Independent Directors Council
Promoting Excellence in Fund Governance

ICI VIEWPOINTS

FEBRUARY 4, 2021

Mutual Funds: Rated G—All Audiences Admitted

By Sarah Holden and Daniel Schrass

View as PDF

Investing is subject to many misconceptions, including the notion that only older households own mutual funds, or only wealthy households, or only households saving for retirement. The reality is that households of all ages, of all incomes, and with a wide range of financial goals, own mutual funds.

Another reality is that US households have increasingly turned to mutual funds. In 1980, far fewer than one in 10 US households owned mutual funds. Now, more than four in 10 do. This expansion of mutual fund ownership has occurred across households hailing from all income and age groups, as they find that professionally managed, diversified, and cost-effective mutual fund investing can help them realize a wide array of important financial goals.

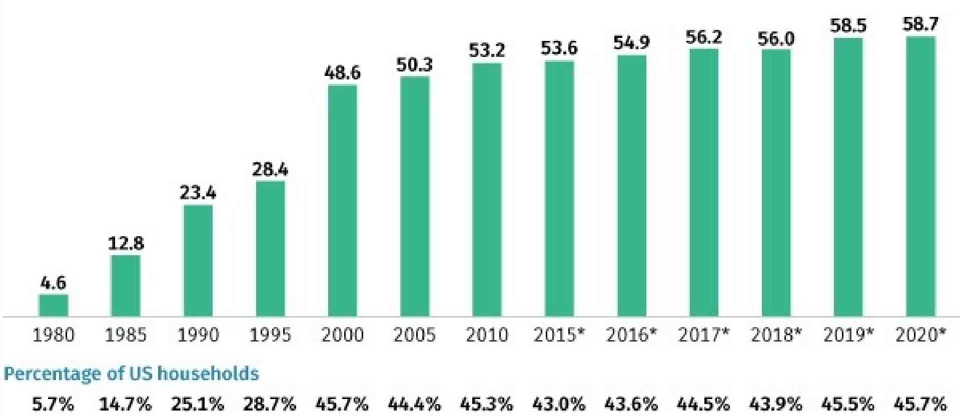
Mutual Fund Ownership Has Gone Mainstream

Results from a nationally representative survey of US households find that nearly 46 percent of US households owned mutual funds in mid-2020, up from about 6 percent in 1980 (Figure 1). This means that 58.7 million US households, or more than 100 million individual investors, owned mutual funds in mid-2020.

Figure 1

Reach of Mutual Fund Ownership Has Dramatically Expanded in the United States

Millions of US households owning mutual funds, selected years



* Starting in 2014, the Annual Mutual Fund Shareholder Tracking Survey was revised to include cell phones as well as landlines.

Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and US Census Bureau

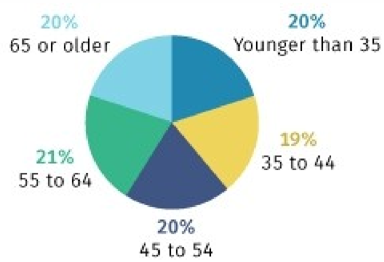
All Age Groups…

Mutual fund ownership spans all age groups. Households in their peak earning and saving years had the highest ownership rates—at least half of households aged 35 to 65 reported mutual fund ownership in 2020. Nearly half of households younger than 35 reported mutual fund ownership and more than a third of households aged 65 or older did. As a result, the majority (60 percent) of households owning mutual funds were headed by individuals between the ages of 35 and 64 in 2020 (Figure 2). Twenty percent of mutual fund–owning households were younger than 35 and the remaining 20 percent of mutual fund–owning households were headed by individuals aged 65 or older.

Figure 2

Most Mutual Fund Shareholders Are Between Ages 35 and 64

Percent distribution of households owning mutual funds by age,* 2020



* Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

All Income Groups…

Households across all income levels own mutual funds. In mid-2020, 63 percent of US households with household income of $50,000 or more owned mutual funds and 16 percent of US households with household income less than $50,000 owned mutual funds. Forty-three percent of mutual fund–owning households had household incomes of less than $100,000, and 27 percent had incomes less than $75,000 (Figure 3).

Figure 3

Mutual Fund Shareholders Have a Range of Incomes

Percent distribution of households owning mutual funds by household income,* 2020

* Total reported is household income before taxes in 2019.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

All Financial Goals…

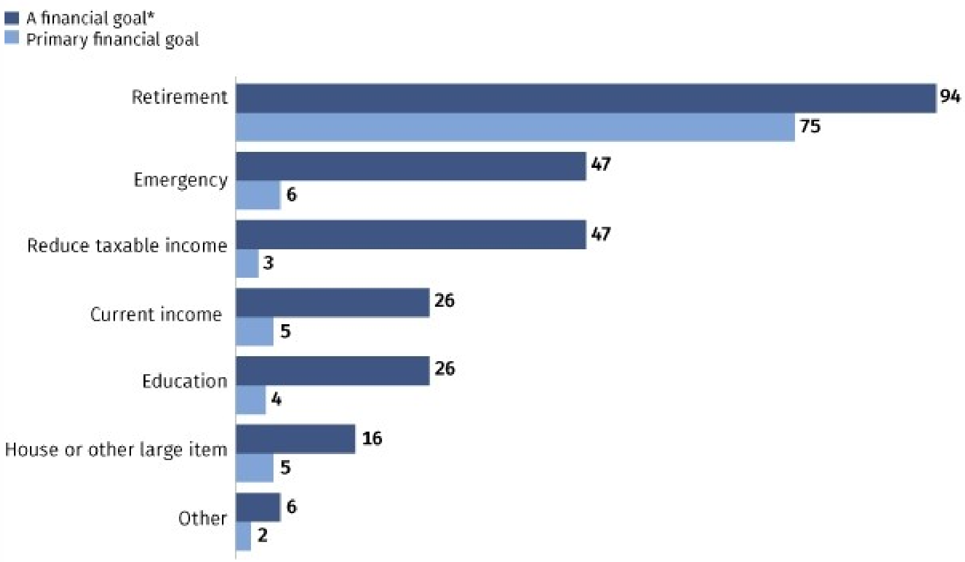
The reasons behind the growth in mutual funds are as varied as the people who own them. Easy access to employer-sponsored retirement plans has been a significant factor; the majority of first-time mutual fund purchases occur through such plans. Households also often invest in mutual funds through their individual retirement accounts (IRAs). In fact, in mid-2020, 55 percent of defined contribution plan assets were invested in mutual funds, as were 43 percent of IRA assets.

Ninety-four percent of mutual fund–owning households indicated that saving for retirement was one of their financial goals, with 75 percent indicating retirement saving was their primary financial goal (Figure 4). But mutual funds address investment goals across investors' lifecycles: 47 percent of mutual fund–owning households indicated they were saving for emergencies, 26 percent were saving for education expenses, and 16 percent were saving to buy a house or other large item.

Figure 4

Mutual Funds Help Investors Save for a Variety of Financial Goals

Percentage of US households owning mutual funds, 2020



*Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Mutual fund–owning households reach for diversification, often investing in the stock market through stock funds—both domestic and international, both indexed and actively managed—and through balanced funds, including target date funds. Stock funds are the most commonly owned type of mutual fund (held by 90 percent of mutual fund–owning households), followed by money market funds (53 percent), bond funds (43 percent), and balanced funds (held by 35 percent).

Fund owners have a high level of confidence in mutual funds, with nearly nine out of 10 mutual fund–owning households indicating they are confident mutual funds can help them meet their investment goals.

Mutual Funds Available to General Audiences at a Financial Services Firm Near You

The rapid growth and spread of mutual funds—now serving more than 100 million Americans and their families—should come as no surprise. These funds provide what savers need: professionally managed, diversified, well-regulated, cost-effective tools to realize a wide range of financial goals. Those goals are shared by Americans of all incomes and ages—and mutual funds work well for them all. Mutual funds are available at a financial services firm near you, whether you seek assistance from a financial professional, such as an adviser or broker, or go directly online to a mutual fund company or discount broker.

Additional Resources

- Video: Who Owns Mutual Funds and Why?
- Video: What Is a Mutual Fund?

Sarah Holden is the Senior Director of Retirement and Investor Research at ICI.

Daniel Schrass is an Economist at ICI.