

# The true cost of a forgotten 401(k).

There are 24.3M 401(k)s holding \$1.35T in assets that have been left behind by employees who change jobs.

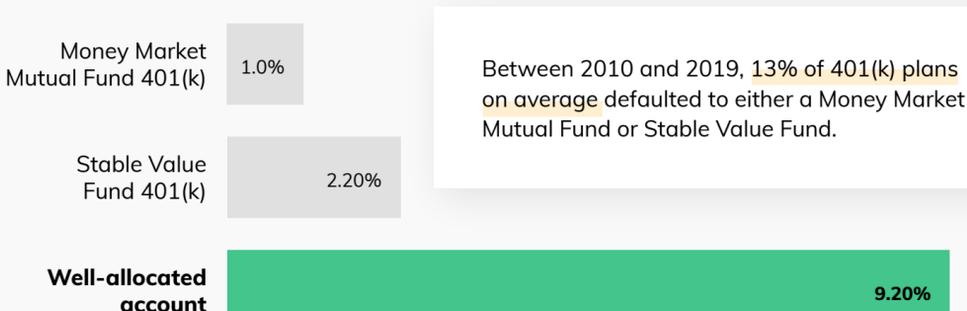
as of May 2021



About 2.8M accounts are left behind each year by job changers.

Forgotten 401(k)s run the risk of being left in low-growth investments and generating lower returns than they should.

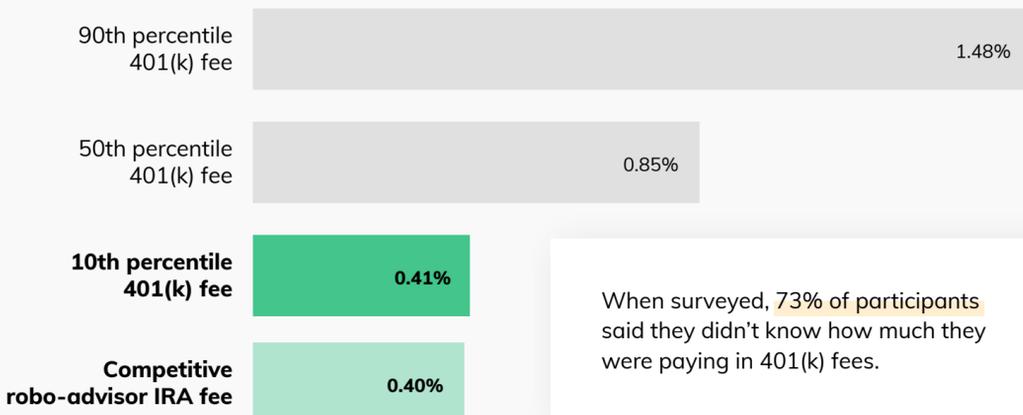
A well-allocated account, whether an IRA or 401(k), can deliver significantly better long-term returns.



Between 2010 and 2019, 13% of 401(k) plans on average defaulted to either a Money Market Mutual Fund or Stable Value Fund.

Forgotten 401(k)s could be subject to high annual fees — and most account owners don't realize it.

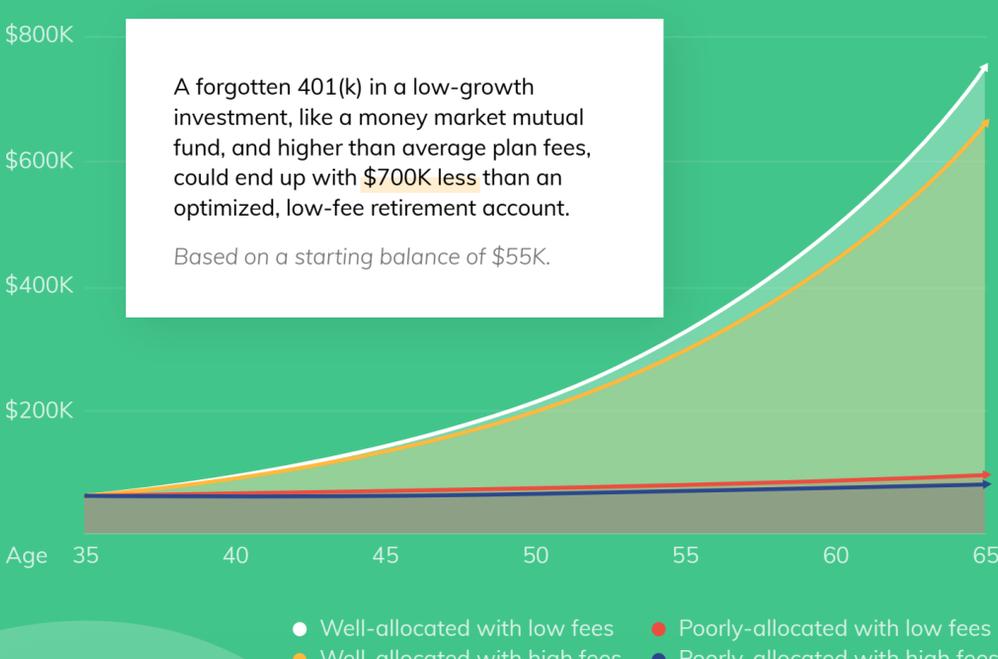
401(k) accounts left behind continue to accrue fees — and they could be stuck in higher fee plans.



When surveyed, 73% of participants said they didn't know how much they were paying in 401(k) fees.

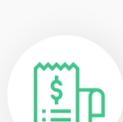
Fees measured as a percentage of assets in the plan.

Poor investment allocation and high fees could lead to \$700K less in assets in a forgotten 401(k) over 30 years.



In aggregate, savers could be missing out on a combined \$116B in additional retirement savings each year by leaving behind 401(k) accounts.

Employers bear the cost of forgotten 401(k)s, too.



#### Additional recordkeeping costs

Employers pay up to \$700M in ongoing recordkeeping fees to administer forgotten accounts each year.

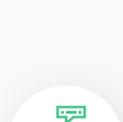
Small plans pay the highest costs at up to \$230 per account annually.



#### Increasing legal risks under ERISA

Employers can be sued for breaches of fiduciary responsibility by holders of forgotten 401(k) accounts — there were over 200 class action lawsuits under ERISA in 2020, more than double the number in 2018.

For a 500 participant plan, this could mean a settlement of \$1.25M.



#### Use of HR & compliance time

Employers must provide relevant plan information to forgotten 401(k) account holders annually, and address former employee questions about the plan.

This diverts resources away from current employees.

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Capitalize estimates of total forgotten 401(k) accounts and associated balances based on data from the Department of Labor Form 5500s, Government Accountability Office, recordkeepers, and consultation with the Center for Retirement Research at Boston College. Total forgotten 401(k)s takes into account yearly attrition (e.g. account closures, transfers). Typical account returns based on review of assets from leading providers. 401(k) plan fees based on Investment Company Institute & Brightscope Defined Contribution plan profile. Annual recordkeeping costs based on data from industry publications (401(k) Averages Book, NEPC Defined Contribution Progress Report 2020) and leading providers (Vanguard, Guideline, Human Interest). ERISA lawsuit cost based on potential average settlement cost of \$2,500 per participant, which assumes an average job tenure of 5 years and an excess fee of 1% for a plan with 500 participants.