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401(K) PLANS BENEFIT MODERATE INCOME WORKERS **GAO Study Doesn't Offer Accurate Snapshot of Who Benefits from Retirement Plans**

ARLINGTON, VA, (April 29, 2011) – *The following is a statement from Brian Graff, Executive Director/CEO of The American Society of Pension Professionals & Actuaries (ASPPA) responding to the [U.S. Government Accountability Office \(GAO\)](#) report “Private Pensions: Some Key Features Lead to an Uneven Distribution of Benefits.”*

“Today the GAO issued a report suggesting retirement plans—like 401(k) plans—disproportionately benefit higher income workers. Simply put, the facts say otherwise. Based on the [IRS' own data](#) 74% of workers participating in defined contribution plans come from households making less than \$100,000. Only 5 percent come from households making more than \$200,000.

When you measure who gets the tax benefits from these plans, the impact on moderate income workers becomes clearer. Households making less than \$50,000 pay only 8 percent of all income taxes, but receive 30 percent of all the tax incentives associated with defined contributed plans. ([IRS Tax Distribution Data](#))

In other words, for every dollar of income taxes paid by these workers they get almost four dollars back in tax incentives for these plans. That's a good deal by any measure, and it shows that these tax incentives are effectively and efficiently targeted at low and moderate income families. The reason is these plans are subject to stringent nondiscrimination rules that are a part of the tax code and were designed by Congress to make sure these plans provide benefits fairly to everyone.

401(k) plans have proven to be incredibly successful at getting moderate income workers to save. According to the [Employee Benefits Research Institute](#), over 70 percent of workers making between \$30,000 and \$50,000 save when covered by a workplace savings program, whereas less than 5 percent of those same workers save on their own when not covered by a plan. Of course, more does need to be done to expand retirement plan coverage, which is why ASPPA supports proposals, like the [Auto-IRA proposal](#) in the President's budget that would give more workers access to these plans.

As Congress reviews our tax system toward a process of reforming it, let's make sure we get the facts straight. When the retirement security of American workers is at stake, we can't afford to be getting things wrong.”

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About ASPPA: [The American Society of Pension Professionals & Actuaries \(ASPPA\)](#) is a national organization of more than 7,500 retirement plan and benefits professionals that serves as the educator, voice, and advocate for the employer-based retirement system. ASPPA members are administrators, actuaries, advisors, attorneys, accountants, and other financial services professionals who provide consulting and administrative services for qualified retirement plans.