

## ICI Study: Mutual Fund Shareholders' Risk Tolerance Has Not Rebounded Since the Financial Crisis

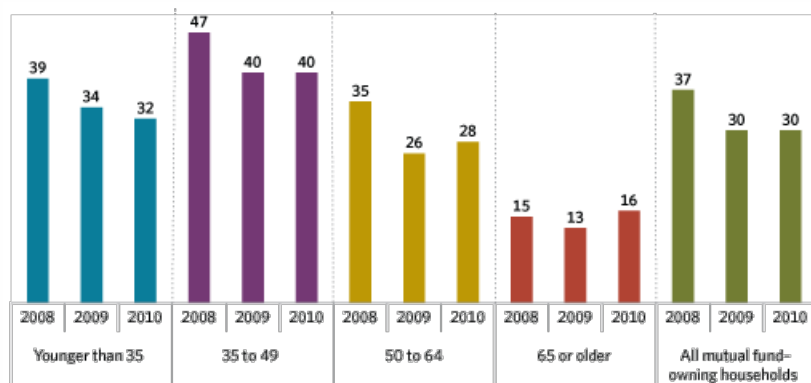
# ICI Study: Mutual Fund Shareholders' Risk Tolerance Has Not Rebounded Since the Financial Crisis

Washington, DC, September 28, 2010 - Mutual fund shareholders' overall willingness to take investment risk has not rebounded since the financial crisis, according to a newly updated ICI annual survey of households. Thirty percent of mutual fund shareholders were willing to take substantial or above-average risk for financial gain in May 2010, the same fraction as in May 2009. In contrast, in May 2008, 37 percent of households owning mutual funds were willing to take such investment risk.

"The decline in risk tolerance between May 2008 and May 2010 was widespread across working age mutual fund investors," said Sarah Holden, ICI Senior Director of Retirement and Investor Research. "Older investors continued to report a much lower tolerance for risk when compared with younger investors."

### Mutual Fund–Owning Households' Willingness to Take Risk

Percentage willing to take above-average or substantial investment risk



Source: ICI Annual Mutual Fund Shareholder Tracking Survey

"These patterns in risk tolerance appear to affect mutual fund investing," noted ICI's Chief Economist, Brian Reid. "In recent years, relatively strong bond fund flows and weaker-than-expected equity fund flows in part reflect investors' reduced tolerance for risk and the aging of the U.S. population. Stock and bond market returns also contribute to the mutual fund flow patterns observed."

ICI's annual survey, released in two studies, *Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2010* and *Characteristics of Mutual Fund Investors, 2010*, also reported that in 2010, more than 51 million U.S. households representing more than 90 million individual investors owned mutual funds. While mutual funds are the most commonly held type of fund, 3.3 million households reported owning exchange-traded funds (ETFs) and 2.1 million households reported holding closed-end funds in 2010.

"Nearly all mutual fund–owning households reported being focused on retirement saving, and three-quarters of them reported that as their primary financial goal," noted John Sabelhaus, ICI Senior Economist and a coauthor of the studies.

### Other survey findings include:

- Most U.S. mutual fund owners had moderate household incomes and were in their peak earning and saving years. About three in five households owning mutual funds had incomes between \$25,000 and \$99,999, and about two-thirds were headed by individuals between the ages of 35 and 64.

- Mutual fund–owning households often held several funds, and equity funds were the most commonly owned type of fund. Among households owning mutual funds, 86 percent held more than one fund, and 80 percent owned equity funds.
- Employer-sponsored retirement plans are increasingly the gateway to mutual fund ownership. More than seven in 10 mutual fund–owning households that purchased their first fund in 2005 or later purchased that fund through an employer-sponsored retirement plan, as compared with 52 percent of those that made their first purchase before 1990.
- In 2010, 40 percent of mutual fund–owning households owned funds both inside and outside employer-sponsored retirement plans. An additional 28 percent owned mutual funds only inside employer-sponsored retirement plans.
- Fund performance continues to have the most influence over investors’ opinions of the fund industry overall—with two-thirds of mutual fund shareholders indicating that fund performance was a “very” important factor. Other important factors that influenced shareholder views included the opinion of professional financial advisers, personal experience with a mutual fund company, and current events in financial markets.
- Mutual fund companies’ favorability rating moves with stock market performance. Mutual funds’ favorability among shareholders rose in 2010 as the stock market trended upward, with favorability rising to 67 percent, up from 64 percent in 2009. In 2010, older mutual fund investors reported higher favorability ratings compared with younger investors and more recent investors.
- Nine in 10 households owning mutual funds had Internet access. Among that group, eight in 10 used the Internet for financial purposes.

## About the survey:

ICI’s 2010 Annual Mutual Fund Shareholder Tracking Survey results are based on a sample of 4,200 U.S. households selected by random digit dialing, of which, 1,844 households, or 43.9 percent, owned mutual funds. In addition, the survey collected information on households’ ownership of closed-end funds and ETFs. Overall, 44.5 percent of U.S. households owned shares of mutual funds or other U.S.-registered investment companies in 2010, representing an estimated 52.3 million U.S. households and 91.4 million investors. All interviews were conducted over the telephone with the member of the household who was the sole or co-decisionmaker most knowledgeable about the household’s savings and investments.