

The U.S. Retirement Market, 2005

KEY FINDINGS

- **Retirement assets reached a record high in 2005.** Americans' retirement assets reached a record \$14.5 trillion in 2005, a 7 percent increase over 2004. Retirement assets now account for more than one-third of all household financial assets.
- **Americans accumulate the bulk of their retirement assets using employer-sponsored retirement plans.** Nearly two-thirds of Americans' retirement assets are held in employer-sponsored retirement plans. Furthermore, a significant portion of assets held in Individual Retirement Accounts (IRAs) originated in employer plans and were then transferred (or "rolled over") into IRAs.
- **Americans hold about half of their retirement savings in defined contribution plans and IRAs.** Assets in defined contribution (DC) plans and IRAs continued to grow more rapidly than assets in other types of retirement plans in 2005, rising nearly 9 percent compared with less than 5 percent asset growth for other retirement plans. Together, DC plans and IRAs now constitute 51 percent of retirement assets, up from 39 percent in 1990.
- **DC plan and IRA assets invested in mutual funds represented nearly one-quarter of Americans' retirement savings in 2005.** Mutual funds manage 48 percent of DC plan assets and 45 percent of IRA assets. The growth in assets in these retirement plans in recent years has lifted mutual funds' share of the retirement market.

GROWTH IN U.S. RETIREMENT SAVINGS FUELED BY DC PLANS AND IRAS

In addition to relying on Social Security and general private savings to prepare for retirement, Americans use a variety of tax-advantaged investments specifically earmarked for retirement saving, including Individual Retirement Accounts (IRAs), employer-sponsored defined contribution (DC) and defined benefit (DB) pension plans, and annuities. Americans' savings

in these plans have grown substantially during the past two decades—reaching a record \$14.5 trillion in 2005, an increase of 7 percent in 2005 and 40 percent since 2002 (Figure 1).¹ These savings vehicles are integral to Americans' overall retirement planning and preparedness, and account for about 38 percent of U.S. household financial assets (Figure 2).²

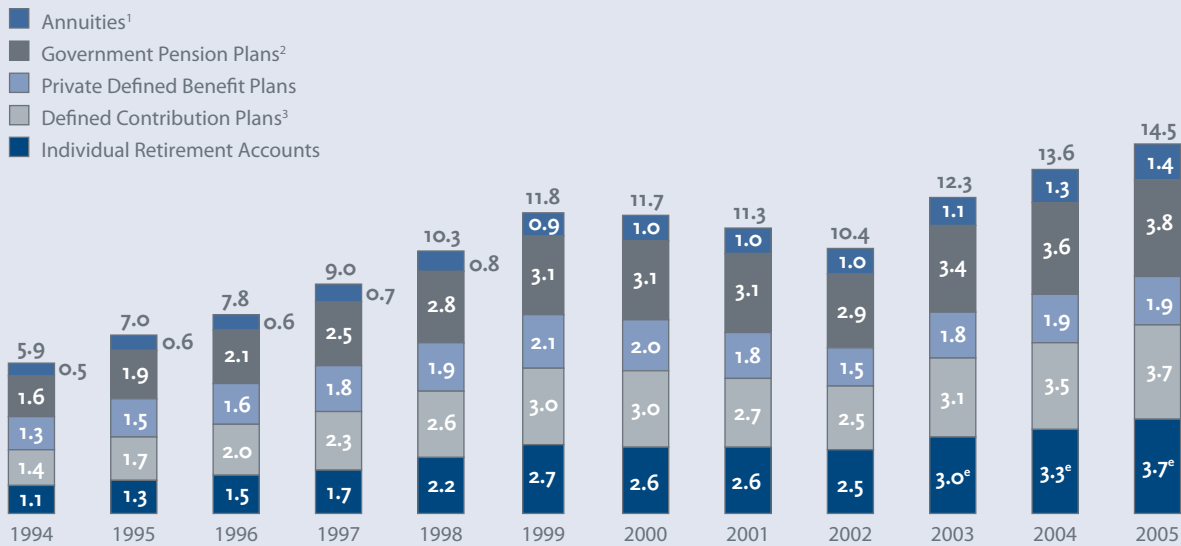
The bulk of retirement assets are held either in employer-sponsored retirement plans—including plans sponsored by both private employers and federal, state, and local governments—or originated there. Employer-sponsored plans directly hold 65 percent of retirement assets (Figure 1). In addition, about half of the assets in IRAs originated as employer-sponsored savings, representing another 13 percent of retirement assets.³

Over the past two decades, retirement savings vehicles that are individually directed—DC plans and IRAs—have experienced more rapid asset growth than traditional DB plans and annuities. DC plans and IRAs

made up 51 percent of all retirement assets in 2005, up from 39 percent in 1990.⁴ IRA and DC plan assets grew nearly 9 percent in 2005; other retirement assets grew less than 5 percent.

Mutual funds remain important stewards for retirement savers. In 2005, mutual funds managed \$3.4 trillion in retirement account assets, about evenly split between IRAs and employer-sponsored DC plans.⁵ In addition, U.S. households owned another \$780 billion in mutual fund assets through variable products at life insurance companies—primarily variable annuity contracts—held outside of retirement accounts.⁶

FIGURE 1
U.S. RETIREMENT ASSETS TOP \$14.5 TRILLION
Trillions of dollars, year-end, 1994–2005



e=estimated

¹Annuities include all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds.

²Government pension plans include federal, state, and local pension plans. Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust and Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).

³Defined contribution plans include private employer-sponsored defined contribution plans (including 401(k) plans), 403(b) plans, and 457 plan assets.

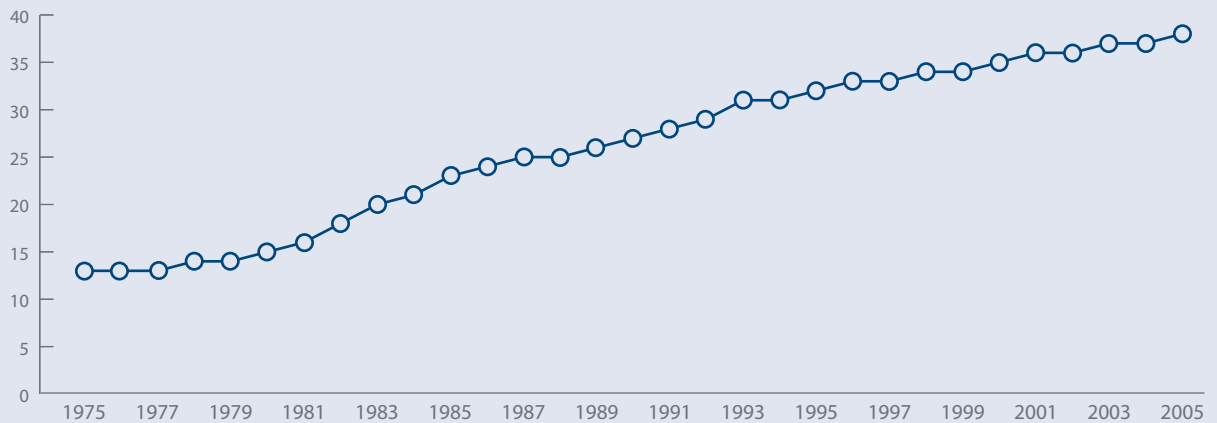
note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE 2

RETIREMENT ASSETS REPRESENT A GROWING SHARE OF HOUSEHOLD ASSETS

Retirement assets as a percent of household financial assets, year-end, 1975–2005



sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

HOW ICI MEASURES U.S. RETIREMENT ASSETS

Given the importance of retirement savings to mutual funds⁷ and their investors,⁸ the Investment Company Institute (ICI) annually publishes statistics on the U.S. retirement market as an information resource for mutual fund companies, the media, policymakers, and researchers. ICI combines data from the U.S. Department of Labor, Federal Reserve Board, and other trade associations with ICI's own mutual fund survey database^{9,10} to estimate the employer-sponsored retirement plan arena and annuities not held in retirement plans.¹¹ Detailed total IRA asset information from the Internal Revenue Service (IRS) Statistics of Income Division helps complete the picture of the total U.S. retirement market.

INDIVIDUAL ACCOUNTS: IRAs AND ANNUITY CONTRACTS

IRAs make up slightly more than one-quarter of U.S. retirement market assets, totaling \$3.7 trillion in 2005 (Figure 1). Another \$1.4 trillion, or 10 percent, of retirement assets are investments in annuity contracts—both variable and fixed annuities—held outside of retirement accounts.

Households invest their IRAs in mutual funds, bank and thrift deposits, annuity contracts, and individual securities (Figure 3). The share of IRA assets that households invest in mutual funds grew sharply in the 1990s, rising from 22 percent in 1990 to 45 percent in 1997. Since 1997, mutual funds' IRA share has remained near 45 percent, peaking with the bull market in equities in 1999, dropping during the subsequent

bear market, and then rebounding after 2002.¹² The share of IRA assets held through insurance companies and brokerage accounts has also grown since 1990, albeit at a slower rate. In contrast, the dollar amount of bank and thrift deposits held in IRAs has changed little since 1990, leading to a substantial decline in the bank and thrift share of the growing IRA asset pool.

FIGURE 3

MUTUAL FUNDS MANAGE 45 PERCENT OF IRA ASSETS

Individual retirement account assets by type of institution, year-end, 1990–2005

	Mutual Funds		Bank and Thrift Deposits ¹		Life Insurance Companies ²		Securities Held in Brokerage Accounts ³		Total Assets (billions)
	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	
1990	\$139	22%	\$266	42%	\$40	6%	\$192	30%	\$637
1991	186	24	282	36	45	6	263	34	776
1992	234	27	275	31	50	6	314	36	873
1993	318	32	263	26	62	6	351	35	993
1994	344	33	255	24	70	7	387	37	1,056
1995	468	36	261	20	81	6	479	37	1,288
1996	587	40	258	18	92	6	529	36	1,467
1997	770	45	254	15	136	8	568	33	1,728
1998	969	45	249	12	157	7	775	36	2,150
1999	1,263	48	244	9	203	8	942	36	2,651
2000	1,236	47	252	10	203	8	939	36	2,629
2001	1,173	45	254	10	211	8	982	37	2,619
2002	1,052	42	263	10	268	11	949	37	2,533
2003	1,319	44	268	9	285	10	1,118 ^e	37	2,991 ^e
2004	1,497	45	270	8	314 ^e	9	1,256 ^e	38	3,336 ^e
2005	1,668	45	273	7	337 ^e	9	1,389 ^e	38	3,667 ^e

e=estimated

¹Bank and thrift deposits include Keogh deposits.

²Life insurance company IRA assets are annuities held by IRAs, excluding variable annuity mutual fund IRA assets, which are included in mutual funds.

³Securities held in brokerage accounts exclude mutual fund assets held through brokerage accounts, which are included in mutual funds.

⁴Share is the percent of total IRA assets.

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

Investors held \$3.3 trillion of their IRA assets in traditional IRAs¹³ in 2005 (Figure 4);¹⁴ the remaining \$352 billion was held in Roth¹⁵ and employer-sponsored IRAs (SEP, SAR-SEP, and SIMPLE IRAs).¹⁶ Although a small portion of the IRA market, Roth and SIMPLE IRAs have experienced robust growth since their introduction in the late 1990s, and now represent 5 percent of all IRA assets.¹⁷

Households have used employer-sponsored plans and accounts to accumulate a sizeable portion of the assets they now hold in IRAs. Indeed, SEP, SAR-SEP, and SIMPLE IRAs—despite being labeled “individual accounts”—are, in fact, employer-sponsored savings vehicles. Furthermore, rollovers from 401(k) plans and other employer plans are an important source of new funds flowing into traditional IRAs. For example,

FIGURE 4

MOST IRA ASSETS HELD IN TRADITIONAL IRAS

IRA assets by type, year-end, 1997–2005

	Traditional ¹		SEP and SAR-SEP		Roth ²		SIMPLE		Total Assets ³ (billions)
	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	
1997	\$1,642	95%	\$85	5%	–	–	\$1	*	\$1,728
1998	1,974	92	115	5	\$57	3%	4	*	2,150
1999	2,423	91	143	5	76	3	9	*	2,651
2000	2,407	92	134	5	78	3	10	*	2,629
2001	2,395	91	131	5	79	3	14	1%	2,619
2002	2,322	92	117	5	78	3	16	1	2,533
2003	2,728 ^e	91	134 ^p	4	106 ^p	4	23 ^p	1	2,991 ^e
2004	3,028 ^e	91	151 ^e	5	127 ^e	4	30 ^e	1	3,336 ^e
2005	3,315 ^e	90	171 ^e	5	145 ^e	4	36 ^e	1	3,667 ^e

e=estimated

p=preliminary

¹Traditional IRAs includes contributory and rollover IRAs.

²Roth IRAs includes contributory and conversion Roth IRAs.

³Total assets includes education IRAs, which were renamed Coverdell Education Savings Accounts (ESAs) in July 2001.

⁴Share is the percent of total IRA assets.

(*)=less than 1/2 percent

note: Components may not add to the total because of rounding.

sources: Investment Company Institute and Internal Revenue Service Statistics of Income Division

in 2003 (the latest year for which data are available) rollovers totaled \$174 billion while contributions to traditional IRAs totaled \$12 billion (Figure 5). Data from the Federal Reserve Board's Survey of Consumer Finances (SCF) indicate that about half of all traditional

IRA assets in 2004 were held in rollover IRAs.¹⁸ Combined, employer-based IRAs and rollover IRAs accounted for one-half of all IRA assets in 2004 (Figure 6).

FIGURE 5

SIGNIFICANT PORTION OF FLOWS INTO TRADITIONAL IRAS IS FROM ROLLOVERS

Billions of dollars, 1996–2005

Traditional IRAs					
	Contributions ¹	Rollovers ²	Withdrawals ³	Total Assets ⁴ (year-end)	Of Which: Assets Held in Mutual Funds (year-end)
1996	\$14.1	\$114.0	\$45.5	N/A	\$555
1997	15.0	121.5	55.2	\$1,642 ^e	726
1998	11.9	160.0	74.1	1,974	879
1999	10.3	199.9	87.1	2,423	1,129
2000	10.0	225.6	99.0	2,407	1,101
2001	9.2	187.8	94.3	2,395	1,041
2002	12.4	204.4	88.2	2,322	927
2003	11.5 ^p	174.0 ^p	88.3	2,711 ^e	1,148
2004	N/A	N/A	N/A	3,028 ^e	1,294
2005	N/A	N/A	N/A	3,315 ^e	1,430

e=estimated

p=preliminary

N/A = not available

¹Contributions includes both deductible and nondeductible contributions to traditional IRAs.

²Rollovers are primarily from employer-sponsored retirement plans.

³Withdrawals consist of taxable IRA distributions reported on Form 1040, which have been primarily from traditional IRAs.

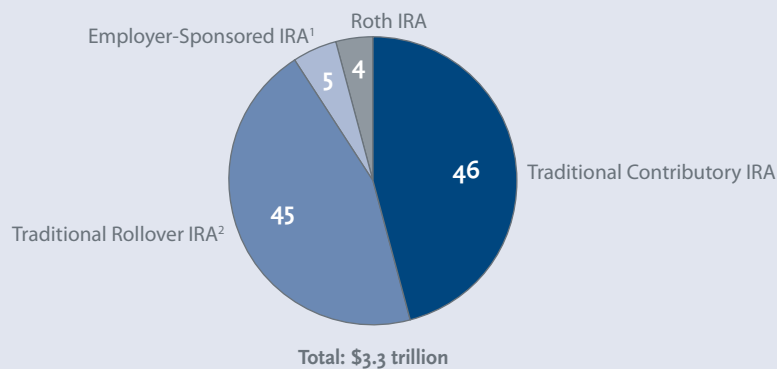
⁴Total assets is the fair market value of assets at year-end.

sources: Investment Company Institute, Internal Revenue Service Statistics of Income Division, and SOI Bulletin, various issues

FIGURE 6

EMPLOYER-BASED SAVINGS ARE THE SOURCE OF HALF OF IRA ASSETS

Percent of total IRA assets, year-end, 2004



¹Employer-sponsored IRAs include SEP, SAR-SEP, and SIMPLE IRA assets.

²Traditional rollover IRA assets include all assets contained in IRA accounts classified as rollover IRAs as estimated from the Survey of Consumer Finances.

sources: Investment Company Institute, Federal Reserve Board, American Council of Life Insurers, Internal Revenue Service Statistics of Income Division, and Investment Company Institute tabulations of Survey of Consumer Finances

EMPLOYER-SPONSORED RETIREMENT PLANS

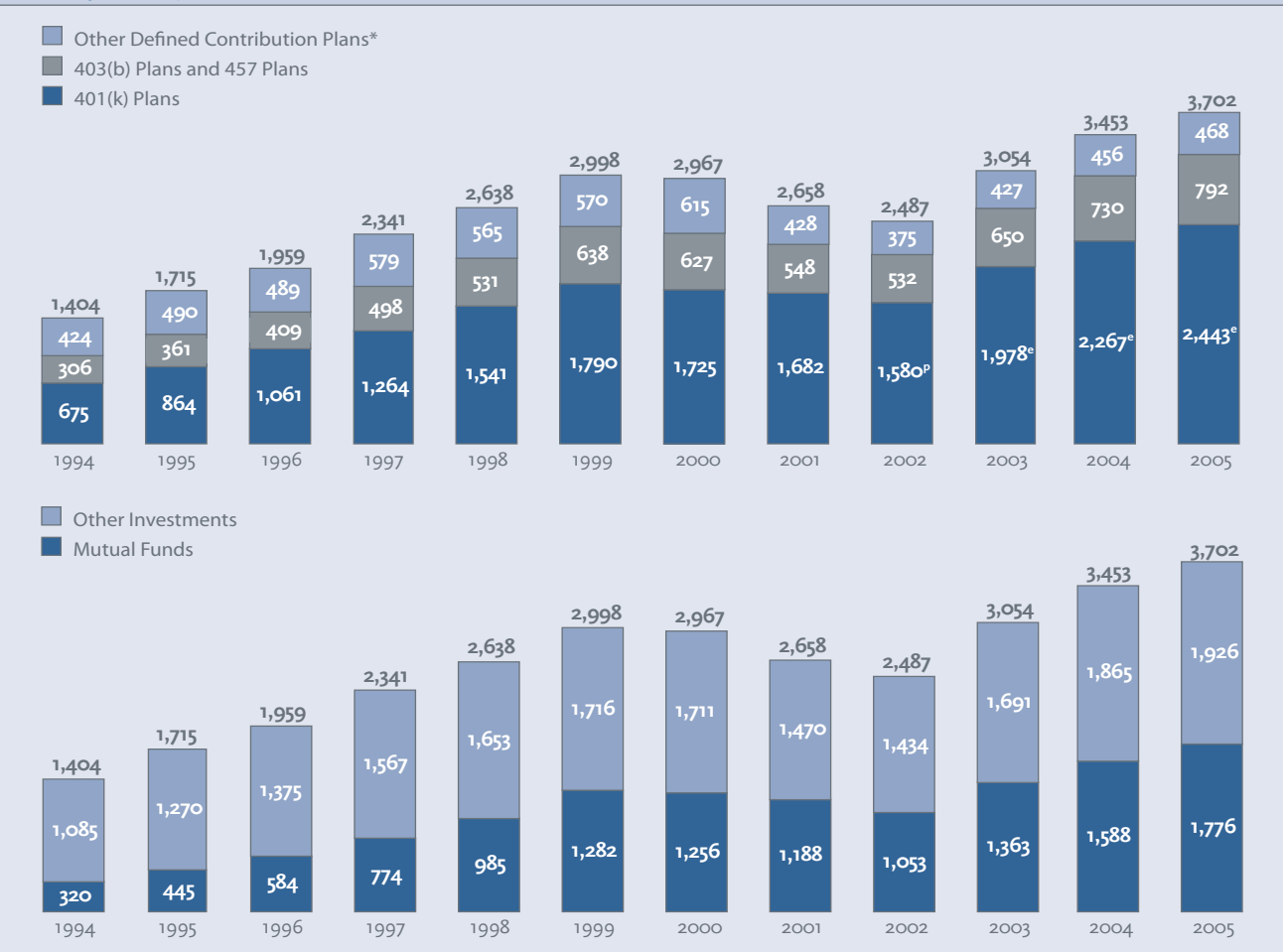
Assets held in employer-sponsored retirement plans represented 65 percent of total U.S. retirement assets in 2005. Investors held \$3.7 trillion in DC plans, accounting for 39 percent of employer-sponsored plan assets, up from 27 percent in 1985.¹⁹ Another \$1.9 trillion was held in private employer-sponsored DB plans in 2005, accounting for 21 percent of employer-sponsored plan assets, down from 43 percent in 1985. In addition, investors held \$2.7 trillion in state and local government DB plans and \$1.1 trillion in federal pension plans.^{20,21}

In 2005, investors held \$2.4 trillion in 401(k) plans, the most common type of DC plan (Figure 7). Assets in 401(k) plans increased 8 percent for the year and are up 55 percent since 2002. Some employers offer their workers other types of DC plans. For example, many educational institutions and certain nonprofit organizations offer 403(b) plans, and state and local governments (and certain tax-exempt organizations) provide 457 plans to their employees. Both 403(b) and 457 plans have features similar to those of 401(k) plans, such as allowing participants to defer current

FIGURE 7

DEFINED CONTRIBUTION PLAN ASSETS AND AMOUNTS HELD IN MUTUAL FUNDS

Billions of dollars, year-end, 1994–2005



e=estimated

p=preliminary

*Other defined contribution plans include Keoghs and other defined contribution plans (profit-sharing, thrift-savings, stock bonus, and money purchase) without 401(k) features.

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, and American Council of Life Insurers

salary and direct the investment allocation of their assets. Some private employers offer other types of DC plans—such as non-contributory profit sharing plans—that may not have 401(k) features. Investors held \$1.3 trillion in non-401(k) DC plans in 2005, a 6 percent increase from 2004 and up 39 percent since 2002.

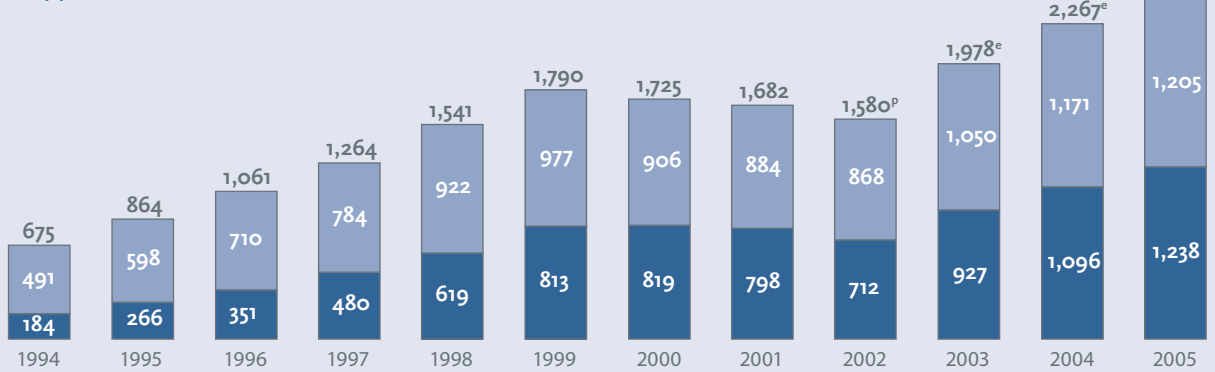
Investors rely on mutual funds to manage nearly \$1.8 trillion in DC plan assets: \$1.2 trillion in 401(k) plans, \$321 billion in 403(b) plans, \$59 billion in 457 plans (Figure 8), and \$158 billion in other DC plans.²² Overall, mutual funds manage about half of the assets

FIGURE 8
DEFINED CONTRIBUTION PLANS HOLD SIGNIFICANT MUTUAL FUND ASSETS

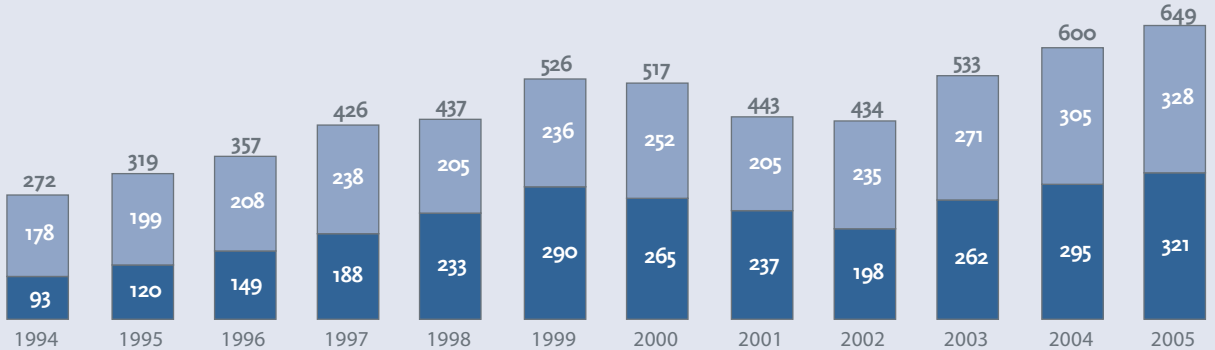
Billions of dollars, year-end, 1994–2005

Other Investments
Mutual Funds

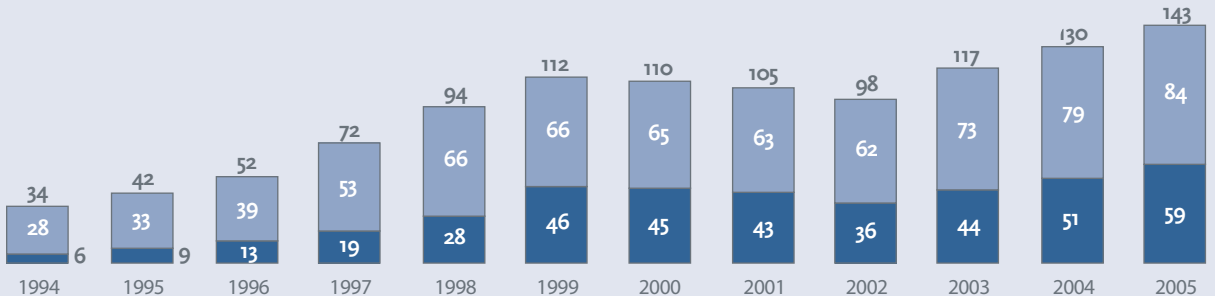
401(k) PLANS



403(b) PLANS



457 PLANS



e=estimated

p=preliminary

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, and American Council of Life Insurers

in 401(k) and 403(b) plans, 41 percent of 457 plan assets, and about one-third of other DC plan assets. Mutual fund shares held in 403(b) plans include both variable annuity (VA) mutual fund shares totaling \$186 billion and non-VA mutual fund shares of \$134 billion (Figure 9).

MUTUAL FUND RETIREMENT INVESTORS FAVOR LONG-TERM FUNDS

Investors primarily hold long-term (stock, hybrid, and bond) mutual funds in DC plans and IRAs. In 2005, 69 percent, or \$2.4 trillion, of the \$3.4 trillion of DC plan and IRA mutual fund assets were invested in stock funds (Figure 10).²³ Hybrid funds (which invest in a mix

FIGURE 9

403(b) PLAN ASSETS AND SHARE OF TOTAL 403(b) PLAN ASSETS BY INSTITUTION

Year-end, 1996–2005

	Life Insurance Companies ¹		VA Mutual Funds		Non-VA Mutual Funds		Total Assets (billions)
	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	
1996	\$208 ^e	58%	\$103	29%	\$46	13%	\$357
1997	238 ^e	56	129	30	59	14	426
1998	205	47	158	36	75	17	437
1999	236	45	191	36	99	19	526
2000	252	49	174	34	91	18	517
2001	205	46	150	34	88	20	443
2002	235	54	120	28	78	18	434
2003	271	51	158	30	104	20	533
2004	305 ^e	51	176	29	120	20	600
2005	328 ^e	51	186	29	134	21	649

e=estimated

¹Annuities held by 403(b) plans exclude variable annuity (VA) mutual fund 403(b) assets.

²Share is the percent of total 403(b) plan assets.

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, American Council of Life Insurers, and Federal Reserve Board

FIGURE 10

MAJORITY OF MUTUAL FUND RETIREMENT ASSETS INVESTED IN STOCKS

Mutual fund retirement assets by type of fund, billions of dollars, year-end, 2005

	Equity			Hybrid	Bond	Money Market	Total
	Total	Domestic	Foreign				
Retirement Accounts	\$2,387	\$1,989	\$398	\$453	\$331	\$273	\$3,444
IRAs	1,105	911	194	216	184	163	1,668
Defined Contribution Plans	1,282	1,079	203	236	148	110	1,776
401(k) Plans	877	722	155	183	100	78	1,238
403(b) Plans	261	234	27	26	20	14	321
457 Plans	42	36	6	10	6	1	59
Other Defined Contribution Plans ^{1,2}	102	87	15	18	22	17	158
VA Mutual Funds (outside of retirement accounts)^{1,2}	583	496	87	70	102	25	780
Total	2,970	2,485	485	523	433	298	4,223

¹Other defined contribution plans include Keoghs and other defined contribution plans without 401(k) features.

²Some of the VA mutual fund assets may be assets held in variable life insurance policies, which are not counted as part of the U.S. retirement market. ICI is not able to separately identify the portion of VA mutual fund assets contained in these policies.

note: Components may not add to the total because of rounding.

source: Investment Company Institute

of equity and fixed-income securities and include most lifestyle and lifecycle funds) managed \$453 billion in DC plan and IRA assets; bond funds held an additional \$331 billion; and money market funds \$273 billion. Investors hold most of their DC plan and IRA long-term mutual fund assets in actively managed funds, holding approximately \$2.9 trillion in those funds and \$269 billion in passively managed, or index, funds in 2005.²⁴ Investors allocate assets in VA mutual funds held outside of retirement accounts similarly, although with a slightly higher proportion in stock and bond VA mutual funds and a slightly lower proportion in hybrid and money market VA mutual funds.

Lifestyle and Lifecycle Funds Grow More Popular

Lifestyle and lifecycle funds have grown in popularity among investors and retirement plan sponsors in recent years. In 2005, investors held \$167 billion in lifestyle and lifecycle funds.²⁵ Nearly 90 percent of the assets of lifecycle funds were held in retirement accounts (Figure 11). These funds follow a predetermined reallocation of risk over time until they reach a final asset allocation at a specified target date and typically rebalance fund portfolios to become more conservative and income-producing by the target date.²⁶ Nearly 60 percent of the assets of lifestyle funds were held in retirement accounts. These funds maintain a predetermined risk level and generally use words such as *conservative*, *moderate*, or *aggressive* in their names to indicate the fund's risk level.

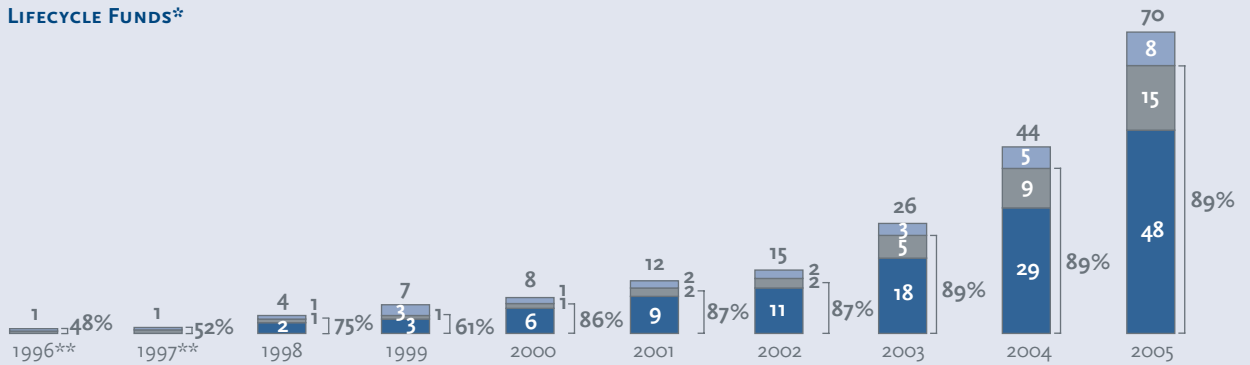
FIGURE 11

LIFECYCLE AND LIFESTYLE FUND ASSETS CONTINUE TO GROW RAPIDLY

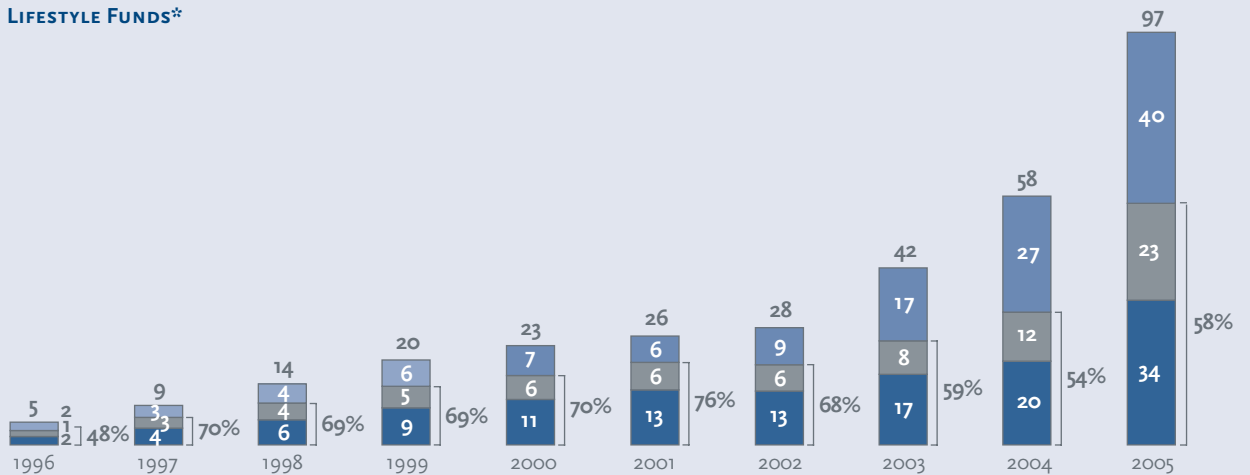
Billions of dollars, year-end, 1996–2005

- Other Investors
- Individual Retirement Accounts
- Employer-Sponsored Defined Contribution Plans

LIFECYCLE FUNDS*



LIFESTYLE FUNDS*



*A lifestyle mutual fund is a hybrid fund that maintains a predetermined risk level and generally contains “conservative,” “aggressive,” or “moderate” in the fund’s name. A lifecycle mutual fund is a hybrid fund that typically rebalances to an increasingly conservative portfolio as the target date of the fund (mentioned in its name) approaches.

**Each component is less than \$1 billion.

note: Components may not add to the total because of rounding.

source: Investment Company Institute

NOTES

- ¹ Additional data are in an Appendix, which is available online at: www.ici.org/pdf/fm-v15n5_appendix.pdf. For additional details regarding retirement assets by type of savings vehicle, see Appendix Figure A1.
- ² Federal Reserve Board, *Flow of Funds Accounts of the United States, Z.1 Release* (June 8, 2006) reports household financial assets of \$38.7 trillion at year-end 2005.
- ³ Derivation of this estimate based on information from the Federal Reserve Board's Survey of Consumer Finances (SCF) and is explained in more detail in endnote 18.
- ⁴ See Appendix Figure A1.
- ⁵ See Appendix Figure A2. Derivation of these estimates is described in endnotes 9 and 10 below.
- ⁶ These mutual funds are commonly referred to as "variable annuity (VA) mutual funds." However, some of the VA mutual fund assets backing variable products at life insurance companies may be held in variable life insurance policies, which are not counted as part of the U.S. retirement market. ICI is unable to separately identify the type of variable product in which VA mutual funds shares are held. Estimates from Federal Reserve Board staff, based on tabulation of 2005 AM Best data, are that approximately 15 percent of assets in life insurance company separate accounts (the accounts that back variable products at life insurance companies) are in variable life policies.
- ⁷ Retirement accounts (DC plans and IRAs) hold 39 percent of all mutual fund assets (see Appendix Figure A5). Another 9 percent of industry-wide mutual fund assets are VA mutual funds that back variable life insurance company products held outside of retirement accounts.
- ⁸ Ninety-two percent of mutual fund shareholders indicate that saving for retirement is one of their financial goals and 72 percent indicate that it is their primary financial goal (see Investment Company Institute, "Profile of Mutual Fund Shareholders," *ICI Research Series*, Fall 2004 (www.ici.org/pdf/rpt-profile04.pdf)).
- ⁹ Based on data from ICI's Annual Questionnaire for Retirement Statistics, which gathered data from 16,089 mutual fund share classes representing approximately 84 percent of mutual fund industry assets. Assets were estimated for all nonreporting funds. Data before 2005 reflect revisions to previously reported data.
- Estimates of retirement assets in broker street name and omnibus accounts were derived from data reported on the Annual Questionnaire for Retirement Statistics and the Annual Questionnaire for Classification of Shareholder Assets.
- ¹⁰ In this report, estimates of mutual fund assets in DB plans have been excluded because of incomplete reporting. Federal Reserve Board *Flow of Funds Accounts, Z.1 Release* (June 8, 2006) data indicate that mutual fund assets held in DB plans accounted for less than 1½ percent of the U.S. retirement market at year-end 2005.
- ¹¹ ICI reports a lower annuities total than the Federal Reserve Board's *Flow of Funds Accounts* because annuities held in IRAs, 457 plans, and 403(b) plans are netted from the *Flow of Funds Accounts* annuities (life insurance pension reserves) figure and reported in their respective categories by ICI.
- ¹² Annual total returns on large company stocks since 1997—as calculated by Ibbotson Associates—are as follows: 1998: +28.6%; 1999: +21.0%; 2000: -9.1%; 2001: -11.9%; 2002: -22.1%; 2003: +28.7%; 2004: +10.9%; 2005: +4.9% (see Ibbotson Associates, *SBBI (Stocks, Bonds, Bills, and Inflation) 2006 Yearbook, Market Results for 1926–2005*, Chicago: IL, Ibbotson Associates, 2006).
- ¹³ The Employee Retirement Income Security Act of 1974 (ERISA) created traditional IRAs. In 2005, approximately 37.6 million, or 33.2 percent of, U.S. households had traditional IRAs (see Investment Company Institute, "The Role of IRAs in Americans' Retirement Preparedness," *Fundamentals*, Vol. 15, No. 1, January 2006 (www.ici.org/pdf/fm-v15n1.pdf)). For a history of IRAs, see Sarah Holden, Kathy Ireland, Vicky Leonard-Chambers, and Michael Bogdan, "The Individual Retirement Account at Age 30: A Retrospective," *Perspective*, Vol. 11, No. 1, February 2005 (www.ici.org/pdf/per11-01.pdf).
- ¹⁴ Total IRA market assets are derived from tabulations of total IRA assets provided by the IRS Statistics of Income (SOI) Division for tax-years 1989, 1993, and 1996 through 2002. These tabulations are based on a sample of IRS returns. For a description of the SOI estimation techniques, see Peter J. Sailer, Michael E. Weber, and Kurt S. Gurka, "Are Taxpayers Increasing the Buildup of Retirement Assets? Preliminary Results from a Matched File of Tax Year 1999 Tax Returns and Information Returns," *National Tax Association, Proceedings, Ninety-Fifth Annual Conference, 2002, Orlando, Florida*, Washington, DC: National Tax Association, 2003; pp. 364–369.
- ¹⁵ Roth IRAs were created in the Taxpayer Relief Act of 1997 and were first available in 1998. In 2005, approximately 16.1 million, or 14.2 percent of, U.S. households had Roth IRAs (see Investment Company Institute (January 2006)).
- ¹⁶ The SEP (Simplified Employee Pension) IRA was created under the Revenue Act of 1978. The salary reduction (SAR) SEP IRA was created under the Tax Reform Act of 1986. The Small Business Job Protection Act of 1996 prohibited the formation of new SAR-SEP IRAs after December 31, 1996, but introduced SIMPLE (Savings Incentive Match Plan for Employees) IRAs, which were first available in 1997. In 2005, approximately 8.8 million, or 7.8 percent of, U.S. households had employer-sponsored IRAs (see Investment Company Institute (January 2006)).
- ¹⁷ See Appendix Figures A9 to A14 for additional details on IRAs.
- ¹⁸ The SCF added a new series of questions to their survey to ascertain the type of IRA assets held by households (beginning with the 2001 survey) and the amount of assets in each type of IRA (beginning with the 2004 survey). The SCF asks respondents to identify the type(s) of (non-employer sponsored) IRAs that they own: Roth, rollover, regular or other, or Keogh. It then asks for the value of each type of account. To estimate the percentage of traditional IRAs that are rollover IRAs, ICI staff used the ratio from the SCF of "rollover" IRAs to the sum of "rollover" and "regular or other" IRAs. The accuracy of this estimate depends on the extent to which SCF respondents properly characterized and allocated their IRA assets among the types of IRAs.
- ¹⁹ See Appendix Figure A1 for a breakdown of total retirement assets by plan type.
- ²⁰ Federal pension plans include U.S. Treasury security holdings of the Civil Service Retirement and Disability Fund, the Military Retirement Fund, the judicial retirement funds, the Railroad Retirement Board, and the Foreign Service Retirement and Disability Fund. These plans also include securities held in the National Railroad Retirement Investment Trust and the Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).
- ²¹ Although the TSP is similar to a 401(k) plan, assets held by the TSP are included in Federal government retirement assets and are not included in the DC plan total. At year-end 2005, the TSP held \$173 billion in assets. For more details regarding TSP, see "Financial Statements of the Thrift Savings Fund – 2005 and 2004," Deloitte and Touche LLP, March 2006 (www.tsp.gov/forms/financial-stmt.pdf).
- ²² See Appendix Figure A16 for DC plan holdings of mutual funds by type of plan and Appendix Figure A17 for DC plan asset totals by type of plan.
- ²³ See Appendix Figures A9 and A15 for historical data on IRA and DC plan holdings of mutual funds by type of fund.
- ²⁴ See Appendix Figure A6 for index mutual fund assets.
- ²⁵ Often, lifestyle and lifecycle funds are organized as funds of funds, with their underlying portfolios invested in other funds managed by the fund sponsor.
- ²⁶ The target date is usually indicated in the fund's name.

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