Fast Fact
April 10, 2025

Single- vs. Multiple-Investment-Type Investors: How They Are Different

This *Fast Fact* examines how investment options within public-sector defined contribution plans are utilized, using data from year-end 2022 in the Public Retirement Research Lab (PRRL) Database. The analysis identifies participants who invested in only one investment type compared with those who invested in multiple investment types, categorized by age and plan type. The analysis also provides a breakdown of the investment types used by single- and multiple-investment-type investors. The sample for this analysis includes 2.3 million participants with total assets of $148 billion. All investments held by the participants in the sample have been categorized into 14 investment types. Despite being diversified funds, target-date funds (both off-the-shelf and custom) and balanced funds are classified as single investment types.

Single- vs. Multiple-Investment-Type Investors

Single-investment-type investors are defined as participants who allocate their entire plan balance to one of the 14 available investment types,[1] including those investing in multiple funds of a single investment type. In contrast, multiple-investment-type investors spread their balance across more than one of these investment types. Figure 1 illustrates that 51 percent of participants invested in only one investment type, while 49 percent chose to invest in multiple types.

Figure 1
Percentage of Participants by How They Invest in Their Plan

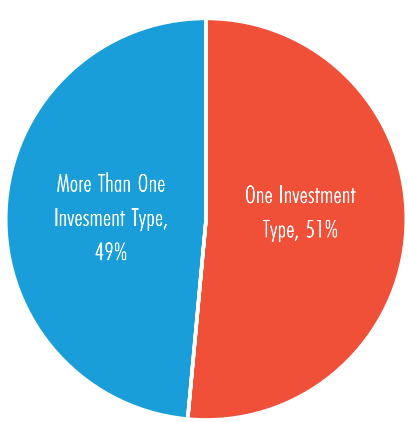


Figure 2 shows the breakdown of the number of investment types used in participants' accounts. Per Figure 1, 51 percent of participants allocated their investments to only one investment type. This was followed by 21 percent who utilized two to three investment types, 14 percent who used four to five investment types, and 13 percent who allocated their balance to more than five investment types.

Figure 2
Percentage of Participants by How Many Investment Types Are Used in Their Plans

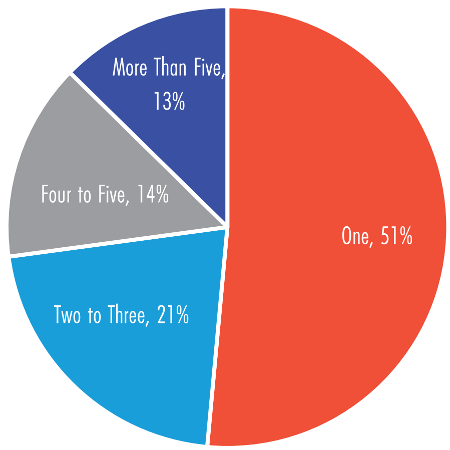
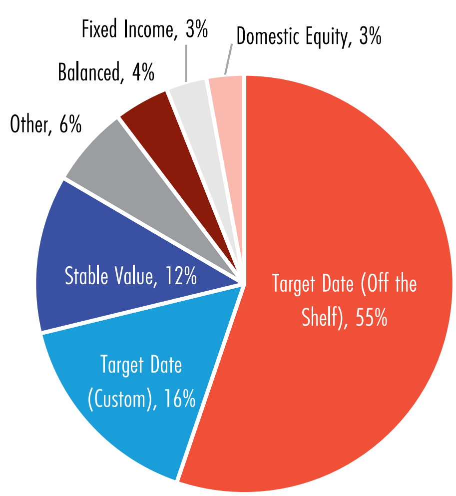


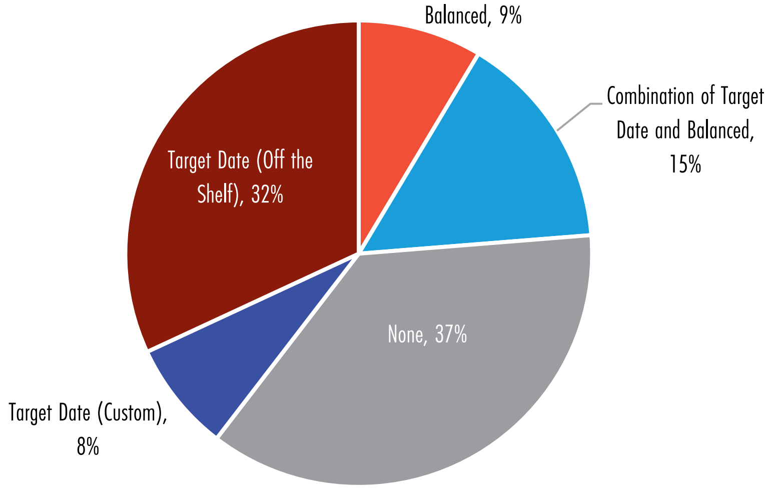
Figure 3 illustrates the distribution of investment types preferred by investors using only one investment type.[2] The most popular choice was the off-the-shelf target-date fund, which was utilized by 55 percent of these investors. This was followed by custom target-date funds at 16 percent and stable-value funds at 12 percent.

Figure 3
Percentage of Single-Investment-Type Investors by Investment Type



Diversified funds like target-date and balanced funds were popular among investors who preferred a single investment option. However, these funds were also frequently used alongside other types of funds. Figure 4 reveals that only 37 percent of participants who used multiple investment types did not allocate any of their balance to target-date or balanced funds. In contrast, 32 percent included off-the-shelf target-date funds in their investment allocation.

Figure 4
Percentage of Multiple-Investment-Type Investors With Allocations to Target-Date and Balanced Funds



By Age

Figure 5 illustrates the distribution of single- and multiple-investment-type investors by age. Among participants in their 20s, 70.8 percent were single-investment-type investors. This percentage declined to 38.5 percent for those in their 50s before slightly increasing to 42.3 percent for participants in their 60s.

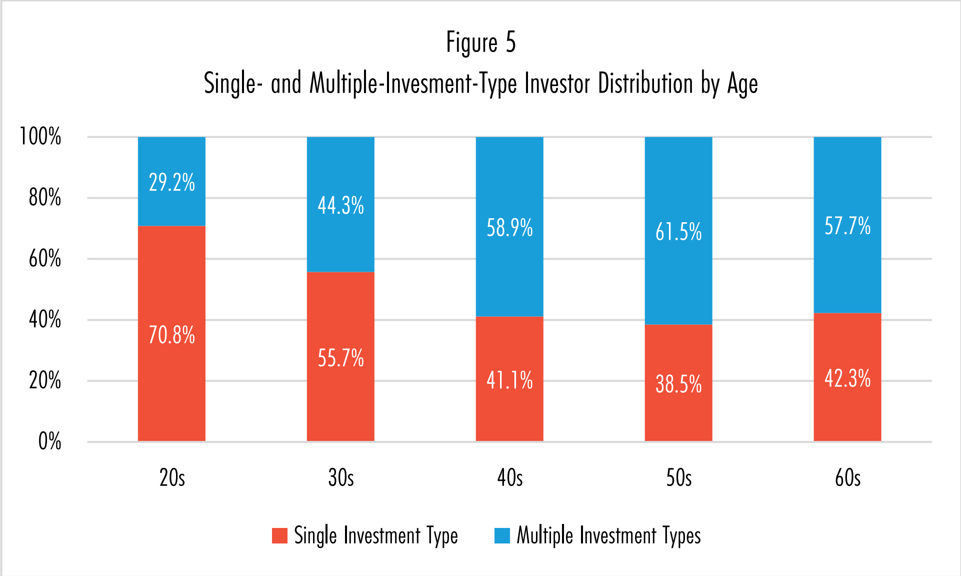


Figure 6 illustrates that the average number of investment types in participants' accounts increased with age, beginning at 1.95 investment types for those in their 20s and rising to 2.99 investment types for those in their 50s.

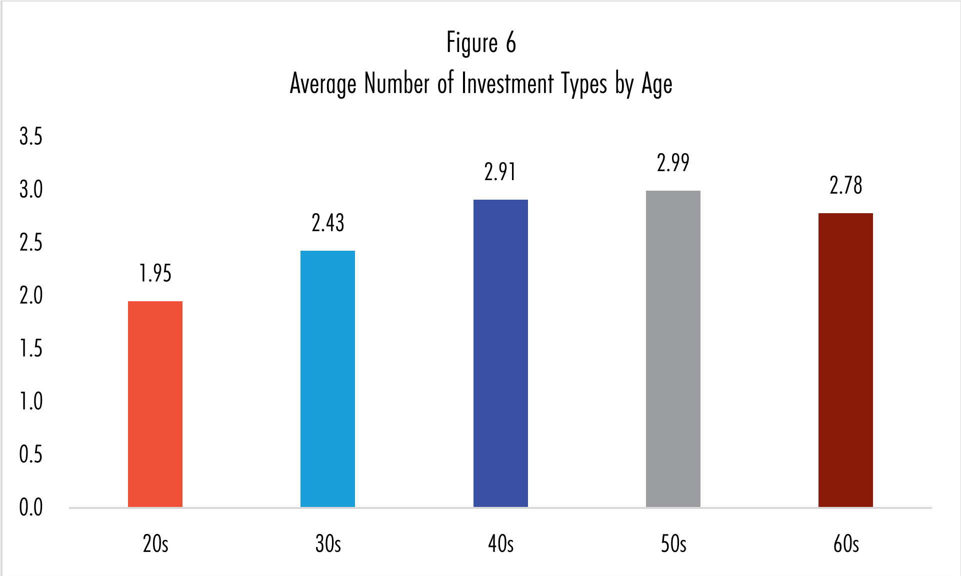
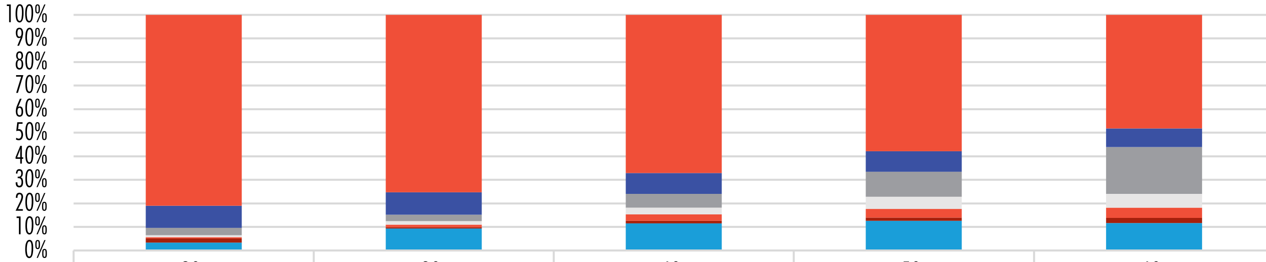


Figure 7 illustrates the distribution of investment types used by single-investment-type participants across different age groups to differentiate between those who had diversified investments vs. investment in a single type. Off-the-shelf target-date funds had the highest usage rates, starting at 81 percent among participants in their 20s and decreasing to 48 percent for those in their 60s. In contrast, stable-value and domestic equity funds showed a different trend, with higher usage percentages among older participants. For example, only 3 percent of single-investment-type participants in their 20s invested in stable-value funds, while this figure rose to 20 percent for participants in their 60s.

Figure 7
Distribution of Investment Type Used by Single-Investment-Type Investor by Age



	20s	30s	40s	50s	60s
Target Date (Off the Shelf)	81%	75%	67%	58%	48%
Target Date (Custom)	9%	10%	9%	9%	8%
Stable Value	3%	3%	6%	11%	20%
Domestic Equity	1%	1%	3%	5%	6%
Balanced	1%	1%	3%	4%	4%
Fixed Income	2%	1%	1%	1%	2%
Other	3%	9%	12%	13%	12%

By Plan Type

Figure 8 illustrates the percentage of single- and multiple-investment-type participants based on the type of plan. Those enrolled in 401(a) plans were the most likely to be single-investment-type investors, at a rate of 81 percent. This was followed by 457(b) plan participants at 59 percent and 401(k) plan participants at 51 percent.

Figure 8
Single- and Multiple-Invesment-Type Investor Distribution by Plan Type

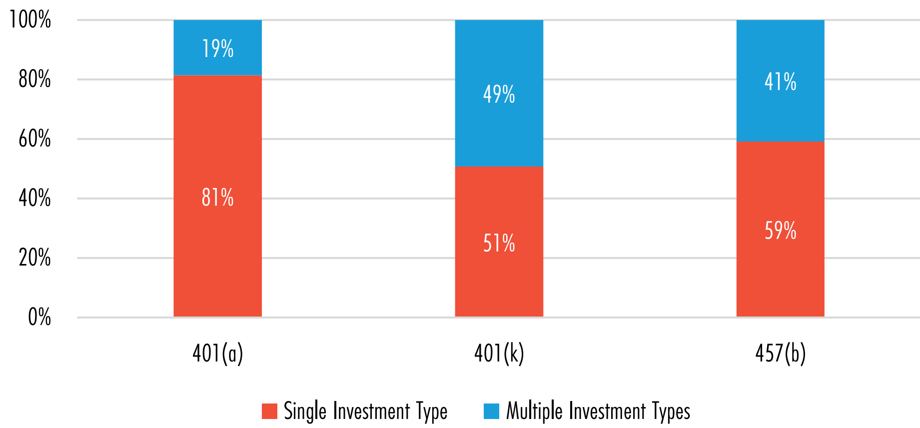


Figure 9 illustrates the number of investment types associated with different plan types. As anticipated, participants in 401(a) plans had the lowest average number of investment types, holding an average of 1.44 types. This was followed by participants in 457(b) plans, with an average of 2.17 investment types, and 401(k) participants, who had an average of 2.8 investment types.

Figure 9
Average Number of Investment Types by Plan Type

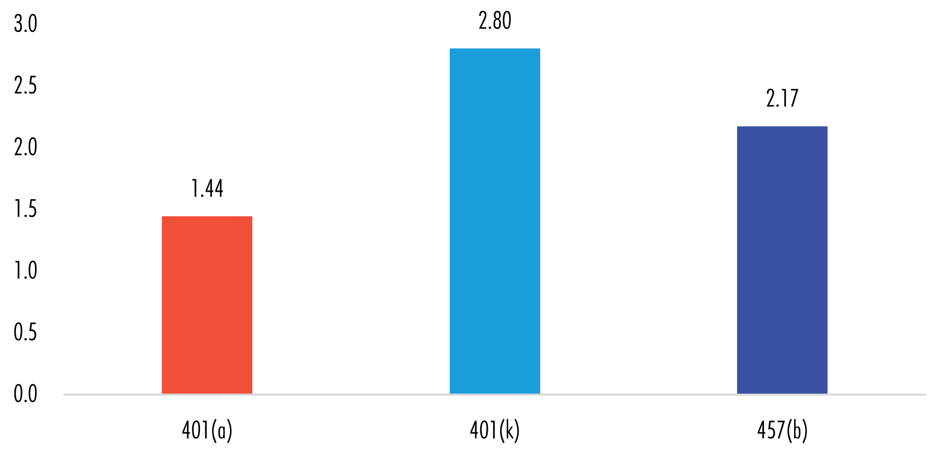
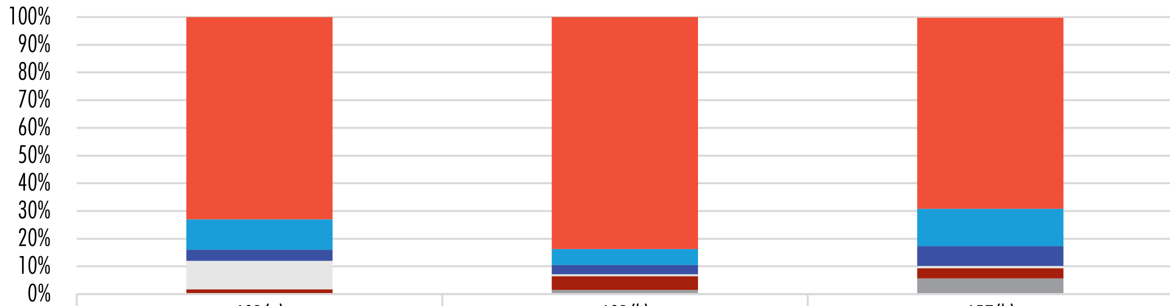


Figure 10 illustrates the distribution of investment types utilized by single-investment-type participants across various plan types to understand the asset diversification of the single-investment-type investors. Off-the-shelf target-date funds exhibited the highest usage rates across all plan types. However, since custom target-date funds were not used by any 401(k) plan participants in the database, both types of target-date funds were combined for this analysis.

Eighty-four percent of 401(k) plan participants used only target-date funds, while 73 percent of 401(a) participants and 69 percent of 457(b) participants did the same. The investment type that was the next most likely to be used exclusively across all plan types was stable-value funds, with 13 percent of 457(b) participants, 11 percent of 401(a) participants, and 6 percent of 401(k) participants using only them.

Figure 10
Distribution of Investment Types Used by Single-Investment-Type Investors (by Plan Type)



	401(a)	401(k)	457(b)
Target Date	73%	84%	69%
Stable Value	11%	6%	13%
Other	4%	3%	7%
Balanced	10%	1%	1%
Domestic Equity	2%	5%	4%
Fixed Income	0%	2%	6%

Conclusion

This *Fast Fact* reveals that 51 percent of participants invested in only one investment type, while 49 percent chose to invest in multiple investment types. However, nearly three-quarters of the single-investment-type investors used either off-the-shelf target-date funds or custom target-date funds. These funds do provide diversification, so while many only directly invested in one investment type, there are multiple asset types built into it. The non-diversified funds most likely to be used exclusively were stable-value funds, with 12 percent doing so.

Despite being diversified, target-date and balanced funds were often used alongside other types of funds. The analysis shows that among investors who used multiple investment types, 63 percent had an allocation to target-date funds, balanced funds, or both. In fact, 41 percent of those with some investment in target-date and balanced funds were also invested in another investment type. Furthermore, younger participants and those participating in 401(a) plans were the most likely to invest in only one investment type. Again, target-date funds emerged as the most popular investment option for single-investment-type investors across all age groups and plan types, while stable-value funds had higher exclusive use among older participants and those in 401(a) or 457(b) plans. Despite younger participants being more likely to use only one investment type, they tended to have an overall more diversified portfolio due to their high usage of target-date funds.

About PRRL

The Public Retirement Research Lab is a retirement-industry-sponsored collaborative effort of the Employee Benefit Research Institute (EBRI) and the National Association of Government Defined Contribution Administrators (NAGDCA). The PRRL analyzes data from its Public Retirement Research Database, the first-ever database specific to public-sector defined contribution data, to produce unbiased, actionable research aimed at enhancing understanding of the design and utilization of public-sector defined contribution retirement plans to better inform public plan design, management, innovation, and legislation. To learn more, visit www.prrl.org.

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[1] The 14 investment types consist of (1) large-cap domestic equity, (2) mid- and small-cap domestic equity, (3) sector-specialty equity, (4) balanced, (5) target date (off the shelf), (6) target date (custom), (7) international equity, (8) global allocation, (9) core fixed income, (10) stable value, (11) short-term fixed income, (12) specialty fixed income, (13) annuity, and (14) other.

[2] In Figures 3 and 7, some of the 14 investment types are combined to create a total of seven types: (1) target-date (off the shelf), (2) target date (custom), (3) domestic equity, (4) stable value, (5) balanced, (6) fixed income, and (7) other. Domestic equity includes large-cap domestic equity, mid- and small-cap domestic equity, and sector-specialty equity. Fixed income includes core fixed income, short-term fixed income, and specialty fixed income. Other includes other, international equity, global allocation, and annuity.