

National Association of Plan Advisors

Steady Growth for Self-Directed 401(k) Balances in Q3

BY

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INDUSTRY TRENDS AND RESEARCH



Heading into the fourth quarter, there are both encouraging signs and cause for caution, as markets have been walking a fine line, according to the latest findings from Charles Schwab's [Q3 SDBA Indicators Report](#).

In looking at the retirement plan participant investment activity within self-directed brokerage accounts (SDBAs), the report found that the average SDBA balance across all participant accounts finished the third quarter 2020 at \$302,256—a 9% increase year-over-year and a 6% increase from the second quarter.

The report also found that participants with advised accounts have higher balances compared to non-advised participants. For example, the average account balances of advised accounts compared to non-advised accounts was \$473,875 versus \$261,240.

Participants with advised accounts also have a more diversified asset allocation mix, including a lower concentration of assets in individual securities. The top individual equity holding across all participants is Apple, comprising 13% of equity assets on average. However, advised participants had approximately 8% of their equity assets in Apple, while non-advised participants had 14%.

Asset allocations overall remained similar to the second quarter, except for an increase in equities from 30.15% in second quarter to 32.54% in the third. Most participant assets were held in equities, followed by mutual funds (32%), ETFs (18%), cash (16%) 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 approximately 32% of all mutual fund allocations, followed by taxable bond (21%) and international (14%) funds.
- **Equities:** Information technology remained the largest equity sector holding at 31%, up from 30% in the second quarter. As previously noted, Apple continues to be the top overall equity holding at 13%, followed by Amazon (6.8%), Tesla (6.1%), Microsoft (3.1%) and Nvidia (1.8%).
- **ETFs:** Among ETFs, investors allocated the most dollars to U.S. equity (48%), followed by U.S. fixed income (17%), international equity (12%) and sector ETFs (12%).

Additional Highlights

On average, participants held 10.8 positions in their SDBAs at the end of the third quarter, which Schwab notes has remained consistent both year-over-year and quarter-over-quarter. Baby Boomers held more positions in their SDBA than other generations at 12.2, compared with 10.8 for Gen Xers and 8.3 for Millennials.

Trading volumes were down slightly at 13.6 average trades per account in the third quarter, versus 14 in the second. As seen in other reports, participants made the most trades in their equity holdings, followed by ETFs and mutual funds.

Gen Xers made up approximately 44% of SDBA participants, followed by Baby Boomers (35%) and Millennials (15%). Gen Xers also had the most advised accounts at 46%, followed by Baby Boomers (40%) and Millennials (11%). Millennials also once again had the highest percentage in cash out of the three generations at 16.35%, but that was down 2.56% from last quarter.

Not surprisingly, Baby Boomers had the highest SDBA balances at an average of \$446,660, followed by Gen Xers at \$250,076 and Millennials at \$83,073. Schwab notes that all balances were up from last quarter.

The findings in the report are based on the third quarter of 2020, with data collected from approximately 156,000 retirement plan participants who currently

have balances between \$5,000 and \$10 million in a Schwab Personal Choice Retirement Account.

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