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Reversal of Fortune

401(k) Plan Returns Under Biden and Trump

By E.J. Antoni

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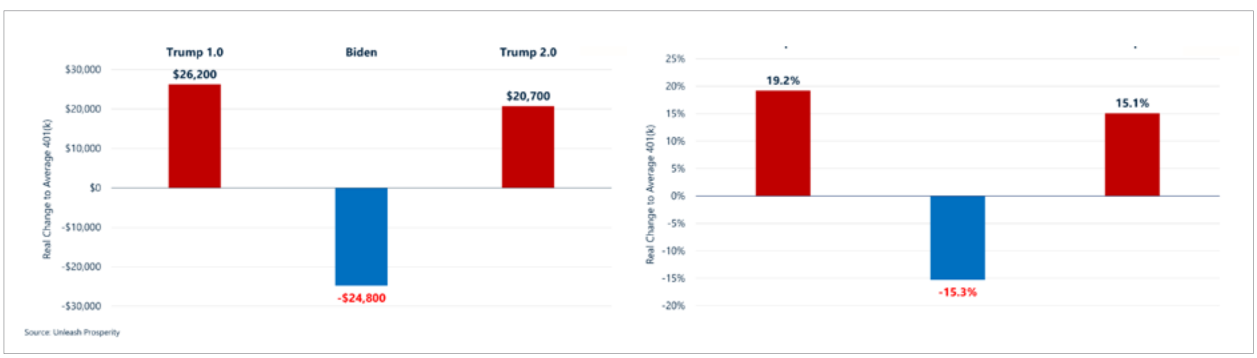
Executive Summary

- This study estimates that the average 401(k) retirement plan has increased by about $23,200 (16.9 percent) from the first quarter of 2025 through the third quarter, with an inflation-adjusted increase of about $20,700 (15.1 percent).
- By contrast, in the four-year period from the first quarter of 2021 through the first quarter of 2025, the average 401(k) retirement plan only increased by about $3,500 (2.6 percent) with an inflation-adjusted decrease of about $24,800 (-15.3 percent).
- Pension plan balances have increased from approximately $30.0 trillion in the first quarter of 2025 to about $33.2 trillion in the third quarter of 2025, an increase of about 10.7 percent. Adjusted for inflation, these plans' balances increased by about 9.0 percent over that same time to the highest level since 2021.
- Since the first quarter of 2025, significantly lower rates of price inflation, relatively stabilized bond markets, and robust increases in equity prices have all contributed to a significant increase in inflation-adjusted growth of retirement account balances compared to the prior four years.
- The four-year period of 2021 through 2024 was the worst consecutive four years for average bond returns in a century. Retirement accounts with heavier allocations in fixed income assets, common for people nearing retirement, experienced worse than average real losses during those four years.
- Aggregate 401(k) balances in the third quarter of 2025 were over $10 trillion for the first time. The large inflation-adjusted gains since the first quarter of 2025 have mostly offset the cumulative losses in the prior four-year period.

Chart 1: Retirement Account Returns: Trump vs. Biden



Background

This is the fourth annual Autumn study on retirement accounts published by Unleash Prosperity. The inaugural whitepaper examined the impact of sustained large federal deficits and significant changes to monetary policy in 2021 and the first three quarters of 2022.[1] These public policy failures simultaneously created the highest annual inflation in four decades and the fastest rise in interest rates in as long, creating disruptions in financial markets that resulted in significant negative effect on the real (inflation-adjusted) value of 401(k) balances and pension plan assets.[2] The next two retirement account studies found that the real average 401(k) balance in the third quarter of 2023[3] and then in the third quarter of 2024[4] were both below the level from the first quarter of 2021. Likewise, real pension plan balances in the third quarter of 2022, 2023, and 2024 were all below the level in the first quarter of 2021. This study includes data on not only the fourth quarter of 2024 but through the third quarter of 2025. These data allow for an important comparison between the effects of the current Trump administration's policies and those of the Biden administration on retirement accounts.

In the U.S., retirement accounts are incredibly common throughout the workforce and across income levels. As of March 2025, a full three-quarters of workers had access to retirement benefit plans, with a take-up of 75 percent and 56 percent of workers participating.[5] Even in the lowest income quartile, just over half (52 percent) of employees have access to retirement benefits, with a take-up rate of 51 percent. In the second quartile, 74 percent of workers in the private sector have access to retirement benefits with 52 percent of those workers participating. At the highest income decile, 94 percent of employees have access to, and 84 percent participate in, retirement benefit plans. Even at the median income level, a relatively large majority of workers have access to a retirement benefit plan with more than half participating. Looking exclusively at the private sector, 72 percent of workers had access to retirement benefits, with 70 percent having access to defined contribution plans. About 15 percent of private industry workers have access to a defined benefit pension plan.

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1 "Impact of Biden Economic Policies on Americans' 401k and Other Retirement Plans" Antoni & Moore, October 2022.

2 Real figures in this study are in Q1-2025 constant dollars. Current dollars are adjusted using the R-CPI-E instead of the CPI-U. See note in "Impact of Biden Economic Policies on Americans' 401k and Other Retirement Plans" for details on this methodology.

3 "Reexamining Bidenomics' Impact on Americans' Retirement Plans" Antoni, November 2023.

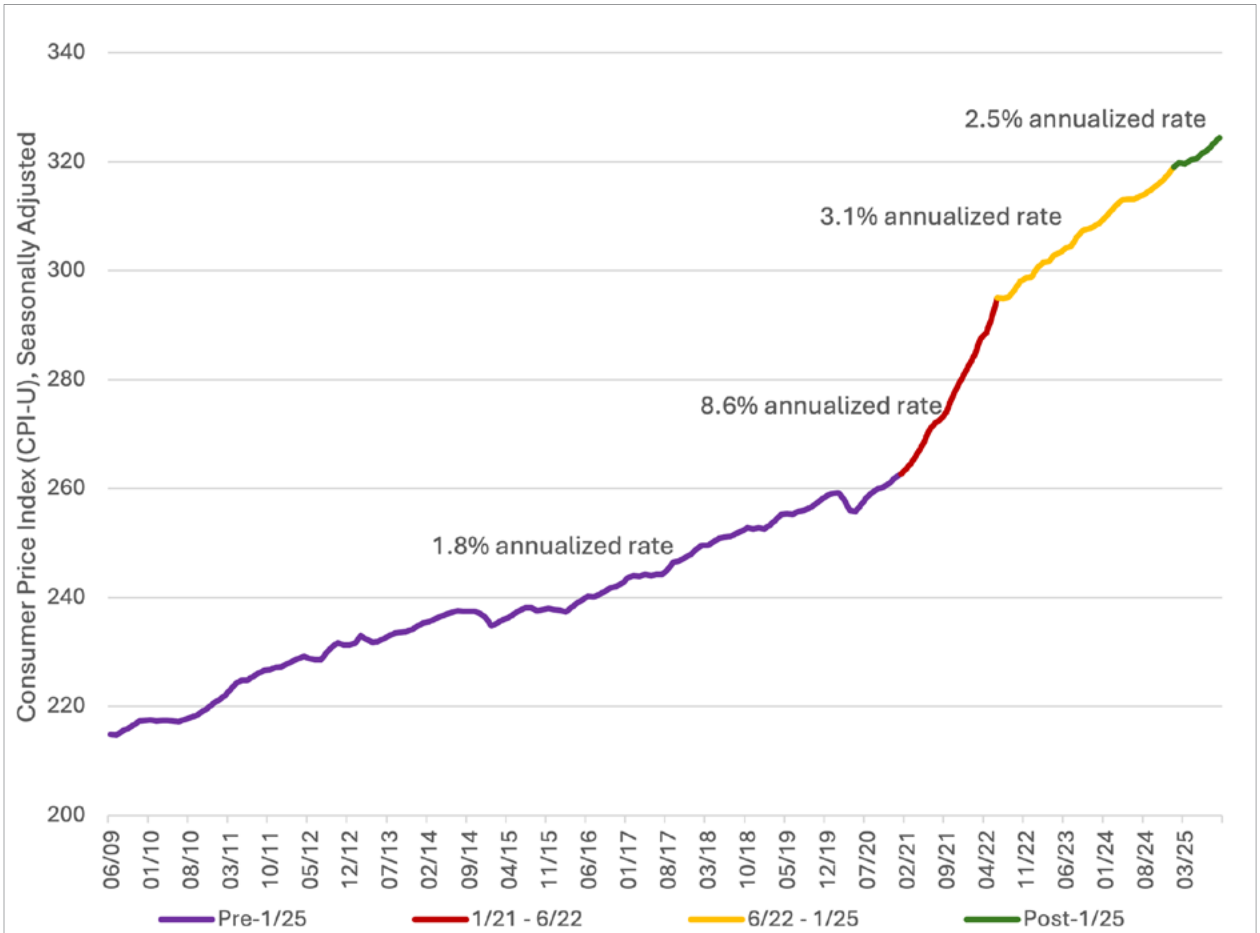
4 "Making Senior Citizens Poorer: The Negative Impact of the Biden Administration's Economic Policies on Senior Citizens' Retirement Incomes" Antoni, October 2024

5 Bureau of Labor Statistics, Employee Benefits in the United States, 2025.

Inflation

Annual inflation metrics have declined substantially over the last several years, though most remain above the Federal Reserve's 2.0-percent target. These metrics increased sharply at the start of 2021, with each peaking in either 2022 or 2023. Most annual inflation metrics trended down throughout 2023 and 2024 but never returned to their January-2021 level or their average from the previous economic expansion dated June 2009 through February 2020. From January 2021 to June 2022, annual inflation as measured by the consumer price index was 8.6 percent per annum, and from June 2022 to January 2025, it was 3.1 percent per annum. These rates of increase in prices are significantly higher than the 1.8 percent per annum inflation rate from June 2009 to January 2021.

Chart 2: Annualized Inflation Rates



Source: Bureau of Labor Statistics

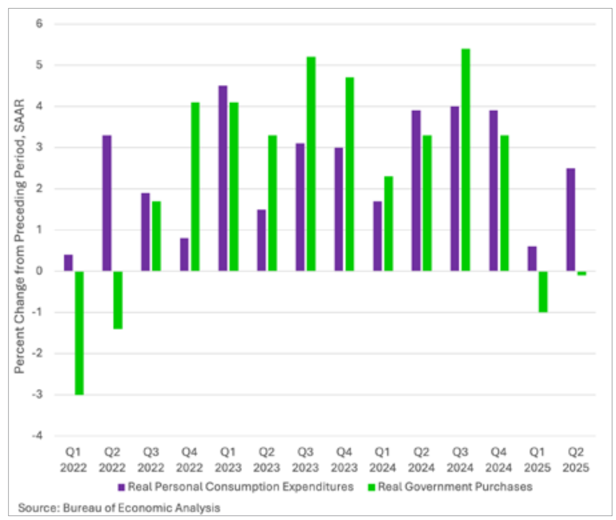
Record increases in the federal budget resulted in large federal deficits, a significant portion of which were purchased by the Federal Reserve, resulting in a devaluation of the U.S. dollar and widespread price increases. Cumulative inflation over the four-year period from the first quarter of 2021 to the first quarter of 2025 was 21.1 percent. This increase in prices outpaced earnings growth over that same period, during which time real average weekly earnings fell about 4.0 percent.

Federal Reserve policy shifted drastically with the onset of four-decade-high inflation. The Federal Open Market Committee ceased asset purchases and began running off the balance sheet, meaning conducting net sales of assets, a policy which is now set to end December 1, 2025. Additionally, the Federal Reserve raised the upper limit of the federal funds target range from 0.25 percent in March 2022 to 5.50 percent by the end of July 2023. This sharply contractionary monetary policy ensured that the worst inflation in four decades would be followed by the fastest rise in interest rates in just as long. Instability for prices and bond yields resulted in significant real losses to investors over the four years of the Biden presidency.

By contrast, inflation and interest rates have been both lower and less volatile during the second Trump administration. Not only is real weekly earnings growth since January 2025 at about 1 percent, but the relative stability of inflation and interest rates has benefited bond holders as well (yields and prices are inversely related). As real earnings rise, savers can allocate more to their retirement accounts. Simultaneously, the frequency and size of emergency withdrawals decrease. Nevertheless, the cost of living remains significantly higher than in 2019,[6] homeownership affordability is still near a record low,[7] and households are in a record amount of debt.[8] Retirees need significantly larger nest eggs than they did six years ago to avoid outliving their retirement savings, assuming they want the same standard of living they had previously planned on having.

Chart 3: Change in Real Weekly Earnings by President

Chart 4: Government Purchases and Consumer Spending



6 Bureau of Labor Statistics, Consumer Price Index.

7 Federal Reserve Bank of Atlanta, Home Ownership Affordability Monitor.

8 Z.1 Financial Accounts of the United States, Board of Governors of the Federal Reserve System.

The recent decline in inflation rates means the same nominal increases for both earnings and investment returns translate into higher real earnings and returns. The "Fiscal Theory of the Price Level" shows a clear link between unfunded government spending and inflation. Just two major pieces of legislation, the American Rescue Plan Act and the deceptively named Inflation Reduction Act, together cost about $3 trillion and accounted for half of the excess inflation from 2021 to 2024.[9] Trillions more in unfunded government spending during the four years from 2021 through 2024 explains much of the inflation that occurred during that time. When government spends more by borrowing and seems unlikely to repay that debt, it increases the implicit default risk of inflation, but reducing those unfunded liabilities has the opposite effect. The tendency towards accommodative monetary policy when the federal budget increases quickly lends credence to this idea.

After 10 consecutive quarters of growth, government purchases (seasonally adjusted at an annualized rate) declined in both the first and second quarters of 2025, the first consecutive quarterly declines since the start of 2022. Additionally, government purchases in the third quarter of 2025 are estimated to have been below their level from the fourth quarter of 2024, or negative year to date.[10] Likewise, the growth of the federal deficit has slowed substantially in calendar year 2025. Despite fiscal year 2025 having the worst start ever in terms of the deficit, the fiscal year ended with its best September ever, having a record surplus for the month and a total annual deficit lower than the previous fiscal year.[11] Thus, the reduction in unfunded government borrowing has put downward pressure on inflation rates, which simultaneously improves real returns for both equities and bonds while the greater purchasing power increases how much people can allocate toward savings.

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9 "The Big Government Formula for Double-Digit Inflation" Mulligan, August 2024.

10 GDPNow, Federal Reserve Bank of Atlanta, New York Fed Staff Nowcast, Federal Reserve Bank of New York. These estimates have been utilized for this study because a government shutdown has delayed publication of official data at the time of this writing.

11 Bureau of the Fiscal Service, Monthly Treasury Statement.

Equity and Bond Performance

Average equity returns in 2021, 2023, and 2024 were 28.5 percent, 26.1 percent, and 24.9 percent, respectively. Only 2022 saw a negative return, at -18.0 percent. Over these four years, the average equity return was 13.5 percent per annum. For the first nine months of 2025, the average equity return was 13.7 percent, or an annualized 18.7 percent. Although this rate of increase is less than the annual returns in 2021, 2023, or 2024, it is more than a third larger than the average rate during the four years from 2021 through 2024. Furthermore, these changes are all in nominal terms and therefore include changes due to higher prices, not simply greater value. Roughly one-third of the average equity returns in the four years prior to 2025 were from inflation. By contrast, about one-fifth of the average equity returns in the first nine months of 2025 were from inflation.

The Federal Reserve's unprecedented scale of asset purchases which began in early 2020 depressed interest rates and bond yields throughout the economy for several years. When inflation and interest rates rose sharply, fixed-income assets incurred steep losses, the worst of which occurred in 2022. The average bond return that year was -17.8 percent, the largest annual decline in a century. The four years from 2021 through 2024 marked the worst bear market for bonds in the last 100 years, with only 2023 seeing a positive average bond return.

Chart 5: Average Bond and Average Equity Returns by Year

Sources: Historical Returns for the US, Federal Reserve Bank of St. Louis, Author's calculations. N.B.: Returns for 2025 are annualized from first nine months of data.

For the four years from 2021 to 2025, the cumulative average equity return was 65.8 percent and this garnered considerable coverage of financial markets during that time, but comparatively little attention was paid to the cumulative average bond return being -19.7 percent. This decline offset a significant portion of the gains from equities. For a portfolio with an allocation of one-third equities and two-thirds bonds, the cumulative average total return was 4.3 percent, or 1.1 percent per annum. That is significantly lower than the 13.3-percent annualized average total return since the first quarter of 2025, assuming the same portfolio allocation of one-third equities and two-thirds bonds. Through the third quarter of 2025, the average return for equities was 13.7 percent and the average return for bonds was 2.8 percent.

The performance of financial assets has been a significant contributor to increases in household net wealth in 2025, which rose from $169 trillion in the first quarter to $176 trillion in the second quarter (most recent data at the time of this writing), a gain of 4.1 percent.[12] Even after adjusting for inflation, the increase was 3.7 percent. From the first to the second quarter of 2025, households' financial assets rose by $6 trillion, or 4.7 percent, of which $5.5 trillion was due to price appreciation of directly and indirectly held stock.

12 Z.1 Financial Accounts of the United States, Board of Governors of the Federal Reserve System.

401(k) Plan Estimates

In the first quarter of 2025, there was approximately $9.1 trillion across all 401(k) plans, an increase of about $1.0 trillion from the first quarter of 2021. After accounting for increases in the number of participants over that four-year period, the average 401(k) balance increased only about 2.6 percent. In the third quarter of 2025, after accounting for increases in the number of participants to almost 70 million, there was approximately $10.9 trillion across all 401(k) plans, an increase of about $1.9 trillion from the first quarter of 2025. The average 401(k) plan increased from $137,300 in the first quarter to $160,500 in the third quarter, a gain of approximately $23,200, or about 16.9 percent. The real increase for the average 401(k) balance was nearly as large at approximately $20,700, or about 15.1 percent.

Table 1: Changes to 401(k) Balance

401(k) Value Q1 2025	$100,000	$137,300	$250,000	$1,000,000
Nominal Value Q3 2025	$116,900	$160,500	$292,200	$1,168,900
Real Value Q3 2025	$115,100	$158,000	$287,800	$1,151,100
Nominal Gain (16.9 percent)	$16,900	$23,200	$42,200	$168,900
Real Gain (15.1 percent)	$15,100	$20,700	$37,800	$151,100

N.B.—Figures may not be proportional due to rounding.

The increase in not just nominal but real account balances in 2025 stands in stark contrast to the prior four years. From the first quarter of 2021 through the first quarter of 2025, the average 401(k) account saw only a small nominal increase but a sizeable real decrease of 15.3 percent. That decline was mostly eliminated by the subsequent real increase of 15.1 percent from the first quarter of 2025 through the third quarter of 2025. Slow nominal growth of 401(k) balances in the four years of the Biden administration was largely attributable to the fast rise in interest rates—which resulted in negative bond yields—and persistently high inflation. The latter drastically increased the cost of living and reduced savings rates, so that individual retirement account (IRA) contributions fell while hardship withdrawals set new records.[13]

Conversely, the four years of the first Trump administration saw a significant increase in nominal 401(k) balances. During the period from 2017 through 2020, the average return on equities was 15.9 percent per annum and the average return on bonds was 5.8 percent per annum. Although these high rates of return put substantial upward pressure on the average for all 401(k) balances, that was somewhat offset by an increase in number of 401(k) accounts over these four years as new savers opened accounts. Accounting for increases in the number of participants from the first quarter of 2017 through the first quarter of 2021, the average 401(k) account saw a relatively large nominal increase of $30,700, or about 29.7 percent. The real increase over that period was approximately $26,200, or about 19.2 percent. Thus, the real decline in the average 401(k) balance during the four years of the Biden presidency erased 94.8 percent of the gains from the prior four years of the first Trump presidency.

13 "Making Senior Citizens Poorer: The Negative Impact of the Biden Administration's Economic Policies on Senior Citizens' Retirement Incomes" Antoni, October 2024

Table 2: Nominal and Real Changes to Average 401(k) Plan Balances by President

Change to Average 401(k)	President Trump (45)	President Biden	President Trump (47)
Nominal	$30,700 (29.7 percent)	$3,500 (2.6 percent)	$23,200 (16.9 percent)
Real	$26,200 (19.2 percent)	**-$24,800 (-15.3 percent)**	$20,700 (15.1 percent)

N.B.—Figures may not be proportional due to rounding.

Despite the sharp reversal in the change of real 401(k) balances in 2025, those saving for retirement are, on average, still behind where they were about four and a half years ago. For most savers, this translates into working additional years to recoup lost purchasing power of their retirement accounts. The problem was particularly acute for those nearing retirement since they not only have less time to make up for losses but also have their portfolios disproportionately allocated in fixed income assets, which had their worst bear market in a century. A person with median earnings for those aged 55 to 64 who planned on retiring with $1 million in his or her IRA near the start of 2025 would likely need to work approximately an extra eight years because of the lower real value of his or her IRA, assessed at the first quarter of 2025. However, that same IRA assessed at the third quarter of 2025 showed gains that recovered most of the real losses from the prior four-year period. Assuming the would-be retiree continued normal contributions over the six months from the first quarter of 2025 through the third quarter, he or she would only need to work about one additional year to retire with his or her originally planned standard of living. Therefore, the real gains in IRAs this year have reduced by more than six years the amount of time that the average would-be retiree must keep working.

Pension Plans

In the first quarter of 2025, there were approximately $30.0 trillion in assets between defined-benefit and defined-contribution pension plans, an increase of $3.0 trillion or 11.1 percent from the first quarter of 2021. After adjusting for inflation, however, the real change was -$2.7 trillion, or -8.2 percent. Because inflation rates in 2025 have been significantly lower than the average from the prior four years, most of the nominal increases in pension plans in 2025 have been preserved in terms of real increases. From the first quarter of 2025 through the third quarter, assets in pension plans have increased approximately $3.2 trillion, or about 10.7 percent, to approximately $33.2 trillion. The real increase over that time is estimated to be approximately $2.7 trillion, or about 9.0 percent, which is an annualized rate of 18.8 percent. Real pension plan assets in the third quarter of 2025 were slightly higher than they were in the first quarter of 2021, having finally recovered from the steep losses since then. This study does not attempt to estimate the change in the average pension plan.

Although the real value of pension plan assets has increased significantly in 2025 and erased the losses of the prior three years, there has now effectively been no real net growth for almost five years. That represents a considerable financial setback for most pension plans which rely on steady growth to maintain solvency. For inflation-adjusted defined benefit plans, it's especially worrisome, since future payments have increased relative to the assets in the pension plan. The situation is little better for participants in defined contribution pension plans who will receive lower disbursements in retirement because their investments did not grow as anticipated. Nevertheless, there is a stark difference between the change in the real value of pension plan assets under the second Trump administration and the Biden administration, and these should be viewed as separate periods for the purpose of assessing public policy outcomes.

Chart 6: Pension Plans

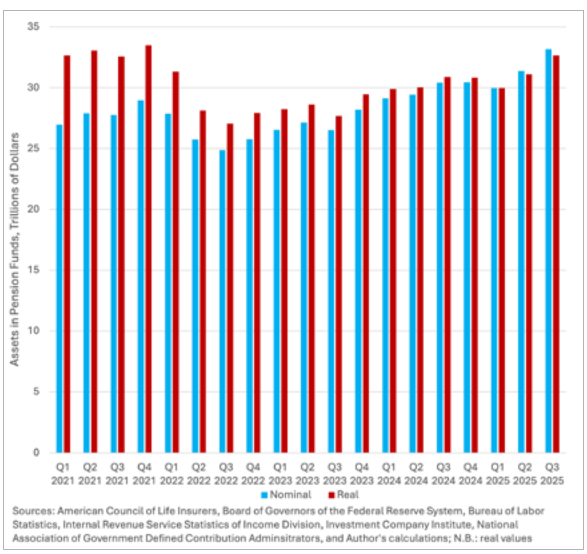

Chart 7: Real Changes in Pension Plan Assets by President

Policy Implications

Excessive government spending in 2020 that was supposed to be a one-time emergency measure was repeated for the four years that followed. As monetary policy quickly shifted from being overly accommodative to tightening, forty-year-high inflation was followed by the fastest rise in interest rates in just as long. These fiscal and monetary policy mistakes caused capital misallocation, a sharp increase in the cost of living, a doubling in the cost of servicing the federal debt, a regional banking crisis, and a frozen housing market with record low homeownership affordability. Additionally, retirement accounts incurred steep losses on an inflation-adjusted basis. In 2022, even before adjusting for inflation, a portfolio with an allocation of one-third equities and two-thirds bonds had the worst rate of return in a century, including the Great Depression year of 1931 that itself had the worst rate of return during that economic downturn.

As government spending and borrowing has slowed, and as market participants increasingly believe that federal finances are returning to a sustainable path, both inflation rates and interest rates have moderated. This has resulted in higher real returns to both equities and fixed income assets. Reductions in government spending and borrowing over time will also decrease the demand for loanable funds, putting further downward pressure on both interest rates and inflation rates. The contrast between the spending behavior of the Biden administration and the second Trump administration could not be clearer, and the effects have been seen just as clearly in 401(k) balances and pension plans. In addition to reining in the growth of government spending, the Trump administration has enacted pro-growth policies, like the restoration of full expensing under the One Big Beautiful Bill Act. These provisions will ultimately lead to more investment and larger tax receipts, which further reduce the federal deficit. Continued real growth in Americans' retirement accounts is dependent on sustained progress in returning federal finances to a sound basis.