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IRA Ownership in 2002

An estimated 42.0 million, or 39.5 percent, of U.S. households owned Individual Retirement Accounts (IRAs) as of May 2002, nearly unchanged from one year earlier when an estimated 41.9 million, or 39.7 percent, of U.S. households owned IRAs (Figure 1).¹ The number of U.S. households owning

more than one type of IRA, however, increased 7.2 percent between 2001 and 2002.²

An estimated 34.8 million U.S. households owned traditional IRAs in May 2002, and approximately 12.9 million households owned Roth IRAs.^{3,4} About 8.3 million U.S. households

figure 1

U.S. Households Owning IRAs, 2001 and 2002

	Millions of U.S. Households		Percent of U.S. Households	
	2001	2002 ¹	2001	2002 ¹
Any type of IRA ²	41.9 ^R	42.0	39.7 ^R	39.5
Traditional IRA	34.1	34.8	32.4	32.7
Roth IRA	11.9	12.9	11.3	12.1
SIMPLE IRA, SEP-IRA, or SAR-SEP IRA	8.1	8.3	7.7	7.8

R = Revised

¹ The number of U.S. households owning IRAs in 2002 is based on the U.S. Census Bureau's most recent estimate of 106.4 million total U.S. households.

² Excludes ownership of Coverdell Education Savings Accounts, which were referred to as Education IRAs before July 2001.

note: Ownership of more than one type of IRA increased between 2001 and 2002.

source: Investment Company Institute Annual Tracking Survey (2001 and 2002)

¹ Incidence of IRA ownership is based on an annual tracking survey of 3,000 randomly selected, representative U.S. households conducted in May 2002. The demographic and financial characteristics of IRA owners are from a separate May 2002 survey of 516 randomly selected, representative U.S. households owning IRAs, including traditional IRAs, Roth IRAs, SIMPLE IRAs, SEP-IRAs, and SAR-SEP IRAs. The survey does not include ownership of Coverdell Education Savings Accounts (formerly called Education IRAs).

² Employer-sponsored IRAs are counted as a single type of IRA. In 2001, an estimated 11.1 million households owned more than one type of IRA and 11.9 million owned more than one type in 2002. With SEP-IRAs, SAR-SEP IRAs, and SIMPLE IRAs treated as separate types of IRAs, an estimated 11.7 million households owned more than one type of IRA in 2000 and 12.3 million households owned more than one type in 2002.

³ In 2001, the traditional IRA permitted a maximum annual individual contribution of \$2,000. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the annual limit on contributions to IRAs to \$3,000 for tax-years 2002 through 2004, \$4,000 in tax-years 2005 through 2007, and \$5,000 in tax-year 2008. Thereafter, the limit is indexed for inflation annually in \$500 increments. EGTRAA also permits individuals who have reached age 50 to make "catch-up" contributions of up to \$500 in tax-years 2002 through 2005, and up to \$1,000 in 2006 and thereafter. These and other changes made by EGTRRA discussed below will expire after December 31, 2010 unless efforts in the Congress to make the law permanent are successful.

Individuals participating in certain employer-sponsored retirement plans are subject to rules that phase out and eliminate the deductibility of their traditional IRA contributions at certain income levels. Traditional IRA earnings are tax-deferred and distributions are taxed at withdrawal. Withdrawals from traditional IRAs before age 59½ are subject to a 10 percent tax penalty except under certain exceptions, such as disability, death, or payments for higher education or to buy a first home (\$10,000 limit). Distributions from traditional IRAs must commence after individuals attain age 70½.

⁴ The Roth IRA, established in 1997 under the Taxpayer Relief Act, permitted a maximum annual individual contribution of \$2,000 in tax-year 2001. EGTRRA increased the annual contribution limits to Roth IRAs in the same manner as traditional IRAs (i.e., \$3,000 for tax-years 2002 through 2004, etc.). Eligibility to contribute to Roth IRAs is subject to phase out and elimination at certain income levels and offset by contributions made to traditional IRAs (see footnote 2). Earnings are not taxed, and distributions of earnings and principal are tax free, provided the account is held for at least five years and the account holder is at least age 59½ at the time of withdrawal. Penalty-free early withdrawals can be made under certain circumstances, such as for first home purchases, after accounts have been open for at least five years. There is no requirement that distributions commence after age 70½.

owned employer-sponsored IRAs, such as SIMPLE IRAs, SEP-IRAs, or SAR-SEP IRAs.⁵

Characteristics of Households Owning IRAs

Traditional IRAs. Households owning traditional IRAs in May 2002 tended to have greater financial assets but lower income than households holding other types of IRAs (Figure 2). The financial decisionmakers of traditional IRA households generally were older and more likely to be retired than were the financial decisionmakers of Roth or employer-sponsored IRA households.

Traditional IRA households held a median of \$30,000 in their traditional IRAs in May 2002, typically held in one account (Figure 3). Most traditional IRA households held these accounts at full-service brokerages, bank or savings institutions, or mutual fund companies. Forty-eight percent of traditional IRA households had traditional IRAs that included assets “rolled over” from employer-sponsored retirement plans. Traditional IRA households had median total IRA assets of \$37,300 in May 2002, and nearly one-third of these households also owned Roth IRAs (Figure 2).

Roth IRAs. Households owning Roth IRAs had the largest median income but the lowest median financial assets of all IRA households (Figure 2). The financial decisionmakers of Roth IRA households also

had the lowest median age of all IRA household financial decisionmakers. The majority of Roth IRA households owned one Roth IRA account, with a median balance of \$7,000 in May 2002 (Figure 4). Nearly one-third of Roth IRA households opened a Roth IRA as their first IRA account. Roth IRA households most often held Roth IRA accounts at full-service brokerages, mutual fund companies, or independent financial planning firms. The median total IRA assets for Roth IRA households were \$12,400 (Figure 2).

Forty-two percent of Roth IRA households initially opened Roth IRAs in 2000 or later (Figure 4). These “recent” Roth IRA households had lower median income and financial assets than households that initially opened Roth IRAs in 1998 or 1999 (Figure 5). Furthermore, the Roth IRA was more often the first IRA this recent group had ever owned.

Employer-Sponsored IRAs. The financial decisionmakers of households with employer-sponsored IRAs had a median age of 46 years, and more than four-fifths of these individuals were working and 35 percent were self-employed (Figure 2). Fifty-seven percent of households with employer-sponsored IRAs owned traditional IRAs, and 24 percent owned Roth IRAs. Households with employer-sponsored IRAs had a median of \$30,000 invested in all types of IRAs in May 2002.

⁵ The SIMPLE IRA, created by the Small Business Job Protection Act of 1996 for employers with no more than 100 employees, permitted employees to make annual elective contributions of up to \$6,500 in tax-year 2001. EGTRAA increased the SIMPLE IRA annual contribution limit to \$7,000 for tax-year 2002, and increases the annual limit in increments until it reaches \$10,000 in 2005. Employers must match employee elective contributions dollar-for-dollar up to 3 percent of the employee’s compensation or provide a 2 percent contribution for all eligible employees. Distributions from SIMPLE IRAs are generally taxed under the rules applicable to traditional IRAs. Early withdrawals are usually subject to the provisions applicable to traditional IRAs, but those made within two years of the date on which an individual first began to participate in the program are subject to a 25 percent rather than a 10 percent early withdrawal tax.

Simplified Employee Pension (SEP) IRAs, created under the Revenue Act of 1978, are arrangements established by an employer for each eligible employee. Employees receive immediate vesting in employer contributions and generally direct investments. In tax-year 2001, employers were able to contribute a maximum of 15 percent of compensation annually, with \$170,000 being the limit on compensation that could be considered when calculating the annual contribution. EGTRAA increased the annual employer contribution limit to 25 percent of compensation, with a compensation limit of \$200,000, for tax-year 2002 (indexed thereafter in increments of \$5,000). Distributions from SEP-IRAs are generally taxed under the rules applicable to IRAs. Early withdrawals are subject to the early withdrawal tax applicable to IRAs.

A SAR-SEP IRA is a SEP-IRA with a salary reduction feature. The Small Business Job Protection Act prohibited the formation of new SAR-SEPs after December 31, 1996.

Types of Investments in IRAs

In May 2002, nearly three-quarters of traditional and Roth IRA households and nearly 60 percent of employer-sponsored IRA households held mutual funds in their IRA portfolios, usually stock mutual funds (Figure 6). The next most frequently held

investment in IRAs was individual stock.

Thirty-nine percent of traditional IRA households and about one-quarter of Roth and employer-sponsored IRA households owned individual stocks in their IRAs.

figure 2

Characteristics of U.S. Households Owning IRAs

	Type of IRA Owned			
	Own Any Type of IRA	Traditional IRA	Roth IRA	Employer-Sponsored IRA ¹
Median Per Household				
Age of household primary or co-decisionmaker	47 years	50 years	43 years	46 years
Household income	\$55,000	\$60,000	\$65,000	\$62,500
Household financial assets ²	\$150,000	\$175,000	\$100,000	\$140,700
Household financial assets in all types of IRAs	\$20,000	\$37,300	\$12,400	\$30,000
Percent of Households				
Married ³	64	67	66	68
College or postgraduate degree ³	55	58	64	56
Employed full- or part-time ³	74	70	81	82
Self-employed ³	20	21	20	35
Retired from lifetime occupation ³	23	25	15	16
Household owns:⁴				
Mutual funds	79	79	89	76
Individual stocks	53	56	58	53
Whole life insurance with a cash value	51	51	42	53
Certificates of deposit	48	50	46	47
Fixed or variable annuities	41	41	41	47
Real estate other than primary residence	28	31	27	33
Individual bonds	26	25	20	30
Defined contribution plan(s)(net) ⁴	65	65	68	60
401(k) plan(s)	51	50	59	48
Some other type of defined contribution plan(s)	29	32	23	30
Defined benefit plan(s)	45	45	45	33
Traditional IRA	74	100	56	57
Roth IRA	40	31	100	24
Employer-sponsored IRA ¹	26	20	16	100

¹ Includes SIMPLE IRAs, SEP-IRAs, and SAR-SEP IRAs.

² Includes assets in employer-sponsored retirement plans but excludes primary residence.

³ Of household primary or co-decisionmakers.

⁴ Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

figure 3

Characteristics of U.S. Households Owning Traditional IRAs

Median Per Household	
Amount in traditional IRAs	\$30,000
Amount contributed to traditional IRAs in tax-year 2001 ¹	\$2,000
Number of traditional IRAs owned	1
Percent of Households	
Traditional IRA includes rollover from an employer-sponsored retirement plan	48
Traditional IRA rollover due to: ^{2,3}	
Job change	65
Retirement	23
Laid off	3
Contributed to a traditional IRA in tax-year 2001	27
Deducted a traditional IRA contribution in tax-year 2001 ¹	50
Made a withdrawal from a traditional IRA in tax-year 2001	17
Planning to convert a traditional IRA to a Roth IRA	8
Own traditional IRA: ²	
Respondent	88
Spouse	46
Dependent children	4
Number of traditional IRAs owned:	
One	51
Two	29
Three or more	20
Year first traditional IRA was opened:	
Before 1984	34
1984 through 1993	36
1994 through 1997	11
1998 or later	19
Where traditional IRAs are held: ²	
Full-service brokerage	34
Bank or savings institution	30
Mutual fund company	26
Independent financial planning firm	23
Insurance company	12
Discount brokerage (net)	11
Discount brokerage with walk-in offices	10
Discount brokerage that is only available online	2

¹ Of households that contributed to traditional IRAs in tax-year 2001.

² Multiple responses included.

³ Of households that "rolled over" employer-sponsored retirement plan assets into a traditional IRA.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

figure 4

Characteristics of U.S. Households Owning Roth IRAs

Median Per Household	
Amount in Roth IRAs	\$7,000
Amount converted from traditional IRAs to Roth IRAs ¹	\$11,400
Amount contributed to Roth IRAs in tax-year 2001 ²	\$2,000
Number of Roth IRAs owned	1
Percent of Households	
Roth IRA was first IRA owned	32
Roth IRA was funded by a conversion from a traditional IRA	22
Contributed to a Roth IRA in tax-year 2001	41
Roth IRA assets include assets initially from an employer-sponsored retirement plan	16
Made a withdrawal from a Roth IRA in tax-year 2001	5
Own Roth IRA: ³	
Respondent	86
Spouse	38
Dependent children	7
Number of Roth IRAs owned:	
One	66
Two	23
Three or more	11
Year first Roth IRA was opened:	
1998	38
1999	20
2000	19
2001	15
January through April 2002	8
Where Roth IRAs are held: ³	
Full-service brokerage	29
Mutual fund company	27
Independent financial planning firm	21
Bank or savings institution	17
Discount brokerage (net)	11
Discount brokerage with walk-in offices	10
Discount brokerage that is only available online	3
Insurance company	6

¹ Of households whose Roth IRAs were funded by a conversion from a traditional IRA.

² Of households that contributed to a Roth IRA in tax-year 2001.

³ Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

Contributions to Traditional and Roth IRAs in Tax-Year 2001

Twenty-seven percent of traditional IRA households — an estimated 9.4 million — contributed to their traditional IRA accounts in tax-year 2001, with a median contribution of \$2,000 per household (Figure 3). Traditional IRA contributors typically were younger and had fewer household financial assets than non-contributors, but they tended to have greater household incomes and greater assets in IRAs (Figure 7). Traditional IRA contributors were more likely than non-contributors to be married, employed, and have college or postgraduate degrees.

Forty-one percent of Roth IRA households — an estimated 5.3 million — contributed to their Roth IRAs in tax-year 2001 (Figure 4). These households contributed a median of \$2,000 per household to their Roth IRAs. Roth IRA contributors tended to be younger and have lower household incomes and fewer household

figure 5

Characteristics of Households Owning Roth IRAs by Year in Which First Roth IRA Was Opened

	Year in Which Household Opened First Roth IRA	
	1998 or 1999	2000 or Later
Median		
Age of household primary or co-decisionmaker	44 years	40 years
Household income	\$79,300	\$60,500
Household financial assets ¹	\$141,900	\$55,400
Household financial assets in all types of IRAs	\$15,000	\$7,500
Percent		
Married ²	69	64
College or postgraduate degree ²	65	64
Employed full- or part-time ²	81	81
Self-employed ²	26	13
Retired from lifetime occupation ²	18	12
Household owns: ³		
Defined contribution plan(s)	69	66
Defined benefit plan(s)	47	45
Traditional IRA	60	46
Employer-sponsored IRA ⁴	15	11
Roth IRA was first IRA opened	27	42

¹ Includes assets in employer-sponsored retirement plans but excludes primary residence.

² Of household primary or co-decisionmakers.

³ Multiple responses included.

⁴ Includes SIMPLE IRAs, SEP-IRAs, and SAR-SEP IRAs.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

figure 6

Investments Held in IRAs by Type of IRA Owned¹

(percent of U.S. households owning each type of IRA)

	Own Any Type of IRA	Type of IRA Owned		
		Traditional IRA	Roth IRA	Employer-Sponsored IRA ²
Mutual funds (net)	66	74	74	57
Stock mutual funds	57	59	58	42
Bond mutual funds	25	26	17	19
Hybrid mutual funds	19	18	16	16
Money market mutual funds	26	26	17	21
Individual stocks	35	39	24	27
Bank savings accounts, money market deposit accounts, or certificates of deposit	25	25	19	22
Annuities (net)	29	28	16	20
Variable annuities	21	23	14	11
Fixed annuities	16	17	7	13
Individual bonds	14	15	5	12
Other	1	0	0	1

¹ Multiple responses included.

² Includes SIMPLE IRAs, SEP-IRAs, and SAR-SEP IRAs.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

financial assets than those who did not contribute to Roth IRAs (Figure 7). However, the median total IRA assets of Roth IRA contributors was lower than the median total assets of Roth IRA households that did not contribute in tax-year 2001.

Withdrawals from Traditional and Roth IRAs in Tax-Year 2001

Seventeen percent of traditional IRA households—an estimated 5.9 million—made withdrawals from their traditional IRAs in tax-year 2001 (Figure 3). The median amount withdrawn in tax-year 2001 was \$3,900 (Figure 8). The majority of those making withdrawals were taking required minimum distributions because a traditional IRA owner in the household was age 70½ or older. The median

income of households that made withdrawals from traditional IRAs was much lower than the median income of traditional IRA households that did not make withdrawals, but median household financial assets were much greater. Nearly 80 percent of the financial decisionmakers of households that made withdrawals from traditional IRAs were retired, and 30 percent were widowed.

Only 5 percent of Roth IRA households—an estimated 645,000—made withdrawals from their Roth IRAs in tax-year 2001 (Figure 4).⁶

figure 7

Characteristics of Households Owning Traditional or Roth IRAs by Contribution Status in Tax-Year 2001

	Traditional IRA Households		Roth IRA Households	
	Contributed to Traditional IRA in Tax-Year 2001 ¹	Did Not Contribute to Traditional IRA in Tax-Year 2001 ²	Contributed to Roth IRA in Tax-Year 2001 ³	Did Not Contribute to Roth IRA in Tax-Year 2001 ⁴
Median Per Household				
Age of household primary or co-decisionmaker	46 years	52 years	42 years	44 years
Household income	\$64,000	\$50,000	\$62,500	\$65,000
Household financial assets ⁵	\$150,000	\$190,300	\$96,500	\$113,400
Household financial assets in all types of IRAs	\$40,000	\$30,000	\$10,000	\$15,000
Percent of Households				
Married ⁶	71	65	63	64
College degree or postgraduate degree ⁶	62	55	61	65
Employed full- or part-time ⁶	87	62	86	73
Household has defined contribution plan(s)	72	58	69	61

¹ Twenty-seven percent of households owning traditional IRAs contributed to a traditional IRA in tax-year 2001.

² Includes all households owning traditional IRAs that did not contribute to their traditional IRAs in tax-year 2001. Some of these households may have been ineligible to make deductible contributions.

³ Forty-one percent of households owning Roth IRAs contributed to a Roth IRA in tax-year 2001.

⁴ Includes all households owning Roth IRAs that did not contribute to their Roth IRAs in tax-year 2001. Some of these households may have been ineligible to contribute to Roth IRAs in tax-year 2001.

⁵ Includes assets in employer-sponsored retirement plans but excludes primary residence.

⁶ Of household primary or co-decisionmakers.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

⁶ The sample size of households that withdrew money from Roth IRAs in tax-year 2001 was too small for detailed analysis.

figure 8

Characteristics of Households Owning Traditional IRAs by Withdrawal Status in Tax-Year 2001

	Made a Withdrawal from a Traditional IRA in Tax-Year 2001 ¹	Did Not Make a Withdrawal from a Traditional IRA in Tax-Year 2001 ²
Median Per Household		
Age of household primary or co-decisionmaker	72 years	47 years
Household income	\$34,100	\$65,000
Household financial assets ³	\$283,900	\$175,000
Household financial assets in all types of IRAs	\$62,500	\$30,000
Amount withdrawn from traditional IRA in tax-year 2001	\$3,900	0
Percent of Households		
Married ⁴	54	70
Widowed ⁴	30	3
College degree or postgraduate degree ⁴	42	61
Employed full- or part-time ⁴	20	80
Retired from lifetime occupation ⁴	79	15
Reasons for withdrawal in tax-year 2001:⁵		
To take a required minimum distribution at age 70½ or older	53	NA
To buy a home	7	NA
To purchase investments outside of an IRA	5	NA
To pay for health care	4	NA
To make a large purchase	7	NA
Other reasons	20	NA

NA = Not applicable

¹ Seventeen percent of households owning traditional IRAs made withdrawals from traditional IRAs in tax-year 2001. The sample size is small.

² Eighty-three percent of households owning traditional IRAs did not make withdrawals from traditional IRAs in tax-year 2001.

³ Includes assets in employer-sponsored retirement plans but excludes primary residence.

⁴ Of household primary or responding co-decisionmakers.

⁵ Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute Annual IRA Ownership Survey (2002)

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