

Fundamentals

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Mutual Fund Shareholders' Use of the Internet

Mutual fund investors have increased their use of the Internet over the past three years, according to an April 2000 Institute survey. The study finds that 68 percent of U.S. households owning mutual funds used the Internet between

April 1999 and March 2000 (Figure 1).¹ In a 1998 Institute study, 62 percent of households owning funds indicated they had used the Internet.²

Internet use was highest in fund households headed by individuals under age 35 and lowest

figure 1

Mutual Fund Shareholders' Use of the Internet, 1998 and 2000

(percent of U.S. households owning mutual funds)

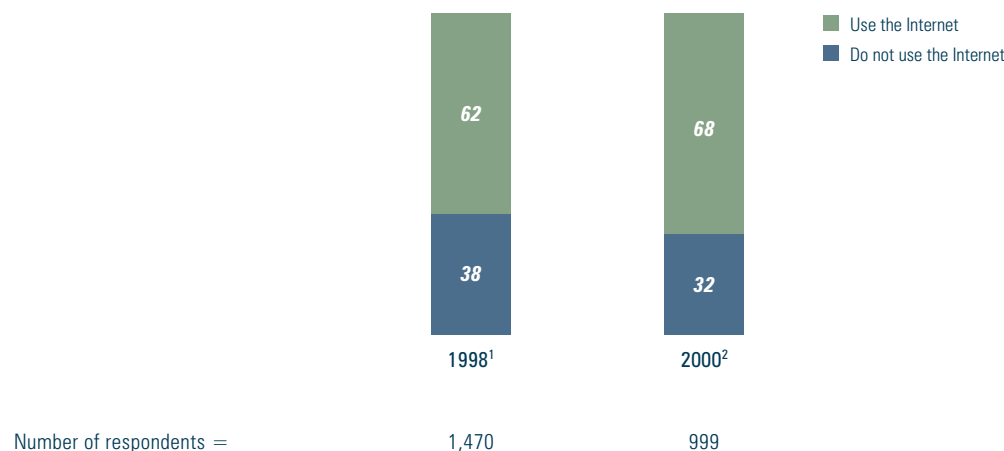


figure footnotes:

¹ At the time of the survey. May include shareholders using the Internet only to send or receive e-mail.

² In the 12 months preceding the survey (April 1999 through March 2000). Excludes shareholders using the Internet only to send or receive e-mail.

¹ The April 2000 survey includes 1,001 interviews with U.S. household owners of mutual funds, including variable annuities. Interviews were conducted with the primary or co-financial decisionmaker most knowledgeable about the household's savings and investments. Sending or receiving e-mail over the Internet did not constitute Internet usage.

² The 1998 survey includes 1,470 interviews with U.S. household owners of mutual funds, including variable annuities. Interviews were conducted with the primary or co-financial decisionmaker most knowledgeable about the household's savings and investments. Sending or receiving e-mail over the Internet was considered Internet usage.

figure 2

Mutual Fund Shareholders' Use of the Internet by Age, 2000^{1, 2}

(percent of U.S. households owning mutual funds)

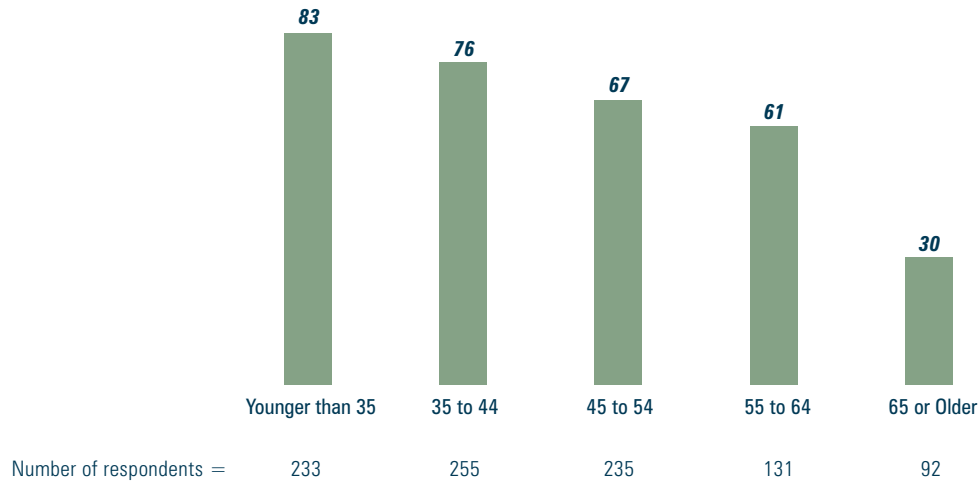


figure footnotes:

¹ Refers to household's responding financial decisionmaker for mutual fund investments.

² In the 12 months preceding the survey (April 1999 through March 2000). Excludes shareholders using the Internet only to send or receive e-mail.

figure 3

Mutual Fund Shareholders' Use of the Internet by Household Income, 2000¹

(percent of U.S. households owning mutual funds)



figure footnote:

¹ In the 12 months preceding the survey (April 1999 through March 2000). Excludes shareholders using the Internet only to send or receive e-mail.

figure 4

Visited Websites of Companies Offering Mutual Funds, 1998 and 2000¹

(percent of U.S. households owning mutual funds and using the Internet²)

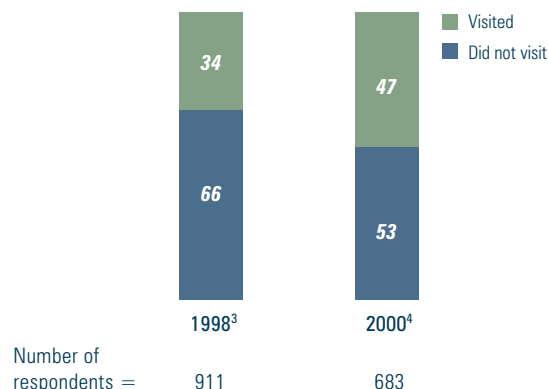


figure footnotes:

- ¹ Includes mutual fund companies and unaffiliated distributors, such as brokers, independent financial planners, insurance agents, and bank or savings institution representatives (but not retirement plan sponsors).
- ² In the 1998 survey, use of the Internet includes sending or receiving e-mail. In the 2000 survey, use of the Internet excludes sending or receiving e-mail.
- ³ In the 12 months preceding the survey (July 1997 through August 1998).
- ⁴ In the 12 months preceding the survey (April 1999 through March 2000).

among households headed by individuals age 65 or older (Figure 2). Internet use increases with household income. Nearly half of all fund households with income under \$25,000 used the Internet, while 91 percent of those with income of \$100,000 or more did (Figure 3).

Visits to Websites of Companies Offering Mutual Funds

The number of shareholders visiting websites of companies offering fund shares increased significantly.³ Nearly half of shareholders who used the

figure 5

Visited Websites of Companies Offering Mutual Funds, by Source of Fund Ownership, 2000¹

(percent of U.S. households owning mutual funds and using the Internet²)

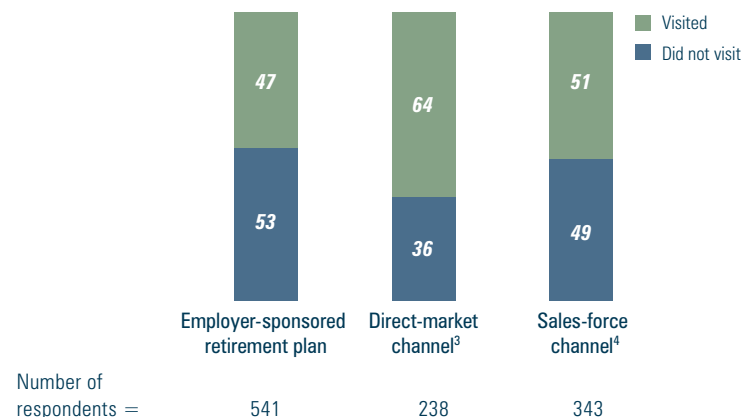


figure footnotes:

- ¹ Multiple responses included. Includes mutual fund companies and unaffiliated distributors, such as brokers, independent financial planners, insurance agents, and bank or savings institution representatives (but not retirement plan sponsors).
- ² In the 12 months preceding the survey (April 1999 through March 2000). Excludes shareholders using the Internet only to send or receive e-mail.
- ³ Includes fund shares purchased directly from fund companies, through discount brokers, and through brokerage firms only available online.
- ⁴ Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

Internet between April 1999 and March 2000 visited such websites, compared with about one-third between July 1997 and August 1998 (Figure 4).

The 2000 study found that more shareholders owning “direct-marketed” funds visited fund websites than did shareholders owning “sales-force-marketed” funds or funds from employer-sponsored retirement plans (Figure 5).⁴

At websites of companies offering fund shares, fund shareholders most frequently reviewed fund performance information, share prices, and personal account information. Older shareholders typically reviewed a greater number of features

³ These websites include those of mutual fund companies and unaffiliated distributors such as brokers, independent financial planners, insurance agents, and bank or savings institution representatives. These websites do not include those of retirement plan sponsors such as private corporations, state or local governments, and the federal government.

⁴ “Direct-marketed” funds are offered by mutual fund companies, discount brokers, and brokerage firms only available online. “Sales-force-marketed” funds are offered by full-service brokers, independent financial planners, insurance agents, and bank or saving institution representatives. The definition of “direct-marketed” and “sales-force-marketed” funds does not include funds distributed through employer-sponsored retirement plans.

figure 6

Information Reviewed or Downloaded from Websites, 2000¹

(percent of U.S. households owning mutual funds and visiting websites of companies offering funds²)

	Visited Websites of Companies Offering Funds	Age of Responding Household Financial Decisionmaker for Fund Investments ³	
		Younger than 35 Years	35 years or Older
General Information			
Information on fund performance	72	61	75
Price per share of specific funds	66	61	67
Services offered by the fund company	45	44	45
Background information on portfolio managers	37	26	40
How to open an account with the fund company	36	33	36
Fund prospectuses	33	24	34
Fund educational information	32	26	33
Fund Fees and Expenses			
Expense ratio of specific funds	42	33	45
The sales charge or load of specific funds	39	37	38
Personal Account Information			
Account information for any mutual fund holdings	63	52	67
Account information for funds owned outside employer-sponsored retirement plans ⁴	59	51	62
Account information for funds owned inside employer-sponsored retirement plans ⁵	57	46	60
Mean number of items reviewed or downloaded	5	4	5

figure footnotes:

¹ Multiple responses included. Includes mutual fund companies and unaffiliated distributors, such as brokers, independent financial planners, insurance agents, and bank or savings institution representatives (but not retirement plan sponsors). Some of these websites may not provide all of the items listed in the table.

² In the 12 months preceding the survey (April 1999 through March 2000).

³ Categories for the age of the household's responding financial decisionmaker for mutual fund investments were collapsed for this analysis due to sample size constraints.

⁴ Percent of households owning funds outside employer-sponsored retirement plans.

⁵ Percent of households owning funds inside employer-sponsored retirement plans.

note: Number of respondents varies.

⁵ Some websites offering fund shares may not provide all of the items listed in Figure 6.

on these sites than did younger shareholders (Figure 6).⁵ Shareholders visiting websites of companies offering funds typically accessed these sites three times in the month preceding the survey.

Comparing Internet Users and Non-Users

Fund shareholders using the Internet were typically younger and had greater household income and financial assets than those who did not. The median age of shareholders on the Internet was 42 (Figure 7); their median household income was \$63,900; their median household financial assets were \$100,900. Shareholders who used the Internet typically had \$40,000 invested in four mutual funds.

The median age of shareholders not on the Internet was 51; their median household income was \$41,000; their median household financial assets were \$84,500. Most shareholders not using the Internet had high school or two-year college degrees.

Other Financial Uses of the Internet

Fund shareholders indicated how they used the Internet for other financial purposes. Sixty percent who used the Internet checked stock prices, 49 percent read online financial publications, and 44 percent browsed for retirement or personal planning information (Figure 8). Fewer than one-third used the Internet to access bank accounts, seek online investment advice, or send e-mail to professional financial advisers.

figure 7

Characteristics of Mutual Fund Shareholders Who Have Used the Internet, 2000^{1, 2}

	Have Used the Internet	Have Used the Internet and Visited Websites of Companies Offering Funds		Have Not Used the Internet
		Yes	No	
Median				
Age	42 years	42 years	42 years	51 years
Household income	\$63,900	\$69,800	\$62,500	\$41,000
Household financial assets ³	\$100,900	\$124,700	\$84,100	\$84,500
Household mutual fund assets	\$40,000	\$53,100	\$35,000	\$32,500
Number of funds owned	4	5	3	3
Percent				
College or postgraduate degree	60	68	53	30
Retired from lifetime occupation	12	11	12	34
Own individual stock	56	65	48	37
Primary mutual fund purchase channel:				
Inside employer-sponsored retirement plan	55	48	60	58
Outside employer-sponsored retirement plan (net)	45	52	40	42
Sales-force channel	30	33	32	34
Direct-market channel	15	19	8	8
Brokerage firm only online	2	3	4	0

figure footnotes:

¹ Refers to household's responding financial decisionmaker for mutual fund investments.

² In the 12 months preceding the survey (April 1999 through March 2000). Excludes shareholders using the Internet only to send or receive e-mail.

³ Includes holdings in employer-sponsored retirement plans but excludes primary residence.

⁴ Multiple responses included.

note: Number of respondents varies.

figure 8

Other Financial Uses of the Internet by Mutual Fund Shareholders, 2000¹

(percent of U.S. households owning mutual funds and using the Internet²)

Check stock prices	60
Read online financial publications	49
Collect information on retirement or personal financial planning	44
Access bank account	32
Seek investment advice	25
Send e-mail to professional financial advisers	20

figure footnotes:

¹ Multiple responses included.

² In the 12 months preceding the survey (April 1999 through March 2000). Excludes shareholders using the Internet only to send or receive e-mail.

figure 9

Use of the Internet to Conduct Mutual Fund Transactions, 2000

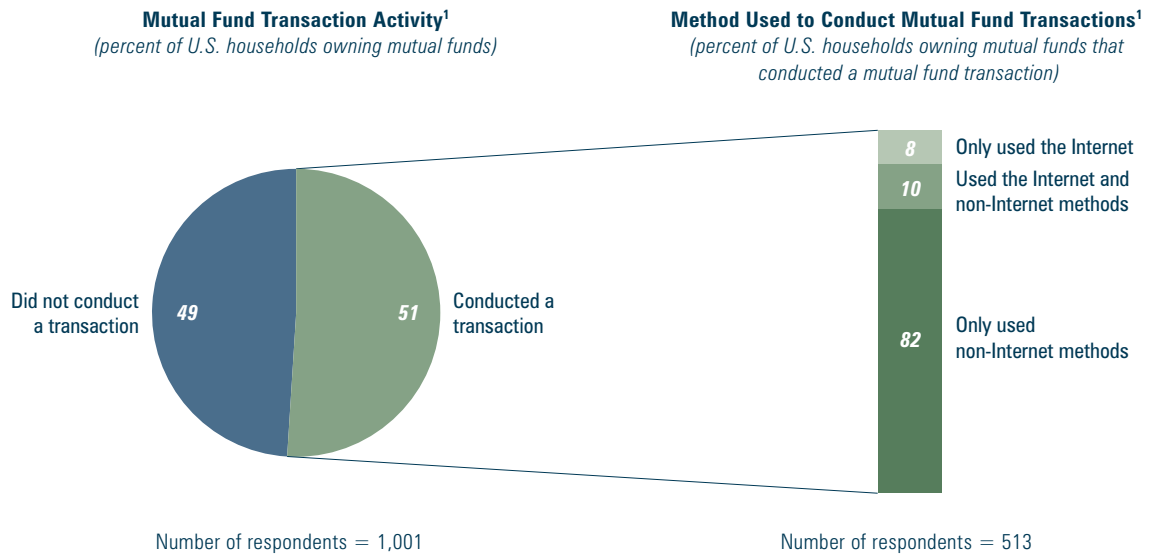


figure footnote:

¹ In the 12 months preceding the survey (April 1999 through March 2000).

figure 10

Mutual Fund Purchases and Sales Over the Internet, 2000¹

	Percent of U.S. Households	
	Owning Mutual Funds ³	Conducting Mutual Fund Transactions Over the Internet
Bought or sold mutual fund shares over the Internet (net) ²	9	100
Inside employer-sponsored retirement plans	5	53
Outside employer-sponsored retirement plans	6	63
Bought mutual fund shares over the Internet (net) ²	8	90
Inside employer-sponsored retirement plans	4	47
Outside employer-sponsored retirement plans	5	55
Sold mutual fund shares over the Internet (net) ²	5	59
Inside employer-sponsored retirement plans	2	25
Outside employer-sponsored retirement plans	4	40
Number of respondents	1,001	92

figure footnotes:

¹ In the 12 months preceding the survey (April 1999 through March 2000). The median number of mutual fund transactions conducted over the Internet during this period was four; the mean was eight.

² Multiple responses included.

³ A June 1999 ICI survey of 3,000 U.S. households estimated the number of households owning mutual funds at 48.4 million.

figure 11

Characteristics of Mutual Fund Shareholders Who Conducted Mutual Fund Transactions Over the Internet, 2000^{1, 2}

	Mutual Fund Transactions Conducted	
	Over the Internet	Not Over the Internet
Median		
Age	39 years	43 years
Household income	\$84,300	\$60,900
Household financial assets ³	\$135,000	\$116,800
Household mutual fund assets	\$40,300	\$51,600
Number of funds owned	4	4
Percent		
College or postgraduate degree	72	58
Retired	8	15
Own individual stock	77	55
Conducted individual stock transactions over the Internet ²	57	8
Own funds through: ⁴		
Employer-sponsored retirement plan	78	79
Sales-force channel	49	58
Direct-market channel	62	35
Brokerage firm only online	36	3

figure footnotes:

¹ Refers to household's responding financial decisionmaker for mutual fund investments.

² In the 12 months preceding the survey (April 1999 through March 2000).

³ Includes holdings in employer-sponsored retirement plans but excludes primary residence.

⁴ Multiple responses included.

note: Number of respondents varies.

Mutual Fund Transactions on the Internet

Slightly more than half of fund households conducted fund transactions between April 1999 and March 2000, of which 18 percent (or 9 percent of all fund-owning households) bought or sold fund shares online (Figures 9 and 10).⁶ The median number of fund transactions conducted over the Internet during the 12-month period was four; the mean was eight. Shareholders who bought fund shares online outnumbered sellers online by three

to two. Shareholders conducted fund transactions outside employer-sponsored retirement plans more often than inside such plans (Figure 10).

Shareholders who executed mutual fund transactions online were typically younger, with greater household income and household financial assets, but owned smaller mutual fund portfolios than those conducting fund transactions by means other than the Internet. Shareholders buying or selling fund shares online were more often college educated and owners of individual stock (Figure 11).

⁶ Transactions include changes in the allocation of payroll contributions or account balances that resulted in the purchase or sale of mutual fund shares in employer-sponsored retirement plans, and the purchase or sale of mutual fund shares outside such plans. Fund purchases include buying additional shares of a fund already owned or buying shares of a fund not previously owned.

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