

At a Glance | September 24, 2020

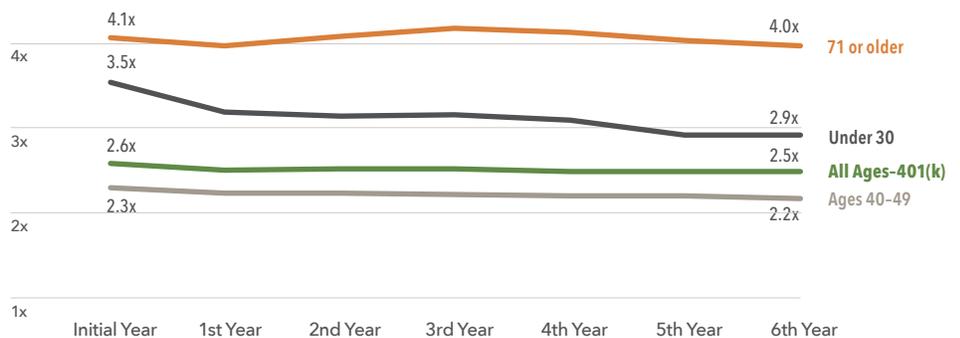
Combined 401(k) Plan and IRA Balances by Age and Time

Owning both a 401(k) plan and an individual retirement account (IRA) leads to larger balances, but missed opportunities to contribute and leakage reduce those balances.

COMBINED BALANCES SHOW HIGHER GROWTH

When individuals own both 401(k) plans and IRAs, balances are larger than when they just have a 401(k) plan. The youngest and oldest have the highest ratios of combined to 401(k)-only balances. IRAs of older individuals likely represent 401(k) plan rollovers.

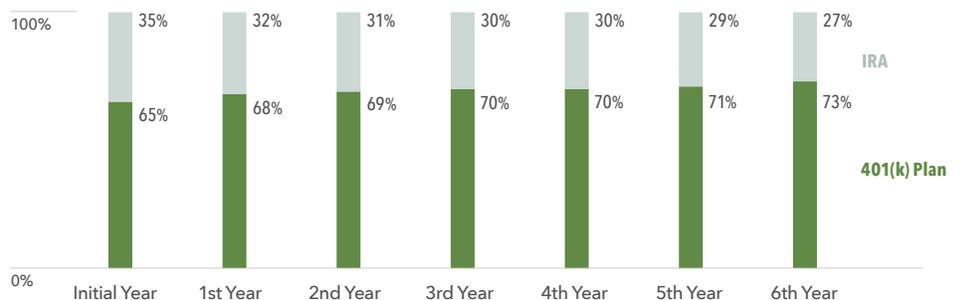
Ratio of Average Combined¹ Account Balances to Average 401(k) Plan Balance By Age Group



SHARE OF 401(K) VS. IRA HOLDINGS

401(k) plans represent the greatest portion of the combined account balances of individuals, and increase as a portion of the whole over time. This is presumably driven by the higher likelihood of contributions, higher contribution limits to 401(k) plans than to IRAs, and company matching contributions.

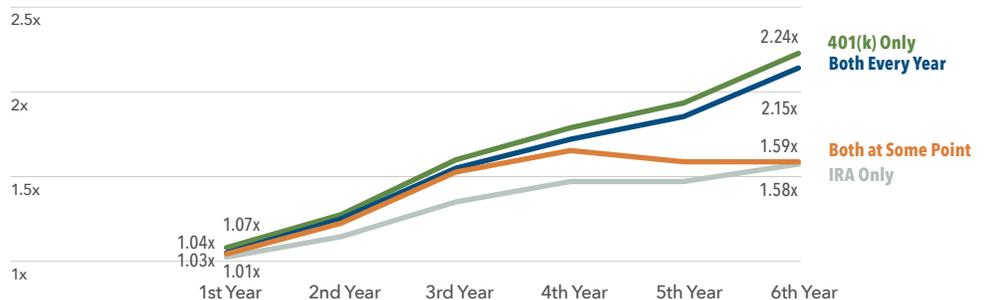
Among Individuals With Both a 401(k) Plan and an IRA, the Majority of Assets Were Held in 401(k) Plans and Increased Over Time



EVIDENCE OF LEAKAGE

While balances grow steadily for those with only 401(k) plan balances or both account types throughout the period, those switching between account types (orange line) begin to see reduced balances. This is likely due to cessations in contributions and/or withdrawals that indicate leakage from the system.

Ratio of the Average 401(k) Plan, IRA, and Both Balances to Their Initial Year For Those Having Either Account Each Year and Both Account Types at Some Point



1. 401(k) plan and IRA balances held each year.

SOURCE: Craig Copeland, "Having Both a 401(k) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?," EBRI Issue Brief, no. 511 (Employee Benefit Research Institute, August 20, 2020).