

# FUNDAMENTALS

MUTUAL FUND RESEARCH IN BRIEF

ICI RESEARCH DEPARTMENT

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## Shareholders of Municipal Bond Mutual Funds

Shareholders owning municipal bond mutual funds display different investment habits and traits from those who do not, according to a recent ICI survey. Sixteen percent of 1,165 fund-owning households surveyed in July 1995 held long-term or money market municipal bond mutual funds outside of employer-sponsored retirement plans (Figure 1).<sup>1</sup>

The typical municipal bond fund owner was 50 years old, with a household income of \$65,000 and household financial assets of \$150,000. The typical shareholder not owning such funds was 43 years old, with a household income of \$58,000 and household financial assets of

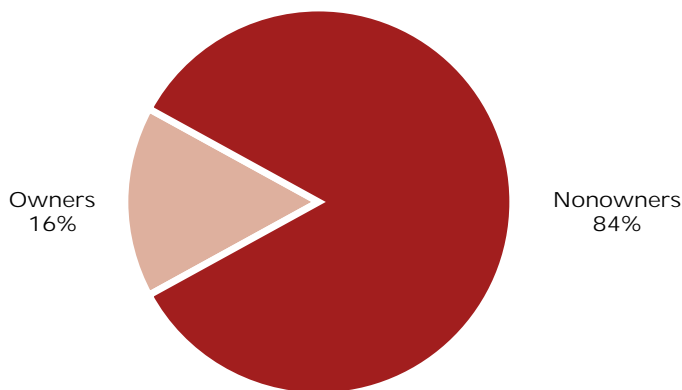
\$50,000. Also, nearly twice as many municipal bond fund owners were retired (Figure 2).

The typical municipal bond mutual fund shareholder had \$60,000 invested in mutual funds at the time of the survey, or 40 percent of household financial assets. Shareholders not owning such funds had \$12,000 invested in mutual funds, or 24 percent of household financial assets. Shareholders with municipal bond mutual funds also tended to own a greater number of mutual funds and were more likely to be customers of full-service brokers (Figure 3). Municipal bond fund shareholders typically had 38 percent of mutual fund assets in bond and income funds, 32 percent in equity funds, and 28 percent in money market mutual funds. Shareholders not owning such funds had the majority of their fund assets invested in equity funds (Figure 4).

Figure 1

### Mutual Fund Shareholders' Ownership of Municipal Bond Funds\*

(percent of respondents)



\*includes long-term and money market municipal bond funds held outside of employer-sponsored retirement plans

Figure 2

### Demographic Characteristics

	Shareholders with Municipal Bond Funds	Shareholders with No Municipal Bond Funds
<b>Median</b>		
Age	50	43
Household income	\$65,000	\$58,000
Household financial assets*	\$150,000	\$50,000
<b>Percent of Responding Shareholders**</b>		
Married	74%	72%
Widowed	7	5
College degree or post-graduate	69	58
Post-graduate degree	33	20
Employed full- or part-time	69	82
Retired from lifetime occupation	30	16

\*excludes primary residence and assets in employer-sponsored retirement plans

\*\*Shareholder refers to the household's primary or co-decisionmaker for mutual fund investments.

<sup>1</sup> The research did not distinguish ownership according to funds' average maturity.

Figure 3

### Mutual Fund Ownership Characteristics

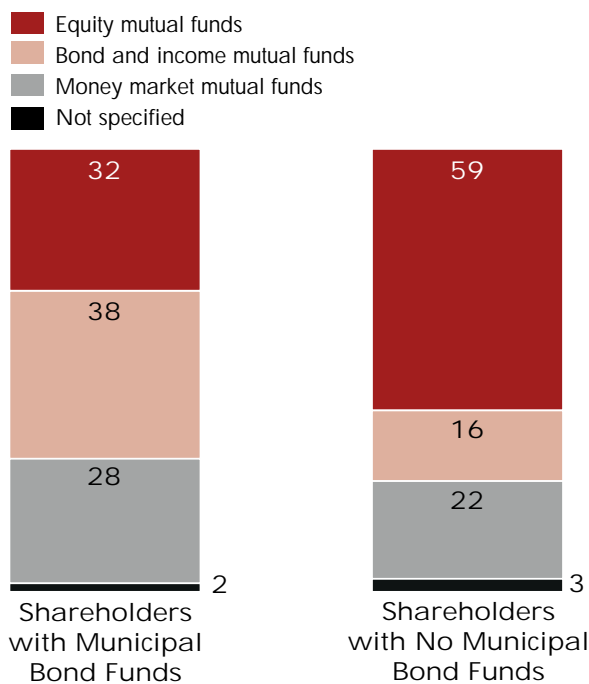
	Shareholders with Municipal Bond Funds	Shareholders with No Municipal Bond Funds
Median per Household		
Mutual fund assets	\$60,000	\$12,000
Percent of financial assets in funds	40%	24%
Number of funds owned	4	3
Number of fund companies with which fund assets are invested	2	2
Tenure in funds (in years)	12	8
Percent of Households		
Own:*		
Equity mutual funds	75%	75%
Bond and income mutual funds	78	44
Money market mutual funds	68	48
Primary mutual fund purchase channel:		
Full-service broker	44	27
Financial planner	11	13
Insurance agent	7	12
Bank representative	9	10
Fund company	18	23
Discount broker	7	8
Other* (e.g., accountant/lawyer)	3	6

\*multiple responses included

Figure 4

### Assets in Equity, Bond and Income, and Money Market Mutual Funds

(average percent of respondents' mutual fund assets)



<sup>2</sup> July 1994 through June 1995.

Shareholders with municipal bond mutual funds typically conducted more mutual fund transactions during the twelve months preceding the survey<sup>2</sup> than did other shareholders. For example, 37 percent of municipal bond mutual fund shareholders exchanged or moved money from one fund to another within the same family of funds, compared with 23 percent of those not owning such funds (Figure 5).

Owners of municipal bond mutual funds held a variety of other types of savings and investments. Nearly two thirds owned individual stock and more than half had investments in real estate other than a primary residence, proportions exceeding those of shareholders not owning such funds (Figure 6).

For more information on various segments of the mutual fund shareholder population, call ICI's Research Department at (202) 326-5913.

Figure 5

### Mutual Fund Transactions Conducted in 12 Months Preceding Survey\*

(percent of respondents)

	Shareholders with Municipal Bond Funds	Shareholders with No Municipal Bond Funds
Exchanged or moved money from one fund to another within the same family of funds	37%	23%
Invested more money in a fund already owned, other than through exchanges	53	47
Purchased funds not previously owned, other than through exchanges	28	22

\*July 1994 through June 1995; multiple responses included; transactions could be for any type of fund owned.

Figure 6

### Ownership of Nonfund Investments\*

(percent of respondents)

	Shareholders with Municipal Bond Funds	Shareholders with No Municipal Bond Funds
Individual stocks	64%	53%
Real estate (excluding primary residence)	52	38
Individual bonds	42	21
Fixed or variable annuities	42	24

\*multiple responses included