

ICI RESEARCH PERSPECTIVE

FEBRUARY 2023 // VOL. 29, NO. 1

The Role of IRAs in US Households' Saving for Retirement, 2022

KEY FINDINGS

- » **Individual retirement accounts (IRAs) play an important role in US households' retirement saving.** In mid-2022, more than four in 10 US households owned IRAs. Traditional IRAs were the most common type of IRA owned (31 percent of US households), followed by Roth IRAs and employer-sponsored IRAs. IRA-owning households often also had employer-sponsored retirement plan accumulations or had defined benefit plan coverage.
- » **Majority of US households have tax-advantaged retirement savings.** All told, more than seven in 10 US households had retirement plans through work or IRAs; being later in the life-cycle of saving, more than eight in 10 near-retiree households did.
- » **Rollovers from employer-sponsored retirement plans have fueled the growth in IRAs.** In mid-2022, 60 percent of traditional IRA-owning households indicated that their IRAs contained rollovers from employer-sponsored retirement plans. Among households with rollovers in their traditional IRAs, 85 percent indicated that they had rolled over the entire retirement account balance in their most recent rollover; 44 percent had also made contributions to their traditional IRAs at some point.
- » **Traditional IRA-owning households with rollovers cite multiple reasons for rolling over their retirement plan assets into traditional IRAs.** The three most common primary reasons for rolling over were not wanting to leave assets behind at the former employer, wanting to consolidate assets, and wanting to preserve the tax treatment of the savings (22 percent, 22 percent, and 15 percent of traditional IRA-owning households with rollovers, respectively).

Key findings continued »

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Suggested citation: Holden, Sarah, and Daniel Schrass. 2023. "The Role of IRAs in US Households' Saving for Retirement, 2022." *ICI Research Perspective* 29, no. 01 (February). Available at www.ici.org/files/2023/per29-01.pdf.

For more information about the role of IRAs in US households' saving for retirement, see the appendix to this paper, available at www.ici.org/files/per29-01-data.xls.

Key findings continued »

- » **Few US households make IRA contributions to IRAs.** Only 15 percent of US households contributed to traditional or Roth IRAs in tax year 2021. Thirty-six percent of households owning traditional or Roth IRAs in mid-2022 made contributions in tax year 2021. Other research finds that confusion over rules, meeting eligibility requirements, or satisfying savings needs at work may explain lack of contributions. In addition, traditional IRA-owning households without contributions tended to have rollovers (64 percent) or have defined contribution (DC) plan accounts (66 percent). Fifty-three percent of traditional IRA-owning households without contributions were retired.
- » **IRA withdrawals were infrequent and mostly retirement related.** Twenty-nine percent of traditional IRA-owning households in mid-2022 took withdrawals in tax year 2021 compared with 23 percent in tax year 2020. Some of the increase in withdrawal activity resulted from the return of required minimum distributions in tax year 2021, which had been suspended in tax year 2020.
- » **The majority of traditional IRA withdrawals were made by retirees.** Ninety percent of households that made traditional IRA withdrawals were retired. Indeed, only 5 percent of traditional IRA-owning households in mid-2022 headed by individuals younger than 59 took withdrawals. Seventy-four percent of traditional IRA-owning households with withdrawals calculated the withdrawal using the RMD rule—this was the most common amount withdrawn.
- » **Most traditional IRA-owning households have a planned retirement strategy.** Two-thirds of traditional IRA-owning households in mid-2022 indicated that they have a strategy for managing income and assets in retirement. Typically, these strategies have many components, including: reviewing asset allocations, determining their retirement expenses, developing a retirement income plan, setting aside emergency funds, and determining when to take Social Security benefits.

IRAs Play an Increasingly Important Role in Saving for Retirement

IRAs are a significant component of US retirement savings. With \$11.7 trillion in assets in mid-2022, individual retirement accounts (IRAs) represented 34 percent of US total retirement market assets, compared with 24 percent two decades ago and 18 percent three decades ago.¹ IRAs have also risen in importance on household balance sheets. In mid-2022, IRA assets were 11 percent of all household financial assets, up from 8 percent of assets two decades ago and 5 percent three decades ago.² In mid-2022, 55.0 million US households, or 41.9 percent, reported

that they owned IRAs (Figure 1).³ Among all IRA-owning households in mid-2022, nearly nine in 10 also had employer-sponsored retirement plans; that is, they had defined contribution (DC) plan balances, current defined benefit (DB) plan payments, or expected future DB plan payments. Another 30 percent of US households reported employer-sponsored retirement plan coverage but no IRAs. All told, about 94 million US households, or 72 percent, had some type of formal, tax-advantaged retirement savings. Being later in the life-cycle of saving, more than eight in 10 near-retiree households had retirement accumulations.

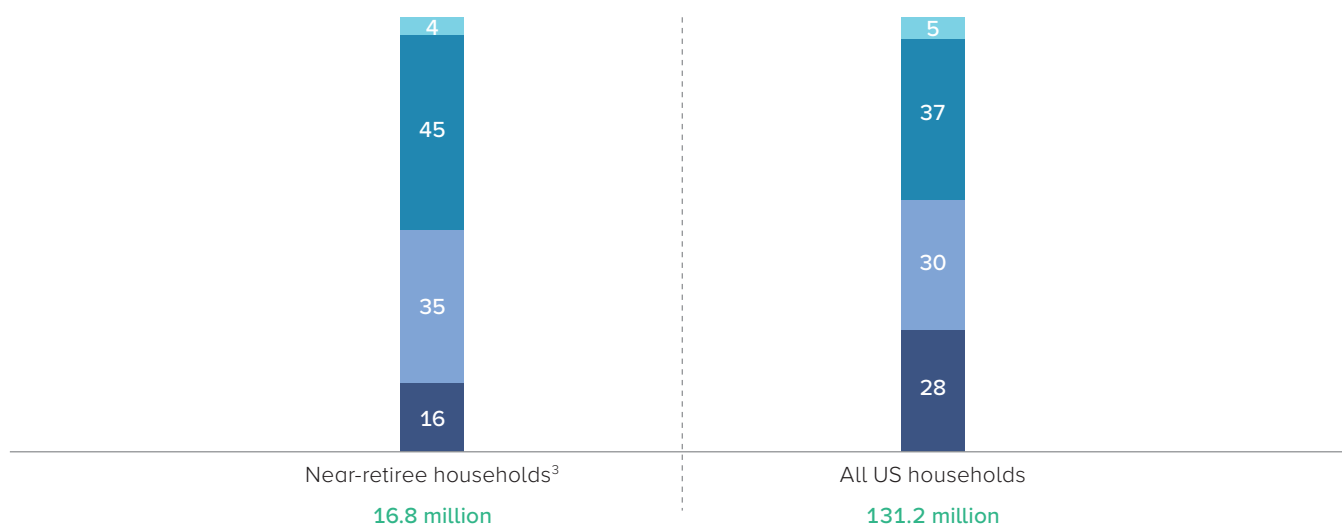
FIGURE 1

Many US Households Have Tax-Advantaged Retirement Savings

Percentage of US households, 2022

Ownership of IRAs or employer-sponsored retirement plan accounts

- Own IRA only¹
- Have IRA and employer-sponsored retirement plan^{1,2}
- Have employer-sponsored retirement plan only²
- Do not have IRA or employer-sponsored retirement plan



¹ IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

² Employer-sponsored retirement plans include DC and DB retirement plans.

³ *Near retiree households* are those with a head of household aged 55 to 64 who is working or whose spouse is working.

Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and US Census Bureau

Traditional IRAs are the oldest and most common type of IRA. In mid-2022, 40.9 million US households, or 31.2 percent, owned traditional IRAs (Figure 2).⁴ In addition to being a repository for contributions, the traditional IRA is a key vehicle for rollovers from employer-sponsored retirement plans. Indeed, six in 10 US households with traditional IRAs indicated that their IRAs contained rollover assets.⁵ Roth IRAs, which

were first available in 1998, are the second most frequently owned type of IRA, held by 32.3 million US households, or 24.6 percent.⁶ Overall, 41.0 percent of US households, or 53.8 million, owned traditional or Roth IRAs (14.8 percent of US households owned both traditional and Roth IRAs). In mid-2022, 3.7 percent of US households owned employer-sponsored IRAs, which include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

FIGURE 2
Millions of US Households Own IRAs

	Year created	Number of US households with type of IRA, ¹ 2022	Percentage of US households with type of IRA, ¹ 2022
Traditional IRA	1974 (Employee Retirement Income Security Act)	40.9 million	31.2%
SEP IRA²	1978 (Revenue Act)	4.9 million	3.7%
SAR-SEP IRA²	1986 (Tax Reform Act)		
SIMPLE IRA²	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	32.3 million	24.6%
Any IRA¹		55.0 million	41.9%

¹ Households may own more than one type of IRA.

² SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs are employer-sponsored IRAs.

Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and US Census Bureau

IRA Ownership Rates Increase with Household Age and Income

People of all ages own IRAs, but ownership is higher among households aged 35 or older. This reflects the life-cycle effect on saving; that is, households tend to focus on retirement-related saving as they get older (when younger, they save for other goals such as education or buying a house).⁷ Also, many traditional IRA owners became owners as a result of rollovers from employer-sponsored plans, which occur after at least some years in the workforce.⁸ In mid-2022, 37 percent of households headed by an individual aged 35 to 44 owned IRAs, 43 percent of households headed by an

individual aged 55 to 64 owned IRAs, and 52 percent of households headed by an individual aged 65 or older owned IRAs (see Figure A2). As a result, 68 percent of IRA-owning households were headed by individuals aged 45 or older (see Figure A3).

IRA-owning households cover a range of incomes, although IRA ownership tends to increase with household income. This pattern is consistent with the fact that lower-income households, which tend to be focused on near-term spending needs and which receive a higher replacement benefit through Social Security,⁹ generally have a lower propensity to save for retirement.¹⁰

In mid-2022, 54 percent of households with household incomes of \$50,000 or more owned IRAs, compared with 21 percent of households with household incomes of less than \$50,000 (see Figure A4). Sixty-four percent of households with incomes of \$100,000 or more owned IRAs in mid-2022. Reflecting these ownership rates, among IRA-owning households, 18 percent earned less than \$50,000, 27 percent had household incomes between \$50,000 and \$99,999, and 55 percent had household incomes of \$100,000 or more (see Figure A5).

IRA Owners Tend to Be Savers

IRA owners build substantial financial assets. The median financial assets of IRA-owning households was more than ten times the median financial assets of households that did not own IRAs (Figure 3). Those assets included DC retirement plan accounts—75 percent of households that owned IRAs also owned such accounts. IRA owners typically exhibit the characteristics that correlate with a greater propensity to save: the financial decisionmakers of households with IRAs are more likely than households that do not own IRAs to be married, employed, and have college or postgraduate degrees.¹¹

FIGURE 3

IRA Owners Are Typically Middle-Aged, Married, and Employed

Characteristics of US households by ownership of IRAs,¹ 2022

Median per household	Households owning IRAs ¹	Households not owning IRAs
Age of household sole or co-decisionmaker for saving and investing	56 years	49 years
Household income ²	\$108,000	\$50,000
Household financial assets ³	\$375,000	\$25,000
Household financial assets in traditional or Roth IRAs	\$100,000	N/A
Share of household financial assets in traditional or Roth IRAs (percent)	40%	N/A
Percentage of households		
Household sole or co-decisionmaker for saving and investing:		
Married or living with a partner	71%	58%
College or postgraduate degree	57	25
Employed full- or part-time	62	58
Retired from lifetime occupation	39	28
Household has DC account or DB plan coverage (total)		
DC retirement plan account	75	44
DB plan coverage	42	23
Household income less than \$150,000	67	78
Age of household sole or co-decisionmaker for saving and investing between 35 and 64	49	55
Household willing to take above-average or substantial risk with financial investments	36	17

¹ IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

² Total reported is household income before taxes in 2021.

³ Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

N/A = not applicable

Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and Investment Company Institute IRA Owners Survey

Like other investing households, the majority of IRA-owning households were willing to take some investment risk for financial gain. In mid-2022, 36 percent of IRA-owning households were willing to take substantial or above-average investment risk for similar levels of financial gain (see Figure A6);¹² the figure was about the same (34 percent) for mutual fund-owning households¹³ but was substantially less (24 percent) for all US households (see Figure A6). Willingness to take investment risk among households owning IRAs generally decreases with age.¹⁴

Just as 401(k) balances tend to be higher the longer a worker's job tenure,¹⁵ IRA balances tend to rise with length of ownership. In mid-2022, households owning traditional or Roth IRAs for less than 10 years had median IRA holdings of \$25,000, while households owning traditional or Roth IRAs for 20 years or more had median traditional and Roth IRA holdings of \$250,000 (see Figure A7). Mean traditional and Roth IRA holdings, though considerably higher than the median values, display a similar pattern.

Rollovers to Traditional IRAs Fuel Growth

From their inception, traditional IRAs have been designed so that investors could accumulate retirement assets either through contributions¹⁶ or by rolling over balances from employer-sponsored retirement plans (to help workers consolidate and preserve these assets).^{17, 18} Rollover activity, which helps many Americans preserve their retirement savings, has fueled recent IRA growth. The most recent available data show that households transferred \$536 billion from employer-sponsored (DC or DB or both) retirement plans to traditional IRAs in 2019.¹⁹ In mid-2022, about 25 million US households (or 60 percent of all US households owning traditional IRAs) had traditional IRAs that included rollover assets (Figure 4).²⁰ With their most recent rollovers, the vast majority of these households (85 percent) transferred the entire retirement plan account balance into the traditional IRA.²¹ More than nine in 10 traditional IRA-owning households with rollovers made their most recent rollover in 2000 or later, including 71 percent whose most recent rollover was within the past 12 years. Among households with rollovers in their traditional IRAs, 56 percent had only rollover IRAs (having never made traditional IRA contributions).

FIGURE 4

Rollovers Are Often a Source of Assets for Traditional IRAs

Households with traditional IRAs that include rollovers

Percentage of households owning traditional IRAs, 2022

Traditional IRA includes rollover	60%
Traditional IRA does not include rollover	40

Traditional IRA rollover activity

Percentage of households owning traditional IRAs that include rollovers, 2022

Reason for traditional IRA rollover(s):*

Job change, layoff, or termination	68
Retirement	43
Other	7

Amount of most recent traditional IRA rollover:

All assets in employer-sponsored retirement plan were rolled over	85
Some assets in employer-sponsored retirement plan were rolled over	15

Contributions to traditional IRA other than rollover:

Have made contribution other than rollover	44
Have never made contribution in addition to rollover	56

Percentage of traditional IRA balance from rollovers or transfers from former employer-sponsored retirement plans:

Less than 25 percent	13
25 to 49 percent	13
50 to 74 percent	16
75 percent or more	58

Year of most recent rollover:

Before 2000	8
Between 2000 and 2004	9
Between 2005 and 2009	12
Between 2010 and 2014	16
Between 2015 and 2019	32
2020 or later	23
Median percentage of traditional IRA balance from rollovers or transfers from former employer-sponsored retirement plans (among households with rollovers)	80

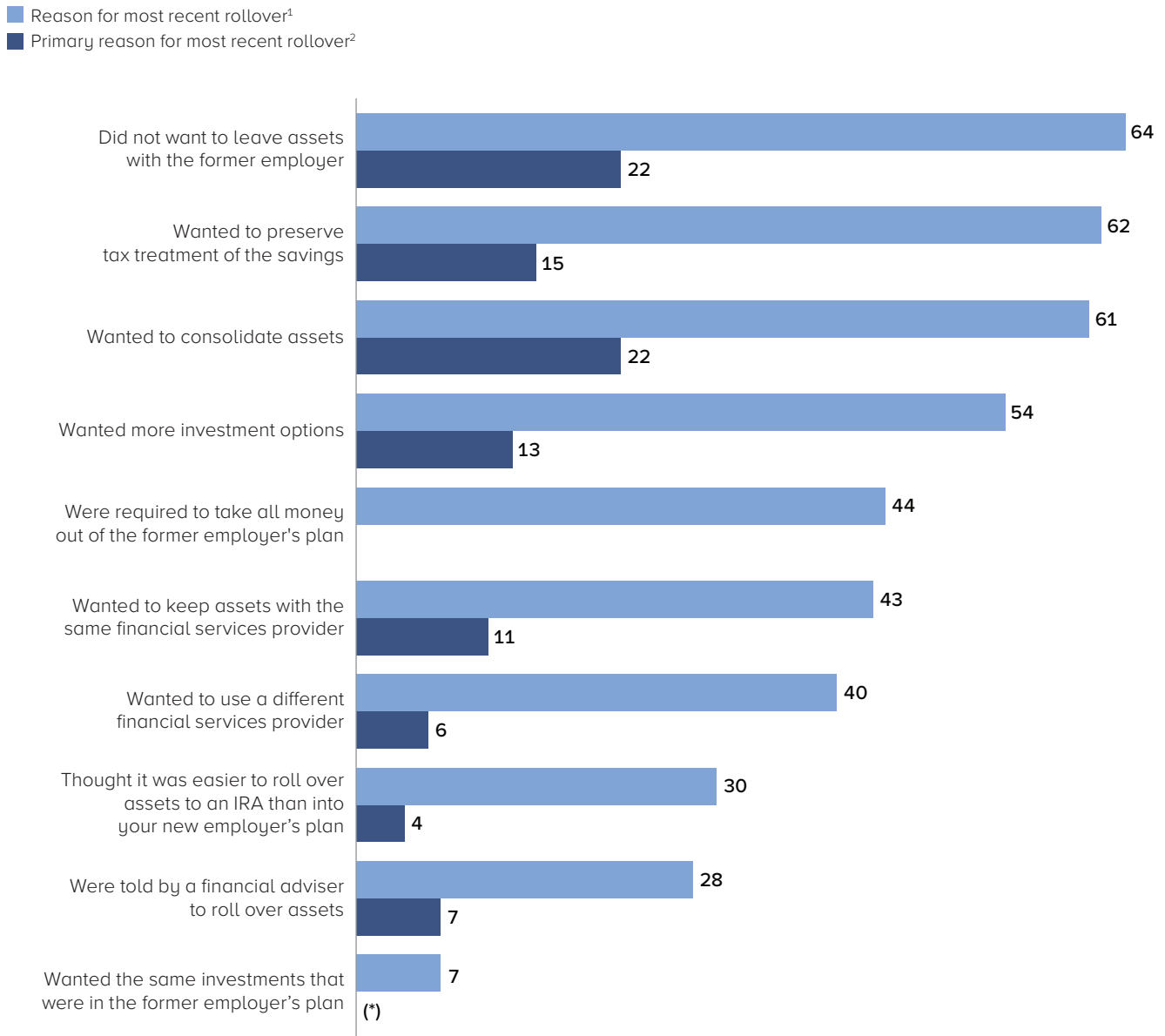
*Multiple responses are included.

Source: Investment Company Institute IRA Owners Survey

FIGURE 5

Rollovers Often Consolidate Retirement Assets

Percentage of households owning traditional IRAs that include rollovers, 2022



¹ Multiple responses are included for all responses except for respondents who were required to take the money out of their former employer's plan. Eighty-four percent of traditional IRA-owning households with rollovers had multiple reasons for rolling over.

² Figure does not include households with traditional IRAs that made their most recent or only rollover because they were required to take the money out of their former employer's plan.

(*) = less than 0.5 percent

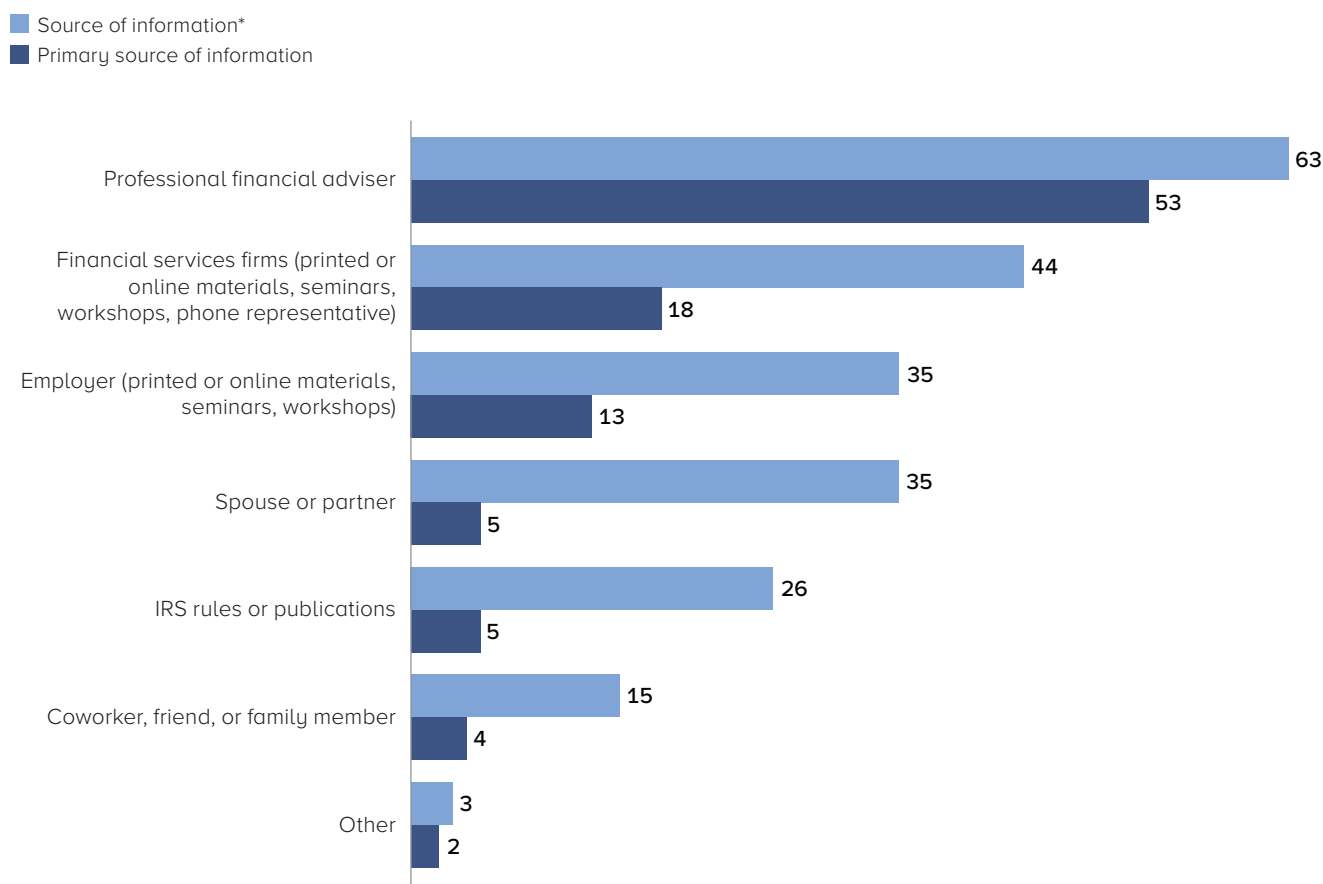
Source: Investment Company Institute IRA Owners Survey

Most traditional IRA-owning households with rollovers (84 percent) had multiple reasons for rolling over the accumulations from their employer-sponsored retirement plans to traditional IRAs (Figure 5).²² For example, 64 percent did not want to leave assets with their former employer, and 61 percent said they wanted to consolidate assets. Sixty-two percent said they wanted to preserve the tax treatment of the savings. Fifty-four percent of traditional IRA-owning households with rollovers wanted more investment options. Forty-three percent kept their assets with the same financial services provider when they rolled over assets, and 40 percent rolled over to change financial services providers. Twenty-eight percent were told by a financial

adviser to roll over, and 30 percent thought it was easier to roll over to an IRA than into their new employer's plan. Forty-four percent reported that they were required to take all of their money out of their former employer's plan.

Rollovers often are primarily used to consolidate retirement assets. When traditional IRA-owning households that chose to roll over assets were asked to identify the primary reason for the rollover, 22 percent said they did not want to leave the assets with their former employer, and 22 percent said they wanted to consolidate assets (Figure 5).

FIGURE 6
Sources of Information Consulted for Rollover Decision
 Percentage of households owning traditional IRAs that include rollovers, 2022



* Multiple responses are included; 63 percent of traditional IRA-owning households with rollovers consulted multiple sources of information.
 Note: Other responses given included myself, other online information, and banks.
 Source: Investment Company Institute IRA Owners Survey

Traditional IRA-owning households generally researched the decision to roll over money from their former employer's retirement plan into a traditional IRA. Sixty-three percent consulted multiple sources of information—the most common source of information was professional financial advisers, who were consulted by 63 percent of traditional IRA-owning households with rollovers (Figure 6). Thirty-five percent of traditional IRA-owning households with rollovers relied on information provided by their employers, with 26 percent using printed materials from their employers as a source of information and 19 percent consulting online materials from their employers (see Figure A8). Forty-four percent of traditional IRA-owning households with rollovers relied on information provided by financial services firms, with 21 percent using printed materials provided by financial services firms. Twenty-four percent indicated that they used online materials from financial services firms.

When asked to identify their primary source of information on the rollover decision, 53 percent of traditional IRA-owning households with rollovers primarily relied on professional financial advisers (Figure 6). Older households were more likely to consult professional financial advisers than younger households (see Figure A8). Eighteen percent of traditional IRA-owning households with rollovers identified their primary source of information on the rollover decision as financial services firms. Eight percent of traditional IRA-owning households with rollovers said their primary source of information was online materials from these firms, with younger households more likely to rely primarily on online resources than older households.

When asked about the selection of the initial asset allocation of rollover assets in traditional IRAs, 22 percent of traditional IRA-owning households with rollovers indicated that their professional

financial adviser selected the investments, and 44 percent indicated that they worked together with a professional financial adviser to select the investments. Thirty-four percent of traditional IRA-owning households with rollovers reported that the household selected the investments without outside help.

Households with rollover assets in their traditional IRAs tend to have higher IRA balances, compared with IRAs funded purely by individual contributions. Median traditional IRA holdings that include rollovers were \$150,000 in mid-2022, compared with median traditional IRA holdings of \$42,500 for balances that did not include rollovers (see Figure A9).²³

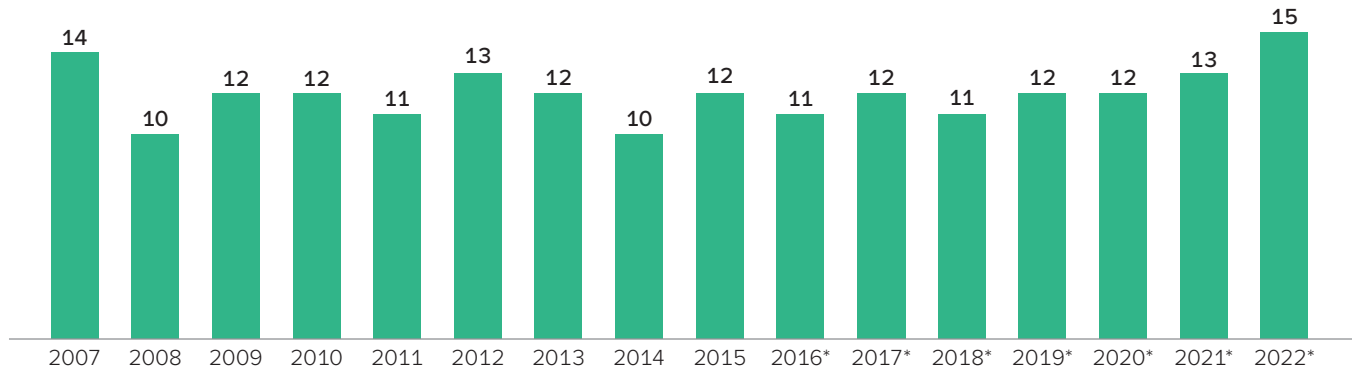
Few Households Make Contributions to IRAs

Although IRAs can play the role of a contributory savings vehicle for Americans to build their retirement savings, the majority of US households do not contribute to them. In tax year 2021, only 15 percent of all US households made contributions to traditional IRAs or Roth IRAs, compared with 13 percent in tax year 2020 (Figure 7). Eligibility requirements or meeting retirement savings needs through employer-sponsored retirement plans help explain the lower contribution rates to IRAs. Among households owning IRAs, contribution rates were higher: 36 percent of households owning traditional IRAs or Roth IRAs in mid-2022 made contributions in tax year 2021 (Figure 8), compared with 37 percent in tax year 2020 and 35 percent in tax year 2019.²⁴ Households may, depending on their eligibility, contribute to more than one type of IRA in each tax year. Among households making contributions to traditional IRAs or Roth IRAs in tax year 2021, 35 percent contributed to traditional IRAs only, and 53 percent contributed to Roth IRAs only (Figure 7). The remaining 12 percent contributed to both traditional IRAs and Roth IRAs in tax year 2021.

FIGURE 7

Few Households Contribute to Traditional or Roth IRAs

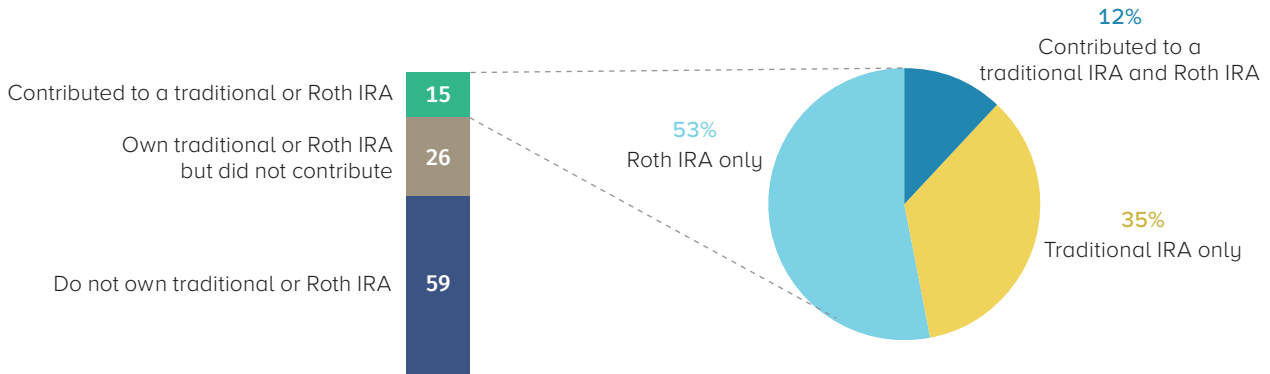
Percentage of all US households that contributed to traditional or Roth IRAs in the previous tax year



Traditional or Roth IRA contribution activity in tax year 2021

Contributions to traditional or Roth IRAs in tax year 2021
Percentage of all US households

Type of IRA to which household contributed in tax year 2021
Percentage of US households contributing to traditional or Roth IRAs



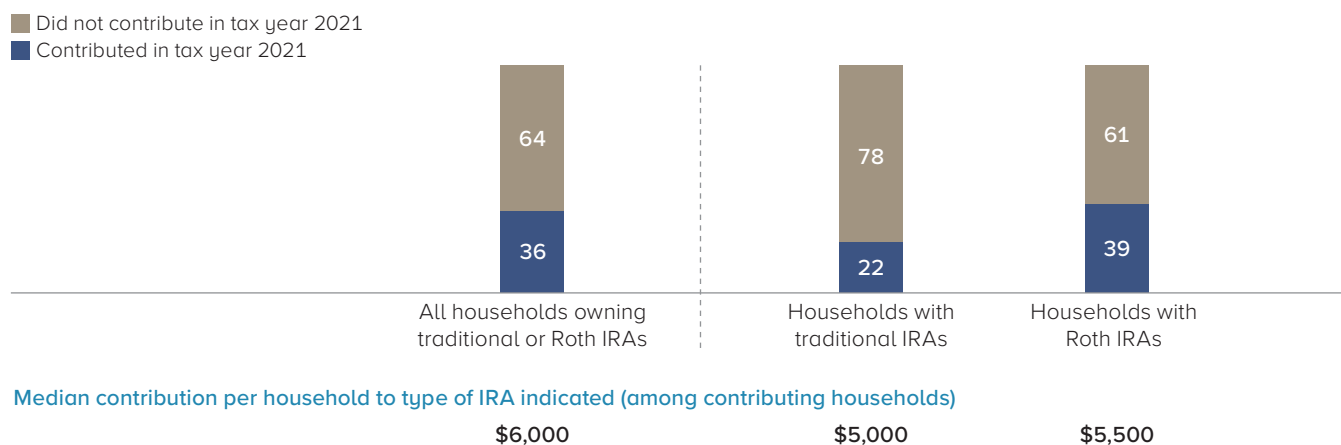
* Starting in 2016, the ICI IRA Owners Survey was changed from a dual-frame RDD telephone survey to a self-administered online survey on the KnowledgePanel®, a probability-based online panel administered by Ipsos. Please see page 21 for a discussion of the revision to the survey methodology and the effect of that revision on the results.

Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and the Investment Company Institute IRA Owners Survey

FIGURE 8

Contribution Activity to Roth IRAs Outpaces Contribution Activity to Traditional IRAs in Tax Year 2021

Percentage of US households owning each type of IRA in 2022 by contribution status



Note: Households may hold more than one type of IRA. Contribution activity reported is for type of IRA indicated. Some of these households may have been ineligible to make contributions.

Source: Investment Company Institute IRA Owners Survey

Roth IRA Owners Are More Likely to Contribute

Traditional IRA owners were less likely than Roth IRA owners to have made contributions. Thirty-nine percent of households owning Roth IRAs in mid-2022 made contributions in tax year 2021 (Figure 8). In contrast, 22 percent of traditional IRA-owning households in mid-2022 contributed to their traditional IRAs in tax year 2021.²⁵ Several factors play a role in the lower contribution rate to traditional IRAs.²⁶ For example, restrictions on the tax deductibility of contributions²⁷ must be considered by traditional IRA-owning households that have retirement plan coverage at work.²⁸ In addition, half of traditional IRA-owning households in mid-2022 indicated that someone in the household was retired.²⁹ Prior to tax year 2020, traditional IRA investors aged 70½ or older were not permitted to make contributions to traditional IRAs.³⁰ Furthermore, some households that own traditional IRAs use them to preserve rollovers rather than as a contributory savings vehicle. And some households may be able to meet their retirement savings needs through their retirement plans at work.³¹

Traditional IRA-owning households without contributions tended to have rollovers (64 percent) or have a DC plan account (66 percent) (see Figure A24). Fifty-three percent of traditional IRA-owning households without contributions were retired, and 49 percent were not employed (suggesting a lack of earnings to contribute). Nevertheless, other research finds that traditional IRA investors who make contributions tend to do so on a recurring basis.³²

In tax year 2021, the median household contribution to traditional IRAs was \$5,000 (Figure 8), and the median household contribution to Roth IRAs was \$5,500. In tax year 2021, the traditional and Roth IRA contribution limit was \$6,000 for individuals younger than 50 (see Figure A10).³³ Since tax year 2002, individuals aged 50 or older are eligible to make catch-up contributions to their IRAs.³⁴ Among households aged 50 or older, 45 percent owned traditional or Roth IRAs in mid-2022 (see Figure A11). Of these IRA-owning households, 20 percent made contributions to traditional or Roth IRAs; about 44 percent of these contributing households made catch-up contributions. Among the 36 percent of

households aged 50 or older that did not contribute to a traditional or Roth IRA, 72 percent were retired, and 54 percent were not working (28 percent of those that were retired were working full- or part-time). In addition, 60 percent of these households owned a DC account and 62 percent of them reported either a traditional IRA rollover or that some of the assets in their Roth IRAs were originally from an employer-sponsored retirement plan.

All told, catch-up contributions are not prevalent, with only 4 percent of all US households aged 50 or older reporting catch-up contributions to traditional or Roth IRAs. However, it should be noted that US households aged 50 or older include households ineligible to make deductible contributions to traditional IRAs or Roth IRA contributions because of restrictions on such contributions based on income.³⁵ Furthermore, 48 percent of US households aged 50 or older were not employed, and 59 percent were retired.

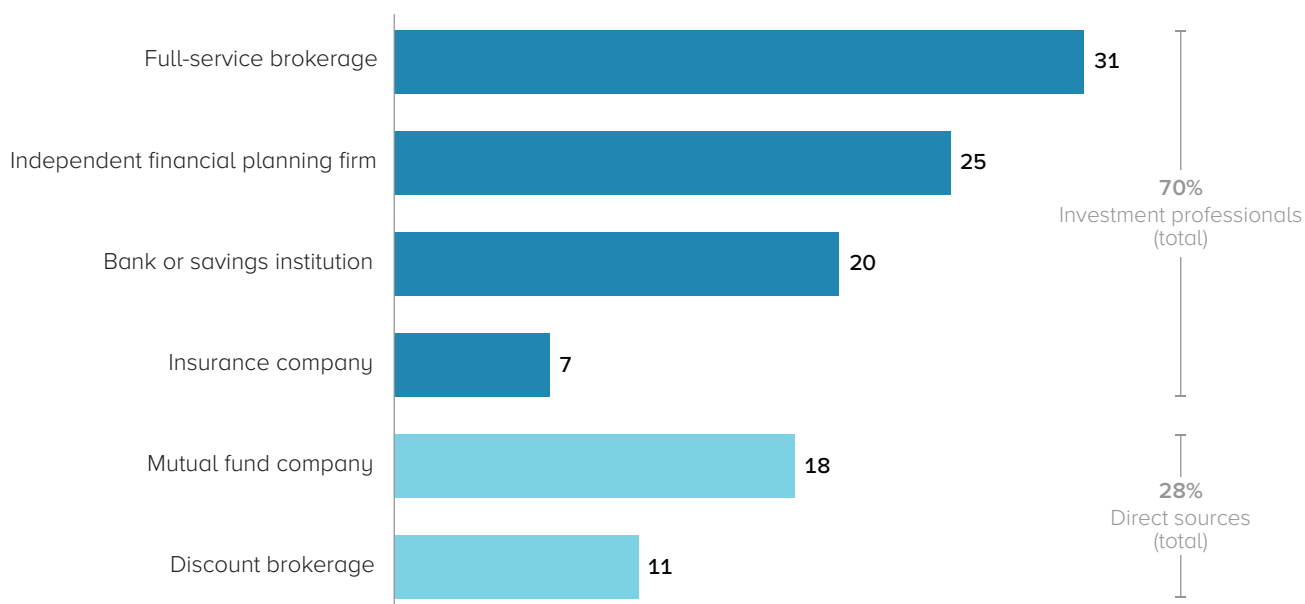
Traditional IRAs Are Held Through a Variety of Financial Institutions

Households with traditional IRAs held them through a wide array of financial institutions.³⁶ In mid-2022, 70 percent of households that owned traditional IRAs held them through investment professionals, and 28 percent held them directly at mutual fund companies or discount brokers (Figure 9). Older traditional IRA-owning households were more likely to use investment professionals (76 percent among those 55 or older) than younger traditional IRA-owning households (61 percent among those younger than 55) (see Figure A12). Younger traditional IRA-owning households were more likely to hold their traditional IRAs through direct sources (32 percent among those younger than 55) than older traditional IRA-owning households (26 percent among those 55 or older).

FIGURE 9

Traditional IRAs Are Held Through a Variety of Financial Institutions

Percentage of households owning traditional IRAs, 2022



Note: Multiple responses are included.

Source: Investment Company Institute IRA Owners Survey

IRA Withdrawals Are Infrequent, Mostly Retirement Related

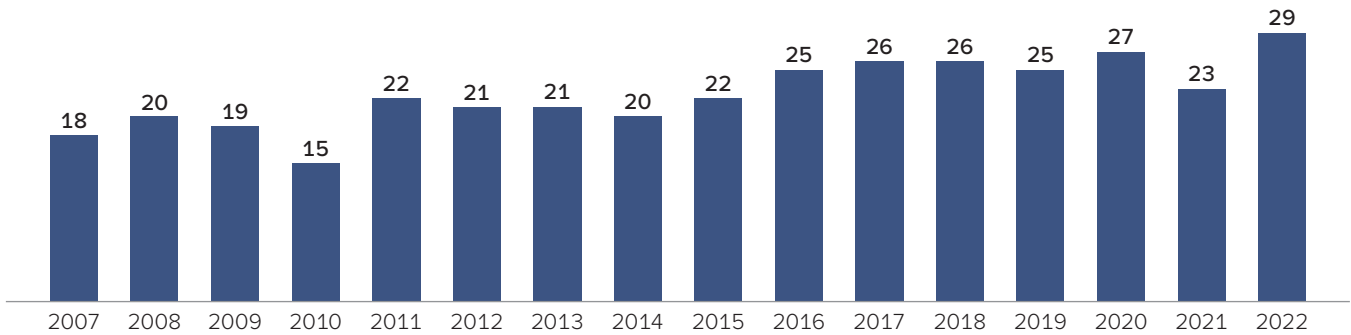
Few households withdraw money from their IRAs in any given year, and most withdrawals are retirement related. A traditional IRA withdrawal taken by an individual prior to age 59½ is generally subject to a 10 percent penalty on the taxable portion of the withdrawal (in addition to the federal, state, and local income tax that may be

due).³⁷ Taxpayers older than 59½ but younger than 72 may take withdrawals without penalty but generally are not required to do so.³⁸ Traditional IRA owners aged 72 or older are required to withdraw an annual amount based on life expectancy or pay a penalty for failing to do so; these withdrawals are called required minimum distributions (RMDs).³⁹ Households with inherited IRAs are also generally required to take distributions.

FIGURE 10

Traditional IRA Withdrawal Activity

Percentage of households owning traditional IRAs in the year indicated that took withdrawals in the prior year



* Starting in 2016, the ICI IRA Owners Survey was changed from a dual-frame RDD telephone survey to a self-administered online survey on the KnowledgePanel®, a probability-based online panel administered by Ipsos. Please see page 21 for a discussion of the revision to the survey methodology and the effect of that revision on the results.

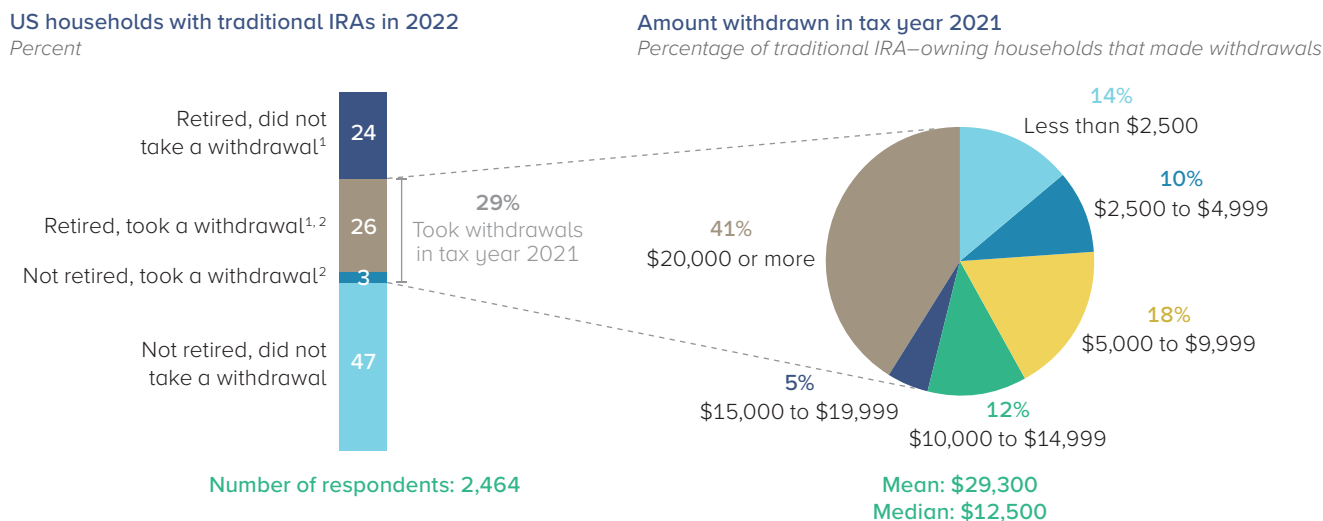
Note: Households were surveyed in the spring of the year indicated and asked about withdrawals in the prior year. For example, for traditional IRA-owning households in 2022, the figure reports withdrawal activity for tax year 2021.

Source: Investment Company Institute IRA Owners Survey

Twenty-nine percent of households owning traditional IRAs in 2022 reported taking withdrawals from these IRAs in tax year 2021, up from 23 percent in tax year 2020 (Figure 10).⁴⁰ The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted March 27, 2020, suspended RMDs for tax year 2020.⁴¹ Withdrawal activity among traditional IRA-owning households fell to lower levels in tax year 2020, likely in part due to the

suspension of RMDs from traditional IRAs. Some of the increase in withdrawal activity in tax year 2021 resulted from the return of RMDs. Among households taking traditional IRA withdrawals in tax year 2021, 90 percent reported that someone in the household was retired from their lifetime occupation (Figure 11). Nevertheless, 48 percent of retired households owning traditional IRAs in mid-2022 did not take withdrawals in tax year 2021.

FIGURE 11
Withdrawals from Traditional IRAs Are Infrequent



¹ The household was considered retired if either the head of household or spouse responded affirmatively to the question: “Are you retired from your lifetime occupation?”

² Households that made a withdrawal exclude those that closed and no longer own traditional IRAs.

Source: Investment Company Institute IRA Owners Survey

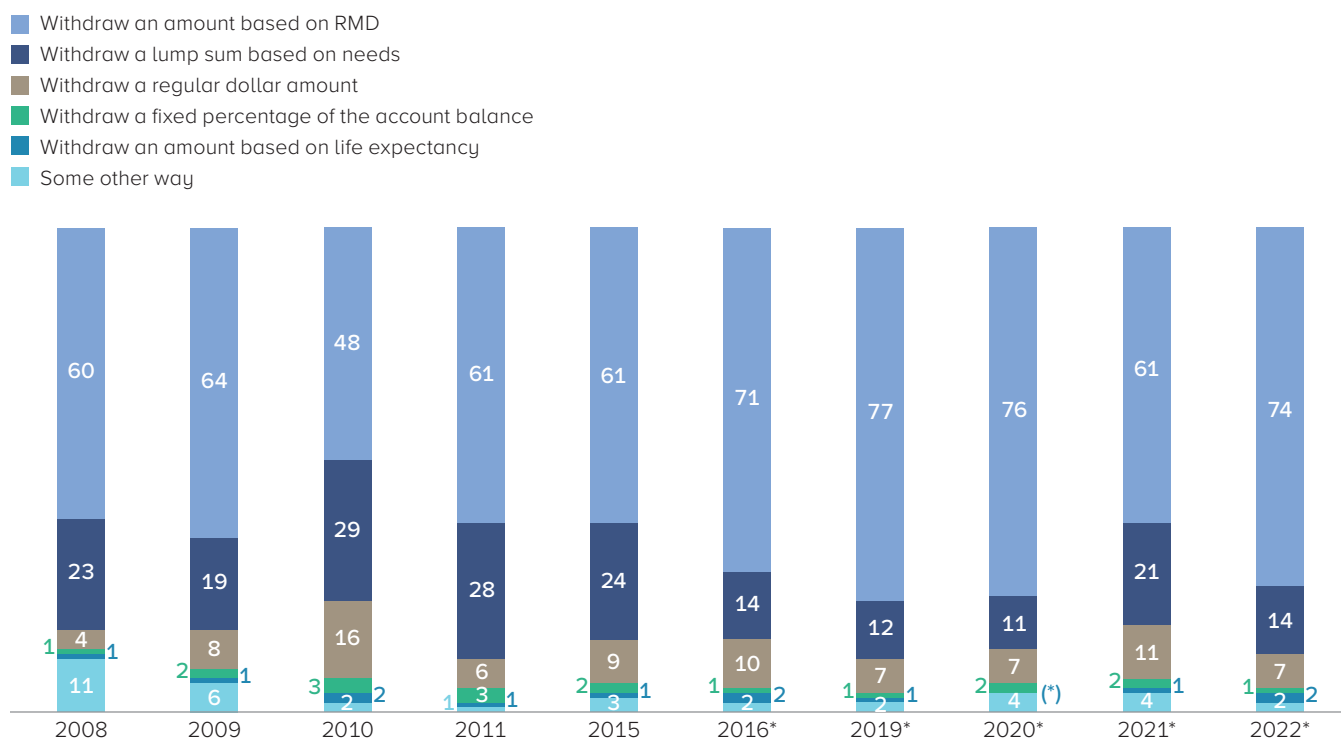
Traditional IRA-owning households that made withdrawals generally took modest-sized amounts (Figure 11). Although some withdrawals appear large in dollar amounts, a median of 5 percent of the account balance was typically withdrawn. In line with the incentives and disincentives of the tax code, younger households were much less likely to make withdrawals than older households. Among traditional IRA-owning households in mid-2022 headed by individuals younger than 59, only 5 percent took withdrawals in tax year 2021 (see Figure A13).⁴² Twenty-three percent of households owning traditional IRAs and headed by an individual aged 59 to 69 in mid-2022 reported withdrawals in tax year 2021. Seventy-three percent of households owning traditional IRAs and headed by an individual aged 70 or older took withdrawals in tax year 2021.⁴³

Typically, withdrawals from traditional IRAs were taken to fulfill RMDs. Seventy-four percent of households owning traditional IRAs in mid-2022 and making withdrawals in tax year 2021 calculated their withdrawal amount based on the RMD, compared with 61 percent in tax year 2020 (Figure 12).⁴⁴ Another 14 percent of traditional IRA-owning households taking withdrawals reported they withdrew lump sums based on needs in tax year 2021, compared with 21 percent in tax year 2020. In tax year 2021, 8 percent reported a scheduled withdrawal amount, either as a percentage of the account or a regular dollar amount, compared with 13 percent in tax year 2020.⁴⁵

FIGURE 12

How Traditional IRA Withdrawals Are Determined

Percentage of traditional IRA-owning households in the year indicated with withdrawals in the prior year, selected years



* Starting in 2016, the ICI IRA Owners Survey was changed from a dual-frame RDD telephone survey to a self-administered online survey on the KnowledgePanel®, a probability-based online panel administered by Ipsos. Please see page 21 for a discussion of the revision to the survey methodology and the effect of that revision on the results.

(*) = less than 0.5 percent

Source: Investment Company Institute IRA Owners Survey

Reflecting the rules governing distributions from traditional IRAs, households headed by individuals aged 72 or older were much more likely to cite RMDs as the way they calculated their withdrawal amounts,⁴⁶ while younger households were much more likely to take lump-sum withdrawals based on needs. Among traditional IRA-owning households in mid-2022 with a head of household aged 72 or older and taking a withdrawal in tax year 2021, 95 percent indicated their withdrawal was based on the RMD rules—only 2 percent took lump sums based on needs (Figure 13). In contrast,

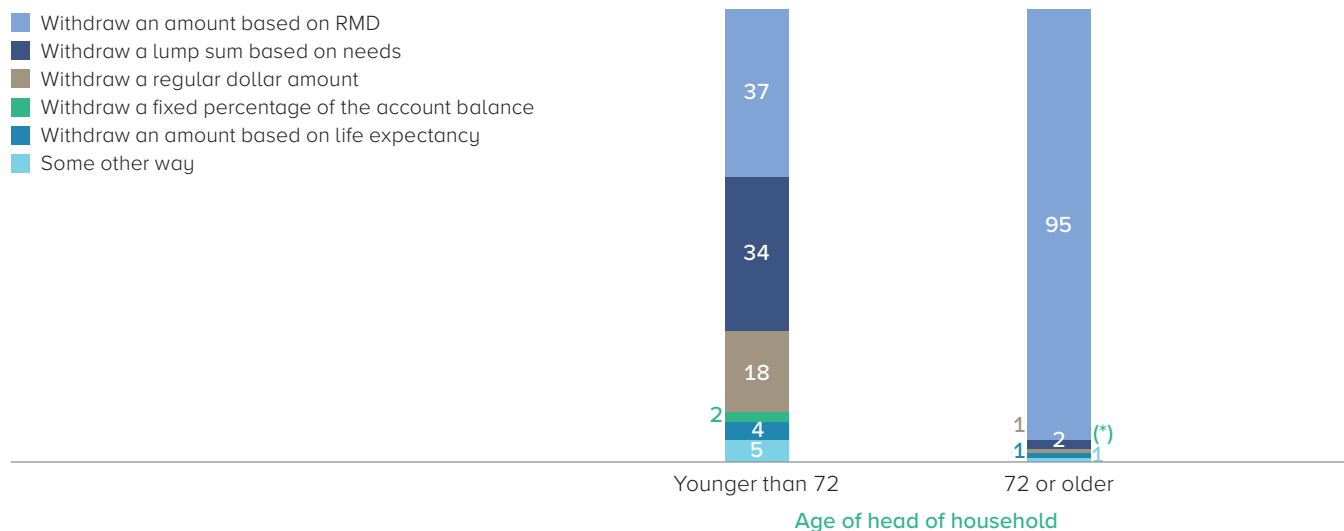
among withdrawing households younger than age 72, 37 percent took RMDs, and 34 percent took lump sums based on needs.

Traditional IRA-owning households that took withdrawals in tax year 2021 usually consulted outside sources to determine the amount of the withdrawal. Fifty-nine percent consulted a professional financial adviser to determine the amount to withdraw in tax year 2021 (see Figure A15). Thirty percent consulted Internal Revenue Service (IRS) rules or publications.

FIGURE 13

Older Traditional IRA-Owning Households Use RMD Rules When Taking Withdrawals

Percentage of traditional IRA-owning households with withdrawals in tax year 2021



Note: Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Source: Investment Company Institute IRA Owners Survey

Traditional IRA Withdrawals Are Used for a Variety of Purposes

Traditional IRA withdrawals can be used for a variety of purposes in retirement. Among households in which either the head of household or spouse was retired, 37 percent reported using traditional IRA withdrawals to pay for living expenses (see Figure A16). Forty-four percent of retired households that took traditional IRA withdrawals in tax year 2021 reinvested or saved at least some of the withdrawal amount into another account.⁴⁷ Fifteen percent reported using their withdrawals for home purchase, repair, or remodeling; and 4 percent reported using their withdrawals for healthcare expenses. Five percent used their withdrawals for emergencies. Nonretired traditional IRA-owning households that reported taking withdrawals in tax year 2021 had different uses for the funds. These households were more likely to use the funds for home purchase, repair, or remodeling (21 percent), emergencies (14 percent), or for a healthcare expense (17 percent) than retired households.

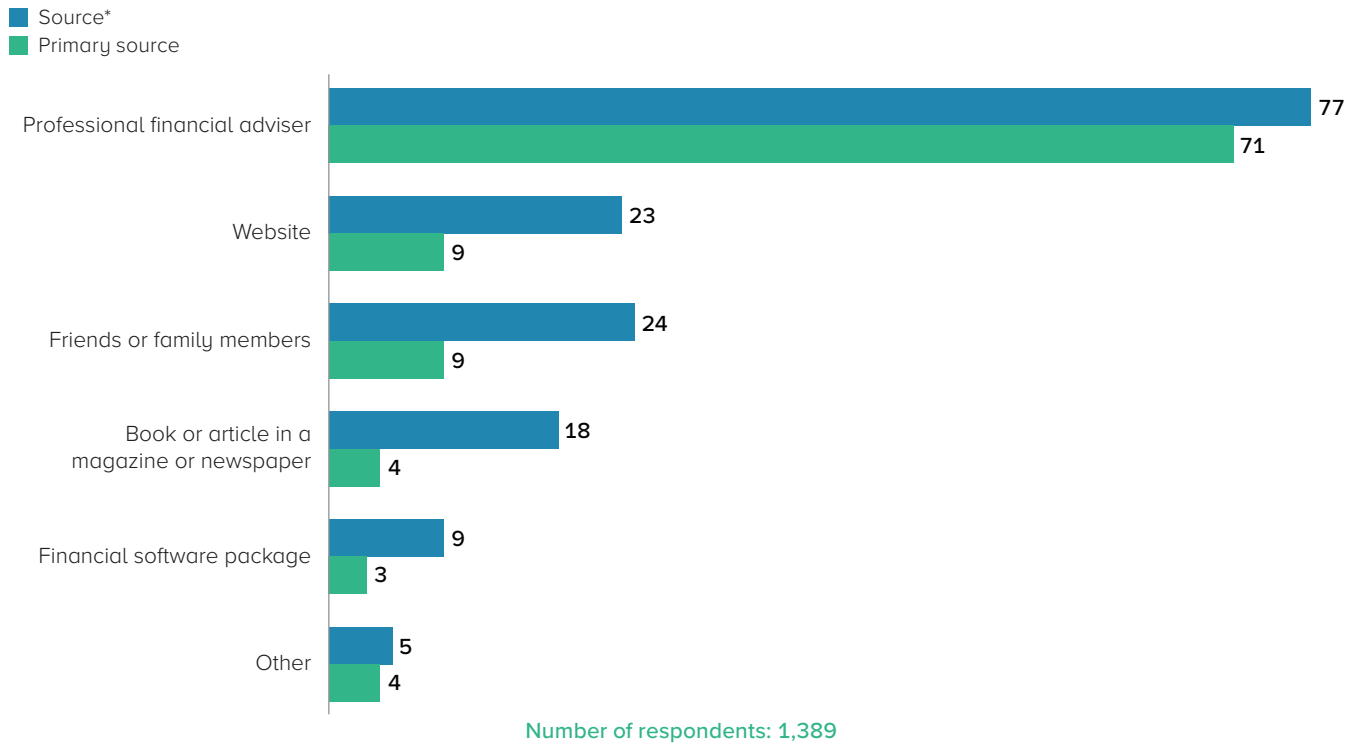
Most Traditional IRA Owners Have a Planned Retirement Strategy

Sixty-seven percent of traditional IRA-owning households in mid-2022 said they have a strategy for managing income and assets in retirement. These households typically seek advice when building their retirement income and asset management strategy. Seventy-seven percent of traditional IRA-owning households with a strategy consulted a professional financial adviser when creating the strategy (Figure 14), with older households more likely to do so than younger households (see Figure A30). Twenty-three percent used a website to help create their retirement income and asset management strategy (Figure 14), with younger households more likely to do so than older households (see Figure A30).⁴⁸ Twenty-four percent consulted with friends or family, and 18 percent consulted written materials (e.g., a book or article in a magazine or newspaper). Nine percent of households with a strategy used a financial software package to build their retirement income and asset management strategy.

FIGURE 14

Most IRA Owners Consult a Professional Financial Adviser When Creating a Retirement Strategy

Percentage of traditional IRA–owning households that indicated they have a strategy for managing income and assets in retirement, 2022



* Multiple responses are included.

Note: Sixty-seven percent of traditional IRA–owning households indicated they have a strategy to manage income and assets in retirement.

Source: Investment Company Institute IRA Owners Survey

Traditional IRA-owning households with a strategy for managing their income and assets in retirement reported that their strategy had multiple components.⁴⁹ Seventy-two percent of these households reviewed their asset allocation, and 68 percent developed a retirement income plan (Figure 15). Seventy percent of households with a strategy for managing their income and assets in retirement determined their retirement expenses as part

of their strategy. Fifty-nine percent set aside emergency funds, and nearly half reviewed their insurance policies. Fifty-seven percent determined when to take Social Security benefits, with households aged 50 or older more likely to have done so than households younger than 50. Seventy-three percent of traditional IRA-owning households with a strategy took three or more steps in developing their strategy.

FIGURE 15

Components of Strategy for Managing Income and Assets in Retirement

Percentage of traditional IRA-owning households that indicated they have a strategy for managing income and assets in retirement, 2022

	All	Age of head of household*			
		Younger than 35	35 to 49	50 to 64	65 or older
Review asset allocation	72	64	66	76	74
Develop a retirement income plan	68	59	72	74	65
Determine your retirement expenses	70	50	59	75	74
Set aside emergency funds	59	71	59	63	54
Determine when to take Social Security benefits	57	32	39	64	63
Review your insurance policies	46	36	52	48	46
Other	3	0	3	2	3
<i>Number of respondents</i>	1,524	137	219	452	716

* Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Note: Multiple responses are included; 73 percent of traditional IRA-owning households that indicated they have a strategy for managing income and assets in retirement took three or more steps in developing their strategy.

Source: Investment Company Institute IRA Owners Survey

Description of the Surveys

About the ICI Annual Mutual Fund Shareholder Tracking Survey

ICI conducts the Annual Mutual Fund Shareholder Tracking Survey each year to gather information on the demographic and financial characteristics of mutual fund–owning households in the United States. The most recent survey was conducted from May to June 2022 and was fielded on the KnowledgePanel®, a probability based online panel designed to be representative of the US population. The KnowledgePanel® is designed and administered by Ipsos. Ipsos is one of the largest market research and polling companies globally, operating in 90 markets and employing over 18,000 people. The Annual Mutual Fund Shareholder Tracking Survey sample for 2022 included 6,080 US households drawn from the KnowledgePanel®. The overall margin of sampling error for the 2022 sample of US households is ± 1.3 percentage points at the 95 percent confidence level.

Revisions to ICI's Annual Mutual Fund Shareholder Tracking Survey

The Annual Mutual Fund Shareholder Tracking Survey interviews a random sample of US households to determine their ownership of a variety of financial assets and accounts, including mutual funds, individual stocks, individual bonds, defined contribution (DC)

plan accounts, individual retirement accounts (IRAs), and education savings accounts. In the usual course of household survey work, researchers periodically reexamine sampling and weighting methods to ensure that the results published are representative of the millions of households in the United States.^{50, 51} ICI reexamined its Annual Mutual Fund Shareholder Tracking Survey in 2022, and the figures presented in this paper for the 2022 survey reflect a revised sampling and weighting methodology and an increased sample size. Starting in 2022, the Annual Mutual Fund Shareholder Tracking Survey was changed from a dual frame RDD telephone survey to a self-administered online survey on the KnowledgePanel®, a probability based online panel administered by Ipsos. The KnowledgePanel® includes about 60,000 individuals from randomly sampled households. Initially, participants are chosen scientifically by a random selection of residential addresses. Persons in selected households are then invited by telephone or by mail to participate in the web enabled KnowledgePanel®. For those who agree to participate but do not already have internet access, Ipsos provides a laptop and internet service provider (ISP) connection at no cost. People who already have computers and internet service are permitted to participate using their own equipment. Panelists then receive unique log-in information for accessing surveys online and are sent emails throughout each month inviting them to participate in research.

Additional Reading

- » Individual Retirement Accounts in the *Investment Company Fact Book*
www.icifactbook.org/pdf/2022_factbook_ch8.pdf
- » The IRA Investor Database
www.ici.org/research/investors/database
- » The Evolving Role of IRAs in US Retirement Planning
www.ici.org/pubfile_pdf/per15-03.pdf
- » The Individual Retirement Account at Age 30: A Retrospective
www.ici.org/pubfile_pdf/per11-01.pdf
- » The US Retirement Market, Third Quarter 2022
www.ici.org/research/stats/retirement
- » Ten Important Facts About IRAs
www.ici.org/pdf/ten_facts_iras.pdf
- » Ten Important Facts About Roth IRAs
www.ici.org/files/2022/ten-facts-roth-iras.pdf
- » Individual Retirement Account Resource Center
www.ici.org/ira

ICI Annual Mutual Fund Shareholder Tracking Survey Sample

Prior to 2022, the Annual Mutual Fund Shareholder Tracking Survey was conducted using random digit dial (RDD) telephone surveys. Before 2014, the surveys were based on samples of landline phone numbers.⁵² Between 2014 and 2018, the surveys were based on dual-frame samples of landline (about half) and cell phone numbers (about half). The combined samples for 2019, 2020, and 2021 included about 45 percent of households reached on a landline and about 55 percent of households reached on a cell phone. In 2022, ICI transitioned the Annual Mutual Fund Shareholder Tracking Survey to the KnowledgePanel®, a probability based online panel designed to be representative of the US population.

ICI Annual Mutual Fund Shareholder Tracking Survey Weights

When a survey sample is drawn from a population, the proportions of segments within the sample (by age, income, or other key variables) may not match the distribution of those segments within the population. The sample's distribution may be different due to sampling techniques, varying degrees of nonresponse from segments of the population, or a survey design that was

not able to cover the entire population. It is possible to improve the relation between the sample and the population from which it was drawn by applying weights to the sample that match the proportions present in the population. This process is known as sample-balancing or raking.⁵³ Because the sample methodology for the 2022 Annual Mutual Fund Shareholder Tracking Survey was changed to the KnowledgePanel®, it was necessary to adjust the weighting methodology for the survey. For the 2022 data, an initial design weight was created for each respondent that reflected their probability of selection from the panel. A second stage of weighting included the standard raking to control totals based on census region, householder age, household income, educational attainment of the head of household, gender of the head of household, and the race/ethnicity of the head of household from the most recent version of the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).⁵⁴ The weighting adjusts for differences among the households sampled in the ICI survey and the population of US households.⁵⁵

Due to the changes in the survey sampling and weighting methodology for this year, the 2022 data are not directly comparable to earlier data. Caution should be exercised when comparing data from the 2022 survey to earlier results.

About the IRA Owners Survey

ICI conducts the IRA Owners Survey each year to gather information on the characteristics and activities of IRA-owning households in the United States. The most recent survey was conducted in June 2022 using the KnowledgePanel®, a probability-based online panel designed to be representative of the US population. The 2022 sample of IRA owners included 3,232 representative US households owning traditional IRAs or Roth IRAs. All surveys were conducted online with the member of the household aged 18 or older who was the sole or co-decisionmaker most knowledgeable about the household's savings and investments. The standard error for the total sample is ± 1.7 percentage points at the 95 percent confidence level. In 2016, 2017, 2018, 2019, 2020, 2021, and 2022, households owning traditional or Roth IRAs were surveyed, and thus households owning only employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs) or Coverdell education savings accounts (formerly called education IRAs) are not included.

Revisions to ICI's IRA Owners Survey

Starting in 2016, the ICI IRA Owners Survey was changed from a dual-frame RDD telephone survey to a self-administered online survey on the KnowledgePanel®, a probability-based online panel administered by Ipsos. In addition to the change in the survey mode for the ICI IRA Owners Survey in 2016, the questionnaire was also revised to collect only demographic and financial characteristics of households owning traditional IRAs or Roth IRAs. In previous years, the survey collected information on households owning employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs). These survey changes were implemented in 2016 to reduce the cost of data collection, improve the representativeness of the sample, and reduce the burden on survey respondents.

Because the methodology for the IRA Owners Survey was changed to an online survey in 2016, it was necessary to adjust the weighting methodology for the survey. For the 2016, 2017, 2018, 2019, 2020, 2021, and 2022 data, the weighting included the standard raking to control totals based on census region, householder age, household income, and educational attainment of US households owning traditional or Roth IRAs.

Notes

- ¹ See Investment Company Institute 2022. For the rules governing IRAs, see Internal Revenue Service 2022a and 2022b.
- ² Households' total financial assets were \$108.8 trillion as of June 2022, \$33.7 trillion at year-end 2002, and \$18.8 trillion at year-end 1992. See US Federal Reserve Board 2022a and Investment Company Institute 2022.
- ³ Data in this *ICI Research Perspective* on the number and percentage of households owning IRAs are based on ICI's Annual Mutual Fund Shareholder Tracking Survey, which was conducted from May to June 2022. Starting in 2022, the Annual Mutual Fund Shareholder Tracking Survey was changed from a dual frame RDD telephone survey to a self-administered online survey on the KnowledgePanel®, a probability based online panel administered by Ipsos, an online consumer research company. The Federal Reserve has also used the KnowledgePanel®; see US Federal Reserve Board 2022b. The Annual Mutual Fund Shareholder Tracking Survey sample for 2022 included 6,080 US households drawn from the KnowledgePanel®. The standard error for the total sample is ± 1.3 percentage points at the 95 percent confidence level. For further discussion and additional results from this survey, see Holden, Schrass, and Bogdan 2022a and 2022b and Schrass and Bogdan 2022.

The demographic and financial characteristics of IRA owners are derived from a separate IRA Owners Survey of 3,232 representative US households owning traditional IRAs or Roth IRAs. The 2022 IRA Owners Survey was also conducted using the KnowledgePanel®. The standard error for the total sample is ± 1.7 percentage points at the 95 percent confidence level. IRA ownership does not include ownership of employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs) or Coverdell education savings accounts (formerly called education IRAs).

The incidence of IRA ownership is calculated from the ICI Annual Mutual Fund Shareholder Tracking Survey, which collects information on retirement and other investment account ownership among US households headed by individuals aged 18 or older. Starting in 2013, the order of the account type choices in the question regarding ownership of retirement and other savings accounts was changed. This change was made to avoid confusion between individual accounts in 401(k) and other employer-sponsored DC plan accounts versus IRAs. Beginning in 2013, respondents were asked if they own a 401(k) and other employer-sponsored DC retirement plans, then if they own a traditional IRA or a Roth IRA, then if they

own an employer-sponsored IRA, and, finally, if they own a 529 plan or Coverdell education savings account (ESA). In prior years, respondents were asked first if they own a traditional IRA or Roth IRA, then if they own a Coverdell ESA, then if they own an employer-sponsored IRA, and, finally, if they own a 401(k) or other employer-sponsored plan account (529 plan ownership was a separate question).

In 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, the incidence of IRA ownership is lower than in previous years, possibly due to the reordering of questions regarding retirement and other savings accounts in the questionnaire (introduced in 2013), as well as a sampling and weighting methodology change introduced in 2014. See Figure A1 in the appendix for the complete time series on IRA incidence. See Holden, Schrass, and Bogdan 2022b for details on the changes to the ICI Annual Mutual Fund Shareholder Tracking Survey.

- ⁴ See note 3 for a discussion of changes in IRA incidence in ICI's surveys. The ICI Annual Mutual Fund Shareholder Tracking Survey results in higher incidence of IRA ownership than the Federal Reserve Board's Survey of Consumer Finances. For example, ICI tabulations of the 2019 Survey of Consumer Finances indicate that 19.0 percent of US households owned traditional IRAs and 11.9 percent of US households owned Roth IRAs. The ICI Annual Mutual Fund Shareholder Tracking Survey finds that 28.1 percent of US households in 2019, 28.6 percent in 2020, 28.2 percent in 2021, and 31.2 percent in 2022 owned traditional IRAs; in addition, 19.4 percent of US households in 2019, 20.5 percent in 2020, 21.0 percent in 2021, and 24.6 percent in 2022 owned Roth IRAs (see Figure A1 in the appendix). For a description of the Survey of Consumer Finances, see Bhutta et al. 2020.
- ⁵ See Figures 4–6 for additional information on rollover activities and Figure A27 in the appendix for additional information on traditional IRA-owning households with rollovers.
- ⁶ The ability to contribute to Roth IRAs is restricted based on household income. Conversions also used to be limited based on household income, but in 2010, the income restrictions for Roth conversions were lifted. For additional detail, see Internal Revenue Service 2022a. It is possible that Roth IRA ownership is not more widespread because income limits restrict the ability of many US households to invest in Roth IRAs.
- ⁷ See Brady and Bass 2021 and Brady, Burham, and Holden 2012 for discussion of the life-cycle model and household survey results regarding savings goals.

- ⁸ See Sabelhaus and Schrass 2009.
- ⁹ For example, the first-year replacement rate (mean scheduled Social Security first-year benefits as a percentage of average inflation-indexed career earnings for retired workers in the 1960–1969 birth cohort [individuals aged 52 to 61 in 2021]) falls as income rises. The mean replacement rate for the lowest lifetime household earnings quintile was 78 percent; for the middle quintile, it was 49 percent; and for the highest quintile, it was 31 percent. See Congressional Budget Office 2021. For additional discussion, see Brady and Bass 2021 and Brady, Burham, and Holden 2012.
- ¹⁰ For discussion of retirement saving by different income groups, see Brady and Bass 2021; Schrass and Bogdan 2022; and Sabelhaus, Bogdan, and Schrass 2008.
- ¹¹ See Holden et al. 2005 for a discussion of the relationship between demographic characteristics and the propensity to save. For additional discussion, see also Brady and Bass 2021; Brady, Burham, and Holden 2012; and Sabelhaus, Bogdan, and Schrass 2008.
- ¹² For data from 1989 through 2007 (based on the Federal Reserve Board's Survey of Consumer Finances), see Figures 8 and 10 in Holden and Schrass 2013.
- ¹³ See Figure 11 in Holden, Schrass, and Bogdan 2022b.
- ¹⁴ This is a pattern of risk tolerance observed in other types of investors. For example, see Sabelhaus, Bogdan, and Schrass 2008; Holden, Schrass, and Bogdan 2022b; and Schrass and Bogdan 2022. Research also finds that the asset allocation of traditional IRA investors varies over the life cycle. Older traditional IRA investors tended to have higher shares of their IRAs in fixed-income investments compared with younger traditional IRA investors. With the exception of the youngest traditional IRA investors (who tend to have small accounts), younger traditional IRA investors tended to have higher allocations to equity investments compared with older traditional IRA investors. See Holden and Bass 2011 and Holden, Schrass, and Bass 2021.
- ¹⁵ See Holden, Bass, and Copeland 2022a and 2022b.
- ¹⁶ For a brief history of IRAs and a discussion of the various features of different IRA types, see Holden et al. 2005. For a discussion of the evolving role of IRAs in US retirement planning, see Sabelhaus and Schrass 2009.
- ¹⁷ Before 2008, Roth IRAs generally were not eligible for direct rollovers from employer-sponsored retirement plan accounts. The Pension Protection Act of 2006 (PPA) allows direct rollovers from employer-sponsored plans to Roth IRAs starting in 2008. For a complete discussion of the specific rules, see Internal Revenue Service 2022a.
- ¹⁸ Rollovers are possible from both DC plans and DB plans. For research on DC plan participants' distribution decisions at retirement, see Sabelhaus, Bogdan, and Holden 2008. For distribution activity from DC plans administered by the Vanguard Group, see Clark 2022.
- ¹⁹ See Internal Revenue Service, Statistics of Income Division 2022. For historical data, see Investment Company Institute 2022.
- ²⁰ Tabulations of the Federal Reserve Board's 2019 Survey of Consumer Finances data find that 52 percent of traditional IRA-owning households had rollovers in their IRAs in 2019, compared with 59 percent of traditional IRA-owning households in ICI's 2019 IRA Owners Survey (see Holden and Schrass 2019). Tabulations of the Survey of Consumer Finances also reveal that 58 percent of traditional IRA assets in 2019 resulted from rollovers from employer-sponsored retirement plans. For a description of the Survey of Consumer Finances, see Bhutta et al. 2020.
- ²¹ In the case of a DC plan, this amount is the account balance. For DB plans, this amount is the lump-sum distribution based on accrued benefits. See Figure A27 in the appendix for additional information on traditional IRA owners with rollovers.
- ²² The Internal Revenue Code sets out a comprehensive disclosure regime covering both plan sponsors and IRA providers with regard to information provided for distribution and rollover decisions. Plan sponsors must inform departing employees of information relevant to their distribution decision. IRA providers must disclose the relevant information to IRA owners at the outset and on an ongoing basis. In addition, financial planners, advisers, or brokers may have fiduciary obligations or be subject to other rules of practice with regard to advice to clients on distribution and rollover decisions. For additional discussion, see Holden 2009, Holden and Chism 2014, and Holden and Salinas 2018.

- ²³ For more information on rollovers among traditional IRA investors, see Holden, Sabelhaus, and Bass 2010b and Holden, Schrass, and Bass 2021.
- ²⁴ These results are from the 2019 and 2020 ICI IRA Owners Surveys; see Holden and Schrass 2021a and 2022.
- ²⁵ Although it is difficult to compare household-level data and individual-level data, the IRA Owners Survey finds higher rates of contribution activity than the IRA Investor Database finds among individual IRA investors. Analysis of 5.1 million traditional IRA investors aged 18 to 69 in 2018 finds that 10.9 percent of them contributed to their traditional IRAs in tax year 2018 (see Holden, Schrass, and Bass 2021). Contribution activity in Roth IRAs was also higher in the IRA Owners Survey. The IRA Investor Database finds that among 4.1 million Roth IRA investors aged 18 or older in 2018, 34.1 percent contributed to their Roth IRAs in tax year 2018 (see Holden and Schrass 2021b).
- ²⁶ ICI's 2013 IRA Owners Survey asked traditional IRA-owning households without contributions the reasons why they did not contribute. See Figure 19 in Holden and Schrass 2013 for those results.
- ²⁷ For traditional IRA contribution eligibility rules, see Internal Revenue Service 2022a.
- ²⁸ For ownership of DC accounts and access to DB plans among traditional IRA-owning households, see Figure A26 in the appendix.
- ²⁹ See Figure 11.
- ³⁰ See Internal Revenue Service 2022a for the rules governing IRA contribution eligibility. In 2019, the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) removed the age restriction for traditional IRA contributions starting in tax year 2020.
- ³¹ Among traditional IRA-owning households in 2013 that did not make contributions to their traditional IRAs in tax year 2012, 37 percent indicated that they were able to save enough in their retirement plans at work. See Holden and Schrass 2013.
- ³² For an analysis of the persistence of traditional IRA contribution activity, see Holden, Sabelhaus, and Bass 2010a and Holden, Schrass, and Bass 2021.
- ³³ See Internal Revenue Service 2022a for details on income restrictions and other qualifications for contribution eligibility.
- ³⁴ The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) created catch-up contributions, which permit individuals aged 50 or older to make additional contributions to qualified retirement plans and IRAs that exceed the annual deferral limits. Households may make catch-up contributions to Roth IRAs if their incomes are within the limits to contribute to a Roth IRA and if a household member is aged 50 or older. Households may make catch-up contributions to traditional IRAs if a household member is at least 50 years old by the end of the year. See Internal Revenue Service 2022a.
- ³⁵ See Internal Revenue Service 2022a.
- ³⁶ For discussion of the requirements for financial services firms providing IRAs, see Holden and Chism 2014. Roth IRA-owning households similarly hold their Roth IRAs through a wide array of financial institutions (see Figure A28).
- ³⁷ Over the years, Congress has created exceptions to the early withdrawal penalty, including qualified first-time home purchase, certain medical expenses, certain educational expenses, and withdrawals made as substantially equal periodic payments (SEPPs) based on a life expectancy calculation. For additional discussion of IRA withdrawal rules and activity, see Internal Revenue Service 2022b; Mortenson, Schramm, and Whitten 2016; Poterba, Venti, and Wise 2013; and Holden and Reid 2008.
- ³⁸ In 2019, the SECURE Act increased the age for required minimum distributions from 70½ to 72 for individuals who did not reach age 70½ in 2019.
- ³⁹ Ibid.
- ⁴⁰ Data exclude households that closed and no longer owned traditional IRAs.
- ⁴¹ See Internal Revenue Service 2022b.
- ⁴² The withdrawal activity observed in ICI's IRA Owners Survey shows similar results compared with data collected in the IRA Investor Database. In 2018, 7.0 percent of traditional IRA investors younger than 60 had withdrawals, 21.0 percent of traditional IRA investors aged 60 to 69 had withdrawals, and 82.2 percent of traditional IRA investors aged 70 or older had withdrawals (see Holden, Schrass, and Bass 2021).

⁴³ Withdrawal activity among households with a head of household aged 70 or older is not 100 percent because the traditional IRA owner may be a younger spouse or partner who is not yet required to make withdrawals. The IRA Investor Database finds that among 1.2 million traditional IRA investors aged 70 or older in 2018, 82.2 percent took a withdrawal from their traditional IRAs in tax year 2018 (see Holden, Schrass, and Bass 2021). The older traditional IRA investors without withdrawals may have taken RMDs from IRAs held at financial services firms outside the IRA Investor Database. RMDs were suspended for tax year 2009 and tax year 2020; see Internal Revenue Service 2010 and 2022b.

⁴⁴ RMDs were suspended for tax year 2009 and tax year 2020; see Internal Revenue Service 2010 and 2022b.

⁴⁵ See Figure A14 in the appendix for the complete time series on how traditional IRA withdrawals are determined.

⁴⁶ Analysis of 1.0 million traditional IRA investors aged 70 or older who took withdrawals in 2018 in the IRA Investor Database finds that 57.2 percent took the RMD for the individual, 1.5 percent took a joint RMD, and 0.4 percent took the inherited RMD amount. See Holden, Schrass, and Bass 2021.

In 2019, the SECURE Act increased the age for RMDs from 70½ to 72 for individuals who did not reach age 70½ in 2019.

⁴⁷ Among the 44 percent of retired households that reported reinvesting or saving at least some of the amount of the traditional IRA withdrawal into another account (see Figure A16), 93 percent reported withdrawing the amount based on the RMD.

⁴⁸ See Figure A31 in the appendix for sources of information used to create a retirement strategy among Roth IRA–owning households with a strategy for managing income and assets in retirement.

⁴⁹ See Figure A32 in the appendix for strategy components among Roth IRA–owning households with a strategy for managing income and assets in retirement.

⁵⁰ Many organizations have recently transitioned their surveys from telephone to self-administered web surveys. Some examples include the American National Election Studies (ANES), the California Health Interview Survey (CHIS), the National Household Education Survey (NHES), and the National Household Travel Survey (NHTS). See Olson et al. 2021.

⁵¹ The Federal Reserve Board Survey of Consumer Finances (SCF) researchers have revised survey weights at least twice. In 1997, they determined that weights created for the 1989, 1992, and 1995 surveys were inconsistent and in 1999 the SCF researchers revised their sample weighting procedures to include race/ethnicity, and home ownership. In addition, the US Census Bureau has revised the weights of the Current Population Survey in 1998, 2003, and 2012. See Kennickell and Woodburn 1999, Kennickell 1999, and US Census Bureau 2019.

⁵² For more information on changes to the survey, see Holden, Schrass, and Bogdan 2022b.

⁵³ See Izrael, Hoaglin, and Battaglia 2004.

⁵⁴ See US Census Bureau 2022.

⁵⁵ For a description of the weighting methodology for data prior to 2022, see Holden, Schrass, and Bogdan 2021.

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