

Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008

KEY FINDINGS

- **In 2008, 45.6 percent of U.S. households owned shares of mutual funds or other U.S.-registered investment companies—including exchange-traded funds, closed-end funds, and unit investment trusts—representing an estimated 53.3 million households and 93.2 million investors.** The most common type of investment company owned was mutual funds, with more than 52 million U.S. households, or about 45 percent, owning mutual funds in 2008. The survey also finds that 92 million individual investors owned mutual funds in 2008.
- **Most U.S. mutual fund shareholders had moderate household incomes and were in their peak earning and saving years.** About three in five U.S. 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 in 2008. About twice as many U.S. households owned mutual funds through tax-deferred accounts—employer-sponsored retirement plans, IRAs, and variable annuities—as owned funds outside such accounts.
- **Mutual fund owners reported that investment performance was the most influential of the many factors that shaped their opinions of the fund industry.** Seven in 10 mutual fund shareholders indicated that fund performance was a “very” important factor influencing their views of the industry, and more than four in 10 cited fund performance as the most important factor.
- **Mutual fund companies’ favorability rating moves with stock market performance.** Mutual funds’ favorability among shareholders declined in 2008, as the stock market had been trending downward, with favorability falling to 73 percent, down from 77 percent in 2007. Shareholders’ opinion of the fund industry was lowest in early 2003—when the bear market that started in early 2000 bottomed out—and improved through 2007, moving in tandem with the market.
- **More seasoned mutual fund investors reported higher favorability ratings compared with younger investors and those who bought mutual funds more recently.** Eighty percent of mutual fund–owning households with a household head aged 65 or older had a “very” or “somewhat” favorable rating of fund companies, compared with 72 percent of fund-owning household heads younger than 35. Mutual funds’ favorability among households purchasing funds prior to 1990 was 77 percent compared with 67 percent among households purchasing funds in 2000 or later.
- **Mutual fund–owning households often used the Internet for financial purposes.** More than nine in 10 households owning funds had Internet access in 2008. Three-quarters of mutual fund–owning households with Internet access went online at least once a day, and about eight in 10 used the Internet for financial purposes.

U.S. HOUSEHOLDS' OWNERSHIP OF MUTUAL FUNDS

Number of U.S. Households Owning Funds Rises

Assets in U.S.-registered investment companies—mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs)—totaled \$12.9 trillion as of mid-year 2008. Households held about 78 percent, or \$10.1 trillion, of all these fund assets; registered fund assets represented about one-fifth of households' financial assets.¹ In 2008, 45.6 percent of U.S. households owned some type of registered fund, representing an estimated 53.3 million households and 93.2 million investors.

While 2.4 million households owned ETFs and 2.0 million households owned closed-end funds in 2008, mutual funds were the most common type of fund owned by households. An estimated 52.5 million U.S. households, or 45.0 percent, owned mutual funds in 2008 (Figure 1),² and more than eight in 10 households that owned ETFs or closed-end funds also owned mutual funds. The number of households owning funds increased for the fifth consecutive year, after declining during the 2000–2002 bear market. The percentage of U.S. households owning funds has stayed about the same since 2002. The current estimate of the number of individual investors owning mutual funds is 92.0 million, an increase of nearly four million from the estimate for 2007 (Figure 2).^{3, 4}

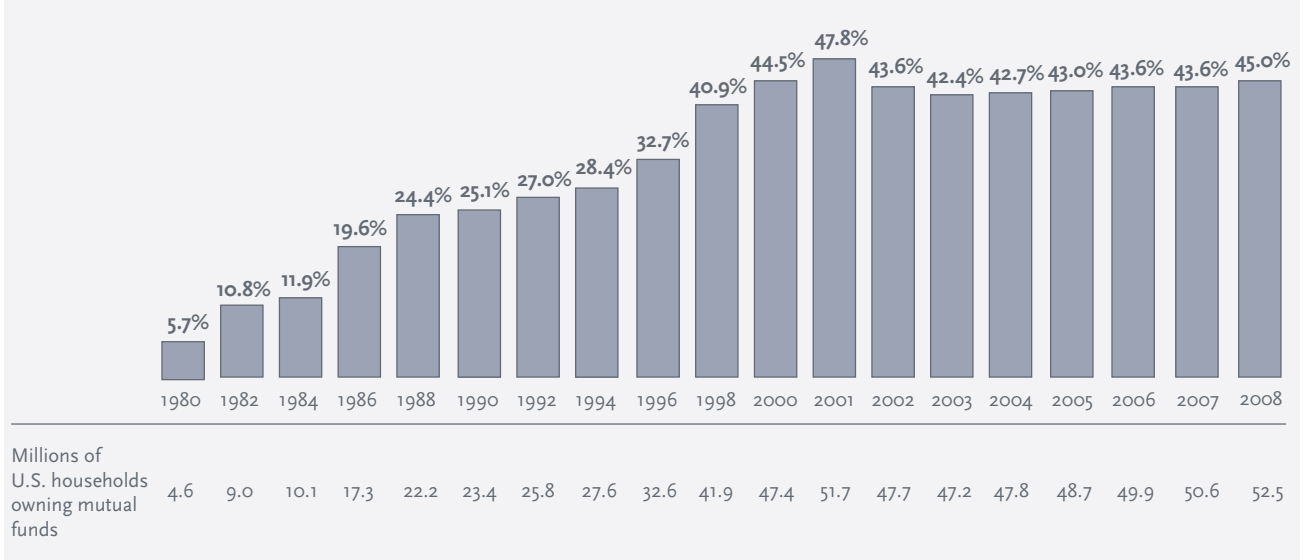
ABOUT THE ANNUAL MUTUAL FUND SHAREHOLDER TRACKING SURVEY

The Investment Company Institute conducts the Mutual Fund Shareholder Tracking Survey each spring to gather information on the demographic and financial characteristics of mutual fund-owning households in the United States. The most recent survey was undertaken in May 2008 and was based on a sample of 4,100 U.S. households selected by random digit dialing, of which 1,844 households, or 45.0 percent, owned mutual funds. Eligible households included those owning mutual funds inside or outside employer-sponsored retirement plans. 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. The standard error for the 2008 sample of households owning mutual funds is ± 1.5 percentage points at the 95 percent confidence level.

FIGURE 1

45 PERCENT OF U.S. HOUSEHOLDS OWN MUTUAL FUNDS IN 2008

Number and percentage of U.S. households owning mutual funds,¹ selected years²



¹Households owning mutual funds in 1980 through 1986 were estimated by dividing the total number of household accounts by the number of accounts per household. Beginning in 1987, the incidence of mutual fund ownership is estimated through household surveys. Incidence estimates for 1987 through 1993 exclude households owning mutual funds only through employer-sponsored retirement plans; estimates for 1994 through 2008 include households owning mutual funds only through employer-sponsored retirement plans. Incidence estimates for 1998 through 2008 include fund ownership through variable annuities. Incidence estimates for 2000 through 2008 include fund ownership through Roth IRAs, Education Savings Accounts, SAR-SEPs, SEP-IRAs, and SIMPLE IRAs.

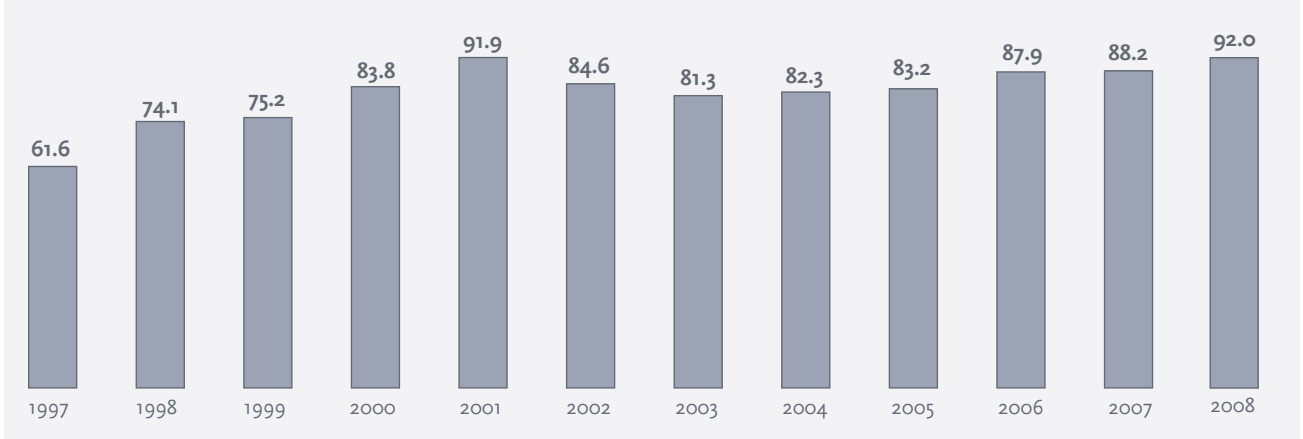
²For the complete time series of data from 1980 through 2008, see Figure A1 in the Appendix.

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

FIGURE 2

92 MILLION INDIVIDUAL U.S. INVESTORS OWN MUTUAL FUNDS IN 2008

Millions of individual U.S. investors owning mutual funds, 1997–2008



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

Most Mutual Fund Shareholders Are in Their Peak Earning and Saving Years

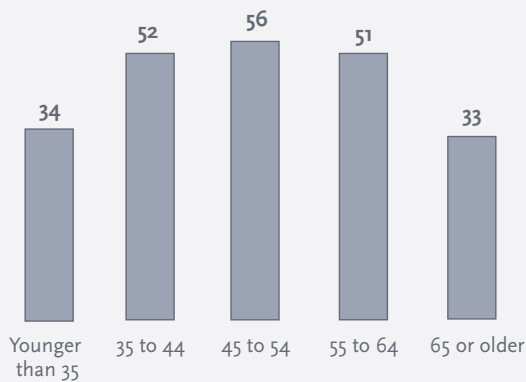
People of all ages own mutual funds, but ownership is concentrated among individuals in their prime saving and investing years. For most of the past decade, the incidence of mutual fund ownership has been greatest among households headed by individuals between ages 35 and 64.⁵ In the most recent survey, a majority of households in the 35 to 44, 45 to 54, and 55 to 64 age

groups owned mutual funds, whereas about one-third of households younger than 35 or 65 or older owned mutual funds (Figure 3). As a result, the bulk (two-thirds) of households owning mutual funds was headed by individuals between the ages of 35 and 64, the age range in which saving and investing traditionally is greatest.⁶ Among all U.S. households, by comparison, fewer than six in 10 were headed by individuals in this age group in 2008 (Figure 4).

FIGURE 3

INCIDENCE OF MUTUAL FUND OWNERSHIP GREATEST AMONG 35- TO 64-YEAR-OLDS

Percentage of U.S. households within each age group,¹ 2008



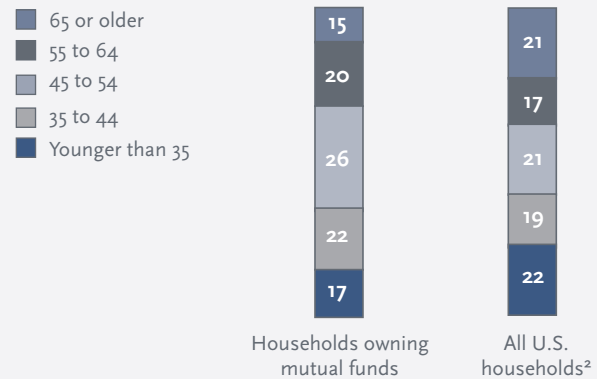
¹Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Source: Investment Company Institute

FIGURE 4

MOST MUTUAL FUND SHAREHOLDERS ARE BETWEEN AGES 35 AND 64

Percentage distribution of households owning mutual funds and all U.S. households by age,¹ 2008



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

²The percentage of all households in each age group is based on ICI survey data and is weighted to match the U.S. Census Bureau's Current Population Survey.

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

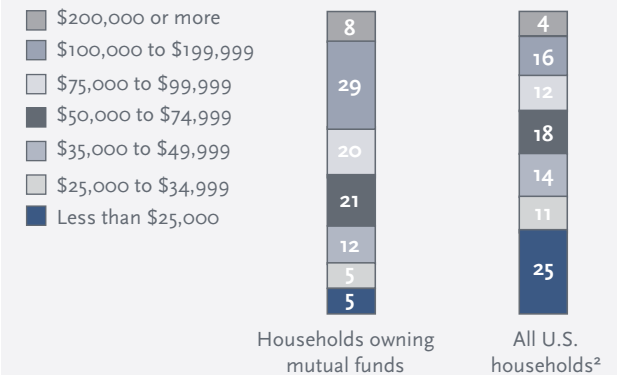
Mutual Fund Shareholders Typically Have Moderate Household Incomes

The majority of U.S. households owning mutual funds had moderate incomes. More than five in 10 households owning funds in 2008 had incomes between \$35,000 and \$99,999 (Figure 5).⁷ Nevertheless, incomes among mutual fund-owning households tended to be somewhat higher than that of the typical U.S. household. Ten percent of U.S. households owning mutual funds had incomes less than \$35,000, while 36 percent of all U.S. households earned less than \$35,000. More than one-third of households owning mutual funds reported income of \$100,000 or more, compared with only about one-fifth of households overall. This mix of incomes among mutual fund-owning households reflects the fact that individuals across all income groups own mutual funds, but it also shows that households with higher incomes are more likely to own mutual funds than are lower-income households. In 2008, 69 percent of all U.S. households with incomes of \$50,000 or more owned mutual funds, compared with 21 percent of households with incomes less than \$50,000 (Figure 6).⁸ In fact, lower-income households are less likely to have any

FIGURE 5

MOST HOUSEHOLDS OWNING MUTUAL FUNDS HAVE MODERATE INCOMES

Percentage distribution of households owning mutual funds and all U.S. households by household income,¹ 2008



¹Total reported is household income before taxes in 2007.

²The percentage of all households in each income group is based on ICI survey data and is weighted to match the U.S. Census Bureau's Current Population Survey.

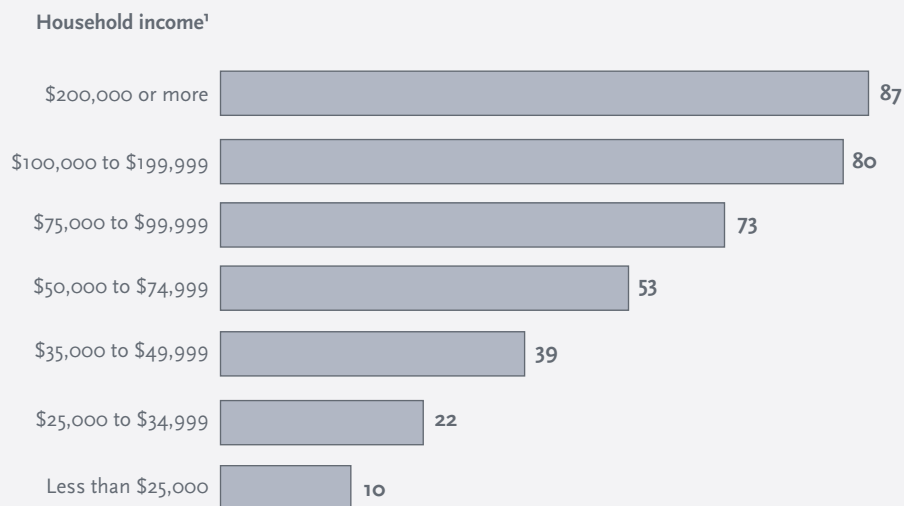
Sources: Investment Company Institute and U.S. Census Bureau

type of savings. The typical household with income less than \$50,000 had \$16,000 in savings and investments, while the typical household with income of \$50,000 or more held \$170,000 in savings and investments.

FIGURE 6

OWNERSHIP OF MUTUAL FUNDS INCREASES WITH HOUSEHOLD INCOME

Percentage of U.S. households within each income group, 2008



¹Total reported is household income before taxes in 2007.

Source: Investment Company Institute

Fund Ownership Inside Tax-Deferred Accounts Is Significant

More households own mutual funds inside tax-deferred accounts—such as 401(k) and other defined contribution (DC) plans, individual retirement accounts (IRAs), and variable annuities—than outside these accounts.⁹ In 2008, an estimated 48 million households owned mutual funds inside tax-deferred

accounts, compared to 21 million households owning funds outside tax-deferred accounts (Figure 7). Among those households that owned funds outside tax-deferred accounts, about three-quarters, or 16 million households, also held funds in tax-deferred accounts. The number of households owning mutual funds through tax-deferred accounts has grown by 12 million since 1998, while the number of households owning

FIGURE 7

MUTUAL FUND OWNERSHIP HIGH IN TAX-DEFERRED ACCOUNTS

Number and percentage of U.S. households owning mutual funds inside and outside tax-deferred accounts,¹ 1998–2008

	Number of U.S. households owning mutual funds (millions)		Share of U.S. households (percent)	
	Inside tax-deferred accounts ²	Outside tax-deferred accounts	Inside tax-deferred accounts ²	Outside tax-deferred accounts
1998	35.7	21.1	34.8%	20.6%
1999	37.5	22.0	36.1	21.2
2000	41.9	21.6	39.4	20.3
2001	44.9	25.9	41.5	23.9
2002	42.4	21.3	38.8	19.5
2003	42.2	19.9	37.9	17.9
2004	42.1	20.0	37.6	17.9
2005	43.3	19.9	38.2	17.6
2006	45.6	20.2	39.9	17.7
2007	45.4	22.0	39.1	19.0
2008	47.5	21.0	40.7	18.0

¹ Multiple responses are included.

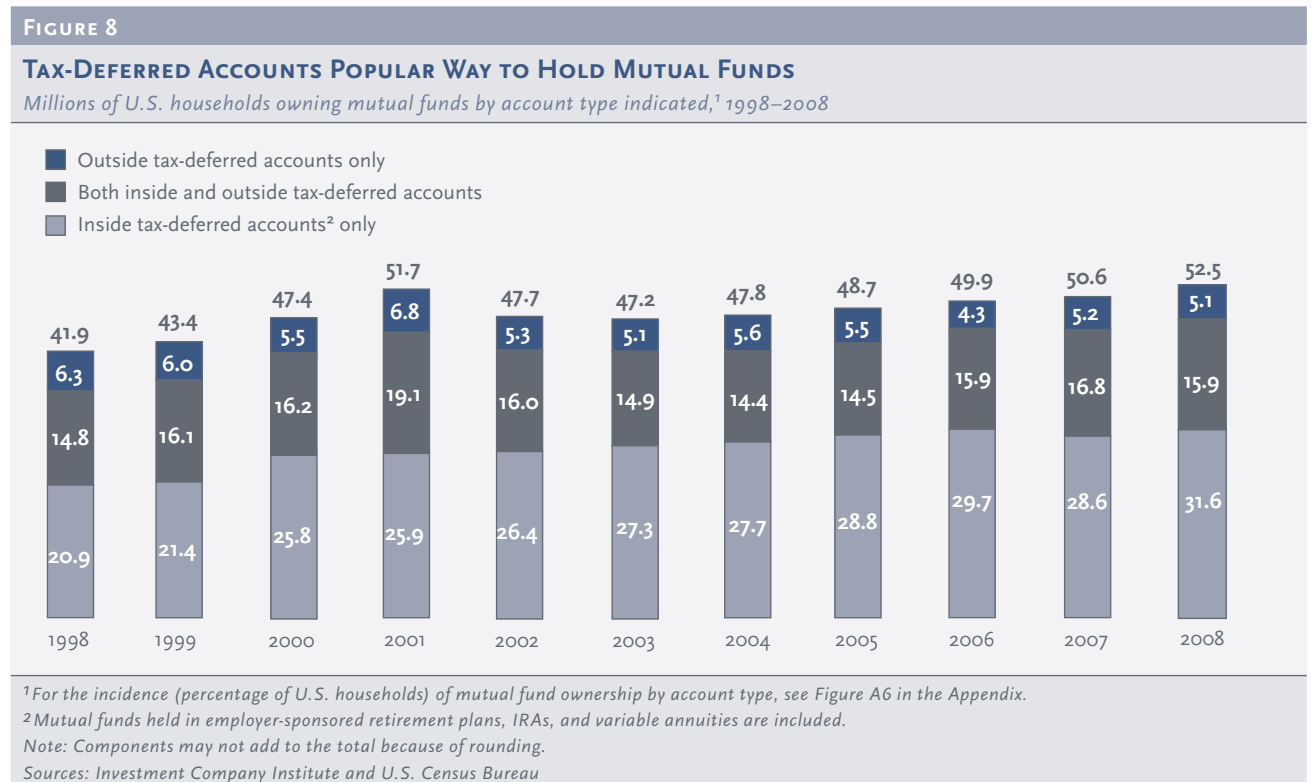
² Mutual funds held in employer-sponsored retirement plans, IRAs, and variable annuities are included.

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

mutual funds outside tax-deferred accounts has stayed about the same. Indeed, much of the growth in the number of households owning mutual funds through tax-deferred accounts has occurred among those for whom this is their only form of fund ownership. Of the 48 million U.S. households owning mutual funds through tax-deferred accounts, 32 million households owned mutual funds only through such accounts, up from 21 million in 1998 (Figure 8). The number of households holding mutual funds only in taxable accounts has declined slightly in the past decade.

Households Own Mutual Funds Inside and Outside Employer-Sponsored Retirement Plans

About three-quarters of households that owned mutual funds through tax-deferred accounts held funds in employer-sponsored retirement plans. In 2008, 35.9 million households held mutual funds through employer-sponsored retirement accounts—14.4 million households owned only inside such accounts and 21.5 million households owned both inside and outside



such accounts (Figure 9). Although fund ownership outside employer-sponsored retirement plans¹⁰ continued to exceed ownership inside these plans, the gap has narrowed over the past decade. The growth of

fund ownership through workplace retirement plans has been largely fueled by the growth in DC plans, many of which offer mutual funds as investment options.¹¹

FIGURE 9

OWNERSHIP OF MUTUAL FUNDS INSIDE AND OUTSIDE RETIREMENT PLANS

Number and percentage of U.S. households,¹ 1998–2008

Number of U.S. households owning mutual funds (millions)				
	Inside employer-sponsored retirement plans only ²	Both inside and outside employer-sponsored retirement plans	Outside employer-sponsored retirement plans only	Total ¹
1998	12.2	14.8	14.9	41.9
1999	10.6	17.3	15.5	43.4
2000	14.5	17.3	15.7	47.4
2001	13.9	20.0	17.7	51.7
2002	13.3	19.0	15.4	47.7
2003	13.7	18.9	14.6	47.2
2004	13.4	19.6	14.8	47.8
2005	13.7	19.6	15.5	48.7
2006	13.5	21.8	14.6	49.9
2007	13.1	20.0	17.4	50.6
2008	14.4	21.5	16.7	52.5

Share of U.S. households (percent)				
	Own mutual funds inside employer-sponsored retirement plans only ²	Own mutual funds both inside and outside employer-sponsored retirement plans	Own mutual funds outside employer-sponsored retirement plans only	Total ¹
1998	11.9%	14.5%	14.6%	40.9%
1999	10.2	16.7	14.9	41.8
2000	13.6	16.2	14.7	44.5
2001	12.9	18.5	16.4	47.8
2002	12.2	17.4	14.1	43.6
2003	12.3	17.0	13.2	42.4
2004	12.0	17.5	13.2	42.7
2005	12.1	17.3	13.7	43.0
2006	11.8	19.1	12.8	43.6
2007	11.3	17.3	15.0	43.6
2008	12.3	18.4	14.3	45.0

¹ Components may not add to the total because of rounding.

² Mutual funds held in DC plans (401(k) plans, 403(b) plans, and 457 plans) and employer-sponsored IRAs (SAR-SEP IRAs, SEP-IRAs, and SIMPLE IRAs) are included.

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

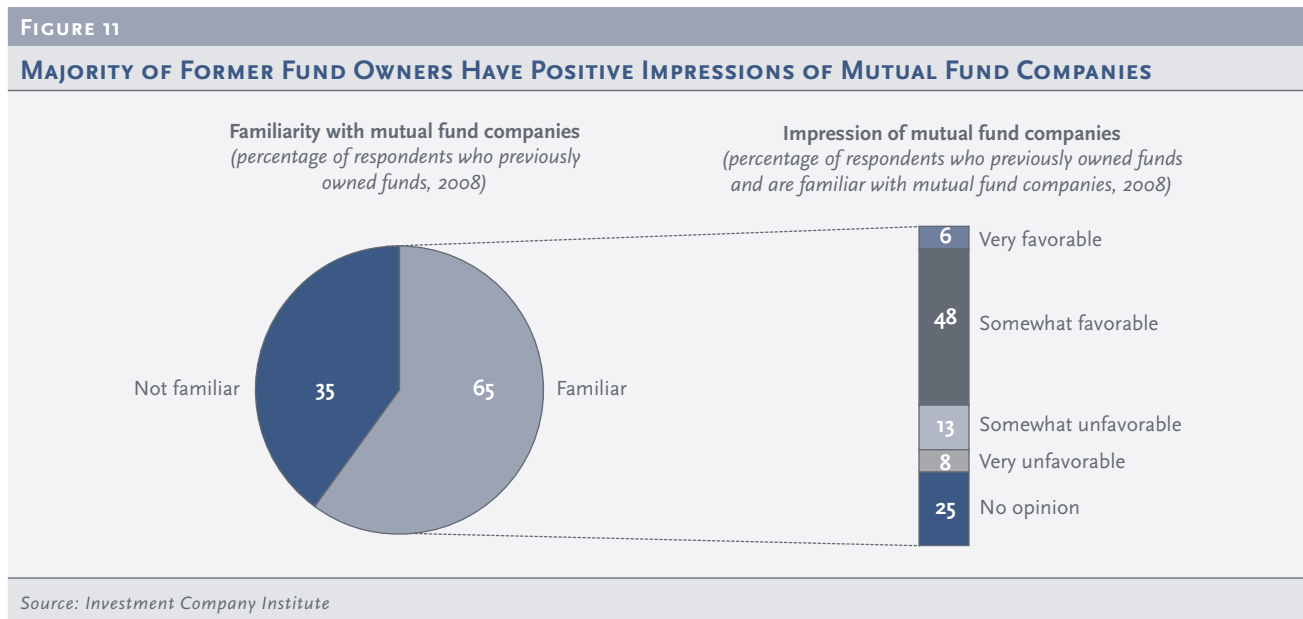
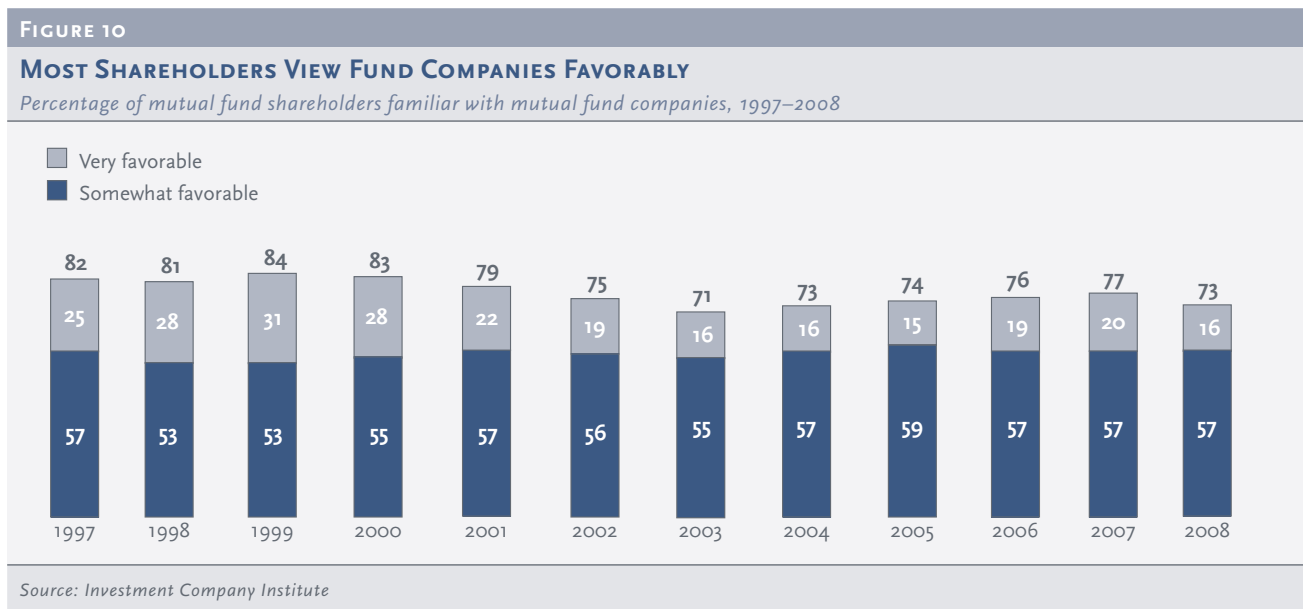
SHAREHOLDER SENTIMENT ABOUT THE MUTUAL FUND INDUSTRY

Positive Shareholder Opinion of the Mutual Fund Industry Declined This Year

The percentage of fund shareholders with positive opinions about the mutual fund industry declined in 2008, following several years of a rising favorability rating that coincided with stock market gains between 2003 and early 2007. Nearly three-quarters of shareholders familiar with mutual fund companies had “very” or “somewhat” favorable impressions of

fund companies, down from 77 percent—the recent high—in 2007 (Figure 10). The share of fund investors with “very” favorable impressions of fund companies also declined. In 2008, 16 percent of fund investors had a “very” favorable view of the industry, compared with 20 percent in 2007 and 19 percent in 2006.

Many people who no longer owned funds also had positive views of the mutual fund industry. More than half of former fund investors who said they were familiar with fund companies had favorable impressions of them (Figure 11).



Fund Performance Influences Investor Opinion of Fund Industry

Although many factors influence shareholders' overall opinion of the mutual fund industry, investors said fund performance was the primary factor that shaped sentiment. In 2008, 44 percent of all fund shareholders familiar with mutual fund companies cited fund performance as the most important factor in forming their opinions of the industry (Figure 12). This is consistent with the movement of the mutual fund favorability rating with stock market performance, which affects mutual fund returns. For example, mutual fund companies' favorability rose in the late 1990s

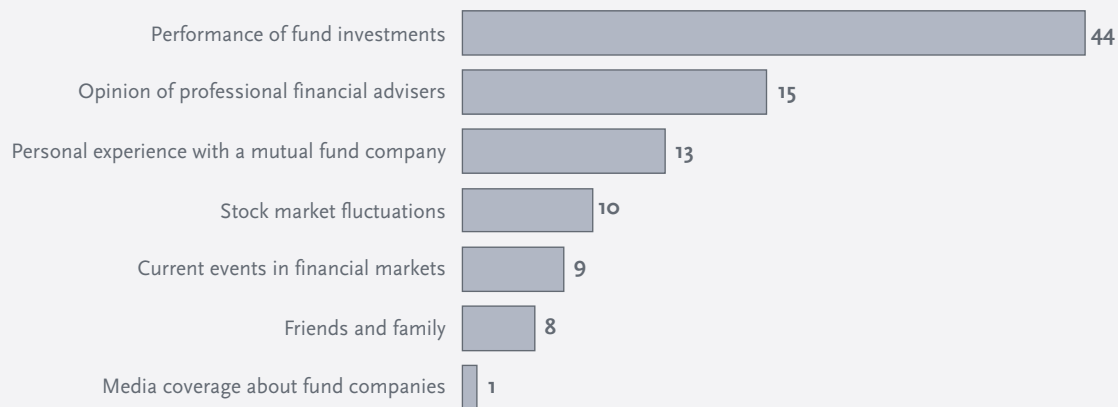
along with stock prices (measured by the S&P 500), declined between May 2000 and May 2003 as stock prices fell, increased each year since 2003 as the stock market gained, and fell following a market decline in 2008 (Figure 13).

Other important factors that influence shareholder views of mutual fund companies include the opinion of professional financial advisers, personal experience with a mutual fund company, and current financial events (Figure 14). Investors reported that media coverage and the opinions of friends and family were less influential in shaping their opinions of the fund industry.

FIGURE 12

MOST IMPORTANT FACTOR SHAPING OPINIONS OF THE FUND INDUSTRY IS FUND PERFORMANCE

Percentage of shareholders familiar with mutual fund companies who indicate each factor is "most" important, 2008

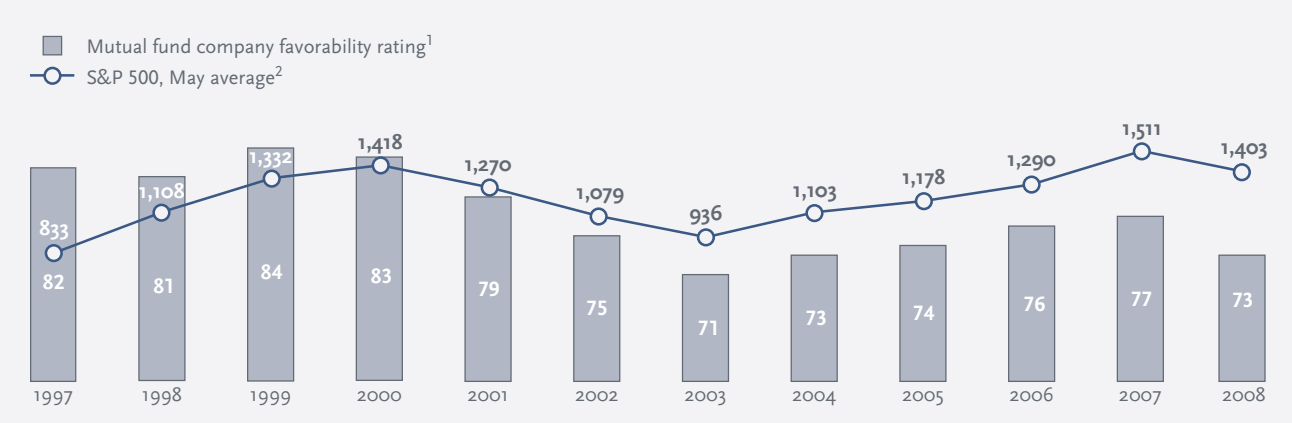


Source: Investment Company Institute

FIGURE 13

MUTUAL FUND FAVORABILITY RISES AND FALLS WITH STOCK MARKET PERFORMANCE

Mutual fund company favorability rating and S&P 500, 1997–2008



¹The S&P 500 index consists of 500 stocks selected to be included in the index based on market size, liquidity, and industry group representation.

²The mutual fund industry favorability rating is the percentage of mutual fund shareholders familiar with the mutual fund industry who have a "very" or "somewhat" favorable impression of the fund industry.

Sources: Investment Company Institute and Standard and Poor's

FIGURE 14

MANY FACTORS SHAPE SHAREHOLDERS' OPINIONS OF THE FUND INDUSTRY

Percentage of mutual fund shareholders familiar with mutual fund companies who indicate each factor is "very" important,¹ 1998–2008

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Performance of fund investments	83	85	71	67	70	69	70	72	73	70	71
Personal experience with a mutual fund company	55	58	63	58	58	59	57	52	54	47	45
Current events in financial markets	50	52	50	51	51	48	50	50	52	36	40
Opinion of professional financial advisers	44	46	45	43	45	48	48	40	41	40	36
Stock market fluctuations	44	45	43	45	39	43	40	43	43	32	36
Friends and family	35	39	46	47	45	44	46	30	32	24	22
Media coverage about fund companies	22	23	21	21	23	18	22	20	19	12	12

¹Multiple responses are included.

Source: Investment Company Institute

Seasoned Investors More Favorable of the Mutual Fund Industry

For investors who had experienced stock market fluctuations before, mutual fund favorability was higher. Retired investors, older investors, and investors who purchased mutual funds earlier all viewed the mutual fund industry more favorably than the average investor in the current market. In 2008, 80 percent of fund owners 65 or older who were familiar with mutual fund companies had “very” or “somewhat” favorable

impressions of mutual fund companies. Investors whose first mutual fund purchase was longer ago were also more favorable towards the mutual fund industry. Nearly eight in 10 shareholders familiar with mutual fund companies who first purchased funds before 1995 had a favorable view of the industry, whereas fewer than seven in 10 shareholders familiar with mutual fund companies who had first purchased funds in 1995 or later viewed fund companies favorably (Figure 15).

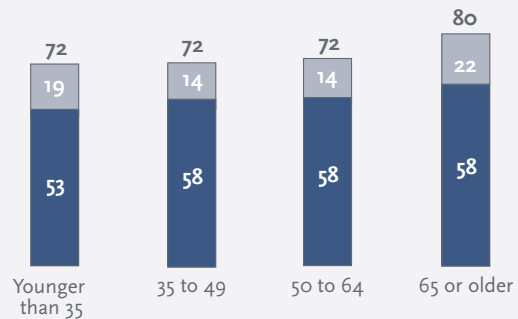
FIGURE 15

MORE SEASONED MUTUAL FUND INVESTORS REPORT HIGHER FAVORABILITY

- Very favorable
- Somewhat favorable

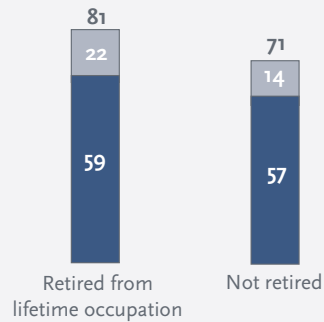
OLDER SHAREHOLDERS VIEW MUTUAL FUND INDUSTRY MORE FAVORABLY

Percentage of mutual fund shareholders familiar with mutual fund companies by age of head of household, 2008



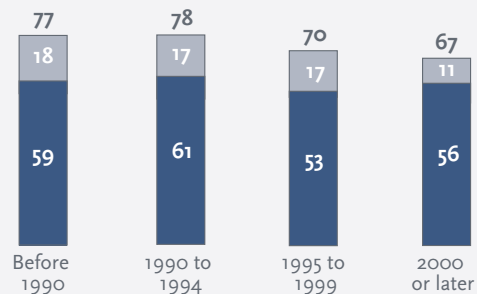
RETIRED SHAREHOLDERS VIEW MUTUAL FUND INDUSTRY MORE FAVORABLY

Percentage of mutual fund shareholders familiar with mutual fund companies by retirement status, 2008



SHAREHOLDERS WHO HAVE OWNED FUNDS LONGER VIEW MUTUAL FUND INDUSTRY MORE FAVORABLY

Percentage of mutual fund shareholders familiar with mutual fund companies by year of initial mutual fund purchase, 2008



Source: Investment Company Institute

Investors with Defined Contribution Retirement Plans View Industry Favorably

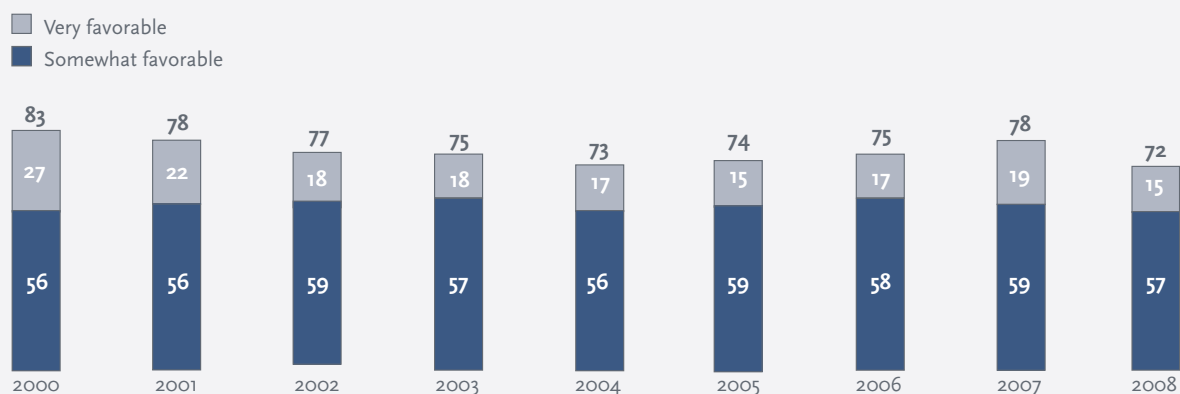
More than seven in 10 investors who owned mutual funds in DC retirement plans and were familiar with fund companies viewed fund companies favorably. The favorable opinions of households with mutual funds in DC plans toward the mutual fund industry mirror those of all mutual fund shareholders, peaking in 2007 after several years of increases and falling with the stock market in 2008 (Figure 16).

The factors that influenced shareholders with mutual funds in DC accounts' perceptions of the fund industry were also similar to those of all mutual fund owners. Fund performance remained the most important factor for 46 percent of all DC owners with mutual funds in their accounts. The opinion of professional financial advisers, personal experience with a mutual fund company, and stock market fluctuations were also important to their views of mutual fund companies (Figure 17).

FIGURE 16

MOST DEFINED CONTRIBUTION SHAREHOLDERS VIEW FUND COMPANIES FAVORABLY

Percentage of respondents whose households have mutual funds in their DC accounts¹ and are familiar with mutual fund companies, 2000–2008



¹DC accounts include 401(k), 403(b), 457, and other DC accounts.
Source: Investment Company Institute

FIGURE 17

MOST IMPORTANT FACTOR SHAPING DEFINED CONTRIBUTION PLAN MUTUAL FUND OWNERS' OPINIONS OF THE FUND INDUSTRY IS FUND PERFORMANCE

Percentage of respondents whose households have mutual funds in their DC accounts¹ and are familiar with mutual fund companies who indicate each factor is "most" important, 2008

	2008
Performance of fund investments	46
Opinion of professional financial advisers	14
Personal experience with a mutual fund company	13
Current events in financial markets	10
Stock market fluctuations	9
Friends and family	8
Media coverage about fund companies	(*)

(*) = less than ½ percent

¹DC accounts include 401(k), 403(b), 457, and other DC accounts.
Source: Investment Company Institute

Fund Owners Are Confident About Achieving Investment Goals

The results of ICI's Mutual Fund Shareholder Tracking Survey show that investors were confident that mutual funds could help them reach their financial goals. In 2008, 85 percent of all fund shareholders said they were confident in mutual funds' ability to help them achieve their financial goals (Figure 18). Indeed, more than one-quarter of fund investors were "very" confident that mutual funds could help them meet their financial goals.

Shareholders with mutual funds in DC accounts were also confident that mutual funds could help them meet their financial goals. In 2008, 87 percent were confident that mutual funds could help them meet their financial goals (Figure 19). For these owners, retirement was at the top of their list, with 97 percent investing to finance retirement and 83 percent ranking retirement as their primary goal for their mutual funds (Figure 20).

FIGURE 18

SHAREHOLDERS ARE CONFIDENT THAT FUNDS CAN HELP THEM ACHIEVE THEIR INVESTMENT GOALS

Percentage of all mutual fund shareholders by level of confidence that mutual funds can help them meet their investment goals, 2005–2008



Note: This question was not included in the survey prior to 2005.
Source: Investment Company Institute

FIGURE 19

DEFINED CONTRIBUTION PLAN SHAREHOLDERS ARE CONFIDENT THAT FUNDS CAN HELP THEM ACHIEVE THEIR INVESTMENT GOALS

Percentage of respondents whose households have mutual funds in their DC accounts¹ by level of confidence that mutual funds can help them meet their investment goals, 2005–2008

	2005	2006	2007	2008
Very confident	30	31	34	28
Somewhat confident	57	56	51	59
Not very or not at all confident	13	13	15	13

¹DC accounts include 401(k), 403(b), 457, and other DC accounts.
Source: Investment Company Institute

FIGURE 20

NEARLY ALL DEFINED CONTRIBUTION OWNERS WITH MUTUAL FUNDS IN THEIR DEFINED CONTRIBUTION ACCOUNTS ARE INVESTING IN MUTUAL FUNDS FOR RETIREMENT

Percentage of respondents whose households have mutual funds in their DC accounts,¹ 2008

	Households' financial goals for mutual fund investments ²	Households' primary financial goal for mutual fund investments
To finance retirement	97	83
To reduce taxable income	53	3
To provide money for an emergency	42	3
To pay for education	26	5
To provide yourself with income now	12	3
To buy a house or some other large purchase	10	2
Other	5	1

¹DC accounts include 401(k), 403(b), 457, and other DC accounts.

²Multiple responses are included.

Source: Investment Company Institute

NEARLY ALL MUTUAL FUND-OWNING HOUSEHOLDS HAVE ACCESS TO THE INTERNET

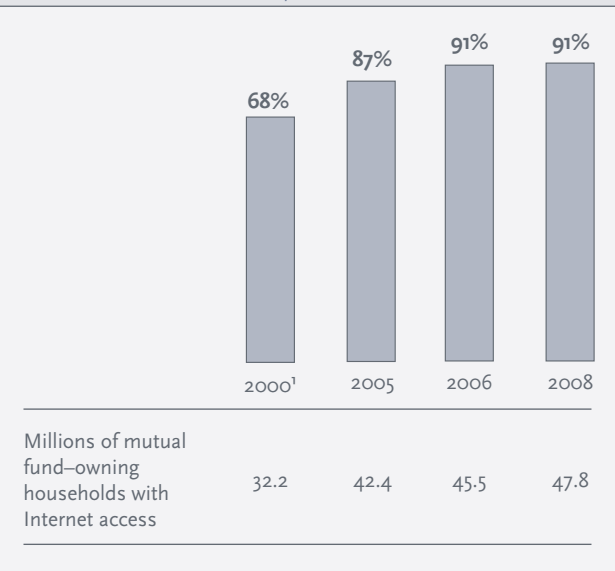
The number of mutual fund investors with Internet access has grown considerably in recent years. In 2008, more than nine in 10 households owning funds had Internet access, up from two-thirds in 2000, the first year in which ICI measured shareholders' access to the Internet (Figure 21). Altogether, 47.8 million fund-owning households, or an estimated 79.2 million individual mutual fund investors, had Internet access in 2008.

Although younger households were more likely to report Internet access, about two-thirds of mutual fund-owning households with a household head aged 65 or older had Internet access in 2008 (Figure 22). Internet access among mutual fund-owning households younger than 35 was essentially universal, with 99 percent reporting Internet access.

FIGURE 21

NINE OUT OF 10 HOUSEHOLDS OWNING MUTUAL FUNDS HAVE INTERNET ACCESS

Number and percentage of all mutual fund-owning households with Internet access, selected years



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.

Source: Investment Company Institute

FIGURE 22

INTERNET ACCESS NEARLY UNIVERSAL AMONG MUTUAL FUND-OWNING HOUSEHOLDS

Percentage of U.S. households owning mutual funds with Internet access, selected years

	Household had Internet access in 2000	Household had Internet access in 2006	Household had Internet access in 2008
Respondent age			
Younger than 35	83	96	99
35 to 49	75	95	97
50 to 64	60	92	93
65 or older	30	75	67
Respondent education			
High school graduate or less	39	80	81
Some college or associate's degree	68	92	92
College or postgraduate degree	81	97	96
Household income			
Less than \$50,000	47	81	77
\$50,000 to \$99,999	77	93	93
\$100,000 to \$149,999	92	99	98
\$150,000 or more	94	97	99
Total	68	91	91

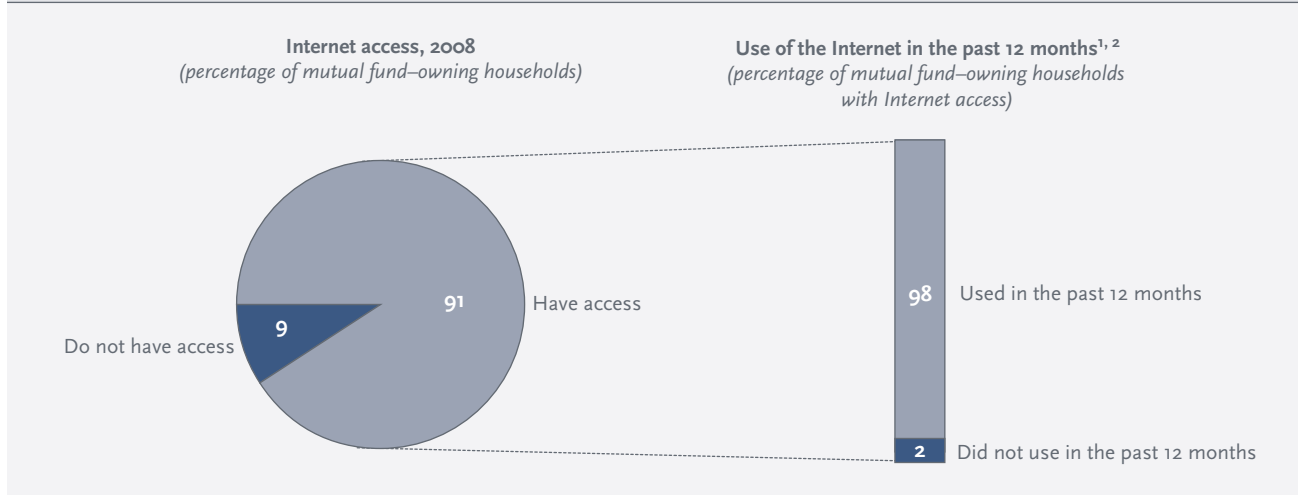
Source: Investment Company Institute

Mutual Fund Shareholders Report Frequent Use of the Internet

Virtually all mutual fund investors with Internet access went online at least once between June 2007 and May 2008 (Figure 23). Only 2 percent of shareholders with Internet access did not go online during this period.

FIGURE 23

NEARLY ALL MUTUAL FUND SHAREHOLDERS WITH INTERNET ACCESS GO ONLINE



¹Internet use is based on the sole or co-decisionmaker for household saving and investing.

²The past 12 months were June 2007 through May 2008.

Source: Investment Company Institute

Moreover, shareholders' daily use of the Internet is increasing. Three-quarters of mutual fund–owning households with Internet access went online at least once a day, up from about two-thirds in 2005 (Figure 24).

Mutual Fund Shareholders Use the Internet for Financial Purposes

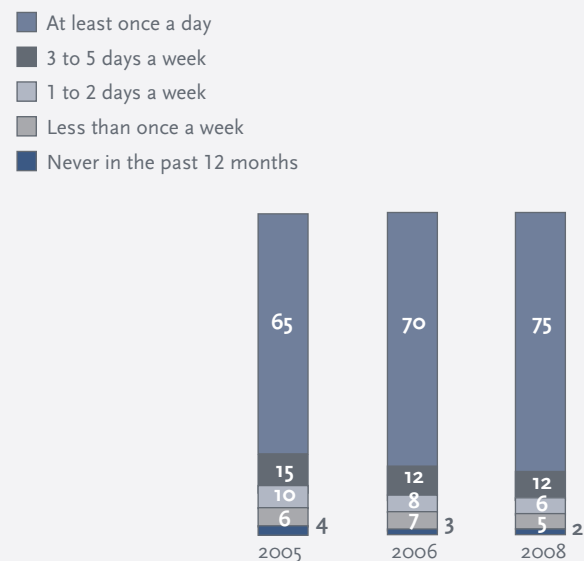
The Internet has become central to many mutual fund shareholders' management of their finances. About eight in 10 mutual fund–owning households with Internet access went online for financial purposes, such as to check their bank or investment accounts, to obtain investment information, or to buy or sell investments (Figure 25).¹²

In addition, mutual fund owners were much more likely than non–fund owners to engage in common online activities, such as accessing email, obtaining information about nonfinancial products and services, or purchasing products and services other than investments.

FIGURE 24

MUTUAL FUND SHAREHOLDERS' DAILY USE OF THE INTERNET INCREASES

Percentage of mutual fund–owning households with Internet access by frequency of Internet use,¹ 2005, 2006, and 2008



¹Internet use is based on the sole or co-decisionmaker for household saving and investing.

Source: Investment Company Institute

FIGURE 25

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

Percentage of U.S. households with Internet access by mutual fund ownership and online activities in past 12 months,^{1, 2} 2008

	Own mutual funds	Do not own mutual funds
Accessed email	91	82
Used Internet for a financial purpose (total)	82	57
Accessed any type of financial account, such as bank or investment accounts	77	53
Obtained investment information	58	20
Bought or sold investments online	21	8
Used Internet for a nonfinancial purpose (total)	92	82
Obtained information about products and services other than investments	86	73
Bought or sold something other than investments online	80	63

¹Online activities are based on the sole or co-decisionmaker for household saving and investing.

²The past 12 months were June 2007 through May 2008.

Source: Investment Company Institute

APPENDIX: ADDITIONAL DATA ON OWNERSHIP OF MUTUAL FUNDS, 2008

Figure A1 of the Appendix presents the data displayed in Figure 1 for all years, along with the total number of U.S. households. Figure A2 reports the average number of mutual fund owners per household.

FIGURE A1

HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS

Number and percentage of U.S. households owning mutual funds,^{1,2} 1980–2008

	U.S. households owning mutual funds (millions)	Share of U.S. households (percent)	Memo: total number of U.S. households ³ (millions)
1980	4.6	5.7%	80.8
1981	6.9	8.4	82.4
1982	9.0	10.8	83.5
1983	9.8	11.7	83.9
1984	10.1	11.9	85.3
1985	12.8	14.7	86.8
1986	17.3	19.6	88.5
1987	22.5	25.1	89.5
1988	22.2	24.4	91.1
1989	23.2	25.0	92.8
1990	23.4	25.1	93.3
1991	25.5	27.0	94.3
1992	25.8	27.0	95.7
1993	27.0	28.0	96.4
1994	27.6	28.4	97.1
1995	28.4	28.7	99.0
1996	32.6	32.7	99.6
1997	35.3	34.9	101.0
1998	41.9	40.9	102.5
1999	43.4	41.8	103.9
2000	47.4	44.5	106.4
2001	51.7	47.8	108.2
2002	47.7	43.6	109.3
2003	47.2	42.4	111.3
2004	47.8	42.7	112.0
2005	48.7	43.0	113.3
2006	49.9	43.6	114.4
2007	50.6	43.6	116.0
2008	52.5	45.0	116.8

¹Households owning mutual funds in 1980 through 1986 are estimated by dividing the total number of household accounts by the number of accounts per household. Beginning in 1987, the incidence of mutual fund ownership is estimated through household surveys. Incidence estimates for 1987 through 1993 exclude households owning mutual funds only through employer-sponsored retirement plans; estimates for 1994 through 2008 include households owning mutual funds only through employer-sponsored retirement plans. Incidence estimates for 1998 through 2008 include fund ownership through variable annuities. Incidence estimates for 2000 through 2008 include fund ownership through Roth IRAs, Education Savings Accounts, SAR-SEP IRAs, SEP-IRAs, and SIMPLE IRAs.

²Prior to 1994, survey weights are based on census region and head of household age. For 1994 and later, survey weights are based on census region, head of household age, household income, and educational attainment.

³Number of households is reported as of March of the year indicated.

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

FIGURE A2**OWNERSHIP OF MUTUAL FUNDS BY INDIVIDUAL INVESTORS***Millions of individual U.S. investors owning mutual funds, 1997–2008*

	Mutual fund owners per household	Millions of individuals owning mutual funds
1997	1.747	61.6
1998	1.767	74.1
1999	1.732	75.2
2000	1.769	83.8
2001	1.777	91.9
2002	1.775	84.6
2003	1.723	81.3
2004	1.721	82.3
2005	1.707	83.2
2006	1.764	87.9
2007	1.744	88.2
2008	1.751	92.0

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

Figure A3 contains the full historical data displayed in Figure 3. Although households in their peak earning and saving years have always had the highest incidence of mutual fund ownership, ownership rates have

increased significantly for all age groups. Similarly, Figure A4 shows the history for the data displayed in Figure 5, and Figure A5 shows the history for the data displayed in Figure 6.

FIGURE A3

INCIDENCE OF MUTUAL FUND OWNERSHIP GREATEST AMONG 35- TO 64-YEAR-OLDS

Percentage of U.S. households within each age group,¹ 1997–2008

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Younger than 35	27	34	36	36	43	36	36	35	36	33	34	34
35 to 44	42	50	51	55	57	49	48	53	50	48	48	52
45 to 54	44	49	52	59	58	58	54	51	52	58	51	56
55 to 64	42	45	42	50	48	48	47	48	51	49	53	51
65 or older	24	30	28	26	32	29	29	29	29	33	34	33

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

Source: Investment Company Institute

FIGURE A4

MOST HOUSEHOLDS OWNING MUTUAL FUNDS HAVE MODERATE INCOMES

Percentage distribution of U.S. households owning mutual funds and all U.S. households by income,¹ 2000–2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Households owning mutual funds									
Less than \$25,000	9	9	6	8	8	7	9	8	5
\$25,000 to \$34,999	10	9	9	9	8	8	7	6	5
\$35,000 to \$49,999	15	15	15	13	12	15	12	12	12
\$50,000 to \$74,999	31	30	30	28	28	24	25	24	21
\$75,000 to \$99,999	13	15	14	15	15	18	15	17	20
\$100,000 to \$199,999	18	19	22	23	25	23	27	26	29
\$200,000 or more	4	3	4	4	4	5	5	7	8
All U.S. households²									
Less than \$25,000	31	29	29	29	29	28	27	25	25
\$25,000 to \$34,999	13	14	14	13	13	13	13	11	11
\$35,000 to \$49,999	15	14	14	14	14	14	14	15	14
\$50,000 to \$74,999	21	20	21	21	20	19	20	18	18
\$75,000 to \$99,999	7	9	8	9	9	10	9	11	12
\$100,000 to \$199,999	10	11	12	12	13	13	14	16	16
\$200,000 or more	3	3	2	2	2	3	3	4	4

¹Total reported is household income before taxes in prior year.

²The percentage of all U.S. households in each income group is based on ICI survey data and is weighted to match the U.S. Census Bureau's Current Population Survey.

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

FIGURE A5

INCIDENCE OF MUTUAL FUND OWNERSHIP INCREASES WITH HOUSEHOLD INCOME

Percentage of U.S. households within each income group,¹ 1997–2008

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Less than \$25,000	10	12	15	13	14	9	12	12	10	14	13	10
\$25,000 to \$34,999	29	31	28	33	31	28	27	26	27	25	25	22
\$35,000 to \$49,999	39	48	47	46	51	45	38	39	46	39	37	39
\$50,000 to \$74,999	54	63	60	66	70	62	57	59	56	54	57	53
\$75,000 to \$99,999	65	76	77	75	82	76	76	72	73	70	66	73
\$100,000 to \$199,999 ²	77	76	74	84	87	84	85	82	76	82	73	80
\$200,000 or more	N/A	N/A	N/A	56	56	76	65	75	85	76	81	87
Less than \$50,000	21	25	26	26	27	23	22	22	23	23	23	21
\$50,000 or more	62	69	67	71	76	71	69	69	67	67	66	69

N/A = not available

¹Total reported is household income before taxes in prior year.

²Figures reported for 1997 to 1999 are for \$100,000 or more.

Source: Investment Company Institute

Figure 8 highlights the number of U.S. households owning mutual funds through tax-deferred accounts.

Figure A6 reports those data and, in addition, the percentage of households owning mutual funds through tax-deferred accounts.

FIGURE A6

MUTUAL FUND OWNERSHIP INSIDE AND OUTSIDE TAX-DEFERRED ACCOUNTS

Number and percentage of U.S. households,¹ 1998–2008

	Number of U.S. households (millions)			Total ¹
	Own mutual funds inside tax-deferred accounts only ²	Own mutual funds both inside and outside tax-deferred accounts	Own mutual funds outside tax-deferred accounts only	
1998	20.9	14.8	6.3	41.9
1999	21.4	16.1	6.0	43.4
2000	25.8	16.2	5.5	47.4
2001	25.9	19.1	6.8	51.7
2002	26.4	16.0	5.3	47.7
2003	27.3	14.9	5.1	47.2
2004	27.7	14.4	5.6	47.8
2005	28.8	14.5	5.5	48.7
2006	29.7	15.9	4.3	49.9
2007	28.6	16.8	5.2	50.6
2008	31.6	15.9	5.1	52.5

	Share of U.S. households (percent)			Total ¹
	Own mutual funds inside tax-deferred accounts only ²	Own mutual funds both inside and outside tax-deferred accounts	Own mutual funds outside tax-deferred accounts only	
1998	20.4%	14.4%	6.1%	40.9%
1999	20.6	15.5	5.7	41.8
2000	24.2	15.2	5.1	44.5
2001	23.9	17.7	6.3	47.8
2002	24.1	14.7	4.9	43.6
2003	24.5	13.4	4.6	42.4
2004	24.7	12.9	5.0	42.7
2005	25.4	12.8	4.9	43.0
2006	26.0	13.9	3.7	43.6
2007	24.6	14.5	4.4	43.6
2008	27.0	13.6	4.3	45.0

¹Components may not add to the total because of rounding.

²Mutual funds held in employer-sponsored retirement plans, IRAs, and variable annuities are included.

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

NOTES

- ¹ Households' total financial assets were \$47.4 trillion as of June 2008. See U.S. Federal Reserve Board. 2008. "Flow of Funds Accounts of the United States, Third Quarter 2008," Z.1 Release (December). Available at www.federalreserve.gov/releases/z1/.
- ² Ownership includes mutual funds held in variable annuities.
- ³ Year-to-year changes in the number of individuals owning funds are not statistically meaningful.
- ⁴ The survey data include number of mutual fund owners per household, which is applied to number of U.S. households owning mutual funds. The average number of mutual fund owners per household is reported in Figure A2 of the Appendix.
- ⁵ See Figure A3 in the Appendix for the complete time series showing incidence of mutual fund ownership by age.
- ⁶ The life-cycle pattern of savings suggests that older individuals are able to save at higher rates because they no longer face the expenses of buying a home and/or putting children through college and/or paying for their own education. An augmented version of the life-cycle theory predicts that the optimal savings pattern increases with age. For a summary discussion of life-cycle models, see Browning, Martin, and Thomas F. Crossley. 2001. "The Life-Cycle Model of Consumption and Saving." *Journal of Economic Perspectives* 15, no. 3: 3–22 (Summer). In addition, see discussion in Brady, Peter, and Stephen Sigrist. 2008. "Who Gets Retirement Plans and Why." *Investment Company Institute Perspective* 14, no. 2 (September). Available at www.ici.org/pdf/per14-02.pdf.
- ⁷ See Figure A4 in the Appendix for the complete time series showing the income composition of mutual fund–owning households.
- ⁸ See Figure A5 in the Appendix for the complete time series showing incidence of mutual fund ownership by income.
- ⁹ Mutual fund ownership inside tax-deferred accounts includes ownership of funds held inside employer-sponsored retirement plans, any type of IRA, educational savings accounts, and mutual funds held in variable annuities.
- ¹⁰ Mutual fund ownership outside employer-sponsored retirement plans includes ownership of funds held in taxable accounts and in traditional and Roth IRAs. Mutual fund ownership inside employer-sponsored retirement plans includes ownership of funds held in 401(k) plans, 403(b) plans, 457 plans, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.
- ¹¹ The growth in mutual fund assets since 1997 reflects the increased offering of mutual funds as an investment option in DC retirement plans; mutual fund assets in these plans increased from \$772 billion in 1997 to \$2,334 billion in 2007. See Investment Company Institute. 2008. "The U.S. Retirement Market, Second Quarter 2008." *Investment Company Institute Fundamentals* 17, no. 3–Q2 (December). Available at www.ici.org/pdf/retmrkt_update.pdf.
- ¹² Other ICI household survey research has found that a majority of shareholders use the Internet for financial purposes. According to a 2006 ICI survey, 85 percent of recent fund investors who went online used the Internet to obtain financial information during the 12 months preceding the survey, 26 percent used it to buy or sell investments, and 19 percent used it to contact a professional financial adviser. See Investment Company Institute. 2006. *Understanding Investor Preferences for Mutual Fund Information*. Washington, DC: Investment Company Institute. Available at www.ici.org/stats/res/arc-rpt/rpt_06_inv_prefs_full.pdf. In addition, a winter 2007 survey of more than 500 mutual fund shareholders gathered respondents' views of the Securities and Exchange Commission's proposed Summary Prospectus as well as information on their Internet use. Almost all (95 percent) respondents reported that they accessed the Internet, and about three-quarters reported doing so at least once a day. Rates of Internet access and use were lower for people aged 60 or older, but were still quite significant: 85 percent accessed the Internet, and more than half reported using the Internet daily. See Sabelhaus, John. 2008. *Investor Views on the U.S. Securities and Exchange Commission's Proposed Summary Prospectus*. Washington, DC: Investment Company Institute. Available at www.ici.org/pdf/ppr_08_summary_prospectus.pdf.

The ICI Research Department maintains a comprehensive program of research and statistical data collections on investment companies and their shareholders. The Research staff collects and disseminates industry statistics, and conducts research studies relating to issues of public policy, economic and market developments, and shareholder demographics.

For a current list of ICI research and statistics, visit the Institute's public website at www.ici.org/stats/index.html. For more information on this issue of Fundamentals, contact ICI's Research Department at 202/326-5913.

Copyright © 2008 by the Investment Company Institute.

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.