

IRA Owners Follow a Strategy in Retirement Planning

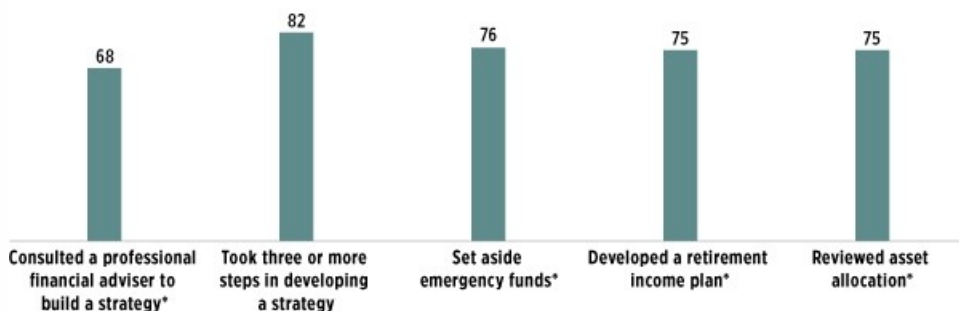
IRA Owners Follow a Strategy in Retirement Planning

Washington, DC, February 18, 2016—In advance of “America Saves Week,” the Investment Company Institute today released survey results illustrating how Americans are using individual retirement accounts (IRAs) strategically to help meet their financial goals. According to the survey, nearly one-third of U.S. households owned IRAs in 2015 and a majority of those have developed a strategy for managing income and assets in retirement. These retirement strategies often included multiple components, and typically took three or more steps to develop, often including setting aside emergency funds, developing a retirement income plan, and reviewing asset allocations.

The study, “The Role of IRAs in U.S. Households’ Saving for Retirement, 2015” found that traditional IRA-owning households sought information from a variety of sources when building their retirement asset and income strategies. Among those households with a strategy, 68 percent consulted a professional financial adviser when creating their strategy, 28 percent consulted with friends or family, and 21 percent consulted written materials, such as a book, magazine, or newspaper. Twenty percent consulted a website to help create a retirement strategy, and 9 percent used a financial software package.

Traditional IRA-Owners Often Have a Strategy to Manage Income and Assets in Retirement

Percentage of traditional IRA-owning households that indicated they have a strategy for managing income and assets in retirement, 2015



*Multiple responses possible. See Figures 30 and 31 in the research paper for additional responses.

Note: Seventy percent of traditional IRA-owning households indicated they have a strategy for managing income and assets in retirement.

Source: Investment Company Institute IRA Owners Survey

The study also found that the majority of traditional IRA withdrawals in tax year 2014 were made by retirees. Most of these withdrawals were required minimum distributions (RMDs), which traditional IRA owners are required to take beginning at age 70½. These withdrawals were generally used for living expenses, reinvestment, home purchase or repairs, healthcare expenses, or emergencies. Of those who did not take withdrawals in tax year 2014, 72 percent indicated it was unlikely they would take withdrawals before they are required to do so at age 70½.

“IRA owners tend to steward their money to and through retirement. They plan and often research important decisions such as rollovers and withdrawals,” said Sarah Holden, ICI’s senior director of retirement and investor research. “Few tap into their IRAs before retirement, and most use financial advisers and other resources to develop strategies to effectively manage their savings and income in retirement.”

IRA Growth Is Fueled by Rollovers

Rollover activity, which helps Americans preserve their retirement savings, has fueled recent IRA growth. In 2015, almost half of all traditional IRA-owning households had traditional IRAs that included rollover assets, the study found.

The majority of traditional IRA-owning households with rollovers researched the decision to roll over money from their former employer's retirement plan into a traditional IRA, with 81 percent consulting multiple sources of information. When asked to identify their primary source of information on their rollover decision, nearly half of traditional IRA-owning households with rollovers indicated they primarily relied on professional financial advisers.

Most traditional IRA-owning households with rollovers had multiple reasons for moving their assets. When asked for their primary reason for the rollover, respondents most commonly mentioned three: to obtain more investment opportunities, not to leave assets with the former employer, and to consolidate assets.

Other key findings of the report include:

- More than 40 million U.S. households owned IRAs in 2015. More than eight in 10 IRA-owning households also had employer-sponsored retirement plan accumulations or had defined benefit plan coverage. All told, nearly 75 million, or 60 percent of, U.S. households had retirement plans through work or IRAs.
- People of all ages own IRAs, but older working-aged individuals are the most likely to own IRAs. In 2015, 38 percent of households headed by an individual aged 45 to 54 owned IRAs, and 37 percent of households headed by an individual aged 55 to 64 owned IRAs. In total, 69 percent of IRA-owning households were headed by individuals aged 45 or older.

For more detail, please see the [study](#) and its [appendix](#). For information about the role of IRAs in retirement planning, please visit ICI's [Individual Retirement Account Resource Center](#).