

## American Society of Pension Professionals & Actuaries

FOR IMMEDIATE RELEASE  
January 14, 2009

Contact: Chris Robichaux  
[crobichaux@asppa.org](mailto:crobichaux@asppa.org)  
Ph. 703-516-9300

### ***Middle-Income Americans Benefit from 401(k) Plans Majority of Eligible Employees Choose to Participate***

Arlington, Va. – The American Society of Pension Professionals & Actuaries (ASPPA) today released data that shows most tax breaks for 401(k) and similar defined contribution plans go to middle-income wage earners. The ASPPA data refutes the misconception that mostly wealthy Americans benefit from 401(k) plans. However, ASPPA emphasized that more needs to be done. Although more than seventy-five percent of eligible middle-income wage earners enroll in defined-contribution plans such as 401(k) plans, workplace retirement savings availability should be expanded and the remaining workers encouraged to save.

Citing a [study by the Employee Benefit Research Institute \(EBRI\), and other independent research](#), ASPPA applauded the success of 401(k) plans at encouraging workplace savings. An EBRI study of the effectiveness of employer plans indicates 75.3 percent of wage earners whose incomes are between \$30,000 and \$50,000, and whose employers offer defined-contribution plans participate in those plans. Less than 5 percent of workers with no employer-sponsored plan save through an IRA – a stunning endorsement of the 401(k) concept. The Bureau of Labor Statistics placed median income for most Americans in 2008 at \$45,431.

Judy A. Miller, chief of actuarial issues and director of retirement policy at ASPPA, said that recent changes to the law to encourage automatic enrollment are likely to increase participation rates. ASPPA supports proposals to expand the availability of workplace savings through arrangements such as payroll-deduction IRAs. “Most members of Congress realize 401(k) plans do a very good job of encouraging savings, and that the tax benefits are a critical part of that success,” Miller said. “The challenge is helping plans sponsors and participants understand the costs involved in saving through adoption of fee disclosure rules such as those proposed by Chairman Miller and Rep. Neal in the last Congress, and making sure participants get sound investment advice backed up with solid default investments arrangements.”

At a congressional hearing last October, one economist suggested that the defined contribution system of the past 25 years has failed and was not worth the government tax incentives. Since then, several other commentators have promoted this misconception.

Not so, says Judy Xanthopoulos, Ph.D., an economist who provides independent consulting and research. Many lower-income taxpayers benefit from workplace retirement plans. “Nearly 40 percent of American taxpayers who earn \$50,000 or less participate in 401(k) and profit-sharing plans. The number is nearly as high, 37 percent, for those who earn between \$50,000 and under \$100,000 a year,” Xanthopoulos said. Her research shows that approximately 65 percent of the total tax benefits go to those taxpayers who earn less than \$100,000 a year in adjusted gross income.

To speak with Miller or Xanthopoulos, contact Chris Robichaux, ASPPA director of media relations at [crobichaux@asppa.org](mailto:crobichaux@asppa.org) or call 703-516-9300.

###

ASPPA is a national organization of more than 6,500 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines including consultants, administrators, actuaries, accountants, and attorneys. The large and broad-based ASPPA membership gives it unusual insight into current practical problems with the Employee Retirement Income Security Act and qualified retirement plans with a particular focus on the issues faced by small- to medium-sized employers. ASPPA membership is diverse and united by a common dedication to the private retirement plan system.

4245 North Fairfax Drive, Suite 750 • Arlington, VA 22203-1648

P. 703.516.9300 • F. 703.516.9308 • [www.asppa.org](http://www.asppa.org)