

# Profile of Mutual Fund Shareholders

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# Table of Contents

<b>List of Figures</b> .....	<b>iii</b>
<b>Introduction</b> .....	<b>1</b>
<b>Chapter 1:     <b>The Mutual Fund Shareholder</b></b> .....	<b>5</b>
Demographic Characteristics .....	5
Financial Characteristics .....	5
Mutual Fund Ownership Characteristics .....	5
Views on Mutual Fund Investing .....	6
<b>Chapter 2:     <b>Mutual Fund Shareholders by Channels Used to Purchase Funds</b></b> .....	<b>11</b>
Defined Contribution Retirement Plans .....	11
Sales Force Channel .....	12
Direct Market Channel .....	13
<b>Chapter 3:     <b>Mutual Fund Shareholders by Primary Source for Purchasing Funds</b></b> .....	<b>19</b>
Defined Contribution Retirement Plans as Primary Source for Funds .....	20
Full-Service Brokers as Primary Source for Funds .....	20
Independent Financial Planners as Primary Source for Funds .....	21
Insurance Agents as Primary Source for Funds .....	22
Bank or Savings Institution Representatives as Primary Source for Funds .....	22
Mutual Fund Companies Directly as Primary Source for Funds .....	23
Discount Brokers as Primary Source for Funds .....	24
<b>Chapter 4:     <b>Mutual Fund Shareholders by Types of Funds Owned</b></b> .....	<b>33</b>
Equity Funds .....	33
Bond Funds .....	34
Hybrid Funds .....	35
Money Market Funds .....	35
<b>Chapter 5:     <b>Mutual Fund Shareholders by Responsibility for Household Investment Decisionmaking</b></b> .....	<b>43</b>
Males with Sole Responsibility for Investment Decisions .....	43
Females with Sole Responsibility for Investment Decisions .....	44
Investment Co-Decisionmakers .....	45
<b>Chapter 6:     <b>Mutual Fund Shareholders by Generation</b></b> .....	<b>51</b>
Generation Y (Born in 1977 or Later) .....	51
Generation X (Born Between 1965 and 1976) .....	52
Baby Boom Generation (Born Between 1946 and 1964) .....	53
Silent Generation (Born in 1945 or Earlier) .....	53

<b>Chapter 7:</b>	<b>Mutual Fund Shareholders by Household Income . . . . .</b>	<b>61</b>
	Household Incomes Less Than \$50,000 . . . . .	61
	Household Incomes Between \$50,000 and \$99,999 . . . . .	62
	Household Incomes Between \$100,000 and \$149,999 . . . . .	63
	Household Incomes of \$150,000 or More . . . . .	63
<b>Chapter 8:</b>	<b>Mutual Fund Shareholders by Household Financial Assets . . . . .</b>	<b>71</b>
	Household Financial Assets Less Than \$50,000 . . . . .	71
	Household Financial Assets Between \$50,000 and \$99,999 . . . . .	72
	Household Financial Assets Between \$100,000 and \$249,999 . . . . .	73
	Household Financial Assets of \$250,000 or More . . . . .	73
<b>Chapter 9:</b>	<b>Mutual Fund Shareholders by Year of Initial Fund Purchase . . . . .</b>	<b>81</b>
	Initial Fund Purchase Before 1990 . . . . .	81
	Initial Fund Purchase Between 1990 and 1994 . . . . .	82
	Initial Fund Purchase Between 1995 and 1999 . . . . .	82
	Initial Fund Purchase in 2000 or Later . . . . .	83
<b>Chapter 10:</b>	<b>Mutual Fund Shareholders by Willingness to Take Financial Risk . . . . .</b>	<b>89</b>
	Willing to Take Substantial or Above-Average Financial Risk . . . . .	89
	Willing to Take Average Financial Risk . . . . .	90
	Willing to Take Below-Average or No Financial Risk . . . . .	91
<b>Appendix A:</b>	<b>Research Methodology . . . . .</b>	<b>97</b>
	Research Design . . . . .	97
	Interviewing . . . . .	97
	Sampling Tolerances . . . . .	97
<b>Appendix B:</b>	<b>Detailed Characteristics of Mutual Fund Shareholders by Fund Ownership Inside and Outside Defined Contribution Retirement Plans . . . . .</b>	<b>99</b>
<b>Appendix C:</b>	<b>Detailed Characteristics of Mutual Fund Shareholders by Age . . . . .</b>	<b>113</b>
<b>Appendix D:</b>	<b>Detailed Characteristics of Mutual Fund Shareholders by Purchase Channels Outside Defined Contribution Retirement Plans . . . . .</b>	<b>121</b>

# List of Figures

<b>Chapter 1:</b>	<b>The Mutual Fund Shareholder</b>	
Figure 1	Shareholder Characteristics . . . . .	7
Figure 2	Mutual Fund Ownership Characteristics . . . . .	8
Figure 3	Mutual Fund Purchase Channels . . . . .	9
Figure 4	Views on Mutual Fund Investing . . . . .	10
<b>Chapter 2:</b>	<b>Mutual Fund Shareholders by Channels Used to Purchase Funds</b>	
Figure 5	Channels Used to Purchase Mutual Funds . . . . .	11
Figure 6	Shareholder Characteristics by Channels Used to Purchase Mutual Funds . . . . .	14
Figure 7	Mutual Fund Ownership Characteristics by Channels Used to Purchase Mutual Funds . . . . .	15
Figure 8	Mutual Fund Purchase Channels by Channels Used to Purchase Mutual Funds . . . . .	16
Figure 9	Views on Mutual Fund Investing by Channels Used to Purchase Mutual Funds . . . . .	17
<b>Chapter 3:</b>	<b>Mutual Fund Shareholders by Primary Source for Purchasing Funds</b>	
Figure 10	Primary Mutual Fund Purchase Source. . . . .	19
Figure 11	Shareholder Characteristics by Primary Mutual Fund Purchase Source. . . . .	25
Figure 12	Mutual Fund Ownership Characteristics by Primary Mutual Fund Purchase Source. . . . .	27
Figure 13	Mutual Fund Purchase Channels by Primary Mutual Fund Purchase Source . . . . .	29
Figure 14	Views on Mutual Fund Investing by Primary Mutual Fund Purchase Source . . . . .	30
<b>Chapter 4:</b>	<b>Mutual Fund Shareholders by Types of Funds Owned</b>	
Figure 15	Types of Mutual Funds Owned by Fund Shareholders . . . . .	33
Figure 16	Shareholder Characteristics by Types of Funds Owned . . . . .	37
Figure 17	Mutual Fund Ownership Characteristics by Types of Funds Owned. . . . .	38
Figure 18	Mutual Fund Purchase Channels by Types of Funds Owned. . . . .	39
Figure 19	Views on Mutual Fund Investing by Types of Funds Owned . . . . .	40
<b>Chapter 5:</b>	<b>Mutual Fund Shareholders by Responsibility for Household Investment Decisionmaking</b>	
Figure 20	Investment Decisionmaker in Mutual Fund-Owning Households . . . . .	43
Figure 21	Shareholder Characteristics by Household Investment Decisionmaker . . . . .	46
Figure 22	Mutual Fund Ownership Characteristics by Household Investment Decisionmaker. . . . .	47
Figure 23	Mutual Fund Purchase Channels by Household Investment Decisionmaker. . . . .	48
Figure 24	Views on Mutual Fund Investing by Household Investment Decisionmaker. . . . .	49

<b>Chapter 6:</b>	<b>Mutual Fund Shareholders by Generation</b>	
Figure 25	Generation of Mutual Fund Shareholders . . . . .	51
Figure 26	Shareholder Characteristics by Generation . . . . .	55
Figure 27	Mutual Fund Ownership Characteristics by Generation . . . . .	56
Figure 28	Mutual Fund Purchase Channels by Generation . . . . .	57
Figure 29	Views on Mutual Fund Investing by Generation . . . . .	58
<b>Chapter 7:</b>	<b>Mutual Fund Shareholders by Household Income</b>	
Figure 30	Household Income of Mutual Fund Shareholders . . . . .	61
Figure 31	Shareholder Characteristics by Household Income . . . . .	65
Figure 32	Mutual Fund Ownership Characteristics by Household Income . . . . .	66
Figure 33	Mutual Fund Purchase Channels by Household Income . . . . .	67
Figure 34	Views on Mutual Fund Investing by Household Income . . . . .	68
<b>Chapter 8:</b>	<b>Mutual Fund Shareholders by Household Financial Assets</b>	
Figure 35	Household Financial Assets of Mutual Fund Shareholders . . . . .	71
Figure 36	Shareholder Characteristics by Household Financial Assets . . . . .	75
Figure 37	Mutual Fund Ownership Characteristics by Household Financial Assets . . . . .	76
Figure 38	Mutual Fund Purchase Channels by Household Financial Assets . . . . .	77
Figure 39	Views on Mutual Fund Investing by Household Financial Assets . . . . .	78
<b>Chapter 9:</b>	<b>Mutual Fund Shareholders by Year of Initial Fund Purchase</b>	
Figure 40	Year of Initial Mutual Fund Purchase . . . . .	81
Figure 41	Shareholder Characteristics by Year of Initial Mutual Fund Purchase . . . . .	84
Figure 42	Mutual Fund Ownership Characteristics by Year of Initial Mutual Fund Purchase . . . . .	85
Figure 43	Mutual Fund Purchase Channels by Year of Initial Mutual Fund Purchase . . . . .	86
Figure 44	Views on Mutual Fund Investing by Year of Initial Mutual Fund Purchase . . . . .	87
<b>Chapter 10:</b>	<b>Mutual Fund Shareholders by Willingness to Take Financial Risk</b>	
Figure 45	Level of Risk Willing to Take with Mutual Fund Investments . . . . .	89
Figure 46	Shareholder Characteristics by Level of Risk Willing to Take with Mutual Fund Investments . . . . .	92
Figure 47	Mutual Fund Ownership Characteristics by Level of Risk Willing to Take with Mutual Fund Investments . . . . .	93
Figure 48	Mutual Fund Purchase Channels by Level of Risk Willing to Take with Mutual Fund Investments . . . . .	94
Figure 49	Views on Mutual Fund Investing by Level of Risk Willing to Take with Mutual Fund Investments . . . . .	95

<b>Appendix A:</b>	<b>Research Methodology</b>	
Figure 50	Sampling Error at the 95 Percent Confidence Level for Selected Percentages of Responses, by Sample Size . . . . .	98
<b>Appendix B:</b>	<b>Detailed Characteristics of Mutual Fund Shareholders by Fund Ownership Inside and Outside Defined Contribution Retirement Plans</b>	
Figure 51	Detailed Characteristics of Mutual Fund Shareholders . . . . .	100
Figure 52	Detailed Mutual Fund Ownership Characteristics of All Shareholders . . . . .	103
Figure 53	Detailed Mutual Fund Ownership Characteristics of Shareholders Owning Funds Inside Defined Contribution Retirement Plans . . . . .	107
Figure 54	Detailed Mutual Fund Ownership Characteristics of Shareholders Owning Funds Outside Defined Contribution Retirement Plans . . . . .	108
Figure 55	Detailed Views on Mutual Fund Investing . . . . .	110
<b>Appendix C:</b>	<b>Detailed Characteristics of Mutual Fund Shareholders by Age</b>	
Figure 56	Age of Household Sole or Co-Decisionmaker for Investing . . . . .	114
Figure 57	Shareholder Characteristics by Age . . . . .	115
Figure 58	Mutual Fund Ownership Characteristics by Age . . . . .	116
Figure 59	Mutual Fund Purchase Channels by Age . . . . .	117
Figure 60	Views on Mutual Fund Investing by Age . . . . .	118
<b>Appendix D:</b>	<b>Detailed Characteristics of Mutual Fund Shareholders by Purchase Channels Outside Defined Contribution Retirement Plans</b>	
Figure 61	Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans . . . . .	122
Figure 62	Shareholder Characteristics by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans . . . . .	123
Figure 63	Mutual Fund Ownership Characteristics by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans . . . . .	125
Figure 64	Mutual Fund Purchase Channels by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans . . . . .	127
Figure 65	Views on Mutual Fund Investing by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans . . . . .	129



# Introduction

Mutual funds have become an important part of the U.S. financial system over the past 20 years. Since 1984, assets held in mutual funds have increased from less than \$300 billion to \$7.6 trillion at the end of June 2004. The number of U.S. households owning mutual funds rose over the same period from 10.2 million to 53.9 million.<sup>1</sup> As a result, nearly one out of every two U.S. households owns mutual funds in 2004, representing 92.3 million individual fund shareholders.

To stay abreast of the expansion in fund ownership, the Investment Company Institute (ICI) periodically surveys mutual fund shareholders to gather information on their demographic and financial characteristics. The most recent survey was undertaken in January and February 2004 when 3,613 randomly selected households owning mutual funds were interviewed. Eligible households included those owning funds inside defined contribution retirement plans or outside these plans.<sup>2</sup> All interviews were with investment decisionmakers most knowledgeable about household saving and investments.<sup>3</sup>

This report presents the findings of the 2004 survey. As described in the first chapter, the most recent survey shows that the “typical” fund owner in 2004:

- ▶ Is middle-aged, college-educated, employed, married or living with a partner, and shares investment decisionmaking with his or her spouse or partner;
- ▶ Is of moderate financial means, with \$68,700 in household income and \$125,000 in household financial assets;
- ▶ Owns investments other than mutual funds, including individual stocks, and holds 47 percent of household financial assets in mutual funds;
- ▶ Has \$48,000 invested in four mutual funds, including at least one equity fund, and has 56 percent of fund assets invested in equity funds;
- ▶ First purchased a fund in 1990 and has owned mutual funds continuously since then;
- ▶ Owns mutual funds in a defined contribution plan and considers the plan to be the primary source of mutual fund purchases;

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<sup>1</sup> Based on a survey of 3,000 randomly selected U.S. households in June 2004. Mutual fund ownership includes holdings of equity, bond, hybrid, or money market mutual funds, including through variable annuities or Individual Retirement Accounts (IRAs). Mutual funds may be held inside defined contribution retirement plans or outside these plans. See “U.S. Household Ownership of Mutual Funds in 2004,” *Fundamentals*, Vol. 13, No. 3, October 2004.

<sup>2</sup> The 1998 and 2001 surveys also included households owning funds inside or outside defined contribution retirement plans. Earlier surveys were of shareholders owning funds outside these plans.

<sup>3</sup> See Appendix A: Research Methodology for details on the survey’s design, interviewing procedures, and sampling tolerances. Appendices B through D provide additional survey data.

- ▶ Also owns mutual funds outside defined contribution plans, primarily through the sales force or advice channel;
- ▶ Has a long-term investment horizon, invests in mutual funds for retirement, and infrequently redeems fund shares;
- ▶ Is willing to take at least average investment risk, understands that investing in equity or bond funds entails some risk, and is not focused on short-term market fluctuations;
- ▶ Is confident that mutual funds can help him or her reach financial goals.

This portrayal of the typical fund owner by no means implies that all shareholders are identical or nearly so. Indeed, the remaining nine chapters of the report discuss variations in shareholder characteristics around this typical owner from several dimensions.

Chapters 2 and 3 focus on the principal channels used by shareholders to purchase fund shares. With the growth of 401(k) plans since 1990, defined contribution retirement plans have become the most common channel through which fund shareholders own mutual funds. Sixty-three percent of shareholders currently own funds through these plans. Fifty-four percent of shareholders own funds purchased from the sales force channel, which includes full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. Finally, 31 percent own fund shares purchased from the direct market channel, which consists of direct purchases from fund companies and purchases through discount brokers. With regard to their primary source for purchasing funds, 59 percent of shareholders point to defined contribution retirement plans, 30 percent mention the sales force channel, and 11 percent cite the direct market channel.

Chapter 4 describes shareholders by the types of funds they own. The largest percentage of shareholders—80 percent—own equity funds. Forty-four percent own bond funds, 34 percent own hybrid funds, and 49 percent own money market funds. Bond fund shareholders have the greatest median household mutual fund assets of all shareholders, and equity fund shareholders have the lowest median household mutual fund assets.

Chapter 5 examines shareholders by who in the household has responsibility for making investment decisions. In 56 percent of fund-owning households, investment decisionmaking is a shared responsibility; males make the investment decisions in 23 percent of fund-owning households and females in 21 percent. Male shareholders with sole responsibility for household investment decisionmaking tend to be more willing to take substantial or above-average risk with their fund investments than co-decisionmaking shareholders or female shareholders who are sole investment decisionmakers.

Chapter 6 presents shareholders by the generation of birth. Four percent are members of Generation Y (born after 1976) and 24 percent are members of Generation X (born between 1965 and 1976). The largest percentage of shareholders, 49 percent, are members of the Baby Boom Generation (born between 1946 and 1964) and 23 percent are members of the Silent Generation (born before 1946). Older generations of shareholders tend to have higher household income, household financial assets, and mutual fund assets than younger generations of shareholders.

Chapter 7 describes shareholders by level of household income. Twenty-nine percent of shareholder households have incomes below \$50,000, 44 percent have incomes between \$50,000 and \$99,999, 17 percent have incomes between \$100,000 and \$149,999, and 10 percent have incomes of \$150,000 or more. Shareholders with household incomes below \$50,000 include greater percentages of retirees, females who are sole household investment decisionmakers, and recent purchasers of mutual funds than do shareholders with higher household incomes.

Chapter 8 examines shareholders by level of household financial assets. Twenty-six percent of shareholder households have financial assets of less than \$50,000, 16 percent have assets between \$50,000 and \$99,999, 26 percent have assets between \$100,000 and \$249,999, and 32 percent have assets of \$250,000 or more. Median age, household income, and mutual fund assets increase as shareholders' household financial assets increase.

Chapter 9 presents shareholders by the year in which they purchased their first fund. Forty-nine percent purchased their first fund before 1990; 21 percent, between 1990 and 1994; 20 percent between 1995 and 1999; and 10 percent, in 2000 or later.

Chapter 10 describes shareholders by the level of risk they are willing to take with their fund investments. Thirty-five percent are willing to take substantial or above-average risk for similar levels of gain, 49 percent are willing to take average risk for average gain, and 16 percent are willing to take below-average risk for below-average gain or are unwilling to take any risk. Shareholders willing to take substantial or above-average risk tend to be younger, have higher household incomes, and have greater household financial assets than do shareholders less willing to take financial risk.

## Chapter 1:

# The Mutual Fund Shareholder

### Demographic Characteristics

Mutual fund shareholders in the United States have a median age of 48 years (Figure 1). More than 70 percent are married or living with a partner. Fifty-six percent have college or postgraduate degrees. More than three-quarters are employed, and most who are married or living with a partner have a spouse or partner who is employed. Investment decisionmaking is a shared responsibility in 56 percent of fund-owning households.

### Financial Characteristics

Median income of mutual fund-owning households is \$68,700. Median household financial assets are \$125,000. Fund-owning households typically own other types of savings and investments. Eighty-three percent own bank or thrift deposits, 54 percent own individual stocks, and 44 percent own U.S. Savings Bonds. In addition, 33 percent own investment real estate and 21 percent own fixed or variable annuities.

A significant number of fund-owning households make use of tax-advantaged savings vehicles. Eighty-four percent have assets in defined contribution retirement

plans, usually 401(k) plans, and 69 percent own Individual Retirement Accounts (IRAs). Sixteen percent of fund-owning households own education-targeted savings program accounts—11 percent have Coverdell Education Savings Accounts (ESAs) and 9 percent have 529 plan accounts.

### Mutual Fund Ownership Characteristics

Median household mutual fund holdings of shareholders are \$48,000 (Figure 2). Shareholders own a median of four mutual funds. The largest percentage of shareholders, 80 percent, own equity funds. Forty-four percent own bond funds, 34 percent own hybrid funds, and 49 percent own money market funds.<sup>4</sup> Forty-two percent of shareholders hold funds in IRAs. Shareholders' mutual fund holdings represent a median of 47 percent of household financial assets.<sup>5</sup> Shareholders on average invest 56 percent of household mutual fund assets in equity funds, 14 percent in bond funds, 11 percent in hybrid funds, and 17 percent in money market funds.<sup>6</sup> Most shareholders did not conduct mutual fund transactions in 2003.<sup>7</sup> Of the 40 percent who did, nearly twice as many bought than sold fund shares.

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<sup>4</sup> Hybrid funds, which invest in a mix of equity and fixed-income securities, are also known as balanced funds.

<sup>5</sup> For each respondent who provided relevant data, a percentage value was calculated by dividing total household mutual fund assets by total household financial assets. The median was then computed from these percentage values. Comparisons to computations from ICI's Annual Tracking Survey and the Federal Reserve Board's Survey of Consumer Finances (SCF) indicate that this calculation is reliable.

<sup>6</sup> For each respondent who provided relevant data, percentage values were calculated by dividing equity, bond, hybrid, and money market mutual fund assets each by total household mutual fund assets. Simple averages were then computed from these percentage values. Results using a dollar-weighted average were similar: 57 percent of shareholders' household mutual fund assets are invested in equity funds, 16 percent in bond funds, 9 percent in hybrid funds, 16 percent in money market funds, and 2 percent in unspecified fund types.

<sup>7</sup> Throughout this report, mutual fund transactions include those conducted inside and outside defined contribution retirement plans. Mutual fund transactions exclude automatic reinvestment of dividends inside or outside defined contribution retirement plans, automatic payroll contributions to defined contribution retirement plans, and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

The vast majority of shareholders have invested in mutual funds for many years. Forty-nine percent bought their first mutual fund before 1990, 21 percent purchased their first fund between 1990 and 1994, and 20 percent bought their first fund between 1995 and 1999. Ten percent bought their first fund in 2000 or later. Ninety-three percent have owned funds continuously since making their initial fund purchase.

Thirty-two percent of shareholders own mutual funds solely inside defined contribution retirement plans, 37 percent own funds solely outside these plans, and 31 percent own funds inside and outside defined contribution retirement plans (Figure 3). Altogether, 63 percent of shareholders own funds through defined contribution retirement plans and 68 percent own funds outside these plans, either through the sales force or direct market channels. Fifty-four percent of all shareholders own funds through the sales force channel, which includes the following mutual fund purchase sources: full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. Thirty-one percent of all shareholders own funds through the direct market channel, which includes two mutual fund purchase sources: fund companies and discount brokers. Among shareholders owning funds outside defined contribution retirement plans, 41 percent own funds from one mutual fund purchase source; 8 percent own funds from four or more sources.

Fifty-nine percent of all shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds; 30 percent, the sales force channel; and 11 percent, the direct market channel. Nearly three out of every five shareholders bought their first fund through a defined contribution retirement plan.

## Views on Mutual Fund Investing

Nearly all shareholders view their mutual fund investments as savings for the long term and 82 percent say they are not concerned about short-term fluctuations in their fund investments (Figure 4). Nearly all shareholders also acknowledge that investing in equity or bond mutual funds involves accepting some degree of risk, and 35 percent of shareholders say they are willing to take substantial or above-average risk for similar levels of financial gain. The largest percentage of shareholders, 49 percent, are willing to take average risk for average gain. Sixteen percent are willing to take below-average risk for below-average gain or are unwilling to take any financial risk. In addition, the majority of shareholders consider the risks associated with investing in equity or bond funds in a time period of more than five years.

Ninety-two percent of shareholders indicate saving for retirement is one of their financial goals, 52 percent mention reducing their taxable income, 43 percent cite saving for emergencies, and 30 percent list saving for education. More than 70 percent cite saving for retirement as their primary financial goal. In addition, 81 percent of shareholders expect to have enough money in retirement on which to live comfortably.

Shareholders own mutual funds for a variety of reasons. Ninety-seven percent indicate they own funds because of the reputation of the fund companies with which they own them, and more than 90 percent cite investment diversification, the availability of a range of mutual fund choices, and the level of fund fees and expenses charged. Seventy-one percent tend to rely on professional financial advisers when making fund investment decisions.<sup>8</sup>

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<sup>8</sup> Shareholders' use of professional financial advisers is likely overstated, particularly among shareholders who only own funds through defined contribution retirement plans. Sixty-six percent of these shareholders agreed with the statement: "I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions." These shareholders may be interpreting conversations about asset allocation or plan investment options with plan representatives or service providers at retirement plan enrollment meetings or other meetings about the plan as professional financial advice.

**FIGURE 1**

**Shareholder Characteristics**

**Median**

Age of household sole or co-decisionmaker for investing	48 years
Household income	\$68,700
Household financial assets <sup>1</sup>	\$125,000

**Mean**

Age of household sole or co-decisionmaker for investing	49 years
Household income	\$88,500
Household financial assets <sup>1</sup>	\$328,300

**Percent**

**Household investment decisionmaker:**

Male is sole decisionmaker	23
Female is sole decisionmaker	21
Co-decisionmakers	56

**Household sole or co-decisionmaker for investing:**

Married or living with a partner	71
Four-year college degree or more	56
Completed graduate school	21
Employed	77
Spouse or partner employed <sup>2</sup>	75
Retired from lifetime occupation	21
Ethnic background: <sup>3</sup>	
Caucasian	86
African-American	6
Hispanic	5
Asian	2
Other	7

**Household owns:<sup>3</sup>**

Bank or thrift deposits	83
Individual stocks, individual bonds, or annuities (total)	64
Individual stocks	54
Individual bonds (excluding U.S. Savings Bonds)	14
Fixed or variable annuities	21
U.S. Savings Bonds	44
Investment real estate	33

<b>Household owns IRA<sup>4</sup></b>	69
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<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>	84
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401(k) plan account	67
State, local, or federal government plan account	35
403(b) plan account	14

<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>	16
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Coverdell Education Savings Account	11
529 prepaid tuition or college savings plan account	9

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 2

**Mutual Fund Ownership Characteristics**

**Median Per Mutual Fund-Owning Household**

Total mutual fund assets	\$48,000
Number of mutual funds owned	4
Year of first fund purchase	1990

**Mean Per Mutual Fund-Owning Household**

Total mutual fund assets	\$141,600
Number of mutual funds owned	7
Year of first fund purchase	1988

<b>Median Percent Allocation of Household Financial Assets to Mutual Funds<sup>1</sup></b>	47
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**Mean Percent Allocation of Household Mutual Fund Assets<sup>2</sup>**

Equity funds	56
Bond funds	14
Hybrid funds	11
Money market funds	17
Fund type not specified	2

**Percent of Mutual Fund-Owning Households**

<b>Own:<sup>2</sup></b>	
Equity funds	80
Bond funds	44
Hybrid funds	34
Money market funds	49
Fund type not specified	4

<b>Conducted mutual fund transaction in 2003 (total)<sup>3,4</sup></b>	40
Bought mutual fund shares <sup>5</sup>	33
Sold mutual fund shares	18

<b>Have IRA invested in mutual funds<sup>6</sup></b>	42
--	----

<b>Bought first mutual fund:</b>	
Before 1990	49
Between 1990 and 1994	21
Between 1995 and 1999	20
2000 or later	10

<b>Have continuously owned funds since buying first fund</b>	93
--	----

<sup>1</sup> Comparisons to computations from ICI's Annual Tracking Survey and the Federal Reserve Board's Survey of Consumer Finances (SCF) indicate that this computation is reliable.

<sup>2</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>5</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>6</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 3

**Mutual Fund Purchase Channels**

(percent)

**Own mutual funds:**

Only inside defined contribution retirement plan	32
Only outside defined contribution retirement plan	37
Both inside and outside defined contribution retirement plan	31

**Own mutual funds bought:<sup>1</sup>**

<b>Inside defined contribution retirement plan (total)</b>	63
401(k) plan	52
State, local, or federal government plan	17
403(b) plan	9
<b>Outside defined contribution retirement plan (total)</b>	68
Sales force	54
Full-service broker	32
Independent financial planner	24
Bank or savings institution representative	15
Insurance agent	10
Accountant	4
Direct market	31
Fund company directly	23
Discount broker	14

**Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup>**

One	41
Two	35
Three	16
Four or more	8

**Primary mutual fund purchase source:**

<b>Inside defined contribution retirement plan</b>	59
<b>Outside defined contribution retirement plan</b>	41
Sales force	30
Full-service broker	14
Independent financial planner	9
Bank or savings institution representative	4
Insurance agent	2
Accountant	1
Direct market	11
Fund company directly	7
Discount broker	4

**Purchased first mutual fund through defined contribution retirement plan** 58

<sup>1</sup> Multiple responses included.

<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.



**FIGURE 4**

**Views on Mutual Fund Investing**

(percent)

**Strongly or somewhat agree:<sup>1</sup>**

My mutual fund investments are savings for the long term	96
Investing in equity or bond mutual funds involves accepting some degree of risk	96
I am not concerned about short-term fluctuations in my mutual fund investments	82
I am confident that I will have enough money in retirement on which to live comfortably	81
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions <sup>2</sup>	71

**Level of risk willing to take with mutual fund investments:**

Substantial risk for substantial gain	6
Above-average risk for above-average gain	29
Average risk for average gain	49
Below-average risk for below-average gain	10
No risk at all	6

**Time frame for considering the investment risks of equity or bond mutual funds:**

Less than one year	4
One to five years	27
Six to ten years	27
More than ten years	42

**Financial goals for mutual fund investments:<sup>1</sup>**

Retirement	92
Reduce taxable income	52
Emergency	43
Education	30
Current income	19
House or other large item	14

**Primary financial goal for mutual fund investments:**

Retirement	72
Education	9
Other	18

**Very or somewhat important reasons for owning mutual funds:<sup>1</sup>**

Reputation of fund companies through which household owns funds	97
Investment diversification	96
Availability of a range of mutual fund choices	92
Level of fees and expenses	92
Professional money management	85
Daily pricing of mutual fund shares	59

**Level of confidence that mutual funds are an investment that can help meet household financial goals:**

Very confident	38
Somewhat confident	59
Not at all confident	4

<sup>1</sup> Multiple responses included.

<sup>2</sup> This statement likely overstates shareholders' use of professional financial advisers, particularly among shareholders who only own funds through defined contribution retirement plans. Sixty-six percent of these shareholders agreed with this statement. These shareholders may be interpreting conversations about asset allocation or plan investment options with plan representatives or service providers at retirement plan enrollment meetings or other meetings about the plan as professional financial advice.

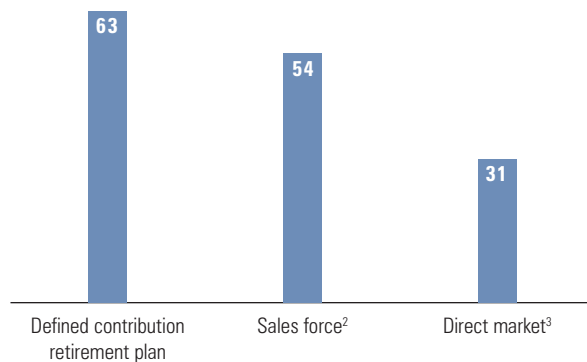
Note: Number of respondents varies.

## Chapter 2

# Mutual Fund Shareholders by Channels Used to Purchase Funds

Mutual fund shareholders may purchase funds through defined contribution retirement plans, the sales force channel, and the direct market channel.<sup>9,10</sup> Sixty-three percent of shareholders own mutual funds purchased through defined contribution retirement plans, 54 percent own funds purchased through the sales force channel, and 31 percent own funds purchased through the direct market channel (Figure 5).

**FIGURE 5**  
**Channels Used to Purchase Mutual Funds<sup>1</sup>**  
(percent)



<sup>1</sup> Multiple responses included.

<sup>2</sup> Includes shareholders who have purchased funds from full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants.

<sup>3</sup> Includes shareholders who have purchased funds directly from fund companies or through discount brokers.

Note: Number of respondents varies.

## Defined Contribution Retirement Plans

Shareholders who own funds through defined contribution retirement plans have a median age of 46 years—the youngest median age of any shareholder group classified by purchase channel (Figure 6). Their median household income is \$70,000, and median household financial assets are \$125,000. Nearly three-quarters are married or living with a partner, and 60 percent have college or postgraduate degrees. Eighty-six percent are employed.

This shareholder group has median mutual fund holdings of \$53,400 (Figure 7). They own a median of six mutual funds. Eighty-three percent own equity funds, 49 percent own bond funds, 39 percent own hybrid funds, and 49 percent own money market funds.<sup>11</sup> This group's mutual fund holdings represent a median of 53 percent of household financial assets. These shareholders on average hold 56 percent of household mutual fund assets in equity funds. Forty percent conducted mutual fund transactions in 2003—33 percent bought fund shares and 17 percent sold fund shares.<sup>12</sup> Forty-six percent bought their first mutual fund before 1990; 9 percent purchased their first fund in 2000 or later.

<sup>9</sup> The sales force channel traditionally includes full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. The direct market channel traditionally includes fund companies and discount brokers.

<sup>10</sup> See Chapter 3 on page 19 for characteristics of shareholders by primary source used to purchase funds.

<sup>11</sup> Inside defined contribution retirement plans, 86 percent of these shareholders own equity funds; 45 percent, bond funds; 39 percent, hybrid funds; and 42 percent, money market funds.

<sup>12</sup> See text footnote 7 on page 5 for a definition of mutual fund transactions.

In addition to owning funds through defined contribution retirement plans, 49 percent also own funds outside defined contribution retirement plans: 39 percent own sales force-distributed funds and 24 percent own direct-marketed funds (Figure 8). Among those owning funds outside defined contribution retirement plans, more than half own funds purchased from multiple sources.<sup>13</sup>

Eighty-eight percent of shareholders who own funds through defined contribution retirement plans consider these plans to be their primary source for purchasing mutual funds. Nearly three-quarters purchased their first mutual fund through a defined contribution plan.

Nearly all shareholders in this group view their mutual fund investments as savings for the long-term, and 78 percent list saving for retirement as their primary financial goal (Figure 9). The largest percentage of this shareholder group, 47 percent, are willing to take average financial risk for average financial gain. Shareholders who own funds through defined contribution retirement plans are also the shareholder group most likely to consider the risks associated with investing in equity or bond funds in a time period that exceeds 10 years.

## Sales Force Channel

Shareholders who own funds purchased through the sales force channel have a median age of 50 years (Figure 6). Median household income for these shareholders is \$70,000 and median household financial assets are \$170,000. Most of these shareholders are married or living with a partner and are employed. Nearly three in five have college or postgraduate degrees.

Median household mutual fund assets of these shareholders are \$60,000 (Figure 7). They own a median of five mutual funds. The largest percentage of this shareholder group, 85 percent, own equity funds. Forty-eight percent own bond funds, 37 percent own hybrid funds, and 56 percent own money market funds. Their mutual fund holdings represent a median of 50 percent of their household financial assets. Members of this group on average invest more than half of household mutual fund assets in equity funds. Forty-eight percent conducted mutual fund transactions in 2003—41 percent bought fund shares and 23 percent sold fund shares. Fifty-four percent purchased their first fund before 1990; 7 percent purchased their first fund in 2000 or later.

In addition to owning funds through the sales force channel, 45 percent own funds through defined contribution retirement plans, and 41 percent own funds through fund companies directly or discount brokers (Figure 8). Nearly two-thirds of sales force shareholders own funds through multiple purchase sources outside defined contribution retirement plans.

Fifty-five percent of shareholders owning sales force-distributed funds consider the sales force channel as their primary source for purchasing mutual funds; 34 percent, defined contribution retirement plans; and 11 percent, the direct market channel. Forty-three percent bought their first fund through a defined contribution plan.

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<sup>13</sup> These sources include full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

The vast majority of shareholders who own funds through the sales force channel say they tend to rely on advice from professional financial advisers when making fund investment decisions (Figure 9). Most also view their fund investments as long-term savings and are not concerned about short-term fluctuations in their fund investments. Nearly all acknowledge that investing in equity or bond funds involves accepting some degree of financial risk. More than nine in ten are saving for retirement, and more than two-thirds indicate that saving for retirement is their primary financial goal. More than half are willing to take average financial risk with their fund investments to achieve average financial gain.

## Direct Market Channel

Shareholders who own funds purchased through the direct market channel have a median age of 49 years (Figure 6). Their median household income is \$75,200 and median household financial assets are \$200,000—both of which are the greatest of any shareholder group classified by purchase channel. The majority are married or living with a partner and employed. Compared with shareholders who use other fund purchase channels, greater percentages of those who own through the direct market channel have college or postgraduate degrees and own individual stocks, individual bonds, or annuities.

These shareholders have median household mutual fund holdings of \$77,300—the greatest of any shareholder group classified by purchase channel (Figure 7). They own a median of six mutual funds. Nine in ten own equity funds and half own bond funds. Forty-one percent own hybrid funds and 62 percent own money market funds. This group's mutual fund assets represent

a median of 55 percent of household financial assets. Members of this group on average invest 57 percent of household mutual fund assets in equity funds. Fifty-four percent conducted mutual fund transactions in 2003, the greatest percentage of any shareholder group classified by channels used to purchase funds. Forty-five percent bought fund shares and 27 percent sold fund shares. More than 60 percent purchased their first fund before 1990; 5 percent purchased their first fund in 2000 or later.

In addition to owning direct-marketed funds, 48 percent own funds through defined contribution retirement plans, and 70 percent own funds through full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants (Figure 8). Nearly three-quarters own funds from multiple purchase sources outside defined contribution retirement plans.

Thirty-nine percent of shareholders owning direct-marketed funds consider defined contribution retirement plans as their primary source for purchasing funds; 35 percent, the direct market channel; and 26 percent, the sales force channel. Fifty-eight percent bought their first fund outside defined contribution retirement plans.

Shareholders who own funds through the direct market channel have a long-term investment outlook and most are not concerned by short-term fluctuations in the value of their fund investments (Figure 9). Nine in ten are saving for retirement, and 65 percent list this as their primary financial goal. Thirty-nine percent are willing to take substantial or above-average financial risk for similar levels of gain, and 49 percent are willing to take average financial risk for average financial gain.

FIGURE 6

**Shareholder Characteristics by Channels Used to Purchase Mutual Funds**

	Defined Contribution Retirement Plan	Sales Force <sup>5</sup>	Direct Market <sup>6</sup>
<b>Median</b>			
Age of household sole or co-decisionmaker for investing	46 years	50 years	49 years
Household income	\$70,000	\$70,000	\$75,200
Household financial assets <sup>1</sup>	\$125,000	\$170,000	\$200,000
<b>Mean</b>			
Age of household sole or co-decisionmaker for investing	46 years	51 years	50 years
Household income	\$89,100	\$93,800	\$101,300
Household financial assets <sup>1</sup>	\$308,400	\$363,700	\$447,900
<b>Percent</b>			
<b>Household investment decisionmaker:</b>			
Male is sole decisionmaker	22	23	28
Female is sole decisionmaker	19	20	17
Co-decisionmakers	59	57	55
<b>Household sole or co-decisionmaker for investing:</b>			
Married or living with a partner	74	72	71
Four-year college degree or more	60	57	65
Completed graduate school	23	22	28
Employed	86	71	73
Spouse or partner employed <sup>2</sup>	81	73	72
Retired from lifetime occupation	13	27	26
<b>Household owns:<sup>3</sup></b>			
Bank or thrift deposits	82	86	86
Individual stocks, individual bonds, or annuities (total)	64	68	71
Individual stocks	55	58	61
Individual bonds (excluding U.S. Savings Bonds)	13	17	18
Fixed or variable annuities	18	25	21
U.S. Savings Bonds	46	47	49
Investment real estate	30	36	36
<b>Household owns IRA<sup>4</sup></b>	66	75	78
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>	100	77	79
401(k) plan account	87	60	62
State, local, or federal government plan account	37	36	37
403(b) plan account	17	12	15
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>	16	18	19
Coverdell Education Savings Account	10	13	14
529 prepaid tuition or college savings plan account	10	10	11

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>5</sup> Includes shareholders who have purchased funds from full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants.

<sup>6</sup> Includes shareholders who have purchased funds directly from fund companies or through discount brokers.

Note: Number of respondents varies.

FIGURE 7

**Mutual Fund Ownership Characteristics by Channels Used to Purchase Mutual Funds**

	Defined Contribution Retirement Plan	Sales Force <sup>6</sup>	Direct Market <sup>7</sup>
<b>Median Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$53,400	\$60,000	\$77,300
Number of mutual funds owned	6	5	6
Year of first fund purchase	1990	1988	1986
<b>Mean Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$160,200	\$154,000	\$221,900
Number of mutual funds owned	8	8	8
Year of first fund purchase	1989	1986	1985
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>			
	53	50	55
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>			
Equity funds	56	56	57
Bond funds	15	14	15
Hybrid funds	12	11	9
Money market funds	15	17	17
Fund type not specified	2	2	2
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>			
Equity funds	83	85	90
Bond funds	49	48	50
Hybrid funds	39	37	41
Money market funds	49	56	62
Fund type not specified	5	5	7
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>			
Bought mutual fund shares <sup>4</sup>	33	41	45
Sold mutual fund shares	17	23	27
<b>Have IRA invested in mutual funds<sup>5</sup></b>			
	42	48	55
<b>Bought first mutual fund:</b>			
Before 1990	46	54	61
Between 1990 and 1994	23	20	19
Between 1995 and 1999	22	19	15
2000 or later	9	7	5
<b>Have continuously owned funds since buying first fund</b>			
	93	94	96

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>6</sup> Includes shareholders who have purchased funds from full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants.

<sup>7</sup> Includes shareholders who have purchased funds directly from fund companies or through discount brokers.

Note: Number of respondents varies.

FIGURE 8

**Mutual Fund Purchase Channels by Channels Used to Purchase Mutual Funds***(percent)*

	Defined Contribution Retirement Plan	Sales Force <sup>3</sup>	Direct Market <sup>4</sup>
<b>Own mutual funds:</b>			
Only inside defined contribution retirement plan	51	0	0
Only outside defined contribution retirement plan	0	55	52
Both inside and outside defined contribution retirement plan	49	45	48
<b>Own mutual funds bought:<sup>1</sup></b>			
<b>Inside defined contribution retirement plan (total)</b>	100	45	48
401(k) plan	83	37	39
State, local, or federal government plan	27	11	13
403(b) plan	15	7	9
<b>Outside defined contribution retirement plan (total)</b>	49	100	100
Sales force	39	100	70
Full-service broker	21	59	43
Independent financial planner	18	44	31
Bank or savings institution representative	11	27	20
Insurance agent	8	19	14
Accountant	3	8	7
Direct market	24	41	100
Fund company directly	18	29	74
Discount broker	11	20	44
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>			
One	45	35	26
Two	34	38	36
Three	13	18	23
Four or more	8	9	15
<b>Primary mutual fund purchase source:</b>			
<b>Inside defined contribution retirement plan</b>	88	34	39
<b>Outside defined contribution retirement plan</b>	12	66	61
Sales force	8	55	26
Full-service broker	3	25	12
Independent financial planner	3	16	8
Bank or savings institution representative	1	8	4
Insurance agent	1	5	1
Accountant	0	1	1
Direct market	4	11	35
Fund company directly	3	6	23
Discount broker	1	5	12
<b>Purchased first mutual fund through defined contribution retirement plan</b>	73	43	42

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.<sup>3</sup> Includes shareholders who have purchased funds from full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants.<sup>4</sup> Includes shareholders who have purchased funds directly from fund companies or through discount brokers.

Note: Number of respondents varies.

FIGURE 9

**Views on Mutual Fund Investing by Channels Used to Purchase Mutual Funds***(percent)*

	Defined Contribution Retirement Plan	Sales Force <sup>2</sup>	Direct Market <sup>3</sup>
<b>Strongly or somewhat agree:<sup>1</sup></b>			
My mutual fund investments are savings for the long term	97	96	95
Investing in equity or bond mutual funds involves accepting some degree of risk	96	97	96
I am not concerned about short-term fluctuations in my mutual fund investments	83	82	83
I am confident that I will have enough money in retirement on which to live comfortably	79	85	85
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	67	81	62
<b>Level of risk willing to take with mutual fund investments:</b>			
Substantial risk for substantial gain	7	5	5
Above-average risk for above-average gain	33	29	34
Average risk for average gain	47	51	49
Below-average risk for below-average gain	8	10	7
No risk at all	6	5	5
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>			
Less than one year	4	4	5
One to five years	24	29	29
Six to ten years	27	28	28
More than ten years	44	38	38
<b>Financial goals for mutual fund investments:<sup>1</sup></b>			
Retirement	96	91	90
Reduce taxable income	55	52	53
Emergency	41	44	48
Education	32	31	35
House or other large item	15	13	17
Current income	14	21	22
<b>Primary financial goal for mutual fund investments:</b>			
Retirement	78	68	65
Education	8	11	11
Other	14	21	24
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>			
Reputation of fund companies through which household owns funds	97	98	98
Investment diversification	96	96	96
Availability of a range of mutual fund choices	95	94	94
Level of fees and expenses	92	93	95
Professional money management	86	88	82
Daily pricing of mutual fund shares	59	60	59



FIGURE 9, *continued*

	Defined Contribution Retirement Plan	Sales Force <sup>2</sup>	Direct Market <sup>3</sup>
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>			
Very confident	37	41	44
Somewhat confident	60	55	52
Not at all confident	3	4	4

<sup>1</sup> Multiple responses included.

<sup>2</sup> Includes shareholders who have purchased funds from full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants.

<sup>3</sup> Includes shareholders who have purchased funds directly from fund companies or through discount brokers.

Note: Number of respondents varies.

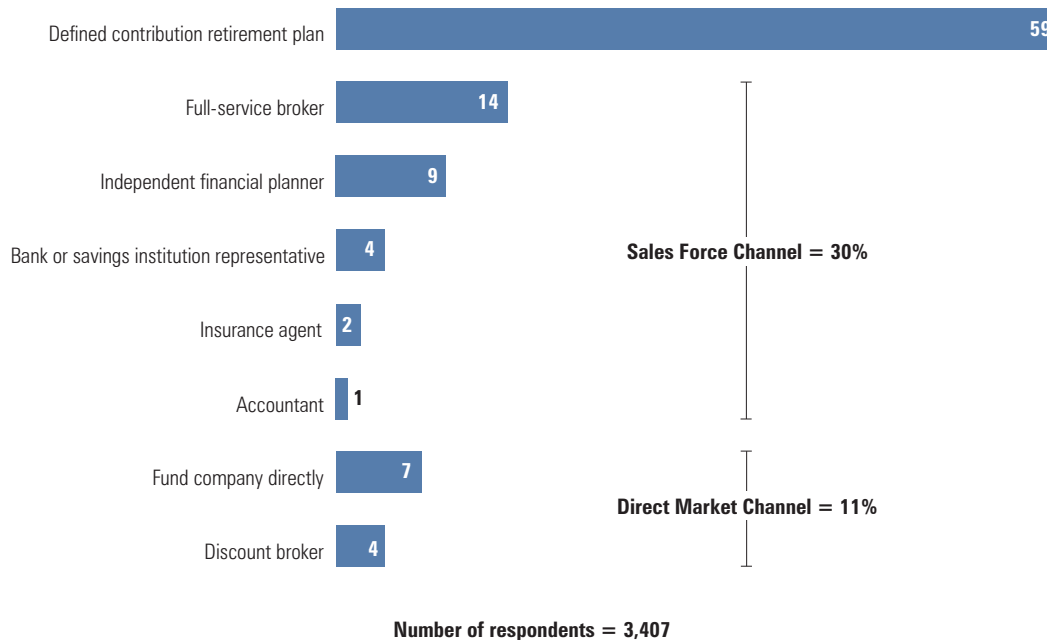
## Chapter 3

# Mutual Fund Shareholders by Primary Source for Purchasing Funds

Fifty-nine percent of all shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds (Figure 10). Altogether, 30 percent view the sales force channel as their main source for buying funds: 14 percent consider full-service brokers their primary fund source; 9 percent, independent financial planners; 4 percent, bank or savings institution

representatives; 2 percent, insurance agents; and 1 percent, accountants.<sup>14</sup> Eleven percent of shareholders view the direct market channel as their main source for buying funds, with 7 percent selecting fund companies as their primary source, and 4 percent citing discount brokers.

**FIGURE 10**  
**Primary Mutual Fund Purchase Source**  
(percent)



<sup>14</sup> The sample size of shareholders who consider accountants as their primary source for purchasing mutual funds was too small to analyze.

## Defined Contribution Retirement Plans as Primary Source for Funds

Shareholders who consider defined contribution retirement plans as their primary source for purchasing mutual funds have a median age of 45 years (Figure 11). Their median household income is \$70,000 and median household financial assets are \$106,000. Nearly three-quarters are married or living with a partner, and 58 percent have college or postgraduate degrees. Eighty-six percent are employed.

These shareholders have median household mutual fund holdings of \$45,000 (Figure 12). They own a median of five mutual funds. Eighty-eight percent own equity funds and nearly half own bond funds. Thirty-eight percent own hybrid funds and 50 percent own money market funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. Members of this group on average invest 55 percent of household mutual fund assets in equity funds. Thirty-six percent conducted mutual fund transactions in 2003.<sup>15</sup> Forty-four percent purchased their first fund before 1990; 11 percent purchased their first fund in 2000 or later.

Three-quarters bought their first fund through a defined contribution retirement plan (Figure 13). In addition to owning funds through defined contribution retirement plans, 40 percent own funds outside these plans. Specifically, 18 percent own funds purchased from full-service brokers; 15 percent, from fund companies directly; 14 percent, from independent financial planners; 9 percent, from discount brokers; 8 percent, from bank or savings institution representatives; and 5 percent, from insurance agents. Among those owning funds outside defined contribution retirement plans, less than half own funds purchased from multiple sources.

Shareholders who consider defined contribution retirement plans as their primary source for purchasing mutual funds have a long-term investment outlook and most are not concerned by short-term fluctuations in the value of their fund investments (Figure 14). Ninety-six percent are saving for retirement, and 77 percent list this as their primary financial goal—both of which are the largest percentages of all shareholders classified by primary mutual fund purchase source. Thirty-eight percent are willing to take substantial or above-average financial risk for similar levels of gain, and 47 percent are willing to take average financial risk for average financial gain.

## Full-Service Brokers as Primary Source for Funds

Shareholders who consider full-service brokers as their primary source for purchasing mutual funds have a median age of 54 years (Figure 11). Median household income for these shareholders is \$69,000, and median household financial assets are \$200,000. Sixty-nine percent are married or living with a partner and 59 percent have college or postgraduate degrees. Sixty-two percent are employed while 36 percent are retired from their lifetime occupations.

The median household mutual fund holdings of these shareholders are \$50,000 (Figure 12). They own a median of four funds. Ninety percent own equity funds, 47 percent own bond funds, 28 percent own hybrid funds, and 54 percent own money market funds. Their mutual fund holdings represent a median of 30 percent of household financial assets. These shareholders have an average of 61 percent of household mutual fund assets invested in equity funds. Half conducted mutual fund transactions in 2003: 43 percent bought fund shares and 23 percent sold fund shares. Sixty-one percent bought their first fund before 1990; 6 percent purchased their first fund in 2000 or later.

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<sup>15</sup> See text footnote 7 on page 5 for a definition of mutual fund transactions.

Less than one-third of shareholders who consider full-service brokers as their primary source for purchasing mutual funds bought their first fund through a defined contribution retirement plan (Figure 13). Currently, 15 percent own funds through defined contribution retirement plans. Twenty percent also own funds purchased from independent financial planners; 19 percent, from fund companies directly; 16 percent, from discount brokers; 12 percent, from bank or savings institution representatives, and 8 percent, from insurance agents. Fifty-three percent own funds purchased from multiple sources outside defined contribution retirement plans.

Most shareholders who consider full-service brokers as their primary fund source acknowledge that investing in equity or bond funds involves accepting some degree of financial risk and say they are not concerned about short-term fluctuations in their fund investments (Figure 14). The largest percentage of these shareholders, 55 percent, describe themselves as willing to take average risk for average gain with their fund investments. Ninety-one percent indicate they are saving for retirement, and 72 percent cite saving for retirement as their primary financial goal.

### **Independent Financial Planners as Primary Source for Funds**

The median age of shareholders who consider independent financial planners as their primary source for buying mutual funds is 54 years (Figure 11). Median household income of these shareholders is \$64,500 and median household financial assets are \$200,000. Sixty-seven percent of this group are married or living with a partner, 53 percent have college or postgraduate degrees, and 61 percent are employed. Thirty-eight percent are retired from their lifetime occupations—the largest percentage of all shareholders classified by primary source for purchasing mutual funds.

These shareholders have median household mutual fund holdings of \$40,000 (Figure 12). They own a median of four mutual funds. Seventy-eight percent own equity funds, 47 percent own bond funds, 37 percent own hybrid funds, and 58 percent own money market funds. Their mutual fund holdings represent a median of 46 percent of household financial assets. Members of this group hold an average of 49 percent of household mutual fund assets in equity funds—the smallest percentage of all shareholders classified by primary source for purchasing mutual funds. Forty-four percent bought or sold fund shares in 2003. Fifty percent purchased their first fund before 1990; 11 percent bought their first fund in 2000 or later.

Thirty-six percent of these shareholders bought their first fund through a defined contribution retirement plan, and 17 percent currently own funds through these plans (Figure 13). Thirty-four percent also own funds purchased from full-service brokers; 22 percent, from fund companies directly; 15 percent, from insurance agents; 12 percent, from bank or savings institution representatives; and 8 percent, from discount brokers. Nearly two-thirds own funds purchased from multiple sources outside defined contribution retirement plans.

Nearly all members of this shareholder group view their fund investments as long-term savings (Figure 14). Eighty-nine percent indicate they are saving for retirement, and 63 percent list saving for retirement as their primary financial goal. Forty-five percent are willing to take average financial risk for average financial gain, and 35 percent are willing to take substantial or above-average risk for similar levels of gain.

## Insurance Agents as Primary Source for Funds

Shareholders who consider insurance agents as their primary source for purchasing mutual funds have a median age of 49 years (Figure 11). The median household income of these shareholders is \$55,000. Their median household financial assets are \$60,500, the lowest of all shareholders classified by primary source for purchasing mutual funds. Compared with other shareholders, a greater percentage of this group is married or living with a partner. This segment has the lowest percentage of individuals holding college or post-graduate degrees—30 percent.

The median household mutual fund assets of this shareholder group are \$20,000, the lowest of all shareholders classified by primary source for purchasing mutual funds (Figure 12). These shareholders own a median of three funds. Eighty-eight percent own equity funds, 41 percent own bond funds, 37 percent own hybrid funds, and 37 percent own money market funds. Their mutual fund holdings represent a median of 43 percent of household financial assets. Members of this group invest an average of 58 percent of household mutual fund assets in equity funds. Forty percent conducted mutual fund transactions in 2003. Thirty-five percent purchased their first fund before 1990, the lowest percentage of all shareholders classified by primary source for purchasing mutual funds. Fifteen percent bought their first fund in 2000 or later.

In addition to owning funds through insurance agents, 18 percent of these shareholders currently own funds through defined contribution retirement plans (Figure 13). Thirty-one percent also own funds purchased from independent financial planners; 22 percent, from full-service brokers; 16 percent, from bank or savings institution representatives; 16 percent, from fund companies directly; and 6 percent, from discount brokers. More than 60 percent own funds purchased from multiple sources outside defined contribution retirement plans. Just one-third bought their first fund through a defined contribution retirement plan.

Compared with other shareholders, a greater percentage of shareholders who consider insurance agents to be their primary source for purchasing funds express concern about short-term fluctuations in their fund investments (Figure 14). Nonetheless, all of these shareholders acknowledge that investing in equity or bond funds involves accepting risk. In addition, 35 percent say they are willing to take substantial or above-average risk with their fund investments to achieve similar levels of gain, and 47 percent are willing to take average risk for average gain.

## Bank or Savings Institution Representatives as Primary Source for Funds

Shareholders who consider bank or savings institution representatives as their primary source for mutual funds have a median age of 52 years (Figure 11). Their median household income is \$49,000, the lowest of all shareholders classified by primary source for purchasing mutual funds. Median household financial assets for this group are \$125,000. The majority of these shareholders do not have college degrees. This segment has the greatest percentage of female sole household investment decisionmakers—36 percent—and the greatest percentage of single persons—45 percent.

These shareholders have median household mutual fund assets of \$40,000 and own a median of three mutual funds (Figure 12). Eighty-one percent own equity funds, 34 percent own bond funds, 22 percent own hybrid funds, and 69 percent own money market funds. Their mutual fund holdings represent a median of 37 percent of household financial assets. These shareholders invest an average of 53 percent of household mutual fund assets in equity funds. Twenty-five percent conducted mutual fund transactions in 2003, the lowest percentage of all shareholders classified by primary source for purchasing mutual funds. Forty-one percent purchased their first fund before 1990. Twenty-one percent bought their first fund in 2000 or later, the largest percentage of all shareholders classified by primary fund purchase source.

One-third bought their first fund through a defined contribution retirement plan, and 17 percent currently own funds through these plans (Figure 13). Sixteen percent also own funds purchased directly from fund companies; 15 percent, from full-service brokers; 14 percent, from discount brokers; 13 percent, from independent financial planners; and 11 percent, from insurance agents. Half own funds purchased from multiple sources outside defined contribution retirement plans.

Shareholders who consider bank or savings institution representatives to be their primary fund purchase source tend to be more risk averse than other shareholders (Figure 14). They are the least likely to describe themselves as willing to take substantial or above-average investment risk, and the most likely to describe themselves as willing to take below-average or no risk. In fact, 14 percent describe themselves as willing to take no risk with their fund investments. At the same time, 81 percent say they can tolerate short-term fluctuations in their fund investments and 88 percent recognize that investing in equity or bond funds involves accepting some degree of risk.

### **Mutual Fund Companies Directly as Primary Source for Funds**

Shareholders who consider direct purchases from fund companies to be their primary source for mutual funds have a median age of 52 years (Figure 11). Their median household income is \$77,200. Median household financial assets for this group are \$250,000, the greatest of all shareholders classified by primary source for purchasing mutual funds. Sixty-nine percent are married or living with a partner, and 67 percent are employed. Compared with other shareholders classified by primary fund purchase source, a greater percentage of this group—67 percent—have college or postgraduate degrees.

Median household mutual fund holdings of these shareholders are \$87,500, the greatest of all shareholders classified by primary mutual fund purchase source (Figure 12). Eighty-five percent own equity funds, 46 percent own bond funds, 40 percent own hybrid funds, and 53 percent own money market funds. Their mutual fund holdings represent a median of 47 percent of household financial assets. The members of this group invest an average of 56 percent of household mutual fund assets in equity funds. Fifty-eight percent conducted mutual fund transactions in 2003, the greatest percentage of all shareholders classified by primary mutual fund purchase source.

Shareholders who consider fund companies to be their primary source for purchasing mutual funds are a very seasoned shareholder group. Sixty-six percent purchased their first fund before 1990. Only 6 percent bought their first fund in 2000 or later.

Thirty percent bought their first fund through a defined contribution retirement plan (Figure 13). Less than one-quarter currently own funds in these plans. Twenty-six percent also own funds purchased from full-service brokers; 13 percent, from discount brokers; 10 percent, from independent financial planners; 10 percent, from bank or saving institution representatives; and 7 percent, from insurance agents. More than half own funds purchased from multiple sources outside defined contribution retirement plans.

Unlike most shareholders, the majority of this group say they tend not to rely on professional financial advisers when making fund investment decisions (Figure 14). The largest percentage of this shareholder group, 56 percent, describe themselves as willing to take average financial risk for average financial gain.

## Discount Brokers as Primary Source for Funds

Shareholders who consider discount brokers as their primary source for purchasing mutual funds have a median age of 45 years (Figure 11). Median household income for these shareholders is \$90,000, the greatest of all shareholders classified by primary mutual fund purchase source. Median household financial assets for this shareholder group are \$163,700. Sixty-six percent are married or living with a partner, 60 percent have college or postgraduate degrees, and 68 percent are employed. Compared with other shareholders, more shareholders who consider discount brokers to be their primary source for purchasing funds own individual stocks, individual bonds, or annuities.

The median household mutual fund holdings of these shareholders are \$40,000 (Figure 12). They own a median of five funds. Ninety-one percent own equity funds, 38 percent own bond funds, 40 percent own hybrid funds, and 64 percent own money market funds. Their mutual fund holdings represent a median of 35 percent of total household financial assets. These shareholders have an average of 62 percent of household mutual fund assets invested in equity funds. Nearly half conducted mutual fund transactions in 2003: 38 percent bought fund shares and 30 percent sold fund shares. Fifty-three percent purchased their first fund before 1990; 8 percent purchased their first fund in 2000 or later.

Thirty-six percent purchased their first fund through a defined contribution retirement plan (Figure 13). Currently, one-quarter own funds through these plans. Forty-six percent also own funds purchased from full-service brokers; 33 percent, from fund companies directly; 28 percent, from independent financial planners; 14 percent, from bank or savings institution representatives; and 9 percent, from insurance agents. Nearly 80 percent own funds purchased from multiple sources outside defined contribution retirement plans.

The largest percentage of this shareholder group, 93 percent, are saving for retirement and 63 percent list this as their primary financial goal (Figure 14). Compared with other shareholders, a larger percentage of this shareholder group is very risk tolerant: 40 percent describe themselves as willing to take substantial or above-average risk with their fund investments. Fifty-six percent of shareholders who consider discount brokers as their primary source for purchasing mutual funds say they tend to rely on professional financial advisers when making fund purchase and sales decisions.

FIGURE 11

## Shareholder Characteristics by Primary Mutual Fund Purchase Source

	Sales Force Channel					Direct Market Channel	
	Defined Contribution Retirement Plan	Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>5</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Median</b>							
Age of household sole or co-decisionmaker for investing	45 years	54 years	54 years	49 years	52 years	52 years	45 years
Household income	\$70,000	\$69,000	\$64,500	\$55,000	\$49,000	\$77,200	\$90,000
Household financial assets <sup>1</sup>	\$106,000	\$200,000	\$200,000	\$60,500	\$125,000	\$250,000	\$163,700
<b>Mean</b>							
Age of household sole or co-decisionmaker for investing	46 years	54 years	53 years	47 years	53 years	54 years	47 years
Household income	\$86,000	\$92,800	\$89,400	\$75,000	\$65,800	\$126,900	\$98,800
Household financial assets <sup>1</sup>	\$281,100	\$385,600	\$337,600	\$134,800	\$225,400	\$858,800	\$408,200
<b>Percent</b>							
<b>Household investment decisionmaker:</b>							
Male is sole decisionmaker	22	28	19	19	22	32	30
Female is sole decisionmaker	19	17	25	21	36	19	19
Co-decisionmakers	59	55	56	60	52	49	51
<b>Household sole or co-decisionmaker for investing:</b>							
Married or living with a partner	74	69	67	80	55	69	66
Four-year college degree or more	58	59	53	30	36	67	60
Completed graduate school	21	25	23	8	8	33	18
Employed	86	62	61	75	64	67	68
Spouse or partner employed <sup>2</sup>	80	65	74	53	69	57	68
Retired from lifetime occupation	13	36	38	25	26	34	29
<b>Household owns:<sup>3</sup></b>							
Bank or thrift deposits	81	87	88	75	88	80	81
Individual stocks, individual bonds, or annuities (total)	62	71	60	51	70	70	74
Individual stocks	53	63	47	41	54	59	65
Individual bonds (excluding U.S. Savings Bonds)	12	27	10	11	15	19	10
Fixed or variable annuities	18	22	31	31	28	20	24
U.S. Savings Bonds	44	46	39	37	44	46	47
Investment real estate	29	36	38	40	36	37	41
<b>Household owns IRA<sup>4</sup></b>							
	66	77	76	69	71	69	82



FIGURE 11, *continued*

	Defined Contribution Retirement Plan	Sales Force Channel			Direct Market Channel		
		Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>5</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>	100	68	68	57	66	70	76
401(k) plan account	83	42	48	37	44	43	57
State, local, or federal government plan account	36	38	33	28	23	40	34
403(b) plan account	16	11	6	8	8	12	9
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>	16	14	15	16	16	12	18
Coverdell Education Savings Account	10	9	11	16	12	10	14
529 prepaid tuition or college savings plan account	10	10	8	1	13	4	6

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>5</sup> Small sample size.

Note: Number of respondents varies.

FIGURE 12

**Mutual Fund Ownership Characteristics by Primary Mutual Fund Purchase Source**

	Sales Force Channel					Direct Market Channel	
	Defined Contribution Retirement Plan	Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>6</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Median Per Mutual Fund-Owning Household</b>							
Total mutual fund assets	\$45,000	\$50,000	\$40,000	\$20,000	\$40,000	\$87,500	\$40,000
Number of mutual funds owned	5	4	4	3	3	4	5
Year of first fund purchase	1990	1986	1990	1994	1990	1985	1989
<b>Mean Per Mutual Fund-Owning Household</b>							
Total mutual fund assets	\$135,400	\$125,300	\$128,700	\$36,100	\$140,000	\$301,800	\$114,200
Number of mutual funds owned	7	6	6	5	7	6	6
Year of first fund purchase	1989	1985	1987	1989	1989	1982	1988
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>							
	50	30	46	43	37	47	35
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>							
Equity funds	55	61	49	58	53	56	62
Bond funds	14	12	15	13	7	17	16
Hybrid funds	12	10	13	14	5	9	7
Money market funds	16	15	21	12	34	14	12
Fund type not specified	3	1	2	3	0	3	1
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>							
Equity funds	88	90	78	88	81	85	91
Bond funds	49	47	47	41	34	46	38
Hybrid funds	38	28	37	37	22	40	40
Money market funds	50	54	58	37	69	53	64
Fund type not specified	5	3	4	5	1	5	5
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>							
Bought mutual fund shares <sup>4</sup>	36	50	44	40	25	58	49
Sold mutual fund shares	14	23	24	7	12	31	30
<b>Have IRA invested in mutual funds<sup>5</sup></b>							
	42	46	40	42	34	44	56

FIGURE 12, *continued*

	Sales Force Channel					Direct Market Channel	
	Defined Contribution Retirement Plan	Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>6</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Bought first mutual fund:</b>							
Before 1990	44	61	50	35	41	66	53
Between 1990 and 1994	23	18	24	18	25	13	14
Between 1995 and 1999	22	15	15	32	13	15	25
2000 or later	11	6	11	15	21	6	8
<b>Have continuously owned funds since buying first fund</b>							
	93	94	94	98	96	94	93

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>6</sup> Small sample size.

Note: Number of respondents varies.

FIGURE 13

**Mutual Fund Purchase Channels by Primary Mutual Fund Purchase Source***(percent)*

	Sales Force Channel					Direct Market Channel	
	Defined Contribution Retirement Plan	Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>3</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Own mutual funds:</b>							
Only inside defined contribution retirement plan	60	0	0	0	0	0	0
Only outside defined contribution retirement plan	0	85	83	82	83	77	75
Both inside and outside defined contribution retirement plan	40	15	17	18	17	23	25
<b>Own mutual funds bought:<sup>1</sup></b>							
<b>Inside defined contribution retirement plan (total)</b>							
401(k) plan	79	12	15	13	14	19	22
State, local, or federal government plan	26	4	5	6	4	5	2
403(b) plan	14	3	2	1	1	5	2
<b>Outside defined contribution retirement plan (total)</b>							
Sales force	31	100	100	100	100	40	70
Full-service broker	18	100	34	22	15	26	46
Independent financial planner	14	20	100	31	13	10	28
Bank or savings institution representative	8	12	12	16	100	10	14
Insurance agent	5	8	15	100	11	7	9
Accountant	3	4	8	11	6	2	2
Direct market	21	29	28	20	28	100	100
Fund company directly	15	19	22	16	16	100	33
Discount broker	9	16	8	6	14	13	100
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>							
One	51	47	36	39	50	48	22
Two	29	34	36	30	27	37	40
Three	13	12	23	16	19	11	24
Four or more	7	7	5	15	4	4	14
<b>Purchased first mutual fund through defined contribution retirement plan</b>							
	75	31	36	33	33	30	36

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.<sup>3</sup> Small sample size.

Note: Number of respondents varies.

FIGURE 14

**Views on Mutual Fund Investing by Primary Mutual Fund Purchase Source**

(percent)

	Sales Force Channel					Direct Market Channel	
	Defined Contribution Retirement Plan	Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>2</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Strongly or somewhat agree:<sup>1</sup></b>							
My mutual fund investments are savings for the long term	96	96	98	97	96	97	96
Investing in equity or bond mutual funds involves accepting some degree of risk	96	98	99	100	88	96	97
I am not concerned about short-term fluctuations in my mutual fund investments	82	85	85	64	81	85	83
I am confident that I will have enough money in retirement on which to live comfortably	79	85	87	67	87	87	86
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	66	89	90	80	77	48	56
<b>Level of risk willing to take with mutual fund investments:</b>							
Substantial risk for substantial gain	7	5	5	6	3	4	3
Above-average risk for above-average gain	31	20	30	29	17	32	37
Average risk for average gain	47	55	45	47	53	56	52
Below-average risk for below-average gain	8	16	13	9	12	4	5
No risk at all	6	4	7	9	14	4	3
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>							
Less than one year	4	3	3	8	7	7	4
One to five years	24	33	28	33	37	32	31
Six to ten years	26	24	33	22	26	25	33
More than ten years	46	40	36	36	30	36	32
<b>Financial goals for mutual fund investments:<sup>1</sup></b>							
Retirement	96	91	89	90	85	77	93
Reduce taxable income	56	52	46	44	37	42	54
Emergency	41	40	50	58	41	42	51
Education	33	20	30	29	27	24	33
Current income	16	23	23	19	23	23	21
House or other large item	16	8	11	13	14	17	16

FIGURE 14, *continued*

	Sales Force Channel					Direct Market Channel	
	Defined Contribution Retirement Plan	Full-Service Broker	Independent Financial Planner	Insurance Agent <sup>2</sup>	Bank or Savings Institution Representative	Mutual Fund Company Directly	Discount Broker
<b>Primary financial goal for mutual fund investments:</b>							
Retirement	77	72	63	63	64	59	63
Education	9	6	10	13	14	7	3
Other	14	22	27	24	22	34	34
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>							
Reputation of fund companies through which household owns funds	97	98	97	98	94	98	94
Investment diversification	96	96	94	97	92	95	97
Availability of a range of mutual fund choices	95	92	91	98	93	90	95
Level of fees and expenses	92	95	92	91	92	95	95
Professional money management	84	91	89	96	80	73	81
Daily pricing of mutual fund shares	60	58	54	80	66	54	54
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>							
Very confident	34	40	47	35	26	54	44
Somewhat confident	61	56	48	63	72	45	54
Not at all confident	4	4	5	2	2	1	2

<sup>1</sup> Multiple responses included.

<sup>2</sup> Small sample size.

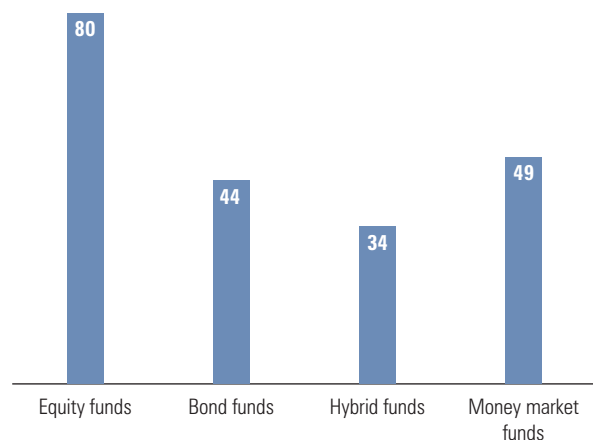
Note: Number of respondents varies.

## Chapter 4

# Mutual Fund Shareholders by Types of Funds Owned

Shareholders may invest in equity funds, bond funds, hybrid funds, or money market funds. Eighty percent of all shareholders own equity funds, 44 percent own bond funds, 34 percent own hybrid funds, and 49 percent own money market funds (Figure 15).

**FIGURE 15**  
**Types of Mutual Funds Owned by Fund Shareholders<sup>1</sup>**  
(percent)



<sup>1</sup> Multiple responses included.  
Note: Number of respondents varies.

### Equity Funds

Shareholders owning equity funds have a median age of 48 years (Figure 16). The median household income of this group is \$70,000 and median household financial assets are \$150,000. Similar to all shareholders, the majority of equity fund shareholders are married or living with a partner, employed, and college-educated.

Median household mutual fund assets of equity fund shareholders are \$54,800 (Figure 17). This group's median mutual fund holdings are lower than those of bond, hybrid, and money market fund shareholders. Equity fund shareholders own a median of five mutual funds. In addition to owning equity funds, 48 percent own bond funds, 36 percent own hybrid funds, and 52 percent own money market funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. These shareholders invest an average of 64 percent of mutual fund assets in equity funds, the highest concentration of any shareholder group classified by types of funds owned. Forty-four percent conducted mutual fund transactions in 2003, usually to purchase mutual fund shares. More than half of equity fund shareholders bought their first fund before 1990; 8 percent purchased their first fund in 2000 or later.

Sixty-five percent of equity fund shareholders currently own funds through defined contribution retirement plans. Seventy-one percent own funds outside these plans, with 57 percent owning sales force-distributed funds and 35 percent owning direct-marketed funds (Figure 18). Among those owning funds outside defined contribution retirement plans, 56 percent own funds purchased from multiple sources.

Fifty-nine percent of equity fund shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Nearly 60 percent purchased their first mutual fund through a defined contribution retirement plan.

Nearly all equity fund shareholders acknowledge that investing in equity or bond mutual funds involves accepting some degree of financial risk, and nearly all view their mutual fund investments as savings for the long term (Figure 19). Nearly three-quarters list retirement as their primary financial goal. Thirty-seven percent are willing to take substantial or above-average investment risk with their fund investments, and 49 percent are willing to take average investment risk.

## Bond Funds

Bond fund shareholders have a median age of 48 years (Figure 16). Median household income for these shareholders is \$77,000 and median household financial assets are \$185,000. Like equity fund shareholders, the majority of bond fund shareholders are married or living with a partner, employed, and have college or postgraduate degrees.

The median household mutual fund holdings of bond fund shareholders are \$70,000, the greatest of any shareholder group classified by types of funds owned (Figure 17). Bond fund shareholders own a median of six mutual funds. In addition to owning bond funds, 88 percent own equity funds, 45 percent own hybrid

funds, and 58 percent own money market funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. Compared with equity, hybrid, and money market shareholders, bond fund shareholders on average invest a larger percentage of their fund assets in bond funds—30 percent. Also, on average, members of this group hold the largest percentage of their fund assets—47 percent—in equity funds. Forty-eight percent conducted mutual fund transactions in 2003: 39 percent bought fund shares and 24 percent sold fund shares. Fifty-four percent bought their first fund before 1990; 8 percent purchased their first fund in 2000 or later.

Seventy percent of bond fund shareholders currently own funds through defined contribution retirement plans. Seventy-two percent own funds outside these plans: 59 percent own sales force-distributed funds and 36 percent own direct-marketed funds (Figure 18). Among those owning funds outside defined contribution retirement plans, more than 60 percent own funds purchased from multiple sources.

Sixty-one percent of bond fund shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Sixty-two percent purchased their first mutual fund through a defined contribution retirement plan.

Bond fund shareholders describe themselves as long-term fund investors unconcerned with short-term fluctuations in the value of their fund investments (Figure 19). They understand that investing in equity or bond funds involves accepting some degree of investment risk, and more than half describe themselves as willing to take average financial risk for average financial gain. The majority rely on professional financial advisers when making fund investment decisions. More than 90 percent say they are saving for retirement, and most expect they will have enough money in retirement on which to live comfortably.



## Hybrid Funds

Shareholders owning hybrid funds have a median age of 48 years (Figure 16). The median household income of this group is \$75,000 and median household financial assets are \$150,000. Their demographic characteristics are similar to those of equity and bond fund shareholders in that most are married or living with a partner, employed, and college-educated.

Hybrid fund shareholders have median household mutual fund assets of \$63,500 (Figure 17). They own a median of seven funds, the greatest number of any shareholder group classified by types of funds owned. In addition to owning hybrid funds, 87 percent own equity funds, 59 percent own bond funds, and 52 percent own money market funds. Their mutual fund holdings represent a median of 53 percent of household financial assets. This group invests an average of 31 percent of fund assets in hybrid funds and 45 percent in equity funds. Nearly half conducted mutual fund transactions in 2003, usually purchases of mutual fund shares. Fifty-three percent purchased their first fund before 1990; 6 percent purchased their first fund in 2000 or later.

Currently, 71 percent of hybrid fund shareholders own funds through defined contribution retirement plans. Seventy-four percent own funds outside these plans, with 60 percent owning sales force-distributed funds and 38 percent owning direct-marketed funds (Figure 18). Among those owning funds outside defined contribution retirement plans, 58 percent own funds purchased from multiple sources.

Sixty-two percent of hybrid fund shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Similar to equity and bond fund shareholders, most hybrid fund shareholders purchased their first mutual fund from a defined contribution retirement plan.

Hybrid fund shareholders' views on fund investing are comparable to those of equity and bond fund shareholders (Figure 19). They perceive their fund investments as long-term savings, acknowledge that investing in equity or bond funds involves some financial risk, and say they can withstand short-term fluctuations in their fund investments. Most are willing to take at least average financial risk for average financial gain. This shareholder group also expects to live comfortably in retirement and three-quarters cite saving for retirement as their number one financial goal.

## Money Market Funds

Money market fund shareholders have a median age of 49 years, one year greater than the median age of equity, bond, and hybrid fund shareholders (Figure 16). The median household income of money market fund shareholders is \$75,000. Median household financial assets are \$190,000, the greatest of any shareholder group classified by types of funds owned. Like shareholders who own equity, bond, or hybrid funds, those owning money market funds generally are married or living with a partner, employed, and hold college or postgraduate degrees.

This shareholder group has median household mutual fund holdings of \$62,500 (Figure 17). They own a median of six funds. In addition to owning money market funds, 85 percent of these shareholders also own equity funds, 52 percent own bond funds, and 36 percent own hybrid funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. Members of this shareholder group on average invest 46 percent of household mutual fund assets in equity funds and 32 percent in money market funds. Forty-five percent conducted mutual fund transactions in 2003, with those purchasing shares outnumbering those selling shares. More than half bought their first fund before 1990; 7 percent purchased their first fund in 2000 or later.

Currently, 63 percent of money market fund shareholders own funds through defined contribution retirement plans. Seventy-five percent own funds outside these plans: 62 percent own sales force-distributed funds and 40 percent own direct-marketed funds (Figure 18). Among those owning funds outside defined contribution retirement plans, 61 percent own funds purchased from multiple sources.

Fifty-six percent of money market fund shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds and 56 percent purchased their first mutual fund through a defined contribution retirement plan.

Like shareholders who own equity, bond, or hybrid funds, those owning money market funds have a long-term investment strategy, accept financial risk, and accept short-term fluctuations in the value of their fund investments (Figure 19). Half of this group describe themselves as willing to take average risk for average gain. Like most shareholders, nearly all are saving for retirement and the majority list this as their primary financial goal.

FIGURE 16

Shareholder Characteristics by Types of Funds Owned

	Equity	Bond	Hybrid	Money Market
<b>Median</b>				
Age of household sole or co-decisionmaker for investing	48 years	48 years	48 years	49 years
Household income	\$70,000	\$77,000	\$75,000	\$75,000
Household financial assets <sup>1</sup>	\$150,000	\$185,000	\$150,000	\$190,000
<b>Mean</b>				
Age of household sole or co-decisionmaker for investing	48 years	49 years	49 years	49 years
Household income	\$93,700	\$100,400	\$95,100	\$96,700
Household financial assets <sup>1</sup>	\$362,200	\$418,600	\$344,400	\$412,400
<b>Percent</b>				
<b>Household investment decisionmaker:</b>				
Male is sole decisionmaker	24	25	26	21
Female is sole decisionmaker	19	18	16	19
Co-decisionmakers	57	57	58	59
<b>Household sole or co-decisionmaker for investing:</b>				
Married or living with a partner	72	73	75	74
Four-year college degree or more	61	65	67	61
Completed graduate school	23	25	27	23
Employed	78	78	78	77
Spouse or partner employed <sup>2</sup>	75	75	74	77
Retired from lifetime occupation	20	21	21	22
<b>Household owns:<sup>3</sup></b>				
Bank or thrift deposits	84	84	82	86
Individual stocks, individual bonds, or annuities (total)	67	68	70	70
Individual stocks	58	57	59	59
Individual bonds (excluding U.S. Savings Bonds)	15	19	17	16
Fixed or variable annuities	21	22	21	23
U.S. Savings Bonds	46	50	46	49
Investment real estate	34	36	36	36
<b>Household owns IRA<sup>4</sup></b>	70	70	75	74
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>				
401(k) plan account	69	72	74	69
State, local, or federal government plan account	34	35	32	36
403(b) plan account	15	16	17	14
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>				
Coverdell Education Savings Account	11	12	12	12
529 prepaid tuition or college savings plan account	9	10	12	12

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 17

**Mutual Fund Ownership Characteristics by Types of Funds Owned**

	Equity	Bond	Hybrid	Money Market
<b>Median Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$54,800	\$70,000	\$63,500	\$62,500
Number of mutual funds owned	5	6	7	6
Year of first fund purchase	1989	1988	1988	1988
<b>Mean Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$161,100	\$207,500	\$182,100	\$177,400
Number of mutual funds owned	7	8	9	8
Year of first fund purchase	1987	1987	1987	1986
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>				
	50	50	53	50
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>				
Equity funds	64	47	45	46
Bond funds	12	30	12	13
Hybrid funds	9	10	31	8
Money market funds	14	11	11	32
Fund type not specified	2	2	2	2
<b>Percent of Mutual Fund-Owning Households</b>				
<b>Own:<sup>2</sup></b>				
Equity funds	100	88	87	85
Bond funds	48	100	59	52
Hybrid funds	36	45	100	36
Money market funds	52	58	52	100
Fund type not specified	4	6	5	5
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>				
Bought mutual fund shares <sup>4</sup>	36	39	40	39
Sold mutual fund shares	20	24	25	22
<b>Have IRA invested in mutual funds<sup>5</sup></b>				
	44	44	52	48
<b>Bought first mutual fund:</b>				
Before 1990	51	54	53	55
Between 1990 and 1994	21	22	21	19
Between 1995 and 1999	20	16	20	19
2000 or later	8	8	6	7
<b>Have continuously owned funds since buying first fund</b>				
	94	95	95	95

<sup>1</sup>Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup>Multiple responses included.

<sup>3</sup>Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup>Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup>Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 18

**Mutual Fund Purchase Channels by Types of Funds Owned**

(percent)

	Equity	Bond	Hybrid	Money Market
<b>Own mutual funds:</b>				
Only inside defined contribution retirement plan	29	28	26	25
Only outside defined contribution retirement plan	35	30	29	37
Both inside and outside defined contribution retirement plan	36	42	45	38
<b>Own mutual funds bought:<sup>1</sup></b>				
<b>Inside defined contribution retirement plan (total)</b>	65	70	71	63
401(k) plan	54	59	62	54
State, local, or federal government plan	16	18	14	17
403(b) plan	10	12	13	10
<b>Outside defined contribution retirement plan (total)</b>	71	72	74	75
Sales force	57	59	60	62
Full-service broker	34	37	35	38
Independent financial planner	25	29	29	29
Bank or savings institution representative	15	16	16	18
Insurance agent	11	12	13	12
Accountant	4	5	5	5
Direct market	35	36	38	40
Fund company directly	26	26	29	29
Discount broker	16	17	16	19
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>				
One	44	39	42	39
Two	33	33	31	32
Three	15	18	16	18
Four or more	8	10	11	11
<b>Primary mutual fund purchase source:</b>				
<b>Inside defined contribution retirement plan</b>	59	61	62	56
<b>Outside defined contribution retirement plan</b>	41	39	38	44
Sales force	29	28	25	31
Full-service broker	15	14	11	14
Independent financial planner	8	9	9	9
Bank or savings institution representative	4	3	2	5
Insurance agent	2	2	3	2
Accountant	0	0	0	1
Direct market	12	11	13	13
Fund company directly	8	8	9	8
Discount broker	4	3	4	5
<b>Purchased first mutual fund through defined contribution retirement plan</b>	58	62	59	56

<sup>1</sup> Multiple responses included.

<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

FIGURE 19

**Views on Mutual Fund Investing by Types of Funds Owned**

(percent)

	Equity	Bond	Hybrid	Money Market
<b>Strongly or somewhat agree:<sup>1</sup></b>				
My mutual fund investments are savings for the long term	97	96	97	96
Investing in equity or bond mutual funds involves accepting some degree of risk	97	98	98	96
I am not concerned about short-term fluctuations in my mutual fund investments	84	85	85	82
I am confident that I will have enough money in retirement on which to live comfortably	83	83	83	82
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	70	71	68	70
<b>Level of risk willing to take with mutual fund investments:</b>				
Substantial risk for substantial gain	6	5	5	5
Above-average risk for above-average gain	31	32	36	31
Average risk for average gain	49	51	49	50
Below-average risk for below-average gain	8	8	7	9
No risk at all	5	5	3	3
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>				
Less than one year	3	3	3	5
One to five years	26	24	26	29
Six to ten years	27	31	29	28
More than ten years	43	42	41	38
<b>Financial goals for mutual fund investments:<sup>1</sup></b>				
Retirement	93	94	94	92
Reduce taxable income	53	57	56	54
Emergency	42	43	45	48
Education	30	31	31	31
Current income	18	18	16	18
House or other large item	14	14	14	15
<b>Primary financial goal for mutual fund investments:</b>				
Retirement	74	76	75	72
Education	9	9	9	9
Other	17	15	16	19

FIGURE 19, *continued*

	Equity	Bond	Hybrid	Money Market
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>				
Reputation of fund companies through which household owns funds	97	98	98	97
Investment diversification	96	97	97	95
Availability of a range of mutual fund choices	94	95	96	94
Level of fees and expenses	93	94	94	92
Professional money management	85	86	86	86
Daily pricing of mutual fund shares	58	57	55	60
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>				
Very confident	40	44	43	39
Somewhat confident	57	54	55	57
Not at all confident	3	2	2	4

<sup>1</sup> Multiple responses included.

Note: Number of respondents varies.

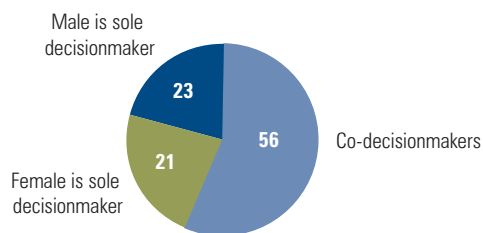
## Chapter 5

# Mutual Fund Shareholders by Responsibility for Household Investment Decisionmaking

Males make the investment decisions in 23 percent of fund-owning households and females in 21 percent. Investment decisionmaking is a shared responsibility in 56 percent of fund-owning households (Figure 20).<sup>16</sup>

**FIGURE 20**  
**Investment Decisionmaker in Mutual Fund-Own- ing Households**

(percent)



Number of respondents = 3,613

### Males with Sole Responsibility for Investment Decisions

The median age of male shareholders who have sole responsibility for household investment decisionmaking is 47 years (Figure 21). Their median household income is \$66,000 and median household financial assets are \$170,000. Fifty-one percent of these male shareholders are married or living with a partner, 78 percent are employed, and 49 percent have college or postgraduate degrees.

These male shareholders have median household mutual fund holdings of \$52,000 (Figure 22). They own a median of five mutual funds. Eighty-four percent own equity funds, 47 percent own bond funds, 38 percent own hybrid funds, and 45 percent own money market funds. Their mutual fund holdings represent a median of 47 percent of household financial assets. They invest an average of 60 percent of household mutual fund assets in equity funds. Nearly half conducted mutual fund transactions in 2003, the greatest proportion of all shareholders when classified by responsibility for household investment decisionmaking. Slightly more than half purchased their first fund prior to 1990; 9 percent bought their first fund in 2000 or later.

<sup>16</sup> Referred to as co-decisionmaking shareholders. Fifty-one percent of responding co-decisionmakers were female, 49 percent were male. Co-decisionmaking respondents were screened to ensure that they were the most knowledgeable and responsible for household investments.



Sixty percent currently own funds through defined contribution retirement plans. Seventy-one percent own funds outside these plans: 54 percent own sales force-distributed funds and 38 percent own direct-marketed funds (Figure 23). Among those owning funds outside defined contribution retirement plans, more than half own funds purchased from multiple sources.

Fifty-five percent consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Forty-seven percent purchased their first fund through a defined contribution retirement plan.

Male shareholders with sole responsibility for household investment decisionmaking perceive themselves as long-term investors and are not concerned about short-term fluctuations in the value of their fund investments (Figure 24). Overall, they are not risk-averse. Forty-six percent describe themselves as willing to take substantial or above-average financial risk to achieve similar levels of financial gain.

## **Females with Sole Responsibility for Investment Decisions**

The median age of female shareholders with sole responsibility for household investment decisionmaking is 50 years (Figure 21). Their median household income is \$50,000 and median household financial assets are \$80,000—both lower than any other shareholder group classified by responsibility for household investment decisionmaking. Less than one-third are married or living with a partner. Nearly three-quarters are employed and more than half have college or postgraduate degrees.

These female shareholders have median household mutual fund assets of \$30,000—the lowest of all shareholder groups classified by responsibility for household investment decisionmaking (Figure 22). They own a median of three mutual funds—the fewest of any shareholder group classified by responsibility for household investment decisionmaking. Seventy-five percent own equity funds, 38 percent own bond funds, 27 percent own hybrid funds, and 46 percent own money market funds. Their mutual fund holdings represent a median of 47 percent of household financial assets. These female shareholders invest an average of 54 percent of household mutual fund assets in equity funds. Thirty-one percent conducted mutual fund transactions in 2003. Forty-five percent purchased their first fund before 1990; 13 percent bought their first fund in 2000 or later.

Currently, 56 percent own funds through defined contribution retirement plans and 66 percent own funds outside these plans (Figure 23). Twenty-six percent own direct-marketed mutual funds, the lowest percentage of any shareholder group classified by responsibility for investment decisionmaking. Fifty-three percent own sales force-distributed funds. Among those owning funds outside defined contribution retirement plans, more than half own funds purchased from multiple sources.

Fifty-six percent of female shareholders with sole responsibility for household investment decisions consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Fifty-nine percent bought their first fund through a defined contribution retirement plan.

Compared with co-decisionmaking shareholders or male shareholders who are sole investment decision-makers, greater percentages of female shareholders who are sole investment decisionmakers say they tend to rely on advice from professional financial advisers and describe themselves as willing to take below-average or no risk with their fund investments (Figure 24). Nonetheless, most female shareholders with sole responsibility for investment decisions are not concerned about short-term fluctuations in the value of their fund investments and acknowledge that investing in equity or bond funds involves accepting some degree of risk.

## Investment Co-Decisionmakers

The median age of responding shareholders with joint responsibility for making household investment decisions is 47 years (Figure 21). Median income in their households is \$77,000 and median household financial assets are \$130,000. The vast majority of these co-decisionmaking shareholders are married couples or individuals living with partners.

Co-decisionmaking shareholders have median household mutual fund assets of \$50,000 (Figure 22). They own a median of five mutual funds. Eighty-one percent own equity funds, 45 percent own bond funds, 35 percent own hybrid funds, and 51 percent own money market funds. This shareholder group's mutual fund holdings represent a median of 47 percent of household financial assets. These shareholders invest an average of 55 percent of household mutual fund assets in equity funds. Nearly two-fifths conducted mutual fund transactions in 2003. Nearly half bought their first fund prior to 1990; 9 percent purchased their first fund in 2000 or later.

Two-thirds currently own funds through defined contribution retirement plans (Figure 23). Sixty-eight percent own funds outside these plans, with 55 percent owning sales-force distributed funds and 31 percent owning direct-marketed funds. Among those owning funds outside defined contribution retirement plans, more than half own funds purchased from multiple sources.

Sixty-two percent of co-decisionmaking shareholders view defined contribution retirement plans as their primary source for purchasing mutual funds. More than 60 percent bought their first fund through a defined contribution plan.

Like most shareholders, co-decisionmaking shareholders view their fund investments as savings for the long term and are not concerned about short-term fluctuations in their fund investments (Figure 24). They agree that investing in equity or bond funds involves accepting some degree of investment risk, and 86 percent are willing to take at least average financial risk with their fund investments. Most rely on professional financial advisers when making fund investment decisions and list saving for retirement as their primary financial goal.

FIGURE 21

**Shareholder Characteristics by Household Investment Decisionmaker**

	Male Is Sole Decision-maker	Female Is Sole Decision-maker	Co-Decision-makers
<b>Median</b>			
Age of household sole or co-decisionmaker for investing	47 years	50 years	47 years
Household income	\$66,000	\$50,000	\$77,000
Household financial assets <sup>1</sup>	\$170,000	\$80,000	\$130,000
<b>Mean</b>			
Age of household sole or co-decisionmaker for investing	49 years	51 years	48 years
Household income	\$91,700	\$68,200	\$94,500
Household financial assets <sup>1</sup>	\$455,300	\$220,400	\$309,400
<b>Percent</b>			
<b>Household sole or co-decisionmaker for investing:</b>			
Married or living with a partner	51	30	94
Four-year college degree or more	49	53	57
Completed graduate school	24	16	22
Employed	78	74	78
Spouse or partner employed <sup>2</sup>	63	73	78
Retired from lifetime occupation	23	22	20
<b>Household owns:<sup>3</sup></b>			
Bank or thrift deposits	77	83	85
Individual stocks, individual bonds, or annuities (total)	65	58	66
Individual stocks	56	49	55
Individual bonds (excluding U.S. Savings Bonds)	17	12	14
Fixed or variable annuities	19	23	21
U.S. Savings Bonds	38	37	49
Investment real estate	36	31	32
<b>Household owns IRA<sup>4</sup></b>	66	61	72
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>			
401(k) plan account	65	60	71
State, local, or federal government plan account	30	35	38
403(b) plan account	13	9	16
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>			
Coverdell Education Savings Account	9	10	12
529 prepaid tuition or college savings plan account	10	6	10

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 22

**Mutual Fund Ownership Characteristics by Household Investment Decisionmaker**

	Male Is Sole Decision-maker	Female Is Sole Decision-maker	Co-Decision-makers
<b>Median Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$52,000	\$30,000	\$50,000
Number of mutual funds owned	5	3	5
Year of first fund purchase	1989	1990	1990
<b>Mean Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$165,500	\$122,600	\$137,900
Number of mutual funds owned	7	5	7
Year of first fund purchase	1988	1989	1988
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>			
	47	47	47
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>			
Equity funds	60	54	55
Bond funds	13	12	15
Hybrid funds	12	12	11
Money market funds	13	21	18
Fund type not specified	2	2	2
<b>Percent of Mutual Fund-Owning Households</b>			
<b>Own:<sup>2</sup></b>			
Equity funds	84	75	81
Bond funds	47	38	45
Hybrid funds	38	27	35
Money market funds	45	46	51
Fund type not specified	5	5	4
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>			
Bought mutual fund shares <sup>4</sup>	40	24	34
Sold mutual fund shares	24	16	16
<b>Have IRA invested in mutual funds<sup>5</sup></b>			
	45	34	44
<b>Bought first mutual fund:</b>			
Before 1990	51	45	49
Between 1990 and 1994	17	22	22
Between 1995 and 1999	23	20	20
2000 or later	9	13	9
<b>Have continuously owned funds since buying first fund</b>			
	92	92	94

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 23

**Mutual Fund Purchase Channels by Household Investment Decisionmaker***(percent)*

	Male Is Sole Decision-maker	Female Is Sole Decision-maker	Co-Decision-makers
<b>Own mutual funds:</b>			
Only inside defined contribution retirement plan	29	34	32
Only outside defined contribution retirement plan	40	44	34
Both inside and outside defined contribution retirement plan	31	22	34
<b>Own mutual funds bought:<sup>1</sup></b>			
<b>Inside defined contribution retirement plan (total)</b>	60	56	66
401(k) plan	50	45	55
State, local, or federal government plan	13	16	19
403(b) plan	10	5	11
<b>Outside defined contribution retirement plan (total)</b>	71	66	68
Sales force	54	53	55
Full-service broker	32	30	32
Independent financial planner	22	22	26
Bank or savings institution representative	15	16	15
Insurance agent	9	11	11
Accountant	3	4	5
Direct market	38	26	31
Fund company directly	28	19	23
Discount broker	18	11	13
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>			
One	47	47	46
Two	32	34	31
Three	15	13	15
Four or more	6	6	8
<b>Primary mutual fund purchase source:</b>			
<b>Inside defined contribution retirement plan</b>	55	56	62
<b>Outside defined contribution retirement plan</b>	45	44	38
Sales force	30	33	28
Full-service broker	16	12	13
Independent financial planner	7	10	8
Bank or savings institution representative	5	8	3
Insurance agent	2	2	3
Accountant	0	1	1
Direct market	15	11	10
Fund company directly	10	7	7
Discount broker	5	4	3
<b>Purchased first mutual fund through defined contribution retirement plan</b>	47	59	62

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

FIGURE 24

**Views on Mutual Fund Investing by Household Investment Decisionmaker***(percent)*

	Male Is Sole Decision-maker	Female Is Sole Decision-maker	Co-Decision-makers
<b>Strongly or somewhat agree:<sup>1</sup></b>			
Investing in equity or bond mutual funds involves accepting some degree of risk	97	94	96
My mutual fund investments are savings for the long term	96	96	97
I am confident that I will have enough money in retirement on which to live comfortably	87	74	82
I am not concerned about short-term fluctuations in my mutual fund investments	84	78	83
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	62	77	73
<b>Level of risk willing to take with mutual fund investments:</b>			
Substantial risk for substantial gain	11	4	5
Above-average risk for above-average gain	35	20	30
Average risk for average gain	42	51	51
Below-average risk for below-average gain	7	13	10
No risk at all	5	11	5
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>			
Less than one year	6	4	4
One to five years	29	30	26
Six to ten years	23	29	27
More than ten years	42	37	44
<b>Financial goals for mutual fund investments:<sup>1</sup></b>			
Retirement	92	91	93
Reduce taxable income	50	51	53
Emergency	39	45	43
Education	23	29	34
Current income	17	28	16
House or other large item	12	17	14
<b>Primary financial goal for mutual fund investments:</b>			
Retirement	71	65	74
Education	6	11	10
Other	23	24	16
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>			
Reputation of fund companies through which household owns funds	96	96	98
Investment diversification	94	93	96
Availability of a range of mutual fund choices	92	91	95
Level of fees and expenses	91	94	92
Professional money management	79	88	86
Daily pricing of mutual fund shares	53	62	61
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>			
Very confident	43	34	37
Somewhat confident	53	62	59
Not at all confident	4	5	3

<sup>1</sup> Multiple responses included.

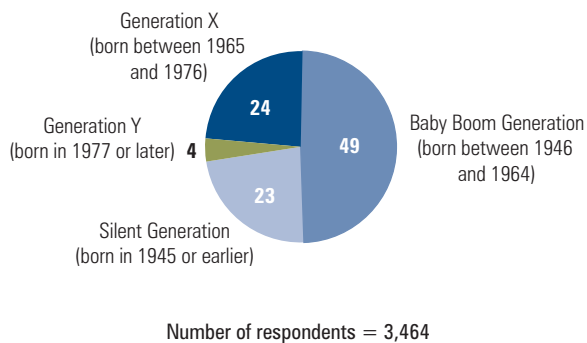
Note: Number of respondents varies.

## Chapter 6

# Mutual Fund Shareholders by Generation

Four percent of mutual fund shareholders are members of Generation Y, born in 1977 or later, and were age 27 or younger at the time of the survey (Figure 25).

**FIGURE 25**  
**Generation of Mutual Fund Shareholders**  
(percent)



Twenty-four percent are members of Generation X, born between 1965 and 1976, and were between ages 28 and 39 at the time of the survey. The largest proportion of shareholders, 49 percent, are members of the Baby Boom Generation, which includes individuals born between 1946 and 1964. At the time of the survey, Baby Boom Generation shareholders were between ages 40 and 58. The remaining 23 percent of shareholders are members of the Silent Generation, born in 1945 or earlier, who were age 59 or older at the time of the survey.

### Generation Y (Born in 1977 or Later)

Generation Y shareholders have a median age of 25 years (Figure 26). Many of the demographic characteristics of Generation Y shareholders reflect their relatively young age. For example, their median household income is \$45,000 and median household financial assets are \$30,000—both the lowest of any shareholder group classified by generation. Fifty-three percent are married or living with a partner. Eighty-seven percent are employed. More than half hold college or postgraduate degrees.

Median household mutual fund assets of Generation Y shareholders are \$7,000 (Figure 27). They own a median of three mutual funds, the fewest of any shareholder group classified by generation. Seventy percent own equity funds, 35 percent own bond funds, 29 percent own hybrid funds, and 35 percent own money market funds. Their mutual fund holdings represent a median of 43 percent of household financial assets. Generation Y shareholders invest an average of 51 percent of household mutual fund assets in equity funds. Nearly two-fifths conducted mutual fund transactions in 2003. Nearly half purchased their first fund in 2000 or later, and 37 percent bought their first fund between 1995 and 1999.

Fifty-six percent of Generation Y shareholders currently own funds through defined contribution retirement plans (Figure 28). Sixty-three percent own funds outside defined contribution retirement plans: 46 percent own sales force-distributed funds and 28 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 41 percent own funds purchased from multiple sources—the lowest percentage of any shareholder group classified by generation.

Fifty-eight percent of Generation Y shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Fifty-seven percent purchased their first fund through a defined contribution retirement plan.

The majority of Generation Y shareholders, like most shareholders, view their fund investments as long-term savings and say they can withstand short-term fluctuations in the value of the funds they own (Figure 29). Compared with older shareholders, however, Generation Y shareholders are more optimistic about having enough money in retirement on which to live comfortably. While the primary financial goal of most Generation Y shareholders is saving for retirement, a greater percentage of this shareholder group compared with other groups are saving for a home or other large purchase. Forty-five percent of Generation Y shareholders are willing to take substantial or above-average risk with their fund investments to achieve similar levels of return.

## **Generation X (Born Between 1965 and 1976)**

The median age of Generation X shareholders is 34 years. Their median household income is \$70,000 and median household financial assets are \$60,000 (Figure 26). Nearly three-quarters of Generation X shareholders are married or living with a partner, 90 percent are employed, and nearly two-thirds have college or post-graduate degrees.

Generation X shareholders have a median of \$25,000 invested in mutual funds (Figure 27). They own a median of four mutual funds. More than four-fifths own equity funds, 42 percent own bond funds, 34 percent own hybrid funds, and 47 percent own money market funds. Their mutual fund holdings represent a median of 47 percent of household financial assets. Generation X shareholders invest an average of 59 percent of household mutual fund assets in equity funds. Two-fifths bought or sold fund shares in 2003. Nearly 90 percent of Generation X shareholders purchased their first mutual fund after 1990, usually between 1995 and 1999.

Nearly three-quarters currently own mutual funds through defined contribution retirement plans (Figure 28). Fifty-eight percent currently own funds outside these plans, with 46 percent owning sales force-distributed funds and 26 percent owning direct-marketed funds. Among those owning funds outside defined contribution retirement plans, more than half own funds purchased from multiple sources.

Seventy-two percent of Generation X shareholders view defined contribution retirement plans as their primary source for purchasing mutual funds, the largest percentage of any shareholder group classified by generation. Two-thirds bought their first fund through a defined contribution retirement plan.



Ninety-six percent of Generation X shareholders are saving for retirement and 72 percent state that saving for retirement is their primary financial goal (Figure 29). In addition, 47 percent are saving to pay for educational expenses. Reflecting their long-term focus, 99 percent say they their fund investments are savings for the long term and 84 percent say they are not concerned about short-term fluctuations in their fund investments. Nearly half are willing to take substantial or above-average risk with their fund investments to achieve similar levels of gain. In addition, Generation X shareholders are the group most likely to consider the risks associated with investing in equity or bond funds in a time period that exceeds 10 years.

### **Baby Boom Generation (Born Between 1946 and 1964)**

The median age of Baby Boom Generation shareholders is 49 years (Figure 26). Their median household income is \$75,000, the greatest of any shareholder group classified by generation. Their median household financial assets are \$153,900. Most are married or living with a partner, employed, and hold college or postgraduate degrees. Along with Silent Generation shareholders, they are more likely to own individual stocks, individual bonds, or annuities than are younger shareholders.

Baby Boom Generation shareholders have median household mutual fund holdings of \$62,500 (Figure 27). They own a median of five mutual funds. Eighty-three percent own equity funds; 47 percent, bond funds; 35 percent, hybrid funds; and 50 percent, money market funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. Baby Boom Generation shareholders invest an average of 56 percent of household mutual fund assets in equity funds. More than two-fifths conducted mutual fund transactions in 2003. Fifty-eight percent of Baby Boom Generation shareholders bought their first fund before 1990; 7 percent purchased their first fund in 2000 or later.

Sixty-nine percent currently own funds through defined contribution retirement plans (Figure 28). Sixty-eight percent own funds outside these plans: 52 percent own sales force-distributed funds and 31 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, more than half own funds purchased from multiple sources.

Sixty-four percent of Baby Boom Generation shareholders consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Sixty-two percent bought their first fund through a defined contribution plan.

The largest percentage of Baby Boom Generation shareholders, 51 percent, describe themselves as willing to take average risk for average financial gain (Figure 29). Another 30 percent are willing to take above-average risk for above-average financial gain. As a group, Baby Boom Generation shareholders are similar to other shareholders in that most are saving for retirement and view their fund investments as long-term savings.

### **Silent Generation (Born in 1945 or Earlier)**

The median age of Silent Generation shareholders is 66 years (Figure 26). Their median household income is \$59,000. Their median household financial assets are \$250,000, the greatest of any shareholder group classified by generation. Most are retired, and unlike younger shareholders, more than half do not hold college or postgraduate degrees. Two-thirds are married or living with a partner. Along with Baby Boom Generation shareholders, Silent Generation shareholders are more likely to own individual stocks, individual bonds, or annuities than are younger shareholders.

Median household mutual fund assets of Silent Generation shareholders are \$87,500 (Figure 27). They own a median of four mutual funds. More than three-quarters own equity funds. In addition, 41 percent own bond funds, 32 percent own hybrid funds, and 49 percent own money market funds. Their mutual fund holdings represent a median of 46 percent of household financial assets. Silent Generation shareholders invest an average of 54 percent of household mutual fund assets in equity funds. Thirty-seven percent conducted at least one mutual fund transaction in 2003. More than three-quarters bought their first fund before 1990, giving this shareholder group the greatest tenure in funds of all shareholders when categorized by generation.

Currently, 41 percent of Silent Generation shareholders own funds through defined contribution retirement plans (Figure 28). Eighty-one percent own funds outside these plans, with more than two-thirds owning sales force-distributed funds and 37 percent owning direct-marketed funds. Among those owning funds outside defined contribution retirement plans, nearly 60 percent own funds purchased from multiple sources.

Forty-eight percent of Silent Generation shareholders view the sales force channel as their primary source for purchasing funds; 37 percent, defined contribution retirement plans; and 15 percent, the direct market channel. More than three in five purchased their first fund outside a defined contribution retirement plan.

Compared with younger shareholders, Silent Generation shareholders are somewhat more reliant on professional financial advisers (Figure 29). They are also considerably more risk-averse than younger shareholders and more likely to indicate current income as a financial goal for their fund investments. Silent Generation shareholders are also the group most likely to consider the risks associated with investing in equity or bond funds in a time period of five or fewer years.

FIGURE 26

**Shareholder Characteristics by Generation**

	Generation Y (born in 1977 or later) <sup>5</sup>	Generation X (born between 1965 and 1976)	Baby Boom Generation (born between 1946 and 1964)	Silent Generation (born in 1945 or earlier)
<b>Median</b>				
Age of household sole or co-decisionmaker for investing	25 years	34 years	49 years	66 years
Household income	\$45,000	\$70,000	\$75,000	\$59,000
Household financial assets <sup>1</sup>	\$30,000	\$60,000	\$153,900	\$250,000
<b>Mean</b>				
Age of household sole or co-decisionmaker for investing	25 years	34 years	49 years	68 years
Household income	\$61,500	\$82,600	\$98,800	\$79,500
Household financial assets <sup>1</sup>	\$88,900	\$178,300	\$345,700	\$554,100
<b>Percent</b>				
<b>Household investment decisionmaker:</b>				
Male is sole decisionmaker	32	24	21	36
Female is sole decisionmaker	15	17	21	24
Co-decisionmakers	53	59	58	50
<b>Household sole or co-decisionmaker for investing:</b>				
Married or living with a partner	53	74	73	66
Four-year college degree or more	53	65	58	45
Completed graduate school	8	18	24	21
Employed	87	90	88	38
Spouse or partner employed <sup>2</sup>	77	87	88	44
Retired from lifetime occupation	2	1	10	68
<b>Household owns:<sup>3</sup></b>				
Bank or thrift deposits	82	84	83	82
Individual stocks, individual bonds, or annuities (total)	57	56	67	68
Individual stocks	49	48	57	55
Individual bonds (excluding U.S. Savings Bonds)	13	7	14	20
Fixed or variable annuities	8	13	22	28
U.S. Savings Bonds	48	42	47	39
Investment real estate	22	22	36	37
<b>Household owns IRA<sup>4</sup></b>	47	66	70	71
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>	73	88	88	73
401(k) plan account	60	80	73	42
State, local, or federal government plan account	26	27	37	
403(b) plan account	10	13	15	9
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>	14	22	15	9
Coverdell Education Savings Account	9	16	10	6
529 prepaid tuition or college savings plan account	7	12	10	5

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>5</sup> Small sample size.

Note: Number of respondents varies.

FIGURE 27

**Mutual Fund Ownership Characteristics by Generation**

	Generation Y (born in 1977 or later) <sup>6</sup>	Generation X (born between 1965 and 1976)	Baby Boom Generation (born between 1946 and 1964)	Silent Generation (born in 1945 or earlier)
<b>Median Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$7,000	\$25,000	\$62,500	\$87,500
Number of mutual funds owned	3	4	5	4
Year of first fund purchase	1999	1996	1988	1981
<b>Mean Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$41,400	\$69,600	\$148,400	\$247,400
Number of mutual funds owned	4	6	7	7
Year of first fund purchase	1998	1995	1988	1979
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>				
	43	47	50	46
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>				
Equity funds	51	59	56	54
Bond funds	19	12	14	16
Hybrid funds	11	11	11	13
Money market funds	13	17	18	16
Fund type not specified	7	2	2	1
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>				
Equity funds	70	81	83	77
Bond funds	35	42	47	41
Hybrid funds	29	34	35	32
Money market funds	35	47	50	49
Fund type not specified	5	4	3	5
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>				
Bought mutual fund shares <sup>4</sup>	33	35	33	29
Sold mutual fund shares	13	14	19	19
<b>Have IRA invested in mutual funds<sup>5</sup></b>				
	28	45	45	34
<b>Bought first mutual fund:</b>				
Before 1990	9	11	58	77
Between 1990 and 1994	5	27	22	14
Between 1995 and 1999	37	46	13	6
2000 or later	49	16	7	3
<b>Have continuously owned funds since buying first fund</b>				
	96	93	93	93

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>6</sup> Small sample size.

Note: Number of respondents varies.

FIGURE 28

**Mutual Fund Purchase Channels by Generation***(percent)*

	Generation Y (born in 1977 or later) <sup>3</sup>	Generation X (born between 1965 and 1976)	Baby Boom Generation (born between 1946 and 1964)	Silent Generation (born in 1945 or earlier)
<b>Own mutual funds:</b>				
Only inside defined contribution retirement plan	37	42	32	19
Only outside defined contribution retirement plan	44	28	31	59
Both inside and outside defined contribution retirement plan	19	30	37	22
<b>Own mutual funds bought:<sup>1</sup></b>				
<b>Inside defined contribution retirement plan (total)</b>	56	72	69	41
401(k) plan	49	64	58	27
403(b) plan	12	15	19	14
State, local, or federal government plan	7	9	11	5
<b>Outside defined contribution retirement plan (total)</b>	63	58	68	81
Sales force	46	46	52	68
Full-service broker	21	22	33	43
Independent financial planner	18	20	23	30
Insurance agent	15	14	14	13
Bank or savings institution representative	10	10	10	12
Accountant	4	3	4	4
Direct market	28	26	31	37
Discount broker	17	19	13	13
Fund company directly	16	18	23	29
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>				
One	59	47	46	44
Two	20	33	32	34
Three	14	14	15	15
Four or more	7	6	7	7
<b>Primary mutual fund purchase source:</b>				
<b>Inside defined contribution retirement plan</b>	58	72	64	37
<b>Outside defined contribution retirement plan</b>	42	28	36	63
Sales force	31	19	26	48
Full-service broker	12	6	13	23
Bank or savings institution representative	8	2	3	7
Independent financial planner	5	6	8	14
Insurance agent	4	4	2	3
Accountant	2	1	0	1
Direct market	11	9	10	15
Discount broker	8	4	2	4
Fund company directly	3	5	8	11
<b>Purchased first mutual fund through defined contribution retirement plan</b>	57	67	62	39

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.<sup>3</sup> Small sample size.

Note: Number of respondents varies.

FIGURE 29

**Views on Mutual Fund Investing by Generation**

(percent)

	Generation Y (born in 1977 or later) <sup>2</sup>	Generation X (born between 1965 and 1976)	Baby Boom Generation (born between 1946 and 1964)	Silent Generation (born in 1945 or earlier)
<b>Strongly or somewhat agree:<sup>1</sup></b>				
Investing in equity or bond mutual funds involves accepting some degree of risk	98	97	97	93
My mutual fund investments are savings for the long term	96	99	97	93
I am confident that I will have enough money in retirement on which to live comfortably	88	81	78	78
I am not concerned about short-term fluctuations in my mutual fund investments	86	84	82	80
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	68	70	70	75
<b>Level of risk willing to take with mutual fund investments:</b>				
Substantial risk for substantial gain	11	9	5	5
Above-average risk for above-average gain	34	39	30	17
Average risk for average gain	40	40	51	55
Below-average risk for below-average gain	8	8	9	13
No risk at all	7	4	4	11
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>				
Less than one year	3	4	3	7
One to five years	31	20	23	43
Six to ten years	30	19	31	23
More than ten years	35	58	43	28
<b>Financial goals for mutual fund investments:<sup>1</sup></b>				
Retirement	89	96	95	84
Emergency	57	41	39	53
Education	44	47	32	9
House or other large item	42	25	10	7
Reduce taxable income	37	56	54	46
Current income	17	10	12	41
<b>Primary financial goal for mutual fund investments:</b>				
Retirement	58	72	77	65
Education	14	14	10	1
Other	28	16	13	34

FIGURE 29, *continued*

	Generation Y (born in 1977 or later) <sup>2</sup>	Generation X (born between 1965 and 1976)	Baby Boom Generation (born between 1946 and 1964)	Silent Generation (born in 1945 or earlier)
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>				
Reputation of fund companies through which household owns funds	96	97	97	97
Investment diversification	96	95	97	93
Level of fees and expenses	92	95	92	91
Availability of a range of mutual fund choices	91	94	95	91
Professional money management	88	87	86	81
Daily pricing of mutual fund shares	75	59	60	57

**Level of confidence that mutual funds are an investment that can help meet household financial goals:**

Very confident	38	42	37	36
Somewhat confident	61	56	60	58
Not at all confident	1	2	4	6

<sup>1</sup> Multiple responses included.

<sup>2</sup> Small sample size.

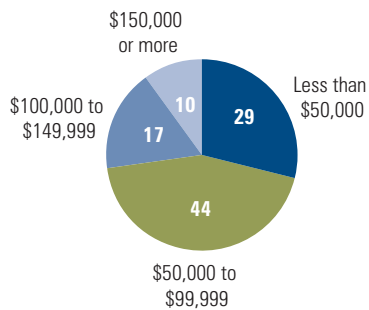
Note: Number of respondents varies.

## Chapter 7

# Mutual Fund Shareholders by Household Income

Twenty-nine percent of shareholder households have incomes below \$50,000, and 44 percent have household incomes between \$50,000 and \$99,999 (Figure 30). Seventeen percent have household incomes between \$100,000 and \$149,999, and 10 percent have household incomes of \$150,000 or more.

**FIGURE 30**  
**Household Income of Mutual Fund Shareholders**  
(percent)



Number of respondents = 2,482

### Household Incomes Less Than \$50,000

The median age of shareholders with household incomes below \$50,000 is 48 years (Figure 31). Their median household financial assets are \$50,000. Seventy percent are employed, nearly half are married or living with a partner, and nearly two-fifths have college or postgraduate degrees. Compared with shareholders with greater household incomes, this group includes greater percentages of retirees and females who are sole household investment decisionmakers.

Median household mutual fund holdings of these shareholders are \$17,600 (Figure 32). They own a median of three mutual funds, a smaller number than shareholders with greater household incomes. Seventy percent own equity funds. In addition, 35 percent own bond funds; 30 percent, hybrid funds; and 38 percent, money market funds. Their mutual fund holdings represent a median of 43 percent of household financial assets. This group invests on average 51 percent of household mutual fund assets in equity funds. Twenty-eight percent conducted mutual fund transactions in 2003, the lowest percentage when shareholders are classified by household income.



Compared with shareholders with greater household incomes, those with household incomes below \$50,000 are more likely to include new purchasers of mutual funds. Seventeen percent of this shareholder group purchased their first fund in 2000 or later, and 25 percent bought their first fund between 1995 and 1999. Ten percent of shareholders with household incomes below \$50,000 have not continuously owned funds since purchasing their first fund, the largest percentage when shareholders are classified by household income.

Fifty-five percent currently own funds through defined contribution retirement plans (Figure 33). Sixty-three percent own funds outside these plans: less than half own sales force-distributed funds and less than one-quarter own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 49 percent own funds purchased from multiple sources.

Fifty-nine percent of shareholders with household incomes below \$50,000 consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Fifty-six percent bought their first fund through a defined contribution plan.

Like most other shareholders, the majority of those with household incomes below \$50,000 are saving for retirement and list this as their primary financial goal (Figure 34). Compared with shareholders with greater household incomes, however, a larger percentage of those in this lowest household income group are also saving for an emergency. Shareholders with household incomes below \$50,000 are also the least likely of all shareholders to expect to have enough money on which to live comfortably in retirement.

## **Household Incomes Between \$50,000 and \$99,999**

Shareholders with household incomes between \$50,000 and \$99,999 have a median age of 46 years (Figure 31). Their median household financial assets are \$110,000. More than three-quarters are married or living with a partner, 82 percent are employed, and more than half have college or postgraduate degrees.

Median household mutual fund assets of these shareholders are \$43,800 (Figure 32). They own a median of four mutual funds. Eighty percent own equity funds; 41 percent, bond funds; 31 percent, hybrid funds; and 47 percent, money market funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. These shareholders invest an average of 57 percent of household mutual fund assets in equity funds. Thirty-five percent conducted mutual fund transactions in 2003: 29 percent bought fund shares and 13 percent sold fund shares. Forty-three percent purchased their first fund before 1990; 22 percent, between 1990 and 1994; 25 percent, between 1995 and 1999; and 10 percent, in 2000 or later.

Sixty-eight percent of shareholders with household incomes between \$50,000 and \$99,999 own funds through defined contribution retirement plans (Figure 33). In addition, 60 percent own funds outside these plans, with 51 percent owning sales force-distributed funds and 27 percent owning direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 55 percent own funds purchased from multiple sources.

Sixty-three percent of shareholders in this income group view defined contribution retirement plans as their primary source for purchasing mutual funds. Sixty-three percent purchased their first fund through a defined contribution plan.

Nearly all shareholders with household incomes between \$50,000 and \$99,999 view their fund investments as savings for the long term and say they can tolerate short-term fluctuations in their funds' investment value (Figure 34). They acknowledge that investing in equity or bond funds involves accepting some degree of risk. In addition, most of these shareholders are willing to take at least average financial risk for average financial gain. Three-quarters cite saving for retirement as their primary financial goal.

### **Household Incomes Between \$100,000 and \$149,999**

The median age of shareholders with household incomes between \$100,000 and \$149,999 is 46 years (Figure 31). Their median household financial assets are \$217,900. Ninety percent are married or living with a partner, 88 percent are employed, and 73 percent have college or postgraduate degrees.

These shareholders have median household mutual fund holdings of \$77,000 (Figure 32). They own a median of five mutual funds. More than 90 percent own equity funds; 49 percent, bond funds; 40 percent, hybrid funds; and 52 percent, money market funds. Their mutual fund holdings represent a median of 48 percent of household financial assets. They invest an average of 59 percent of household mutual fund assets in equity funds. More than half conducted mutual fund transactions in 2003—43 percent bought fund shares and 23 percent sold fund shares. More than half purchased their first fund before 1990; 5 percent bought their first fund in 2000 or later.

More than 70 percent of shareholders with household incomes between \$100,000 and \$149,999 own funds through defined contribution retirement plans (Figure 33). Seventy-four percent own funds outside defined contribution retirement plans, with more owning sales force-distributed funds than direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 51 percent own funds purchased from multiple sources.

Sixty-eight percent of shareholders in this income group consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Two-thirds purchased their first fund through a defined contribution retirement plan.

Nearly 40 percent of shareholders with household incomes between \$100,000 and \$149,999 say they tend not to rely on professional financial advisers when making fund investment decisions, the largest percentage of any shareholder income group (Figure 34). More than three-quarters of this shareholder group list saving for retirement as their primary financial goal. Forty-six percent describe themselves as willing to take substantial or above-average risk for similar levels of gain. Forty-eight percent are willing to take average risk for average gain.

### **Household Incomes of \$150,000 or More**

Shareholders with household incomes of \$150,000 or more have a median age of 48 years (Figure 31). Their median household financial assets are \$500,000. The majority of these shareholders are employed and are married or living with a partner. More than 80 percent have college or postgraduate degrees, the largest percentage of any shareholder income group. Eighty-two percent own individual stocks, individual bonds, or annuities—also the largest percentage of any shareholder income group.

The median household mutual fund holdings of these shareholders are \$163,400 (Figure 32). They own a median of six mutual funds. Eighty-eight percent own equity funds; 51 percent, bond funds; 37 percent, hybrid funds; and 56 percent, money market funds. Their mutual fund holdings represent a median of 44 percent of household financial assets. These shareholders invest an average of 62 percent of household fund assets in equity funds, the largest percentage of any shareholder income group. Fifty-three percent conducted mutual fund transactions in 2003. Fifty percent purchased their first fund before 1990; 31 percent, between 1990 and 1994; 16 percent, between 1995 and 1999; and 3 percent, in 2000 or later.

Nearly two-thirds of shareholders with household incomes of \$150,000 or more own funds through defined contribution retirement plans (Figure 33). Nearly three-quarters own funds outside these plans: 58 percent own sales force-distributed funds and 34 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, nearly half own funds purchased from multiple sources.

Most of the shareholders in this income group view defined contribution retirement plans as their primary source for purchasing mutual funds. Sixty percent were introduced to mutual funds through defined contribution retirement plans.

Like most shareholders, those with household incomes of \$150,000 or more have a long-term investment strategy (Figure 34). They view their fund investments as savings for the long term and are not concerned about short-term volatility. Ninety-five percent are saving for retirement, and 80 percent list this as their primary financial goal. Overall, these shareholders are not risk-averse: 90 percent are willing to take at least average financial risk for at least average financial gain.

FIGURE 31

**Shareholder Characteristics by Household Income**

	Household Income			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
<b>Median</b>				
Age of household sole or co-decisionmaker for investing	48 years	46 years	46 years	48 years
Household income	\$32,500	\$70,000	\$120,000	\$199,000
Household financial assets <sup>1</sup>	\$50,000	\$110,000	\$217,900	\$500,000
<b>Mean</b>				
Age of household sole or co-decisionmaker for investing	49 years	46 years	46 years	49 years
Household income	\$30,600	\$70,800	\$118,400	\$273,000
Household financial assets <sup>1</sup>	\$137,200	\$213,300	\$413,300	\$1,177,400
<b>Percent</b>				
<b>Household investment decisionmaker:</b>				
Male is sole decisionmaker	26	22	24	28
Female is sole decisionmaker	34	19	5	14
Co-decisionmakers	40	59	71	58
<b>Household sole or co-decisionmaker for investing:</b>				
Married or living with a partner	48	76	90	81
Four-year college degree or more	39	53	73	82
Completed graduate school	9	19	30	41
Employed	70	82	88	87
Spouse or partner employed <sup>2</sup>	60	82	85	82
Retired from lifetime occupation	26	17	9	11
<b>Household owns:<sup>3</sup></b>				
Bank or thrift deposits	74	85	88	86
Individual stocks, individual bonds, or annuities (total)	50	59	77	82
Individual stocks	39	47	66	75
Individual bonds (excluding U.S. Savings Bonds)	11	10	17	22
Fixed or variable annuities	16	19	22	23
U.S. Savings Bonds	34	44	53	49
Investment real estate	18	30	46	51
<b>Household owns IRA<sup>4</sup></b>	<b>58</b>	<b>65</b>	<b>77</b>	<b>77</b>
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>				
401(k) plan account	56	72	75	77
State, local, or federal government plan account	32	38	35	25
403(b) plan account	9	13	22	16
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>				
Coverdell Education Savings Account	7	10	14	12
529 prepaid tuition or college savings plan account	5	8	12	15

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 32

**Mutual Fund Ownership Characteristics by Household Income**

	Household Income			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
<b>Median Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$17,600	\$43,800	\$77,000	\$163,400
Number of mutual funds owned	3	4	5	6
Year of first fund purchase	1993	1991	1988	1990
<b>Mean Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$88,500	\$101,500	\$175,400	\$376,800
Number of mutual funds owned	5	6	8	10
Year of first fund purchase	1990	1989	1987	1988
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>				
	43	50	48	44
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>				
Equity funds	51	57	59	62
Bond funds	16	14	11	13
Hybrid funds	14	12	10	7
Money market funds	17	16	18	17
Fund type not specified	3	2	3	2
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>				
Equity funds	70	80	92	88
Bond funds	35	41	49	51
Hybrid funds	30	31	40	37
Money market funds	38	47	52	56
Fund type not specified	5	2	5	6
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>				
Bought mutual fund shares <sup>4</sup>	21	29	43	45
Sold mutual fund shares	10	13	23	24
<b>Have IRA invested in mutual funds<sup>5</sup></b>				
	35	38	51	53
<b>Bought first mutual fund:</b>				
Before 1990	38	43	53	50
Between 1990 and 1994	20	22	25	31
Between 1995 and 1999	25	25	17	16
2000 or later	17	10	5	3
<b>Have continuously owned funds since buying first fund</b>				
	90	94	95	95

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 33

**Mutual Fund Purchase Channels by Household Income***(percent)*

	Household Income			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
<b>Own mutual funds:</b>				
Only inside defined contribution retirement plan	37	39	26	26
Only outside defined contribution retirement plan	45	32	29	35
Both inside and outside defined contribution retirement plan	18	29	45	39
<b>Own mutual funds bought:<sup>1</sup></b>				
<b>Inside defined contribution retirement plan (total)</b>	55	68	71	65
401(k) plan	43	56	62	57
403(b) plan	14	20	19	13
State, local, or federal government plan	6	9	15	10
<b>Outside defined contribution retirement plan (total)</b>	63	60	74	74
Sales force	48	51	55	58
Full-service broker	27	26	32	43
Independent financial planner	21	23	23	25
Insurance agent	14	12	19	13
Bank or savings institution representative	8	12	10	7
Accountant	6	4	3	3
Direct market	24	27	39	34
Fund company directly	16	20	31	29
Discount broker	10	11	17	12
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>				
One	51	45	49	51
Two	31	36	26	27
Three	13	12	16	14
Four or more	5	7	9	8
<b>Primary mutual fund purchase source:</b>				
<b>Inside defined contribution retirement plan</b>	59	63	68	58
<b>Outside defined contribution retirement plan</b>	41	37	32	42
Sales force	33	28	20	29
Full-service broker	13	12	9	15
Independent financial planner	8	9	5	10
Bank or savings institution representative	7	3	2	3
Insurance agent	4	3	3	1
Accountant	1	1	1	0
Direct market	8	9	12	13
Fund company directly	5	6	8	10
Discount broker	3	3	4	3
<b>Purchased first mutual fund through defined contribution retirement plan</b>	56	63	66	60

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

**FIGURE 34**

**Views on Mutual Fund Investing by Household Income**

(percent)

	Household Income			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
<b>Strongly or somewhat agree:<sup>1</sup></b>				
My mutual fund investments are savings for the long term	98	96	98	100
Investing in equity or bond mutual funds involves accepting some degree of risk	95	97	98	99
I am not concerned about short-term fluctuations in my mutual fund investments	78	83	88	89
I am confident that I will have enough money in retirement on which to live comfortably	73	80	89	84
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	73	72	63	73
<b>Level of risk willing to take with mutual fund investments:</b>				
Substantial risk for substantial gain	8	7	7	5
Above-average risk for above-average gain	22	30	39	38
Average risk for average gain	51	48	48	47
Below-average risk for below-average gain	12	8	4	9
No risk at all	7	7	2	1
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>				
Less than one year	5	3	4	2
One to five years	30	23	26	26
Six to ten years	22	27	27	28
More than ten years	43	47	43	44
<b>Financial goals for mutual fund investments:<sup>1</sup></b>				
Retirement	90	95	96	95
Reduce taxable income	45	54	54	50
Emergency	51	44	34	37
Education	30	32	32	35
Current income	28	13	12	11
House or other large item	20	14	14	10
<b>Primary financial goal for mutual fund investments:</b>				
Retirement	62	75	76	80
Education	10	11	9	8
Other	28	14	15	12

FIGURE 34, *continued*

	Household Income			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>				
Reputation of fund companies through which household owns funds	98	97	97	99
Investment diversification	92	97	97	95
Availability of a range of mutual fund choices	92	95	94	92
Level of fees and expenses	91	93	91	94
Professional money management	86	87	85	84
Daily pricing of mutual fund shares	64	62	53	51
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>				
Very confident	32	36	42	41
Somewhat confident	63	61	55	56
Not at all confident	5	3	3	3

<sup>1</sup> Multiple responses included.

Note: Number of respondents varies.

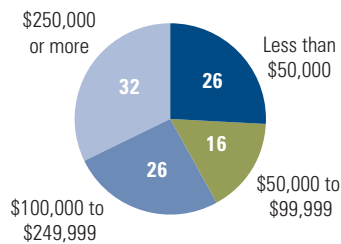


## Chapter 8

# Mutual Fund Shareholders by Household Financial Assets

Twenty-six percent of mutual fund shareholders have household financial assets below \$50,000, and 16 percent have household financial assets between \$50,000 and \$99,999 (Figure 35). Another 26 percent have household financial assets between \$100,000 and \$249,999, and 32 percent have household financial assets of \$250,000 or more.

**FIGURE 35**  
**Household Financial Assets of Mutual Fund Shareholders**  
(percent)



Number of respondents = 2,320

### Household Financial Assets Less Than \$50,000

Shareholders with household financial assets below \$50,000 have a median age of 38 years—the youngest median age when shareholders are classified by household financial assets (Figure 36). Their median household income is \$46,700. Eighty-four percent are employed, 59 percent are married or living with a partner, and 46 percent have college or postgraduate degrees.

This shareholder group has median household mutual fund holdings of \$10,000 (Figure 37). They own a median of three mutual funds. Seventy-two percent own equity funds, 33 percent own bond funds, 26 percent own hybrid funds, and 38 percent own money market funds—all the lowest percentages when shareholders are classified by household financial assets. Their mutual fund holdings represent a median of 53 percent of household financial assets. This shareholder group invests an average of 55 percent of household mutual fund assets in equity funds. Twenty-eight percent conducted mutual fund transactions in 2003, usually a purchase of mutual fund shares.

Twenty-seven percent purchased their first mutual fund in 2000 or later, the largest percentage when shareholders are classified by household financial assets. Ten percent of this shareholder group have not continuously owned funds since purchasing their first fund, also the largest percentage when shareholders are classified by household financial assets.

Sixty-four percent of shareholders with household financial assets below \$50,000 own funds through defined contribution retirement plans (Figure 38). Fifty-one percent own funds outside these plans: 41 percent own sales force-distributed funds and 18 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 49 percent own funds through multiple sources.

Sixty-eight percent of shareholders in this income group view defined contribution retirement plans as their primary source for purchasing mutual funds. Nearly seven in ten purchased their first mutual fund through a defined contribution plan.

Nearly all shareholders with household financial assets below \$50,000 view their fund investments as savings for the long term and understand that investing in equity or bond funds involves accepting some degree of risk (Figure 39). More than 90 percent list retirement as a financial goal for their fund investing. Half describe themselves as willing to take average financial risk for average financial gain.

## Household Financial Assets Between \$50,000 and \$99,999

The median age of shareholders with household financial assets between \$50,000 and \$99,999 is 43 years (Figure 36). Their median household income is \$62,800. More than three-quarters are married or living with a partner and 84 percent are employed. Nearly half have college or postgraduate degrees.

This shareholder group has median household mutual fund assets of \$40,000 (Figure 37). They own a median of four mutual funds. More than three-quarters own equity funds, 40 percent own bond funds, 29 percent own hybrid funds, and 46 percent own money market funds. Their mutual fund holdings represent a median of 63 percent of household financial assets. These shareholders invest an average of 53 percent of household mutual fund assets in equity funds. Nearly three in ten conducted at least one mutual fund transaction in 2003, usually a purchase of mutual fund shares. One-third bought their first fund before 1990; 27 percent, between 1990 and 1994; 28 percent, between 1995 and 1999; and 12 percent, in 2000 or later.

Seventy percent currently own funds through defined contribution retirement plans (Figure 38). Fifty-eight percent own funds outside these plans, with 43 percent owning sales force-distributed funds and 25 percent owning direct-marketed funds. Among those owning funds outside defined contribution retirement plans, nearly half own funds purchased from multiple sources.

Seventy-two percent of shareholders in this household financial asset group consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Sixty-two percent bought their first fund through a defined contribution plan.

Nearly seven in ten of shareholders with household financial assets between \$50,000 and \$99,999 say that they tend to rely on advice from professional financial advisers when making fund investment decisions (Figure 39). Nearly all mention saving for retirement as a financial goal and 78 percent indicate that saving for retirement is their primary financial goal. The largest proportion of this shareholder group, 46 percent, describe themselves as willing to take average financial risk for average financial gain. In addition, shareholders in this household financial asset category are the most likely of all shareholders to consider the risks associated with investing in equity or bond funds in a time period that exceeds ten years.

### **Household Financial Assets Between \$100,000 and \$249,999**

Shareholders with household financial assets between \$100,000 and \$249,999 have a median age of 49 years (Figure 36). Their median household income is \$70,500. Two-thirds are married or living with a partner and four-fifths are employed.

These shareholders have median household mutual fund holdings of \$70,000 (Figure 37). They own a median of five mutual funds. Eighty-six percent own equity funds; 42 percent, bond funds; 39 percent, hybrid funds; and 44 percent, money market funds. Their mutual fund holdings represent a median of 44 percent of household financial assets. These shareholders invest an average of 60 percent of household mutual fund assets in equity funds, the highest equity allocation among the four household financial asset groups. Nearly two in five of these shareholders conducted mutual fund transactions in 2003. Forty-eight percent purchased their first fund before 1990; 24 percent, between 1990 and 1994; 23 percent, between 1994 and 1999; and 5 percent, in 2000 or later.

Sixty-five percent of these shareholders own funds through defined contribution retirement plans (Figure 38). Sixty-eight percent own funds outside these plans: 57 percent own sales force-distributed funds and 31 percent own direct-marketed funds. Among those owning funds outside these plans, 57 percent own funds through multiple sources.

Sixty-one percent of shareholders in this household financial asset group view defined contribution retirement plans as their primary source for purchasing mutual funds. Nearly 60 percent purchased their first fund through a defined contribution plan.

More than four out of five of shareholders with household financial assets between \$100,000 and \$249,999 are confident that they will have enough money in retirement on which to live comfortably (Figure 39). Ninety-five percent list retirement as a financial goal. Forty-two percent are willing to take above-average or substantial risk for similar levels of gain, the largest percentage among the four household financial asset categories.

### **Household Financial Assets of \$250,000 or More**

The median age of mutual fund shareholders with household financial assets of \$250,000 or more is 52 years, the oldest median age of shareholders when classified by household financial assets (Figure 36). Their median household income is \$100,000. Like shareholders with lower amounts of household financial assets, those in this high-asset category generally are married or living with a partner and employed. Sixty-six percent hold college or postgraduate degrees, the largest percentage of all shareholder asset groups. Members of this high-asset group are the likeliest to own individual stocks, individual bonds, or annuities.

Shareholders with household financial assets of \$250,000 or more have the most sizable mutual fund holdings of all shareholder asset groups. Their median household mutual fund holdings are \$175,000 (Figure 37). They own a median of six funds. Eighty-seven percent own equity funds, 50 percent own bond funds, 36 percent own hybrid funds, and 56 percent own money market funds. Their mutual fund holdings represent a median of 36 percent of household financial assets. These shareholders invest an average of 57 percent of fund assets in equity funds. Shareholders with household financial assets of \$250,000 or more were more likely than those with lower amounts of household financial assets to conduct fund transactions in 2003. More than seven in ten bought their first fund before 1990; 2 percent purchased their first fund in 2000 or later.

Currently, 64 percent of shareholders with household financial assets of \$250,000 or more own funds through defined contribution retirement plans (Figure 38). More than three-quarters own funds outside these plans: 58 percent own sales force-distributed funds and more than one-third own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 54 percent own funds purchased from multiple sources.

Fifty-five percent of shareholders in this household financial asset group consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Fifty-six percent purchased their first mutual fund through a defined contribution retirement plan.

Like most other shareholders, those with household financial assets of \$250,000 or more have a long-term investment strategy, accept financial risk, and can tolerate fluctuations in the value of their fund investments (Figure 39). Nearly half of this group describe themselves as willing to take average risk for average gain. Like most shareholders, nearly all are saving for retirement and almost three-quarters list saving for retirement as their primary financial goal.

FIGURE 36

**Shareholder Characteristics by Household Financial Assets**

	Household Financial Assets			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 or more
<b>Median</b>				
Age of household sole or co-decisionmaker for investing	38 years	43 years	49 years	52 years
Household income	\$46,700	\$62,800	\$70,500	\$100,000
Household financial assets <sup>1</sup>	\$20,000	\$70,000	\$160,000	\$500,000
<b>Mean</b>				
Age of household sole or co-decisionmaker for investing	40 years	44 years	49 years	53 years
Household income	\$52,500	\$69,700	\$84,300	\$135,100
Household financial assets <sup>1</sup>	\$22,600	\$70,200	\$161,100	\$842,300
<b>Percent</b>				
<b>Household investment decisionmaker:</b>				
Male is sole decisionmaker	20	19	30	28
Female is sole decisionmaker	31	17	17	14
Co-decisionmakers	49	64	53	58
<b>Household sole or co-decisionmaker for investing:</b>				
Married or living with a partner	59	76	67	77
Four-year college degree or more	46	49	56	66
Completed graduate school	13	11	22	31
Employed	84	84	80	75
Spouse or partner employed <sup>2</sup>	83	74	81	75
Retired from lifetime occupation	10	12	19	26
<b>Household owns:<sup>3</sup></b>				
Bank or thrift deposits	77	82	85	84
Individual stocks, individual bonds, or annuities (total)	42	58	63	81
Individual stocks	34	47	52	68
Individual bonds (excluding U.S. Savings Bonds)	7	10	12	20
Fixed or variable annuities	11	16	17	30
U.S. Savings Bonds	37	43	43	46
Investment real estate	12	23	35	51
<b>Household owns IRA<sup>4</sup></b>	57	57	70	78
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>	82	83	87	83
401(k) plan account	69	70	70	68
State, local, or federal government plan account	30	33	35	33
403(b) plan account	11	13	17	12
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>	14	18	12	19
Coverdell Education Savings Account	11	13	8	11
529 prepaid tuition or college savings plan account	6	11	8	13

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 37

**Mutual Fund Ownership Characteristics by Household Financial Assets**

	Household Financial Assets			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 or more
<b>Median Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$10,000	\$40,000	\$70,000	\$175,000
Number of mutual funds owned	3	4	5	6
Year of first fund purchase	1997	1993	1990	1985
<b>Mean Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$13,100	\$39,500	\$77,300	\$326,900
Number of mutual funds owned	4	6	6	9
Year of first fund purchase	1995	1991	1988	1984
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>				
	53	63	44	36
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>				
Equity funds	55	53	60	57
Bond funds	13	14	12	15
Hybrid funds	11	13	14	9
Money market funds	18	19	15	16
Fund type not specified	3	1	1	3
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>				
Equity funds	72	76	86	87
Bond funds	33	40	42	50
Hybrid funds	26	29	39	36
Money market funds	38	46	44	56
Fund type not specified	4	2	3	6
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>				
Bought mutual fund shares <sup>4</sup>	23	25	32	38
Sold mutual fund shares	9	8	15	25
<b>Have IRA invested in mutual funds<sup>5</sup></b>				
	32	36	46	50
<b>Bought first mutual fund:</b>				
Before 1990	17	33	48	71
Between 1990 and 1994	18	27	24	19
Between 1995 and 1999	38	28	23	8
2000 or later	27	12	5	2
<b>Have continuously owned funds since buying first fund</b>				
	90	95	92	96

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 38

**Mutual Fund Purchase Channels by Household Financial Assets***(percent)*

	Household Financial Assets			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 or more
<b>Own mutual funds:</b>				
Only inside defined contribution retirement plan	49	42	32	24
Only outside defined contribution retirement plan	36	30	35	36
Both inside and outside defined contribution retirement plan	15	28	33	40
<b>Own mutual funds bought:<sup>1</sup></b>				
<b>Inside defined contribution retirement plan (total)</b>	64	70	65	64
401(k) plan	53	58	54	54
403(b) plan	14	21	18	16
State, local, or federal government plan	8	10	11	9
<b>Outside defined contribution retirement plan (total)</b>	51	58	68	76
Sales force	41	43	57	58
Full-service broker	21	23	32	39
Independent financial planner	19	20	22	28
Insurance agent	9	11	17	15
Bank or savings institution representative	7	11	10	12
Accountant	5	3	6	3
Direct market	18	25	31	36
Fund company directly	11	20	24	29
Discount broker	9	12	12	14
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>				
One	51	51	43	46
Two	32	30	37	31
Three	13	13	14	15
Four or more	4	6	6	8
<b>Primary mutual fund purchase source:</b>				
<b>Inside defined contribution retirement plan</b>	68	72	61	55
<b>Outside defined contribution retirement plan</b>	32	28	39	45
Sales force	26	20	32	31
Full-service broker	9	8	15	15
Independent financial planner	8	5	8	10
Bank or savings institution representative	4	1	5	4
Insurance agent	4	5	3	2
Accountant	1	0	1	0
Direct market	6	8	7	14
Fund company directly	3	5	5	10
Discount broker	3	3	2	4
<b>Purchased first mutual fund through defined contribution retirement plan</b>	68	62	58	56

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

FIGURE 39

**Views on Mutual Fund Investing by Household Financial Assets**

(percent)

	Household Financial Assets			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 or more
<b>Strongly or somewhat agree:<sup>1</sup></b>				
My mutual fund investments are savings for the long term	98	97	97	98
Investing in equity or bond mutual funds involves accepting some degree of risk	97	98	97	97
I am not concerned about short-term fluctuations in my mutual fund investments	81	81	79	87
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	75	69	72	66
I am confident that I will have enough money in retirement on which to live comfortably	74	75	81	89
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>				
Less than one year	4	3	6	2
One to five years	26	20	25	30
Six to ten years	21	25	24	31
More than ten years	49	53	45	37
<b>Level of risk willing to take with mutual fund investments:</b>				
Substantial risk for substantial gain	8	6	6	8
Above-average risk for above-average gain	23	34	36	31
Average risk for average gain	50	46	49	48
Below-average risk for below-average gain	11	9	6	9
No risk at all	7	5	4	4
<b>Financial goals for mutual fund investments:<sup>1</sup></b>				
Retirement	93	95	95	94
Reduce taxable income	51	53	55	49
Emergency	46	46	40	42
Education	43	38	27	25
House or other large item	25	17	12	8
Current income	19	16	15	20
<b>Primary financial goal for mutual fund investments:</b>				
Retirement	64	78	74	74
Education	17	9	7	8
Other	19	13	19	18



FIGURE 39, *continued*

	Household Financial Assets			
	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 or more
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>				
Reputation of fund companies through which household owns funds	96	99	97	98
Investment diversification	94	96	97	97
Availability of a range of mutual fund choices	92	94	95	93
Level of fees and expenses	91	92	94	92
Professional money management	90	88	87	81
Daily pricing of mutual fund shares	67	65	57	54
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>				
Very confident	36	34	38	41
Somewhat confident	59	62	58	56
Not at all confident	4	4	4	2

<sup>1</sup> Multiple responses included.

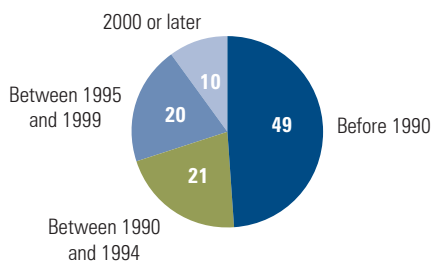
Note: Number of respondents varies.

## Chapter 9

# Mutual Fund Shareholders by Year of Initial Fund Purchase

Forty-nine percent of shareholders purchased their first fund before 1990, 21 percent bought their first fund between 1990 and 1994, and 20 percent purchased their first fund between 1995 and 1999 (Figure 40). Ten percent bought their first fund in 2000 or later.

**FIGURE 40**  
**Year of Initial Mutual Fund Purchase**  
(percent)



Number of respondents = 3,319

### Initial Fund Purchase Before 1990

Shareholders who purchased their first fund before 1990 have a median age of 54 years (Figure 41). Their median household income and median household financial assets, \$75,000 and \$250,000, respectively, are greater than those shareholders who have owned funds for fewer years. Seventy-two percent are married or living with a partner, and 60 percent have college or postgraduate degrees. Nearly one-third are retired from their lifetime occupations. They are the shareholder group most likely to own individual stocks, individual bonds, or annuities.

These shareholders have median household mutual fund holdings of \$94,200 (Figure 42). They own a median of five mutual funds. Eighty-seven percent own equity funds, 49 percent own bond funds, 38 percent own hybrid funds, and 55 percent own money market funds. Their mutual fund holdings represent a median of 52 percent of household financial assets. These shareholders invest an average of 57 percent of household mutual fund assets in equity funds. Forty-five percent conducted mutual fund transactions in 2003, the greatest percentage of any shareholder group classified by length of fund ownership.

Sixty percent own funds through defined contribution retirement plans (Figure 43). More than three-quarters own funds outside defined contribution retirement plans, with 60 percent owning sales force-distributed funds and 40 percent owning direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 57 percent own funds purchased from multiple sources.

Fifty-four percent of shareholders who purchased their first mutual fund before 1990 view defined contribution retirement plans as their primary source for purchasing mutual funds; 32 percent, the sales force channel; and 14 percent, the direct market channel. Just over half purchased their first mutual fund through a defined contribution retirement plan.

Ninety-six percent of shareholders who purchased their first mutual fund before 1990 view their fund investments as savings for the long term and understand that investing in equity or bond funds involves accepting some degree of risk (Figure 44). More than four in five feel confident that they will have enough money on which to retire comfortably. Over 90 percent list retirement as a financial goal for their fund investing, and nearly three-quarters cite it as their primary financial goal. The largest proportion of this shareholder group, 50 percent, describe themselves as willing to take average risk for average gain.

## **Initial Fund Purchase Between 1990 and 1994**

Shareholders who purchased their first fund between 1990 and 1994 have a median age of 44 years (Figure 41). Median household income for these shareholders is \$70,000 and median household financial assets are \$125,000. Seventy-four percent are married or living with a partner and 84 percent are employed. Two-thirds have college or postgraduate degrees.

Shareholders who made their initial fund purchase between 1990 and 1994 have median household mutual fund assets of \$42,500 (Figure 42). They own

a median of five mutual funds. Eighty-seven percent own equity funds; 49 percent, bond funds; 37 percent, hybrid funds; and 48 percent, money market funds. Their mutual fund holdings represent a median of 40 percent of household financial assets. These shareholders invest an average of 56 percent of household mutual fund assets in equity funds. Forty percent conducted mutual fund transactions in 2003.

Sixty-nine percent currently own funds through defined contribution retirement plans (Figure 43). Sixty-six percent own funds outside these plans: 53 percent own sales force-distributed funds and 29 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 55 percent own funds purchased from multiple sources.

Sixty-four percent of shareholders who made their initial fund purchase between 1990 and 1994 consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Sixty-five percent bought their first fund through a defined contribution plan.

More than seven in ten report that they tend to rely on the advice of professional financial advisers when making investment decisions (Figure 44). Nearly all view their fund investments as long-term savings and understand that investing in equity or bond funds involves accepting a certain degree of risk. More than nine in ten are saving for retirement, and nearly three-quarters indicate that saving for retirement is their primary financial goal.

## **Initial Fund Purchase Between 1995 and 1999**

Shareholders who made their initial fund purchase between 1995 and 1999 have a median age of 36 years (Figure 41). The median household income of this group is \$67,200 and median household financial assets are \$62,500. The majority of these shareholders are married or living with a partner and employed. Fifty-one percent have college or postgraduate degrees.

Median household mutual fund assets of shareholders who made their initial fund purchase between 1995 and 1999 are \$25,000 (Figure 42). They own a median of four mutual funds. Eighty-five percent own equity funds, 37 percent own bond funds, 36 percent own hybrid funds, and 48 percent own money market funds. Their mutual fund holdings represent a median of 46 percent of household financial assets. These shareholders invest an average of 58 percent of household mutual fund assets in equity funds. Thirty-seven percent conducted mutual fund transactions in 2003.

Sixty-six percent currently own funds through defined contribution retirement plans (Figure 43). In addition, 61 percent own funds outside these plans: 50 percent own sales force-distributed funds and 24 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 51 percent own funds purchased from multiple sources.

Two-thirds of shareholders who made their initial fund purchase between 1995 and 1999 consider defined contribution retirement plans to be their primary source for purchasing mutual funds. More than 60 percent purchased their first mutual fund through a defined contribution retirement plan.

Nearly all shareholders who made their initial fund purchase between 1995 and 1999 acknowledge that investing in equity or bond mutual funds involves accepting some degree of financial risk, and nearly all view their mutual fund investments as savings for the long term (Figure 44). Seventy-one percent list retirement as their primary financial goal. Thirty-eight percent are willing to take substantial or above-average investment risk with their fund investments, and 46 percent are willing to take average investment risk.

## Initial Fund Purchase in 2000 or Later

Shareholders who purchased their first fund in 2000 or later have a median age of 35 years (Figure 41). Their median household income is \$50,000 and median household financial assets are \$30,000—both of which are lower than those of shareholders with greater tenure

in funds. Nearly two-thirds are married or living with a partner and nine in ten are employed. Only 4 percent are retired from their lifetime occupations, the smallest percentage of any shareholder group when classified by length of fund ownership.

These shareholders have median household mutual fund holdings of \$6,000—the smallest of any shareholder group classified by tenure in funds (Figure 42). They own a median of two mutual funds. Nearly two-thirds of these new shareholders own equity funds. In addition, 38 percent own bond funds, 23 percent own hybrid funds, and 33 percent own money market funds. Their mutual fund holdings represent a median of 30 percent of household financial assets. These shareholders on average invest less than half of their household mutual fund assets in equity funds and invest nearly one-quarter of their fund assets in bond funds. Three in ten conducted mutual fund transactions in 2003.

Fifty-six percent own funds through defined contribution retirement plans (Figure 43). Fifty-two percent own funds outside defined contribution retirement plans: 37 percent own sales force-distributed funds and 14 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 36 percent own funds through multiple sources.

Sixty-three percent of shareholders who purchased their first fund in 2000 or later view defined contribution retirement plans as their primary source for purchasing mutual funds. Nearly two-thirds purchased their first fund through a defined contribution plan.

Just over three-quarters of these shareholders are confident that they will have enough money in retirement on which to live comfortably (Figure 44). Ninety percent cite retirement as a financial goal, and two-thirds select it as their primary financial goal. Compared with shareholders with greater tenure in funds, these shareholders are somewhat more risk-averse. Nearly one-quarter are only willing to take below-average risk for below-average gain or no risk at all when investing in funds.

FIGURE 41

**Shareholder Characteristics by Year of Initial Mutual Fund Purchase**

	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or Later
<b>Median</b>				
Age of household sole or co-decisionmaker for investing	54 years	44 years	36 years	35 years
Household income	\$75,000	\$70,000	\$67,200	\$50,000
Household financial assets <sup>1</sup>	\$250,000	\$125,000	\$62,500	\$30,000
<b>Mean</b>				
Age of household sole or co-decisionmaker for investing	55 years	46 years	39 years	39 years
Household income	\$99,300	\$93,400	\$79,000	\$61,100
Household financial assets <sup>1</sup>	\$514,100	\$311,500	\$115,700	\$92,000
<b>Percent</b>				
<b>Household investment decisionmaker:</b>				
Male is sole decisionmaker	24	18	26	22
Female is sole decisionmaker	19	22	20	26
Co-decisionmakers	57	60	54	52
<b>Household sole or co-decisionmaker for investing:</b>				
Married or living with a partner	72	74	71	65
Four-year college degree or more	60	66	51	45
Completed graduate school	27	20	16	15
Employed	71	84	86	89
Spouse or partner employed <sup>2</sup>	71	79	82	75
Retired from lifetime occupation	31	14	7	4
<b>Household owns:<sup>3</sup></b>				
Bank or thrift deposits	84	83	81	77
Individual stocks, individual bonds, or annuities (total)	73	61	56	47
Individual stocks	63	50	49	36
Individual bonds (excluding U.S. Savings Bonds)	19	14	6	11
Fixed or variable annuities	25	19	13	12
U.S. Savings Bonds	50	41	36	33
Investment real estate	40	30	24	16
Household owns IRA <sup>4</sup>	75	69	65	50
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>				
401(k) plan account	64	76	71	62
State, local, or federal government plan account	38	35	32	27
403(b) plan account	16	13	12	9
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>				
Coverdell Education Savings Account	9	12	11	9
529 prepaid tuition or college savings plan account	9	13	8	2

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 42

**Mutual Fund Ownership Characteristics by Year of Initial Mutual Fund Purchase**

	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or Later
<b>Median Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$94,200	\$42,500	\$25,000	\$6,000
Number of mutual funds owned	5	5	4	2
Year of first fund purchase	1982	1992	1997	2001
<b>Mean Per Mutual Fund-Owning Household</b>				
Total mutual fund assets	\$242,900	\$97,200	\$46,400	\$27,000
Number of mutual funds owned	8	6	5	4
Year of first fund purchase	1980	1991	1997	2001
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>				
	52	40	46	30
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>				
Equity funds	57	56	58	48
Bond funds	14	14	9	23
Hybrid funds	11	11	14	8
Money market funds	17	16	17	17
Fund type not specified	2	2	2	5
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>				
Equity funds	87	87	85	64
Bond funds	49	49	37	38
Hybrid funds	38	37	36	23
Money market funds	55	48	48	33
Fund type not specified	5	3	3	4
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>				
Bought mutual fund shares <sup>4</sup>	37	34	31	21
Sold mutual fund shares	23	17	12	13
<b>Have IRA invested in mutual funds<sup>5</sup></b>				
	47	41	40	28
<b>Have continuously owned funds since buying first fund</b>				
	93	96	93	94

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 43

**Mutual Fund Purchase Channels by Year of Initial Mutual Fund Purchase***(percent)*

	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or Later
<b>Own mutual funds:</b>				
Only inside defined contribution retirement plan	24	34	39	48
Only outside defined contribution retirement plan	40	31	34	44
Both inside and outside defined contribution retirement plan	36	35	27	8
<b>Own mutual funds bought:<sup>1</sup></b>				
<b>Inside defined contribution retirement plan (total)</b>	60	69	66	56
401(k) plan	50	58	55	47
State, local, or federal government plan	16	18	17	13
403(b) plan	11	8	9	8
<b>Outside defined contribution retirement plan (total)</b>	76	66	61	52
Sales force	60	53	50	37
Full-service broker	39	32	26	15
Independent financial planner	27	24	22	17
Bank or savings institution representative	15	17	12	8
Insurance agent	12	8	9	13
Accountant	4	4	5	4
Direct market	40	29	24	14
Fund company directly	31	20	16	8
Discount broker	16	14	11	7
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>				
One	43	45	49	64
Two	32	36	34	20
Three	16	14	11	12
Four or more	9	5	6	4
<b>Primary mutual fund purchase source:</b>				
<b>Inside defined contribution retirement plan</b>	54	64	66	63
<b>Outside defined contribution retirement plan</b>	46	36	34	37
Sales force	32	29	24	30
Full-service broker	17	12	10	8
Independent financial planner	9	10	6	9
Bank or savings institution representative	3	5	3	8
Insurance agent	2	2	4	4
Accountant	1	0	1	1
Direct market	14	7	10	7
Fund company directly	10	4	6	4
Discount broker	4	3	4	3
<b>Purchased first mutual fund through defined contribution retirement plan</b>	52	65	62	65

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

FIGURE 44

**Views on Mutual Fund Investing by Year of Initial Mutual Fund Purchase**

(percent)

	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or Later
<b>Strongly or somewhat agree:<sup>1</sup></b>				
My mutual fund investments are savings for the long term	96	97	97	96
Investing in equity or bond mutual funds involves accepting some degree of risk	96	97	98	95
I am confident that I will have enough money in retirement on which to live comfortably	84	79	82	76
I am not concerned about short-term fluctuations in my mutual fund investments	82	86	82	79
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	70	71	72	74
<b>Level of risk willing to take with mutual fund investments:</b>				
Substantial risk for substantial gain	5	6	8	9
Above-average risk for above-average gain	30	34	30	22
Average risk for average gain	50	48	46	46
Below-average risk for below-average gain	8	9	8	13
No risk at all	6	2	7	10
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>				
Less than one year	4	3	5	3
One to five years	30	23	21	34
Six to ten years	29	29	23	16
More than ten years	37	45	52	47
<b>Financial goals for mutual fund investments:<sup>1</sup></b>				
Retirement	92	94	93	90
Reduce taxable income	52	57	52	46
Emergency	43	41	42	48
Education	24	37	35	39
Current income	22	16	12	13
House or other large item	10	15	19	29
<b>Primary financial goal for mutual fund investments:</b>				
Retirement	74	73	71	66
Education	6	10	13	14
Other	20	17	16	20



FIGURE 44, *continued*

	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or Later
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>				
Reputation of fund companies through which household owns funds	97	97	97	94
Investment diversification	96	94	96	92
Availability of a range of mutual fund choices	94	94	94	94
Level of fees and expenses	92	94	94	91
Professional money management	85	85	87	85
Daily pricing of mutual fund shares	58	58	60	67
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>				
Very confident	43	35	38	29
Somewhat confident	53	62	59	65
Not at all confident	4	3	3	6

<sup>1</sup> Multiple responses included.

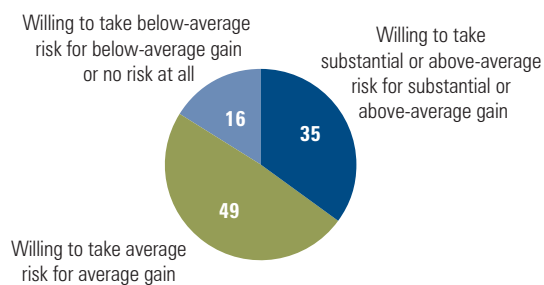
Note: Number of respondents varies.

## Chapter 10

# Mutual Fund Shareholders by Willingness to Take Financial Risk

Thirty-five percent of mutual fund shareholders are willing to take substantial or above-average financial risk for similar levels of gain (Figure 45). Those willing to take average investment risk for average investment gain—the largest group—account for 49 percent of all mutual fund shareholders. Sixteen percent of shareholders describe themselves as willing to take below-average financial risk for below-average financial gain or unwilling to take any financial risk.

**FIGURE 45**  
**Level of Risk Willing to Take with Mutual Fund Investments**  
(percent)



Number of respondents = 3,549

### Willing to Take Substantial or Above-Average Financial Risk

Shareholders who are willing to take substantial or above-average risk with their fund investments for similar gain have a median age of 44 years, the youngest median age of any shareholder group classified by risk tolerance (Figure 46). These shareholders also have the highest median household income and the greatest median household financial assets—\$75,000 and \$143,600, respectively. Nearly three-quarters are married or living with a partner, and two-thirds have college or postgraduate degrees. Eighty-five percent are employed.

This shareholder group has median mutual fund holdings of \$54,500 (Figure 47). They own a median of six mutual funds. Eighty-seven percent own equity funds; 47 percent, bond funds; 40 percent, hybrid funds; and half, money market funds. Their mutual fund holdings represent a median of 50 percent of household financial assets. Members of this shareholder group invest an average of 63 percent of household mutual fund assets in equity funds. Forty-seven percent conducted mutual fund transactions in 2003, the greatest percentage of any shareholder group classified by willingness to take financial risk. Forty-seven percent bought their first fund prior to 1990; 23 percent, between 1990 and 1994; 22 percent, between 1995 and 1999; and 8 percent, in 2000 or later.

Seventy percent own funds through defined contribution retirement plans (Figure 48). In addition, 70 percent own mutual funds purchased outside defined contribution retirement plans: 53 percent own sales force-distributed funds and 35 percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 53 percent own funds purchased from multiple sources.

Nearly two-thirds of shareholders willing to take substantial or above-average investment risk view defined contribution retirement plans as their primary source for purchasing mutual funds. Nearly six in ten purchased their first mutual fund through a defined contribution plan.

Nearly all shareholders in this group view their fund investments as savings for the long term and understand that investing in equity or bond funds involves accepting some degree of risk (Figure 49). Similarly, nearly all of these shareholders list retirement as a financial goal, and 76 percent cite saving for retirement as their primary financial goal. Compared with shareholders willing to take average financial risk or less, fewer shareholders willing to take substantial or above-average investment risk rely on professional financial advice.

### **Willing to Take Average Financial Risk**

Shareholders who are willing to take average risk for average gain with their fund investments have a median age of 49 years (Figure 46). Median household income for these shareholders is \$66,000 and median household financial assets are \$140,000. More than seven in ten are married or living with a partner and a similar share are employed. Fifty-six percent have college or postgraduate degrees.

Median household mutual fund assets of these shareholders are \$40,000 (Figure 47). They own a median of four mutual funds. Eighty-one percent own equity funds, 45 percent own bond funds, 34 percent own hybrid funds, and half own money market funds. Their mutual fund holdings represent a median of 44 percent of household financial assets. These shareholders on average invest more than half of household mutual fund assets in equity funds. Nearly 40 percent conducted mutual fund transactions in 2003, usually to purchase mutual fund shares. Half bought their first fund before 1990; 21 percent, between 1990 and 1994; 20 percent, between 1995 and 1999; and 9 percent, in 2000 or later.

Sixty percent own funds through defined contribution retirement plans (Figure 48). In addition, 70 percent own funds outside these plans, with 57 percent owning sales force-distributed funds, the greatest percentage of any shareholder group classified by risk tolerance. Thirty-two percent own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 55 percent own funds purchased from multiple sources.

Fifty-six percent consider defined contribution retirement plans to be their primary source for purchasing mutual funds; 31 percent, the sales force channel; and 13 percent, the direct market channel. Fifty-eight percent bought their first fund through a defined contribution plan.

Nearly three-quarters of shareholders willing to take average investment risk for average reward report that they tend to rely on professional financial advisers when making fund investment decisions (Figure 49). The majority also view their fund investments as long-term savings and understand that equity or bond mutual fund investing involves accepting a certain degree of risk. Nearly three-quarters indicate that saving for retirement is their primary financial goal.

## Willing to Take Below-Average or No Financial Risk

Shareholders who are willing to take below-average risk for below-average gain or no risk at all with their fund investments have a median age of 53 years, the greatest of any shareholder group classified by risk tolerance (Figure 46). This group's median household income is \$57,200 and median household financial assets are \$87,500—both of which are the lowest of any shareholder group classified by risk tolerance. Most are married or living with a partner and employed, but 29 percent are retired from their lifetime occupations. Compared with shareholders willing to take at least average financial risk, fewer of those willing to take below-average or no investment risk have college or postgraduate degrees.

These shareholders have median household mutual fund holdings of \$30,000—the least of any shareholder group classified by willingness to take financial risk (Figure 47). They own a median of three mutual funds. Two-thirds own equity funds and more than two-fifths own money market funds. Less than one-third own bond funds and slightly more than one-fifth own hybrid funds. Their mutual fund holdings represent a median of 47 percent of household financial assets. Members of this group on average invest less than half of household mutual fund assets in equity funds and nearly one-quarter of fund assets in money market funds. Twenty-seven percent conducted mutual fund transactions in 2003, the lowest percentage of any shareholder group classified by risk tolerance.

Fifteen percent of these shareholders purchased their first mutual fund in 2000 or later, the greatest percentage of any shareholder group classified by risk tolerance. Eleven percent of this shareholder group have not continuously owned funds since purchasing their first fund, also the largest percentage when shareholders are classified by risk tolerance.

Fifty-three percent currently own funds through defined contribution retirement plans (Figure 48). Sixty-one percent own funds outside these plans: half own sales force-distributed funds and less than one-quarter own direct-marketed funds. Among those owning funds outside defined contribution retirement plans, 51 percent own funds purchased from multiple sources.

Fifty-five percent of shareholders willing to take below-average or no investment risk consider defined contribution retirement plans to be their primary source for purchasing mutual funds. Nearly 60 percent bought their first fund through a defined contribution plan.

Seventy-six percent are confident that they will have enough money in retirement on which to live comfortably, the lowest percentage of any shareholder group classified by risk tolerance (Figure 49). Eighty-three percent list retirement as a financial goal, but only 59 percent cite retirement as their primary financial goal, the lowest percentage of any shareholder group classified by risk tolerance.

FIGURE 46

**Shareholder Characteristics by Level of Risk Willing to Take with Mutual Fund Investments**

	Substantial or Above-Average Risk	Average Risk	Below-Average or No Risk
<b>Median</b>			
Age of household sole or co-decisionmaker for investing	44 years	49 years	53 years
Household income	\$75,000	\$66,000	\$57,200
Household financial assets <sup>1</sup>	\$143,600	\$140,000	\$87,500
<b>Mean</b>			
Age of household sole or co-decisionmaker for investing	45 years	50 years	52 years
Household income	\$92,300	\$90,300	\$72,200
Household financial assets <sup>1</sup>	\$358,100	\$330,500	\$233,300
<b>Percent</b>			
<b>Household investment decisionmaker:</b>			
Male is sole decisionmaker	30	20	17
Female is sole decisionmaker	14	22	31
Co-decisionmakers	55	59	52
<b>Household investment sole or co-decisionmaker for investing:</b>			
Married or living with a partner	73	71	65
Four-year college degree or more	67	56	38
Completed graduate school	26	21	13
Employed	85	75	67
Spouse or partner employed <sup>2</sup>	79	73	71
Retired from lifetime occupation	15	23	29
<b>Household owns:<sup>3</sup></b>			
Bank or thrift deposits	80	85	83
Individual stocks, individual bonds, or annuities (total)	65	65	61
Individual stocks	56	54	51
Individual bonds (excluding U.S. Savings Bonds)	12	15	16
Fixed or variable annuities	19	22	22
U.S. Savings Bonds	44	45	42
Investment real estate	34	33	29
<b>Household owns IRA<sup>4</sup></b>	71	69	65
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>			
401(k) plan account	74	65	59
State, local, or federal government plan account	32	36	41
403(b) plan account	15	13	10
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>			
Coverdell Education Savings Account	12	9	12
529 prepaid tuition or college savings plan account	11	8	8

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 47

### Mutual Fund Ownership Characteristics by Level of Risk Willing to Take with Mutual Fund Investments

	Substantial or Above-Average Risk	Average Risk	Below-Average or No Risk
<b>Median Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$54,500	\$40,000	\$30,000
Number of mutual funds owned	6	4	3
Year of first fund purchase	1990	1989	1990
<b>Mean Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$160,700	\$145,600	\$76,900
Number of mutual funds owned	8	6	5
Year of first fund purchase	1988	1988	1988
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>			
	50	44	47
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>			
Equity funds	63	52	49
Bond funds	11	17	14
Hybrid funds	11	12	10
Money market funds	13	18	24
Fund type not specified	2	2	3
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>			
Equity funds	87	81	67
Bond funds	47	45	32
Hybrid funds	40	34	21
Money market funds	50	50	44
Fund type not specified	4	4	5
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>			
Bought mutual fund shares <sup>4</sup>	40	32	20
Sold mutual fund shares	20	18	12
<b>Have IRA invested in mutual funds<sup>5</sup></b>			
	49	41	29
<b>Bought first mutual fund:</b>			
Before 1990	47	50	48
Between 1990 and 1994	23	21	16
Between 1995 and 1999	22	20	21
2000 or later	8	9	15
<b>Have continuously owned funds since buying first fund</b>			
	95	93	89

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 48

**Mutual Fund Purchase Channels by Level of Risk Willing to Take with Mutual Fund Investments**

(percent)

	Substantial or Above-Average Risk	Average Risk	Below-Average or No Risk
<b>Own mutual funds:</b>			
Only inside defined contribution retirement plan	30	30	39
Only outside defined contribution retirement plan	30	40	47
Both inside and outside defined contribution retirement plan	40	30	14
<b>Own mutual funds bought:<sup>1</sup></b>			
<b>Inside defined contribution retirement plan (total)</b>			
401(k) plan	61	49	42
State, local, or federal government plan	15	17	18
403(b) plan	11	9	5
<b>Outside defined contribution retirement plan (total)</b>			
Sales force	53	57	50
Full-service broker	30	35	27
Independent financial planner	25	24	22
Bank or savings institution representative	13	16	16
Insurance agent	10	11	10
Accountant	0	7	5
Direct market	35	32	23
Fund company directly	26	24	15
Discount broker	16	14	10
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>			
One	47	45	49
Two	31	33	32
Three	15	15	10
Four or more	7	7	9
<b>Primary mutual fund purchase source:</b>			
Inside defined contribution retirement plan	65	56	55
Outside defined contribution retirement plan	35	44	45
Sales force	23	31	39
Full-service broker	10	15	17
Independent financial planner	8	8	11
Insurance agent	2	2	3
Bank or savings institution representative	3	5	7
Accountant	0	1	1
Direct market	12	13	6
Fund company directly	8	9	4
Discount broker	4	4	2
<b>Purchased first mutual fund through defined contribution retirement plan</b>			
	59	58	57

<sup>1</sup> Multiple responses included.

<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

FIGURE 49

**Views on Mutual Fund Investing by Level of Risk Willing to Take with Mutual Fund Investments**

(percent)

	Substantial or Above-Average Risk	Average Risk	Below-Average or No Risk
<b>Strongly or somewhat agree:<sup>1</sup></b>			
My mutual fund investments are savings for the long term	98	98	98
Investing in equity or bond mutual funds involves accepting some degree of risk	98	98	88
I am not concerned about short-term fluctuations in my mutual fund investments	86	82	75
I am confident that I will have enough money in retirement on which to live comfortably	85	81	76
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	66	74	74
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>			
Less than one year	2	3	10
One to five years	21	30	33
Six to ten years	29	26	24
More than ten years	48	40	33
<b>Level of risk willing to take with mutual fund investments:</b>			
Substantial risk for substantial gain	18	0	0
Above-average risk for above-average gain	82	0	0
Average risk for average gain	0	100	0
Below-average risk for below-average gain	0	0	61
No risk at all	0	0	39
<b>Financial goals for mutual fund investments:<sup>1</sup></b>			
Retirement	95	93	83
Reduce taxable income	53	54	47
Emergency	39	44	46
Education	34	27	32
House or other large item	17	12	17
Current income	12	19	33
<b>Primary financial goal for mutual fund investments:</b>			
Retirement	76	73	59
Education	10	8	11
Other	14	19	30



FIGURE 49, *continued*

	Substantial or Above-Average Risk	Average Risk	Below-Average or No Risk
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>			
Reputation of fund companies through which household owns funds	98	98	94
Investment diversification	96	97	89
Availability of a range of mutual fund choices	95	95	86
Level of fees and expenses	92	93	92
Professional money management	86	86	81
Daily pricing of mutual fund shares	55	59	70

**Level of confidence that mutual funds are an investment that can help meet household financial goals:**

Very confident	29	40	45
Somewhat confident	66	56	53
Not at all confident	4	4	3

<sup>1</sup> Multiple responses included.

Note: Number of respondents varies.

## APPENDIX A

# Research Methodology

### Research Design

Roper ASW/NOP World conducted the survey of mutual fund-owning households under the direction of the Investment Company Institute's Research Department. The survey gathered demographic, financial, and fund ownership characteristics of mutual fund shareholders nationwide. The survey collected information on fund ownership inside defined contribution retirement plans and outside these plans, including the number and types of funds owned, and the level of mutual fund assets. The survey also asked shareholders about aspects of fund investing, including financial goals and willingness to take financial risk. Finally, the survey sought demographic information from responding shareholders, such as age, household income, and marital status.

### Interviewing

Interviewing was completed in January and February 2004 using a random digit dial (RDD) national probability sample. The survey respondents are representative of U.S. mutual fund shareholders nationwide. All interviews were conducted with the sole decisionmaker or co-decisionmaker most knowledgeable about household savings and investments.<sup>17</sup> Eligible respondents included shareholders owning mutual funds inside

or outside defined contribution retirement plans, including variable annuities or IRAs. A total of 3,613 telephone interviews, lasting an average of 20 minutes, were completed.

### Sampling Tolerances

The use of sample surveys is standard practice for constructing estimates about a total population. Estimates derived through survey sampling are subject to sampling error. As sample size increases, the level of potential sampling error generally becomes smaller. This confidence level can be used to construct "confidence intervals"—ranges that would include the average estimate taken across all possible samples with known probability. Approximately 95 percent of the intervals figured in all possible samples would contain the average estimate taken across all samples. Figure 50 shows the approximate sampling error for estimates of proportions computed for the sample as a whole and for subsamples of various sizes. The overall sampling error is  $\pm 1.66$  percent.

Percentages may not add to 100 because of weighting or rounding. Where respondents were allowed to provide multiple responses, percentages may add to more than 100 percent.

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<sup>17</sup> Households consist of all persons who occupy a housing unit. A house, an apartment or other group of rooms, or a single room is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters. A household may include related family members and allunrelated persons, such as lodgers, foster children, wards, or employees who share a housing unit. A person living alone in a housing unit, or a group of unrelated persons sharing a housing unit as partners, is also counted as a household.

FIGURE 50

**Sampling Error at the 95 Percent Confidence Level for Selected Percentages of Responses, by Sample Size**

Sample Size	Percent of Responses				
	10 percent or 90 percent	20 percent or 80 percent	30 percent or 70 percent	40 percent or 60 percent	50 percent
4,000	1	1	1	2	2
3,000	1	1	1	2	2
2,500	1	2	2	2	2
2,000	1	2	2	2	2
1,500	2	2	3	3	3
1,000	2	3	3	3	3
500	3	4	4	5	5
100	6	8	9	10	10
50	9	11	13	14	14

*This table shows, for example, that if the sample size is 1,500 and if 10 percent of the respondents provide the same answer to a question and 90 percent provide the other answer, then, using the same procedures, these responses can be expected to be replicated for the entire population within a range of  $\pm 2$  percent, 95 percent of the time.*

## APPENDIX B

# Detailed Characteristics of Mutual Fund Shareholders by Fund Ownership Inside and Outside Defined Contribution Retirement Plans

FIGURE 51

**Detailed Characteristics of Mutual Fund Shareholders**

(percent)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Age of Household Sole or Co-Decisionmaker for Investing</b>						
Under 35 years	17	18	21	15	14	15
35 to 44 years	23	27	29	20	15	25
45 to 54 years	29	31	29	29	26	32
55 to 64 years	18	18	14	20	19	22
65 years or older	13	6	7	17	26	6
Median	48 years	46 years	45 years	50 years	52 years	47 years
Mean	49 years	46 years	45 years	51 years	53 years	48 years
Number of respondents	3,464	2,189	1,113	2,320	1,232	1,016
<b>Total Household Income</b>						
Less than \$25,000	8	6	7	9	12	5
\$25,000 to \$34,999	8	7	8	7	9	4
\$35,000 to \$49,999	13	12	16	12	14	8
\$50,000 to \$74,999	25	26	30	23	25	22
\$75,000 to \$99,999	19	20	19	18	16	21
\$100,000 to \$149,999	17	19	12	19	14	26
\$150,000 to \$249,999	7	8	7	7	5	9
\$250,000 or more	3	2	1	5	5	5
Median	\$68,700	\$70,000	\$62,500	\$72,200	\$62,500	\$86,000
Mean	\$88,500	\$89,100	\$76,200	\$95,600	\$87,900	\$104,400
Number of respondents	2,482	1,579	864	1,539	816	706
<b>Total Household Financial Assets<sup>1</sup></b>						
Less than \$25,000	14	14	21	10	14	6
\$25,000 to \$49,999	12	11	15	10	12	7
\$50,000 to \$74,999	10	10	11	9	8	10
\$75,000 to \$99,999	6	7	8	5	5	4
\$100,000 to \$249,999	26	26	24	28	27	29
\$250,000 to \$499,999	15	15	13	17	16	17
\$500,000 to \$999,999	10	11	5	13	10	18
\$1 million or more	7	6	3	8	8	9
Median	\$125,000	\$125,000	\$87,500	\$190,000	\$150,000	\$200,000
Mean	\$328,300	\$308,400	\$210,500	\$397,200	\$371,200	\$425,800
Number of respondents	2,320	1,483	808	1,441	766	675

FIGURE 51 (continued)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Household Investment Decisionmaker</b>						
Male is sole decisionmaker	23	22	21	24	25	23
Female is sole decisionmaker	21	19	22	20	24	15
Co-decisionmakers	56	59	57	56	51	62
Number of respondents	3,613	2,219	1,153	2,352	1,286	1,006
<b>Marital Status<sup>2</sup></b>						
Married or living with partner	71	74	70	72	66	79
Single	15	14	16	14	17	11
Divorced or separated	9	9	12	8	10	6
Widowed	5	3	2	6	8	3
Number of respondents	3,568	2,189	1,142	2,320	1,273	1,047
<b>Educational Level<sup>2</sup></b>						
High school or less	15	15	19	13	16	10
Some college or associate's degree	28	26	31	27	32	20
Completed four years of college	28	30	26	29	26	34
Some graduate school	7	7	25	7	27	35
Completed graduate school	21	23	18	24	20	28
Number of respondents	3,559	2,184	1,140	2,312	1,268	1,044
<b>Employment Status<sup>2</sup></b>						
Employed	77	86	86	73	62	86
Employed full-time	68	77	78	63	52	76
Employed part-time	9	4	9	10	10	10
Not employed	23	14	14	27	38	14
Number of respondents	3,573	2,195	1,144	2,322	1,271	1,051
<b>Employment Status of Spouse or Partner<sup>3</sup></b>						
Employed	75	81	81	73	64	81
Employed full-time	65	71	71	62	52	71
Employed part-time	10	10	16	11	12	10
Not employed	25	19	19	27	36	19
Number of respondents	2,594	1,659	822	1,698	861	837
<b>Retirement Status<sup>2</sup></b>						
Retired from lifetime occupation	21	13	13	25	35	14
Not retired from lifetime occupation	79	87	87	75	65	86
Number of respondents	3,572	2,193	1,143	2,322	1,272	1,050

FIGURE 51 (continued)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans	Shareholders Owning Funds Outside Defined Contribution Retirement Plans	Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Only Own Funds Inside These Plans	Only Own Funds Outside These Plans	
		Total	Total	
<b>Ethnic Background<sup>2,4</sup></b>				
Caucasian	86	85	89	88
African-American	6	8	5	4
Hispanic	5	5	4	4
Asian	2	2	2	3
Other	7	8	7	7
<b>Household Ownership of Non-Mutual Fund Investments<sup>4</sup></b>				
Bank or thrift deposits	83	82	85	85
Individual stocks, individual bonds, or annuities (total)	64	64	68	69
Individual stocks	54	55	58	61
Individual bonds (excluding U.S. Savings Bonds)	14	13	17	16
Fixed or variable annuities	21	18	23	20
U.S. Savings Bonds	44	46	46	52
Investment real estate	33	30	35	33
Closed-end funds	4	4	4	5
Exchange-traded funds	5	4	6	6
<b>Household Owns IRA<sup>4</sup></b>				
Traditional or Roth IRA	59	55	68	71
SEP IRA, SAR-SEP IRA, or SIMPLE IRA	36	36	34	38
Any of the above	69	66	75	78
<b>Household Ownership of Various Types of Defined Contribution Retirement Plan Accounts<sup>4</sup></b>				
401(k) plan account	67	87	60	89
State, local, or federal government plan account	35	37	35	37
403(b) plan account	14	17	13	20
Any of the above	84	100	78	100
<b>Household Owns Coverdell Education Savings Account</b>				
Yes	11	10	12	13
No	89	90	88	87
Number of respondents	3,598	2,212	2,341	1,062
<b>Household Owns 529 Prepaid Tuition or 529 College Savings Plan Account</b>				
Yes	9	10	10	13
No	91	90	90	87
Number of respondents	3,567	2,193	2,318	1,051

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of household sole or co-decisionmakers for investing.

<sup>3</sup> Percent of shareholders who are married or living with a partner.

<sup>4</sup> Multiple responses included.

Note: A total of 1,066 responding mutual fund shareholders own funds inside and outside defined contribution retirement plans. Hence, their responses are included in the total columns of both "shareholders owning funds inside defined contribution retirement plans" and "shareholders owning funds outside defined contribution retirement plans."

FIGURE 52

**Detailed Mutual Fund Ownership Characteristics of All Shareholders**

(percent)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Total Household Financial Assets in Mutual Funds<sup>1</sup></b>						
Less than \$5,000	11	10	17	8	13	1
\$5,000 to \$9,999	8	7	10	6	9	3
\$10,000 to \$19,999	12	10	13	9	12	6
\$20,000 to \$29,999	8	8	9	8	10	6
\$30,000 to \$49,999	11	12	13	10	10	10
\$50,000 to \$74,999	12	13	12	12	11	13
\$75,000 to \$99,999	8	8	7	9	9	9
\$100,000 to \$249,999	14	20	15	20	15	26
\$250,000 or more	13	14	5	17	10	24
Median	\$48,000	\$53,400	\$30,000	\$62,500	\$40,000	\$100,300
Mean	\$141,600	\$160,200	\$77,700	\$179,400	\$111,500	\$255,000
Number of respondents	2,424	1,517	823	1,248	828	694
<b>Total Number of Funds Owned<sup>1</sup></b>						
One	9	6	12	7	13	0
Two	15	11	21	12	20	1
Three	15	12	20	12	20	4
Four	12	11	14	11	15	7
Five to six	17	17	19	16	16	15
Seven to ten	18	24	9	22	9	39
Eleven or more	15	20	5	19	8	34
Median	4	6	3	5	3	9
Mean	7	8	5	7	5	11
Number of respondents	3,681	1,610	824	1,784	998	786
<b>Types of Mutual Funds Owned<sup>1,2</sup></b>						
Equity funds	80	83	74	84	77	92
Bond funds	44	49	39	47	36	59
Hybrid funds	34	39	29	37	26	49
Money market funds	49	49	39	54	49	60
Fund type not specified	4	5	3	5	3	7
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>						
	47	53	44	50	31	68



FIGURE 52 (continued)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Mean Percent of Mutual Fund Assets by Type of Fund Investments<sup>1,3</sup></b>						
Equity funds	56	56	54	58	57	58
Bond funds	14	15	15	14	14	14
Hybrid funds	11	12	13	10	10	11
Money market funds	17	15	16	16	18	15
Fund type not specified	2	2	3	2	2	2
Number of respondents	1,488	961	504	947	490	457
<b>Mutual Fund Transaction Activity in 2003<sup>1</sup></b>						
Conducted mutual fund transactions <sup>5</sup>	40	40	24	49	40	59
Bought mutual fund shares <sup>6</sup>	33	33	19	41	33	50
Sold mutual fund shares	18	17	7	23	20	28
Did not conduct mutual fund transactions	60	60	76	51	60	41
Number of respondents	3,613	2,429	1,153	2,352	1,286	1,066
<b>Ownership of Mutual Funds in IRAs<sup>4</sup></b>						
Yes	42	42	24	49	39	61
No	58	58	76	51	61	39
Number of respondents	3,613	2,219	1,153	2,352	1,286	1,066
<b>Year of Initial Mutual Fund Purchase<sup>1</sup></b>						
Before 1990	49	46	38	55	54	55
Between 1990 and 1994	21	23	22	21	18	24
Between 1995 and 1999	20	22	25	18	18	18
2000 or later	10	9	15	7	10	3
Median	1990	1990	1992	1988	1988	1988
Mean	1988	1989	1991	1986	1986	1987
Number of respondents	3,319	2,065	1,071	2,152	1,158	994
<b>Continuous Ownership of Mutual Funds Since Buying First Fund<sup>1</sup></b>						
Have continuously owned funds	93	93	91	94	94	95
Have not continuously owned funds	7	7	9	6	6	5
Number of respondents	3,574	2,198	1,140	2,328	1,270	1,058
<b>Ownership of International or Global Mutual Funds<sup>1</sup></b>						
Yes	39	41	33	42	36	49
No	61	59	67	58	64	51
Number of respondents	3,119	1,947	941	2,100	1,094	1,006

FIGURE 52 (continued)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Source of Mutual Fund Ownership</b>						
Only inside defined contribution retirement plan	32	51	100	0	0	0
Only outside defined contribution retirement plan	37	0	0	55	100	0
Both inside and outside defined contribution retirement plan	31	49	0	45	0	100
<b>Purchase Channels Through Which Funds Are Currently Owned<sup>2</sup></b>						
<b>Inside defined contribution retirement plans</b>						
plans (total)	63	100	100	45	0	100
401(k) plan	52	83	82	39	0	84
State, local, or federal government plan	17	27	27	12	0	27
403(b) plan	9	15	12	8	0	17
<b>Outside defined contribution retirement plans</b>						
plans (total)	68	49	0	100	100	100
Sales force	54	39	0	82	85	78
Full-service broker	32	21	0	48	53	43
Independent financial planner	24	18	0	36	36	37
Bank or savings institution representative	15	11	0	27	22	23
Insurance agent	10	8	0	16	15	16
Accountant	4	3	0	6	7	5
Direct market	31	24	0	48	46	49
Fund company directly	23	18	0	35	34	37
Discount broker	14	11	0	21	19	22
Discount broker with walk-in offices	12	10	0	19	18	20
Discount broker only on the Internet	2	2	0	4	3	4
<b>Primary Mutual Fund Purchase Source</b>						
Inside defined contribution retirement plan	59	88	100	36	0	75
Outside defined contribution retirement plan	41	12	0	64	100	25
Sales force	30	8	0	46	74	16
Full-service broker	14	3	0	21	34	7
Independent financial planner	9	3	0	13	21	5
Bank or savings institution representative	4	1	0	7	11	3
Insurance agent	2	1	0	4	6	1
Accountant	1	0	0	1	2	0
Direct market	11	4	0	18	26	9
Fund company directly	7	3	0	12	17	6
Discount broker	4	1	0	6	9	3
Discount broker with walk-in offices	3	1	0	5	8	2
Discount broker only on the Internet	1	0	0	1	1	1

FIGURE 52 (continued)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Source of First Mutual Fund Purchase</b>						
Inside defined contribution retirement plan	58	73	86	43	30	60
Outside defined contribution retirement plan	42	27	14	57	70	40
Number of respondents	3,546	2,186	1,144	2,295	1,253	1,042

<sup>1</sup> Includes mutual funds held inside and outside defined contribution retirement plans.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>4</sup> Includes SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>5</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>6</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

Note: A total of 1,066 responding mutual fund shareholders own funds inside and outside defined contribution retirement plans. Hence, their responses are included in the total columns of both "shareholders owning funds inside defined contribution retirement plans" and "shareholders owning funds outside defined contribution retirement plans."

**FIGURE 53**

**Detailed Mutual Fund Ownership Characteristics of Shareholders Owning Funds Inside Defined Contribution Retirement Plans**

*(percent of respondents owning funds inside defined contribution retirement plans)*

**Mutual Fund Assets Inside Defined Contribution Retirement Plans**

Less than \$5,000	12
\$5,000 to \$9,999	8
\$10,000 to \$19,999	12
\$20,000 to \$29,999	9
\$30,000 to \$49,999	12
\$50,000 to \$99,999	20
\$100,000 to \$249,999	17
\$250,000 or more	10
Median	\$40,000
Mean	\$116,000
Number of respondents	1,722

**Number of Funds Owned Inside Defined Contribution Retirement Plans**

One	8
Two	17
Three	17
Four	16
Five to six	22
Seven or more	22
Median	4
Mean	5
Number of respondents	1,825

**Types of Mutual Funds Owned Inside Defined Contribution Retirement Plans<sup>1</sup>**

Equity funds	86
Bond funds	46
Hybrid funds	39
Money market funds	42

**Mutual Fund Transaction Activity Inside Defined Contribution Retirement Plans in 12 Months Preceding Survey**

Conducted mutual fund transactions	26
Bought mutual fund shares <sup>2</sup>	21
Sold mutual fund shares	8
Did not conduct mutual fund transactions	74
Number of respondents	2,429

<sup>1</sup> Multiple responses included.

<sup>2</sup> Excludes automatic reinvestment of dividends and regular, automatic payroll contributions to defined contribution retirement plans.

**FIGURE 54**

**Detailed Mutual Fund Ownership Characteristics of Shareholders Owning Funds Outside Defined Contribution Retirement Plans**

*(percent of respondents owning funds outside defined contribution retirement plans)*

**Mutual Fund Assets Outside Defined Contribution Retirement Plans**

Less than \$1,000	2
\$1,000 to \$4,999	11
\$5,000 to \$9,999	9
\$10,000 to \$19,999	15
\$20,000 to \$29,999	10
\$30,000 to \$49,999	11
\$50,000 to \$99,999	20
\$100,000 to \$249,999	13
\$250,000 or more	9
Median	\$31,800
Mean	\$98,800
Number of respondents	1,558

**Number of Funds Owned Outside Defined Contribution Retirement Plans**

One	13
Two	22
Three	18
Four	17
Five to six	16
Seven or more	14
Median	3
Mean	5
Number of respondents	1,877

**Types of Mutual Funds Owned Outside Defined Contribution Retirement Plans<sup>1</sup>**

Equity funds	82
Bond funds	37
Hybrid funds	29
Money market funds	49

**Mutual Fund Transaction Activity Outside Defined Contribution Retirement Plans in 12 Months Preceding Survey**

Conducted mutual fund transactions	42
Bought mutual fund shares <sup>2</sup>	35
Sold mutual fund shares	20
Did not conduct mutual fund transactions	58
Number of respondents	2,352

FIGURE 54 (continued)

**Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>3</sup>**

One	41
Two	35
Three	16
Four or more	8
Number of respondents	2,441

**Items Reviewed, Considered, or Asked About Before Making Most Recent Fund Purchase Outside Defined Contribution Retirement Plan<sup>1</sup>**

Past performance of the fund	83
Reputation of the fund company running the fund	76
The risks of investing in the fund	76
Fees or expenses of the fund	76
Investment goals of the fund	69
The minimum investment required to invest in the fund	66
The price per share (net asset value of the fund)	65
The portfolio turnover rate of the fund	46
Shareholder services offered by the fund	32
The names of the people on the fund's Board of Directors	14

<sup>1</sup> Multiple responses included.

<sup>2</sup> Excludes automatic reinvestment of dividends and regular purchases outside defined contribution plans made through systematic deductions from paychecks or bank accounts.

<sup>3</sup> Purchase sources include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

FIGURE 55

**Detailed Views on Mutual Fund Investing**

(percent)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Strongly or Somewhat Agree with Statements About Mutual Fund Investing<sup>1</sup></b>						
My mutual fund investments are savings for the long term	96	97	97	96	96	97
Investing in equity or bond mutual funds involves accepting some degree of risk	96	96	95	97	96	98
I am not concerned about short-term fluctuations in my mutual fund investments	82	83	81	82	81	84
I am confident that I will have enough money in retirement on which to live comfortably	81	79	75	85	85	84
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	71	67	66	74	79	68
<b>Level of Risk Willing to Take with Fund Investments</b>						
Substantial risk for substantial gain	6	7	8	5	4	7
Above-average risk for above-average gain	29	33	26	30	23	39
Average risk for average gain	49	47	46	50	52	48
Below-average risk for below-average gain	10	8	11	9	13	5
No risk at all	6	6	9	5	7	2
Number of respondents	3,549	2,182	1,136	2,307	1,261	1,046
<b>Time Frame for Considering the Investment Risks of Equity or Bond Mutual Funds</b>						
Less than one year	4	4	4	4	5	3
One to five years	27	24	25	29	33	24
Six to ten years	27	27	24	28	25	31
More than ten years	42	44	47	39	37	42
Number of respondents	3,530	2,177	1,127	2,299	1,249	1,050
<b>Financial Goals for Mutual Fund Investments<sup>1</sup></b>						
Retirement	92	96	95	90	85	96
Reduce taxable income	52	55	54	51	46	56
Emergency	43	41	41	43	46	40
Education	30	32	29	31	27	36
Current income	19	14	16	20	25	13
House or other large item	14	15	16	14	13	14
Other	7	5	15	8	11	6

FIGURE 55 (continued)

	All Shareholders	Shareholders Owning Funds Inside Defined Contribution Retirement Plans		Shareholders Owning Funds Outside Defined Contribution Retirement Plans		Shareholders Owning Funds Inside and Outside Defined Contribution Retirement Plans
		Total	Only Own Funds Inside These Plans	Total	Only Own Funds Outside These Plans	
<b>Primary Financial Goal for Mutual Fund Investments</b>						
Retirement	72	78	79	68	61	77
Education	9	8	6	11	11	11
Current income	4	3	3	4	6	2
Emergency	4	3	4	5	7	2
House or other large purchase	3	3	4	3	3	2
Reduce taxable income	4	3	3	4	4	3
Other	3	2	1	5	8	3
Number of respondents	3,524	2,176	1,131	2,290	1,245	1,045
<b>Very or Somewhat Important Reasons for Owning Mutual Funds<sup>1</sup></b>						
Reputation of fund companies through which household owns funds	97	97	96	97	97	98
Investment diversification	96	96	94	96	95	97
Availability of a range of mutual fund choices	92	95	94	93	91	95
Level of fees and expenses	92	92	91	93	93	94
Professional money management	85	86	83	86	84	88
Daily pricing of mutual fund shares	59	59	63	58	60	55
<b>Level of Confidence that Mutual Funds Are an Investment that Can Help Meet Household Financial Goals</b>						
Very confident	38	37	29	42	40	45
Somewhat confident	59	60	66	54	56	53
Not at all confident	4	3	4	4	4	3
Number of respondents	3,585	2,205	1,148	2,329	1,272	1,057

<sup>1</sup> Multiple responses included.

Note: A total of 1,066 responding mutual fund shareholders own funds inside and outside defined contribution retirement plans. Hence, their responses are included in the total columns of both "shareholders owning funds inside defined contribution retirement plans" and "shareholders owning funds outside defined contribution retirement plans."



## APPENDIX C

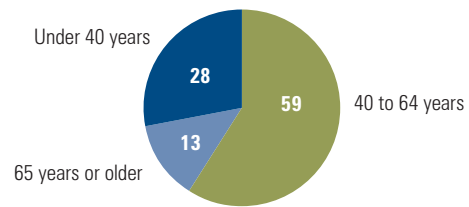
# Detailed Characteristics of Mutual Fund Shareholders by Age

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FIGURE 56

**Age of Household Sole or Co-Decisionmaker for Investing**

(percent)



Number of respondents = 3,464

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FIGURE 57

## Shareholder Characteristics by Age

	Under 40 Years	40 to 64 Years	65 Years or Older
<b>Median</b>			
Age of household sole or co-decisionmaker for investing	33 years	51 years	71 years
Household income	\$65,000	\$75,000	\$45,000
Household financial assets <sup>1</sup>	\$50,000	\$200,000	\$207,100
<b>Mean</b>			
Age of household sole or co-decisionmaker for investing	33 years	51 years	72 years
Household income	\$78,900	\$97,400	\$71,900
Household financial assets <sup>1</sup>	\$163,200	\$370,500	\$580,400
<b>Percent</b>			
<b>Household investment decisionmaker:</b>			
Male is sole decisionmaker	25	21	28
Female is sole decisionmaker	17	20	28
Co-decisionmakers	58	58	45
<b>Household sole or co-decisionmaker for investing:</b>			
Married or living with a partner	70	73	61
Four-year college degree or more	63	56	45
Completed graduate school	17	24	18
Employed	90	83	22
Spouse or partner employed <sup>2</sup>	80	80	24
Retired from lifetime occupation	1	17	83
<b>Household owns:<sup>3</sup></b>			
Bank or thrift deposits	84	83	82
Individual stocks, individual bonds, or annuities (total)	56	67	69
Individual stocks	48	57	55
Individual bonds (excluding U.S. Savings Bonds)	8	14	24
Fixed or variable annuities	12	23	27
U.S. Savings Bonds	43	46	38
Investment real estate	22	36	37
<b>Household owns IRA<sup>4</sup></b>	63	72	64
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>			
401(k) plan account	78	71	28
State, local, or federal government plan account	27	37	46
403(b) plan account	12	15	6
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>			
Coverdell Education Savings Account	15	9	6
529 prepaid tuition or college savings plan account	11	9	6

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs

Note: Number of respondents varies.

FIGURE 58

**Mutual Fund Ownership Characteristics by Age**

	Under 40 Years	40 to 64 Years	65 Years or Older
<b>Median Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$20,000	\$70,000	\$60,000
Number of mutual funds owned	4	5	3
Year of first fund purchase	1996	1987	1980
<b>Mean Per Mutual Fund-Owning Household</b>			
Total mutual fund assets	\$65,000	\$178,100	\$176,000
Number of mutual funds owned	6	7	5
Year of first fund purchase	1996	1987	1977
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>			
	46	50	42
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>			
Equity funds	57	56	53
Bond funds	13	13	21
Hybrid funds	11	11	11
Money market funds	16	18	14
Fund type not specified	3	2	1
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>			
Equity funds	79	83	74
Bond funds	41	46	39
Hybrid funds	34	36	28
Money market funds	45	51	47
Fund type not specified	4	3	6
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>			
Bought mutual fund shares <sup>4</sup>	35	33	26
Sold mutual fund shares	14	19	19
<b>Have IRA invested in mutual funds<sup>5</sup></b>			
	42	45	30
<b>Bought first mutual fund:</b>			
Before 1990	10	60	80
Between 1990 and 1994	24	21	12
Between 1995 and 1999	45	12	5
2000 or later	21	6	3
<b>Have continuously owned funds since buying first fund</b>			
	93	94	92

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

Note: Number of respondents varies.

FIGURE 59

**Mutual Fund Purchase Channels by Age***(percent)*

	Under 40 Years	40 to 64 Years	65 Years or Older
<b>Own mutual funds:</b>			
Only inside defined contribution retirement plan	41	31	16
Only outside defined contribution retirement plan	31	33	70
Both inside and outside defined contribution retirement plan	28	36	14
<b>Own mutual funds bought:<sup>1</sup></b>			
<b>Inside defined contribution retirement plan (total)</b>	69	67	30
401(k) plan	62	56	15
403(b) plan	14	18	14
State, local, or federal government plan	9	10	3
<b>Outside defined contribution retirement plan (total)</b>	59	69	84
Sales force	46	54	70
Full-service broker	22	33	49
Independent financial planner	20	25	29
Bank or savings institution representative	14	14	19
Insurance agent	10	11	9
Accountant			
Direct market	26	31	40
Fund company directly	18	23	33
Discount broker	14	13	15
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>			
One	49	46	42
Two	30	33	35
Three	14	14	16
Four or more	7	7	7
<b>Primary mutual fund purchase source:</b>			
<b>Inside defined contribution retirement plan</b>	70	61	30
<b>Outside defined contribution retirement plan</b>	30	39	70
Sales force	20	29	51
Full-service broker	7	14	26
Independent financial planner	6	9	13
Bank or savings institution representative	3	4	9
Insurance agent	3	2	2
Accountant	1	0	1
Direct market	10	10	19
Fund company directly	4	7	14
Discount broker	6	3	5
<b>Purchased first mutual fund through defined contribution retirement plan</b>	65	60	31

<sup>1</sup> Multiple responses included.<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

Note: Number of respondents varies.

**FIGURE 60**

**Views on Mutual Fund Investing by Age**

(percent)

	Under 40 Years	40 to 64 Years	65 Years or Older
<b>Strongly or somewhat agree:<sup>1</sup></b>			
My mutual fund investments are savings for the long term	99	96	93
Investing in equity or bond mutual funds involves accepting some degree of risk	97	97	92
I am not concerned about short-term fluctuations in my mutual fund investments	84	82	80
I am confident that I will have enough money in retirement on which to live comfortably	82	80	90
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	70	71	74
<b>Level of risk willing to take with mutual fund investments:</b>			
Substantial risk for substantial gain	9	5	6
Above-average risk for above-average gain	38	29	12
Average risk for average gain	40	52	55
Below-average risk for below-average gain	8	9	14
No risk at all	5	5	13
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>			
Less than one year	4	4	47
One to five years	22	25	19
Six to ten years	21	31	19
More than ten years	54	40	29
<b>Financial goals for mutual fund investments:<sup>1</sup></b>			
Retirement	95	95	77
Reduce taxable income	53	54	40
Education	47	28	10
Emergency	44	41	54
House or other large item	28	9	7
Current income	11	14	53
<b>Primary financial goal for mutual fund investments:</b>			
Retirement	70	77	54
Education	14	8	1
Other	16	15	45

FIGURE 60 (continued)

	Under 40 Years	40 to 64 Years	65 Years or Older
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>			
Reputation of fund companies through which household owns funds	97	97	96
Investment diversification	95	96	91
Level of fees and expenses	95	92	90
Availability of a range of mutual fund choices	94	95	89
Professional money management	87	86	78
Daily pricing of mutual fund shares	61	59	57
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>			
Very confident	41	37	35
Somewhat confident	57	59	59
Not at all confident	2	4	6

<sup>1</sup> Multiple responses included.

Note: Number of respondents varies.

## APPENDIX D

# Detailed Characteristics of Mutual Fund Shareholders by Purchase Channels Outside Defined Contribution Retirement Plans<sup>18</sup>

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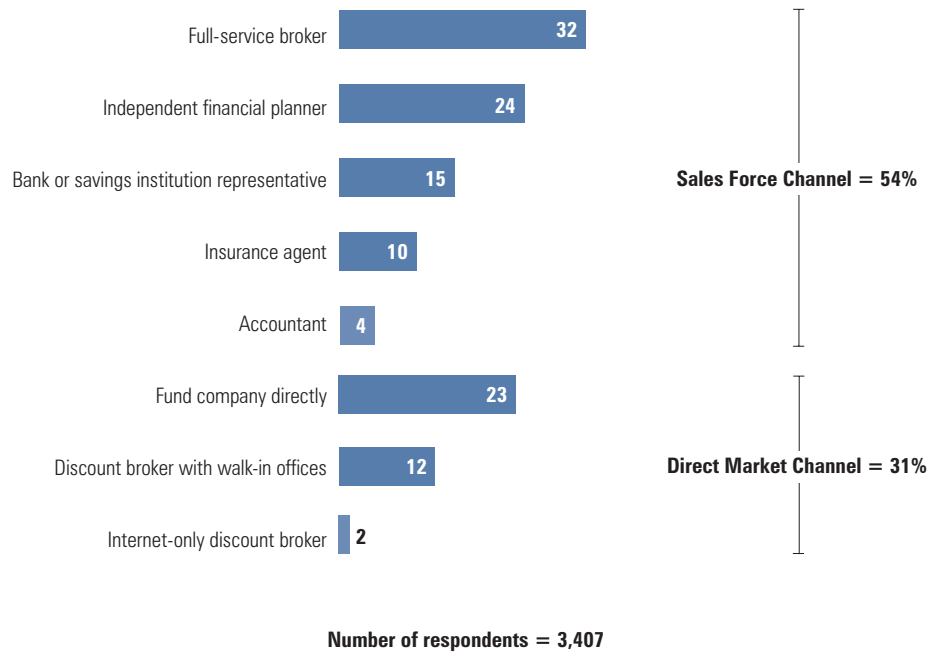
<sup>18</sup> This appendix depicts the characteristics of shareholders according to the channels through which they currently own funds outside defined contribution retirement plans. Because shareholders can own funds from more than one channel, the columns of data are not mutually exclusive. For example, the responses of shareholders owning funds purchased from a full-service broker and directly from a fund company would appear in both the “full-service broker” column and the “fund company directly” column. In contrast, Chapter 3 of this report presents shareholders according to their primary purchase source. Therefore, the columns in Chapter 3 are mutually exclusive.



FIGURE 61

**Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans<sup>1</sup>**

(percent of all shareholders)



<sup>1</sup> Multiple responses included.

Note: Number of respondents varies.

FIGURE 62

**Shareholder Characteristics by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans**

	Sales Force Channel					Direct Market Channel				
	All Sales Force Shareholders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Shareholders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>5</sup>
<b>Median</b>										
Age of household sole or co-decisionmaker for investing	50 years	52 years	50 years	49 years	50 years	49 years	50 years	48 years	48 years	45 years
Household income	\$70,000	\$73,800	\$73,000	\$65,500	\$72,200	\$75,200	\$80,000	\$80,000	\$75,000	\$110,000
Household financial assets <sup>1</sup>	\$170,000	\$200,000	\$190,000	\$157,000	\$175,100	\$200,000	\$200,000	\$179,700	\$177,100	\$200,000
<b>Mean</b>										
Age of household sole or co-decisionmaker for investing	51 years	52 years	51 years	50 years	50 years	50 years	51 years	48 years	49 years	46 years
Household income	\$93,800	100,300	\$94,700	\$90,600	\$88,100	\$101,300	\$107,700	\$102,800	\$99,900	\$116,400
Household financial assets <sup>1</sup>	\$363,700	\$435,300	\$346,500	\$313,000	\$391,300	\$447,900	\$509,900	\$432,200	\$455,300	\$341,000
<b>Percent</b>										
<b>Household investment decisionmaker:</b>										
Male is sole decisionmaker	23	24	21	23	20	28	28	31	30	33
Female is sole decisionmaker	20	19	19	22	21	17	17	16	17	13
Co-decisionmakers	57	57	60	55	59	55	55	53	53	54
<b>Household sole or co-decisionmaker for investing:</b>										
Married or living with a partner	72	71	73	68	77	71	72	70	71	66
Four-year college degree or more	57	61	56	53	49	65	66	66	65	76
Completed graduate school	22	24	23	18	18	28	30	25	24	24
Employed	71	69	71	73	80	73	73	73	74	68
Spouse or partner employed <sup>2</sup>	73	71	76	78	76	72	70	76	75	84
Retired from lifetime occupation	27	29	28	26	23	26	27	25	25	20
<b>Household owns:<sup>3</sup></b>										
Bank or thrift deposits	86	87	85	86	86	86	86	87	87	85
Individual stocks, individual bonds, or annuities (total)	68	73	65	73	66	71	72	75	74	86
Individual stocks	58	65	54	60	54	61	61	65	65	72
Individual bonds (excluding U.S. Savings Bonds)	17	20	15	21	18	18	20	20	19	25
Fixed or variable annuities	25	23	28	29	34	21	22	20	20	22
U.S. Savings Bonds	47	49	47	54	51	49	49	51	50	52
Investment real estate	36	37	37	40	42	36	37	37	36	48
<b>Household owns IRA<sup>4</sup></b>	<b>75</b>	<b>77</b>	<b>77</b>	<b>76</b>	<b>76</b>	<b>78</b>	<b>78</b>	<b>79</b>	<b>80</b>	<b>78</b>

FIGURE 62 (continued)

	Sales Force Channel					Direct Market Channel				
	All Sales Force Shareholders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Shareholders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>5</sup>
<b>Household owns defined contribution retirement plan account (total)<sup>3</sup></b>	77	76	79	78	77	79	81	79	80	79
401(k) plan account	60	60	57	61	62	62	62	63	62	71
State, local, or federal government plan account	36	36	38	33	37	37	39	35	36	33
403(b) plan account	12	13	13	14	11	15	16	16	16	16
<b>Household owns education-targeted savings program account (total)<sup>3</sup></b>	18	20	20	24	19	19	19	24	25	25
Coverdell Education Savings Account	13	13	16	18	14	14	14	17	18	15
529 prepaid tuition or college savings plan account	10	12	11	14	9	11	12	15	14	19

<sup>1</sup> Excludes primary residence but includes assets in employer-sponsored retirement plans.

<sup>2</sup> Percent of shareholders married or living with a partner.

<sup>3</sup> Multiple responses included.

<sup>4</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>5</sup> Small sample size.

Note: Number of respondents varies. The sample size of shareholders who own funds purchased from accountants was too small to analyze.

FIGURE 63

### Mutual Fund Ownership Characteristics by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans

	Sales Force Channel					Direct Market Channel				
	All Sales Force Share-holders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Share-holders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>6</sup>
<b>Median Per Mutual Fund-Owning Household</b>										
Total mutual fund assets	\$60,000	\$65,700	\$70,000	\$57,500	\$50,000	\$77,300	\$87,500	\$50,000	\$54,400	\$83,300
Number of mutual funds owned	5	5	6	6	6	6	6	6	6	8
Year of first fund purchase	1988	1987	1988	1990	1986	1986	1985	1988	1988	1988
<b>Median Per Mutual Fund-Owning Household</b>										
Total mutual fund assets	\$154,000	\$162,900	\$171,800	\$112,900	\$166,800	\$221,900	\$203,200	\$146,700	\$146,600	\$167,900
Number of mutual funds owned	8	8	8	8	8	8	8	9	9	10
Year of first fund purchase	1986	1985	1986	1987	1986	1985	1984	1986	1986	1984
<b>Median Percent Allocation of Household Financial Assets to Mutual Funds</b>										
	50	45	53	46	50	55	56	60	61	42
<b>Mean Percent Allocation of Household Mutual Fund Assets<sup>1</sup></b>										
Equity funds	56	56	52	51	50	57	59	54	55	50
Bond funds	14	15	16	15	18	15	16	14	15	11
Hybrid funds	11	10	12	11	13	9	9	10	10	12
Money market funds	17	17	18	22	17	17	15	20	18	26
Fund type not specified	2	2	2	2	3	2	2	3	3	8
<b>Percent of Mutual Fund-Owning Households Own:<sup>2</sup></b>										
Equity funds	85	87	83	84	85	90	90	93	93	91
Bond funds	48	51	53	47	50	50	49	54	53	64
Hybrid funds	37	38	41	37	42	41	43	41	41	47
Money market funds	56	58	58	59	58	62	61	68	67	78
Fund type not specified	5	4	7	8	6	7	7	7	7	10
<b>Conducted mutual fund transaction in 2003 (total)<sup>2,3</sup></b>										
Bought mutual fund shares <sup>4</sup>	48	52	50	46	42	54	56	55	54	66
Sold mutual fund shares	41	44	42	41	36	45	45	48	46	64
	23	26	27	20	18	27	28	29	28	37
<b>Have IRA invested in mutual funds<sup>5</sup></b>										
	48	50	49	52	51	55	56	55	55	59

FIGURE 63 (continued)

	Sales Force Channel					Direct Market Channel				
	All Sales Force Shareholders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Shareholders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>6</sup>
<b>Bought first mutual fund:</b>										
Before 1990	54	59	54	50	57	61	65	57	57	60
Between 1990 and 1994	20	20	21	24	17	19	18	21	21	23
Between 1995 and 1999	19	16	18	17	18	15	14	17	17	16
2000 or later	7	5	7	9	8	5	3	5	5	1
<b>Have continuously owned funds since buying first fund</b>	94	93	95	96	97	96	95	95	95	97

<sup>1</sup> Simple average. See text footnote 6 on page 5 for explanation.

<sup>2</sup> Multiple responses included.

<sup>3</sup> Includes transactions conducted inside and outside defined contribution retirement plans.

<sup>4</sup> Excludes automatic reinvestment of dividends inside or outside defined contribution retirement plans; regular, automatic payroll contributions to defined contribution retirement plans; and regular purchases outside defined contribution retirement plans made through systematic deductions from paychecks or bank accounts.

<sup>5</sup> Includes traditional IRAs, Roth IRAs, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

<sup>6</sup> Small sample size.

Note: Number of respondents varies. The sample size of shareholders who own funds purchased from accountants was too small to analyze.

FIGURE 64

**Mutual Fund Purchase Channels by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans**

(percent)

	Sales Force Channel					Direct Market Channel				
	All Sales Force Share-holders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Share-holders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>3</sup>
<b>Own mutual funds:</b>										
Only inside defined contribution retirement plan	0	0	0	0	0	0	0	0	0	0
Only outside defined contribution retirement plan	55	59	53	52	52	52	51	50	50	47
Both inside and outside defined contribution retirement plan	45	41	47	48	48	48	49	50	50	53
<b>Own mutual funds bought:<sup>1</sup></b>										
<b>Inside defined contribution retirement plan (total)</b>										
401(k) plan	37	34	37	39	38	39	40	41	41	48
403(b) plan	11	11	15	14	13	13	14	13	12	19
State, local, or federal government plan	7	7	9	8	8	9	9	10	11	5
<b>Outside defined contribution retirement plan (total)</b>										
Sales force	100	100	100	100	100	70	67	78	79	74
Full-service broker	59	100	47	39	34	43	38	54	57	38
Independent financial planner	44	36	100	34	44	31	30	34	37	24
Bank or savings institution representative	27	18	21	100	26	20	20	22	20	30
Insurance agent	19	11	19	18	100	14	16	13	13	10
Accountant	8	7	10	6	7	7	7	7	6	8
Direct market	41	42	40	42	43	100	100	100	100	100
Fund company directly	29	27	29	30	35	74	100	41	41	40
Discount broker	20	23	20	20	17	44	24	100	100	100
<b>Number of mutual fund purchase sources used outside defined contribution retirement plans:<sup>2</sup></b>										
One	35	29	21	22	18	26	28	13	12	18
Two	38	36	38	35	35	36	34	36	35	36
Three	18	23	23	25	24	23	22	29	30	30
Four or more	9	12	18	18	23	15	16	22	23	16

FIGURE 64 (continued)

	Sales Force Channel					Direct Market Channel				
	All Sales Force Share-holders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Share-holders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>3</sup>
<b>Primary mutual fund purchase source:</b>										
<b>Inside defined contribution retirement plan</b>	34	33	36	36	34	39	38	40	39	41
<b>Outside defined contribution retirement plan</b>	66	67	64	64	66	61	62	60	61	59
Sales force	55	56	56	54	57	26	25	27	27	23
Full-service broker	25	42	12	12	12	12	11	16	17	6
Independent financial planner	16	9	38	7	4	8	8	5	5	3
Bank or savings institution representative	8	2	2	32	5	4	3	4	3	10
Insurance agent	5	2	3	3	26	1	2	1	1	0
Accountant	1	1	1	0	0	1	1	1	1	4
Direct market	11	11	8	10	9	35	37	33	34	36
Fund company directly	6	6	3	6	6	23	32	7	7	4
Discount broker	5	5	5	4	3	12	5	26	27	32
<b>Purchased first mutual fund through defined contribution retirement plan</b>	43	42	44	44	50	42	40	43	44	39

<sup>1</sup> Multiple responses included.

<sup>2</sup> Percent of shareholders owning funds outside defined contribution retirement plans. Purchase sources outside these plans include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

<sup>3</sup> Small sample size.

Note: Number of respondents varies. The sample size of shareholders who own funds purchased from accountants was too small to analyze.

FIGURE 65

**Views on Mutual Fund Investing by Channels Used to Purchase Funds Owned Outside Defined Contribution Retirement Plans**

(percent)

	Sales Force Channel					Direct Market Channel				
	All Sales Force Share-holders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Share-holders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>2</sup>
<b>Strongly or somewhat agree:<sup>1</sup></b>										
Investing in equity or bond mutual funds involves accepting some degree of risk	97	98	97	94	95	96	96	96	96	98
My mutual fund investments are savings for the long term	96	97	97	95	96	95	95	94	95	88
I am confident that I will have enough money in retirement on which to live comfortably	85	86	87	82	82	85	84	87	86	92
I am not concerned about short-term fluctuations in my mutual fund investments	82	81	82	80	79	83	82	83	82	84
I tend to rely on the advice of a professional financial adviser when making mutual fund purchase and sales decisions	81	82	86	76	80	62	58	66	67	50
<b>Level of risk willing to take with mutual fund investments:</b>										
Substantial risk for substantial gain	5	5	5	4	6	5	5	4	4	3
Above-average risk for above-average gain	29	28	32	28	28	34	34	36	36	44
Average risk for average gain	51	53	48	51	51	49	51	48	50	36
Below-average risk for below-average gain	10	11	9	10	8	7	6	7	7	7
No risk at all	5	3	5	8	7	5	5	4	3	10
<b>Time frame for considering the investment risks of equity or bond mutual funds:</b>										
Less than one year	4	4	3	5	4	5	4	7	6	11
One to five years	29	30	27	31	31	29	32	26	27	17
Six to ten years	28	27	33	27	29	28	26	33	34	28
More than ten years	38	39	37	37	36	38	38	34	34	44
<b>Financial goals for mutual fund investments:<sup>1</sup></b>										
Retirement	91	91	91	90	93	90	89	91	93	83
Reduce taxable income	52	55	55	54	51	53	51	56	56	57
Emergency	44	44	46	45	52	48	48	47	49	41
Education	31	30	36	35	32	35	34	42	40	52
Current income	21	22	22	24	16	22	22	21	22	20
House or other large item	13	11	14	19	15	17	18	17	16	21



FIGURE 65 (continued)

	Sales Force Channel					Direct Market Channel				
	All Sales Force Shareholders	Full-Service Broker	Independent Financial Planner	Bank or Savings Institution Representative	Insurance Agent	All Direct Market Shareholders	Fund Company Directly	Discount Broker Total	Discount Broker with Walk-In Offices	Internet-Only Discount Broker <sup>2</sup>
<b>Primary financial goal for mutual fund investments:</b>										
Retirement	68	69	67	63	69	65	65	64	65	57
Education	11	10	13	13	11	11	10	14	15	16
Other	21	21	20	24	20	24	25	22	20	27
<b>Very or somewhat important reasons for owning mutual funds:<sup>1</sup></b>										
Reputation of fund companies through which household owns funds	98	98	97	96	99	98	99	96	97	91
Investment diversification	96	97	96	94	97	96	96	96	96	94
Availability of a range of mutual fund choices	94	95	95	94	96	94	94	94	95	85
Level of fees and expenses	93	95	94	92	96	95	95	97	96	98
Professional money management	88	88	90	85	92	82	81	82	82	70
Daily pricing of mutual fund shares	60	58	61	63	63	59	56	64	63	67
<b>Level of confidence that mutual funds are an investment that can help meet household financial goals:</b>										
Very confident	41	41	45	34	41	44	45	43	42	51
Somewhat confident	55	55	52	62	56	52	51	54	56	41
Not at all confident	4	4	3	4	3	4	4	3	2	8

<sup>1</sup> Multiple responses included.

<sup>2</sup> Small sample size.

Note: Number of respondents varies. The sample size of shareholders who own funds purchased from accountants is too small to analyze.