



GEORGETOWN UNIVERSITY  
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 Center for Retirement Initiatives

## FAST FACT SHEET #8

# What Does GAO Tell Us About Defined Contribution (DC) Plan Savings?

Source: U.S. GAO, Retirement Security: Low Defined Contribution Savings May Pose Challenges (GAO-16-408), May 2016\*

- ✓ An estimated 60 percent of all U.S. households had no savings in a DC plan from a former or current job in 2013. An estimated 34 percent of working households had neither a DC nor a defined benefit (DB) plan from a current or former job, and this percentage has remained relatively stable from 2004 to 2013 (p.11).
- ✓ For households age 55 and older, an estimated 29 percent had neither a DB plan nor DC retirement savings in 2013, leaving Social Security as their main or only source of retirement income (p.11).
- ✓ Of working households, 39 percent did not have access to a DC plan at their current employer either because their employer did not offer a plan or because they were ineligible (p.12).
- ✓ Only 25 percent of working, low-income households had any DC savings, compared to 81 percent of working, high-income households (p.13).
- ✓ For households with some DC savings, the median account savings for low-income working households was an estimated \$10,400, compared to \$201,500 for high-income households (p.13).
- ✓ Among working households with DC savings, the estimated median balance of DC savings of White households was \$58,800; of Black households, \$16,400; and of Hispanic households, \$18,900 (p.18).
- ✓ According to research by Ariel/Aon Hewitt, 49 percent of Black and 40 percent of Hispanic workers, compared to 26 percent of White workers, carried an outstanding loan from their DC savings account in 2010 (p.22).
- ✓ The same Ariel/Aon Hewitt study found 63 percent of Black, 57 percent of Hispanic, and 39 percent of White workers cashed out rather than rolled over their DC savings to an IRA or other retirement account when they left their employers in 2010 (p.22).
- ✓ According to GAO's DC savings projections based on current law, trends, and investment assumptions for a cohort born in 1997 through retirement, households in the lowest earning group accumulated DC savings with an average annuity in retirement of about \$560 per month (in 2015 dollars) and 35 percent of this group had no DC savings. Households in the highest earning group saved enough to receive in retirement about 11 times more or more than \$6,000 per month (in 2015 dollars) (p.25).
- ✓ According to a 2015 Vanguard report, the participation rate among new hires in plans with automatic enrollment was 91 percent—more than double the 42 percent participation rate of new hires in plans with voluntary enrollment (p.39).

\*Unless otherwise noted, GAO's estimates are based on its analysis of the Federal Reserve's 2013 Survey of Consumer Finances and trends in survey data between 2004 and 2013. Link to the GAO report [here](#).