

American Society of Pension Professionals & Actuaries

Self-Directed 401(k) Balances up 13% Year-Over-Year

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PRACTICE MANAGEMENT

Self-directed participants who stood pat in the face of volatility and early 2020 market lows were rewarded with solid gains, according to the latest findings from [Charles](#)



[Schwab's SDBA Indicators Report.](#)

The firm's year-end 2020 report of participant investment activity within self-directed brokerage accounts (SDBAs) reveals that the average account balance across all participant accounts finished 2020 at \$331,664—a 13% increase year-over-year and a 10% increase from the third quarter of 2020. And for those who held firm through the volatility, average account balances finished the year up 31% compared to the lows they experienced at the end of the first quarter of 2020.

Schwab also found that the majority of participant assets continue to be held in equities (35%), up from 29% at the end of 2019. Mutual funds were the second largest holding at 31%, followed by ETFs (18%), cash (14%) and fixed income (2%).

Allocation Trends

Schwab's data also reveals specific asset class and sector holdings within each investment category:

- **Mutual funds:** Large-cap funds had the largest allocation at 32% of all mutual fund allocations, followed by taxable bond (20%) and international (16%) funds. Overall, the allocation remained consistent throughout 2020.
- **Equities:** Information technology remained the largest equity sector holding at 30%, down slightly from 31% in the third quarter of 2020. Apple continues to be the top overall equity holding, comprising 12% of the equity allocation of portfolios. The other equity holdings in the top five include Tesla (7%), Amazon (6%), Microsoft (3%) and Berkshire Hathaway (1%).
- **ETFs:** Among ETFs, investors allocated the most dollars to U.S. equity (49%), followed by U.S. fixed income (15%), sector ETFs (13%) and international equity (12%).

Additional Highlights

- Advised accounts hold higher average account balances compared to non-advised accounts at \$517,849 versus \$288,513.
- On average, participants held 11.4 positions in their SDBAs at the end of 2020, slightly higher than the third quarter (10.8) and the fourth quarter of 2019 (10.1). Baby Boomers held more positions in their SDBA than other generations at 12.8 compared to 11.5 for Gen X and 8.8 for Millennials.
- Trading volumes were mostly unchanged from the previous quarter, at an average of 13.9 trades per account in the fourth quarter of 2020—up slightly from 13.6 trades in the third quarter. Participants made the most trades in their equity holdings, followed by ETFs and mutual funds.
- Gen X made up approximately 44% of SDBA participants, followed by Baby Boomers (34%) and Millennials (16%).
- Gen X had the most advised accounts at 47%, followed by Baby Boomers (38%) and Millennials (12%).
- As one might expect, Baby Boomers had the highest SDBA balances at an average of \$493,129, followed by Gen Xers at \$282,494 and Millennials at \$94,872. All balances were up from last quarter.
- Millennials and Gen Xers again had similar percentage of mobile trades at 36% and 30%, with Baby Boomers at 22%.
- Millennials once again had the highest percentage in cash out of the three generations at 13.86%, down 2.49% from last quarter. The cash holdings for Gen X and Baby Boomers decreased to 13.73% and 13.71% from 16.11% and 15.51%, respectively, according to the report.

The findings in the report are based on the fourth quarter of 2020, with data collected from approximately 161,000 retirement plan participants who currently have balances between \$5,000 and \$10 million in a Schwab Personal Choice Retirement Account.

<https://www.asppa.org/news/self-directed-401k-balances-13-year-over-year>