Data on Retirement Contributions to Defined Contribution (DC) Plans

August 12, 2021

Individuals can save for retirement in two types of tax-advantaged accounts: defined contribution (DC) and individual retirement accounts (IRAs). DC plans are employer-sponsored retirement plans in which contributions from a worker, the employer, or both are placed in an individual account. Individuals with wage income can also contribute to IRAs, which are privately held retirement savings accounts. Contributions—and any investment earnings—in DC accounts and IRAs can be used as a source of income in retirement. Both DC accounts and IRAs may accept rollovers. Rollovers—transfers of funds from one retirement account to another—preserve the tax advantages of retirement savings. This Insight provides Internal Revenue Service (IRS) data on contributions to DC accounts in 2018. Congress has an interest in contribution data because (1) the tax expenditures for retirement plans (estimated to be $153.6 billion for DC plans and $23.8 billion for IRAs in FY2020) are one of the largest categories of revenue losses attributable to provisions in the tax code, and (2) recent legislation has included provisions that would modify contribution limits for certain individuals. An August 12, 2021, CRS Insight provides similar data for IRAs.

Employers sponsor a variety of DC plans, such as 401(k) plans (for private-sector employers), 403(b) plans (for public education systems and nonprofit employers), 457(b) plans (for state and local government employers and nonprofits), the Thrift Savings Plan (for the federal government), Savings Incentive Match Plan for Employees (SIMPLE, for businesses with 100 or fewer employees), and Salary Reduction Simplified Employee Pension (established prior to 1997 for businesses with 25 or fewer employees). In March 2020, 60% of U.S. workers had access to DC plans through their employers.

The tax benefits of DC accounts depend on whether the account is a traditional or a Roth account. Contributions to traditional DC accounts are excluded from taxable income in the year in which the contributions are made (i.e., they are made with pre-tax funds); investment earnings accumulate on a tax-deferred basis. Withdrawals from traditional accounts are included in taxable income when received. Contributions to designated Roth accounts within a DC plan are not excluded from taxable income in the year in which they are made (i.e., they are made with after-tax funds). Investment earnings accumulate on a tax-free basis: Qualified distributions from Roth accounts (those taken by an individual who has held the account for five years and made after death, on account of disability, or on or after attainment of age 59½) are not included in taxable income.
Individuals’ contributions to DC accounts (referred to as elective deferrals) are subject to annual contribution limits. Except for SIMPLE plans, in 2018 (the most recent year for which contribution data from the IRS is available), individuals could contribute up to the lesser of (1) their wage income for the year or (2) $18,500 to their DC accounts. Individuals age 50 and older could make an additional $6,000 in catch-up contributions to their DC accounts. In 2018, the contribution limit for SIMPLE plans was $12,500; individuals age 50 and older could make an additional $3,000 in catch-up contributions. The contribution limits and catch-up contribution limits are adjusted annually for inflation.

**Elective Deferrals to DC Plans in 2018**

Table 1 lists elective deferrals by contributing taxpayers by age groups in 2018. About 60 million taxpayers contributed to DC plans, corresponding to 41.7% of all taxpayers with wage income. In addition:

- the average contribution to DC plans was $5,510;
- more than 8% of taxpayers who contributed to DC plans in 2018 contributed the maximum amount;
- the percentage of contributing taxpayers who contributed the maximum amount permitted increased by age group—2.1% of contributing taxpayers under age 35 contributed the maximum, compared to 15.9% of contributing taxpayers age 65 and older; and
- about half of taxpayers with wage income age 35-65 made elective deferrals.

**Table 1. Elective Deferrals to DC Plans**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number of Contributing Taxpayers</th>
<th>Percentage of Taxpayers with Wage Income Making DC Plan Contributions</th>
<th>Average Contribution</th>
<th>Percentage of Contributors Making the Maximum Contribution</th>
<th>Average Contribution for Non-Max Contributors</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>60,353,306</td>
<td>41.7%</td>
<td>$5,510</td>
<td>8.5%</td>
<td>$4,018</td>
</tr>
<tr>
<td>Under 35</td>
<td>17,591,326</td>
<td>32.3%</td>
<td>$3,083</td>
<td>2.1%</td>
<td>$2,745</td>
</tr>
<tr>
<td>35 to under 45</td>
<td>13,872,028</td>
<td>48.0%</td>
<td>$5,282</td>
<td>7.2%</td>
<td>$4,225</td>
</tr>
<tr>
<td>45 to under 55</td>
<td>13,980,565</td>
<td>50.7%</td>
<td>$6,525</td>
<td>11.2%</td>
<td>$4,698</td>
</tr>
<tr>
<td>55 to under 65</td>
<td>12,058,621</td>
<td>49.6%</td>
<td>$7,669</td>
<td>14.5%</td>
<td>$4,964</td>
</tr>
<tr>
<td>65 and older</td>
<td>2,850,766</td>
<td>30.4%</td>
<td>$7,476</td>
<td>15.9%</td>
<td>$4,454</td>
</tr>
</tbody>
</table>


**Notes:** In 2018 (the latest year for which data is available), there were 144.6 million taxpayers. In 2018, the contribution limit to DC plans (except for SIMPLE plans) was the lesser of (1) an individual’s wage income or (2) $18,500. Individuals 50 and older could make an additional $6,000 in catch-up contributions. The contribution limit to SIMPLE plans was $12,500, and individuals 50 and older could make an additional $3,000 in catch-up contributions. Taxpayers whose contributions equaled 100 percent of their wage income were also designated as making a maximum elective contribution.
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