participants only by choice would be plans that have qualified nonelective contributions (QNECs)— to which an employer contributes to a salary reduction plan regardless of whether the employee contributes or not. However, employees are still allowed to make contributions from their earnings as well.

[10] This agreement to participate or contribute can be tacit or overt, as some plans have automatic enrollment, where workers are enrolled automatically once they meet the eligibility requirements unless they opt out. Generally, workers must opt in once they meet the eligibility requirements; otherwise, they will not be participants. See Holden and VanDerhei (2005b) for a further discussion on automatic enrollment in 401(k) plans.

[11] Those reasons considered as making the individual ineligible to participate include: no one in job type allowed, do not work enough hours, and have not worked long enough at the employer. The remaining reasons are considered as reasons for the individual being eligible but choosing not to contribute. These reasons include: cannot afford to contribute, do not want to tie up money, have not thought about it, other specific reasons for not contributing (spouse has pension plan, respondent has an IRA or other pension plan, do not need it, don't plan to stay in job long enough, employer does not contribute or contribute enough, too close to retirement, and too young), and other nonspecified reasons.

[12] A similar result was found in the 2004 Retirement Confidence Survey, where 42 percent said they did not contribute to a employment-based when offered, because they cannot afford to or they need the money for current obligations (Helman and Paladino 2004).

[13] This is significantly higher than the eligible participation rate of 74.8 percent in 401(k)-type plans found for family heads in the 2001 Survey of Consumer Finances (SCF) in Copeland (2003). Furthermore, the numbers reported for participation in 401(k) plans from large plan administrators have ranged from 67 percent to 75 percent. There are several factors that lead to the estimate in this study being biased upwards. First, in SIPP the plan types included are not as clearly defined as 401(k) plans from the actual plan administrators, so plans that are noncontributory or other defined contribution plans that are not 401(k) plans (such as SIMPLEs and SEPS) are being picked in some cases, increasing the eligible participation rate. Furthermore, some individuals who are not contributing may not know that their employer even offers a plan or they do not know that they are eligible—further biasing the participation rate upward. Therefore, the eligible participation rate in this study provides a benchmark for participation, not the definite participation rate for 401(k) plans or even 403(b) plans, due to the limitations of data from individual respondents relative to actual recordkeeping data. This 2003 eligible participation rate is consistent with results for 1998 from the 1996 SIPP, as it is virtually unchanged from the 1998 rate of 81.4 percent Copeland (2002a).

[14] This result is difficult to understand as various surveys on 401(k) plans show that about 97 percent of plans allow at least some of their investments to be directed by the participant (Profit Sharing/401(k) Council of America, 2004). A KPMG (1998) survey revealed that only 82 percent of participants in 403(b) plans could direct their investments. However, even when factoring out public-sector workers from the SIPP data, among participants who worked for a private-sector company and specifically answered yes to the question concerning participation in a salary reduction plan, only 79.2 percent said they could direct at least some of their investments. Yet, as discussed before, the salary reduction plans included in this study are more than just 401(k) plans even in the private sector. These types of plans typically have less flexibility than 401(k) plans.

[15] The fact that public-sector plan participants are less likely to direct their investments could be explained by the results in endnote 8, which indicate that 403(b) plan participants were less likely to be able to direct their investments. A 403(b) plan is only allowed in educational, religious, or charitable organizations, which includes public schools (grades K–12) and public universities. Consequently, the percentage of public-sector workers in 403(b) plans is larger than in the private sector, as employees of public schools and universities constitute a significant percentage of the public-sector work force.

[16] This may explain or be explained by the finding that union-covered and public-sector workers are less likely to participate in a plan to which the employer contributes, as these types of workers have a high percentage of defined benefit plan participation.

[17] For a detailed examination of 401(k) account balances and loans from 401(k) plans, see Holden and VanDerhei (2005a).

[18] It is possible that an employer could make a plan less generous in order to offer an additional plan, so that in total the employee is no better off by having two plans than by having one more generous plan.

[19] The decline in the percentage of individuals older than age 60 who have retirement plan benefits through a current or previous job can be largely attributed to the fact that the data only include individuals who have retirement benefits from a previous employer but have not started to receive those benefits. Many individuals over age 60 who had benefits from a previous employer have begun to receive them and are either working to supplement this payment or not working. Therefore, these cases would not be reflected in the data. Furthermore, those who did not have retirement plan benefits from a previous or current job are more likely to still be working, because they are unlikely to have sufficient sources of income to live on otherwise.

[20] The decline in plan participation among individuals over age 60 can be explained by the fact that those in jobs who had a plan prior to reaching that age are more likely to retire than those without a plan. Consequently, for this age group, those without a plan are the ones most likely to still be working. Thus, the percentage participating declines relative to the younger age group, in which all the members are more likely to be actively engaged in the work force.

[21] This continued into 2000 and 2001 as well with rollovers adding the most to the IRA asset level, and changes in market value being the source of the largest declines in these assets. See Sailer and Holden (2004) and Sailer and Nutter (2004).

[22] *In own name* refers to an IRA established by the surveyed individual, not by his/her spouse or other relative.

[23] The data do not allow determination of what percentage of these are rollover IRAs.

[24] The SIMPLE IRA (Savings Incentive Match Plan for Employees) was created under the Small Business Job Protection Act (SBJPA) for employers with 100 or fewer employees.

[25] This does not include those who made a nondeductible contribution. The incidence of nondeductible contributions was not considered in this dataset. In 2001, Roth IRA contributions were $11.116 billion and nondeductible traditional IRA contributions were $2.418 billion, according to the most recent Internal Revenue Service tabulations (Sailer and Holden 2004).

[26] This section discusses all workers, including the unincorporated self-employed, whereas the previous section on employment-based plan participation (Figure 6) was only concerned with wage and salary workers, which does not include the unincorporated self-employed. Consequently, the increase is not as dramatic in only wage and salary workers were the focus in this section. However, the sections are examining slightly different issues as only wage and salary workers can have the retirement plans referred to in that section, while all workers potentially could participate in either an employment-based plan, an individual retirement account, or a Keogh plan.

[27] The one group of workers this does not include is those who had an IRA at one time but no longer had one at the time of the data collection. The survey only asks about historical participation in employment-based plans.

[28] The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 had numerous other provisions for employment-based retirement plans, including increasing portability between plan types and increasing the levels that can be contributed to these plans.

[29] The 1984 Retirement Equity Act raised the threshold from $1,750 to $3,500 and the 1997 Taxpayer Relief Act increased it to the current $5,000. EGTRRA (enacted by Congress in 2001) requires employers who cash out accounts between $1,000 and $5,000 at job termination to automatically roll over the assets into an IRA unless specifically requested otherwise by the participant. This provision is to become effective early next year.

[30] The legislative change of particular importance is the increased value of the cutoff for allowable forced cashouts. Since future lump-sum distributions will be based upon the $5,000 threshold or a higher amount if increased again by legislation, the number of individuals faced with the lower thresholds would decline in this calculation of required versus voluntary distributions. For instance, for lump-sum distributions taken through 1998, 40.4 percent were required and 59.6 percent were voluntary. See Copeland (2002a) for more on lump-sum distributions through 1998.

[31] The question in SIPP allows for the answers: plan on a job, individual annuity, IRA, or other. It is not clear what falls in the other category except for possibly a joint or survivor annuity or cannot remember. There is not a breakdown among the potential sources in the other category from the survey.

[32] Consumption includes purchases of consumer items (car, boat), medical and dental expenses, general everyday expenses, and other spending.

[33] For further analysis of lump-sum distributions from this dataset, see Copeland (2005a).

[34] A study by Fidelity Investments of the plans they administer found that 56 percent of the plan participants whose employment terminated in 2000 left their assets in the former employer's plan (Miller, 2002). However, this percentage did not account for those who removed their assets after year-end 2000. The SIPP dataset permits an examination of those leaving their assets in a plan after termination relative to a longer time frame.

[35] In fact, the Fidelity study (Miller, 2002) showed that among 401(k) participants with less than $10,000 in their accounts, 48 percent left their assets in the plan, compared with 68 percent of those with an account balance of $50,000–$99,999.

[36] This suggests that, when the percentage of individuals who leave their benefits in their previous employer's plan is added to the percentage of those who roll over their entire lump-sum distribution to tax-qualified savings, 79.9 percent of individuals with an account balance of $50,000 or more appear to preserve their assets for retirement. This percentage is calculated by adding the 36.9 percent of participants with a balance of $50,000 or more who leave their assets in a previous employer's plan to the 68.1 percent (from Figure 12) of those 63.1 percent who take a lump-sum distribution of $50,000 or more and rolled over the entire amount of the distribution, or 36.9 percent plus (68.1 percent times 63.1 percent) equals 79.9 percent. (The Fidelity study (Miller, 2002) reported that from 70 percent to 78 percent of participants with balances of $50,000 or more either completely rolled over their lump-sum distribution or left their assets in their account.) This would suggest that as account balances increase fewer assets will "leak" from the retirement system.

[37] The question of having health insurance from a former employer was only asked of those who reported they had retired from a job, so this percentage does not include anyone receiving this coverage as a dependent. According to Fronstin (2001), among retirees ages 55–64 who had health insurance from an employer, approximately 60 percent had it in their own name. Therefore, this section will focus only on those who said they have retired from a job.

[38] This is similar to the 35.7 percent found from Current Population Survey data on the percentage of Americans age 65 or older receiving pension and annuity income in 2003 (McDonnell 2005).

[39] This difference is even larger for those age 65 or older, as 11.6 percent of those whose most recent distribution was entirely rolled over reported that their standard of living was much or somewhat worse now than it was in their early 50s, compared with 28.0 percent of those who spent their entire most recent lump-sum distribution.

[40] See Fronstin and Salisbury (2004) for discussion of the cost of health care insurance for retirees.

[41] The questions in the Retirement and Pension Plan Coverage Topical Module of SIPP had been asked previously in the employee benefit supplements to the Current Population Survey (CPS) in May 1988, and April 1993 prior to their inclusion in SIPP in the 1996 Panel. While these data sets have similar questions, they are not identical nor are the methods the surveys use—for instance, the CPS interviewed all of its respondents in a single month, while SIPP was conducted over a four-month period. Specifically, in both the 1996 Panel and the 2001 Panel of SIPP, respondents are interviewed every four months (a wave) on a rotating basis, and the topical modules, which are a set of more specific questions on various topics, are asked of the reference month of the survey, which is the last month of each four-month cycle (wave). The survey participants are divided into four groups, so each group has a different reference month. The results in this *Issue Brief's* appendix are presented as trends, but caution should be used when drawing conclusions from the results due to the survey differences. Typically, different surveys yield different results. Therefore, while certain trends can be ascertained, it is important to note that a portion or all of any trend may be due to the differences in the surveys. However, the data for 1998 and 2001 are both from SIPP, so the differences from 1998 to 2003 should not be driven by survey differences. Despite these caveats, these datasets provide the most comparable results for these trends.

[42] Not all salary reduction plan participants from the 2001 had the complete data needed for calculating this number, because either the earnings or the contributions was not determinable. Just over 11 percent of the sample of salary reduction participants is eliminated because of this issue. The 1996 SIPP had a similar issue. See Copeland (2005c) and Copeland (2002b) for more details.

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