

Mutual Fund Shareholders' Use of the Internet, 2005

KEY FINDINGS

- **Americans' access to the Internet has grown dramatically:** Four out of five Americans today have Internet access; in 1997, less than one-quarter had Internet access.
- **Mutual fund shareholders are more likely than all Americans to have Internet access:** In 2005, nearly 90 percent of mutual fund shareholders have Internet access, compared with 79 percent of all Americans.
- **Mutual fund shareholders use the Internet often:** About two-thirds of fund investors with Internet access go online at least once a day; nearly another quarter goes online at least once a week.
- **Mutual fund shareholders use the Internet for financial purposes:** Fund shareholders are more likely than other Internet users to access an investment or bank account online or obtain online investment information.

INTERNET USAGE INCREASES AMONG ALL AMERICANS

The number of Americans with Internet access has grown rapidly since the late 1990s (Figure 1), due in part to the growing availability of broadband Internet access, the decreasing cost of personal computers, and users' increasing comfort with the Internet's ability to provide secure transactions.¹ As the number of Americans with Internet access has grown, so has the number of government,² retail, and commercial services available online.

As is often the case with new technology, use of the Internet was concentrated at first among a small segment of the U.S. population and expanded over time to include a much broader cross-section. Early Internet users were mostly young, high-income, highly educated people. Now a majority of people in all age, income, and education groups has Internet access.

Among some population subgroups, Internet access is nearly universal today. These include people with some post-secondary education, those with household incomes of \$50,000 or more, and those

FIGURE 1**INTERNET ACCESS INCREASES AMONG AMERICANS OF ALL DEMOGRAPHIC GROUPS**

Percent of U.S. adults with Internet access, by selected characteristics, 1997–2005, selected years

	1997	1999	2001	2003	2005
All U.S. Adults	24	42	66	78	79
Age					
Less than 35 years	30	51	75	85	85
35 to 54 years	30	51	74	85	85
55 years or older	8	20	43	62	64
Education					
High school or less	10	23	47	64	64
Some college or associate's degree	33	56	80	90	90
College or postgraduate degree	48	73	91	96	96
Household Income					
Less than \$50,000	14	26	48	64	64
\$50,000 to \$149,000	40	64	84	92	93
\$150,000 or more	56	81	95	97	97

source: Mediemark Research Inc., cited in U.S. Census Bureau, Statistical Abstract of the United States: 1997–2003, and www.mediemark.com

who are under age 55. Access has also increased significantly among other subgroups, such as people with less formal education or lower household income. In addition, nearly two-thirds of U.S. adults age 55 or older have Internet access in 2005, up from just 8 percent in 1997.³

NEARLY ALL MUTUAL FUND SHAREHOLDERS HAVE ACCESS TO THE INTERNET

The share of mutual fund investors with Internet access also has grown rapidly in recent years: nearly 90 percent of mutual fund shareholders in 2005 had Internet access,⁴ up from 68 percent in 2000,⁵ the first year in which ICI measured shareholders' access to the Internet (Figure 2). Mutual fund owners are more likely than all U.S. adults to have Internet access in part because these owners share many of the same characteristics of individuals most likely to use the Internet. For example, 85 percent of all mutual fund shareholders have some post-secondary education,⁶ compared with 50 percent of the U.S. population.⁷ Similarly, 71 percent of fund-owning households have income of \$50,000 or more,⁸ versus 45 percent of all U.S. households.⁹

FIGURE 2

NEARLY ALL MUTUAL FUND SHAREHOLDERS NOW HAVE INTERNET ACCESS

Percent of all U.S. adults and mutual fund shareholders with Internet access, 2000 and 2005



¹In 2000, shareholders not using the Internet in the past 12 months or solely using the Internet for email were not counted as having Internet access.

sources: Investment Company Institute and Mediemark Research Inc., cited in U.S. Census Bureau, Statistical Abstract of the United States: 2000, and www.mediemark.com

INTERNET ACCESS HAS GROWN RAPIDLY AMONG CERTAIN GROUPS OF MUTUAL FUND INVESTORS

Internet access increased among all shareholder groups during the last five years, but most substantially among shareholders who are older, shareholders with less formal education, and shareholders with lower

household income (Figure 3). For example, the share of senior fund owners with Internet access more than doubled in the last five years. Younger, more educated, and higher-income shareholders still have greater rates of Internet access, but the gap has narrowed as the Internet has gained wide acceptance as a communications medium.

FIGURE 3

MUTUAL FUND SHAREHOLDERS OF ALL TYPES HAVE INTERNET ACCESS

Percent of mutual fund shareholders with Internet access, 2000 and 2005

	Share Who Had Internet Access in 2000	Share Who Had Internet Access in 2005
Shareholder Age		
Less than 35 years	83	94
35 to 49 years	75	93
50 to 64 years	60	91
65 years or older	30	63
Shareholder Education		
High school or less	39	72
Some college or associate's degree	68	86
College or postgraduate degree	81	93
Household Income		
Less than \$50,000	47	76
\$50,000 to \$99,000	77	92
\$100,000 to \$149,000	92	97
\$150,000 or more	94	97

source: Investment Company Institute

MUTUAL FUND SHAREHOLDERS USE THE INTERNET FREQUENTLY

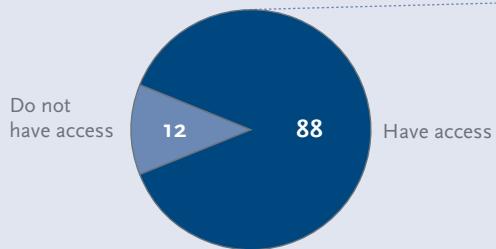
Virtually all mutual fund investors with Internet access went online at least once between June 2004 and May 2005 (Figure 4). Only 4 percent of shareholders with Internet access did not go online during this period.

Most mutual fund shareholders use the Internet frequently. About two-thirds of shareholders with Internet access go online at least once a day, and another 23 percent go online at least once a week (Figure 5). Only one out of every 10 fund owners with Internet access goes online less than once a week or not at all.

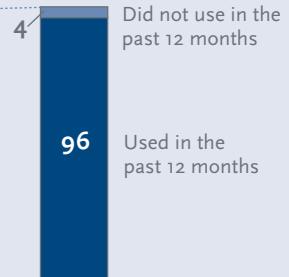
FIGURE 4

MOST MUTUAL FUND SHAREHOLDERS WITH INTERNET ACCESS WENT ONLINE IN THE LAST YEAR

INTERNET ACCESS, 2005
(percent of all mutual fund shareholders)



USE OF THE INTERNET IN THE PAST 12 MONTHS¹
(percent of mutual fund shareholders with Internet access)



¹June 2004 through May 2005
source: Investment Company Institute

FIGURE 5

MOST MUTUAL FUND SHAREHOLDERS USE THE INTERNET EVERY DAY

Percent of mutual fund shareholders with Internet access, by frequency of Internet use, 2005



note: Components do not add to 100 percent because of rounding.
source: Investment Company Institute

MUTUAL FUND SHAREHOLDERS SEEK FINANCIAL INFORMATION ONLINE

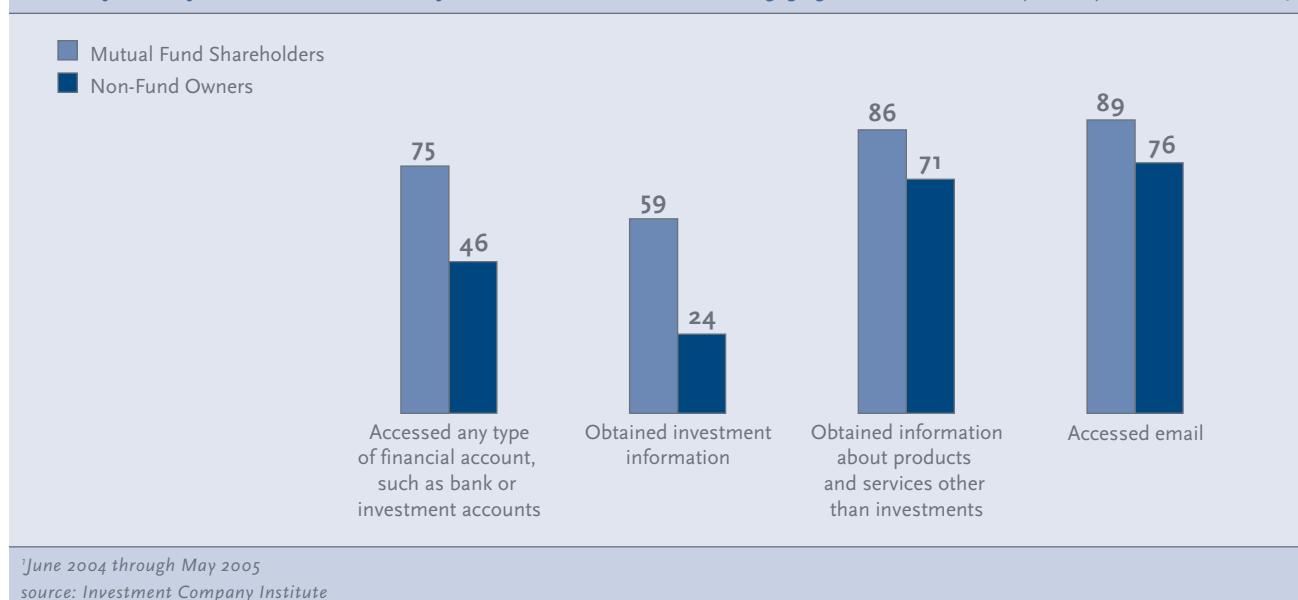
Many mutual fund shareholders take advantage of the financial information available on the Internet. Among those with Internet access, mutual fund owners are much more likely than non-fund owners to go online to access an investment or bank account or obtain online

investment information (Figure 6).¹⁰ In addition, more mutual fund owners than non-fund owners engage in common online activities, such as accessing email or obtaining information about non-financial products and services. Nearly 90 percent of shareholders with Internet access use the Internet to access email.

FIGURE 6

MOST MUTUAL FUND SHAREHOLDERS USE THE INTERNET FOR FINANCIAL-RELATED PURPOSES

Percent of mutual fund shareholders and non-fund owners with Internet access engaging in each online activity in the past 12 months,¹¹ 2005



¹⁰June 2004 through May 2005
source: Investment Company Institute

NOTES

- ¹ See John Horrigan and Lee Rainie, "Getting Serious Online: As Americans Gain Experience, They Pursue More Serious Activities," Pew Internet and American Life Project (www.pewinternet.org/pdfs/PIP_Getting_Serious_Online3ng.pdf); and Susannah Fox, "Online Banking 2005: A Pew Internet Project Memo," Pew Internet and American Life Project (www.pewinternet.org/pdfs/PIP_Online_Banking_2005.pdf).
- ² Today, 56 percent of federal and state government websites offer at least one service that is fully executable online, with driver's license and vehicle registration renewals among the most popular Internet-based government services (see Darrell M. West, "State and Federal E-Government in the United States, 2004," Brown University Center for Public Policy (www.insidepolitics.org/egovto4us.pdf)).
- ³ Internet access among all U.S. adults is measured regularly by Mediemark Research, Inc. and is reported annually in the U.S. Census Bureau's *Statistical Abstract of the United States*.
- ⁴ ICI collected data on mutual fund ownership and Internet access in a June 2005 telephone survey of 3,000 randomly selected households. The survey's standard error for the total sample is ± 1.8 percentage points at the 95 percent confidence level. The sample was weighted to match the age distribution of the U.S. population.
- ⁵ See Investment Company Institute, "Mutual Fund Shareholders' Use of the Internet," *Fundamentals*, Vol. 9, No. 3, July 2000 (www.ici.org/pdf/fm-v9n3.pdf).
- ⁶ See Investment Company Institute, *Profile of Mutual Fund Shareholders*, October 2004 (www.ici.org/pdf/rpt_profile04.pdf) (referenced as ICI (October 2004) in the remainder of this publication).
- ⁷ See U.S. Census Bureau, Current Population Survey, *Educational Attainment in the United States: 2004*, Table 1 (www.census.gov/population/www/socdemo/education/cps2004.html).
- ⁸ See ICI (October 2004).
- ⁹ See U.S. Census Bureau, Current Population Reports, P60-229, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, August 2005 (www.census.gov/prod/2005pubs/p60-229.pdf).
- ¹⁰ According to a 2005 Investment Company Institute and Securities Industry Association survey, 68 percent of equity investors in the United States used the Internet during 2004 for some financial-related purpose. Half of equity investors accessed a financial account online, 46 percent obtained financial news online, and 29 percent collected online information on retirement planning (see Investment Company Institute and Securities Industry Association, *Equity Ownership in America, 2005*, (www.ici.org/pdf/rpt_05_equity_owners.pdf)).

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