INVESTMENT VERSUS INVESTOR RETURNS: EVIDENCE FROM DEFINED CONTRIBUTION PLANS

Patrick A. Lach
Eastern Illinois University

Kevin C. Root
Marin Financial Advisors, LLC

Abstract
While a few studies examine investor versus investment returns (Dalbar, 2011; Barber and Odean, 2000), none, to our knowledge, have examined this difference in the context of defined contribution plans, such as 401(k) plans. While studies such as Odean (1999) and Barber and Odean (2000) show that many investors, in general, trade frequently, studies from Aon Hewitt show that turnover is relatively low in 401(k) plans. Using Form 5500, we use employee and employer contributions, as well as total plan assets invested in the mutual funds available to participants to estimate whether or not the behavioral patterns exhibited in taxable accounts extend to 401(k) plans.