

Retirement Plan Holdings of Mutual Funds, 1996

.....
**by Brian Reid and
Jean Crumrine¹**
.....



¹Mr. Reid is Director of Industry Research and Financial Analysis and Ms. Crumrine is Assistant Director of Statistical Research at the Investment Company Institute (ICI). Audrey Anderson, Louis Del Pozzo, Travis Lee, and Tom Sampson provided research assistance.

Introduction

Mutual fund assets held in retirement plans—IRAs and employer-sponsored pension plans—increased about 25 percent in 1996 to \$1.24 trillion at yearend, in line with overall mutual fund asset growth. Retirement plan holdings of mutual fund assets accounted for 35 percent of all mutual fund assets last year, and these holdings were split about evenly between IRAs and employer-sponsored pension plans.

Mutual funds have increased their presence in the retirement market during the past fifteen years, growing from about 1 percent of retirement plan assets in 1981 to 15 percent in 1996. This paper discusses retirement plan holdings of mutual fund assets in 1996 based on data compiled from the ICI's Annual Questionnaire for Retirement Statistics² and places developments during 1996 into the broader context of retirement market trends. The appendices describe the survey methodology and contain definitions and tables detailing data collected in the survey.

Retirement Plan Holdings of Mutual Funds

Mutual fund assets held in retirement accounts rose \$245 billion during 1996 to \$1.24 trillion at yearend (Figure 1). About one-third of the increase³ is attributable to the \$85 billion of net new flow⁴ that retirement

FIGURE 1

Mutual Fund Assets in Retirement Plans, 1992-1996

(billions of dollars)

	1992	1993	1994	1995	1996
IRAs	226	327	383	495	632
Employer-sponsored pension	186	270	384	501	610
Defined Contribution	182	265	352	469	577
401(k)	54	100	167	263	334
403(b)	65	87	98	113	137
457	3	6	5	6	9
Other DC	60	73	82	87	97
Defined Benefit	4	5	32	33	33
Total Retirement	412	597	767	997	1,242

Note: Figures may not add due to rounding.

Source: Investment Company Institute

²Since 1992, the Institute has conducted a retirement survey to augment data collected in the Institutional Survey. The ICI's Institutional Survey collects institutional holdings of retirement plan assets but does not request information on the type of retirement plan. In addition, because the Institutional Survey treats street name and omnibus accounts as individual holdings, some assets in retirement plans are excluded from the Institutional Survey. The Retirement Survey was designed to augment Institutional Survey by requesting asset data by type of retirement plan and by gathering information on street name and omnibus accounts.

³Asset growth is attributable to net new investment, asset appreciation, reinvested capital gains and dividends, and newly reporting funds.

⁴Net new flow refers to net new cash flow by shareholders. Unless otherwise noted, the term net flow refers to net new cash flow, inflow refers to a positive value of net new cash flow, and outflow refers to a negative value of net new cash flow.

The 1996 Retirement Survey did not collect net new flow data. Net new flows were estimated for each type of retirement plan for ICI's investment objective categories. These estimates were aggregated to produce flow estimates for equity, bond and income, and money market funds. The retirement flows were estimated by assuming that retirement assets had the same rate of appreciation as other mutual fund assets in a particular investment objective category. Asset appreciation in each investment objective category was calculated by taking the total change in assets and adjusting for total net new cash flow during 1996. Retirement assets in 1996 were deflated by this rate of appreciation. The residual increase in assets was attributable to net new cash flow. This estimation procedure excludes increases in assets from newly reporting funds from the flow estimates. Flow estimates are reported to the nearest billion dollars.

plans are estimated to have invested in mutual funds last year (Figure 2). The growth in retirement plan holdings of mutual fund assets continues a trend that began in the early 1980s, as retirement plan holdings of mutual fund assets increased from \$14.3 billion in 1981.

Several factors have contributed to the increase in retirement plan holdings of mutual fund assets. First, the overall size of the employer-sponsored pension market has expanded by about \$5.5 trillion during the past fifteen years to \$6.6 trillion at the end of 1996.⁵ Most of the increase is attributable to asset appreciation associated with rising asset prices over this period and reinvested dividends and interest.

Second, mutual funds have captured a larger share of this growing market, in part as a result of the increased popularity of defined contribution plans.⁶ Defined contribution plans typically have individually managed accounts, and mutual fund assets are well suited for this type of retirement plan. Mutual funds are attractive to employees because they offer professional money management, investment diversification, liquidity, as well as daily pricing and exchange features. They are attractive to employers because they can partially relieve the employer of having to serve as an investment advisor and they provide recordkeeping functions for the employer, both of which reduce the burden of providing a pension plan to employees. Data from the Employee

FIGURE 2

Mutual Fund Retirement Flows, 1996

(billions of dollars)

	Equity		Bond & Income		Money Market	Total
	Domestic	Global	Hybrid	Bond		
IRAs	35	5	2	0	18	60
Defined Contribution	19	0	3	7	2	30
401(k)s	18	2	2	5	1	27
403(b)s	1	0	1	2	1	6
457 Plans	1	0	0	0	0	2
Other DC	-2	-2	0	0	0	-4
Defined Benefit	-3	-1	0	0	0	-5
Total	51	4	4	6	20	85

Note: Figures may not add due to rounding.

Source: Investment Company Institute

⁵Estimates of the size of the employer-sponsored pension plan market are based on data from the Board of Governors of the Federal Reserve System, *Flow of Funds Accounts of the United States: Flows and Outstandings Second Quarter 1997* (September 15, 1997). These data include pension fund reserves held in private trustee funds, life insurance funds, state and local government pension plans, liabilities of the U.S. government for federal employee retirement benefits, and liabilities of the Railroad Retirement Fund.

The Federal Reserve Board bases its estimates of private pension plan assets on data tabulated from submissions of IRS/Department of Labor/Pension and Welfare Benefits Administration Form 5500 and data provided by Bankers Trust Company. However, 457 plans and public 403(b) plans are exempt from filing this report. Moreover, there appears to be underreporting of assets by private 403(b) plans on the Form 5500. To augment the Federal Reserve Board data for 1996, estimates of the 403(b) and 457 plan markets were obtained from *The Future of Money Management in America*, 1997 Edition, Sanford C. Bernstein & Co. and *The Cerulli-Lipper Analytical Report*, "The State of the Defined Contribution—401(k) Market," 1997, Cerulli Associates, Inc., Boston. Both reports estimate that assets in 403(b) plans totaled \$285 billion and assets in 457 plans totaled \$40 billion at the end of 1995. Estimates for 1996 were calculated by assuming that these assets grew at the same rate as the defined contribution assets tracked in the *Pension Investment Report*, Employee Benefit Research Institute, Vol. 11, No. 1, July 1997. The Employee Benefit Research Institute bases its estimates of the defined contribution plan market on data extracted from the 5500 report forms and Bankers Trust data.

⁶Defined contribution plans encompass a wide range of retirement plans including 401(k), 403(b), 457, non-401(k) profit-sharing, and money purchase plans. For a more detailed discussion of the various defined contribution plans, see *Fundamentals of Employee Benefit Programs*, Employee Benefit Research Institute, 1997. Information in this paper describing these plans was drawn from this volume.

Benefits Research Institute (EBRI) and the ICI indicate that the defined contribution market at the end of 1996 was \$1.8 trillion,⁷ of which the ICI estimates that \$577 billion was held in mutual funds.

A third reason for the growth in retirement plan holdings of mutual funds is that the IRA market is estimated to have grown from about \$26 billion in 1981 to \$1.3 trillion in 1996. Mutual funds' share of this market has grown from 10 percent in 1981 to almost half in 1996.⁸ Even though contributions to IRAs have fallen off since Congress scaled back the eligibility for tax-deductible contributions in the Tax Reform Act of 1986, the IRA market has continued to receive inflows through rollovers from employer-sponsored defined contribution plans. Mutual funds have established mechanisms to help facilitate these rollovers, allowing them to capture a large portion of this market.

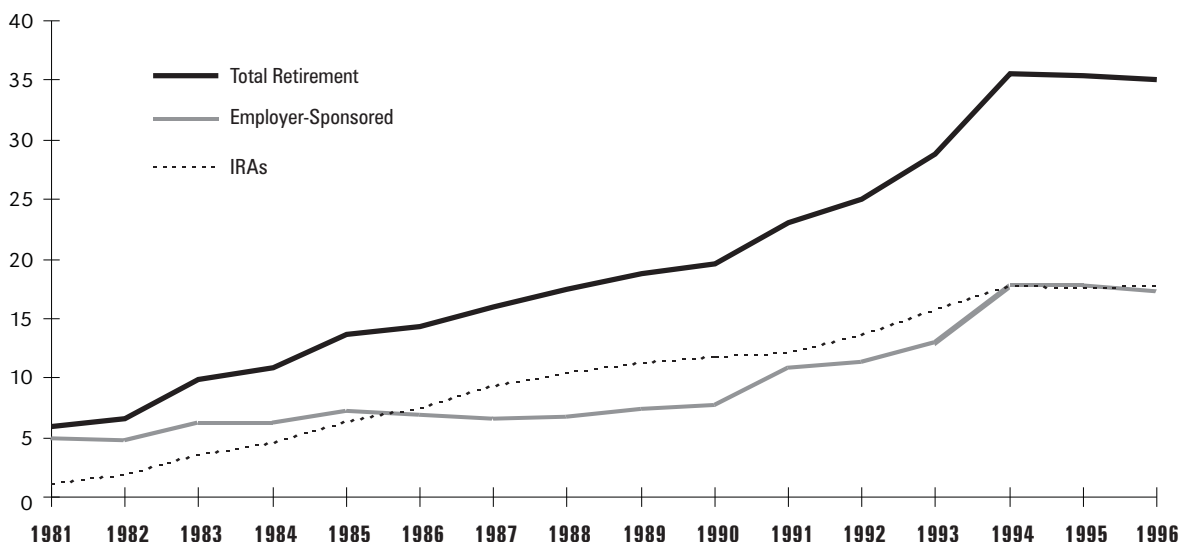
Employer-Sponsored Pension Plans

Employer-sponsored pension assets invested in mutual funds increased 22 percent to \$610 billion at the end of 1996 (Figure 1). About one-quarter of the increase in assets came from net new investments, and most of this new cash flowed into equity funds (Figure 2). Mutual fund assets in these accounts have increased more than twelve-fold during the past fifteen years, and their share of total mutual fund assets has risen from 5 percent at the end of 1981 to 17 percent last year (Figure 3). This growth is largely attributable to mutual funds' expanding presence in 401(k) and other defined contribution pension plans.

401(k) plans. Mutual fund assets in 401(k) plans rose \$71 billion in 1996 to \$334 billion. Net new flows from 401(k) plans into mutual funds were an estimated \$27 billion, accounting for nearly 40 percent of the increase in assets. Two-thirds of the inflows were to domestic equity funds, reflecting the preponderance of these funds in 401(k) plan investments in mutual funds (Figure 4). Most of the remaining inflows were to income and high-yield bond funds.

FIGURE 3

**Retirement Plan Assets as a Percentage of Total Mutual Fund Assets
1981-1996**



Source: Investment Company Institute

⁷The estimate of the defined contribution market is based on data from the *Flow of Funds Accounts*, *Pension Investment Report*, *The Future of Money Management in America*, and *The Cerulli-Lipper Analytical Report*. See footnote 5 for a complete discussion.

⁸Estimates of the size of the IRA market were made by the ICI. See *1997 Mutual Fund Fact Book*, Investment Company Institute, p. 53 for a more complete discussion of the estimates.

Mutual funds assets in 401(k) plans have grown substantially from \$16 billion in 1990 (Figure 5).⁹ One reason for this growth is that total assets in 401(k) plans grew from \$385 billion 1990 to an estimated \$857 billion in 1996.¹⁰ Another reason is that mutual funds have garnered a larger share of the 401(k) market. In 1990, mutual funds held less than 5 percent of 401(k) assets, by 1996 they held almost 40 percent.

FIGURE 4

Total Mutual Fund Retirement Assets, 1996

(billions of dollars)

	Equity		Bond & Income		Money Market	Total
	Domestic	Global	Hybrid	Bond		
IRAs	325	62	65	88	93	632
Defined Contribution	396	39	46	39	57	577
401(k)s	223	17	31	23	39	334
403(b)s	111	9	5	5	7	137
457 Plans	7	0	1	0	0	9
Other DC	55	13	8	10	10	97
Defined Benefit	20	5	2	6	1	33
Total	741	107	112	133	151	1,242

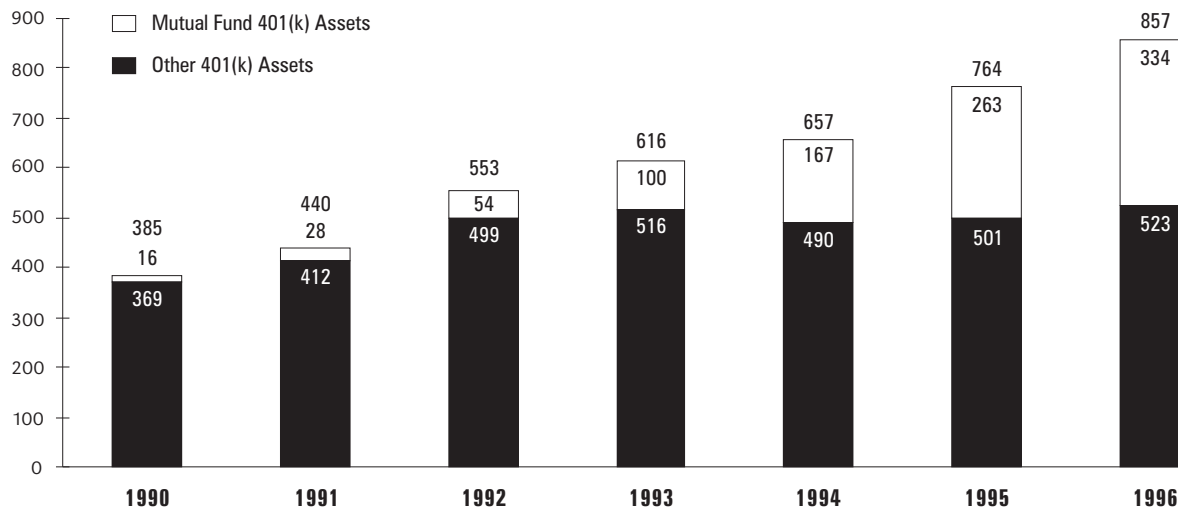
Note: Figures may not add due to rounding.

Source: Investment Company Institute

FIGURE 5

Assets in 401(k) Retirement Plans, 1990-1996

(billions of dollars)



Note: 1994-1996 asset values are estimates. See footnote 10 for a discussion of the estimation procedure.

Source: Department of Labor, EBRI, and ICI.

⁹Mutual fund assets in 401(k) plans for 1990 and 1991 were obtained from the various issues of the *Private Pension Plan Bulletin*, U.S. Department of Labor Pension and Welfare Benefits Administration. Mutual fund assets in 401(k) plans after 1991 were obtained from the ICI's Retirement Survey.

¹⁰Data for total 401(k) plan assets for 1990-1993 were obtained from the *Private Pension Plan Bulletin*, Number 6, Winter 1997, p. 95. Total 401(k) plan assets after 1993 were estimated by growing 401(k) assets by the growth rate of defined contribution plan assets published in the *Pension Investment Report*, p. 10.

403(b) plans. These plans held \$137 billion in mutual fund assets in 1996, up from \$113 billion in 1995. Nonprofit charitable organizations—such as churches, hospitals, and educational institutions—which are not eligible to establish 401(k) plans, are permitted to establish tax-deferred defined contribution plans under Section 403(b) of the Internal Revenue Code.¹¹ For the most part, these plans are required to invest in fixed annuities and mutual funds (including variable annuities). Variable annuities accounted for \$99 billion of 403(b) assets in 1996 and another \$38 billion was invested in other mutual funds.

Mutual fund inflows from 403(b) plans totaled an estimated \$6 billion last year. These inflows were sprinkled across various types of mutual funds, with about half flowing into bond and income funds. Flows into 403(b) plans have been smaller than those into 401(k) plans, largely because the pool of eligible employees is much smaller and the market has traditionally been dominated by insurers offering fixed annuities.

457 plans. Mutual fund assets in these plans rose \$3 billion to \$9 billion last year, with net new flows from these plans totaling an estimated \$2 billion. These plans, which Congress established in the 1978 Revenue Act, permit state and local governments to sponsor unfunded tax-deferred retirement accounts for their employees. Unlike 401(k) plans, in which employers may make contributions to participant accounts in addition to an employee's salary deferral amounts, state and local governments do not make contributions to these accounts.

Defined Benefit Plans. Although defined benefit plans account for about half of the private pension plan assets in the United States, they hold a small portion of the retirement assets in mutual funds. At the end of 1996, defined benefit plans held only \$33 billion of mutual fund assets, and net outflows totaled an estimated \$5 billion. Three-quarters of the assets are invested in equity funds, and most of the remainder is held in bond and income funds.

Individual Retirement Accounts

Individual Retirement Account holdings of mutual fund assets grew 28 percent to \$632 billion at the end of last year. Net new cash, which totalled \$60 billion, accounted for an estimated 44 percent of the increase in assets. [Two-thirds of the net new flows went into equity funds, and most of the remainder went into money funds. These contributions reflect the high proportion of IRA mutual fund assets held in equity funds.]

Although new contributions to IRAs have been slow since the passage of the Tax Reform Act of 1986, rollovers from employer-sponsored defined contribution plans have provided a source of growth for IRA assets. These rollovers occur when employees leave a job in which they had a defined contribution plan. Often employees withdraw their assets from these plans and either roll them over into a defined contribution plan with their new employer or into an IRA. In 1996, gross rollovers into IRA holdings of mutual funds from employer-sponsored pension plans totaled \$29 billion, or one-third of the gross IRA contributions into mutual funds. Moreover, rollover assets now account for 38 percent of IRA holdings of mutual funds, compared with 27 percent in 1992.

Conclusion

Although the share of mutual fund assets held in retirement accounts has grown from about 5 percent in the early 1980s to 35 percent in 1996, much of this increased share has come from the growth of assets in IRAs and defined contribution plans. Individuals typically make the investment decisions in defined contribution plan assets invested in mutual funds and some of the holdings in defined benefit plans are in individually directed Keogh plans. Combining individual direct holdings of mutual funds (including variable annuities outside of retirement plans) with mutual fund assets in IRAs and employer-sponsored pension plans, individuals held \$2.66 trillion of mutual fund assets in 1996 or 75 percent of total mutual fund assets.

¹¹As of January 1, 1997, some of these entities are now permitted to establish 401(k) plans pursuant to the Small Business Job Protection Act of 1996.

Appendices

1996 Annual Retirement Survey Methodology

The 1996 Mutual Fund Retirement Assets report was compiled from results of ICI's Annual Survey of Retirement Statistics. This survey was conducted for year-end 1996. Responses were received for individual mutual funds representing 90 percent of equity fund assets, 86 percent of bond and income fund assets and 77 percent of money market fund assets. Respondents were asked to provide assets held in various types of retirement accounts for each mutual fund, as of December 31, 1996. Additionally, the survey asked for the number of accounts held and contributions made in various types of IRAs during the calendar year. Responses were received for over 7,500 classes of shares. A similar survey was conducted to ascertain the amount of retirement assets, and number of IRA accounts and contributions for street name and omnibus accounts, as well as for accounts with trustees other than mutual fund companies. The results from the two surveys were aggregated.

Reported data were validated by complex, comparing an aggregated complex wide 1996 response with data supplied for prior annual surveys. Additional validations were done with fund level data received by ICI on the Annual Institutional Shareholder Survey and the Quarterly IRA and Keogh Retirement collection.

Estimates were imputed for all nonrespondent funds. Reporting funds were grouped by investment objective and ratios were calculated of the reported retirement assets to the total net assets for each type of retirement plan. These ratios were then used to estimate data for nonrespondents. Each nonrespondent was checked to determine whether the fund offers each particular type of retirement plan. If offered, the corresponding plan ratio for reporting funds with the same investment objective was applied to the total net assets of the nonreporting fund.

Total net assets for each mutual fund are collected under a separate survey conducted by ICI.

In addition to estimating for nonresponding mutual funds, estimates were also made for reporting mutual funds that indicated they offered a particular type of plan, but were unable to provide data for that type of plan. These partial estimations were done in a manner similar to the full record estimations. Ratios were developed for various reporting scenarios and then applied to the actual data provided by the partial reporting mutual fund. The estimated data was added to the reporting data .

The 1996 Retirement Survey did not collect sales or flow data. Retirement flows were estimated for each type of retirement account by individual investment objective. These estimates were aggregated to produce flow estimates for Domestic and Global Equity Funds; Hybrid and All Other Bond and Income Funds; and Money Market Funds. The retirement flows were estimated by assuming that retirement assets had the same rate of appreciation as other mutual fund assets in a particular investment objective category. Asset appreciation in each investment objective was calculated by taking the total change in assets and adjusting for total net new cash flow during 1996. Retirement assets in 1996 were deflated by this rate of appreciation. The residual increase in assets was attributable to net new cash flow. This estimation procedure excludes increases in assets from newly reporting funds from the flow estimates.

Care should be taken when comparing 1996 retirement data with earlier years, because of methodological differences. Prior to 1996, mutual fund retirement data were collected for each complex, not by fund. Additionally, between 1995 and 1996 changes were made in the categorization of types of retirement plans. Keogh plans were listed as a separate line item prior to 1996.

TABLE 1
MUTUAL FUND ASSETS HELD IN RETIREMENT ACCOUNTS¹
BY TYPE OF PLAN
1992-1996

	1992		1993		1994		1995		1996	
	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)
IRAs	\$225.8	54.8%	\$327.5	54.8%	\$382.8	49.9%	\$495.4	49.7%	\$632.2	50.9%
Defined Contribution	181.9	44.2	265.3	44.4	352.0	45.9	468.6	47.0	576.9	46.4
401(k)	54.3	13.2	99.9	16.7	166.7	21.7	262.9	26.4	333.8	26.9
403(b)	65.0	15.8	86.6	14.5	98.0	12.8	112.8	11.3	137.5	11.1
457	2.7	0.7	6.1	1.0	4.9	0.6	5.8	0.6	8.8	0.7
Other²	59.9	14.5	72.6	12.2	82.4	10.7	87.1	8.7	97.0	7.8
Defined Benefit	4.1	1.0	4.6	0.8	31.8	4.1	32.9	3.3	33.3	2.7
Total	\$411.8	100.0%	\$597.4	100.0%	\$766.6	100.0%	\$996.9	100.0%	\$1,242.5	100.0%
Total All Mutual Funds	\$1,646.3	100.0%	\$2,075.4	100.0%	\$2,161.5	100.0%	\$2,820.4	100.0%	\$3,539.2	100.0%

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

²Includes profit-sharing, thrift savings, stock bonus, target benefit, money purchase, and all other defined contribution plans

TABLE 2

MUTUAL FUND ASSETS HELD IN RETIREMENT ACCOUNTS¹
BY TYPE OF PLAN AND INVESTMENT OBJECTIVE
1996

	EQUITY			BOND & INCOME		Money Market (billions)
	Total (billions)	Domestic ³ (billions)	Foreign Related ⁴ (billions)	Hybrid ⁵ (billions)	Bond Funds ⁶ (billions)	
IRAs	\$632.2	\$324.6	\$62.5	\$64.6	\$87.9	\$92.6
Defined Contribution	576.9	396.0	39.3	45.8	39.1	56.8
401(k)	333.8	222.9	16.9	31.5	23.5	39.1
403(b)	137.5	110.7	9.2	5.3	4.8	7.3
457	8.8	7.2	0.2	0.5	0.4	0.4
Other²	97.0	55.2	13.0	8.4	10.4	10.0
Defined Benefit Plans	33.3	20.0	5.0	1.5	5.6	1.2
Total	\$1,242.5	\$740.6	\$106.7	\$111.9	\$132.7	\$150.6
Total All Mutual Funds	\$3,539.2	\$1,467.0	\$284.0	\$250.9	\$635.6	\$901.8

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

²Includes profit-sharing, thrift savings, stock bonus, target benefit, money purchase, and all other defined contribution plans

³Domestic equity funds include aggressive growth, growth, growth & income, equity-income, and precious metals funds.

⁴Foreign-related funds include international and global funds.

⁵Hybrid funds include flexible, balanced, and income-mixed funds.

⁶Bond funds include U.S. government, GNMA, corporate, high-yield, income-bond, national municipal, and state-only municipal funds.

TABLE 3
ASSETS HELD IN INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)¹
1992-1996

	1992		1993		1994		1995		1996	
	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)
IRA Assets	\$225.8	100.0%	\$327.5	100.0%	\$382.8	100.0%	\$495.4	100.0%	\$632.2	100.0%
Contributory	156.6	69.4	219.3	67.0	242.8	63.4	296.4	59.8	360.5	57.0
SEP/SARSEP	7.3	3.2	14.1	4.3	16.7	4.4	24.6	5.0	33.0	5.2
Rollover²	61.8	27.4	94.1	28.7	123.3	32.2	174.5	35.2	238.8	37.8

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

²Includes assets which are a result of direct rollovers from pension plans. Does not include rollovers coming from another IRA.

TABLE 4

MUTUAL FUND INDIVIDUAL RETIREMENT ACCOUNTS (IRA)¹
BY TYPE OF INVESTMENT OBJECTIVE
1996

	EQUITY			BOND & INCOME		Money Market (billions)
	Total (billions)	Domestic ² (billions)	Foreign Related ³ (billions)	Hybrid ⁴ (billions)	Bond Funds ⁵ (billions)	
IRA Assets	\$632.2	\$324.6	\$62.5	\$64.6	\$87.9	\$92.6
Contributory	360.5	196.0	37.4	35.9	48.9	42.4
SEP/SARSEP	33.0	17.2	4.4	3.3	3.4	4.7
Rollover	238.8	111.3	20.7	25.5	35.7	45.6
IRA Contributions	87.9	39.4	7.6	8.3	7.0	25.6
Contributory	54.1	23.8	5.9	4.7	4.4	15.3
SEP/SARSEP	4.8	2.6	0.6	0.4	0.3	0.9
Rollover	29.0	13.0	1.1	3.2	2.3	9.4
	(millions)	(millions)	(millions)	(millions)	(millions)	(millions)
Number of IRA Accounts	39.9	20.5	5.5	3.3	4.6	6.0
Contributory	27.3	14.2	3.7	2.2	3.1	4.1
SEP/SARSEP	3.0	1.6	0.5	0.3	0.3	0.4
Rollover⁶	9.7	4.7	1.3	0.8	1.3	1.5

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

²Domestic equity funds include aggressive growth, growth, growth & income, equity-income, and precious metals funds.

³Foreign-related funds include international and global funds.

⁴Hybrid funds include flexible, balanced, and income-mixed funds.

⁵Bond funds include U.S. government, GNMA, corporate, high-yield, income-bond, national municipal, and state-only municipal funds.

⁶Includes assets which are a result of direct rollovers from pension plans. Does not include rollovers coming from another IRA.

TABLE 5
MUTUAL FUND ASSETS IN 403(b) ARRANGEMENTS¹
1992-1996

	1992		1993		1994		1995		1996	
	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)	(billions)	(percent)
403(b) Arrangements	\$65.0	100.0%	\$86.7	100.0%	\$98.0	100.0%	\$112.8	100.0%	\$137.5	100.0%
Mutual Fund	13.0	19.9	20.1	23.2	23.3	23.7	29.7	26.4	38.4	27.9
Variable Annuity	52.1	80.1	66.6	76.8	74.8	76.3	83.1	73.6	99.1	72.1

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

TABLE 6
MUTUAL FUND ASSETS IN 403(b) ARRANGEMENTS¹
BY INVESTMENT OBJECTIVE
1996

	EQUITY			BOND & INCOME		Money Market (billions)
	Total (billions)	Domestic ² (billions)	Foreign Related ³ (billions)	Hybrid ⁴ (billions)	Bond Funds ⁵ (billions)	
403(b) Arrangements	\$137.5	\$110.8	\$9.2	\$5.3	\$4.8	\$7.3
Mutual Fund	38.4	23.5	4.7	3.3	3.4	3.5
Variable Annuity	99.1	87.3	4.6	2.1	1.4	3.8

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

²Domestic equity funds include aggressive growth, growth, growth & income, equity-income, and precious metals funds.

³Foreign-related funds include international and global funds.

⁴Hybrid funds include flexible, balanced, and income-mixed funds.

⁵Bond funds include U.S. government, GNMA, corporate, high-yield, income-bond, national municipal, and state-only municipal funds.

TABLE 7

MUTUAL FUND ESTIMATED CASH FLOWS INTO RETIREMENT ACCOUNTS¹
BY TYPE OF PLAN AND INVESTMENT OBJECTIVE
1996

	EQUITY			BOND & INCOME		Money Market (billions)
	Total (billions)	Domestic ³ (billions)	Foreign Related ⁴ (billions)	Hybrid ⁵ (billions)	Bond Funds ⁶ (billions)	
IRAs	60	35	5	2	0	18
Defined Contribution	30	19	0	3	7	2
401(k)	27	18	2	2	5	1
403(b)	6	1	0	1	2	1
457	2	1	0	0	0	0
Other²	-4	-2	-2	0	0	0
Defined Benefit Plans	-5	-3	-1	0	0	0
Total	85	51	4	4	6	20
Total All Mutual Funds	323	175	46	10	2	89

¹Source: Annual Questionnaire for Retirement Statistics, Investment Company Institute

²Includes profit-sharing, thrift savings, stock bonus, target benefit, money purchase, and all other defined contribution plans

³Domestic equity funds include aggressive growth, growth, growth & income, equity-income, and precious metals funds.

⁴Foreign-related funds include international and global funds.

⁵Hybrid funds include flexible, balanced, and income-mixed funds.

⁶Bond funds include U.S. government, GNMA, corporate, high-yield, income-bond, national municipal, and state-only municipal funds.

Definitions

Defined Benefit Plan - A qualified plan that provides a predetermined benefit to participants upon retirement. The employer's contributions are actuarially determined each year.

Defined Contribution Plan - A qualified plan under which the employer makes contributions to a separate account for each participant. The participant's ultimate benefit depends upon the investment performance of his or her account.

Qualified Plan - A plan that satisfies the requirements of section 401(a) of the Internal Revenue Code. The term includes defined contribution plans, defined benefit plans and 401(k) arrangements, but does not include IRAs, SEPs, 403(b)s or 457 plans.

457 Plan - A deferred compensation arrangement for employees of state and local governments and other tax-exempt employers.

403(b) Arrangement - A type of retirement vehicle available to employees of certain charitable organizations, including non-profit hospitals, and employees of public schools and universities. Employees are generally permitted to make contributions through salary reduction.

IRA - An Individual Retirement Account

Money Purchase Plan - A defined contribution plan under which the employer is obligated to contribute a specific annual contribution, usually a fixed percentage of the participant's compensation.

Profit Sharing Plan - A defined contribution plan that differs from a money purchase plan in that the employer does not make a commitment to make an annual contribution of any set amount.

Rollover IRA - An IRA established to receive a "rollover" from a qualified plan or a section 403(b) arrangement. A tax-free rollover occurs when an individual receives a distribution from such plan or arrangement and contributes the amount within 60 days to an IRA established for this purpose. Beginning in 1993, certain plans must permit such individuals to accomplish a direct rollover by transferring amounts directly from his or her plan to a rollover IRA.

SEP - A Simplified Employee Pension, under which the employer makes contributions, typically a percentage of compensation, to each participant's IRA. SEPs involve less administrative burden for employers, than do qualified plans.

SARSEP - A salary reduction SEP, under which an employer with fewer than 25 employees may allow participants to contribute by reducing their taxable salary.