# Large Retirement Account Balances: An Overview

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Congress has authorized tax advantages to encourage employers to offer retirement plans, such as defined contribution (DC) plans, and individuals to save for retirement through such plans, or through individual retirement accounts (IRAs). Contributions to DC accounts and IRAs can be made on a pretax (traditional) basis or an after-tax (Roth) basis. Investment earnings in pretax accounts grow on a tax-deferred basis; investment earnings in Roth accounts grow on a tax-free basis. Retirement accounts are one of the largest tax expenditures for the federal government: The Joint Committee on Taxation (JCT) estimated expenditures for DC accounts and IRAs to be $250 billion in FY2026.

In 2022, about 54% of U.S. households had savings in DC accounts or IRAs (collectively referred to throughout this In Focus as *retirement accounts*). The median balance in these accounts was $87,000; the average balance was $334,000. Many policy discussions about retirement accounts focus on increasing access and savings; recent congressional actions aim to increase such outcomes. At the same time, some discussions focus on a comparatively small number of individuals who have been able to accumulate very large retirement account balances, which some believe conflict with congressional intent for tax-preferred savings; recent congressional proposals would limit retirement asset accumulation for certain individuals.

This In Focus describes DC plans and IRAs and explains how individuals might have accumulated very large balances in such accounts. It also discusses recent policy changes that could result in greater asset accumulation, as well as policy proposals that would limit asset accumulation in these accounts.

## Defined Contribution Plans

In DC plans, workers have individual pretax or *designated Roth accounts* funded by their own contributions, contributions from their employers, or both. Contributions (including *"catch-up" contributions* for those aged 50 and older) to DC accounts by employees and employers in a year may not exceed specified limits. The funds in the accounts can accrue investment earnings, and amounts contributed and earnings (if any) are intended to be used as a source of income in retirement. Examples of DC plans include 401(k) plans, 403(b) plans, and the federal government's Thrift Savings Plan (TSP). Some plans permit participants to convert their pretax savings into Roth savings via *in-plan Roth conversions.* At year-end 2025, DC plans held a total of $14.2 trillion in assets.

DC plans have few investment restrictions. Typically, participants in private sector DC plans choose how their account balances are invested among investment options provided by the plan sponsors. The investment options generally include conventional investments, such as mutual funds and collective investment trusts (CITs), which are pooled investment vehicles managed by banks and trust companies.

In addition to these conventional investments, about one-third of private sector DC plans include *brokerage windows*. Brokerage windows allow participants to invest in options beyond those provided by the plan, such as individual stocks and exchange traded funds (ETFs).

Many discussions about large retirement accounts focus on IRAs. One reason for this is because many individuals with DC plan savings roll over these savings into IRAs at job change or retirement to preserve the savings' tax advantages. However, individuals could accumulate large balances in DC accounts by investing in assets that outperform the market, perhaps through brokerage windows that allow for nonconventional investments or through solo 401(k) plans, in which self-employed individuals or small business owners set up 401(k) plans for themselves and have investment flexibility.

## Individual Retirement Accounts

Traditional and Roth IRAs are tax-advantaged retirement savings accounts set up outside of the workplace through custodians (typically banks, or in some cases, approved non-bank trustees). Individuals must have earned income to contribute to IRAs. Traditional IRA contributions may be deductible, depending on workplace pension coverage and income. While anyone with income from work may contribute to a traditional IRA, eligibility to contribute to a Roth IRA is limited based on income. Like DC plans, annual contributions to IRAs are subject to a limit each year (IRA limits are lower). In addition to making contributions, workers commonly roll over savings from DC plans into IRAs; in 2023, rollovers represented over 95% of inflows to traditional IRAs. At year-end 2025, assets in IRAs totaled an estimated $18.7 trillion.

Qualified distributions from Roth accounts (those taken after age 59½, death, or disability from accounts that have been open for at least five years) are not taxable. Individuals who are ineligible to contribute to a Roth IRA may contribute to a traditional IRA and then immediately convert their savings to a Roth IRA; this strategy is commonly referred to as a *backdoor Roth IRA*. In addition, individuals may convert their traditional IRA savings to Roth IRA savings by including the taxable amount converted in their income for the year. Many IRA owners engage in backdoor Roth IRAs or conversions to benefit from the tax-free growth associated with Roth IRAs.

IRAs, like DC plans, generally have few investment restrictions. However, the following restrictions do apply:

- IRA owners are not permitted to invest in collectibles, such as artwork, rugs and antiques, metals, gems, stamps, alcoholic beverages, and most coins.
- IRA owners are not permitted to invest in life insurance contracts.
- IRAs (with some narrow exceptions) are not permitted to be shareholders of S corporations.

In addition to these restrictions, IRA owners, beneficiaries, and any disqualified persons—such as the IRA owner's fiduciary and any family members—are not permitted to engage in *prohibited transactions* described in Section 4975 of Title 26 of the *U.S. Code*. These include, for example, borrowing money from an IRA, using it as security for a loan, and buying property for personal use with IRA funds. These prohibited transactions also apply to DC plans, but participants are typically not making decisions that result in prohibited transactions.

### Self-Directed IRAs

In most instances, IRA owners invest in conventional asset classes—such as stocks, bonds, mutual funds, and ETFs—offered by their custodians. Some custodians offer self-directed traditional or Roth IRAs (SDIRAs), which allow individuals to invest in nearly any asset class, such as cryptocurrencies, private equity, real estate, and ownership interests (in limited liability corporations, partnerships, or similar entities). SDIRA owners are responsible for selecting, managing, monitoring, and retaining all investments in their account. A SDIRA custodian's role is limited to recordkeeping and other administrative and compliance tasks.

SDIRAs can be used to accumulate large tax-advantaged account balances. In 2015, the U.S. Government Accountability Office reported that "a small number of taxpayers has accumulated larger IRA balances, likely by investing in assets unavailable to most investors." If SDIRA owners invest in shares of a startup that becomes very successful, their SDIRAs could potentially grow to millions of dollars. In 2021, ProPublica reported that a technology company founder accumulated over $5 billion in his self-directed Roth IRA by investing in shares of his startup.

Other types of alternative investments (e.g., cryptocurrencies, private equity) could also potentially result in high-balance IRAs. Individuals may find it advantageous to hold such investments in Roth accounts because qualified distributions, which include investment gains, are not taxed at withdrawal.

## Required Distributions from Plans and IRAs

Individuals with savings in pretax DC accounts (e.g., 401(k) accounts and 403(b) accounts) and traditional IRAs are required to begin taking annual withdrawals, called required minimum distributions (RMDs), after reaching a specified age, which ranges from 70½ to 75 depending on date of birth. Individuals in DC plans (with some exceptions) may delay RMDs until the later of (1) their RMD age or (2) retirement. RMDs are included in taxable income. Because taxes were paid up front, designated Roth accounts and Roth IRAs are not subject to RMDs.

## Data on Large Retirement Account Balances

In July 2026, the Senate Committee on Finance issued a press release with year-end 2024 data from JCT estimating that 208 individuals held a total of $85.1 billion in DC accounts and IRAs, corresponding to an average balance of $409 million, and that more than 32,000 individuals each held more than $10 million in these accounts, corresponding to an average balance of $17 million. Earlier analysis by JCT indicated that 497 taxpayers had IRA balances of at least $25 million in 2019.

JCT's 2024 data do not detail whether large balances were held primarily in DC plans or IRAs, or whether IRA assets were held in conventional IRAs or SDIRAs. SDIRAs and conventional IRAs are not differentiated in tax and administrative data.

## Recent Policy Changes

Provisions in recent laws have permitted individuals to accumulate more in their retirement accounts, such as by allowing higher catch-up contributions for those aged 60-63, increasing RMD ages, and suspending RMDs in 2020. Another required that individuals with incomes over specified thresholds who make catch-up contributions do so on a Roth basis, allowing for tax-free growth on such contributions.

## Recent Policy Proposals

In recent years, various proposals would have limited the balances permitted to accrue in retirement accounts and in defining the individuals to which any such limits would apply. Efforts have included, for example, President Obama's FY2014 budget, President Biden's FY2024 budget, and early versions of H.R. 5376 in the 117th Congress, which did not become law.

### Legislation in the 119th Congress

S. 5040 and H.R. 9813 would establish new IRA contribution and distribution rules for those with retirement assets and incomes that exceed specified thresholds (both of which would be adjusted for inflation). First, individuals would not be permitted to further contribute to their IRAs if the aggregate vested value (i.e., amounts that the individual has a legal right to) of their retirement accounts exceeded $10 million in the prior year. This provision would be effective in 2027.

Second, individuals with aggregate vested retirement account balances that exceed $10 million in the prior year would be required to take a distribution from their accounts in an amount equal to 50% of the balance over $10 million (called *the 50% distribution rule).* Individuals with balances that exceed $20 million in the prior year would be required to take a distribution of the lesser of (1) the amount that exceeds $20 million or (2) the aggregate balance in Roth IRAs and designated Roth accounts (called *the 100% distribution rule*). Distributions made pursuant to the 100% distribution rule would have to be made first from Roth IRAs and then from designated Roth accounts in DC plans. After applying the 100% distribution rule, an individual could choose from which accounts to withdraw for the purposes of the 50% distribution rule. Roth distributions made pursuant to this provision would be considered qualified and not included in taxable income. Traditional account distributions made pursuant to this provision would generally be included in taxable income but would not face the penalty that otherwise applies to early withdrawals. This provision would become effective in 2034.

Both provisions would apply to taxpayers with modified adjusted gross income (MAGI) in the previous year that exceeds the following (inflation-adjusted) thresholds: $450,000 for those married filing jointly, $425,000 for heads of households, $225,000 for those married filing separately, and $400,000 for other taxpayers (e.g., single filers).

**Elizabeth A. Myers**, Analyst in Income Security

**IF13303**

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