

Fundamentals

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IRA Ownership in 2003

An estimated 45.2 million, or 41.4 percent of, U.S. households owned Individual Retirement Accounts (IRAs) as of mid-2003, up slightly from one year earlier when an estimated 43.2 million, or 39.5 percent of, U.S. households owned IRAs (Figure 1).¹

An estimated 36.4 million U.S. households owned traditional IRAs in mid-2003, and approximately 16.0 million households owned Roth IRAs.^{2,3} About 8.2 million U.S. households

figure 1

U.S. Households Owning IRAs, 2001–2003

| | Millions of U.S. Households | | | Percent of U.S. Households | | |
|-------------------------------------|-----------------------------|-------------------|-------------------|----------------------------|------|------|
| | 2001 ¹ | 2002 ² | 2003 ³ | 2001 | 2002 | 2003 |
| Any type of IRA ⁴ | 43.0 | 43.2 | 45.2 | 39.7 | 39.5 | 41.4 |
| Traditional IRA | 35.1 | 35.7 | 36.4 | 32.4 | 32.7 | 33.3 |
| Roth IRA | 12.2 | 13.2 | 16.0 | 11.3 | 12.1 | 14.6 |
| SIMPLE IRA, SEP IRA, or SAR-SEP IRA | 8.3 | 8.5 | 8.2 | 7.7 | 7.8 | 7.5 |

¹ The number of U.S. households owning IRAs in 2001 is based on the U.S. Census Bureau's revised estimate of 108.2 million total U.S. households in 2001 (U.S. Bureau of the Census, Current Population Reports, P60-218, September 2002).

² The number of U.S. households owning IRAs in 2002 is based on the U.S. Census Bureau's revised estimate of 109.3 million total U.S. households in 2002 (U.S. Bureau of the Census, Current Population Reports, P60-218, September 2002).

³ The number of U.S. households owning IRAs in 2003 is based on the U.S. Census Bureau's most recent estimate of 109.3 million total U.S. households (U.S. Bureau of the Census, Current Population Reports, P60-218, September 2002).

⁴ Excludes ownership of Coverdell Education Savings Accounts, which were referred to as Education IRAs before July 2001.

sources: Investment Company Institute and U.S. Census Bureau

¹ Incidence of IRA ownership is based on an annual tracking survey of 3,000 randomly selected, representative U.S. households conducted in July 2003. The demographic and financial characteristics of IRA owners are from a separate June 2003 survey of 515 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 Prior to tax-year 2002, 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. EGTRRA 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 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. For reference on rules governing IRAs, see IRS Publication 590, Individual Retirement Arrangements (www.irs.gov/pub/irs-pdf/p590.pdf).

³ Roth IRAs were established in 1997 under the Taxpayer Relief Act, which originally permitted a maximum annual individual contribution of \$2,000. 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.⁴

Characteristics of Households Owning IRAs

Traditional IRAs. Households owning traditional IRAs in June 2003 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 had a median of \$30,000 in their traditional IRAs in June 2003, typically held in two accounts (Figure 3). Most traditional IRA households held these accounts at full-service brokerages, bank or savings institutions, mutual fund companies, or independent financial planning firms. Nearly three-quarters opened their first traditional IRA before 1994.

Roth IRAs. Households owning Roth IRAs had the lowest median financial assets of all IRA households (Figure 2). The financial decisionmakers of Roth IRA households had a median age of 45 years and were the most likely of all IRA household

decisionmakers to have four-year college or postgraduate degrees. The majority of Roth IRA households owned one Roth IRA account, with a median balance of \$10,000 in June 2003 (Figure 4). Twenty-nine percent of Roth IRA households opened a Roth IRA as their first IRA account. Roth IRA households most often held Roth IRA accounts at independent financial planning firms, full-service brokerages, or mutual fund companies. Seventy-nine percent of Roth IRAs were opened between 1998 and 2000; the remaining 21 percent opened Roth IRAs in 2001 or later. Median total IRA assets for Roth IRA households in June 2003 were \$18,400 (Figure 2).

Employer-Sponsored IRAs. The financial decisionmakers of households with employer-sponsored IRAs had a median age of 46 years (Figure 2). Four-fifths of these individuals were working and 38 percent of those were self-employed. Fifty-eight percent of households with employer-sponsored IRAs also owned traditional IRAs, and 29 percent also owned Roth IRAs. Households with employer-sponsored IRAs had a median of \$22,200 invested in all types of IRAs in June 2003.

⁴ The SIMPLE IRA was created by the Small Business Job Protection Act of 1996 for employers with no more than 100 employees and permits employees to make annual elective contributions. EGTRRA increased the SIMPLE IRA annual contribution limit to \$7,000 in tax-year 2002 from \$6,500 in tax-year 2001, and increases the annual contribution 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. EGTRRA increased the annual employer contribution limit from 15 percent to 25 percent of compensation and increased the compensation limit from \$170,000 in tax-year 2001 to \$200,000 in 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-SEP IRAs after December 31, 1996.

figure 2

Characteristics of U.S. Households Owning IRAs, 2003

| | 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 | 49 years | 52 years | 45 years | 46 years |
| Household income | \$62,500 | \$60,000 | \$65,000 | \$75,000 |
| Household financial assets ² | \$160,000 | \$227,300 | \$139,600 | \$172,200 |
| Household financial assets in all types of IRAs | \$20,000 | \$30,000 | \$18,400 | \$22,200 |
| Percent of Households | | | | |
| Married ³ | 63 | 64 | 66 | 70 |
| Four-year college or postgraduate degree ³ | 64 | 63 | 72 | 66 |
| Employed full- or part-time ³ | 75 | 72 | 83 | 80 |
| Self-employed ⁴ | 23 | 25 | 19 | 38 |
| Retired from lifetime occupation ³ | 23 | 28 | 14 | 13 |
| Household owns: ⁵ | | | | |
| Mutual funds | 76 | 77 | 84 | 76 |
| Individual stocks | 53 | 55 | 53 | 50 |
| Whole life insurance with a cash value | 49 | 52 | 44 | 46 |
| Certificates of Deposit | 51 | 54 | 50 | 51 |
| Fixed or variable annuities | 41 | 43 | 42 | 38 |
| Real estate other than primary residence | 28 | 31 | 29 | 33 |
| Individual bonds | 25 | 26 | 22 | 25 |
| Defined contribution plan(s) (total) ⁵ | 71 | 70 | 77 | 69 |
| 401(k) plan(s) | 56 | 57 | 58 | 62 |
| Some other type of defined contribution plan(s) | 31 | 28 | 39 | 27 |
| Defined benefit plan(s) | 46 | 46 | 44 | 44 |
| Traditional IRA | 75 | 100 | 59 | 58 |
| Roth IRA | 43 | 33 | 100 | 29 |
| Employer-sponsored IRA ¹ | 26 | 21 | 18 | 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 Of household primary or co-decisionmakers who are employed.

⁵ Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute

figure 3

Characteristics of U.S. Households Owning Traditional IRAs, 2003

| Median Per Household | |
|--|----------|
| Amount in traditional IRAs | \$30,000 |
| Amount contributed to traditional IRAs in tax-year 2002 ¹ | \$3,000 |
| Number of traditional IRAs owned | 2 |
| Percent of Households | |
| Traditional IRA includes rollover from an employer-sponsored retirement plan | 45 |
| Contributed to a traditional IRA in tax-year 2002 | 27 |
| Deducted a traditional IRA contribution in tax-year 2002 ¹ | 38 |
| Made a withdrawal from a traditional IRA in tax-year 2002 | 16 |
| Planning to convert a traditional IRA to a Roth IRA | 9 |
| Own traditional IRA: ² | |
| Respondent | 91 |
| Spouse | 46 |
| Dependent children | 3 |
| Number of traditional IRAs owned: | |
| One | 46 |
| Two | 39 |
| Three or more | 16 |
| Year first traditional IRA was opened: | |
| Before 1984 | 35 |
| 1984 through 1993 | 38 |
| 1994 through 1998 | 14 |
| 1999 through 2001 | 9 |
| 2002 through June 2003 | 4 |
| Where traditional IRAs are held: ² | |
| Full-service brokerage | 35 |
| Bank or savings institution | 29 |
| Mutual fund company | 27 |
| Independent financial planning firm | 23 |
| Insurance company | 12 |
| Discount brokerage (total) | 11 |
| Discount brokerage with walk-in offices | 9 |
| Discount brokerage that is only available online | 3 |

¹ Of households that contributed to traditional IRAs in tax-year 2002.

² Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute

figure 4

Characteristics of U.S. Households Owning Roth IRAs, 2003

| Median Per Household | |
|---|----------|
| Amount in Roth IRAs | \$10,000 |
| Amount contributed to Roth IRAs in tax-year 2002 ¹ | \$3,000 |
| Number of Roth IRAs owned | 1 |
| Percent of Households | |
| Roth IRA was first IRA owned | 29 |
| Roth IRA was funded by a conversion from a traditional IRA | 33 |
| Contributed to a Roth IRA in tax-year 2002 | 53 |
| Roth IRA includes assets initially from an employer-sponsored retirement plan | 18 |
| Made a withdrawal from a Roth IRA in tax-year 2002 | 2 |
| Own Roth IRA: ² | |
| Respondent | 90 |
| Spouse | 47 |
| Dependent children | 2 |
| Number of Roth IRAs owned: | |
| One | 56 |
| Two | 34 |
| Three or more | 10 |
| Year first Roth IRA was opened: | |
| 1998 | 50 |
| 1999 | 12 |
| 2000 | 17 |
| 2001 | 12 |
| 2002 through June 2003 | 9 |
| Where Roth IRAs are held: ² | |
| Independent financial planning firm | 30 |
| Full-service brokerage | 29 |
| Mutual fund company | 27 |
| Bank or savings institution | 18 |
| Discount brokerage (total) | 11 |
| Discount brokerage with walk-in offices | 10 |
| Discount brokerage that is only available online | 2 |
| Insurance company | 7 |

¹ Of households that contributed to Roth IRAs in tax-year 2002.

² Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute

Types of Investments in IRAs

In June 2003, nearly two-thirds of IRA households held mutual funds in their IRA portfolios, usually stock mutual funds (Figure 5). The next most frequently held investment in IRAs was individual stock, which was held by 38 percent of IRA households. Twenty-seven percent held annuities in their IRAs, and 25 percent held bank deposits.

Contributions to Traditional and Roth IRAs in Tax-Year 2002

Twenty-seven percent of traditional IRA households—an estimated 9.8 million—contributed to their traditional IRAs in tax-year 2002 (Figure 3). The median contribution was \$3,000 per household. Traditional IRA contributors typically were younger and had fewer household financial assets than

figure 5

Investments Held in IRAs by Type of IRA¹ Owned, 2003

(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 (total) | 64 | 69 | 66 | 50 |
| Stock mutual funds | 54 | 53 | 53 | 43 |
| Bond mutual funds | 26 | 27 | 16 | 19 |
| Hybrid mutual funds | 18 | 19 | 13 | 14 |
| Money market mutual funds | 28 | 29 | 17 | 22 |
| Individual stocks | 38 | 39 | 31 | 32 |
| Annuities (total) | 27 | 28 | 14 | 20 |
| Variable annuities | 19 | 22 | 12 | 12 |
| Fixed annuities | 16 | 17 | 8 | 13 |
| Bank savings accounts, money market deposit accounts, or Certificates of Deposit | 25 | 28 | 13 | 16 |
| Individual bonds | 12 | 11 | 8 | 12 |
| Other | 5 | 2 | 1 | 4 |

¹ Multiple responses included.

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

note: Number of respondents varies.

source: Investment Company Institute

non-contributors, but contributors tended to have greater household incomes (Figure 6). Traditional IRA contributors were more likely than non-contributors to be employed, have four-year college or post-graduate degrees, and participate in or be covered by defined contribution plans.

Fifty-three percent of Roth IRA households—an estimated 8.5 million—contributed to their Roth

IRAs in tax-year 2002 (Figure 4). These households contributed a median of \$3,000 per household to their Roth IRAs. Roth IRA contributors tended to be younger and have greater household incomes but fewer household financial assets than those who did not contribute to Roth IRAs (Figure 6). In addition, Roth IRA contributors had lower median total IRA assets than non-contributors.

figure 6

Characteristics of Households Owning Traditional or Roth IRAs by Contribution Status in Tax-Year 2002

| | Traditional IRA Households | | Roth IRA Households | |
|---|--|---|---|--|
| | Contributed to Traditional IRA in Tax-Year 2002 ¹ | Did Not Contribute to Traditional IRA in Tax-Year 2002 ² | Contributed to Roth IRA in Tax-Year 2002 ³ | Did Not Contribute to Roth IRA in Tax-Year 2002 ⁴ |
| Median Per Household | | | | |
| Age of household primary or co-decisionmaker | 48 years | 54 years | 40 years | 46 years |
| Household income | \$62,500 | \$60,000 | \$65,000 | \$62,500 |
| Household financial assets ⁵ | \$175,000 | \$230,000 | \$100,000 | \$150,000 |
| Household financial assets in all types of IRAs | \$30,000 | \$30,000 | \$15,000 | \$16,700 |
| Percent of Households | | | | |
| Married ⁶ | 61 | 66 | 62 | 64 |
| Four-year college or postgraduate degree ⁶ | 69 | 62 | 77 | 71 |
| Employed full- or part-time ⁶ | 88 | 66 | 87 | 77 |
| Household has defined contribution plan(s) | 80 | 63 | 83 | 70 |

¹ Twenty-seven percent of households owning traditional IRAs contributed to a traditional IRA in tax-year 2002.

² Includes all households owning traditional IRAs that did not contribute to their traditional IRAs in tax-year 2002. Some of these households may have been ineligible to make deductible contributions.

³ Fifty-three percent of households owning Roth IRAs contributed to a Roth IRA in tax-year 2002.

⁴ Includes all households owning Roth IRAs that did not contribute to their Roth IRAs in tax-year 2002. Some of these households may have been ineligible to contribute to Roth IRAs in tax-year 2002.

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

figure 7

Characteristics of Households Owning Traditional IRAs by Withdrawal Status in Tax-Year 2002

| | Made a Withdrawal from a Traditional IRA in Tax-Year 2002 ¹ | Did Not Make a Withdrawal from a Traditional IRA in Tax-Year 2002 ² |
|---|---|---|
| Median Per Household | | |
| Age of household primary or co-decisionmaker | 73 years | 50 years |
| Household income | \$45,300 | \$62,500 |
| Household financial assets ³ | \$330,500 | \$175,000 |
| Household financial assets in all types of IRAs | \$65,900 | \$30,000 |
| Amount withdrawn from traditional IRA in tax-year 2002 | \$7,800 | \$0 |
| Percent of Households | | |
| Married ⁴ | 59 | 65 |
| Widowed ⁴ | 29 | 4 |
| Four-year college or postgraduate degree ⁴ | 58 | 64 |
| Employed full- or part-time ⁴ | 32 | 80 |
| Retired from lifetime occupation ⁴ | 71 | 20 |
| Number of withdrawals made in tax-year 2002: | | |
| One | 58 | NA |
| Two | 20 | NA |
| Three or more | 22 | NA |
| Withdrew all money from a traditional IRA | 6 | NA |
| Reasons for withdrawal in tax-year 2002: ⁵ | | |
| To take a required minimum distribution at age 70½ or older | 42 | NA |
| To buy a home | 11 | NA |
| To purchase investments outside of an IRA | 15 | NA |
| To pay for health care | 9 | NA |
| To make a large purchase | 13 | NA |
| To pay bills | 11 | NA |
| Other reasons ⁶ | 14 | NA |

NA = Not applicable

¹ Sixteen percent of households owning traditional IRAs made withdrawals from traditional IRAs in tax-year 2002. The sample size is small.

² Eighty-four percent of households owning traditional IRAs did not make withdrawals from traditional IRAs in tax-year 2002.

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

⁴ Of household primary or co-decisionmakers.

⁵ Multiple responses included.

⁶ Includes paying for travel, paying for education expenses, and purchasing another type of IRA.

note: Number of respondents varies.

source: Investment Company Institute

figure 8

Characteristics of Households Owning Traditional IRAs With and Without Rollovers from Employer-Sponsored Retirement Plans, 2003

| | Traditional IRA Includes Rollover from Employer-Sponsored Retirement Plan ¹ | Traditional IRA Does Not Include Rollover from Employer-Sponsored Retirement Plan ² |
|--|--|--|
| Median Per Household | | |
| Age of household primary or co-decisionmaker | 52 years | 53 years |
| Household income | \$65,000 | \$60,000 |
| Household financial assets ³ | \$260,000 | \$175,000 |
| Household financial assets in all types of IRAs | \$50,000 | \$23,700 |
| Amount in traditional IRAs | \$50,000 | \$20,000 |
| Number of traditional IRAs owned | 2 | 1 |
| Percent of Households | | |
| Married ⁴ | 70 | 59 |
| Widowed ⁴ | 5 | 11 |
| Four-year college or postgraduate degree ⁴ | 67 | 60 |
| Employed full- or part-time ⁴ | 72 | 74 |
| Retired from lifetime occupation ⁴ | 28 | 27 |
| Number of traditional IRA rollovers conducted: | | |
| One | 62 | NA |
| Two | 21 | NA |
| Three | 11 | NA |
| Four or more | 6 | NA |
| Year of most recent traditional IRA rollover: | | |
| Before 1994 | 21 | NA |
| 1994 through 1998 | 37 | NA |
| 1999 through June 2003 | 42 | NA |
| Traditional IRA rollover due to: ⁵ | | |
| Job change | 73 | NA |
| Retirement | 31 | NA |
| Layoff | 5 | NA |
| Amount of most recent traditional IRA rollover: | | |
| All assets in employer-sponsored retirement plan were rolled over | 87 | NA |
| Some assets in employer-sponsored retirement plan were rolled over | 13 | NA |
| Where traditional IRAs are held: ⁵ | | |
| Full-service brokerage | 41 | 30 |
| Bank or savings institution | 28 | 29 |
| Mutual fund company | 30 | 24 |
| Independent financial planning firm | 28 | 19 |
| Insurance company | 12 | 12 |
| Discount brokerage (total) | 15 | 8 |
| Discount brokerage with walk-in offices | 13 | 6 |
| Discount brokerage that is only available online | 3 | 3 |

NA = Not applicable

¹ Forty-five percent of households owning traditional IRAs have traditional IRAs that include rollovers from employer-sponsored retirement plans.

² Fifty-five percent of households owning traditional IRAs have traditional IRAs that do not include rollovers from employer-sponsored retirement plans.

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

⁴ Of household primary or co-decisionmakers.

⁵ Multiple responses included.

note: Number of respondents varies.

source: Investment Company Institute

Withdrawals from Traditional and Roth IRAs in Tax-Year 2002

Sixteen percent of traditional IRA households—an estimated 5.8 million—made withdrawals from their traditional IRAs in tax-year 2002 (Figure 3). The median amount withdrawn in tax-year 2002 was \$7,800, usually taken as a single withdrawal (Figure 7). Forty-two percent 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 financial assets of households that made withdrawals were much greater. Seventy-one percent of the financial decisionmakers of households that made withdrawals from traditional IRAs were retired, and 29 percent were widowed.

Only 2 percent of Roth IRA households made withdrawals from their Roth IRAs in tax-year 2002 (Figure 4).⁵

Rollovers from Employer-Sponsored Retirement Plans to Traditional IRAs

Forty-five percent of traditional IRA households—an estimated 16.4 million—had traditional IRAs that included assets “rolled over” from employer-sponsored retirement plans (Figure 3). Sixty-two percent of these traditional IRA households had conducted one rollover, 21 percent had completed two rollovers, and 17 percent had undertaken three or more rollovers (Figure 8). Nearly three-quarters

rolled over assets from employer plans to traditional IRAs because of a job change, and 31 percent rolled over assets due to retirement. More than two-fifths conducted their most recent rollover in 1999 or later. In nearly all instances, the most recent rollover included reinvesting all employer-sponsored retirement plan assets into a traditional IRA. Households with traditional IRAs that include rollover assets typically had greater incomes and financial assets, including IRA assets, than households whose traditional IRAs do not include rollovers.

Roth IRAs Funded by Conversions from Traditional IRAs

Thirty-three percent of Roth IRA households—an estimated 5.3 million—had Roth IRAs that included assets converted from traditional IRAs (Figure 4). The median amount these households converted from traditional IRAs to Roth IRAs was \$12,000 (Figure 9). About two-thirds of these households initially opened Roth IRAs in 1998, the first year Roth IRAs were available. These households had median total Roth IRA assets of \$20,000 in June 2003. In contrast, households with Roth IRAs that did not include assets converted from traditional IRAs had median Roth IRA assets of \$8,000. However, households with Roth IRAs that did not include assets converted from traditional IRAs were more likely to contribute to their Roth IRAs in tax-year 2002 than were households with Roth IRAs that included assets converted from traditional IRAs.

⁵ The sample size of households that withdrew money from Roth IRAs in tax-year 2002 was too small for detailed analysis.

figure 9

Characteristics of Households Owning Traditional IRAs by Source of Funding of Roth IRA, 2003

| | Roth IRA Was Funded by a Conversion from a Traditional IRA¹ | Roth IRA Was Not Funded by a Conversion from a Traditional IRA² |
|--|---|---|
| Median Per Household | | |
| Age of household primary or co-decisionmaker | 45 years | 42 years |
| Household income | \$70,000 | \$62,700 |
| Household financial assets ³ | \$150,000 | \$105,100 |
| Household financial assets in all types of IRAs | \$26,500 | \$14,900 |
| Amount in Roth IRAs | \$20,000 | \$8,000 |
| Amount converted from traditional IRAs to Roth IRAs ¹ | \$12,000 | \$0 |
| Number of Roth IRAs owned | 1 | 1 |
| Percent of Households | | |
| Married ⁴ | 66 | 67 |
| Widowed ⁴ | 10 | 1 |
| Four-year college or postgraduate degree ⁴ | 75 | 71 |
| Employed full- or part-time ⁴ | 79 | 86 |
| Retired from lifetime occupation ⁴ | 21 | 10 |
| Year first Roth IRA was opened: | | |
| 1998 | 67 | 40 |
| 1999 | 6 | 16 |
| 2000 | 11 | 20 |
| 2001 | 10 | 14 |
| 2002 through June 2003 | 6 | 10 |
| Contributed to a Roth IRA in tax-year 2002 | 42 | 59 |

¹ Thirty-three percent of households owning Roth IRAs have Roth IRAs funded by conversions from traditional IRAs.

² Sixty-seven percent of households owning Roth IRAs have Roth IRAs that are not funded by conversions from traditional IRAs.

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

⁴ Of household primary or co-decisionmakers.

note: Number of respondents varies.

source: Investment Company Institute