

# Fundamentals

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## U.S. Household Ownership of Mutual Funds in 1998

An estimated 44.4 million U.S. households, or 77.3 million individual investors, owned mutual funds in 1998.<sup>1</sup>

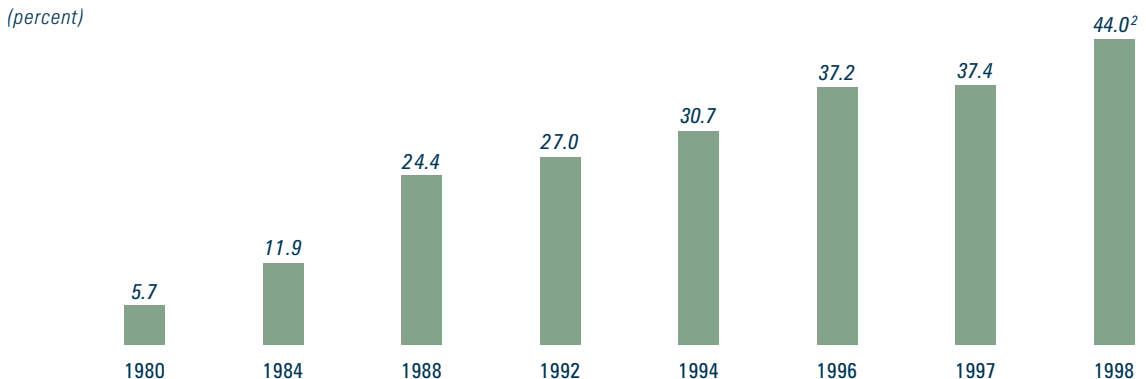
The 1998 estimate of 44.4 million U.S. households owning mutual funds includes, for the first

time, household ownership of funds through variable annuities.<sup>2</sup> The estimate also incorporates an improved method for determining ownership through employer-sponsored pension plans. For these reasons, the 1998 ownership estimate is not directly comparable to those in previous years, and does not reflect total growth in the number of households owning funds over 1997.<sup>3</sup>

figure 1

### U.S. Households That Own Mutual Funds, 1980-1998<sup>1</sup>

(percent)



Millions of Households	1980	1984	1988	1992	1994	1996	1997	1998
	4.6	10.2	22.2	25.8	30.2	36.8	37.4	44.4 <sup>2</sup>

#### figure footnotes

<sup>1</sup> Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994, 1996, 1997 and 1998 include households owning mutual funds only through employer-sponsored retirement plans. The standard error for the 1998 survey is  $\pm 1.8$  percent at the 95 percent confidence level.

<sup>2</sup> Includes, for the first time, fund ownership through variable annuities and reflects an improved method of determining fund ownership through employer-sponsored retirement plans. An undetermined but significant portion of this increase reflects an improved method of determining mutual fund ownership through employer-sponsored retirement plans.

<sup>3</sup> Based on a May 1998 ICI survey with a random sample of 3,000 U.S. households. The standard error is  $\pm 1.8$  percent at the 95 percent confidence level. The Institute weighted its sample to match the age distribution of the U.S. population. (See U.S. Census, Current Population Reports, Series P-25-1129, *Projections of the Number of Households and Families in the United States: 1995 to 2010*.) Prior to 1997, ICI surveys on the number of U.S. households owning mutual funds were not weighted.

<sup>2</sup> The Institute includes in its mutual fund statistical database variable annuities registered as investment companies under the Investment Company Act of 1940 (e.g., assets, sales, and redemptions). For consistency, the Institute will now also include ownership of variable annuities in its annual estimate of mutual fund ownership. An estimated 1.7 million households owned mutual funds solely through variable annuities in 1998.

<sup>3</sup> An estimated 42.7 million households owned mutual funds other than through variable annuities in 1998. The comparable estimate for 1997 is 37.4 million, an increase of 14.2 percent. An undetermined but significant portion of this increase reflects an improved method of determining mutual fund ownership through employer-sponsored retirement plans.

figure 2

### Age of Mutual Fund Owners, 1998<sup>1</sup>

(percent)

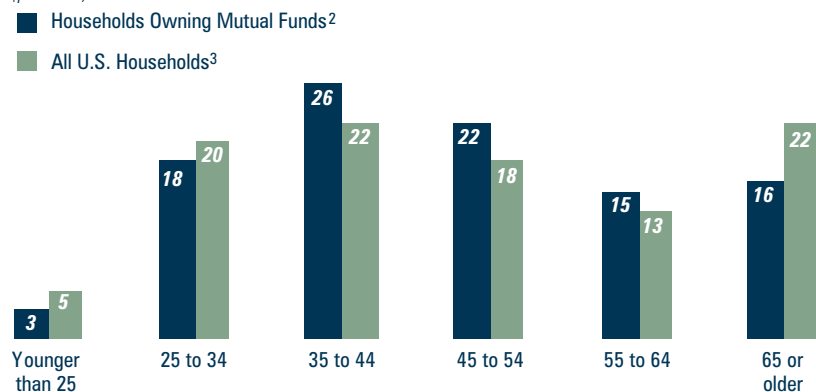


figure footnotes

<sup>1</sup> Age of head of household.

<sup>2</sup> Includes money market, stock, bond and hybrid, variable annuity, IRA, Keogh and employer-sponsored retirement plan fund owners.

<sup>3</sup> The percent of U.S. households in each age group is based on the Institute's survey data and is weighted to match that of the U.S. Census' 1998 estimate of the age distribution of heads of households. (See U.S. Census, Current Population Reports, Series P25-1129, *Projections of the Number of Households and Families in the United States: 1995 to 2010.*)

figure 3

### Mutual Fund Ownership Within Age Groups, 1998<sup>1,2</sup>

(percent of U.S. households)

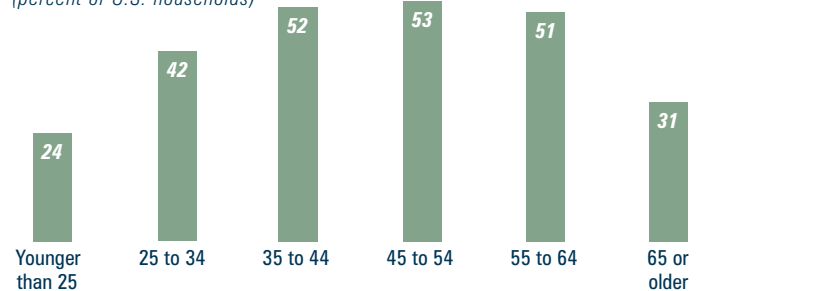


figure footnotes

<sup>1</sup> Age of head of household.

<sup>2</sup> Includes money market, stock, bond and hybrid, variable annuity, IRA, Keogh and employer-sponsored retirement plan fund owners.

figure 4

### Ownership of Fund Types Within Age Groups, 1998<sup>1,2</sup>

(percent of U.S. households)

	Equity Funds	Bond and Hybrid Funds <sup>3</sup>	Money Market Funds
<b>All U.S. Households</b>	29	23	19
Younger than 25	14	11	5
25 to 34	28	20	15
35 to 44	35	28	21
45 to 54	35	29	24
55 to 64	32	27	23
65 or older	18	16	18

figure footnotes

<sup>1</sup> Age of head of household.

<sup>2</sup> Includes money market, stock, bond and hybrid, variable annuity, IRA, Keogh and employer-sponsored retirement plan fund owners.

<sup>3</sup> The definitions of the various types of mutual funds, and the placement of these definitions, were revised in the 1998 survey. These changes significantly increased the number of households owning bond and hybrid funds in 1998 compared with 1997, when 15 percent of all households owned funds in the "bond and income" category.

The primary financial decisionmaker in the typical household owning mutual funds is 44 years old. Less than one-quarter of these decisionmakers are retired. Median household income is \$55,000 and median household financial assets, including those in employer-sponsored retirement plans, is \$80,000. Almost three-fifths of households owning mutual funds own an IRA, and about three-quarters participate in an employer-sponsored pension plan.

### Household Age and Mutual Fund Ownership

More than 80 percent of households with mutual fund holdings are headed by individuals in their primary income-earning years from age 25 to 64, with the heaviest concentration in the 35-to-44 age bracket (Figure 2). Three percent of fund-owning households are headed by individuals younger than age 25; 16 percent are headed by individuals age 65 or older.

Fund ownership levels tend to be higher among households headed by individuals in their primary income-earning years, especially the 35-to-64 age bracket, where more than half of

the households own mutual funds (Figure 3). Although U.S. households in all age groups are more likely to own equity funds than bond and hybrid or money market funds, equity funds are more prevalent among those heads of households age 35 to 64 (Figure 4).

## Household Income and Mutual Fund Ownership

Most mutual fund shareholders have moderate household incomes. Seventy percent of fund shareholders have total household incomes of less than \$75,000 (Figure 5). Fund ownership does, however, tend to increase with income. For example, 77 percent of U.S. households with income of \$100,000 or more owned mutual funds, while only 13 percent of U.S. households with income of less than \$25,000 owned mutual funds (Figure 6).

In general, equity mutual funds tended to be more widely held across all household income levels than bond and hybrid funds or money market mutual funds (Figure 7). Ownership of each type of fund tends to increase with household income.

figure 5

### Income of Mutual Fund Owners, 1998<sup>1</sup>

(percent)

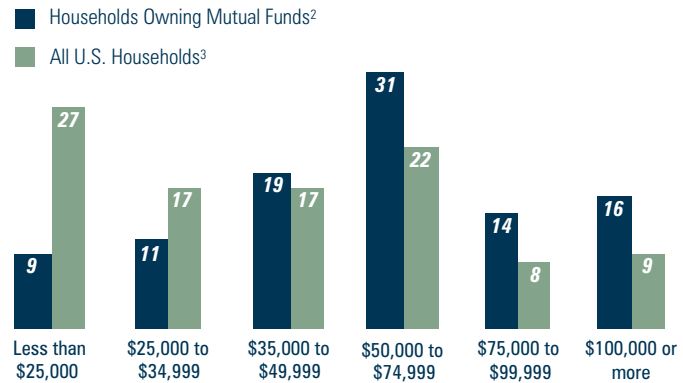


figure footnotes

<sup>1</sup> Pre-tax household income for 1997.

<sup>2</sup> Includes money market, stock, bond and hybrid, variable annuity, IRA, Keogh and employer-sponsored retirement plan fund owners.

<sup>3</sup> The percent of households in each income group is based on the Institute's survey data, and is not significantly different from the U.S. Census' 1997 household income data. (See U.S. Census, Current Population Reports, Series P60-200, *Money Income in the United States: 1997*.)

figure 6

### Mutual Fund Ownership Within Income Groups, 1998<sup>1,2</sup>

(percent of U.S. households)

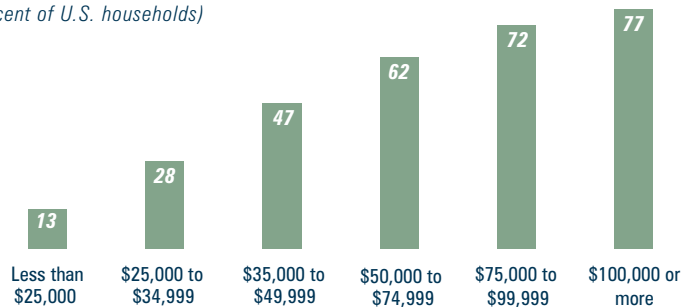


figure footnotes

<sup>1</sup> Pre-tax household income for 1997.

<sup>2</sup> Includes money market, stock, bond and hybrid, variable annuity, IRA, Keogh and employer-sponsored retirement plan fund owners.

figure 7

### Ownership of Fund Types Within Income Groups, 1998<sup>1,2</sup>

(percent of U.S. households)

	Equity Funds	Bond and Hybrid Funds <sup>3</sup>	Money Market Funds
<b>All U.S. Households</b>	29	23	19
Less than \$35,000	11	7	7
\$35,000 to \$49,999	28	28	18
\$50,000 to \$74,999	40	34	26
\$75,000 to \$99,999	52	39	31
\$100,000 or more	59	45	40

figure footnotes

<sup>1</sup> Pre-tax household income for 1997.

<sup>2</sup> Includes money market, stock, bond and hybrid, variable annuity, IRA, Keogh and employer-sponsored retirement plan fund owners.

<sup>3</sup> The definitions of the various types of mutual funds, and the placement of these definitions, were revised in the 1998 survey. These changes significantly increased the number of households owning bond and hybrid funds in 1998 compared with 1997, when 15 percent of all households owned funds in the "bond and income" category.

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