

Kelly Gullo

585.214.7172

kgullo@harrisinteractive.com

Nearly Half of U.S. Workers Participate in a 401(k) or 403(b) Plan

Substantial numbers likely to participate in an age-dated mutual fund or a Roth 401k/403b if made available to them

A new Wall Street Journal Online/Harris Interactive Personal Finance Poll finds that only one-third (34%) of U.S. workers¹ expect to have enough money saved to retire comfortably, while more than one-quarter (27%) do not expect to have enough and 39% are not sure if they will have enough. When taking a closer look at what workers are doing to prepare for their retirement, the survey finds that nearly half (45%) of workers currently participate in a 401(k) or 403(b) retirement plan, while 14% are offered the opportunity to participate by their employer but have chosen not to and 35% do not participate because their employer does not offer them the option.

Below are the results of the online survey of 2,025 U.S. adults conducted between Sept. 14 and 16, 2005, for The Wall Street Journal Online's Personal Journal Edition.

Participants in 401(k) Plans

Interesting findings exist when examining 401(k) and 403(b) participation levels by income and age by gender breakouts. There appears to be a direct correlation between income level and the likelihood to participate in a 401(k)/403(b) plan. Less than one-quarter (22%) of workers with annual household incomes of \$35,000 or less participate in a 401(k) or 403(b) plan, compared to 40% of workers with incomes of \$35,000 to \$49,999, 54% of workers with incomes of \$50,000 to \$74,999, and 66% of workers with incomes of \$75,000 or more. Furthermore, male workers aged 45 to 54 are most likely to participate in one of these retirement plans (59%) while female workers aged 18 to 34 are most likely to say they do not participate because these plans have not been made available to them by their employer (45%).

¹Throughout this release, workers are defined as U.S. adults aged 18 and over who meet the following criteria: 1) They are the primary or secondary financial decision maker for their household; 2) They are not already retired; and 3) They currently have a job/career from which to retire.

Likelihood for Participation In Age-Dated Mutual Funds or Roth 401(k)/403(b)

There appears to be moderate interest in two different investment options which provide unique benefits to those saving for retirement. Approximately two in five (41%) workers say they would be very or somewhat likely to participate in an age-dated mutual fund if it was made available to them through their company and about half (51%) would be very or somewhat likely to participate in a Roth 401(k) or a Roth 403(b) if it was offered to them or their spouse or partner.

Interesting differences emerge by behavior and age. Those who currently participate in a 401(k) or 403(b) are more likely than those who do not participate to say they are very or somewhat likely to participate in an age-dated mutual fund (49% vs. 24%) or a Roth 401(k) (59% vs. 32%). Interestingly, workers aged 18 to 34 are most likely to say they would be very or somewhat likely to participate in an age-dated mutual fund (47%) while those aged 45 to 54 are most likely to be interested in a Roth 401(k)/403(b) (60%).

“The oldest of the baby boomer generation is turning 60 this year, so financial preparation for retirement is critical to this influential set of consumers,” says Anne Aldrich, senior vice president of the Financial Services Research Practice at Harris Interactive. “For those baby boomers with retirement looming a decade or two away, and still in their peak earning years (45 to 54), investments that offer creative solutions and flexibility may be appealing—this age cohort values products and services customized to their needs.”

Aldrich concludes, “Neither age-dated mutual funds nor Roth 401k/403b offers are particularly attractive to those who are 55 and older. Presumably this is because these individuals have already earmarked their savings/investments for other investment vehicles.”

TABLE 1

Preparedness for Retirement – by Income

“Which of the following comes closest to describing how prepared you are for retirement?”

Base: Primary or secondary financial decision maker who is not retired and has a job to retire from

	Total (n=1,377)
	%
I expect to have enough money saved to retire comfortably.	34
I don't expect to have enough money saved to retire comfortably.	27
I'm unsure whether I'll have enough money saved to retire comfortably.	39

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TABLE 2-A

Participation In 401(K) or 403(B) – by Income

“Are you currently participating in either a 401(k) or a 403(b)?”

NOTE: A 401(k) retirement plan is a contribution plan offered by a corporation to its employees. It allows employees to set aside tax-deferred income for retirement purposes. Some employers will match a portion of their contribution, and others will match it dollar-for-dollar.

NOTE: A 403(b) retirement plan is similar to a 401(k) plan, but one which is offered by non-profit organizations.

Base: Not already retired and have a job/career from which to retire

	Income				
	Total (n=1,377)	Less than 35K (n=343)	\$35K - \$49.9K (n=226)	\$50K-\$74.9K (n=283)	\$75K+ (n=346)
	%	%	%	%	%
Yes	45	22	40	54	66
No, because I have chosen not to	14	19	14	12	12
No, because those plans have not been made available to me	35	50	45	28	19
Not sure	5	9	1	6	2

Note: Percentages may not add up to 100% due to rounding.

TABLE 2-B

Participation In 401(K) or 403(B) – by Age and Gender

“Are you currently participating in either a 401(k) or a 403(b)?”

NOTE: A 401(k) retirement plan is a contribution plan offered by a corporation to its employees. It allows employees to set aside tax-deferred income for retirement purposes. Some employers will match a portion of their contribution, and others will match it dollar-for-dollar.

NOTE: A 403(b) retirement plan is similar to a 401(k) plan, but one which is offered by non-profit organizations.

Base: Not already retired and have a job/career from which to retire

	Male Age					Female Age			
	Total (n=1,377)	18-34 (n=217)	35-44 (n=169)	45-54 (n=179)	55+ (n=153)	18-34 (n=218)	35-44 (n=157)	45-54 (n=159)	55+ (n=125)
	%	%	%	%	%	%	%	%	%
Yes	45	42	51	59	49	38	41	49	35
No, because I have chosen not to	14	17	18	9	16	13	9	15	21
No, because those plans have not been made available to me	35	38	27	30	34	45	39	31	32
Not sure	5	4	4	2	1	4	10	4	12

Note: Percentages may not add up to 100% due to rounding.

TABLE 3

Likelihood to Participate in Age-Dated Funds

"Currently, there are age-dated (sometimes referred to as target date or life cycle) mutual funds that target specific retirement ages. For example, a 2025 fund would currently include more aggressive funds, but become more conservative as an investor gets closer to their retirement date. How likely would you be to participate in this type of mutual fund if it was made available to you through your company?"

Base: Not already retired and have a job/career from which to retire

	Participates in 401k or 403b plan			Income			
	No (n=1,377)	Yes (n=652)	Chose Not To (n=181)	18-34 (n=435)	35-44 (n=326)	45-54 (n=338)	55+ (n=278)
	%	%	%	%	%	%	%
Very/Somewhat Likely (NET)	41	49	24	47	43	43	26
Very likely	17	21	12	19	19	17	12
Somewhat likely	24	27	12	28	24	26	14
Not sure	38	38	40	39	37	45	30
Very/Somewhat Unlikely (NET)	20	13	36	14	19	13	44
Somewhat unlikely	7	6	6	7	10	4	10
Very unlikely	13	8	30	7	10	8	35

Note: Percentages may not add up to 100% due to rounding.

TABLE 4

Likelihood to Participate in Roth 401(K) or Roth 403(B)

"Starting January 1, 2006, companies will have the option to offer the Roth 401(k)/403(b) as an alternative option to the traditional 401(k)/403(b). Unlike a traditional 401(k)/403(b), contributions to the Roth 401(k)/403(b) will be made after taxes and any and all withdrawals will be tax free. If this was offered to you or your spouse/partner how likely would you be to participate in the Roth 401(k)/403(b)?"

Base: Not already retired and have a job/career from which to retire

	Participates in 401k or 403b plan			Income			
	Total (n=1,377)	Yes (n=652)	Chose Not To (n=181)	18-34 (n=435)	35-44 (n=326)	45-54 (n=338)	55+ (n=278)
	%	%	%	%	%	%	%
Very/Somewhat Likely (NET)	51	59	32	52	51	60	36
Very likely	22	26	13	19	20	29	17
Somewhat likely	29	33	19	32	31	30	18
Not sure	33	29	35	38	33	31	30
Very/Somewhat Unlikely (NET)	16	12	33	11	16	10	35
Somewhat unlikely	7	6	9	3	10	6	8
Very unlikely	9	6	24	7	6	3	27

Note: Percentages may not add up to 100% due to rounding.

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Methodology

Harris Interactive conducted this online survey within the United States between September 14 and 16, 2005 among a national cross section of 2,025 adults, ages 18 years and over. Figures for age, gender, race/ethnicity, education, income and region were weighted where necessary to align with population proportions. Propensity score weighting was also used to adjust for respondents' propensity to be online.

In theory, with probability samples of this size, one can say with 95% certainty that the overall results have a sampling error of plus or minus 3 percentage points of what they would be if the entire U.S. adult population had been polled with complete accuracy. Sampling error for the sub-samples listed in the tables is higher and varies. Unfortunately, there are several other possible sources of error in polls or surveys that are probably more serious than theoretical calculations of sampling error. This includes refusals to be interviewed (nonresponse), question wording and question order, and weighting. It is impossible to quantify the errors that may result from these factors. This online sample is not a probability sample.

These statements conform to the principles of disclosure of the National Council on Public Polls.

About the Survey

The Wall Street Journal Online/Harris Interactive Personal Finance Poll is an exclusive poll that is published in the Personal Journal Edition of The Wall Street Journal Online at www.wsj.com/personaljournal.

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Blending science and art, Harris Interactive combines its intellectual capital and one of the world's largest online panels of respondents, with premier Internet survey technology and sophisticated research methods to market leadership through its US, Europe (www.harrisinteractive.com/europe) and Asia offices, its wholly owned subsidiary, Novatris in Paris (www.novatris.com), and through an independent global network of affiliate market research companies. EOE M/F/D/V

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Media inquiries, contact:

Kelly Gullo 585.214.7172

kgullo@harrisinteractive.com

Nancy Wong 585.214.7316

nwong@harrisinteractive.com