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Retirement Assets Reach Record $14.5 Trillion, July 2006

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Now Account for More Than One-Third of Household Financial Assets; Latest ICI Research Shows Growth Fueled by Defined Contribution Plans and IRAs

Washington, DC, July 17, 2006 - The nation's retirement nest eggs reached a record $14.5 trillion in 2005, representing a seven percent increase over the prior year and a 40 percent increase since 2002, according to the latest research published today by the Investment Company Institute, the national association of the American investment company industry.

Saving for retirement is becoming an increasingly important priority as the first wave of Baby Boomers approaches retirement age. Retirement assets now account for more than one-third of household financial assets, up from about 23 percent in 1985.

The move toward individual control of retirement assets continued. The majority of retirement savings, 51 percent, is now invested in defined contribution (DC) plans and Individual Retirement Accounts (IRAs), in which the investor makes the investment choices. Over the past two decades, DC plans and IRAs have been growing more rapidly than other retirement accounts. In 2005, DC and IRA assets grew nearly nine percent while other retirement vehicles grew less than five percent.

Mutual funds remain important stewards of retirement assets, representing about $3.4 trillion of the total stockpile. Mutual funds' share of the retirement market continued to increase given their prevalence in rapidly growing DC plans and IRAs. Funds now manage 48 percent of assets in DC plans and 45 percent of IRA assets.

"Clearly, Americans are focused on saving for retirement as a top priority. Our research continues to indicate that individuals are building retirement nest eggs by using employer-sponsored plans and IRAs," said ICI Senior Economist Sarah Holden, who co-authored the study with ICI Senior Economist Peter Brady.

The annual study, "The U.S. Retirement Market, 2005", represents the most authoritative examination of the size and composition of the U.S. retirement market, combining ICI's extensive data collection with data from the U.S. Department of Labor, Federal Reserve Board, the Internal Revenue Service, and other trade associations.

Other highlights of the study include:

- Nearly two-thirds of retirement assets are held in employer-sponsored plans, including both defined contribution and defined benefit plans.
- A significant portion of assets held in IRAs originated in employer plans and were subsequently rolled over into IRAs.
- In 2005, nearly 70 percent of the $3.4 trillion in mutual fund retirement assets were invested in equity funds, an indication that these accounts are being used as long-term investment vehicles as they are designed.