

IRA-Owning Households Access IRAs Through a Full Range of Financial Services Firms

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Breadth of Options for Investors Speaks to IRAs' Strength and Flexibility

Washington, DC, December 4, 2017—More than one-third of US households indicated they owned individual retirement accounts (IRAs) in mid-2017, according to an updated study released today by the Investment Company Institute (ICI). These households held their IRAs through a wide array of financial institutions, including investment professionals, mutual fund companies, and discount brokers.

The study, “[The Role of IRAs in US Households' Saving for Retirement, 2017](#),” examines contribution, withdrawal, and retirement planning activities by traditional IRA-owning households.

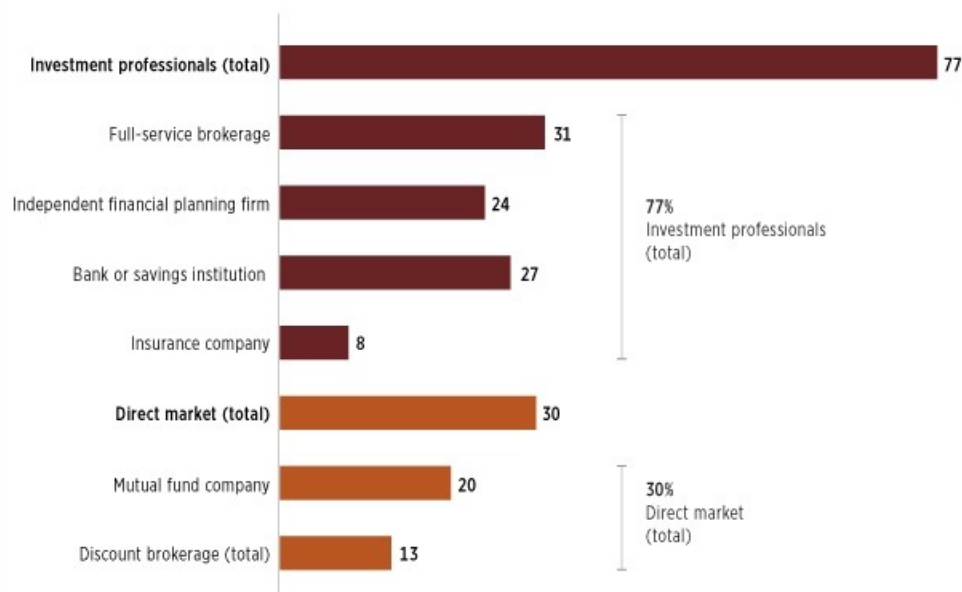
The study found traditional IRAs remain the most common type of IRA, owned by 35.1 million, or 27.8 percent, of US households in mid-2017. Savers invest in traditional IRAs through contributions and rollovers (transfers of assets from employer-sponsored retirement plans, such as 401(k)s). Roth IRAs were the second most common type of IRA, held by 19.7 percent of US households, and employer-sponsored IRAs, including SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs, were held by 6.0 percent of US households.

Among traditional IRA-owning households, 77 percent held their traditional IRAs through investment professionals, including full-service brokerages, financial planning firms, banks or savings institutions, and insurance companies. Thirty percent held their traditional IRAs through direct market sources, including mutual fund companies and discount brokers.

“US households have access to a full range of investment options for opening their IRAs,” said Sarah Holden, senior director of retirement and investor research at ICI. “This level of accessibility is one of the most popular features of IRAs as a vehicle for retirement savings.”

Traditional IRAs Are Held Through a Variety of Financial Institutions

Percentage of households owning traditional IRAs, 2017



Note: Multiple responses are included.

Source: Investment Company Institute IRA Owners Survey

Traditional IRAs Often Contain Rollovers

IRAs offer convenient portability for retirement plan accumulations, helping savers who change jobs over the course of their careers. In mid-2017, 57 percent of traditional IRA-owning households, or 20 million US households, indicated that their traditional IRAs contained rollovers from employer-sponsored retirement plans. The vast majority of these households transferred the entire retirement plan account balance in their most recent rollover.

“IRA investors typically research rollover and withdrawal decisions and tend to steward the assets to and through retirement,” Holden said. “The broad range of financial services options available when investing in an IRA means that traditional IRA-owning households can personalize their investment choices. In addition, most of these households have a planned strategy for managing income and assets in retirement.”

The most common reasons that Americans cite for rolling over their retirement accumulations into traditional IRAs are:

- Avoid leaving assets behind at a former employer (63 percent)
- Preserve the tax treatment of the savings (59 percent)
- Consolidate assets (58 percent)
- Receive access to more investment options (49 percent)

Measured Withdrawal Activity Demonstrates IRA Savers’ Strategic Approach

Traditional IRA-owning households rarely take withdrawals prior to retirement and often wait until government rules require withdrawals. Among the 9.1 million traditional IRA-owning households that took withdrawals in tax year 2016, 71 percent calculated the withdrawal using the required minimum distribution (RMD) rule, making it the most common approach to withdrawals.

Traditional IRA-owning households that took withdrawals in tax year 2016 were strategic in their withdrawal activities, usually consulting outside sources to determine the amount of the withdrawal, with 64 percent consulting a professional financial adviser to determine the amount to withdraw. Eighty-one percent of households that made traditional IRA withdrawals were retired.

Retirees used their traditional IRA withdrawals for a variety of purposes, including to cover living expenses, reinvest or save into another account, use for home purchase or repair, or to pay for healthcare expenses.

About the Study

“The Role of IRAs in US Households’ Saving for Retirement, 2017” reports information from two separate ICI household surveys. ICI’s 2017 IRA Owners Survey, which was conducted in June 2017, is based on a representative sample of 3,205 US households

owning traditional IRAs or Roth IRAs. The 2017 ICI Annual Mutual Fund Shareholder Tracking Survey, which was conducted from May to July 2017, is based on a sample of 5,000 randomly selected US households, of which 34.8 percent owned IRAs.

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