

1998 Profile of Mutual Fund Shareholders

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Introduction

In 1998, 77 million individuals, representing 44 percent of all U.S. households, owned mutual funds.¹ Mutual fund owners come from all walks of life and are, in many respects, as diverse as the U.S. population itself. However, the “typical” shareholder or primary financial decisionmaker in the fund-owning household:

- ▶ Is middle-aged, married, and college-educated. The median age of the primary financial decisionmaker in the household is 44 years. Nearly 70 percent are married, 50 percent have a four-year college degree, and 30 percent have either earned a two-year associate degree or attended college.
- ▶ Is employed and of moderate financial means. Eighty-two percent are employed full- or part-time, and in married households, the spouse also tends to work. Median household income is \$55,000 and median household financial assets are \$80,000.
- ▶ Has \$25,000 invested in mutual funds. This represents nearly one-third of household financial assets. Seven out of eight households include equity funds among their holdings.
- ▶ Invests in mutual funds through employer-sponsored retirement plans. Over 60 percent of all household

owners hold mutual funds in a retirement plan, and half view the workplace as the primary purchase channel for mutual funds.

- ▶ Has at least a basic understanding of mutual funds. Most shareholders invest in funds for retirement, are willing to take moderate risk, and are not focused on short-term market fluctuations.
- ▶ Is a long-term investor in mutual funds. Half of all household owners made their first purchase before 1990 and more than one-third did so between 1990 and 1995.

Chapter One details the characteristics of the typical household owner of mutual funds. Subsequent chapters explore these characteristics in detail, examining fund ownership by retirement plan participation, primary purchase channel, type of funds owned, gender, age, income, wealth, length of ownership, and region. Each chapter includes a summary and figures presenting demographic, financial, and fund ownership characteristics. *(Please note that the use of “typical” in the chapter summaries denotes median, not average, values.)*

¹Mutual fund ownership includes holdings of money market, stock, bond, and hybrid mutual funds; and funds owned through variable annuities, IRAs, Keoghs, and employer-sponsored retirement plans. This report provides an in-depth profile of mutual fund shareholders based upon a survey conducted in the fall of 1998 of 1,470 primary financial decisionmakers in households with mutual fund investments. These financial decisionmakers were selected randomly to be representative of the national population of fund shareholders.

Chapter 1

The Mutual Fund Shareholder

Demographic Characteristics

The median age of the primary financial decisionmaker in households owning mutual funds is 44 (Figure 1). More than two-thirds of these shareholders are married, and half have a degree from a four-year college or university. Another 30 percent have attended college or obtained an associate's degree from a two-year or community college. Eighty-two percent of those interviewed are employed, as is the spouse or partner of 75 percent of those interviewed who are married or living with a partner.

Financial Characteristics

Fund owners have a median household income of \$55,000 and median household financial assets of \$80,000.² Nearly three-fourths of shareholders own investments other than mutual funds—primarily individual stocks, but also individual bonds and annuities. Fifty-seven percent have Individual Retirement Accounts, and 77 percent participate in defined contribution (DC) retirement plans, such as 401(k) plans.

Mutual Fund Ownership Characteristics

The median level of household holdings of mutual funds is \$25,000, accounting for 31 percent of household

financial assets (Figure 2). The typical shareholder owns four mutual funds. Equity funds are almost always one of the four; they are included in the fund portfolios of seven out of eight household owners. Nearly half of shareholders own money market funds, while 42 percent own bond funds, and 35 percent own hybrid funds.³

Reflecting the extent of participation in defined contribution plans and the widespread availability of mutual funds in these plans, more than 60 percent of shareholders own mutual funds through such plans. Half of all shareholders consider an employer-sponsored retirement plan to be their primary purchase channel, and nearly half also made their first fund purchase through retirement plans.

Most fund shareholders have held mutual funds for a considerable period of time. One-half made their first purchase before 1990, 36 percent made their initial purchase between 1990 and 1995, and the remaining 14 percent bought their first fund after 1995.

Mutual fund shareholders generally consider themselves to be long-term investors and are not concerned with short-term market fluctuations (Figure 3). Most owners describe themselves as having a basic understanding of mutual funds and say that they are willing to take some degree of investment risk in their fund holdings.

²Financial assets do not include the household's primary residence.

³A hybrid fund invests in both stocks and bonds.

FIGURE 1**Shareholder Characteristics¹****Median**

Age	44 years
Household income	\$55,000
Household financial assets ²	\$80,000

Average

Age	45 years
Household income	\$69,000
Household financial assets ²	\$199,000

Percent

Household investment decisionmaker:	
Male is sole decisionmaker	24
Female is sole decisionmaker	22
Co-decisionmakers	54
Married	68
Living with a partner	6
Widowed	5
Four-year college degree or more	50
Completed graduate school	18
Employed	82
Spouse or partner employed ³	75
Retired from life-time occupation	17
Own individual stocks, bonds, or annuities ⁴	73
Own an IRA ⁴	57
Household has defined contribution plan(s) (total) ⁵	77
401(k) plan	60
403(b) plan	12
State, local, or federal government plan	24
Use a PC:	
Any PC use (total)	77
At home only	13
At work only	16
Both at home and work	48
Never	23

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 2

Mutual Fund Ownership Characteristics

Median Per Household

Total mutual fund assets	\$25,000
Number of mutual funds owned	4
Number of fund companies in which fund assets are invested	2
Year of first fund purchase	1990

Average Per Household

Total mutual fund assets	\$74,400
Number of mutual funds owned	5
Number of fund companies in which fund assets are invested	3
Year of first fund purchase	1987

Percent of Households

Own: ¹	
Equity funds	88
Bond funds	42
Hybrid funds	35
Money market funds	48
Have variable annuity invested in mutual funds	23
Own mutual funds bought: ^{1,2}	
Outside employer-sponsored retirement plan(s) (total)	54
Sales force ³	39
Direct market ⁴	25
Inside employer-sponsored retirement plan(s) (total)	62
401(k) plan	51
403(b) plan	9
State, local, or federal government plan	12
Primary mutual fund purchase channel:	
Outside employer-sponsored retirement plan(s) (total)	50
Sales force ³	34
Direct market ⁴	16
Inside employer-sponsored retirement plan(s)	50
Bought first mutual fund:	
Before 1990	50
Between 1990 and 1995	36
1996 or later	14
Source of first mutual fund:	
Outside employer-sponsored retirement plan(s) (total)	53
Sales force ³	36
Direct market ⁴	17
Inside employer-sponsored retirement plan(s)	47

¹Multiple responses included.

²Base of all respondents includes 191 respondents who were unable to identify the sources of their mutual fund purchases. Detailed analysis in Chapter 2 excludes these 191 respondents.

³Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

⁴Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 3**Views on Mutual Fund Investing***(percent)*

Important reasons for investing in mutual funds: ¹	
Professional management	93
Investment diversification	88
Potential for high returns	86
Easy to invest in	83
Are or were offered through retirement plan at work	68
Recommendation by a professional financial adviser	58
Strongly or somewhat agree: ¹	
My mutual fund investments are savings for the long term	98
I am not concerned about short-term fluctuations in my mutual fund investments	86
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	71
Self-assessed understanding of mutual fund investing:	
Comprehensive	20
Basic	56
Limited or none	24
Primary financial goal:	
Retirement	77
Education	11
Other	12
Level of risk willing to take:	
Substantial risk for substantial gain	10
Above-average risk for above-average gain	29
Average risk for average gain	48
Below-average risk for below-average gain	7
No risk at all	6

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Chapter 2

Mutual Fund Shareholders by Ownership Inside or Outside Employer-sponsored Retirement Plans

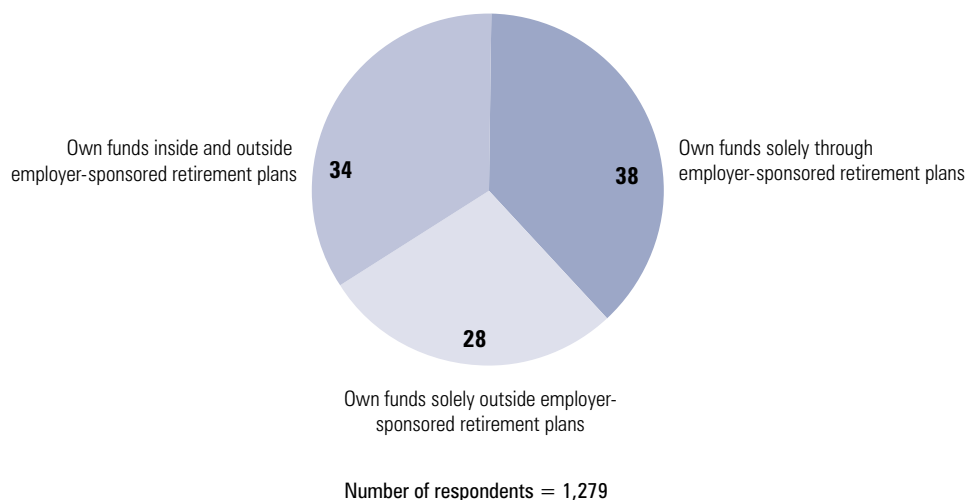
Demonstrating the increased importance of retirement plans to mutual fund ownership, the majority of shareholders now own funds through employer-sponsored plans such as 401(k) plans. Shareholders owning funds solely through employer plans represent 38 percent of all fund owners, and those owning funds both inside and outside employer-sponsored retirement plans represent 34 percent.⁴ Only 28 percent of shareholders solely own funds outside such plans (Figure 4).

Shareholders Owning Mutual Funds Solely Through Employer-sponsored Retirement Plans

Shareholders who own mutual funds only through employer plans have a median age of 41 (Figure 5). Their median household income is \$53,000 and household financial assets are \$56,000. Most are employed and 41 percent have four-year college degrees.

FIGURE 4

Mutual Fund Shareholders by Ownership Inside or Outside Employer-sponsored Retirement Plans (percent)



Note: Excludes 191 respondents who were unable to provide this information.

⁴ This analysis excludes 191 respondents who were unable to identify the sources of their mutual fund purchases.

FIGURE 5
Shareholder Characteristics by Source of Fund Ownership¹

	Only Own Mutual Funds Inside Employer-sponsored Retirement Plans	Only Own Mutual Funds Outside Employer-sponsored Retirement Plans	Own Mutual Funds Inside and Outside Employer-sponsored Retirement Plans
Median			
Age	41 years	49 years	44 years
Household income	\$53,000	\$48,000	\$70,000
Household financial assets ²	\$56,000	\$100,000	\$120,000
Average			
Age	42 years	50 years	44 years
Household income	\$64,000	\$57,000	\$99,000
Household financial assets ²	\$145,000	\$229,000	\$291,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	25	24	26
Female is sole decisionmaker	20	30	14
Co-decisionmakers	55	47	60
Married	69	61	76
Living with a partner	7	4	4
Widowed	2	9	3
Four-year college degree or more	41	54	66
Completed graduate school	12	18	25
Employed	91	65	89
Spouse or partner employed ³	80	62	78
Retired from life-time occupation	9	33	11
Own individual stocks, bonds or annuities ⁴	57	75	76
Own an IRA ⁴	21	69	76
Household has defined contribution plan(s) (total) ⁵			
401(k) plan	83	17	79
403(b) plan	14	3	20
State, local, or federal government plan	26	14	30
Use a PC:			
Any PC use (total)	82	68	89
At home only	12	20	11
At work only	19	14	17
Both at home and work	51	34	61
Never	18	32	11

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies.

FIGURE 6

Mutual Fund Ownership Characteristics by Source of Fund Ownership

	Only Own Mutual Funds Inside Employer-sponsored Retirement Plans	Only Own Mutual Funds Outside Employer-sponsored Retirement Plans	Own Mutual Funds Inside and Outside Employer-sponsored Retirement Plans
Median Per Household			
Total mutual fund assets	\$10,000	\$25,000	\$60,000
Number of mutual funds owned	3	3	7
Number of fund companies in which fund assets are invested	2	2	3
Year of first fund purchase	1991	1988	1987
Average Per Household			
Total mutual fund assets	\$33,000	\$93,100	\$119,500
Number of mutual funds owned	4	4	8
Number of fund companies in which fund assets are invested	2	2	4
Year of first fund purchase	1990	1985	1986
Percent of Households			
Own: ¹			
Equity funds	84	84	95
Bond funds	36	32	55
Hybrid funds	32	23	46
Money market funds	41	50	52
Have variable annuity invested in mutual funds	19	16	32
Own mutual funds bought: ¹			
Outside employer-sponsored retirement plan(s) (total)	0	100	100
Sales force ²	0	71	73
Direct market ³	0	47	46
Inside employer-sponsored retirement plan(s) (total)	100	0	100
401(k) plan	82	0	77
403(b) plan	11	0	17
State, local, or federal government plan	15	0	22
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	0	100	48
Sales force ²	0	64	34
Direct market ³	0	36	18
Inside employer-sponsored retirement plan(s)	100	0	48
Bought first mutual fund:			
Before 1990	40	56	62
Between 1990 and 1995	42	28	32
1996 or later	19	17	6
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	20	85	65
Sales force ²	15	53	42
Direct market ³	5	32	23
Inside employer-sponsored retirement plan(s)	80	15	35

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies.

Shareholders owning mutual funds solely through employer plans have median fund holdings of \$10,000, representing 18 percent of household financial assets (Figure 6). They typically own three funds from two fund companies. Sixty-one percent bought their first fund in the 1990s. Eighty-four percent own equity funds; 36 percent, bond funds; 32 percent, hybrid funds; and 41 percent, money market funds. Most describe themselves as having a basic understanding of mutual fund investing (Figure 7).

Shareholders Owning Mutual Funds Solely Outside Employer-sponsored Retirement Plans

Shareholders only owning funds outside employer-sponsored retirement plans have a median age of 49 (Figure 5). Their median household income is \$48,000 and household financial assets are \$100,000. Most of these shareholders are college graduates. Although the majority are employed, one-third are retired.

Shareholders owning funds solely outside retirement plans at work have median mutual fund holdings of \$25,000, making up 25 percent of household financial assets (Figure 6). Eighty-four percent own equity funds; 32 percent, bond funds; 23 percent, hybrid funds; and 50 percent, money market mutual funds. The majority bought their first fund before 1990. These shareholders

typically own three funds from two fund companies. Most shareholders solely owning funds outside such plans describe themselves as having a basic knowledge of fund investing (Figure 7).

Shareholders Owning Mutual Funds Inside and Outside Employer-sponsored Retirement Plans

Shareholders who own funds inside and outside employer plans have a median age of 44 (Figure 5). Their median household income is \$70,000 and household financial assets are \$120,000. Most are employed and college graduates.

Median fund assets of shareholders owning funds inside and outside employer plans is \$60,000, which is 50 percent of household financial assets (Figure 6). Ninety-five percent own equity funds; 55 percent, bond funds; 46 percent, hybrid funds; and 52 percent, money market funds. Sixty-two percent purchased their first fund before 1990. They own a median of seven funds from three fund companies. Shareholders owning funds inside and outside employer-sponsored retirement plans are the group most inclined to describe themselves as having a comprehensive understanding of mutual fund investing (Figure 7).

FIGURE 7

Views on Mutual Fund Investing by Source of Fund Ownership

(percent)

	Only Own Mutual Funds Inside Employer-sponsored Retirement Plans	Only Own Mutual Funds Outside Employer-sponsored Retirement Plans	Own Mutual Funds Inside and Outside Employer-sponsored Retirement Plans
Important reasons for investing in mutual funds: ¹			
Professional management	91	94	95
Investment diversification	85	90	93
Potential for high returns	83	86	92
Easy to invest in	82	83	84
Are or were offered through retirement plan at work	87	34	77
Recommendation by a professional financial adviser	55	59	55
Strongly or somewhat agree: ¹			
My mutual fund investments are savings for the long term	99	97	99
I am not concerned about short-term fluctuations in my mutual fund investments	82	86	90
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	70	71	72
Self-assessed understanding of mutual fund investing:			
Comprehensive	13	24	29
Basic	58	57	55
Limited or none	29	19	15
Primary financial goal:			
Retirement	85	67	80
Education	8	12	12
Other	7	21	8
Level of risk willing to take:			
Substantial risk for substantial gain	12	5	13
Above-average risk for above-average gain	27	26	39
Average risk for average gain	48	51	41
Below-average risk for below-average gain	6	10	6
No risk at all	7	8	2

¹Multiple responses included.

Note: Number of respondents varies.

Chapter 3

Mutual Fund Shareholders by Primary Mutual Fund Purchase Channel

One-half of mutual fund shareholders cite employer-sponsored retirement plans as their primary method for purchasing mutual funds (Figure 8). Thirty-four percent list the sales-force channel⁵ as their primary mutual fund purchase method, and 16 percent report the direct-market channel.⁶ Primary channel is determined by each survey respondent, who may own funds purchased from one or more of the three categories. For analysis of all purchase channels outside employer-sponsored retirement plans, see Appendix D.

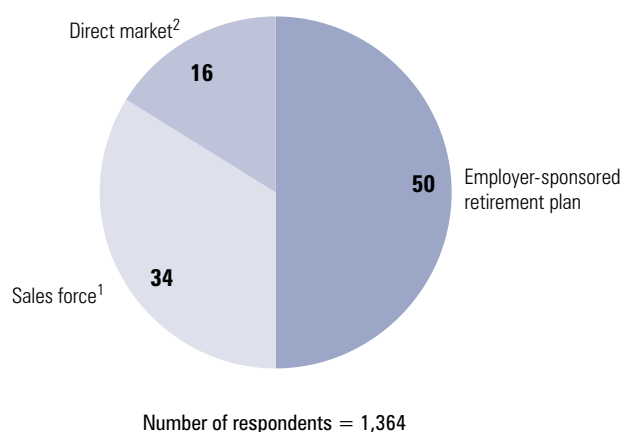
Shareholders Whose Primary Mutual Fund Purchase Channel Is an Employer-sponsored Retirement Plan

Shareholders who consider an employer-sponsored retirement plan as their primary source of mutual funds have a median age of 41 (Figure 9). Their median household income is \$60,000 and household financial assets are \$72,000. Most of the shareholders in this group

FIGURE 8

Shareholders' Primary Mutual Fund Purchase Channel

(percent who designate one channel as primary)



¹Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

²Includes funds purchased directly from fund companies and through discount brokers.

⁵The sales-force channel includes full-service brokers, independent financial planners, insurance agents, and bank or saving institution representatives.

⁶The direct-market channel includes mutual fund companies and discount brokers.

FIGURE 9
Shareholder Characteristics by Primary Purchase Channel¹

	Employer-sponsored Retirement Plan	Sales Force	Direct Market
Median			
Age	41 years	46 years	47 years
Household income	\$60,000	\$49,000	\$55,000
Household financial assets ²	\$72,000	\$90,000	\$100,000
Average			
Age	42 years	48 years	48 years
Household income	\$70,000	\$75,000	\$65,000
Household financial assets ²	\$190,000	\$223,000	\$231,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	26	19	33
Female is sole decisionmaker	18	29	16
Co-decisionmakers	56	53	51
Married	71	64	71
Living with a partner	6	4	2
Widowed	2	9	5
Four-year college degree or more	47	52	62
Completed graduate school	15	18	26
Employed	92	72	74
Spouse or partner employed ³	80	69	68
Retired from life-time occupation	8	27	25
Household has defined contribution plan(s) (total) ⁴			
401(k) plan	84	34	40
403(b) plan	16	9	10
State, local, or federal government plan	27	20	25
Use a PC:			
Any PC use (total)	84	70	75
At home only	11	15	17
At work only	19	14	13
Both at home and work	55	40	46
Never	16	30	25

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders married or living with a partner.

⁴Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 10

Mutual Fund Ownership Characteristics by Primary Purchase Channel

	Employer-sponsored Retirement Plan	Sales Force	Direct Market
Median Per Household			
Total mutual fund assets	\$17,500	\$40,000	\$40,000
Number of mutual funds owned	3	3	4
Number of fund companies in which fund assets are invested	2	2	2
Year of first fund purchase	1990	1989	1987
Average Per Household			
Total mutual fund assets	\$50,000	\$98,700	\$130,900
Number of mutual funds owned	5	5	6
Number of fund companies in which fund assets are invested	3	3	3
Year of first fund purchase	1989	1987	1985
Percent of Households			
Own: ¹			
Equity funds	88	85	91
Bond funds	42	41	41
Hybrid funds	38	33	32
Money market funds	45	52	52
Have variable annuity mutual funds	21	28	18
Own mutual funds bought: ¹			
Outside employer-sponsored retirement plan(s) (total)	30	100	100
Sales force ²	20	80	27
Direct market ³	14	14	88
Inside employer-sponsored retirement plan(s) (total)	100	31	33
401(k) plan	83	22	25
403(b) plan	13	6	7
State, local, or federal government plan	17	7	9
Bought first mutual fund:			
Before 1990	46	51	61
Between 1990 and 1995	39	34	28
1996 or later	15	15	10
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	31	77	82
Sales force ²	22	68	19
Direct market ³	9	9	63
Inside employer-sponsored retirement plan(s)	69	23	18

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

are married and employed, and nearly half are college graduates.

The median level of mutual fund holdings of these shareholders is \$17,500, representing 24 percent of household financial assets (Figure 10). Forty-six percent purchased their first fund before 1990; 39 percent between 1990 and 1995; and 15 percent in 1990 or later. Nearly 70 percent bought their first fund through an employer-sponsored retirement plan, and just 30 percent

currently own funds outside such plans. They typically own three funds from two fund companies. Eighty-eight percent own equity funds; 42 percent, bond funds; 38 percent, hybrid funds; and 45 percent, money market funds. Compared with shareholders who consider the direct-market or sales-force channels as their primary source of funds, more of these shareholders cite retirement as their main financial goal (Figure 11).

FIGURE 11
Views on Mutual Fund Investing by Primary Purchase Channel
(percent)

	Employer-sponsored Retirement Plan	Sales Force	Direct Market
Important reasons for investing in mutual funds: ¹			
Professional management	93	95	91
Investment diversification	88	88	92
Potential for high returns	86	85	88
Easy to invest in	83	80	88
Are or were offered through retirement plan at work	86	48	50
Recommendation by a professional financial adviser	55	75	34
Strongly or somewhat agree: ¹			
My mutual fund investments are savings for the long term	99	97	98
I am not concerned about short-term fluctuations in my mutual fund investments	85	86	88
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	69	87	45
Self-assessed understanding of mutual fund investing:			
Comprehensive	17	17	38
Basic	58	60	47
Limited or none	25	23	15
Primary financial goal:			
Retirement	85	68	73
Education	9	13	12
Other	6	19	15
Level of risk willing to take:			
Substantial risk for substantial gain	13	7	6
Above-average risk for above-average gain	31	24	37
Average risk for average gain	45	50	45
Below-average risk for below-average gain	6	10	6
No risk at all	5	8	5

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Shareholders Whose Primary Mutual Fund Purchase Channel is the Sales-Force Channel

Shareholders who consider the sales force channel as their primary source of mutual funds have a median age of 46—five years older than shareholders who primarily buy funds through retirement plans at work (Figure 9). Their median household income is \$49,000 and household financial assets are \$90,000. Most of those who are primary users of the sales-force channel are married and college graduates. Although most are employed, more than one-quarter are retired.

The median level of mutual fund holdings of shareholders who consider the sales-force channel as their primary source of mutual funds is \$40,000, or 44 percent of household financial assets (Figure 10). More than one-half of this shareholder group purchased their first fund before 1990. More than three-quarters bought their first fund outside an employer-sponsored retirement plan, and less than one-third currently own funds through such plans. These shareholders typically own three funds from two fund companies. Eighty-five percent own equity funds; 41 percent, bond funds; 33 percent, hybrid funds; and 52 percent, money market funds. Three-fifths of shareholders who primarily buy through the sales-force channel say they have a basic understanding of mutual funds (Figure 11).

Shareholders Whose Primary Mutual Fund Purchase Channel is the Direct-Market Channel

Shareholders who consider the direct-market channel to be their primary source of mutual funds have a median age of 47 (Figure 9). Their median household income is \$55,000 and household financial assets are \$100,000. Most shareholders in this group are married and employed. Compared with shareholders who primarily use other channels, significantly more of those who are primary users of the direct-market channel are college graduates.

The median mutual fund holdings of shareholders whose primary purchase channel is the direct-market channel is \$40,000, which represents 40 percent of household financial assets (Figure 10). Sixty-one percent purchased their first fund before 1990. Eighty-two percent bought their first fund outside an employer-sponsored retirement plan, and only one-third currently own funds through retirement plans at work. These shareholders typically own four funds from two fund companies. Ninety-one percent own equity funds; 41 percent, bond funds; 32 percent, hybrid funds; and 52 percent, money market funds. Forty-seven percent of shareholders who primarily buy through the direct-market channel indicate that they have a basic understanding of mutual funds, and 38 percent say they have a comprehensive understanding—the greatest proportion of all shareholder groups. (Figure 11).

Chapter 4

Mutual Fund Shareholders by Type of Funds Owned

Eighty-eight percent of mutual fund shareholders own equity funds; 42 percent own bond funds; and 35 percent own hybrid mutual funds. Forty-eight percent of mutual fund shareholders own money market mutual funds (Figure 12).

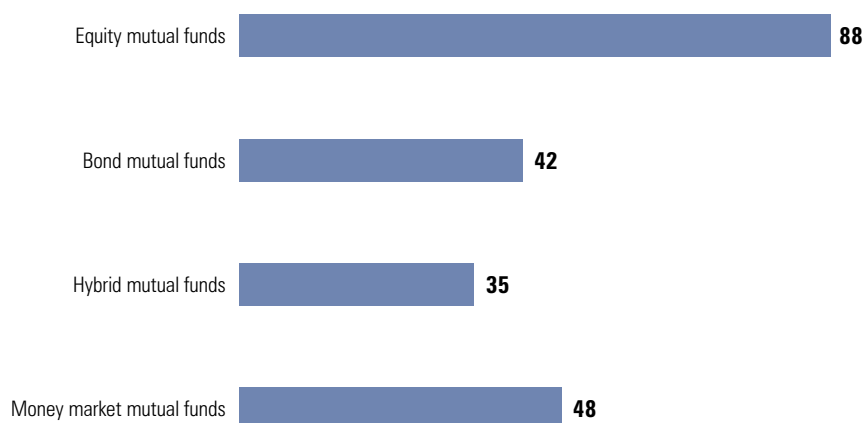
Equity Fund Shareholders

Equity fund shareholders have a median age of 44 (Figure 13). Their median household income is \$62,000 and household financial assets are \$100,000. Most are married, employed, and college-educated.

Equity fund shareholders have a median of \$29,500 invested in mutual funds, which is nearly 30 percent of household financial assets (Figure 14). Equity fund shareholders typically own four funds from two fund companies. Although most equity fund owners bought their first fund outside an employer-sponsored retirement plan, the majority now consider such a plan as their primary source for purchasing funds. In addition to owning equity funds, 42 percent own bond funds; 35 percent own hybrid funds; and 46 percent own money market funds. Most equity fund shareholders are not concerned about short-term fluctuations in their fund investments (Figure 15).

FIGURE 12

Types of Funds Owned by Mutual Fund Shareholders¹ (percent)



¹Multiple responses included.

Note: Number of respondents varies.

FIGURE 13

Shareholder Characteristics by Type of Funds Owned¹

	Equity	Bond	Hybrid	Money Market
Median				
Age	44 years	46 years	44 years	44 years
Household income	\$62,000	\$63,000	\$62,000	\$60,000
Household financial assets ²	\$100,000	\$100,000	\$100,000	\$100,000
Average				
Age	45 years	46 years	46 years	46 years
Household income	\$78,000	\$78,000	\$89,000	\$80,000
Household financial assets ²	\$228,000	\$285,000	\$290,000	\$259,000
Percent				
Household investment decisionmaker:				
Male is sole decisionmaker	26	23	23	23
Female is sole decisionmaker	19	20	16	22
Co-decisionmakers	55	57	61	55
Married	70	70	76	69
Living with a partner	5	5	5	5
Widowed	4	5	3	5
Four-year college degree or more	57	57	59	56
Completed graduate school	20	23	22	21
Employed	84	81	85	81
Spouse or partner employed ³	75	75	77	74
Retired from life-time occupation	16	19	15	20
Own individual stocks, bonds or annuities ⁴	76	79	74	74
Own an IRA ⁴	64	65	64	66
Household has defined contribution plan(s) (total) ⁵	84	86	89	81
401(k) plan	67	66	71	63
403(b) plan	14	16	16	13
State, local, or federal government plan	25	27	27	26
Use a PC:				
Any PC use (total)	82	81	85	80
At home only	13	15	11	15
At work only	17	14	17	14
Both at home and work	53	52	57	51
Never	17	18	15	20

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 14

Mutual Fund Ownership Characteristics by Type of Funds Owned

	Equity	Bond	Hybrid	Money Market
Median Per Household				
Total mutual fund assets	\$29,500	\$35,000	\$40,000	\$30,300
Number of mutual funds owned	4	5	5	4
Number of fund companies in which fund assets are invested	2	3	3	3
Year of first fund purchase	1988	1988	1988	1988
Average Per Household				
Total mutual fund assets	\$85,200	\$97,200	\$116,000	\$102,900
Number of mutual funds owned	6	7	7	6
Number of fund companies in which fund assets are invested	3	3	4	3
Year of first fund purchase	1987	1986	1986	1986
Percent of Households				
Own: ¹				
Equity funds	100	89	88	85
Bond funds	42	100	52	48
Hybrid funds	35	43	100	35
Money market funds	46	55	48	100
Have variable annuity invested in mutual funds	23	29	29	25
Own mutual funds bought: ¹				
Outside employer-sponsored retirement plan(s) (total)	66	69	67	69
Sales force ²	47	50	47	52
Direct market ³	32	34	35	33
Inside employer-sponsored retirement plan(s) (total)	73	78	81	70
401(k) plan	60	62	67	58
403(b) plan	11	12	13	9
State, local, or federal government plan	13	17	15	14
Primary mutual fund purchase channel:				
Outside employer-sponsored retirement plan(s) (total)	46	45	43	50
Sales force ²	29	28	28	32
Direct market ³	17	17	15	18
Inside employer-sponsored retirement plan(s)	54	55	57	50
Bought first mutual fund:				
Before 1990	54	58	60	57
Between 1990 and 1995	34	31	31	32
1996 or later	12	11	9	11
Source of first mutual fund:				
Outside employer-sponsored retirement plan(s) (total)	54	55	51	57
Sales force ²	35	34	34	37
Direct market ³	19	21	17	20
Inside employer-sponsored retirement plan(s)	46	45	49	43

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Bond Fund Shareholders

Bond fund shareholders have a median age of 46, only slightly older than equity fund shareholders (Figure 13). Like equity fund shareholders, the median household income of bond fund shareholders is in the low \$60,000s and their household financial assets are \$100,000.

Median mutual fund assets of bond fund shareholders are \$35,000, or 35 percent of household financial assets (Figure 14). Bond fund shareholders typically own five mutual funds, compared with four for equity fund share-

holders. Like equity owners, most bond fund owners bought their first fund outside an employer-sponsored retirement plan but now consider retirement plans at work to be their primary source for purchasing funds. In addition to owning bond funds, 89 percent own equity funds; 43 percent own hybrid funds; and 55 percent own money market funds. Similar to equity fund shareholders, bond fund shareholders express minimal concern about short-term market fluctuations (Figure 15).

FIGURE 15
Views on Mutual Fund Investing by Type of Funds Owned
(percent)

	Equity	Bond	Hybrid	Money Market
Important reasons for investing in mutual funds:¹				
Professional management	94	96	95	94
Investment diversification	90	91	92	90
Potential for high returns	89	89	88	88
Easy to invest in	83	84	82	83
Are or were offered through retirement plan at work	70	74	74	68
Recommendation by an professional financial adviser	55	57	55	60
Strongly or somewhat agree:¹				
My mutual fund investments are savings for the long term	99	99	99	99
I am not concerned about short-term fluctuations in my mutual fund investments	88	86	88	86
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	69	72	70	71
Self-assessed understanding of mutual fund investing				
Comprehensive	24	23	24	23
Basic	59	57	59	56
Limited or none	18	20	16	21
Primary financial goal:				
Retirement	80	76	78	79
Education	10	11	11	10
Other	10	13	11	11
Level of risk willing to take:				
Substantial risk for substantial gain	11	9	11	10
Above-average risk for above-average gain	34	31	35	32
Average risk for average gain	45	49	45	46
Below-average risk for below-average gain	6	7	5	7
No risk at all	3	4	4	5

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Hybrid Fund Shareholders

Hybrid fund owners have a median age of 44 (Figure 13). Their median household income is \$62,000 and household financial assets are \$100,000. The demographic and financial characteristics of hybrid fund owners are similar to those of equity and bond mutual fund shareholders.

Median mutual fund assets of hybrid fund owners are \$40,000, representing 40 percent of household financial assets (Figure 14). Similar to bond fund owners, members of this group typically own five mutual funds. Eighty-one percent of hybrid fund owners hold funds inside employer-sponsored retirement plans and 67 percent hold funds outside such plans. In addition to owning hybrid funds, 88 percent own equity funds; 52 percent own bond funds; and 48 percent own money market funds. Most hybrid fund owners are saving for retirement and are willing to take at least some financial risk with their fund investments (Figure 15).

Money Market Fund Shareholders

Shareholders owning money market funds have a median age of 44 (Figure 13). The median household income of this group is \$60,000, an amount that is lower than that for shareholders owning any of the other fund types. Median household financial assets of money market fund shareholders are \$100,000.

Median fund assets of money market fund shareholders are \$30,300, or 30 percent of household financial assets (Figure 14). Money market fund shareholders typically own four funds from three fund companies. Similar proportions hold funds inside and outside employer-sponsored retirement plans. Eighty-five percent of money market fund shareholders also own equity funds; 48 percent own bond funds; and 35 percent own hybrid funds. Similar to owners of other types of funds, most money market fund shareholders are saving for retirement (Figure 15).

Chapter 5

Mutual Fund Shareholders by Gender

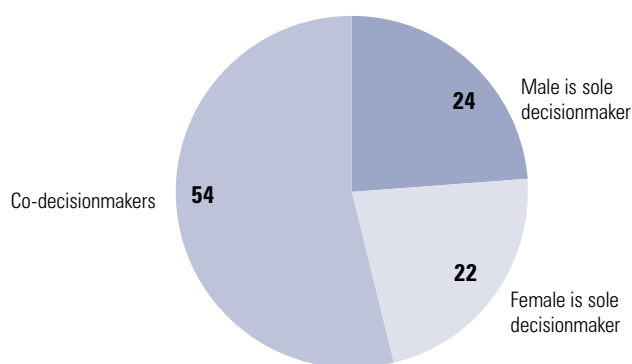
Males make the investment decisions in 24 percent of fund-owning households and females in 22 percent.⁷ Investment decisionmaking is a shared responsibility in 54 percent of fund-owning households (Figure 16).⁸

Male Shareholders with Sole Responsibility for Investment Decisions

Male shareholders have a median age of 41 (Figure 17). Their median household income is \$52,000 and household financial assets are \$87,000. Most are married, employed, and college educated.

The median amount held in funds by male shareholders is \$36,000, representing 41 percent of household financial assets (Figure 18). Male shareholders typically own four mutual funds from two companies. Just over one-half purchased their first fund prior to 1990. Most male shareholders purchased their first fund outside an employer-sponsored retirement plan, yet most now consider a retirement plan at work as their primary source for purchasing funds. Ninety-one percent own equity funds; 38 percent, bond funds; 32 percent, hybrid funds; and 43 percent, money market funds. Fifty-three percent describe their understanding of mutual fund investing as basic and 30 percent as comprehensive (Figure 19).

FIGURE 16
Investment Decisionmaker in Fund-Ownning Households
(percent)



Number of respondents = 1,470

⁷Referred to as male and female shareholders, respectively.

⁸Referred to as co-decisionmaking shareholders. Fifty-four percent of responding co-decisionmakers are male. Co-decisionmakers were screened to ensure they were the decisionmakers most knowledgeable and responsible for household investments.

FIGURE 17
Shareholder Characteristics by Gender of Investment Decisionmaker¹

	Male Is Sole Decision- maker	Female Is Sole Decision- maker	Co- decision- makers⁶
Median			
Age	41 years	44 years	44 years
Household income	\$52,000	\$38,000	\$62,000
Household financial assets ²	\$87,000	\$60,000	\$87,000
Average			
Age	44 years	47 years	45 years
Household income	\$77,000	\$60,000	\$70,000
Household financial assets ²	\$241,000	\$153,000	\$198,000
Percent			
Married	52	23	93
Living with a partner	7	6	5
Widowed	3	19	0
Four-year college degree or more	57	49	48
Completed graduate school	20	16	18
Employed	87	77	82
Spouse or partner employed ³	59	81	79
Own individual stocks, bonds or annuities ⁴	69	73	71
Own an IRA ⁴	61	55	60
Retired from life-time occupation	15	22	16
Household has defined contribution plan(s) (total) ⁵	77	67	80
401(k) plan	60	49	65
403(b) plan	11	12	13
State, local, or federal government plan	21	18	28
Use a PC:			
Any PC use (total)	79	68	80
At home only	11	10	16
At work only	17	20	15
Both at home and work	51	39	50
Never	21	32	20

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

⁶Fifty-four percent of responding co-decisionmakers are male. Co-decisionmakers were screened to ensure they were the decisionmakers most knowledgeable and responsible for household investments.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 18

Mutual Fund Ownership Characteristics by Gender of Investment Decisionmaker

	Male Is Sole Decision- maker	Female Is Sole Decision- maker	Co- decision- makers
Median Per Household			
Total mutual fund assets	\$36,000	\$15,000	\$25,000
Number of mutual funds owned	4	3	4
Number of fund companies in which fund assets are invested	2	2	2
Year of first fund purchase	1989	1990	1990
Average Per Household			
Total mutual fund assets	\$109,200	\$43,800	\$69,000
Number of mutual funds owned	5	5	6
Number of fund companies in which fund assets are invested	3	3	3
Year of first fund purchase	1988	1987	1987
Percent of Households			
Own: ¹			
Equity funds	91	82	89
Bond funds	38	41	44
Hybrid funds	32	27	39
Money market funds	43	52	48
Have variable annuity invested in mutual funds	18	23	25
Own mutual funds bought: ¹			
Outside employer-sponsored retirement plan(s) (total)	55	53	54
Sales force ²	34	41	40
Direct market ³	32	20	23
Inside employer-sponsored retirement plan(s) (total)	65	49	66
401(k) plan	53	39	56
403(b) plan	7	9	10
State, local, or federal government plan	13	8	13
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	48	58	48
Sales force ²	26	46	33
Direct market ³	22	12	15
Inside employer-sponsored retirement plan(s)	52	42	52
Bought first mutual fund:			
Before 1990	51	49	49
Between 1990 and 1995	33	36	37
1996 or later	16	15	14
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	56	56	50
Sales force ²	32	42	35
Direct market ³	24	14	15
Inside employer-sponsored retirement plan(s)	44	44	50

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Female Shareholders with Sole Responsibility for Investment Decisions

The typical female shareholder with sole responsibility for household investments is 44 years old, three years older than the typical male shareholder (Figure 17). Female shareholders have median household income of \$38,000 and household financial assets of \$60,000. Fewer than one-quarter are married and nearly 20 percent are widowed. Nearly half have college degrees.

Median mutual fund assets of female shareholders are \$15,000, representing 25 percent of household financial

assets (Figure 18). Female shareholders typically own three funds from two fund companies. The largest proportion of female shareholders purchased their first fund from the sales-force channel and consider that channel as their primary mutual fund purchase channel. Nearly half of female shareholders purchased their first fund before 1990. Eighty-two percent own equity funds; 41 percent, bond funds; 27 percent, hybrid funds; and 52 percent, money market funds. Female shareholders tend to describe themselves having a basic knowledge of fund investing (Figure 19).

FIGURE 19
Views on Mutual Fund Investing by Gender of Investment Decisionmaker
(percent)

	Male Is Sole Decision- maker	Female Is Sole Decision- maker	Co- decision- makers
Important reasons for investing in mutual funds:¹			
Professional management	91	96	93
Investment diversification	89	86	88
Potential for high returns	86	86	87
Easy to invest in	81	83	83
Are or were offered through retirement plan at work	68	58	72
Recommendation by a professional financial adviser	50	66	51
Strongly or somewhat agree:¹			
My mutual fund investments are savings for the long term	98	98	98
I am not concerned about short-term fluctuations in my mutual fund investments	87	84	86
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	63	76	73
Self-assessed understanding of mutual fund investing:			
Comprehensive	30	13	18
Basic	53	54	58
Limited or none	17	34	24
Primary financial goal:			
Retirement	77	73	79
Education	12	9	11
Other	11	18	10
Level of risk willing to take:			
Substantial risk for substantial gain	13	9	8
Above-average risk for above-average gain	38	24	27
Average risk for average gain	40	48	51
Below-average risk for below-average gain	6	8	8
No risk at all	3	12	6

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Co-decisionmaking Shareholders

The median age of the co-decisionmaking shareholders who responded to the survey is 44 (Figure 17). Their median household income is \$62,000 and household financial assets are \$87,000.

The median amount invested in mutual funds for co-decisionmaking shareholders is \$25,000, representing 29 percent of household financial assets (Figure 18). Almost one-half of co-decisionmaking shareholders bought their first fund prior to 1990. Members of this group typically

own four funds from two fund companies. Most consider an employer-sponsored retirement plan to be their primary source for purchasing funds. Eighty-nine percent own equity funds; 44 percent, bond funds; 39 percent, hybrid funds; and 48 percent, money market funds. Most co-decisionmaking shareholders view themselves as having a basic understanding of mutual fund investing (Figure 19). Most co-decisionmaking shareholders describe themselves as accepting average risk for average gain.

Chapter 6

Mutual Fund Shareholders by Generation

Twenty-two percent of mutual fund shareholders were born in 1965 or later, making them members of Generation X (ages 18 to 33 at the time of the survey). Fifty-one percent of shareholders are members of the Baby Boom Generation, which includes individuals born between 1946 and 1964 (ages 34 to 52 at the time of the survey). Twenty-seven percent of mutual fund shareholders are members of the Silent Generation, which includes individuals born before 1946 (age 53 or older at the time of the survey) (Figure 20).

Generation X Shareholders

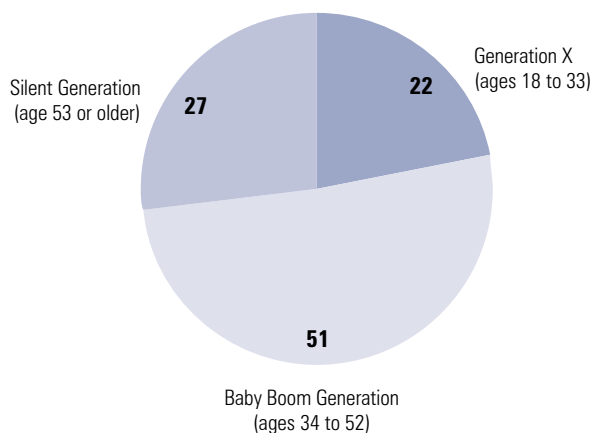
The typical Generation X shareholder is 29 years old and has a household income of \$44,000 (Figure 21). Median household financial assets of Generation X shareholders are \$26,000. More Generation X shareholders have earned a college degree than have shareholders of older generations.

Generation X shareholders have a median amount of \$10,000 invested in mutual funds. This represents 38 percent of household financial assets (Figure 22). Most

FIGURE 20

Generation of Mutual Fund Shareholders¹

(percent)



Number of respondents = 1,435

¹At the time of the survey.

FIGURE 21
Shareholder Characteristics by Generation¹

	Generation X (age 33 or younger)*	Baby Boom Generation (ages 34 to 52)*	Silent Generation (age 53 or older)*
Median			
Age	29 years	43 years	61 years
Household income	\$44,000	\$62,000	\$47,000
Household financial assets ²	\$26,000	\$90,000	\$200,000
Average			
Age	29 years	43 years	63 years
Household income	\$55,000	\$78,000	\$65,000
Household financial assets ²	\$71,000	\$190,000	\$353,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	30	23	24
Female is sole decisionmaker	19	20	26
Co-decisionmakers	51	57	51
Married	57	72	68
Living with a partner	11	5	3
Widowed	0	1	16
Four-year college degree or more	60	48	46
Completed graduate school	13	17	23
Employed	94	94	51
Spouse or partner employed ³	85	84	50
Retired from life-time occupation	2	5	53
Own individual stocks, bonds or annuities ⁴	79	81	83
Own an IRA ⁴	45	56	73
Have defined contribution plan(s) (total) ⁵	85	83	59
401(k) plan	73	66	39
403(b) plan	12	12	13
State, local, or federal government plan	21	26	23
Use a PC:			
Any PC use (total)	89	84	55
At home only	12	10	21
At work only	21	17	12
Both at home and work	56	57	22
Never	11	16	45

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from Mary 1998 ICI survey. Age categories are approximate.

⁵Multiple responses included.

*At the time of the survey.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 22

Mutual Fund Ownership Characteristics by Generation

	Generation X (age 33 or younger)*	Baby Boom Generation (ages 34 to 52)*	Silent Generation (age 53 or older)*
Median Per Household			
Total mutual fund assets	\$10,000	\$25,000	\$62,500
Number of mutual funds owned	3	4	4
Number of fund companies in which fund assets are invested	2	2	2
Year of first fund purchase	1994	1989	1983
Average Per Household			
Total mutual fund assets	\$22,700	\$63,800	\$147,600
Number of mutual funds owned	5	5	5
Number of fund companies in which fund assets are invested	2	3	2
Year of first fund purchase	1993	1998	1981
Percent of Households			
Own: ¹			
Equity funds	87	88	90
Bond funds	34	42	52
Hybrid funds	29	36	40
Money market funds	43	47	53
Have variable annuity invested in mutual funds	17	23	25
Own mutual funds bought: ¹			
Outside employer-sponsored retirement plan(s) (total)	45	55	59
Sales force ²	31	40	44
Direct market ³	24	24	26
Inside employer-sponsored retirement plan(s) (total)	66	70	46
401(k) plan	61	59	32
403(b) plan	6	10	10
State, local, or federal government plan	8	13	13
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	40	45	68
Sales force ²	28	30	47
Direct market ³	12	15	21
Inside employer-sponsored retirement plan(s) (total)	60	55	32
Bought first mutual fund:			
Before 1990	14	53	71
Between 1990 and 1995	51	36	22
1996 or later	34	11	6
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	47	50	63
Sales force ²	29	35	44
Direct market ³	18	15	19
Inside employer-sponsored retirement plan(s)	53	50	37

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

*At the time of the survey.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Generation X shareholders purchased their first mutual fund after 1990, usually through an employer-sponsored retirement plan, which most consider to be their primary source for purchasing funds. Generation X shareholders typically own three funds from two companies. Eighty-seven percent own equity funds; 34 percent, bond funds; 29 percent, hybrid funds; and 43 percent, money market funds. More than one-half expressed willingness to take substantial or above-average risk to achieve similar gain (Figure 23).

Baby Boom Shareholders

Baby Boom shareholders have a median age of 43 (Figure 21). Their median household income is \$62,000 and household financial assets are \$90,000. Most are married and employed, and nearly one-half have a four-year college degree.

The median amount of mutual fund holdings of Baby Boom shareholders is \$25,000, representing 28 percent of household financial assets (Figure 22). Baby Boom shareholders typically bought their first fund five years

FIGURE 23
Views on Mutual Fund Investing by Generation
(percent)

	Generation X (age 33 or younger)*	Baby Boom Generation (ages 34 to 52)*	Silent Generation (age 53 or older)*
Important reasons for investing in mutual funds: ¹			
Professional management	90	93	95
Investment diversification	85	88	89
Potential for high returns	86	88	83
Easy to invest in	85	83	81
Are or were offered through retirement plan at work	77	73	34
Recommendation by a professional financial adviser	55	59	59
Strongly or somewhat agree: ¹			
My mutual fund investments are savings for the long term	98	99	97
I am not concerned about short-term fluctuations in my mutual fund investments	88	87	83
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	74	72	70
Self-assessed understanding of mutual fund investing:			
Comprehensive	19	19	21
Basic	60	56	54
Limited or none	21	25	25
Primary financial goal:			
Retirement	72	79	78
Education	12	14	2
Other	16	7	20
Level of risk willing to take:			
Substantial risk for substantial gain	17	10	3
Above-average risk for above-average gain	35	31	21
Average risk for average gain	38	48	54
Below-average risk for below-average gain	6	6	12
No risk at all	4	5	10

¹Multiple responses included.

*At the time of the survey

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

before Generation X shareholders. Baby Boom shareholders typically own four funds. Similar to Generation X shareholders, most Baby Boom shareholders consider an employer-sponsored retirement plan as their primary source for purchasing funds. Eighty-eight percent own equity funds; 42 percent, bond funds; 36 percent, hybrid funds; and 47 percent, money market funds. Nearly 90 percent of Baby Boom shareholders indicate they will accept at least average risk for a similar level of gain (Figure 23).

Silent Generation Shareholders

Silent Generation shareholders have a median age of 61 (Figure 21). Their median household income is \$47,000 and household financial assets are \$200,000. More than half of Silent Generation shareholders are

retired; 16 percent are widowed. Forty-six percent are college graduates.

Silent Generation shareholders have a median amount of \$62,500 invested in mutual funds. This represents 31 percent of household financial assets (Figure 22). Silent Generation shareholders' tenure in funds exceeds that of Baby Boom and Generation X shareholders. Silent Generation shareholders typically invest in four funds from two fund companies. The largest proportion purchased their first fund from the sales-force channel and continue to view that channel as their primary source for purchasing funds. Ninety percent own equity funds; 52 percent, bond funds; 40 percent, hybrid funds; and 53 percent, money market funds. Silent Generation shareholders are considerably more risk-averse than younger shareholders (Figure 23).

Chapter 7

Mutual Fund Shareholders by Household Income

Forty-three percent of mutual fund shareholders have household income below \$50,000, and 44 percent have household income between \$50,000 and \$100,000. Only 13 percent have household income above \$100,000 (Figure 24).

Shareholders with Household Income Less than \$50,000

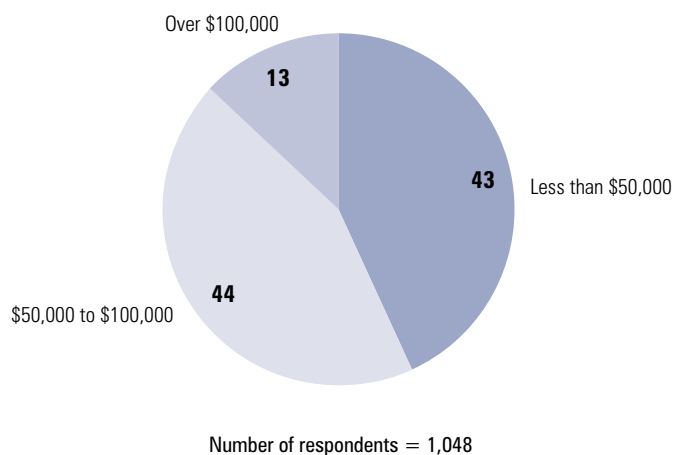
Shareholders with household income below \$50,000 have a median age of 41 (Figure 25). Median household financial assets are \$37,000. Most are high-school

graduates and are not married. Compared with shareholders with greater household income, more of those with incomes below \$50,000 are female decisionmakers.

Median fund holdings of shareholders with household income below \$50,000 are \$10,000, representing 27 percent of household financial assets (Figure 26). More than three-fifths purchased their first mutual fund in 1990 or later; just over half made that first purchase outside an employer-sponsored retirement plan. They typically own two funds from two fund companies. Seventy-nine percent own equity funds; 34 percent,

FIGURE 24

Household Income of Mutual Fund Shareholders (percent)



bond funds; 30 percent, hybrid funds; and 45 percent, money market funds. Most shareholders with household income below \$50,000 are willing to accept average risk for average gain (Figure 27).

Shareholders with Household Income Between \$50,000 and \$100,000

Shareholders with household income between \$50,000 and \$100,000 have a median age of 43 (Figure 25). Median household financial assets of this group are \$100,000. The majority are married and college graduates.

The median amount invested in mutual funds by shareholders in this income category is \$30,000, representing 30 percent of household financial assets (Figure 26). Fifty percent purchased their first fund before 1990. Most made that first purchase through an employer-sponsored retirement plan and now consider such plans as their primary method for purchasing funds. Shareholders in this income group typically own four mutual funds from two fund companies. Ninety-one percent hold equity funds; 40 percent, bond funds; 33 percent, hybrid funds; and 40 percent, money market funds. Most shareholders with household income between \$50,000 and \$100,000 say they have a basic understanding of mutual fund investing (Figure 27).

Shareholders with Household Income Greater than \$100,000

Shareholders with household income above \$100,000 have a median age of 46 (Figure 25). Similar to shareholders in the \$50,000 to \$100,000 income category, most of those in the high-income group are married and college graduates. Median household financial assets of shareholders with household income above \$100,000 are \$325,000.

The median level of fund holdings of shareholders in this income group is \$70,000, or 22 percent of household financial assets (Figure 26). While most of these shareholders purchased their first fund outside an employer-sponsored retirement plan, they now consider such plans to be their primary method for purchasing funds. Compared with shareholders with lower household incomes, those in the high-income category tend to own more funds and have longer fund tenure. Ninety-six percent own equity funds; 53 percent, bond funds; 43 percent, hybrid funds; and 53 percent, money market mutual funds. Most shareholders with household income above \$100,000 describe themselves as having a basic understanding of fund investing (Figure 27).

FIGURE 25

Shareholder Characteristics by Household Income¹

	Less than \$50,000	Household Income \$50,000 to \$100,000	Over \$100,000
Median			
Age	41 years	43 years	46 years
Household income	\$35,000	\$69,000	\$125,000
Household financial assets ²	\$37,000	\$100,000	\$325,000
Average			
Age	45 years	44 years	46 years
Household income	\$32,000	\$70,000	\$195,000
Household financial assets ²	\$90,000	\$182,000	\$594,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	25	23	35
Female is sole decisionmaker	34	13	11
Co-decisionmakers	41	63	54
Married	48	80	84
Living with a partner	8	5	4
Widowed	8	2	1
Four-year college degree or more	35	55	73
Completed graduate school	9	18	40
Employed	77	90	90
Spouse or partner employed ³	64	84	85
Retired from life-time occupation	21	11	11
Own individual stocks, bonds, or annuities ⁴	65	74	85
Own an IRA ⁴	49	59	71
Household has defined contribution plan(s) (total) ⁵			
401(k) plan	52	68	77
403(b) plan	10	14	19
State, local, or federal government plan	24	27	20
Use a PC:			
Any PC use (total)	66	84	96
At home only	15	12	13
At work only	19	18	11
Both at home and work	32	55	72
Never	34	16	4

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

²Excludes primary residence but includes assets inside employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 26

Mutual Fund Ownership Characteristics by Household Income

	Less than \$50,000	Household Income \$50,000 to \$100,000	Over \$100,000
Median Per Household			
Total mutual fund assets	\$10,000	\$30,000	\$70,000
Number of mutual funds owned	2	4	6
Number of fund companies in which fund assets are invested	2	2	3
Year of first fund purchase	1992	1990	1988
Average Per Household			
Total mutual fund assets	\$27,000	\$72,000	\$150,700
Number of mutual funds owned	3	6	9
Number of fund companies in which fund assets are invested	2	3	5
Year of first fund purchase	1989	1988	1987
Percent of Households			
Own: ¹			
Equity funds	79	91	96
Bond funds	34	40	53
Hybrid funds	30	33	43
Money market funds	45	40	53
Have variable annuity invested in mutual funds	19	23	20
Own mutual funds bought:			
Outside employer-sponsored retirement plan(s) (total)	43	53	65
Sales force ²	31	40	45
Direct market ³	17	23	31
Inside employer-sponsored retirement plan(s) (total)	53	73	78
401(k) plan	43	60	68
403(b) plan	8	10	14
State, local, or federal government plan	10	13	10
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	51	40	46
Sales force ²	37	27	31
Direct market ³	14	13	15
Inside employer-sponsored retirement plan(s) (total)	49	60	54
Bought first mutual fund:			
Before 1990	38	50	58
Between 1990 and 1995	37	39	37
1996 or later	25	11	5
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	51	47	55
Sales force ²	35	35	36
Direct market ³	16	12	19
Inside employer-sponsored retirement plan(s)	49	53	45

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 27

Views on Mutual Fund Investing by Household Income

(percent)

	Less than \$50,000	Household Income \$50,000 to \$100,000	Over \$100,000
Important reasons for investing in mutual funds: ¹			
Professional management	93	94	93
Investment diversification	85	89	94
Potential for high returns	84	89	86
Easy to invest in	84	82	83
Are or were offered through retirement plan at work	66	76	72
Recommendation by a professional financial adviser	65	56	50
Strongly or somewhat agree: ¹			
My mutual fund investments are savings for the long term	98	99	99
I am not concerned about short-term fluctuations in my mutual fund investments	84	88	87
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	76	72	66
Self-assessed understanding of mutual fund investing:			
Comprehensive	12	18	31
Basic	55	57	59
Limited or none	23	25	9
Primary financial goal:			
Retirement	71	81	83
Education	9	12	11
Other	20	7	6
Level of risk willing to take:			
Substantial risk for substantial gain	8	11	17
Above-average risk for above-average gain	21	33	38
Average risk for average gain	54	48	38
Below-average risk for below-average gain	8	5	5
No risk at all	8	3	3

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Chapter 8

Mutual Fund Shareholders by Household Financial Assets⁹

Shareholders with household financial assets below \$50,000 represent 35 percent of mutual fund owners, and those with household financial assets between \$50,000 and \$100,000 account for 25 percent. Shareholders with household financial assets above \$100,000 represent 40 percent of fund owners (Figure 28).

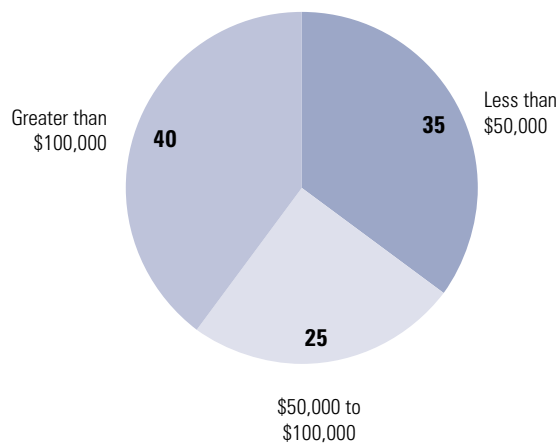
Shareholders with Household Financial Assets Less than \$50,000

Shareholders with household financial assets below \$50,000 have a median age of 35 and median household income of \$40,000 (Figure 29). Household financial assets of the members of this group typically are \$17,000. Most are married and employed, and 41 percent are college graduates.

FIGURE 28

Household Financial Assets of Mutual Fund Shareholders

(percent)



Number of respondents = 971

⁹ Household financial assets include holdings in employer-sponsored retirement plans but exclude value of primary residence.

FIGURE 29

Shareholder Demographic Characteristics by Household Financial Assets¹

	Household Financial Assets		
	Less than \$50,000	\$50,000 to \$100,000	Greater Than \$100,000
Median			
Age	35 years	41 years	48 years
Household income	\$40,000	\$60,000	\$80,000
Household financial assets ²	\$17,000	\$75,000	\$300,000
Average			
Age	38 years	43 years	50 years
Household income	\$47,000	\$61,000	\$101,000
Household financial assets ²	\$20,000	\$75,000	\$439,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	22	26	29
Female is sole decisionmaker	28	23	17
Co-decisionmakers	50	51	54
Married	57	65	76
Living with a partner	10	5	5
Widowed	3	4	7
Four-year college degree or more	41	50	55
Completed graduate school	8	18	23
Employed	92	89	78
Spouse or partner employed ³	80	79	74
Retired from life-time occupation	6	14	22
Own individual stocks, bonds, or annuities ⁴	60	73	82
Own an IRA ⁴	41	60	70
Household has defined contribution plan(s) (total) ⁵	79	79	81
401(k) plan	65	65	60
403(b) plan	10	13	16
State, local, or federal government plan	21	26	27
Use a PC:			
Any PC use (total)	78	80	79
At home only	12	12	14
At work only	22	19	15
Both at home and work	44	49	50
Never	22	20	21

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

²Household financial assets exclude primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 30

Mutual Fund Ownership Characteristics by Household Financial Assets¹

	Household Financial Assets		
	Less than \$50,000	\$50,000 to \$100,000	Greater Than \$100,000
Median Per Household			
Total mutual fund assets	\$5,300	\$28,900	\$82,500
Number of mutual funds owned	2	3	5
Number of fund companies in which fund assets are invested	2	2	3
Year of first fund purchase	1994	1990	1986
Average Per Household			
Total mutual fund assets	\$11,100	\$33,800	\$134,200
Number of mutual funds owned	3	5	7
Number of fund companies in which fund assets are invested	2	3	4
Year of first fund purchase	1992	1988	1985
Percent of Households			
Own: ¹			
Equity funds	81	86	94
Bond funds	33	39	44
Hybrid funds	28	31	40
Money market funds	44	37	49
Have variable annuity invested in mutual funds	16	19	26
Own mutual funds bought: ³			
Outside employer-sponsored retirement plan(s) (total)	40	54	62
Sales force ²	29	36	45
Direct market ³	14	24	29
Inside employer-sponsored retirement plan(s) (total)	62	66	68
401(k) plan	55	58	53
403(b) plan	7	10	11
State, local, or federal government plan	7	11	14
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	40	45	52
Sales force ²	29	32	35
Direct market ³	11	13	17
Inside employer-sponsored retirement plan(s)	60	55	48
Bought first mutual fund:			
Before 1990	24	46	65
Between 1990 and 1995	46	46	27
1996 or later	31	7	7
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	45	48	56
Sales force ²	32	32	40
Direct market ³	13	16	16
Inside employer-sponsored retirement plan(s)	55	52	44

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 31

Views on Mutual Fund Investing by Household Financial Assets

(percent)

	Household Financial Assets		
	Less than \$50,000	\$50,000 to \$100,000	Greater Than \$100,000
Important reasons for investing in mutual funds: ¹			
Professional management	94	94	94
Investment diversification	86	86	91
Potential for high returns	84	89	87
Easy to invest in	86	88	78
Are or were offered through retirement plan at work	76	72	67
Recommendation by a professional financial adviser	61	60	57
Strongly or somewhat agree: ¹			
My mutual fund investments are savings for the long term	99	100	97
I am not concerned about short-term fluctuations in my mutual fund investments	85	88	87
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	77	74	69
Self-assessed understanding of mutual fund investing:			
Comprehensive	11	15	26
Basic	59	60	55
Limited or none	30	25	19
Primary financial goal:			
Retirement	71	79	81
Education	15	8	10
Other	14	13	9
Level of risk willing to take:			
Substantial risk for substantial gain	11	12	11
Above-average risk for above-average gain	26	27	35
Average risk for average gain	52	51	43
Below-average risk for below-average gain	6	6	7
No risk at all	6	4	4

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans. Household financial assets exclude primary residence but include assets in employer-sponsored retirement plans.

Median fund holdings of shareholders with household financial assets less than \$50,000 are \$5,300, representing 31 percent of household financial assets (Figure 30). More than three-quarters purchased their first fund in 1990 or later. Today they typically own two funds from two fund companies. Most bought their first fund through an employer-sponsored retirement plan and list such plans as their primary method for purchasing funds. Eighty-one percent own equity funds; 33 percent, bond funds; 28 percent, hybrid funds; and 44 percent, money market funds. Most have a basic understanding of mutual fund investing (Figure 31).

Shareholders with Household Financial Assets Between \$50,000 and \$100,000

Shareholders with household financial assets between \$50,000 and \$100,000 have a median age of 41 (Figure 29). Median household income is \$60,000 and household financial assets are \$75,000. Most are married, employed, and one-half are college graduates.

Shareholders with household financial assets between \$50,000 and \$100,000 have median mutual fund holdings of \$28,900, representing 39 percent of household financial assets (Figure 30). More than half purchased their first fund in 1990 or later. Most bought that first fund through an employer-sponsored retirement plan and view retirement plans at work as their primary channel for purchasing funds. Shareholders in this group typically own three funds from two fund companies. Compared

with shareholders with assets below \$50,000, more members of this group own equity, bond, and hybrid funds, and fewer own money market funds. The majority of shareholders in this asset category are willing to take average financial risk for average gain (Figure 31).

Shareholders with Household Financial Assets Greater than \$100,000

The median age of shareholders with household financial assets above \$100,000 is 48 (Figure 29). Their median household income is \$80,000 and household financial assets are \$300,000. The majority in this high-asset group are married, employed, and have college degrees.

Shareholders with household financial assets greater than \$100,000 have median fund holdings of \$82,500, representing 28 percent of such household assets (Figure 30). These shareholders have broader mutual fund portfolios than shareholders with household financial assets of \$100,000 or less. Members of this high-asset group typically own five funds, and more have holdings in each fund type—equity, bond, hybrid, and money market. These shareholders tend to have longer fund tenure than those with fewer household financial assets, and most bought their first fund outside an employer-sponsored retirement plan. Most of these shareholders are willing to take financial risk and describe themselves as having a basic understanding of mutual fund investing (Figure 31).

Chapter 9

Mutual Fund Shareholders by Length of Fund Ownership

Fifty percent of mutual fund shareholders purchased their first fund before 1990 and therefore had owned funds for nine or more years at the time of the survey. Thirty-six percent initially bought a fund between 1990 and 1995, making their length of fund ownership between three and eight years at the time of the survey. Fourteen percent of shareholders had owned funds for two years or less at the time of the survey, having purchased their first mutual fund in 1996 or later (Figure 32).

Shareholders Who Have Owned Funds for Nine or More Years

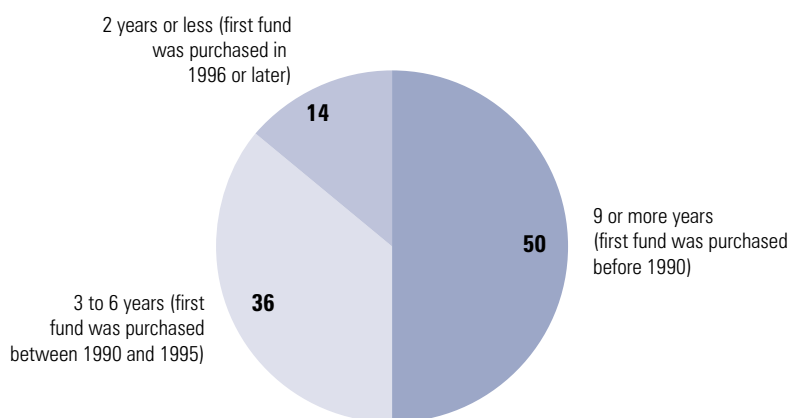
Shareholders who purchased their first fund before 1990 have a median age of 49 (Figure 33). Their median household income is \$60,000 and household financial assets are \$140,000. Most are married, employed, and college graduates.

This group of shareholders typically has \$50,000 invested in mutual funds, representing 36 percent of household financial assets (Figure 34). They typically

FIGURE 32

Length of Fund Ownership of Mutual Fund Shareholders¹

(percent)



Number of respondents = 1,427

¹At the time of the survey.

FIGURE 33

Shareholder Characteristics by Length of Fund Ownership¹

	9 or more years (first fund was purchased before 1990)	3 to 8 years (first fund was purchased between 1990 and 1995)	2 years or less (first fund was purchased in 1996 or later)
Median			
Age	49 years	39 years	33 years
Household income	\$60,000	\$56,000	\$40,000
Household financial assets ²	\$140,000	\$60,000	\$17,000
Average			
Age	50 years	41 years	36 years
Household income	\$73,000	\$76,000	\$48,000
Household financial assets ²	\$283,000	\$145,000	\$90,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	25	23	27
Female is sole decisionmaker	21	21	21
Co-decisionmakers	54	56	51
Married	71	69	56
Living with a partner	4	5	13
Widowed	7	3	2
Four-year college degree or more	55	48	41
Completed graduate school	21	17	8
Employed	76	90	90
Spouse or partner employed ³	70	80	79
Retired from life-time occupation	26	8	9
Own individual stocks, bonds, or annuities ⁴	82	75	80
Own an IRA ⁴	70	44	33
Household has defined contribution plan(s) (total) ⁵			
401(k) plan	58	63	63
403(b) plan	15	11	7
State, local, or federal government plan	26	24	19
Use a PC:			
Any PC use (total)	75	81	78
At home only	14	12	12
At work only	14	19	21
Both at home and work	47	50	46
Never	24	19	22

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 34

Mutual Fund Ownership Characteristics by Length of Fund Ownership

	9 or more years (first fund was purchased before 1990)	3 to 8 years (first fund was purchased between 1990 and 1995)	2 years or less (first fund was purchased in 1996 or later)
Median Per Household			
Total mutual fund assets	\$50,000	\$14,700	\$4,000
Number of mutual funds owned	4	3	2
Number of fund companies in which fund assets are invested	2	2	1
Average Per Household			
Total mutual fund assets	\$124,300	\$37,500	\$18,600
Number of mutual funds owned	6	5	4
Number of fund companies in which fund assets are invested	3	3	2
Percent of Households			
Own: ¹			
Equity funds	92	86	79
Bond funds	47	37	34
Hybrid funds	41	31	26
Money market funds	42	52	40
Have variable annuity invested in mutual funds	25	23	15
Own mutual funds bought: ¹			
Outside employer-sponsored retirement plan(s) (total)	63	47	40
Sales force ²	45	35	31
Direct market ³	30	21	15
Inside employer-sponsored retirement plan(s) (total)	64	65	55
401(k) plan	51	55	49
403(b) plan	11	8	3
State, local, or federal government plan	14	10	8
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	54	45	48
Sales force ²	34	32	37
Direct market ³	20	13	11
Inside employer-sponsored retirement plan(s)	46	55	52
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	55	49	53
Sales force ²	36	35	37
Direct market ³	19	14	16
Inside employer-sponsored retirement plan(s)	45	51	47

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 35

Views on Mutual Fund Investing by Length of Fund Ownership

(percent)

	9 or more years (first fund was purchased before 1990)	3 to 8 years (first fund was purchased between 1990 and 1995)	2 years or less (first fund was purchased in 1996 or later)
Important reasons for investing in mutual funds: ¹			
Professional management	95	92	90
Investment diversification	89	87	87
Potential for high returns	86	86	86
Easy to invest in	81	83	84
Are or were offered through retirement plan at work	67	70	70
Recommendation by a professional financial adviser	56	59	61
Strongly or somewhat agree: ¹			
My mutual fund investments are savings for the long term	98	99	98
I am not concerned about short-term fluctuations in my mutual fund investments	87	87	83
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	70	72	75
Self-assessed understanding of mutual fund investing:			
Comprehensive	25	14	15
Basic	55	62	48
Limited or none	20	24	37
Primary financial goal:			
Retirement	79	78	68
Education	9	12	13
Other	12	10	19
Level of risk willing to take:			
Substantial risk for substantial gain	8	12	11
Above-average risk for above-average gain	31	29	25
Average risk for average gain	46	51	46
Below-average risk for below-average gain	9	4	9
No risk at all	6	5	9

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

own four funds from two fund companies. Similar to those who have owned funds for two years or less, these shareholders bought their first fund outside an employer-sponsored retirement plan. Now, 54 percent consider either the direct-market or sales-force channel to be their primary mutual fund purchase channel. Ninety-two percent own equity funds; 47 percent, bond funds; 41 percent, hybrid funds; and 42 percent, money market mutual funds. The majority of these most-seasoned shareholders say they have a basic understanding of mutual fund investing (Figure 35).

Shareholders Who Have Owned Funds for Three-to-Eight Years

Shareholders who purchased their first fund between 1990 and 1995 have a median age of 39 (Figure 33). Median household income is \$56,000 and household financial assets are \$60,000. Most are married and employed, and 48 percent are college graduates.

The median level of fund holdings of these shareholders is \$14,700, representing 25 percent of household financial assets (Figure 34). These shareholders typically own three funds from two fund companies. Most purchased their first fund through an employer-sponsored retirement plan, and 55 percent consider such

a plan to be their primary mutual fund purchase channel. Eighty-six percent own equity funds; 37 percent, bond funds; 31 percent, hybrid funds; and 52 percent, money market mutual funds. The majority have a basic understanding of mutual fund investing (Figure 35).

Shareholders Who Have Owned Funds for Two Years or Less

Shareholders who have owned funds for two years or less have a median age of 33 (Figure 33). Median household income is \$40,000 and household financial assets are \$17,000. Most are high-school educated, married, and employed. Forty-one percent are college graduates.

The median level of fund holdings of these shareholders is \$4,000, or 24 percent of household financial assets (Figure 34). These shareholders typically own two funds from one fund company. Although most bought their first mutual fund outside an employer-sponsored retirement plan, the majority now consider an employer plan as their primary mutual fund purchase channel. Seventy-nine percent own equity funds; 34 percent, bond funds; 26 percent, hybrid funds; and 40 percent, money market mutual funds. More of these shareholders describe themselves as having a limited or basic understanding of mutual fund investing (Figure 35).

Chapter 10

Mutual Fund Shareholders by Region¹⁰

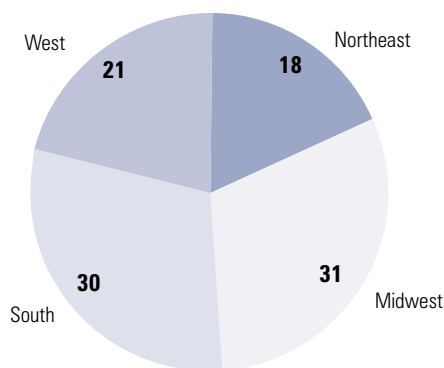
Eighteen percent of mutual fund shareholders reside in the Northeast, while 31 percent of shareholders live in the Midwest. Shareholders in the South account for 30 percent of all shareholders. Shareholders in the West represent 21 percent. By comparison, 19 percent of all U.S. households are in the Northeast; 24 percent are in the Midwest; 36 percent, in the South; and 21 percent, in the West (Figure 36).

Northeastern Shareholders

Northeastern mutual fund shareholders have a median age of 43 (Figure 37). Their median household income is \$60,000 and household financial assets are \$73,000. Most are married and employed, and 21 percent have graduate degrees, the highest percentage among the four regions.

FIGURE 36

Region of Mutual Fund Shareholders¹ (percent)



Number of respondents = 1,470

¹Refer to Appendix E for a full listing of the states in each region.

¹⁰The regions of the country are those of the U.S. Census Bureau. Refer to Appendix E for a full listing of the states in each region.

Northeastern shareholders typically have the highest balances invested in mutual funds—a median of \$28,000 (Figure 38). More than half bought their first fund in 1990 or later. While most purchased their first fund outside an employer-sponsored retirement plan, they now consider such a plan to be their primary method for purchasing funds. They typically own four

funds from two fund companies. Eighty-seven percent of Northeastern shareholders own equity funds; 47 percent, bond funds; 33 percent, hybrid funds; and 50 percent, money market funds. Similar to shareholders nationwide, by a wide margin they list saving for retirement as their primary financial goal for their fund investments (Figure 39).

FIGURE 37
Shareholder Characteristics by Region¹

	Northeast	Midwest	South	West
Median				
Age	43 years	43 years	44 years	45 years
Household income	\$60,000	\$50,000	\$54,000	\$60,000
Household financial assets ²	\$73,000	\$75,000	\$80,000	\$95,000
Average				
Age	45 years	45 years	45 years	47 years
Household income	\$71,000	\$59,000	\$66,000	\$90,000
Household financial assets ²	\$202,000	\$159,000	\$176,000	\$297,000
Percent				
Household investment decisionmaker:				
Male is sole decisionmaker	28	23	27	21
Female is sole decisionmaker	18	20	23	24
Co-decisionmakers	54	57	51	55
Married	66	68	67	70
Living with a partner	9	6	4	4
Widowed	5	5	5	5
Four-year college degree or more	47	49	49	56
Completed graduate school	21	15	18	19
Employed	84	83	84	77
Spouse or partner employed ³	73	77	77	70
Retired from life-time occupation	15	17	15	23
Own individual stocks, bonds, or annuities ⁴	77	71	71	65
Own an IRA ⁴	60	59	60	59
Household has defined contribution plan(s) (total) ⁵				
401(k) plan	62	61	58	59
403(b) plan	15	12	13	9
State, local, or federal government plan	20	22	26	29
Use a PC:				
Any PC use (total)	78	78	76	78
At home only	17	13	12	13
At work only	19	17	17	12
Both at home and work	42	48	48	53
Never	22	22	24	22

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 38

Mutual Fund Ownership Characteristics by Region

	Northeast	Midwest	South	West
Median Per Household				
Total mutual fund assets	\$28,000	\$21,200	\$22,000	\$25,000
Number of mutual funds owned	4	3	3	4
Number of fund companies in which fund assets are invested	2	2	2	2
Year of first fund purchase	1990	1989	1990	1988
Average Per Household				
Total mutual fund assets	\$114,900	\$64,700	\$61,200	\$74,000
Number of mutual funds owned	5	5	5	6
Number of fund companies in which fund assets are invested	2	2	2	2
Year of first fund purchase	1988	1987	1988	1987
Percent of Households				
Own: ¹				
Equity funds	87	90	88	86
Bond funds	47	37	42	45
Hybrid funds	33	36	31	40
Money market funds	50	43	48	50
Have variable annuity invested in mutual funds	23	24	22	20
Own mutual funds bought: ¹				
Outside employer-sponsored retirement plan(s) (total)	56	55	50	58
Sales force ²	39	41	38	38
Direct market ³	28	24	23	25
Inside employer-sponsored retirement plan(s) (total)	66	63	60	62
401(k) plan	53	53	49	52
403(b) plan	11	10	9	6
State, local, or federal government plan	13	11	10	16
Primary mutual fund purchase channel:				
Outside employer-sponsored retirement plan(s) (total)	48	51	50	50
Sales force ²	32	34	34	35
Direct market ³	16	17	16	15
Inside employer-sponsored retirement plan(s)	52	49	50	50
Bought first mutual fund:				
Before 1990	47	50	47	55
Between 1990 and 1995	38	36	37	31
1996 or later	15	14	16	14
Source of first mutual fund:				
Outside employer-sponsored retirement plan(s) (total)	51	51	54	56
Sales force ²	33	36	36	40
Direct market ³	18	15	18	16
Inside employer-sponsored retirement plan(s)	49	49	46	44

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 39

Views on Mutual Fund Investing by Region
(percent)

	Northeast	Midwest	South	West
Important reasons for investing in mutual funds: ¹				
Professional management	93	94	92	93
Investment diversification	88	86	87	91
Potential for high returns	87	85	88	84
Easy to invest in	82	84	83	80
Are or were offered through retirement plan at work	68	68	70	65
Recommendation by a professional financial adviser	54	60	57	59
Strongly or somewhat agree: ¹				
My mutual fund investments are savings for the long term	98	98	99	97
I am not concerned about short-term fluctuations in my mutual fund investments	85	86	87	85
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	72	71	71	72
Self-assessed understanding of mutual fund investing:				
Comprehensive	21	17	20	23
Basic	57	59	55	52
Limited or none	22	23	25	25
Primary financial goal:				
Retirement	72	78	76	82
Education	13	11	12	7
Other	15	11	12	11
Level of risk willing to take:				
Substantial risk for substantial gain	12	8	10	9
Above-average risk for above-average gain	29	29	29	30
Average risk for average gain	47	52	47	43
Below-average risk for below-average gain	7	7	6	11
No risk at all	6	5	8	7

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Midwestern Shareholders

Midwestern mutual fund shareholders have a median age of 43 (Figure 37). Their median household income is \$50,000, the lowest among the four regions. Median household financial assets are \$75,000. Most are married and employed. Just under half are college graduates.

The median level of fund holdings of Midwestern shareholders is \$21,200, representing 28 percent of household financial assets (Figure 38). One-half of Midwestern shareholders bought their first fund before

1990. Just over half bought their first fund outside an employer-sponsored retirement plan, and 49 percent cite such plans as their primary fund purchase channel. Midwestern shareholders typically own three funds from two fund companies. Ninety percent own equity funds; 37 percent, bond funds; 36 percent, hybrid funds; and 43 percent, money market funds. Seventy-eight percent report that retirement is their primary financial goal (Figure 39).

Southern Shareholders

Southern mutual fund shareholders have a median age of 44 (Figure 37). Median household income is \$54,000 and household financial assets are \$80,000. Most are married and employed. Just under half completed college.

Median fund holdings of this group of shareholders are \$22,000, which represents 28 percent of household financial assets (Figure 38). Fifty-three percent of Southern shareholders bought their first fund in 1990 or later; in most instances, outside an employer plan. Southern shareholders typically own three funds from two fund companies. Eighty-eight percent own equity funds; 42 percent, bond funds; 31 percent, hybrid funds; and 48 percent, money market funds. More than three-quarters indicate their primary financial goal is saving for retirement (Figure 39)

Western Shareholders

Western mutual fund shareholders have a median age of 45 (Figure 37). Median household income is \$60,000 and household financial assets are \$95,000. Considerably more Western shareholders are retired than are shareholders in other regions, and they are the group likeliest to have a college degree.

The median level of fund holdings of Western shareholders is \$25,000, or 26 percent of household financial assets (Figure 38). Most purchased their first fund outside an employer-sponsored retirement plan. Eighty-six percent own equity funds; 45 percent, bond funds; 40 percent, hybrid funds; and 50 percent, money market funds. Western shareholders have typically owned funds longer than shareholders in the other three regions; 55 percent bought their first fund before 1990. Western shareholders typically own four funds from two fund companies. Eighty-two percent cite saving for retirement as their primary fund investment goal (Figure 39).

Appendix A

Research Methodology

Research Design

Under the direction of the Investment Company Institute's Research Department, Response Analysis Corporation conducted the survey of mutual fund shareholders. The survey gathered demographic, financial, and fund ownership characteristics of mutual fund shareholders nationwide.

Special effort was made in the survey to collect information on fund ownership inside employer-sponsored retirement plans and outside such plans. The information included the number and types of funds owned, as well as the level of assets held in each. In addition, the survey asked shareholders about aspects of fund investing, including reasons for purchasing funds, financial goals for fund investments, and willingness to take financial risk with fund investments. Finally, the survey collected the demographic data of responding shareholders, such as age, household income, and marital status.

Interviewing

Interviewing was conducted in September and October of 1998 using a random digit dial (RDD) national probability sample. All interviews were conducted with the decisionmaker most knowledgeable about the household's savings and investments.¹¹ Eligible respondents included shareholders owning mutual funds inside or outside employer-sponsored retirement plans, or through variable annuities. A total of 1,470 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

¹¹Households 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 includes related family members and all unrelated persons, if any, 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.

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 40 shows the approximate sampling error for estimates of proportions

computed for the sample as a whole and for subsamples of various sizes.

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.

FIGURE 40

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

Sample Size	10 percent or 90 percent	20 percent or 80 percent	30 percent or 70 percent	40 percent or 60 percent	50 percent
1,500	2	2	3	3	3
1,450	2	2	3	3	3
1,050	2	3	3	3	3
800	2	3	3	4	4
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 + or - 2 percent 95 percent of the time.

Appendix B

Detailed Characteristics of Mutual Fund Shareholders by Fund Ownership Inside and Outside Employer-sponsored Retirement Plans

FIGURE 41

Detailed Characteristics of Mutual Fund Shareholders¹

(percent)

	All Shareholders	Own Funds Inside Employer- sponsored Retirement Plans	Own Funds Outside Employer- sponsored Retirement Plans
Investment Decisionmaker			
Male is sole decisionmaker	24	26	25
Female is sole decisionmaker	22	17	21
Co-decisionmakers	54	57	54
Number of respondents	1,470	915	794
Age			
Under 35	25	28	20
35 to 44	28	32	28
45 to 54	24	27	26
55 to 64	13	10	14
65 or older	10	3	12
Mean (in years)	45	43	47
Median (in years)	44	42	45
Number of respondents	1,435	709	773
Total Household Income			
Less than \$25,000	10	6	9
\$25,000 to \$34,999	11	9	5
\$35,000 to \$49,999	22	20	20
\$50,000 to \$74,999	26	29	26
\$75,000 to \$99,999	15	17	17
\$100,000 to \$249,999	14	17	17
\$250,000 or more	2	2	3
Mean	\$69,000	\$79,000	\$80,000
Median	\$55,000	\$60,000	\$60,000
Number of respondents	1,048	682	528
Educational Level			
High school or less	20	17	14
Some college or associate's degree	30	29	25
Completed four years of college	25	27	30
Some graduate school	7	7	9
Completed graduate school	18	18	22
Number of respondents	1,460	909	788
Marital Status			
Single	16	15	15
Married	68	72	70
Divorce or separated	11	11	9
Widowed	5	2	6
Number of respondents	1,459	908	788
Employment Status			
Employed	82	90	79
Employed full-time	74	84	70
Employed part-time	8	6	9
Not employed	18	10	21
Number of respondents	1,463	910	791

FIGURE 41 (cont'd.)

	All Shareholders	Own Funds Inside Employer-sponsored Retirement Plans	Own Funds Outside Employer-sponsored Retirement Plans
Retirement Status			
Retired from life-time occupation	17	10	20
Not retired from life-time occupation	83	90	80
Number of respondents	1,461	909	789
Employment Status of Spouse or Partner²			
Employed	75	79	73
Employed full-time	64	68	60
Employed part-time	11	12	13
Not presently employed	25	20	27
Number of respondents	1,068	564	578
Use of Personal Computer			
Use a personal computer	77	85	79
At home only	13	12	14
At work only	16	18	15
Both at home and work	48	56	50
Never	23	15	20
Number of respondents	1,464	910	790
Level of Household Financial Assets			
Less than \$25,000	22	20	17
\$25,000 to \$49,999	13	14	10
\$50,000 to \$74,999	12	12	12
\$75,000 to \$99,999	7	8	8
\$100,000 to \$149,999	11	10	12
\$150,000 to \$499,999	24	25	29
\$500,000 or more	10	11	13
Mean	\$199,000	\$212,000	\$256,000
Median	\$80,000	\$80,000	\$100,000
Number of respondents	971	636	504
Household Participation in Various Types of Employer-sponsored Retirement Plans³			
401(k) plan	60	81	53
403(b) plan	12	17	13
State, local, or federal government plan	24	28	26
Any of the above	77	100	73

¹Shareholder refers to the household's primary financial decisionmaker or co-decisionmaker for mutual fund investments.

²Percent of shareholders who are married or living with a partner.

³Multiple responses included.

Note: A total of 430 responding mutual fund shareholders own funds inside and outside employer-sponsored retirement plans. Hence, their responses are included in both the "own funds inside employer-sponsored retirement plans" and the "own funds outside employer-sponsored retirement plans" columns.

FIGURE 42

Detailed Mutual Fund Ownership Characteristics of All Shareholders

(percent)

	All Shareholders	Own Funds Inside Employer-sponsored Retirement Plans	Own Funds Outside Employer-sponsored Retirement Plans
Types of Employer-sponsored Retirement Plans Through Which Funds Are Owned^{1, 2}			
401(k) plan	51	80	43
403(b) plan	9	14	9
State, local, or federal government plan	12	19	20
Other	3	5	5
Any of the above	62	100	54
Total Household Financial Assets in Mutual Funds¹			
Less than \$1,000	5	5	2
\$1,000 to \$4,999	16	16	10
\$5,000 to \$9,999	10	10	8
\$10,000 to \$19,999	15	13	14
\$20,000 to \$29,999	9	10	9
\$30,000 to \$49,999	11	10	12
\$50,000 to \$99,999	15	15	17
\$100,000 or more	20	20	28
Mean	\$74,000	\$71,200	\$102,800
Median	\$25,000	\$25,000	\$40,000
Number of respondents	779	567	463
Total Number of Funds Owned¹			
One	13	10	10
Two	21	16	17
Three	15	15	12
Four	13	14	13
Five to six	15	15	18
Seven to ten	13	18	17
Eleven or more	10	12	13
Mean	4	6	6
Median	4	4	4
Number of respondents	1,034	717	706
Types of Mutual Funds Owned^{1, 2}			
Equity mutual fund	88	89	90
Bond mutual funds	42	45	45
Hybrid mutual funds	35	39	36
Money market fund	48	47	51
Ownership of Mutual Fund Variable Annuities^{1, 2}			
Yes	23	25	25
Inside employer-sponsored retirement plans	15	21	13
Outside employer-sponsored retirement plans	11	8	17
No	77	75	75
Number of respondents	1,277	913	792

FIGURE 42 (cont'd.)

	All Shareholders	Own Funds Inside Employer-sponsored Retirement Plans	Own Funds Outside Employer-sponsored Retirement Plans
Number of Mutual Fund Companies in Which Mutual Fund Assets Are Invested¹			
One	33	27	24
Two	28	28	28
Three	17	18	20
Four to six	18	21	22
Seven or more	9	6	6
Mean	3	3	3
Median	2	2	2
Number of respondents	1,239	765	707
Ownership of International or Global Mutual Funds¹			
Yes	29	30	33
No	71	70	67
Number of respondents	1,254	900	781
Year of First Mutual Fund Investment¹			
Prior to 1980	16	14	20
1980-1989	34	37	38
1990-1995	36	37	31
1996 or later	15	13	11
Mean	1987	1988	1986
Median	1990	1989	1988
Number of respondents	1,219	782	690
Distribution Channel(s) Through Which Funds Are Currently Owned²			
Inside employer-sponsored retirement plans	62	100	54
Outside employer-sponsored retirement plans	54	47	100
Sales force (total)	39	34	72
Full-service broker	21	14	24
Independent financial planner	16	13	26
Bank or savings institution representative	12	9	19
Insurance agent	9	7	15
Accountant or lawyer	2	2	3
Direct market (total)	25	22	45
Directly from a fund company	25	19	40
Discount broker	7	6	11
Number of respondents	1,470	915	794
Primary Mutual Fund Purchase Channel			
Inside employer-sponsored retirement plans	50	76	26
Outside employer-sponsored retirement plans	49	22	73
Sales force (total)	33	14	47
Full-service broker	13	6	20
Independent financial planner	9	4	13
Bank or savings institution representative	6	2	7
Insurance agent	4	2	6
Accountant or lawyer	1	0	1
Direct market (total)	16	8	26
Directly from a fund company	13	6	22
Discount broker	3	2	4
Number of respondents	1,384	910	785

¹Includes mutual funds held inside and outside employer-sponsored retirement plans.

²Multiple responses included.

FIGURE 43

**Detailed Mutual Fund Ownership Characteristics of Shareholders
Owning Funds Inside Employer-sponsored Retirement Plans**

(percent of respondents owning funds inside employer-sponsored retirement plans)

Mutual Fund Assets Inside Employer-sponsored Retirement Plans

Less than \$1,000	6
\$1,000 to \$4,999	19
\$5,000 to \$9,999	13
\$10,000 to \$19,999	15
\$20,000 to \$29,999	8
\$30,000 to \$49,999	10
\$50,000 to \$99,999	15
\$100,000 or more	14
Mean	\$45,600
Median	\$17,500
Number of respondents	603

Number of Funds Owned Inside Employer-sponsored Retirement Plans

One	16
Two	23
Three	21
Four to six	28
Seven or more	12
Mean	4
Median	3
Number of respondents	668

Types of Mutual Funds Owned Inside Employer-sponsored Retirement Plans¹

Equity mutual fund	88
Bond mutual funds	41
Hybrid mutual funds	40
Money market fund	41

**Account Activity Inside Employer-sponsored Retirement Plans
in 12 Months Preceding Survey¹**

Invested in a mutual fund not previously owned	20
Changed payroll deduction to invest more money in a mutual fund than previously	33
Transferred all or part of account balance from one mutual fund to another	21

¹Multiple responses included.

FIGURE 44

**Detailed Mutual Fund Ownership Characteristics of Shareholders
Owning Funds Outside Employer-sponsored Retirement Plans**

(percent of respondents owning funds outside employer-sponsored retirement plans)

Mutual Fund Assets Outside Employer-sponsored Retirement Plans

Less than \$1,000	4
\$1,000 to \$4,999	15
\$5,000 to \$9,999	11
\$10,000 to \$19,999	19
\$20,000 to \$29,999	8
\$30,000 to \$49,999	13
\$50,000 to \$99,999	14
\$100,000 or more	16
Mean	\$66,900
Median	\$20,000
Number of respondents	504

Number of Funds Owned Outside Employer-sponsored Retirement Plans

One	22
Two	24
Three	17
Four to six	26
Seven or more	11
Mean	4
Median	3
Number of respondents	696

Types of Mutual Funds Owned Outside Employer-sponsored Retirement Plans¹

Equity mutual fund	86
Bond mutual funds	35
Hybrid mutual funds	26
Money market fund	44

**Account Activity Outside Employer-sponsored Retirement Plans
in 12 Months Preceding Survey¹**

Exchanged/moved money from one mutual fund to another	23
Invested more money in a mutual fund already owned other than through exchanges	35
Purchased a mutual fund not previously owned, other than through exchanges	21
Automatically purchased shares in a fund from bank account or paycheck	24
Withdrew money (redeemed in part)	18
Reinvested dividends, other than other than through automatic reinvestment	14
Closed an account (redeemed in full)	8
Automatically reinvested dividends and distributions	73

Length of Ownership of Fund that Was Closed

Two years ago or less	45
Three to eight years ago	32
Nine or more years ago	23
Mean	4 years
Median	3 years
Number of respondents	66

¹Multiple responses included.

FIGURE 45

Detailed Views of Mutual Fund Investing
(percent)

	All Shareholders	Own Funds Inside Employer- sponsored Retirement Plans	Own Funds Outside Employer- sponsored Retirement Plans
Financial Goals¹			
Finance retirement	93	96	92
Pay for education	28	30	32
Buy a home	8	7	7
Pay off debt	4	3	2
Provide current income	12	7	12
Make a large purchase	8	7	9
Provide for emergencies	34	30	35
Other	4	3	5
Primary Financial Goal			
Finance retirement	77	83	75
Pay for education	11	10	12
Buy a home	3	2	2
Pay off debt	1	1	0
Provide current income	4	1	4
Make a large purchase	1	0	1
Provide for emergencies	4	2	3
Other	1	1	1
Number of respondents	1,423	901	764
Understanding of Mutual Fund Investing			
Comprehensive	20	21	26
Basic	56	57	56
Limited	21	20	17
None	3	3	2
Number of respondents	1,470	915	794
Willingness to Take Financial Risk			
Willing to take substantial risk for substantial gain	10	13	9
Willing to take above-average risk for above-average gain	29	32	33
Willing to take average risk for average gain	48	45	46
Willing to take below-average risk for below-average gain	7	6	7
Unwilling to take risk	6	4	4
Number of respondents	1,451	907	782

FIGURE 45 (cont'd.)

	All Shareholders	Own Funds Inside Employer- sponsored Retirement Plans	Own Funds Outside Employer- sponsored Retirement Plans
Agreement with Statements About Mutual Fund Investing¹			
I view my mutual fund investments as savings for the long-term	98	99	98
I am not concerned about short-term fluctuations in my mutual fund investments	86	86	89
I tend to rely on advice from a professional financial adviser when making mutual fund purchase and sales decisions	71	71	72
Important Reasons for Investing in Mutual Funds¹			
Investment diversification	88	89	91
Potential for high returns	86	87	89
Easy to invest in	83	83	83
Professional management	93	93	95
Recommendation by a professional financial adviser	58	55	58
Are or were offered through a retirement plan at work	68	62	59

¹Multiple responses included.

Note: A total of 430 responding mutual fund shareholders own funds inside and outside employer-sponsored retirement plans. Hence, their responses are included in both the "own funds inside employer-sponsored retirement plans" and the "own funds outside employer-sponsored retirement plans" columns.

Appendix C

Detailed Characteristics of Mutual Fund Shareholders by Age

FIGURE 46

Shareholder Demographic Characteristics by Age¹

	Under 45 Years	45 to 64 Years	65 Years or Older
Median			
Household income	\$50,000	\$62,000	\$35,000
Household financial assets ²	\$40,000	\$122,000	\$200,000
Average			
Household income	\$70,000	\$73,000	\$41,000
Household financial assets ²	\$109,000	\$256,000	\$311,000
Percent			
Household investment decisionmaker:			
Male is sole decisionmaker	29	22	22
Female is sole decisionmaker	20	20	37
Co-decisionmakers	52	58	41
Married	62	74	55
Living with a partner	8	5	1
Widowed	0	3	35
Four-year college degree or more	35	21	15
Completed graduate school	14	20	21
Employed	94	86	14
Spouse or partner employed ³	84	76	21
Retired from life-time occupation	1	7	85
Own individual stocks, bonds or annuities ⁴	78	86	81
Own an IRA ⁴	47	64	73
Household has defined contribution plan(s) (total) ⁵			
401(k) plan	71	60	15
403(b) plan	12	13	9
State, local, or federal government plan	22	27	18
Use a PC:			
Any PC use (total)	87	78	34
At home only	10	14	25
At work only	19	17	4
Both at home and work	58	47	5
Never	13	22	66

¹Refers to the households responding financial decisionmaker for mutual fund investments.

²Excludes primary real estate but includes assets in employer-sponsored retirement plans.

³Percent of shareholders who are married or living with a partner.

⁴Unpublished data from an ICI survey conducted in May 1998.

⁵Multiple responses included.

FIGURE 47

Mutual Fund Ownership Characteristics by Age

	Under 45 Years	45 to 64 Years	65 Years or Older
Median Per Household			
Total mutual fund assets	\$12,000	\$39,500	\$62,500
Number of mutual funds owned	3	4	4
Number of fund companies in which fund assets are invested	2	2	2
Year of first fund purchase	1993	1998	1978
Average Per Household			
Total mutual fund assets	\$31,600	\$100,600	\$109,000
Number of mutual funds owned	6	6	8
Number of fund companies in which fund assets are invested	3	3	3
Year of first fund purchase	1992	1986	1977
Percent of Households			
Own: ¹			
Equity funds	89	90	94
Bond funds	41	46	51
Hybrid funds	31	40	35
Money market funds	46	52	60
Have variable annuity invested in mutual funds	19	25	23
Own mutual funds bought: ¹			
Outside employer-sponsored retirement plan(s) (total)	48	56	66
Sales force ²	32	42	50
Direct market ³	25	25	30
Inside employer-sponsored retirement plan(s) (total)	69	65	21
401(k) plan	62	52	12
403(b) plan	8	10	5
State, local, or federal government plan	9	14	7
Primary mutual fund purchase channel:			
Outside employer-sponsored retirement plan(s) (total)	42	49	99
Sales force ²	29	33	72
Direct market ³	13	16	27
Inside employer-sponsored retirement plan(s)	58	51	11
Bought first mutual fund:			
Before 1990	24	62	80
Between 1990 and 1995	49	29	18
1996 or later	26	9	3
Source of first mutual fund:			
Outside employer-sponsored retirement plan(s) (total)	46	52	82
Sales force ²	30	37	57
Direct market ³	16	15	25
Inside employer-sponsored retirement plan(s)	54	48	18

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 48

Views on Mutual Fund Investing by Age
(percent)

	Under 45 Years	45 to 64 Years	65 Years or Older
Important reasons for investing in mutual funds:¹			
Professional management	91	94	95
Investment diversification	87	88	89
Potential for high returns	87	86	81
Easy to invest in	85	87	78
Are or were offered through retirement plan at work	76	69	33
Recommendation by an investment professional	54	60	61
Strongly or somewhat agree:¹			
My mutual fund investments are savings for the long term	99	98	95
I am not concerned about short-term fluctuations in my mutual fund investments	87	85	85
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	72	72	70
Self-assessed understanding of mutual fund investing:			
Comprehensive	21	18	21
Basic	57	57	48
Limited or none	23	22	27
Primary financial goal:			
Retirement	72	84	58
Education	16	8	3
Other	12	8	39
Willing to take:			
Substantial risk for substantial gain	17	6	2
Above-average risk for above-average gain	32	29	14
Average risk for average gain	41	51	53
Below-average risk for below-average gain	5	8	15
No risk at all	4	6	15

¹Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Appendix D

Detailed Characteristics of Mutual Fund Shareholders by Purchase Channels Outside Employer-sponsored Retirement Plans¹

¹ This appendix depicts the characteristics of shareholders according to the channel through which they currently own funds outside employer-sponsored 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 a shareholder owning funds purchased from a full-service broker and a discount broker would appear in both the “full-service broker” column and the “discount broker” column. In contrast, Chapter 3 of this report presents shareholders according to their primary purchase channel. Therefore, the columns of data in Chapter 3 are mutually exclusive.

FIGURE 49

Shareholder Demographic Characteristics by Channels Used to Purchase Funds Currently Owned Outside Employer-sponsored Retirement Plans¹

	Sales Force					Direct Market		
	Total	Full-service Broker	Independent Financial Planner	Bank Representative	Insurance Agent	Total	Discount Broker	Directly from Company
Median								
Age	45 years	48 years	43 years	44 years	45 years	45 years	44 years	46 years
Household income	\$60,000	\$63,000	\$59,000	\$62,000	\$62,000	\$62,000	\$61,000	\$62,000
Household financial assets ²	\$100,000	\$150,000	\$100,000	\$100,000	\$110,000	\$120,000	\$95,000	\$130,000
Average								
Age	47 years	49 years	45 years	46 years	47 years	46 years	45 years	47 years
Household income	\$81,000	\$99,000	\$90,000	\$73,000	\$70,000	\$80,000	\$67,000	\$83,000
Household financial assets ²	\$252,000	\$351,000	\$216,000	\$178,000	\$305,000	\$280,000	\$224,000	\$301,000
Percent								
Household investment decisionmaker:								
Male is sole decisionmaker	21	24	21	14	19	32	30	32
Female is sole decisionmaker	23	21	25	20	22	17	16	17
Co-decisionmakers	56	55	54	66	59	51	54	51
Married	70	70	70	77	71	70	72	71
Living with a partner	4	5	5	3	7	3	3	3
Widowed	6	7	5	6	8	4	3	5
Four-year college degree or more	59	65	58	54	50	66	60	68
Completed graduate school	9	22	20	16	19	8	26	29
Employed	79	74	80	79	75	81	80	80
Spouse or partner employed ³	74	68	79	77	75	70	73	69
Own individual stocks, bonds or annuities ⁴	NA	85	79	88	84	NA	82	82
Own an IRA ⁴	NA	75	70	77	72	NA	81	80
Retired from life-time occupation	21	28	21	15	19	20	17	22
Household has defined contribution plan(s) (total) ⁵								
401(k) plan	51	48	50	57	51	56	63	53
403(b) plan	14	12	16	10	13	13	10	13
State, local, or federal government plan	27	24	34	30	28	28	18	29
Use a PC:								
Any PC use (total)	78	77	81	77	79	83	79	82
At home only	14	17	14	11	15	15	14	15
At work only	15	11	18	16	13	15	8	16
Both at home and work	49	50	50	51	52	53	57	52
Never	21	22	18	23	21	18	21	18

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

²Excludes primary residence but includes assets in employer-sponsored retirement plans.

³Percent of shareholders married or living with a partner.

⁴Unpublished data from ICI survey, May 1998.

⁵Multiple responses included.

FIGURE 50

Mutual Fund Ownership Characteristics by Channels Used to Purchase Funds Currently Owned Outside Employer-sponsored Retirement plan(s)

	Sales Force					Direct Market		
	Total	Full-service Broker	Independent Financial Planner	Bank Representative	Insurance Agent	Total	Discount Broker	Directly from Company
Median Per Household								
Total mutual fund assets	\$40,000	\$59,000	\$40,000	\$40,000	\$40,000	\$48,200	\$50,000	\$49,000
Number of mutual funds owned	4	5	5	5	5	6	6	6
Number of fund companies in which fund assets are invested	3	3	3	3	3	3	3	3
Year of first fund purchase	1988	1986	1988	1989	1988	1987	1987	1988
Mean Per Household								
Total mutual fund assets	\$110,000	\$158,300	\$93,800	\$68,200	\$121,500	\$122,200	\$99,500	\$130,900
Number of mutual funds owned	6	7	7	6	6	7	8	7
Number of fund companies in which fund assets are invested	3	4	4	3	3	3	4	3
Year of first fund purchase	1986	1985	1986	1986	1986	1985	1986	1985
Percent of Households								
Own: ¹								
Equity funds	89	92	92	85	87	94	90	94
Bond funds	45	47	46	50	54	48	47	48
Hybrid funds	35	37	35	38	38	41	39	41
Money market funds	53	59	49	57	57	53	55	53
Have variable annuity invested in mutual funds	30	26	31	33	53	23	26	23
Own mutual funds bought: ¹								
Outside employer-sponsored retirement plan(s) (total)	100	100	100	100	100	100	100	100
Sales force ²	100	100	100	100	100	45	61	43
Direct market ³	28	31	30	29	30	100	100	100
Inside employer-sponsored retirement plan(s) (total)	55	50	58	59	56	55	62	55
401(k) plan	42	42	42	45	43	45	52	44
403(b) plan	10	10	13	7	8	9	8	10
State, local, or federal government plan	14	14	8	18	13	14	8	15
Primary mutual fund purchase channel:								
Outside employer-sponsored retirement plan(s) (total)	75	82	75	68	76	73	77	74
Sales force ²	64	69	66	60	64	18	26	16
Direct market ³	11	13	9	8	12	55	51	58
Inside employer-sponsored retirement plan(s)	25	18	25	32	24	27	23	26
Bought first mutual fund:								
Before 1990	56	63	55	54	60	60	56	62
Between 1990 and 1995	32	29	33	33	31	31	34	29
1996 or later	12	9	12	13	8	9	9	9
Source of first mutual fund:								
Outside employer-sponsored retirement plan(s) (total)	73	78	73	63	79	78	85	77
Sales force ²	60	61	59	56	68	27	33	25
Direct market ³	13	17	14	7	11	51	52	52
Inside employer-sponsored retirement plan(s)	27	22	27	37	21	22	15	23

¹Multiple responses included.

²Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

³Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

FIGURE 51

**Views on Mutual Fund Investing by Channels Used to Purchase Funds
Currently Owned Outside Employer-sponsored Retirement Plans¹**

(percent)

	Sales Force					Direct Market		
	Total	Full-service Broker	Independent Financial Planner	Bank Representative	Insurance Agent	Total	Discount Broker	Directly from Company
Important reasons for investing in mutual funds:¹								
Professional management	95	96	96	95	92	93	84	94
Investment diversification	91	92	91	90	88	93	93	93
Potential for high returns	89	90	88	90	87	90	90	90
Easy to invest in	81	78	79	84	84	89	87	89
Are or were offered through retirement plan at work	58	49	59	63	65	61	54	61
Recommendation by an investment professional	69	67	75	69	67	38	37	37
Strongly or somewhat agree:¹								
My mutual fund investments are savings for the long term	98	98	99	97	98	98	98	98
I am not concerned about short-term fluctuations in my mutual fund investments	88	90	90	81	90	91	90	91
I tend to rely on the advice of a professional financial adviser when making fund purchase and sales decisions	82	86	87	81	74	53	52	50
Self-assessed understanding of mutual fund investing:								
Comprehensive	20	23	18	20	21	36	45	36
Basic	59	61	63	56	56	53	40	53
Limited or none	20	16	19	24	23	11	15	11
Primary financial goal:								
Retirement	75	75	74	72	76	75	75	75
Education	12	11	15	14	12	12	8	12
Other	13	14	11	14	12	13	17	13
Level of risk willing to take:								
Substantial risk for substantial gain	8	7	9	8	9	11	12	10
Above-average risk for above-average gain	30	34	32	27	19	38	41	38
Average risk for average gain	49	45	49	50	54	44	43	44
Below-average risk for below-average gain	8	9	6	8	11	4	1	5
No risk at all	5	5	4	6	6	3	3	3

¹Multiple responses included.

Note: Number of respondents varies.

Appendix E

U.S. Census Regions Used in the Report

Regions	Divisions	States
Northeast	New England	Maine New Hampshire Vermont Massachusetts Rhode Island Connecticut
	Middle Atlantic	New York New Jersey Pennsylvania
Midwest	East North Central	Ohio Indiana Illinois Michigan Wisconsin
	West North Central	Minnesota Iowa Missouri North Dakota South Dakota Nebraska Kansas
South	South Atlantic	Delaware Maryland Washington, D.C. Virginia West Virginia North Carolina South Carolina Georgia Florida
	East South Central	Kentucky Tennessee Alabama Mississippi
	West South Central	Arkansas Louisiana Oklahoma Texas
West	Mountain	Montana Idaho Wyoming New Mexico Arizona Utah Nevada Colorado
	Pacific	Washington Oregon California Alaska Hawaii



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