

# Does the source of money determine retirement investment choices?

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## **ABSTRACT**

Using a unique dataset of actual investment choices of Oregon State University employees, we investigate how the investment choices differ between (1) the optional retirement plan funded by the employer and (2) the investments in 403(b) accounts funded by employees themselves using voluntary salary reduction. We find that the level of risk associated with voluntary, salary reduction investments in 403(b) accounts is lower than the risk employees are currently taking in their employer funded 401(a) accounts. We also investigate whether the choice of the provider has a significant impact on the asset allocation chosen by the employees. We find that participant investment choices in Fidelity are riskier than the choices made by those in TIAA-CREF. Lastly, using a survey of 354 Oregon State University employees, we try to better understand how individuals choose their plan, the level of risk, and the provider. 28% of those in the survey chose the default investment option by the provider. Enrollment into the optional plan is associated with respondents who have a higher household income, are tier 4 employees, are more financially knowledgeable, and see investing as an exciting activity.