The Effect of the Shift to Defined Contribution Plans
on the Distribution of Pension Wealth.

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Abstract

Over the past 20 years, the defined benefit plan has been replaced by the defined contribution plan as the most popular form of pension plan. This study examines the likely consequences of this transformation for both the level and distribution of future pension wealth using a sample of defined benefit (DB) and defined contribution plans (DC) from the Survey of Consumer Finances. The results reveal that the shift from DB to DC plans is likely to simultaneously increase the level and inequality of pension wealth at retirement. The evidence also suggests that the shift to DC plans may result in less pension wealth at retirement for low income workers, women, and minorities.

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