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Promoting 401(k) Security

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The growth of employee-directed investment and of employer stock as an investment option should compel Congress to reassess the scope of ERISA's diversification exceptions and their consequences.

Enron, WorldCom, and other corporate scandals have generated a public appetite for bringing corporate wrongdoers to justice and a legislative push to protect investors through accounting and corporate governance reforms. Yet Congress, while enacting legislation to address some accounting issues in the interest of investors generally, has failed to protect the millions of employees who invest in their employers through retirement plans. Too many have lost much or all of their retirement savings because of imprudent overinvestment in employer stock, and many more are at risk of doing so in the future.

Members of Congress have been rightly concerned about enacting new restrictions that would cause employers to stop offering retirement benefits. And they have been highly sensitive to polling in which, predictably, employees respond in the negative when asked whether they want government to take away their ability to choose investments. But there are legislative approaches that would limit workers' risk in 401(k) plans without precluding choice by employees or employers. This policy brief describes several such measures.

The Context

Notwithstanding a number of high-profile failures, the nation's pension and 401(k) system is basically sound. It has delivered benefits to millions of workers[1] while amassing a pool of investment capital of more than $5.6 trillion (excluding IRAs) that has been instrumental to the growth of our economy (Board of Governors, Federal Reserve System 2003, 76).[2]

Accordingly, pension reform must be approached judiciously. Any changes must reflect a thorough understanding of the potential consequences to our private plan system—taking into account the system's dependence on voluntary plan sponsorship by employers that compete in global product markets, respond to employee demand in competitive labor markets, and are motivated in part by pension tax incentives.

Yet a longer-term view suggests that our retirement system today suffers from several structural problems that call for careful adjustment—problems that go well beyond a few bad actors misleading investors about corporate finances or the effects of a normal downswing of the business cycle and stock market. One such problem: Many defined contribution retirement plans have taken on an unhealthy level of risk by overinvesting in employer stock.

Employer stock can play a useful part within a diversified portfolio. It often provides substantial returns, offsets some workers' tendency to allocate their assets entirely to guaranteed investment contracts or money market funds, and aligns workers' interests more closely with those of shareholders, possibly boosting productivity and morale. But over the years, mounting accumulations of employer stock in retirement plans have become too much of a good thing. In the many 401(k) plans that offer investment in company stock, roughly 30 percent of all assets is invested in that stock (VanDerhei 2002). And according to one major survey of 401(k) plans with company stock as an investment option, as of the end of 2001,

a majority of participants had more than 10 percent of their account balances invested in company stock, approximately 45 percent of participants had more than 20 percent invested in company stock, and approximately 14 percent of participants had 90 to 100 percent invested in company stock (Holden and VanDerhei 2003, 8–9).[3]

The consensus view of financial experts is that portfolio diversification, including sound asset allocation and investment diversification within asset classes, is key to minimizing volatility and attaining an efficient combination of investment returns and risk.[4] The risks of inadequate diversification are widely recognized. Even as millions of employees invest large percentages of their account balances in employer stock, believing that their company is a particularly good investment, the experts—who make their livings managing the pension investments that employees do not control—scrupulously avoid investing more than a miniscule fraction of plan assets in any single company, no matter how attractive it might seem at the moment. In fact, pension law requires trustees and other fiduciaries that manage pension investments to diversify in order to reduce the risk of large losses.

Moreover, inadequate diversification attributable to heavy investment in company stock is riskier still. Because the worker's human capital already is entirely or largely invested in his or her job, investing retirement plan assets in the employer subjects the worker's retirement security and job security to the same company-specific risk. If the employer falls on hard times, the worker stands to lose not only a job but also his or her retirement savings.

Inadequate Diversification and Its Causes

How, then, was this unhealthy dependence on employer stock—compromising the retirement security of numerous workers—allowed to develop within a legal framework that holds plan fiduciaries to strict duties of prudence, diversification, and loyalty?

Pension law is governed chiefly by the Employee Retirement Income Security Act of 1974 (ERISA), as frequently amended. Among many other requirements, ERISA requires retirement plan assets to be held in trust and imposes fiduciary standards on those who manage and administer plans and plan assets. These standards—developed largely from the common law of trusts—include the duty of loyalty to employees participating in the plan, the duty to act with respect to the plan as a prudent expert would act, and the duty generally to diversify plan investments to minimize the risk of large losses.[5]

However, the law subjects the duties of diversification and prudence to two major exceptions. Defined contribution plan investments generally need not be diversified to the extent they consist of employer stock; and employee-directed choices among investment options are likewise exempt from ERISA's diversification standard (and from its prudence requirement). Consequently, while plan fiduciaries may be legally responsible for determining whether employer stock and other investment options offered under a plan are prudent, no one is legally responsible for determining or even advising 401(k) participants on how much they should invest in each option.

When ERISA was enacted in 1974, 401(k) plans were essentially nonexistent. Defined benefit plans were a central focus of ERISA, and even most defined contribution plan investments were typically controlled by the plan sponsor or its designees, not by employees. Accordingly, the prudence and diversification exception for employee-directed investments seemed much narrower, as did the diversification exception for employer stock. But over the years four key factors have expanded the significance of both exceptions.

First, with the unanticipated expansion of retirement coverage through 401(k)s instead of traditional pension or profit-sharing plans, employers have shifted much responsibility for making and investing retirement contributions to employees.[6]

Second, corporate strategic motives (including entrenchment of incumbent management) prompted employers to contribute increasing amounts of their stock to 401(k) plans, employee stock ownership plans (ESOPs), and 401(k)s labeled as ESOPs, while encouraging employees to invest their own contributions in employer stock as well. An ESOP is a defined contribution retirement plan designed to be invested primarily in the employer's stock. An ESOP also can serve as an instrument of corporate finance, by permitting the plan sponsor to borrow from commercial lenders to finance contributions of stock to the plan.

In the 1980s, various corporations combined 401(k)s with ESOPs. (An ESOP can be a separate stand-alone plan or a portion of a retirement plan.) These combinations placed large blocks of company stock in presumptively friendly hands, chiefly to help management resist hostile takeovers. Management generally believed that ESOP participants would be slow to accept hostile tender offers likely to result in downsizing, and that institutional ESOP trustees also might be inclined to resolve doubts in favor of their corporate client. Some managements also viewed the friendly stock as potentially useful in fighting proxy contests and slowing the rate of sell-off if the company's stock price declined.

In addition, many believe that employee holding of company stock

tends to align employees' interests with shareholders', giving employees an incentive to be more productive. Because in most firms few individual employees can realistically expect to have any noticeable impact on the company's stock price, any incentive effect for most employees might ordinarily be achieved by owning a limited number of shares, enough to give employees some sense of identification with shareholders and some personal interest in the value of the stock.

Third, there have been special tax preferences for heavy investments in company stock—over and above those conferred on tax-qualified plans generally. Special tax advantages drove billions of dollars of ESOP-related financing and refinancing transactions over the past 15 years.[7] For example,

- Financial institutions could once avoid tax on half of the interest they received on ESOP-related loans (Internal Revenue Code (IRC) section 133, repealed).
- Companies sponsoring ESOPs can deduct otherwise nondeductible dividends that they pay on shares of employer stock in the plan (subject to certain conditions), including shares employees purchase with their own contributions (IRC section 404(k)).
- Employees can draw employer stock out of a retirement plan—whether an ESOP or not—without being taxed on any appreciation in the value of the stock that occurred while it was held by the plan. The unrealized appreciation is not taxed until the stock is sold, when it is taxed at the lower, long-term capital gain tax rates (IRC section 402(e)(4)). (By contrast, the full value of nonemployer stock distributed from a plan generally is taxed upon distribution, at ordinary income rates, unless it is rolled over.)

Fourth, various plan sponsors prefer to contribute company stock rather than parting with cash. Although questions have been raised about the degree to which saving cash flow really is a motivating factor in many cases,[8] to the extent it is a factor (or is so perceived by management), restricting employers' ability to contribute stock might ultimately reduce total employer contributions. (However, companies could still be permitted to contribute stock if plans later diversified, as suggested below.)

Ironically, these incentives, combined with ERISA's broad exception from diversification for employer stock, can be viewed as effectively undermining two of the pension law's core fiduciary requirements: that pension assets be held in trust—largely to protect their value and prevent their use for general corporate purposes—and be managed exclusively to benefit the trust's beneficiaries. When it comes to employees' investments in their employer, the employer has a conflict between its corporate interests associated with investment in its stock and its duty to operate the plan exclusively for employees' benefit. And ERISA's trust requirement is less meaningful to the extent that the assets the trust supposedly protects are highly volatile investments, such as company stock, whose value is vulnerable to company-specific risks, including failures of integrity or competence on the part of corporate management.

The growth of employee-directed investment and of employer stock as an investment option should compel Congress to reassess the scope of ERISA's diversification exceptions. The greater current threat to workers' retirement security stems not from occasional executive fraud but from the far more prevalent overconcentration of 401(k) accounts in employer stock. And the overconcentration has been caused less by explicit employer-imposed requirements to invest heavily in employer stock (requirements Congress generally is willing to restrict) than by employer inducement or encouragement playing upon employees' passivity stemming from hope and inertia.

Overconcentration in Employer Stock: The Enemy Is Us

In the Enron 401(k) plan—and 401(k)s sponsored by many other companies—the vast majority of employees' investment in employer stock was directed by employees. Most overconcentration in company stock reflects employees' own choices, more than company requirements.

Yet the proposed legislation Congress is seriously considering does not address this core problem, because it mainly expands employees' rights to diversify out of company stock if they so choose.[9] Had it been in effect before Enron's stock began to drop, such legislation would not have prevented most of the losses suffered by Enron employees or other 401(k) participants.

Congress is concerned about seeming to restrict employees' freedom of choice. In practice, however, the deck is already heavily stacked in favor of investment in employer stock. Employees' decisions to overinvest in employer stock are often influenced by employers, motivated in part by the tax incentives and other factors described above.

In many cases, overexposure to company stock also appears to be driven by employees' concerns about possible employer retribution or perceptions of disloyalty if employees diversify. And surveys indicate employees commonly believe employer stock is actually less risky than a diversified stock portfolio, presumably because their company is familiar to them. (Remarkably, surveys suggest this misperception persists

even after the publicity surrounding Enron and other 401(k) company stock disasters.)[10]

Giving employees basic education on retirement saving and investing is desirable, but insufficient. Rational investing requires more than a basic level of information, and many of us are unwilling to invest the effort needed to become well-trained 401(k) investors.[11]

It is unrealistic to expect most of the 45 million 401(k) participants to exercise the self-discipline and devote the consistent attention necessary to be effective 401(k) investors, while attending to jobs and families. Unlike professional investment managers, participants lack the experience, expertise, full-time focus, and professional detachment and discipline that help to resist exuberance, temptation, and fear (including concern about displeasing management).

Accordingly, notices warning employees of the risks of overinvesting in employer stock and failing to diversify may have only limited effect. Many would ignore written reminders. In corporate environments where management encourages employee investment in employer stock, such warnings may be delivered in a manner that minimizes their impact, and regulation can only go so far in preventing such information from being "buried." In fact, this type of notice—more than a warning label on a package—could be placed "in context" with accompanying information emphasizing the favorable past performance of the company's stock and the special tax advantage to participants of receiving plan distributions in employer stock. A notice also could be orally characterized as "simply more standard boilerplate from Washington," facilitating some employers' portrayal of company stock as attractive forbidden fruit that the government is seeking to limit much as it limits other pension tax advantages (such as 401(k) contributions).

The Public Interest in Prudent Investment of Retirement Funds

Even if warning notices and investment education might have only limited effect, once employees have received the basic information, why should we care whether they act on it?

The law, corporate incentives, and management interests already favor heavy investment in employer stock. In addition, employees' investment decisions in tax-qualified plans indirectly affect us all. The cost of tax-favored treatment for retirement savings—the amount by which pension tax advantages reduce federal tax revenues—is an estimated $192 billion, of which $81 billion is for 401(k)s (OMB 2003, 112).[12] This tax expenditure makes possible "the magic of tax-free compounding," which encourages employers to sponsor plans and employees to demand them. Major taxpayer investment in the employer-sponsored retirement system is intended to fund retirement security, not provide "mad money" for high-stakes gambling.

Accordingly, while people generally are free to gamble or do almost anything else with their own money, tax-subsidized, ERISA-governed pension funds are different. A portion of their assets comes indirectly from other taxpayers, who thereby have a legitimate stake in seeing those funds invested prudently to enhance retirement security.

The public interest in prudent diversification is one reason traditional defined benefit pension plans are prohibited from investing more than 10 percent of their assets in employer stock (or employer real property). (Another reason was to protect the Pension Benefit Guaranty Corporation from the moral hazard of insuring plans invested in employer stock.) Congress deemed the 10 percent limit necessary even though in defined benefit plans, unlike 401(k)s, investments generally are professionally managed, and plan sponsors are obligated to pay employees the full dollar value of promised benefits regardless of investment performance. In fact, professional investment managers and other institutions that are sophisticated investors are often subject to specific percentage asset concentration limits.

To be sure, government need not protect 401(k) participants from all risks, such as broad market declines affecting part of a balanced, diversified portfolio. But taxpayers have a legitimate financial stake in protecting the public investment in 401(k)s—and the financial security of employees' spouses and children—from some employees' misconception that employer stock is safer than diversified investments and from unreasonable and unnecessary financial risks. The volatility and lack of diversification associated with overconcentration in employer stock is a risk that professional financial advisers would ordinarily consider unreasonable for all but the limited number of households that achieve sufficient overall diversification through investments outside the plan.

Toward a Practical Solution

Congress needs to address these underlying problems and encourage the defined contribution system to evolve away from excessive concentration in employer stock. A number of practical legislative approaches would accomplish this evolution gradually, without requiring sudden divestiture of large holdings and without causing employers to stop contributing.

Plan sponsors need flexibility to choose among a number of alternative strategies for stepping down off

the ledge.[13] Approaches such as these would focus largely on *employee* contributions (which account for a majority of 401(k) plan assets), to avoid or minimize any reduction in employer contributions. They also would emphasize diversification of *future* contributions (to avoid sudden divestitures). Such approaches might include the following:

A threshold approach for employee contributions. Limit (without eliminating) employees' ability to invest their future tax-preferred contributions in company stock by offering employer stock as an option only for contributions made by employees that exceed a specified annual threshold, such as 7 percent of pay. A similar alternative would establish the annual contribution threshold as a flat dollar amount, such as $5,000, or as the lesser of 7 percent of pay or $5,000. A threshold would encourage saving and diversification by conditioning employees' heavy investment in employer stock on first saving a reasonable amount to provide a diversified safety net. (Employer contributions could still be made in employer stock.) A more flexible but slightly less simple variant would allow employees to invest 5 or 10 percent of every dollar of employee contributions—even below the threshold—in employer stock, plus 50 or 100 percent of employee contributions above the threshold.

A standardized diversified portfolio or professional management as the default arrangement. To make investing simpler, safer, and more efficient for most employees without eliminating free choice, plans could be required to provide—as an investment alternative available to every employee who does not affirmatively elect active self-direction—either a prudently diversified, balanced investment portfolio that meets broad federal guidelines, or, if the plan sponsor prefers, independent, unbiased professional investment management.

At first, plans offering employees a choice of investments could be required to offer them the standard balanced portfolio option (reflecting the consensus opinion of financial and investment experts) as an investment alternative, without necessarily making it the default arrangement. (If the employer preferred, it could instead offer employees professional investment management, although that could be costly.) Later, plans could be required to make the standard option the default—the automatic investment for those who do not affirmatively choose another option.

All employees could still direct their investments among the plan options, but the sponsor would be statutorily protected from ERISA fiduciary liability for any employee's investment in the standard option. As the standard-option default investment, statutory guidelines could prescribe, in general terms, a diversified, balanced portfolio including low-cost index funds provided by private institutions and perhaps inflation-indexed bonds. Developed in consultation with financial, plan sponsor, and participant representatives, the guidelines and regulatory specifications would permit the standard-option portfolio to be a specified combination of existing plan investment options. While it would not include employer stock, the standard option would not preclude employer contributions of employer stock for participants' accounts.[14]

The standard-option approach would steer employees away from not only excessive investment in employer stock but also investments that fail to reflect reasonable asset allocation and diversification, including frequent investment changes, attempts at market timing, failure to rebalance, and excessive reliance on money market funds. Ultimately, such an approach could help move the defined contribution system back from investing on a "retail" basis to investing on more of a collective, wholesale basis, with the associated economies of scale and professional management.

An independent fiduciary to advise on divestiture and diversification. Retain an independent expert fiduciary to assist the plan in designing or implementing a gradual divestiture program and to advise employees—taking only their interests into account—on how and how much to replace employer stock with prudently diversified investments.

Employers could be allowed to choose how—by one or more of these or other methods—to reduce employer stock concentrations to prudent levels gradually over time. (Congress required employers to reduce employer stock holdings between 1975 and 1985 to satisfy a new 10-percent-of-plan-assets limit for defined benefit plans.)

Alternatively, employers might be permitted to propose, for Labor Department approval, other investment arrangements that adequately hedge or manage participants' risk associated with employer stock, provided that any such approvals are subject to appropriate congressional guidance or supervision.

In addition, Congress could fully preserve employers' ability to contribute their stock when employers believe this will increase worker productivity, promote alignment of interests, and save cash flow, while enacting the following reforms:

- **Limit or retarget the special ESOP dividend tax deduction** (with appropriate transition relief). That deduction has encouraged many corporations to make contributions in the form of employer stock and to press employees to invest their own contributions heavily in employer shares. Similarly, it is time to **revisit the justification for the special tax advantage accorded to**

net unrealized appreciation in employer stock distributions;

- **Help level the uneven playing field between employer stock and diversified plan investments** in which employers have no conflict of interest, by explicitly precluding plans from designating employer stock as the default investment for employees who fail to elect an investment (as in 401(k) automatic enrollment), and precluding plans from conditioning an employer match on investment of employee contributions in employer stock.

  In addition, while employers typically are careful to avoid giving participants plan investment advice, the Enron experience raises the question whether Congress needs to explicitly preclude employers from influencing employees—in word or deed—to invest their tax-qualified retirement savings in employer stock. If such a constraint were enacted, it should not prevent employers from contributing their stock to plans or from encouraging investors (including employees investing nonretirement assets) to buy the company's stock;
- **Expand diversification rights for employees in ESOPs.** ESOPs are required to allow employees to diversify only after age 55 and 10 years of participation in the plan, only during six annual 90-day window periods, and only for 25 or 50 percent of their employer stock each year. Congress should allow ESOP participants to diversify after three or five years of service at a reduced eligibility age and without window period restrictions, and should explicitly protect ESOPs from losing their ESOP status merely because employees exercise their diversification rights; and
- **Require any newly permitted investment advice to address overconcentration in employer stock.** If Congress relaxes ERISA's fiduciary standards to promote investment advice to 401(k) participants by financial firms, the advice should be required to cover the importance of diversifying by avoiding overconcentration in employer stock.

Of these approaches, a few have been considered by Congress (but not incorporated into current legislative proposals); others have not; and several other proposals not described here are also worth considering. These important issues call for an approach that treats the underlying causes of the problem rather than its symptoms.

The Bigger Picture

Finally, we must not lose sight of the bigger picture when it comes to pensions. Some 75 million American workers and their spouses have no employer-provided retirement coverage. One important measure to expand coverage is the saver's credit, which promotes 401(k) (and IRA) saving by moderate- and lower-income individuals and encourages employers to sponsor 401(k) plans. According to one survey, this tax credit, which first took effect in 2002, has already increased participation in 71 percent of 401(k) plans, including 18 percent that report a major increase in participation (Diversified Investment Advisors 2002).[15] But the credit—which was drastically curtailed before it emerged from the legislative process—needs to be expanded by making it refundable and permanent (it is set to expire after 2006), and by extending eligibility to more moderate-income households.

And more generally, pension and associated tax benefits for those with employer-sponsored plans need to be allocated more equitably between employees lower and higher on the corporate food chain. Tax expenditures of use mainly to the affluent tend to be inefficient to the extent that they induce higher-income people simply to shift their other savings to tax-favored accounts. But contributions and saving incentives targeted to moderate- and lower-income workers tend to increase net long-term saving,[16] thereby enhancing retirement security for those who need it most and advancing the goals of our tax-favored pension system in a responsible, cost-effective manner.

Notes

1. Some two-thirds of families will retire with at least some private pension benefits, and at any given time, employer-sponsored retirement plans cover about half of the U.S. workforce. See Iwry (1999).

2. This total is as of the end of 2002. It excludes amounts rolled over from plans to IRAs as well as other IRA balances. It is unclear how much of these accumulated assets in retirement plans represent net national saving (private saving plus public saving), because this dollar amount has not been adjusted to reflect the public dissaving attributable to government tax expenditures for pensions or to reflect any household debt or reduction in other private saving attributable to these balances. See Eric Engen and William Gale, "The Effects of 401(k) Plans on Household Wealth: Differences across Earnings Groups," NBER Working Paper No. 8032 (Cambridge, Mass.: National Bureau of Economic Research, 2000).

3. See also, for example, Congressional Research Service, Report for Congress, "The Enron Bankruptcy and Employer Stock in Retirement Plans," Library of Congress 3-4, Jan. 2002.

4. For thoughtful analyses and discussions of employer stock and diversification, see Jane G. Gravelle, "The Enron Debacle: Lessons for Tax Policy," Tax Policy Center Discussion Paper No. 6 (Washington, D.C.: The Urban Institute, 2003); James M. Poterba, "Employer Stock and 401(k) Plans," mimeo (Cambridge, Mass.: MIT, January 2003); Lisa Muelbroek, "Company Stock in Pension Plans: How Costly Is It?", Working Paper No. 02-058 (Boston: Harvard Business School, 2002); Olivia S.

Mitchell and Stephen P. Utkus, "The Role of Company Stock in Defined Contribution Plans," NBER Working Paper No. 9250 (Cambridge, Mass.: National Bureau of Economic Research, October 2002); and John H. Langbein, testimony before the U.S. Senate Committee on Governmental Affairs, Jan. 20, 2002 ("The importance of diversification is by far the most important finding in the entire field of financial economics . . . [w]e have had a stream of empirical and theoretical studies, . . . conclusively showing that there are large and essentially costless gains to diversifying an investment portfolio thoroughly.").

5. See section 404, 29 U.S.C. section 1104, of ERISA, 29 U.S.C. section 1001 et seq.

6. For a discussion of this trend, see, for example, J. Mark Iwry, testimony before the U. S. House of Representatives, Committee on Education and the Workforce, Subcommittee on Employer-Employee Relations, June 4, 2003.

7. Since ESOPs are specifically designed to invest in employer stock, a case can be made for treating them as a source of wealth accumulation separate and distinct from retirement savings, with the separate purpose of promoting employee ownership. However, legally and practically, ESOPs are a hybrid—employee stock ownership vehicle, corporate finance device, and retirement plan. ESOPs have been integrated into various 401(k) plans, often as the employer matching component. And even "stand-alone" or "freestanding" ESOPs (consisting of employer nonmatching contributions) often are presented to employees as not only providing stock ownership but also serving as a defined contribution retirement plan. Proposed diversification legislation would exempt freestanding ESOPs.

8. See Alicia H. Munnell and Annika Sundén, "401(k)s and Company Stock: How Can We Encourage Diversification?" *Issue in Brief* No. 9 (Boston: Center for Retirement Research at Boston College, 2002); and Shlomo Benartzi, "Excessive Extrapolation and the Allocation of 401(k) Accounts to Company Stock," *Journal of Finance* 56(5): 1747–64.

9. See, for example, H.R. 1000, Pension Security Act, sections 103 and 104; H.R. 1776, Pension Preservation and Savings Expansion Act of 2003, sections 1101 and 1103; and S. 1971, National Employee Savings and Trust Equity Guarantee Act (107th Cong., 2d Sess.) sections 101, 204, and 304.

10. See John Hancock Financial Services, *Insight into Participant Investment Knowledge and Behavior,* Eighth Annual Defined Contribution Plan Survey (June 2002), 10–11.

11. This unwillingness is evidenced by Americans' apparent widespread confusion about the fundamentals of investing and investment products. See, e.g., John Hancock, *Participant Investment Knowledge*, and David M. Walker, Comptroller General of the United States, U.S. General Accounting Office, "Key Issues to Consider Following the Enron Collapse," testimony before the U.S. Senate, Committee on Finance, Feb. 27, 2002, 8–9.

12. The budget documents contain additional tax expenditure estimates based on alternative methods.

13. Some similar approaches were outlined in an op-ed article by the author, "The Boss's Stock Isn't Always the Best Bet," *The New York Times* (Jan. 7, 2002).

14. Other features that could be considered might include a deferred effective date for very small employers and asset allocation that is permitted to shift automatically by age, as in life cycle funds (if costs could be kept down).

15. Based on IRS data, about 3.5 million individual income tax returns claimed the saver's credit for 2002.

16. See Engen and Gale, "Effects of 401(k) Plans."

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