

ICI Research Examines the Role of IRAs in Americans' Retirement Preparedness, February 2006

ICI Research – The Role of IRAs in Americans' Retirement Preparedness

More Americans Should Realize Advantages of IRAs

Washington, DC, February 1, 2006 - A [new study released](#) today by the Investment Company Institute (ICI) finds that Individual Retirement Accounts can play a vital role in helping Americans save for retirement, but that the majority of U.S. households currently do not take advantage of them.

IRAs and employer-sponsored retirement plans are the two main types of tax-advantaged savings vehicles available to Americans. The IRA has grown to represent the largest segment of the \$12.9 trillion retirement market, and currently 41 percent – or 46.8 million US households – own IRAs, even though most households are eligible to make contributions to them.

Households investing in IRAs can accumulate sizable balances over time. The study reveals that households that take advantage of IRAs typically have accumulated more financial assets than those who have not taken advantage of these accounts. In 2005, for example, median financial assets of households owning IRAs were six times greater than the financial assets of households that do not own IRAs.

“Opening an IRA and making regular contributions throughout the years can add a significant boost to retirement savings,” said Sandy West, Director of Market Policy Research at ICI. “Households owning IRAs for 20 years or more had median IRA holdings of \$35,300 in 2005, while those households owning IRAs for less than five years had median IRA holdings of \$7,000.”

The study also highlights that the rollover feature of traditional IRAs has helped many Americans preserve their retirement savings. In 2005, more than 16 million U.S. households, or 43 percent of all U.S. households owning traditional IRAs, had traditional IRAs that included rollover assets.

“The rollover feature is very effective,” said ICI Senior Economist Sarah Holden. “The study found that, in nearly all instances, the most recent rollover was to reinvest the entire retirement plan account balance into a traditional IRA.”