

Quarterly updates to the data in this report are available at www.ici.org/pdf/retmrkt_update.pdf.

The U.S. Retirement Market, 2006

KEY FINDINGS

- » **Total U.S. retirement accumulations reached \$16.4 trillion in 2006, an 11 percent increase over 2005.** Retirement assets now account for nearly 40 percent of all U.S. household financial assets, compared with 24 percent two decades ago.
- » **Employer-sponsored retirement plans play a key role in helping American workers accumulate retirement assets.** The bulk (nearly two-thirds) of Americans' retirement assets is 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.
- » **About half of Americans' retirement savings are held 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 2006, increasing 15 percent compared with 8 percent asset growth for other retirement plans. Together, assets in DC plans and IRAs represented 51 percent of retirement assets in 2006, up from 39 percent in 1990.
- » **DC plan and IRA assets invested in mutual funds constituted one-quarter of Americans' retirement savings in 2006.** Mutual funds manage 52 percent of DC plan assets and 47 percent of IRA assets. The growth in assets in these retirement plans in recent years has lifted mutual funds' share of the retirement market.

DC PLANS AND IRAs FUEL GROWTH IN U.S. RETIREMENT SAVINGS

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 \$16.4 trillion in 2006, an increase of 11 percent since 2005 and a 55 percent increase since 2002 (Figure 1).¹ These savings vehicles are integral to Americans' overall retirement planning and preparedness, and account for 39 percent of U.S. household financial assets (Figure 2).²

The bulk of retirement assets either is held 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 64 percent of retirement assets. 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 typically 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 2006, up from 39 percent in 1990.⁴ IRA and DC plan assets grew 15 percent in 2006; other retirement assets grew 8 percent.

Mutual funds remain important stewards for retirement savers. In 2006, mutual funds managed \$4.1 trillion in retirement assets, about evenly split between IRAs and employer-sponsored DC plans.⁵ In addition, U.S. households owned another \$924 billion in mutual fund assets through variable life insurance company products—primarily variable annuity contracts—held outside of retirement accounts.⁶

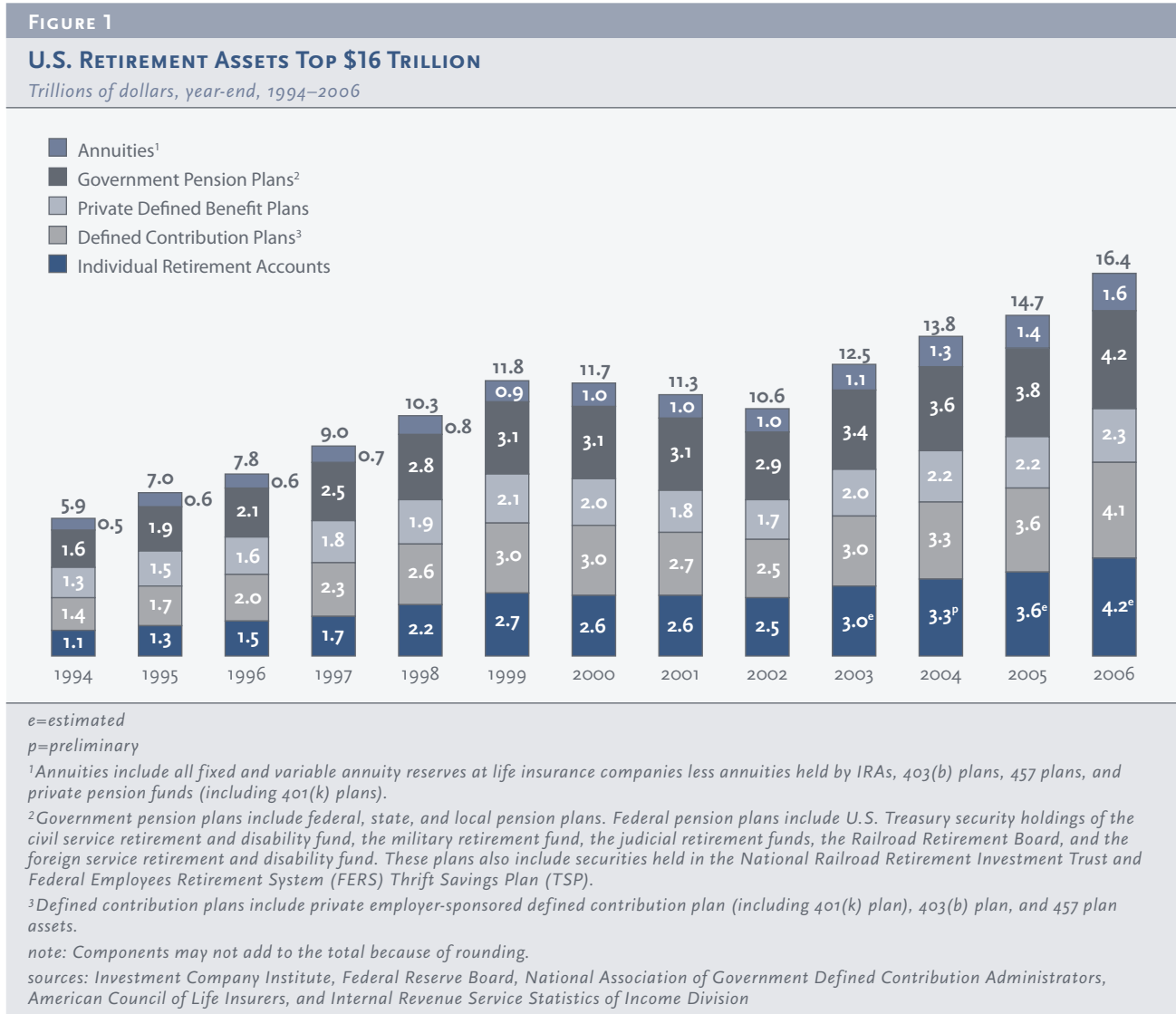
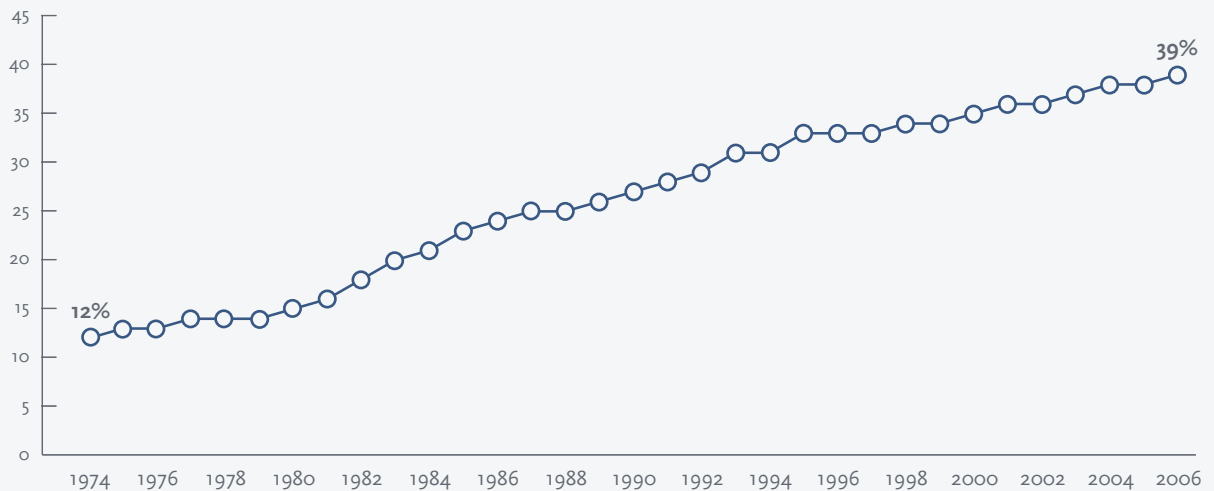


FIGURE 2

RETIREMENT ASSETS REPRESENT A GROWING SHARE OF HOUSEHOLD ASSETS

Retirement assets as a percent of household financial assets, year-end, 1974–2006



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 system and annuities not held in retirement plans.¹¹ Detailed total IRA asset information from the Internal Revenue Service (IRS) Statistics of Income Division (SOI) 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 \$4.2 trillion in 2006. Another \$1.6 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 IRA assets 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 47 percent in 1999. Mutual funds' IRA share dropped during the bear market in equities in the early part of this decade, but rebounded after 2002, with the share climbing back

up to 47 percent in 2006.¹² 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 is up only slightly since 1990, leading to a substantial decline in the bank and thrift deposit share of the growing IRA asset pool.

FIGURE 3

MUTUAL FUNDS MANAGE 47 PERCENT OF IRA ASSETS

Individual retirement account assets by type of institution, year-end, 1990–2006

	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	\$138	22%	\$266	42%	\$40	6%	\$193	30%	\$637
1991	185	24	282	36	45	6	264	34	776
1992	233	27	275	31	50	6	317	36	874
1993	315	32	263	26	62	6	353	36	993
1994	341	32	255	24	70	7	390	37	1,056
1995	464	36	261	20	81	6	483	37	1,288
1996	582	40	258	18	92	6	534	36	1,467
1997	763	44	254	15	136	8	576	33	1,728
1998	960	45	249	12	157	7	783	36	2,150
1999	1,257	47	244	9	203	8	948	36	2,651
2000	1,233	47	252	10	203	8	942	36	2,629
2001	1,169	45	255	10	211	8	984	38	2,619
2002	1,045	41	263	10	268	11	956	38	2,533
2003	1,313	44	268	9	285	10	1,127 ^e	38	2,993 ^e
2004	1,494	46	270	8	282	9	1,238 ^p	38	3,284 ^p
2005	1,667	46	278	8	308	8	1,379 ^e	38	3,632 ^e
2006	1,972	47	313	7	323 ^e	8	1,624 ^e	38	4,232 ^e

e=estimated

p=preliminary

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 \$3.8 trillion of their IRA assets in traditional IRAs¹³ in 2006 (Figure 4);¹⁴ the remaining \$448 billion is 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” and counted as IRA assets—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

FIGURE 4

MOST IRA ASSETS HELD IN TRADITIONAL IRAS

IRA assets by type, year-end, 1997–2006

	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	2,719 ^e	91	145 ^e	5	106 ^p	4	23 ^p	1	2,993 ^e
2004	2,962 ^e	90	165 ^e	5	126 ^e	4	31 ^e	1	3,284 ^p
2005	3,260 ^e	90	185 ^e	5	147 ^e	4	40 ^e	1	3,632 ^e
2006	3,784 ^e	89	219 ^e	5	178 ^e	4	51 ^e	1	4,232 ^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

traditional IRAs. For example, in 2004 (the latest year for which data are available) rollovers totaled \$214 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 more than half of all IRA assets in 2004 (Figure 6).

FIGURE 5

SIGNIFICANT PORTION OF FLOWS INTO TRADITIONAL IRAS IS FROM ROLLOVERS

Billions of dollars, 1996–2006

Traditional IRAs					Of Which: Assets Held in Mutual Funds (year-end)
	Contributions ¹	Rollovers ²	Withdrawals ³	Total Assets ⁴ (year-end)	(year-end)
1996	\$14.1	\$114.0	\$45.5	N/A	\$550
1997	15.0	121.5	55.2	\$1,642 ^e	718
1998	11.9	160.0	74.1	1,974	870
1999	10.3	199.9	87.1	2,423	1,123
2000	10.0	225.6	99.0	2,407	1,097
2001	9.2	187.8	94.3	2,395	1,037
2002	12.4	204.4	88.2	2,322	919
2003	12.3 ^e	205.0 ^e	88.3	2,719 ^e	1,140
2004	12.3 ^p	213.6 ^p	101.7	2,962 ^e	1,290
2005	N/A	N/A	N/A	3,260 ^e	1,428
2006	N/A	N/A	N/A	3,784 ^e	1,680

e=estimated

p=preliminary

N/A=not available

¹Contributions include 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.

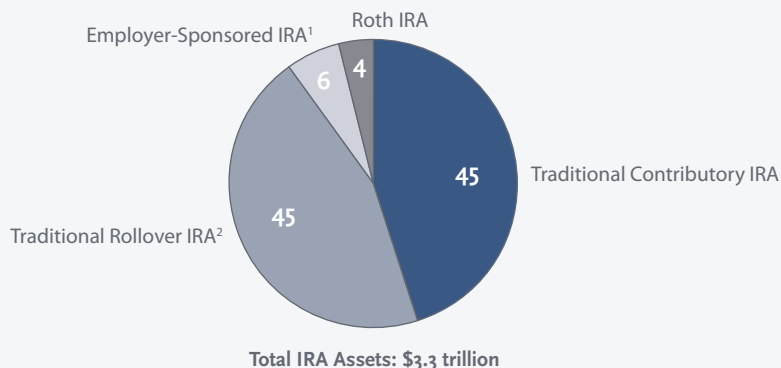
⁴Total assets are fair market value of assets at year-end.

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 IRA assets 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

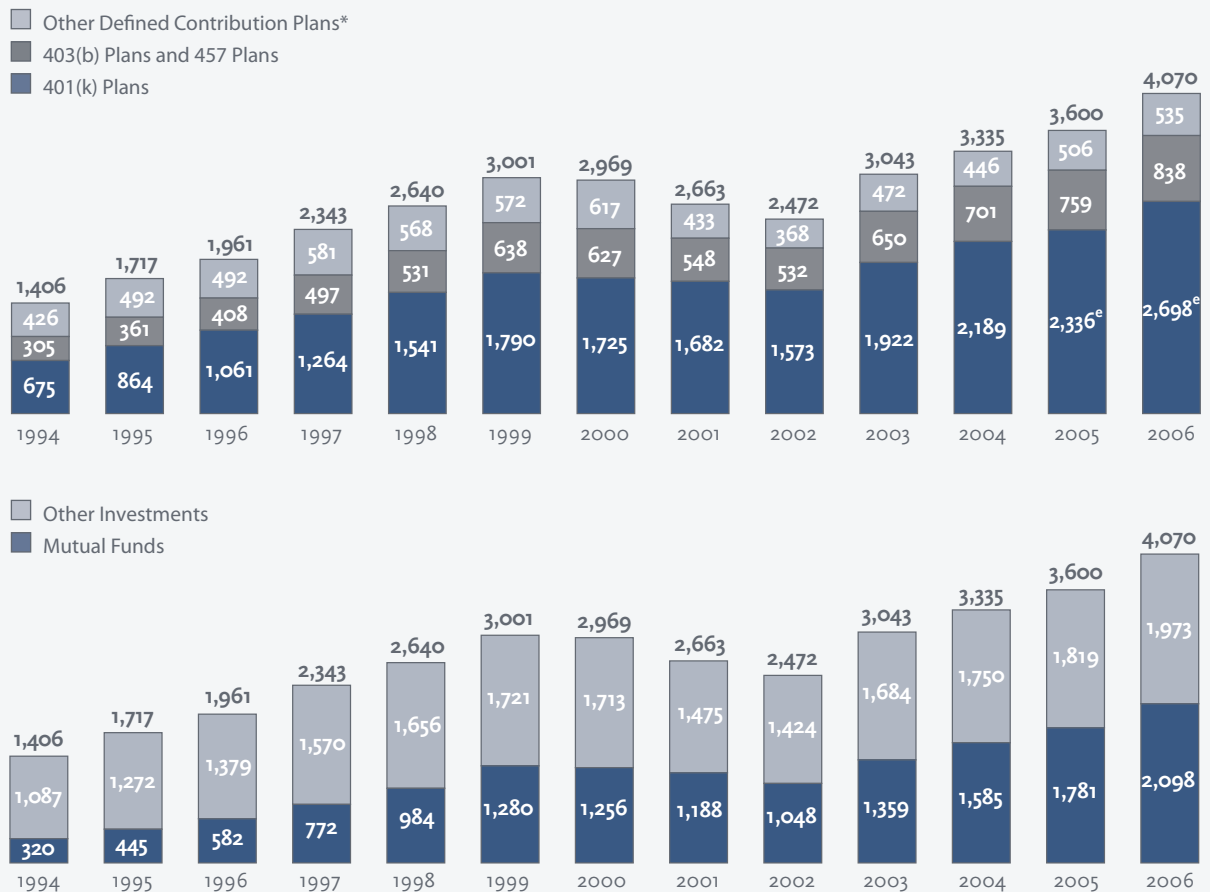
Assets held in employer-sponsored retirement plans represented 64 percent of total U.S. retirement assets in 2006.¹⁹ Investors held \$4.1 trillion in DC plans, accounting for 39 percent of employer-sponsored plan assets, up from 27 percent in 1985. Private employer-sponsored DB plans, with \$2.3 trillion, accounted for 22 percent of employer-sponsored plan assets in 2006, down from 43 percent in 1985. In addition, state and local government DB plans held \$3.0 trillion, and federal pension plans, \$1.1 trillion.^{20, 21}

In 2006, investors held \$2.7 trillion in 401(k) plans, the most common type of DC plan (Figure 7). Assets in 401(k) plans increased 16 percent for the year and are up 72 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 salary and direct the investment allocation of their assets.

FIGURE 7

DEFINED CONTRIBUTION PLAN ASSETS AND AMOUNTS HELD IN MUTUAL FUNDS

Billions of dollars, year-end, 1994–2006



e=estimated

*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

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 \$1.4 trillion in non-401(k) DC plans in 2006, a 9 percent increase from 2005 and up 53 percent since 2002.

Investors rely on mutual funds to manage \$2.1 trillion in DC plan assets (Figure 7): \$1.5 trillion in 401(k) plans, \$363 billion in 403(b) plans, \$71 billion in 457 plans (Figure 8), and \$190 billion in other DC plans.²² Overall, mutual funds manage 55 percent of the assets in 401(k) plans, 53 percent of 403(b) plan assets,

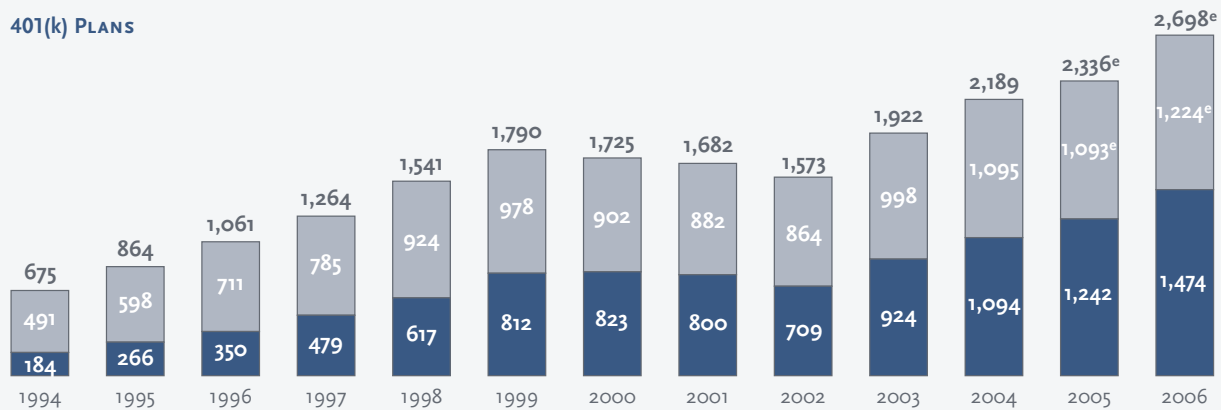
FIGURE 8

DEFINED CONTRIBUTION PLANS HOLD SIGNIFICANT MUTUAL FUND ASSETS

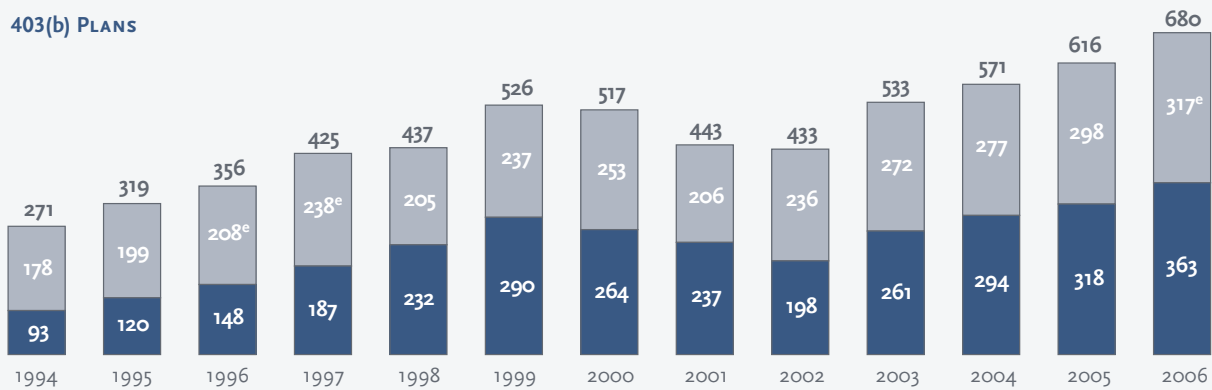
Billions of dollars, year-end, 1994–2006

Other Investments
Mutual Funds

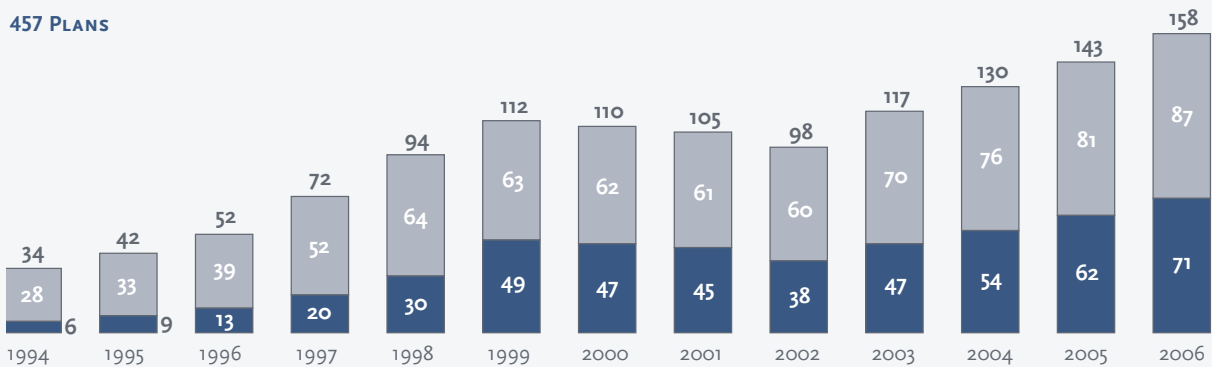
401(k) PLANS



403(b) PLANS



457 PLANS



e=estimated

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

45 percent of 457 plan assets, and 36 percent of other DC plan assets. Mutual fund shares held in 403(b) plans include both variable annuity (VA) mutual fund shares totaling \$210 billion and non-VA mutual fund shares of \$153 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 2006, 70 percent, or \$2.8 trillion, of the \$4.1 trillion of DC plan and IRA mutual fund assets were invested in stock funds (Figure 10).²³

FIGURE 9

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

Year-end, 1996–2006

	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%	\$45	13%	\$356
1997	238 ^e	56	129	30	59	14	425
1998	205	47	158	36	75	17	437
1999	237	45	190	36	99	19	526
2000	253	49	173	33	91	18	517
2001	206	47	149	34	88	20	443
2002	236	54	120	28	78	18	433
2003	272	51	157	29	104	20	533
2004	277	48	175	31	119	21	571
2005	298	48	185	30	133	22	616
2006	317 ^e	47	210	31	153	23	680

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, 2006

	Equity			Hybrid	Bond	Money Market	Total
	Total	Domestic	Foreign				
Retirement Accounts	\$2,839	\$2,265	\$575	\$573	\$356	\$302	\$4,070
IRAs	1,312	1,040	272	270	198	192	1,972
Defined Contribution Plans	1,527	1,224	303	302	158	110	2,098
401(k) Plans	1,055	821	234	237	109	73	1,474
403(b) Plans	295	260	35	31	21	16	363
457 Plans	51	42	9	12	7	1	71
Other Defined Contribution Plans ^{1,2}	126	102	24	22	22	19	190
VA Mutual Funds (outside of retirement accounts)^{1,2}	698	573	125	74	122	30	924
Total	3,537	2,838	699	646	478	332	4,994

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

Hybrid funds (which invest in a mix of equity and fixed-income securities and include most lifestyle and lifecycle funds) managed \$573 billion in DC plan and IRA assets; bond funds held an additional \$356 billion; and money market funds \$302 billion. Most DC plan and IRA long-term mutual fund assets are actively managed funds. At year-end 2006, \$3.4 trillion of long-term mutual fund assets held in DC plans and IRAs were actively managed, compared with \$336 billion invested in passively managed, or index, mutual funds.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 (Figure 10).²⁵

Assets in Lifestyle and Lifecycle Funds Grow 50 Percent

Lifestyle and lifecycle funds have grown in popularity among investors and retirement plan sponsors in recent years. The assets in these funds grew 50 percent in 2006 to \$303 billion, after rising 57 percent in 2005.²⁶

Ninety-one 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.²⁷ Lifestyle fund assets were split about equally between assets held in retirement accounts and assets held outside of 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.

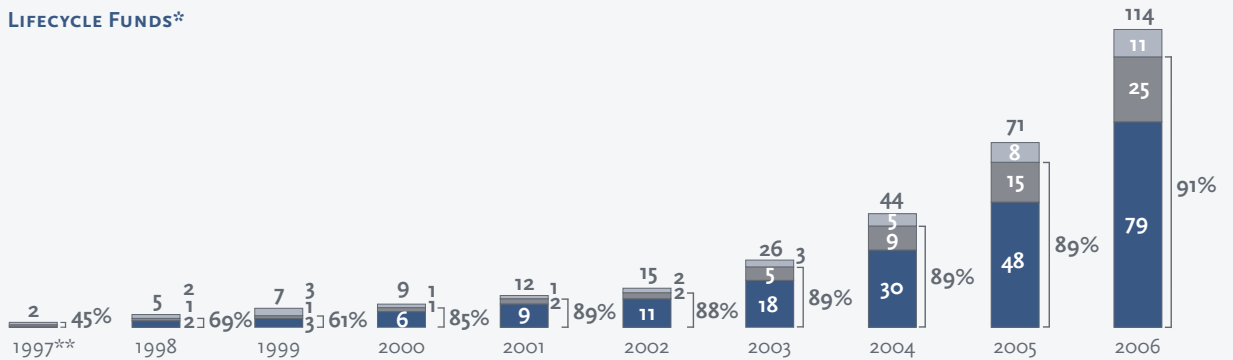
FIGURE 11

LIFECYCLE AND LIFESTYLE FUND ASSETS CONTINUE TO GROW RAPIDLY

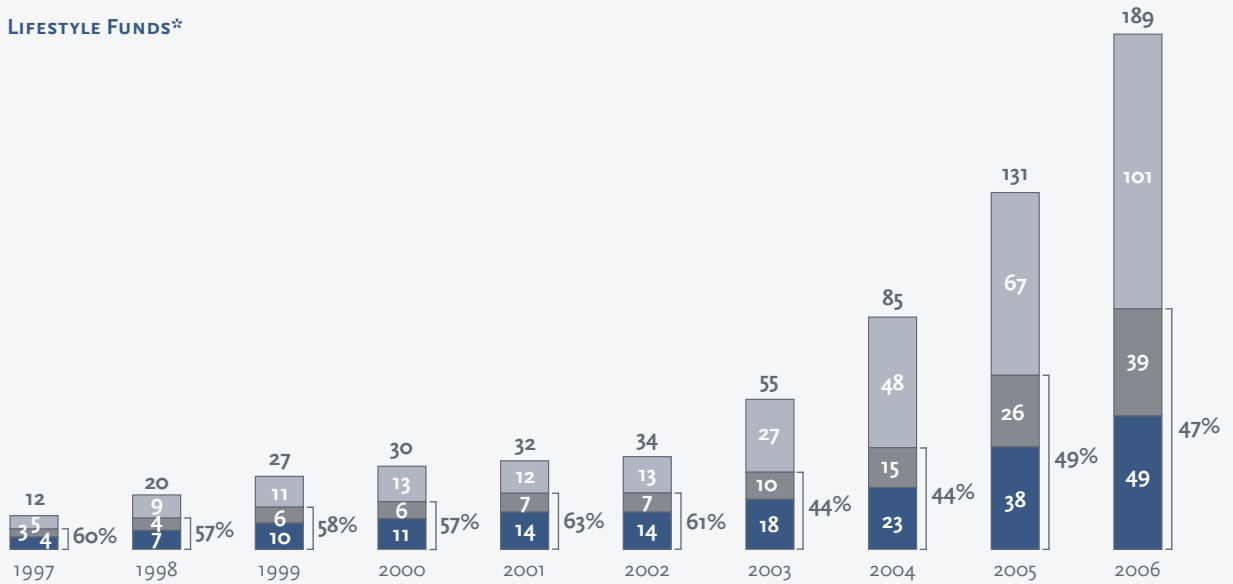
Billions of dollars, year-end, 1997–2006

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

LIFECYCLE FUNDS*



LIFESTYLE FUNDS*



*A lifestyle mutual fund 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-v16n3_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 7, 2007) reports household financial assets of \$42.1 trillion at year-end 2006.

³ Derivation of this estimate is 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 fund 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 insurance policies.

⁷ Retirement accounts (defined contribution (DC) plans and individual retirement accounts (IRAs)) hold 39 percent of all mutual fund assets (see [Appendix Figure A5](#)). Another 9 percent of industrywide 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 17,179 mutual fund share classes representing approximately 84 percent of mutual fund industry assets. Assets were estimated for all nonreporting funds. Data before 2006 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 defined benefit (DB) plans have been excluded because of incomplete reporting. Federal Reserve Board *Flow of Funds Accounts, Z.1 Release* (June 7, 2007) data indicate that mutual fund assets held in DB plans accounted for about 1½ percent of the U.S. retirement market at year-end 2006.

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 fund reserves) figure and reported in their respective categories by ICI.

¹² Annual total returns on large company stocks since 1997—as calculated by Morningstar (formerly reported 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%; 2006: +15.8 (see Morningstar, *S&P 500 (Stocks, Bonds, Bills, and Inflation) 2007 Yearbook, Market Results for 1926-2006*; Chicago, IL: Morningstar, Inc., 2007).

¹³ The Employee Retirement Income Security Act of 1974 (ERISA) created traditional IRAs. In 2006, approximately 34.8 million, or 30.4 percent of, U.S. households had traditional IRAs (see 2007 *Investment Company*

Fact Book, Washington, DC: Investment Company Institute, 2007 ([www.ici.org/factbook.org](http://www.ici.org/factbook))). 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 2004. 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 2006, approximately 14.4 million, or 12.6 percent of, U.S. households had Roth IRAs (see 2007 *Investment Company Fact Book*).

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 2006, approximately 7.9 million, or 6.9 percent of, U.S. households had employer-sponsored IRAs (see 2007 *Investment Company Fact Book*).

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, we use the ratio from the SCF of "roll-over" IRAs to the sum of "roll-over" and "regular or other" IRAs. The accuracy of this estimate will depend on the extent to which SCF respondents properly characterized and allocated their IRA assets among 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 2006, the TSP held \$207 billion in assets. For more details regarding TSP, see "Financial Statements of the Thrift Savings Fund—2006 and 2005," Deloitte and Touche LLP, March 2007 (www.tsp.gov/forms/financial-stmt.pdf).

²² See [Appendix Figure A15](#) for DC plan holdings of mutual funds 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 See [Appendix Figure A4](#) for total VA mutual fund assets.

²⁶ Often, lifestyle and lifecycle funds are organized as funds of funds, with their underlying portfolios invested in other funds managed by the fund sponsor.

²⁷ The target date is usually indicated in the fund's name.

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