For Immediate Release

401(k) Plan Leakage is a Crisis:
New York Life Retirement Plan Services Annual Report

WESTWOOD, Massachusetts, August 1, 2013 –401(k) plan participants who take out loans may be sabotaging their retirement savings, according to New York Life Retirement Plan Services' (New York Life) first annual *State of the Retirement Industry* report. Participants who take loans are more likely to save at a lower contribution rate than their counterparts, and are not likely to repay the loan when leaving their employer.

According to new research across New York Life's defined contribution platform, the average contribution rate for a participant who takes out a loan from their 401(k) is 5.63%, compared with 7.23% for participants without loans. Additionally, the study found that more than two-thirds of participants with an outstanding loan balance who leave their employer will take a cash distribution from their retirement plan rather than paying back the loan. Preventing this so-called "leakage" is very important in helping workers successfully save for retirement, according to New York Life.

"Americans are not saving enough for retirement and compounding this problem is the fact that loans can drain precious retirement dollars," said Rachel Rice, managing director of marketing and product development at New York Life Retirement Plan Services. "As an industry, we need to reverse the ATM mentality that has developed around 401(k) savings by encouraging sponsors to rethink loans from a plan design perspective, and enabling participants to differentiate between everyday, emergency and retirement savings."

Loans against 401(k) balances have often been offered as an attempt to increase plan participation and allow participants access to their money during a financial hardship. And while financial hardships certainly exist, New York Life's research indicates that average participation rates for plans without loans are only 9.6% lower than those plans with loans (67% versus 76%). While eliminating loans entirely from 401(k) plans may not be practical, New York Life asserts the number and size of loans available to participants should be limited in scope.

According to the study, the average American worker in a New York Life 401(k) plan is 43 years old, earns $68,700 annually, contributes 6.25% of salary into the 401(k) and has an account balance of $55,270. New York Life Retirement Plan Services administers more than 1,750 plans, representing 1.15 million American workers.

About New York Life Retirement Plan Services

New York Life Retirement Plan Services offers bundled retirement plan solutions and defined contribution investment-only products throughout the United States. New York Life Retirement Plan Services, a division of New York Life Investment Management LLC, administers more than $47.2 billion in bundled retirement plans as of June 30, 2013. With offices in Westwood, Massachusetts, Parsippany, New Jersey, and San Francisco, New York Life Retirement Plan Services is widely recognized for its leadership within the retirement plan industry.

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