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# Plenty of reasons to worry

**Despite market rally, retirement plans still have far to go to recover losses**

**By Robert Powell, MarketWatch**

**BOSTON (MarketWatch) -- Happy days are here again, right? After all, the markets are up, Americans are twittering happily about their 401(k) accounts, and life is good, right? Not so fast.**

The Employee Benefit Research Institute just rained on our parade.

According to EBRI's analysis of retirement plans in America, retirement security is anything but a given for the vast majority of Americans.

"Americans have a great deal of work to do after the tremendous loss of wealth in 2008 to ensure financial security in retirement," said Craig Copeland, an EBRI senior research associate, in a release. Here are some reasons to worry:

- Defined-contribution plans, including 401(k)s and the like: Among all families with a defined-contribution plan, the median plan balance was just $26,578 in mid-June, down 16.4% from $31,800 in 2007. The losses were higher for families with more than $100,000 a year in income -- their DC plans fell 22%. And those with a net worth in the top 10% saw their DC plans drop 28%. (Older savers have more in their accounts. Pre-retirees had about $70k in their plans. Assuming a 4% withdrawal rate that gives you $2,800 in annual income.)
- IRA/Keogh plans: Among all families with an IRA/Keogh plan, the median value of their plan was $28,955 in mid June, down 15% from $34,000 in 2007. Pre-retirees had about $52,000 in their accounts.

That's bad, to be sure. But what's even worse is that not enough Americans have retirement plans at work. According to Copeland's analysis, just four in 10 families had a member participating in an employment-based retirement plan -- either a traditional defined-benefit pension plan or a defined-contribution plan -- from a current job. If my math is right, that means that six in 10 American workers don't have an employer-sponsored retirement plan. How fast can you say automatic IRA plan?

The other trends that Copeland confirmed are these: 1) Fewer and fewer workers have solely a traditional pension plan at work and that could spell trouble. Just 17.4% of workers had just a DB plan at work in 2007, down from 40% in 1992. And 2) an increasing portion of workers have 401(k) plans. The share of families participating solely in a DC plan rose to 60.3% in 2007, up from 37.5% in 1992. The percentage of families with both types of plans, by the way, was unchanged from 1992 to 2007 at 23%. Read EBRI's report.

Why is it bad to not have a traditional pension? Well, the poverty rate among older households lacking pension income is about six times greater than those with such income, according to "The Pension Factor: Assessing the Role of Defined-Benefit Plans in Reducing Elder Hardships."

"Pensions reduce -- and in some cases eliminate -- the greater risk of poverty and public-assistance dependence that women and minority populations otherwise would face," according to the report released last week by the University of Massachusetts-Boston and the National Institute on Retirement Security. Learn more about that report here.

Despite all of the above, Copeland does say that "some optimism is warranted." But given all of the above, I'd say that pessimism is much more warranted.