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Distribution of Retirement Account Balances: Analysis of the 2022 Survey of Consumer Finances

Introduction

Households rely on a variety of income sources in retirement, such as payments from Social Security and defined benefit (DB) pensions, assets in defined contribution (DC) plans and individual retirement accounts (IRAs), housing equity, and other savings. While Social Security payments are the most common source of income among households ages 65 and older, about 54% of U.S. households had savings in retirement accounts—which included DC accounts and IRAs—in 2022.

This In Focus provides data on the distribution of retirement account balances in 2022 among (1) all U.S. households and (2) households based on age group. As Congress considers various retirement-income-related bills, data on how retirement account assets are distributed among households could help inform discussions about whether and how to promote greater savings in these accounts.

Retirement Accounts

Retirement account balances include balances in DC plans and IRAs. Individuals must have income from wages in order to contribute to employer-sponsored DC plans or IRAs. In DC plans, workers are provided individual accounts funded by their own contributions, contributions from their employers, or both. DC plans do not provide guaranteed income. The funds in the account experience investment gains and losses, and the contributions and earnings, if any, are used as a source of income in retirement. DC accounts are defined in this In Focus as employer-sponsored accounts—such as 401(k), 403(b), and thrift savings accounts from current or past jobs—other current job plans from which loans or withdrawals can be made, and accounts from past jobs from which the households expect to receive the account balances in the future.

IRAs are tax-advantaged accounts for individuals to save for retirement, typically outside of the workplace. Though individuals with taxable (and certain nontaxable) compensation may contribute directly to IRAs, the majority of inflows to IRAs come from rollovers, which are transfers of savings from one retirement account, such as a 401(k) account, to another retirement account, such as an IRA. Many workers with DC plans roll over their savings to IRAs at job change or retirement.

Retirement accounts, as defined, do not include other possible income sources in retirement, such as payments from DB pension plans or Social Security.

Survey of Consumer Finances Data

Data in this report are from the 2022 Survey of Consumer Finances (SCF), a triennial survey conducted on behalf of the Board of Governors of the Federal Reserve that contains detailed information on U.S. household finances, such as the amount and types of assets owned, the amount and types of debt owed, and detailed demographic information on the reference person and, if applicable, his or her spouse. The SCF is designed to be representative of the 131.3 million U.S. households in 2022.

Household in the SCF is defined as "the primary economic unit (PEU), which consists of an economically dominant single individual or couple (married or living as partners) in a household and all other individuals in the household who are financially interdependent with that individual or couple." Financially independent individuals age 18 and over (e.g., roommates) are not part of the PEU and, thus, are not included in the SCF's measures of household finances. Because household wealth is highly concentrated, the SCF includes an oversample of relatively wealthy households. Estimates in this report are adjusted using population weights provided in the SCF dataset. The age group categorization is based on the age of the household reference person.

Distribution of Retirement Account Balances

Figure 1 shows the distribution of retirement account balances, ranging from $0 to greater than $1 million, for all U.S. households and households in different age groups.

In 2022, among all U.S. households, 54.3% had retirement account assets. Of those

- About 30% had assets greater than $0 and less than or equal to $100,000;
- 15.5% had assets over $100,000 and less than or equal to $500,000;
- 4.7% had assets over $500,000 and less than or equal to $1 million; and
- 4.6% had assets greater than $1 million.

Less than 10% of households in each age group have retirement assets in excess of $1 million. Households in which the reference person was 55-64 years of age had the highest rates of retirement asset ownership in excess of $1 million, at 9.2%.

The following figures represent the percentage of households in each age group with retirement assets:

- 49.6% of those younger than 35,
- 61.5% of those ages 35-44,

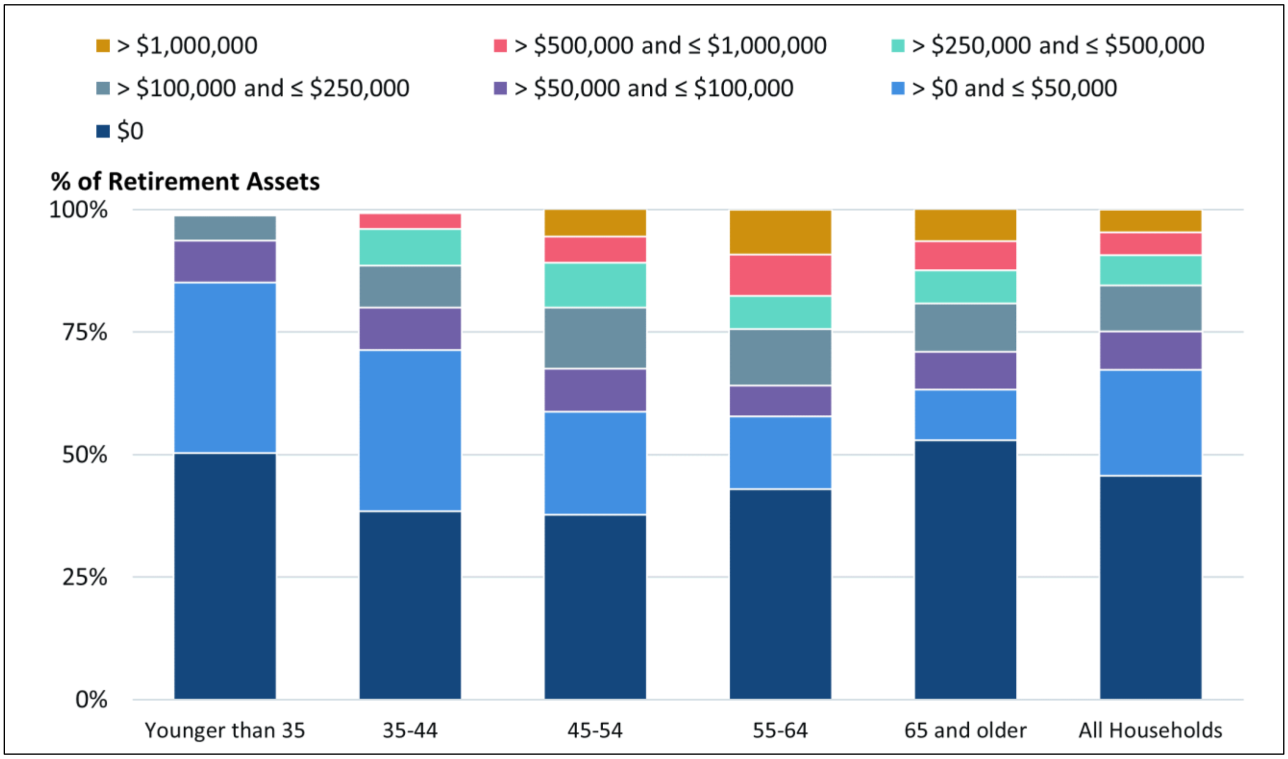
- 62.2% of those ages 45-54,
- 57% of those ages 55-64, and
- 47% of those age 65 and older.

Households age 65 and older have lower rates of retirement account ownership than do other age groups for two possible reasons. First, older households are more likely to have had access to DB plans rather than DC plans during their careers (and, thus, might be relying on DB plan income instead of income from DC plans or IRAs). CRS analysis of the 2022 SCF found that 45.2% of households age 65 and older expected to receive income from DB plans from past jobs (or had DB plans at their current jobs, if working) compared to 35.3% of households ages 55-64 and 24.2% of those under age 55.

Second, compared to other age groups, households age 65 and older represent a cohort of households ranging from those still working to those that have been out of the workforce for decades. It is possible that some of these older households may have had retirement savings in prior years but exhausted assets to finance retirement expenses.

Figure 1. Distribution of Retirement Account Balances Among U.S. Households in 2022

Figure is interactive in the HTML version of this report.



Source: CRS analysis of the 2022 Survey of Consumer Finances (SCF).

Notes: Retirement assets include defined contribution (DC) and Individual Retirement Account (IRA) balances. Percentages may not add up to 100% due to rounding. Age groups correspond to the age of the household reference person. Some households younger than 35 had retirement assets in excess of $250,000, and some households ages 35-44 had assets in excess of $1,000,000, but estimates were not calculated for these groups due to sample size concerns. (These categories had fewer than 30 households.)

For Further Information

CRS Report R48143, *Ownership of Retirement Accounts in 2022: Amounts in Defined Contribution Plans and Individual Retirement Accounts*

CRS Report R47341, *Income for the Population Aged 65 and Older: Evidence from the Health Retirement Study (HRS)*

Board of Governors of the Federal Reserve, "Survey of Consumer Finances, 1989-2022."

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