

## 401K - The Great American Crutch

Mardjokic.com

I'd like to invite you all to take a look at the investment universe as prescribed by my 401K administrators. It's not the worst I've been forced to pay in to especially when considering the fact that I can get Gross for 64bps and Goldman for one per cent. But why are 401K's so limiting, long only, and heavily weighted toward equity?

*See Appendix 1*

The only other comment I will make on particular 401k options: recently the street has been abuzz. Gross has been dumping Treasuries and holding record amounts of cash. Now I agree with this fundamentally; rates have nowhere to go but up. But why am I paying up an additional +26bps for Gross to be my CP manager when I can get Investco to do it for 38? That being said, I have a tremendous amount of respect for Bill. For free investment commentary go to Pimco Europe's website at: [www.europe.pimco.com](http://www.europe.pimco.com)

The lack of investment options in today's 401K accounts can be frustrating, but I can understand [at least in part] why. The government doesn't want its constituents (or slick wall street types) rolling the dice with Middle America's nest egg. There is some benevolence here but also a bit of self interest embedded in this policy.

You are playing with pretax dollars (Roth IRA's aside). The government wants to make sure it can collect on those dusty old I.O.U's. Moreover, what happens if you beat the house and lose? Public welfare kicks in and the gov't is left holding the bag. The gov't would rather play the numbers than the odds. 30% of a little something is better than 30% of a whole lot of nothing.

Since the modern day retirement savings system was created in 1974 by the Employee Retirement Income Security Act or "E.R.I.S.A.", the growth of retirement accounts has been dizzying. In 2008, an estimated \$14T dollars were earmarked in US retirement accounts. According to the Investment Company Institute, at the end of 2008, 70% of US households had their own IRA or a employer sponsored defined contribution plans (401K) and 9% of a household's total financial assets were held in retirement funds (up from 6% in 1990).

*See Appendix 2*

Employer sponsored accounts have become particularly popular: as of 2006, the average worker set aside [7.5%](#) [*See Appendix 3*] of their annual income for retirement. This rate has remained pretty constant so I won't feel too bad doing some quick and dirty math with consensus and BLS numbers as of 2008.

- Median per capita income in 2008 was [\\$26,964](#) [*See Appendix 4*]
- times 7.5% retirement savings
- times 153M workers in the labor force (implied from the 12/07 unemployment rate at 5% with 7.5M unemployed).
- = \$310B dollars flowing into capital markets.

This money is transferred automatically (every week, month or quarter) into the cash account at your money manager. Unless you are 100% cash, your fund manager will have to put that money to work. \$310B isn't a large number and it doesn't have to automatically mean an increase in the value of financial assets. Outflows may exceed inflows or the "fresh" capital markets (new debt issuance and IPOs) might create enough supply to absorb the inflow. But my point is there is nearly \$310B of long only money being pumped into capital markets that wouldn't have been otherwise.

Assuming a generic 60/40 split between equity and bonds we have \$186B dollars flowing into stocks and \$124B into bonds. To ground these numbers a bit, the market cap on the [S&P 500 at the end of Sept 2009 was \\$9.3T](#). [*See Appendix 5*]. Absorbing the \$186B in inflows would lead to growth of about +2% annually.

Below I have plotted total assets in core retirement accounts against the S&P 500. I do not mean to imply that the growth in retirement funds have led to the general upward movement on the S&P 500. There are really two things that are driving this: first, as performance increases or decreases the \$'s invested. In fact, the direction of the relationship is probably reversed and more people allocate dollars to retirement funds when the S&P is trending higher. But that brings up another troubling dilemma: during bull markets, more retail investors pile in and perpetuate the bull run, skewing the valuation metrics even further. In this way you get a levered effect that leads markets to overshoot healthy market corrections on the up and down side.

*See Appendix 6*

## INVESTMENT CHOICES &amp; PERFORMANCE

 [Printer-friendly Version](#)

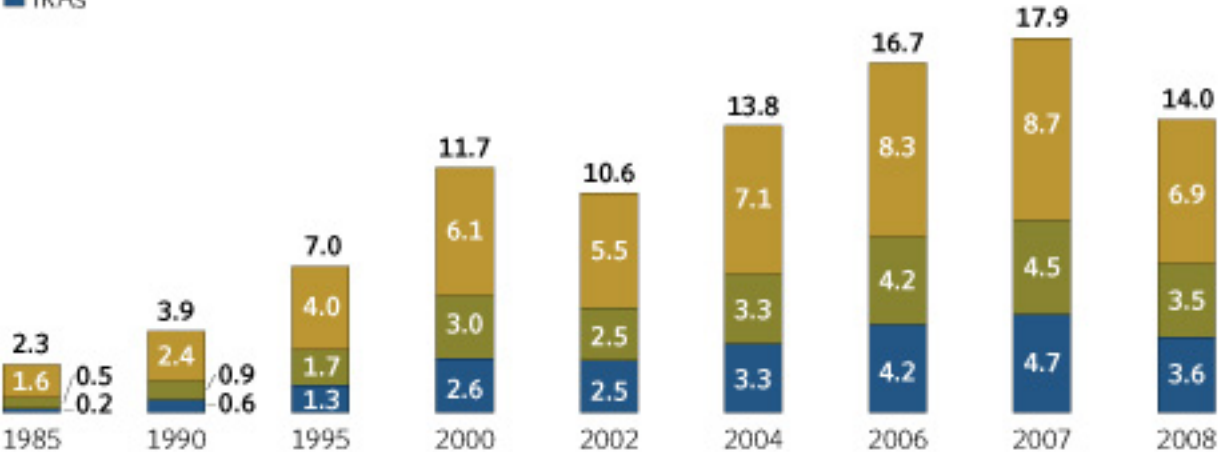
The performance data contained herein represents past performance, which does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

All total returns assume the reinvestment of all dividend and capital gain distributions at net asset value when paid and do not reflect the deduction of any sales charge, as these charges are not applicable to this plan. Had the sales charge been deducted, results would have been lower than shown. Please note that there are other charges and expenses that apply to the investment options, such as management fees, which are reflected in their net investment return.

Investment Choices	Average Annual Total Returns	Total Returns		
<a href="#">Monthly View</a>   <a href="#">Quarterly View</a>				
<p>The choices shown below are the investments available through your retirement plan. You currently hold a balance in any investment with an asterisk.</p> <p>Click on the investment to view additional information. Place your mouse over the investment to view Redemption Fees.</p> <p>"Show Only My Investments" will display information about funds available for investment.</p> <p style="text-align: right;">Show Benchmarks <input type="checkbox"/></p> <p>Results for Month Ending November 30, 2009. <span style="float: right;">Show Only My Investments <input type="checkbox"/></span></p>				
Fund	Inception Date	Gross Expense Ratio	Month	YTD
<b>EQUITY/STOCK</b> <span style="float: right;">▼</span>				
<a href="#">ALGER MIDCAP GRW INSTL PORT</a>	11/08/1993	1.11%	5.81%	43.40%
* <a href="#">AMERICAN BALANCED FUND R5</a>	05/15/2002	0.35%	4.71%	20.80%
* <a href="#">AMERICAN EUROPACIFIC GR FD R5</a>	05/15/2002	0.54%	4.39%	37.92%
<a href="#">AMERICAN GROWTH FUND OF AMER R</a>	05/15/2002	0.37%	5.58%	31.36%
* <a href="#">BLACKROCK EQ DIVIDEND I</a>	11/29/1988	0.75%	6.14%	20.80%
<a href="#">GOLDMAN:GRO OPPTYS;INS</a>	05/24/1999	1.07%	5.00%	48.16%
<a href="#">JENNISON SMALL COMPANY FUND Z</a>	03/01/1996	0.90%	3.97%	27.94%
<a href="#">LORD ABBETT SMALL CAP VALUE I</a>	12/30/1997	0.93%	3.47%	19.59%
* <a href="#">ML EQUITY INDEX TRUST I</a>	01/12/1993	0.32%	5.97%	23.89%
<a href="#">PERKINS MID CAP VAL INV SHARES</a>	07/06/2009	1.97%	2.74%	N/A
<a href="#">PIONEER FD CL Y</a>	05/06/1999	0.74%	5.69%	21.79%
<b>BOND/FIXED INCOME</b> <span style="float: right;">▼</span>				
* <a href="#">PIMCO TOTAL RETURN PORT. INSTL</a>	05/11/1987	0.64%	1.27%	14.89%
<b>MONEY MARKET/STABLE VALUE</b> <span style="float: right;">▼</span>				
<a href="#">FFI TREASURY FUND</a> 7-Day Yield: 0.05%	12/18/1989	0.31%	0.00%	0.03%
* <a href="#">INVESCO STABLE VALUE TRUST</a>	03/30/1988	0.38%	0.29%	2.50%

For more complete information on the investment options that are mutual funds, including their management fees and other charges and expenses, please consult the prospectuses and other comparable documents. Investors should carefully consider the investment objectives, risks, charges and expenses before investing. This, and additional information about the investment options that are mutual funds, can be found in the

Other plans<sup>1</sup>  
DC plans<sup>2</sup>  
IRAs



March 19, 2009, #117

Contact: John MacDonald, EBRI, (202) 775-6349, [macdonald@ebri.org](mailto:macdonald@ebri.org)

## Average Worker Contribution Rates to 401(k)-Type Plans

WASHINGTON—How much do workers contribute on average to 401(k)-type plans?

The February 2009 *EBRI Notes* reports that in 2006 the average employee contribution to a 401(k)-type plan was 7.5 percent of annual earnings for workers who reported making a contribution, unchanged from 2003. The article is based on 2006 data from the U.S. Census Bureau Survey of Income and Program Participation (SIPP) data, the latest available from SIPP on employee contributions to 401(k)-type plans.

The *Notes* article makes these additional points:

- The average contribution to these plans for those who reported making a contribution, while unchanged in 2006 (at 7.5 percent), has increased gradually from 7.1 percent in 1993 and 6.6 percent in 1988.
- The distribution of the contribution rates held basically steady from 1993 to 2006: About 45 percent of 401(k) participants contributed 5 percent or less of their salary, while the remaining participants were about equally divided between those who contributed 5–10 percent and those who contributed 10 percent or more.
- The high contributors—those who contributed 10 percent or more of their salary—were more likely to contribute a higher amount in 2006 than in 1993.

The numbers above are for nonagricultural wage and salary workers age 16 and over. Here is a breakdown showing the average percentage contribution of annual earnings for these workers to 401(k)-type plans for selected years:

- 1998: 6.6 percent contribution.
- 1993: 7.1 percent contribution.
- 1998: 7.4 percent contribution.
- 2003: 7.5 percent contribution.
- 2006: 7.5 percent contribution.

More information about employee contributions to 401(k)-type plans appears on page 7 of the February 2009 *EBRI Notes*, available at [http://www.ebri.org/pdf/notespdf/EBRI\\_Notes\\_Feb09.Ret-Partic.pdf](http://www.ebri.org/pdf/notespdf/EBRI_Notes_Feb09.Ret-Partic.pdf)

*Fast Facts from EBRI* is issued by the nonpartisan Employee Benefit Research Institute to highlight benefits information that may be of current interest. Established in 1978, EBRI is an independent nonprofit organization committed exclusively to data dissemination, policy research, and education on economic security and employee benefits. EBRI does not take policy positions and does not lobby.

EBRI is now on Twitter! Name: @EBRI

URL: <http://twitter.com/EBRI>

Sign up for our RSS feeds!

# Income, Poverty, and Health Insurance Coverage in the United States: 2008

Issued September 2009

P60-236(RV)

## Current Population Reports

### Consumer Income

By  
Carmen DeNavas-walt  
Bernadette D. Proctor  
Jessica C. Smith



Table 1.  
**Income and Earnings Summary Measures by Selected Characteristics: 2007 and 2008**

(Income in 2008 dollars. Households and people as of March of the following year. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see [www.census.gov/apspd/techdoc/cps/cpsmar09.pdf](http://www.census.gov/apspd/techdoc/cps/cpsmar09.pdf))

Characteristic	2007			2008			Percentage change in real median income (2008 less 2007)	
	Number (thousands)	Median income (dollars)		Number (thousands)	Median income (dollars)		Estimate	90 percent confidence interval <sup>1</sup> (±)
		Estimate	90 percent confidence interval <sup>1</sup> (±)		Estimate	90 percent confidence interval <sup>1</sup> (±)		
<b>HOUSEHOLDS</b>								
<b>All households</b> .....	<b>116,783</b>	<b>52,163</b>	<b>239</b>	<b>117,181</b>	<b>50,303</b>	<b>225</b>	<b>*-3.6</b>	<b>0.50</b>
<b>Type of Household</b>								
Family households .....	77,873	64,755	335	78,850	62,621	423	*-3.3	0.67
Married-couple .....	58,370	75,582	548	59,118	73,010	540	*-3.4	0.81
Female householder, no husband present .....	14,404	34,652	612	14,480	33,073	620	*-4.6	1.98
Male householder, no wife present .....	5,100	51,754	1,148	5,252	49,186	1,092	*-5.0	2.40
Nonfamily households .....	38,910	31,335	270	38,331	30,078	306	*-4.0	1.03
Female householder .....	21,038	25,227	413	20,637	25,014	383	-0.8	1.79
Male householder .....	17,872	38,180	430	17,694	36,006	436	*-5.7	1.26
<b>Race<sup>2</sup> and Hispanic Origin of Householder</b>								
White .....	95,112	54,117	263	95,297	52,312	250	*-3.3	0.53
White, not Hispanic .....	82,765	57,030	422	82,884	55,530	370	*-2.6	0.78
Black .....	14,551	35,219	811	14,595	34,218	725	*-2.8	2.45
Asian .....	4,494	68,643	2,366	4,573	65,637	2,280	*-4.4	3.77
Hispanic (any race) .....	13,339	40,165	888	13,425	37,913	799	*-5.6	1.94
<b>Age of Householder</b>								
Under 65 years .....	92,671	58,718	313	92,346	56,791	341	*-3.3	0.63
15 to 24 years .....	6,554	33,011	562	6,357	32,270	617	*-2.2	2.02
25 to 34 years .....	19,225	52,976	487	19,302	51,400	536	*-3.0	1.09
35 to 44 years .....	22,448	64,511	512	22,171	62,954	944	*-2.4	1.40
45 to 54 years .....	24,536	67,992	746	24,633	64,349	933	*-5.4	1.40
55 to 64 years .....	19,909	59,591	828	19,883	57,265	875	*-3.9	1.60
65 years and older .....	24,113	29,393	389	24,834	29,744	370	1.2	1.48
<b>Nativity of Householder</b>								
Native born .....	101,104	52,904	258	101,585	51,056	245	*-3.5	0.53
Foreign born .....	15,680	45,929	1,245	15,596	43,493	1,022	*-5.3	2.75
Naturalized citizen .....	7,469	54,094	1,158	7,668	51,524	949	*-4.8	2.18
Not a citizen .....	8,211	39,083	1,244	7,928	37,951	1,056	-2.9	3.32
<b>Region</b>								
Northeast .....	21,351	54,283	723	21,309	54,346	1,105	0.1	2.01
Midwest .....	26,266	52,209	490	26,282	50,112	535	*-4.0	1.10
South .....	43,062	47,961	453	43,423	45,590	446	*-4.9	1.04
West .....	26,105	56,218	837	26,166	55,085	867	*-2.0	1.71
<b>Metropolitan Status</b>								
Inside metropolitan statistical areas .....	97,591	53,823	261	97,865	51,853	245	*-3.7	0.53
Inside principal cities .....	39,072	45,904	615	39,065	44,197	564	*-3.7	1.44
Outside principal cities .....	58,520	59,651	501	58,800	57,904	579	*-2.9	1.03
Outside metropolitan statistical areas <sup>3</sup> .....	19,192	42,176	653	19,315	40,785	663	*-3.3	1.75
<b>EARNINGS OF FULL-TIME, YEAR-ROUND WORKERS</b>								
Men with earnings .....	62,984	46,846	256	59,861	46,367	239	*-1.0	0.62
Women with earnings .....	45,613	36,451	174	44,156	35,745	174	*-1.9	0.56

See footnotes at end of table.

Table 1.  
**Income and Earnings Summary Measures by Selected Characteristics: 2007 and 2008—Con.**

(Income in 2008 dollars. Households and people as of March of the following year. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see [www.census.gov/apsd/techdoc/cps/cpsmar09.pdf](http://www.census.gov/apsd/techdoc/cps/cpsmar09.pdf))

Characteristic	2007			2008			Percentage change in real median income (2008 less 2007)	
	Number (thousands)	Median income (dollars)		Number (thousands)	Median income (dollars)		Estimate	90 percent confidence interval <sup>1</sup> (±)
		Estimate	90 percent confidence interval <sup>1</sup> (±)		Estimate	90 percent confidence interval <sup>1</sup> (±)		
<b>PER CAPITA INCOME<sup>4</sup></b>								
<b>Total<sup>2</sup>.....</b>	<b>299,106</b>	<b>27,834</b>	<b>164</b>	<b>301,483</b>	<b>26,964</b>	<b>161</b>	<b>*-3.1</b>	<b>0.68</b>
White.....	239,399	29,413	190	240,852	28,502	186	*-3.1	0.74
White, not Hispanic.....	196,768	32,244	220	197,159	31,313	217	*-2.9	0.79
Black.....	37,775	19,136	362	38,076	18,406	327	*-3.8	2.09
Asian.....	13,268	31,050	936	13,315	30,292	920	-2.4	3.49
Hispanic (any race).....	46,026	16,203	282	47,485	15,674	293	*-3.3	1.83

\* Statistically different from zero at the 90 percent confidence level.

<sup>1</sup> A 90 percent confidence interval is a measure of an estimate's variability. The larger the confidence interval in relation to the size of the estimate, the less reliable the estimate. For more information, see "Standard Errors and Their Use" at [www.census.gov/hhes/www/p60\\_236sa.pdf](http://www.census.gov/hhes/www/p60_236sa.pdf).

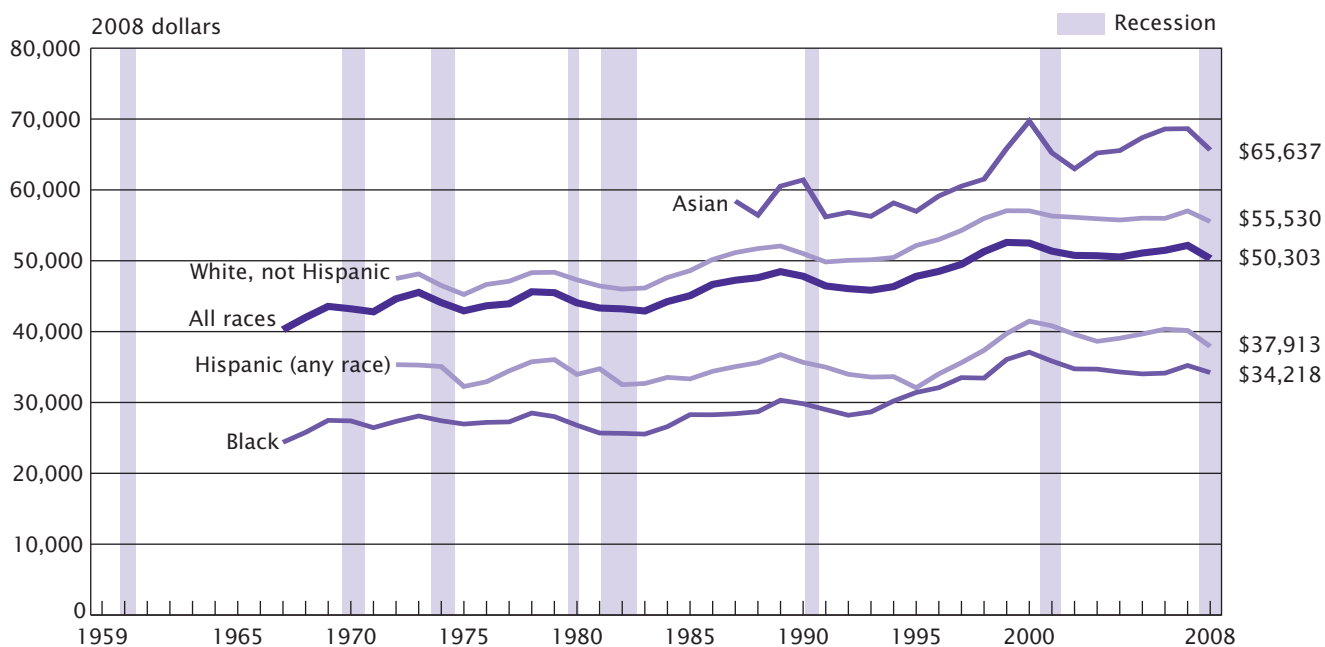
<sup>2</sup> Federal surveys now give respondents the option of reporting more than one race. Therefore, two basic ways of defining a race group are possible. A group such as Asian may be defined as those who reported Asian and no other race (the race-alone or single-race concept) or as those who reported Asian regardless of whether they also reported another race (the race-alone-or-in-combination concept). This table shows data using the first approach (race alone). The use of the single-race population does not imply that it is the preferred method of presenting or analyzing data. The Census Bureau uses a variety of approaches. Information on people who reported more than one race, such as White *and* American Indian and Alaska Native or Asian *and* Black or African American, is available from Census 2000 through American FactFinder. About 2.6 percent of people reported more than one race in Census 2000. Data for American Indians and Alaska Natives, Native Hawaiians and Other Pacific Islanders, and those reporting two or more races are not shown separately in this table.

<sup>3</sup> The "Outside metropolitan statistical areas" category includes both micropolitan statistical areas and territory outside of metropolitan and micropolitan statistical areas. For more information, see "About Metropolitan and Micropolitan Statistical Areas" at [www.census.gov/population/www/estimates/aboutmetro.html](http://www.census.gov/population/www/estimates/aboutmetro.html).

<sup>4</sup> The data shown in this section are per capita incomes and their respective confidence intervals. Per capita income is the mean income computed for every man, woman, and child in a particular group. It is derived by dividing the total income of a particular group by the total population in that group (excluding patients or inmates in institutional quarters).

Source: U.S. Census Bureau, Current Population Survey, 2008 and 2009 Annual Social and Economic Supplements.

Figure 1.  
**Real Median Household Income by Race and Hispanic Origin: 1967 to 2008**



Note: Median household income data are not available prior to 1967. For information on recessions, see Appendix A.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2009 Annual Social and Economic Supplements.



## EXCHANGE-TRADED PRODUCTS:

### EXCHANGE-TRADED FUNDS (ETFs)

SPDR®

Select Sector SPDRs

iShares S&P 500, Growth & Value

iUnits S&P 500

Short S&P 500 ProShares

Rydex 2x S&P 500

Horizons BetaPro S&P 500 Bear Plus

ProShares UltraPro S&P 500

### FUTURES

S&P 500

E-Mini S&P 500

S&P 500 Growth & Value

S&P 500 Sector Futures

### OPTIONS

S&P 500

Select Sector SPDRs

Standard & Poor's does not sponsor, endorse, sell or promote any S&P index-based investment product.

### Contact Us:

index\_services@standardandpoors.com

New York	+1.212.438.2046
Toronto	+1.416.507.3200
London	+44.20.7176.8888
Tokyo	+813.4550.8463
Beijing	+86.10.6569.2919
Sydney	+61.2.9255.9870

For more information about S&P Indices, visit our Web site:

[www.indices.standardandpoors.com](http://www.indices.standardandpoors.com)

For comprehensive index data and reporting functionality, visit Standard & Poor's Index Data Platform (IDP):

[www.sp-indexdata.com](http://www.sp-indexdata.com)

## About the Index

Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. S&P 500 is part of a series of S&P U.S. indices that can be used as building blocks for portfolio construction.

S&P 500 is maintained by the S&P Index Committee, a team of Standard & Poor's economists and index analysts, who meet on a regular basis. The goal of the Index Committee is to ensure that the S&P 500 remains a leading indicator of U.S. equities, reflecting the risk and return characteristics of the broader large cap universe on an on-going basis. The Index Committee also monitors constituent liquidity to ensure efficient portfolio trading while keeping index turnover to a minimum.

### Index Methodology

The S&P Index Committee follows a set of published guidelines for maintaining the index. Complete details of these guidelines, including the criteria for index additions and removals, policy statements, and research papers are available on the Web site at [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com). These guidelines provide the transparency required and fairness needed to enable investors to replicate the index and achieve the same performance as the S&P 500.

### CRITERIA FOR INDEX ADDITIONS

- *U.S. Company.* Determining factors include location of the company's operations, its corporate structure, its accounting standards and its exchange listings.
- *Market Capitalization.* Companies with market cap in excess of US\$ 3 billion. This minimum is reviewed from time to time to ensure consistency with market conditions.
- *Public Float.* There must be public float of at least 50%.

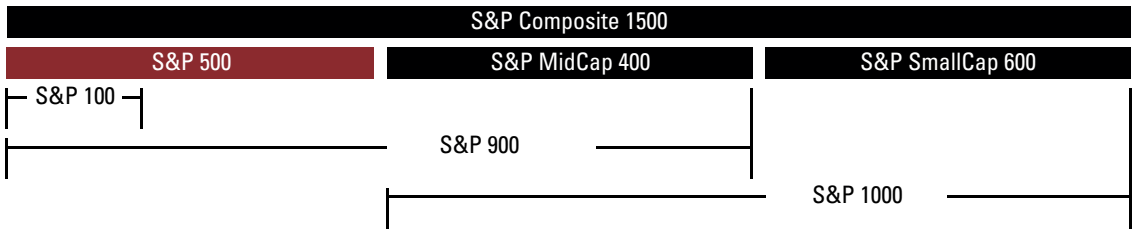
- *Financial Viability.* Companies should have four consecutive quarters of positive as-reported earnings, where as-reported earnings are defined as GAAP Net Income excluding discontinued operations and extraordinary items.
- *Adequate Liquidity and Reasonable Price.* The ratio of annual dollar value traded to market capitalization for the company should be 0.30 or greater. Very low stock prices can affect a stock's liquidity.
- *Sector Representation.* Companies' industry classifications contribute to the maintenance of a sector balance that is in line with the sector composition of the universe of eligible companies with market cap in excess of US\$ 3 billion.
- *Company Type.* Constituents must be operating companies. Closed-end funds, holding companies, partnerships, investment vehicles and royalty trusts are not eligible. Equity Real Estate Investment Trusts (REITs) and business development companies (BDCs) are eligible for inclusion.

Continued index membership is not necessarily subject to these guidelines. The Index Committee strives to minimize unnecessary turnover in index membership and each removal is determined on a case-by-case basis.

### CRITERIA FOR INDEX REMOVALS

- Companies that substantially violate one or more of the criteria for index inclusion.
- Companies involved in merger, acquisition, or significant restructuring such that they no longer meet the inclusion criteria.

## S&P U.S. Indices



September 30, 2009

The large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market.

### Index Performance

<b>Returns</b>	1 Month	3.73%
	3 Month	15.61%
	YTD	19.26%
<b>Annualized Returns</b>	1 Year	-6.91%
	3 Years	-5.43%
	5 Years	1.02%
<b>Annualized Risk</b>	3 Years Std Dev	19.68%
	5 Years Std Dev	15.96%
<b>Sharpe Ratio</b>	3 Years	-0.3103
	5 Years	-0.0381

### 5 Year Historical Performance



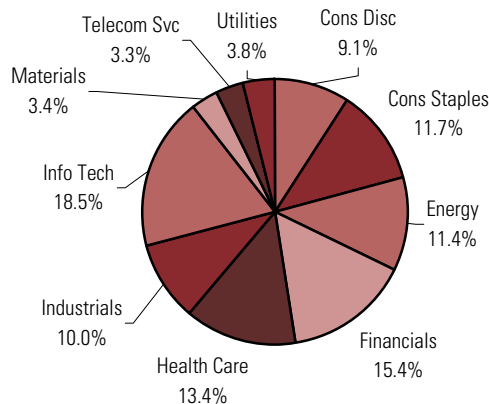
### Top 10 Companies By Weight

Country	Company	Float Adjusted Market Cap (\$ Million)	Index Weight	Sector Weight	Investable Weight Factor	GICS® Sector
United States	Exxon Mobil Corp	329,725.3	3.53%	31.04%	1.00	Energy
United States	Microsoft Corp	200,706.7	2.15%	11.60%	0.87	Information Technology
United States	General Electric Co	174,492.7	1.87%	12.13%	1.00	Financials
United States	JP Morgan Chase & Co	172,325.3	1.85%	13.78%	1.00	Health Care
United States	Procter & Gamble	169,062.1	1.81%	15.47%	1.00	Consumer Staples
United States	Johnson & Johnson	167,801.5	1.80%	9.70%	1.00	Information Technology
United States	Apple Inc.	166,057.6	1.78%	54.21%	1.00	Telecommunication Services
United States	AT&T Inc	159,359.0	1.71%	11.08%	1.00	Financials
United States	Intl Business Machines Corp	156,794.8	1.68%	9.06%	1.00	Information Technology
United States	Bank of America Corp	146,385.0	1.57%	15.73%	1.00	Industrials

### Tickers

<b>S&amp;P 500</b>	
BLOOMBERG <sup>SM</sup>	SPX
Reuters	.SPX
<b>Total Return</b>	
BLOOMBERG <sup>SM</sup>	SPTR
Reuters	.SPXTR

### Sector Breakdown



### Index Portfolio Characteristics

Number of Companies	500
Adjusted Market Cap (\$ Billion)	9,336.51
Company Size By Market Cap (Adjusted \$ Billion):	
Average	18.67
Largest	329.73
Smallest	0.81
Median	7.98
% Weight Largest Company	3.53%
Top 10 Holdings (% Market Cap Share)	19.74%

Standard & Poor's assumes no responsibility for the accuracy or completeness of the above data and disclaims all express or implied warranties in connection therewith.

## Retirement Assets & the S&P 500

Appendix 6

