

New ICI Survey on IRAs Shows Older Households Focus on Retirement Saving, Reflects Life-Cycle Effects on Saving

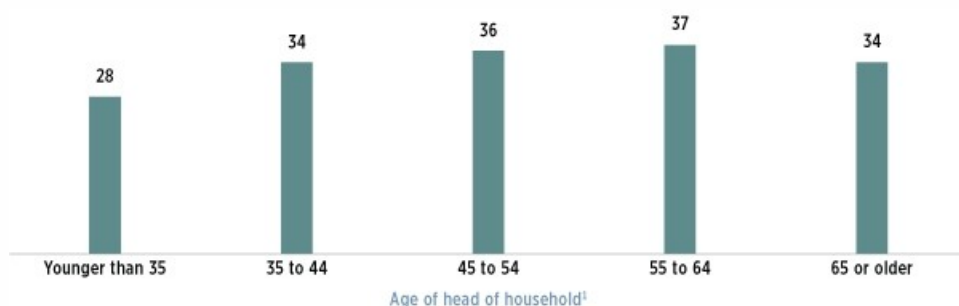
New ICI Survey on IRAs Shows Older Households Focus on Retirement Saving, Reflects Life-Cycle Effects on Saving

Washington, DC, January 27, 2015—While households across all age groups own individual retirement accounts (IRAs), ownership is greatest among the older groups of working-age individuals, according to a survey released today by the Investment Company Institute. This age distribution reflects the life-cycle of saving: households tend to focus on saving for such goals as education or buying a house when younger, and then turn their attention to retirement-related saving as they get older.

This study, “The Role of IRAs in U.S. Households’ Saving for Retirement, 2014” notes that many traditional IRA owners became owners as a result of rollovers from employer-sponsored plans, which occur after some time in the workforce. In 2014, 36 percent of households headed by an individual aged 45 to 54, and 37 percent of households headed by an individual aged 55 to 64, owned IRAs. As a result, 65 percent of IRA-owning households were headed by individuals aged 45 or older.

Incidence of IRA Ownership Is Greatest Among 45- to 64-Year-Olds

Percentage of U.S. households within each age group that own IRAs,^{1, 2} 2014



¹ Age is based on the age of the sole or co-decisionmaker for household saving and investing.

² IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

“With \$7.3 trillion in assets, IRAs represent 30 percent of U.S. total retirement assets, and are a critically important vehicle used by Americans to save for retirement,” said Sarah Holden, ICI’s senior director of retirement and investor research. “This study highlights that individuals increasingly take advantage of IRAs as they reach their peak earning years and approach retirement, often relying on IRAs as a rollover vehicle for accumulations from work-sponsored plans as they leave jobs.”

IRA Ownership Tends to Increase with Household Income

Although the majority of IRA-owning households had moderate incomes, IRA ownership tends to increase with household income, the study finds. This pattern is consistent with the fact that lower-income households, which tend to be focused on near-term spending needs, and which get a higher replacement benefit through Social Security, generally have a lower propensity to do additional saving for retirement. Half of households with annual incomes of \$50,000 or more owned IRAs, compared with 16 percent of households with less than \$50,000 in income. Nearly three in five households with incomes of \$100,000 or more owned IRAs.

Other key findings of the report include:

- About one-third of U.S. households owned IRAs in 2014. More than eight in 10 IRA-owning households also had accumulations in employer-sponsored retirement plans or were covered by defined benefit plans. All told, 63 percent of all U.S. households had either retirement plans through work or IRAs, or both.
- Rollovers have fueled the growth in IRAs. About half of traditional IRA-owning households in 2014 indicated their IRAs contained rollovers from employer-sponsored retirement plans. Among households with rollovers in their traditional IRAs, four out of five indicated they had rolled over the entire retirement account balance in their most recent rollover.
- Few U.S. households made contributions to IRAs. Only 12 percent of U.S. households contributed to any type of IRA in tax year 2013, and very few eligible households made catch-up contributions to traditional IRAs or Roth IRAs.
- Most traditional IRA withdrawals were made by retirees. One in five traditional IRA-owning households took withdrawals in tax year 2013, a similar pace to tax year 2012. Three-quarters of households with traditional IRA withdrawals were retired. Beginning at age 70½, traditional IRA owners are required to take required minimum distributions (RMDs). Sixty-five percent of withdrawals were calculated using the RMD.

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