

ICI Study: Mutual Fund Shareholders Remain Cautious But Steady Since the Financial Crisis

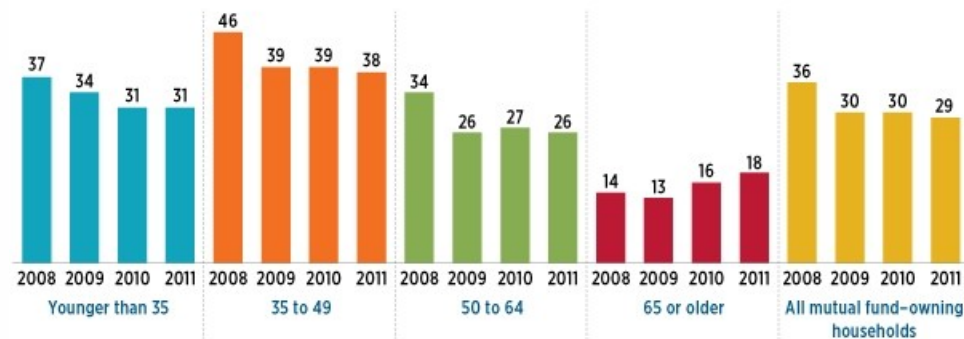
ICI Study: Mutual Fund Shareholders Remain Cautious But Steady Since the Financial Crisis

Washington, DC, October 13, 2011 - U.S. mutual fund-owning households became less tolerant of investment risk in the three years since the financial crisis in 2008, according to a newly updated ICI annual survey of households. Twenty-nine percent of mutual fund-owning households were willing to take substantial or above-average risk for financial gain in May 2011, about the same as in May 2009 and May 2010, and down from 36 percent in May 2008.

“Despite lower levels of risk tolerance among mutual fund-owning households, equity funds continue to be the most commonly held mutual fund,” said Sarah Holden, ICI senior director of retirement and investor research. “Since the financial crisis, investors have remained cautious but steady, with the majority indicating they have confidence that mutual funds can help them meet their investment goals.”

Mutual Fund-Owning Households’ Willingness to Take Investment Risk

Percentage of mutual fund-owning households willing to take above-average or substantial investment risk



Source: ICI Annual Mutual Fund Shareholder Tracking Survey

ICI’s annual survey also reported that in 2011, an estimated 52.3 million U.S. households representing more than 90 million individual investors owned mutual funds. While mutual funds are the most commonly held type of fund, 3.5 million households reported owning exchange-traded funds (ETFs) and 2.3 million households reported owning closed-end funds in 2011. The two studies released today, *Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011* and *Characteristics of Mutual Fund Investors, 2011*, present results from the survey.

Other survey findings include:

- **Most U.S. mutual fund owners had moderate household incomes and were in their peak earning and saving years.** More than half of all households owning mutual funds had incomes between \$25,000 and \$99,999, and about two-thirds were headed by individuals between the ages of 35 and 64.
- **Mutual fund-owning households often held several funds, and equity funds were the most commonly owned type of fund.** Among households owning mutual funds, 86 percent held more than one fund, and 81 percent owned equity funds.
- **Employer-sponsored retirement plans are increasingly the gateway to mutual fund ownership.** Almost three-quarters of

mutual fund–owning households that purchased their first fund in 2005 or later purchased that fund through an employer-sponsored retirement plan, as compared with 55 percent of those that made their first purchase before 1990.

- **In 2011, 37 percent of mutual fund–owning households owned funds both inside and outside employer-sponsored retirement plans.** An additional 32 percent owned mutual funds only inside employer-sponsored retirement plans.
- **Fund performance continues to have the most influence over investors’ opinions of the fund industry overall**—more than two-thirds of mutual fund shareholders indicated that fund performance was a “very” important factor, and more than 40 percent cited fund performance as the most important factor.
- **Mutual fund companies’ favorability rating moves with stock market performance.** Mutual funds’ favorability among shareholders edged up in 2011 as the stock market trended upward, with favorability rising to 69 percent, up from 67 percent in 2010 and 64 percent in 2009. In 2011, older mutual fund investors reported higher favorability ratings compared with younger investors and more recent investors.
- **More than nine in 10 households owning mutual funds had Internet access in 2011.** Among that group, more than eight in 10 used the Internet for financial purposes.

About the survey:

ICI’s 2011 Annual Mutual Fund Shareholder Tracking Survey results are based on a sample of 4,216 U.S. households selected by random digit dialing, of which, 1,859 households, or 44.1 percent, owned mutual funds. In addition, the survey collected information on households’ ownership of closed-end funds and ETFs. Overall, 45.0 percent of U.S. households owned shares of mutual funds or other U.S.-registered investment companies in 2011, representing an estimated 53.4 million U.S. households and 92.3 million investors. All interviews were conducted over the telephone with the member of the household who was the sole or co-decisionmaker most knowledgeable about the household’s savings and investments.