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# Naive Diversification Strategies in Defined Contribution Saving Plans

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### Article Information

#### Abstract

There is a worldwide trend toward defined contribution saving plans and growing interest in privatized Social Security plans. In both environments, individuals are given some responsibility to make their own asset-allocation decisions, raising concerns about how well they do at this task. This paper investigates one aspect of the task, namely diversification. We show that some investors follow the "1/n strategy":

they divide their contributions evenly across the funds offered in the plan. Consistent with the theory of diversification, we find that the proportion invested in stocks

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## JEL Classification

**G11** Portfolio Choice; Investment Decisions

**G23** Pension Funds; Other Private Financial Institutions; Institutional Investors

**H55** Social Security and Public Pensions

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