

ICI RESEARCH REPORT

Profile of Mutual Fund Shareholders, 2016

FEBRUARY 2017

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Profile of Mutual Fund Shareholders, 2016

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Introduction

Ownership of mutual funds by US households grew significantly in the 1980s and 1990s and has remained steady over the past decade. On average since 2000, household ownership of mutual funds has been about 45 percent each year; this is down a bit from 49 percent in 2001, but higher than the 41 percent rate in 1998. Between mid-2000 and mid-2016, assets held in mutual funds increased from \$7.1 trillion to \$15.9 trillion.¹ In mid-2016, 43.6 percent of US households owned mutual funds, representing 94.0 million individual mutual fund shareholders.² Mutual fund holdings represent a significant component of the savings and investments of many US households, with mutual fund assets now accounting for about one-fifth of households' financial assets.³

Annual Survey

The Investment Company Institute (ICI) conducts an annual survey to track US households' ownership of mutual funds and to gather information on their demographic and financial characteristics. The most recent survey was conducted from May to July 2016 and was based on a dual frame telephone sample of 5,500 randomly selected US households. Of these, 2,750 households were from a landline random digit dial (RDD) frame and 2,750 households were from a cell phone RDD frame. Of the households contacted, 2,399 (43.6 percent) owned mutual funds. Eligible households were those owning mutual funds inside or outside employer-sponsored retirement plans, including funds purchased through investment professionals or directly from mutual fund companies or discount brokers. All interviews were conducted with the investment decisionmaker, the person most knowledgeable about the household's savings and investments.⁴

The “Typical” Mutual Fund–Owning Household

This report summarizes the findings of the 2016 survey.⁵ As described in the first chapter, in mid-2016 the “typical” mutual fund–owning head of household:

- » was middle-aged, employed, educated, married or living with a partner, and shared investment decisionmaking with his or her spouse or partner;
- » was of moderate financial means, with \$94,300 in household income and \$200,000 in household financial assets;
- » owned investments other than mutual funds, including individual stocks, and had more than half of the household’s financial assets (excluding the primary residence) invested in mutual funds;
- » had \$125,000 invested in four mutual funds, including at least one equity fund;
- » owned mutual funds inside an employer-sponsored retirement plan, such as a 401(k) plan, 403(b) plan, 457 plan, SEP IRA, SAR-SEP IRA, or SIMPLE IRA;
- » owned mutual funds outside employer-sponsored retirement plans, primarily purchased through investment professionals (e.g., registered investment advisers, full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, or accountants); and
- » was confident that mutual funds could help him or her reach financial goals.

Chapter 1 discusses a full set of figures highlighting demographic and financial characteristics of mutual fund–owning households, the variety of mutual funds they own, and the different ways they purchase mutual funds, as well as their financial assets, financial goals, and willingness to take investment risk. The remaining chapters present similar information for subgroups of mutual fund–owning households. Figures for all of the chapters are available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls.

Variations in Characteristics of Households That Own Mutual Funds

Chapters 2, 3, and 4 focus on the principal channels used by mutual fund–owning households to purchase fund shares. With the growth of 401(k) plans since 1990, employer-sponsored retirement plans have become a common channel through which households own mutual funds. In mid-2016, 81 percent of mutual fund–owning households held funds through these plans. Sixty-three percent of mutual fund–owning households held mutual funds purchased outside employer-sponsored retirement plans. Half of mutual fund–owning households held mutual funds purchased from the sales force channel, that is, through investment professionals, which include registered investment advisers, full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. Thirty-four

percent owned fund shares purchased from the direct market channel, which consists of purchases made directly from fund companies and through discount brokers. More than half of mutual fund-owning households held mutual funds through multiple sources.⁶ In identifying their primary source for purchasing funds, 61 percent of mutual fund-owning households pointed to employer-sponsored retirement plans, 27 percent reported the sales force channel (investment professionals), and 12 percent cited the direct market channel.

Chapter 5 presents mutual fund-owning households by generation. Eighteen percent were members of the Millennial Generation (born between 1981 and 2004), and 33 percent were members of Generation X (born between 1965 and 1980).⁷ The Baby Boom Generation (those born between 1946 and 1964) made up the largest proportion of individuals heading mutual fund-owning households, 38 percent. Eleven percent were members of the Silent and GI Generations (born between 1904 and 1945).⁸ Figures in this chapter highlight how demographic characteristics, mutual fund ownership, financial assets, and savings goals vary among mutual fund-owning households by generation.

Chapter 6 describes mutual fund-owning households by age. Sixteen percent of individuals heading households owning mutual funds were younger than 35 years old. The largest age group was individuals between the ages of 35 and 54, who comprised 41 percent of mutual fund-owning household heads. Households aged 55 to 64 accounted for 22 percent of mutual fund-owning households. The remaining 21 percent of individuals heading mutual fund-owning households were 65 or older. Figures in this chapter reveal how demographic characteristics, mutual fund ownership, financial assets, and savings goals vary among mutual fund-owning households by age group.

Chapter 7 describes mutual fund-owning households by their level of household income. Seventeen percent of mutual fund-owning households had incomes below \$50,000, 34 percent had incomes between \$50,000 and \$99,999, 25 percent had incomes between \$100,000 and \$149,999, and 24 percent had incomes of \$150,000 or more. Figures in this chapter focus on how demographic characteristics, mutual fund ownership, financial assets, and savings goals vary among mutual fund-owning households by household income.

Chapter 8 examines mutual fund-owning households by household financial assets. Twenty percent of mutual fund-owning households had financial assets of less than \$50,000, 12 percent had assets between \$50,000 and \$99,999, 20 percent had assets between \$100,000 and \$249,999, and 48 percent had assets of \$250,000 or more. Figures in this chapter show how demographic characteristics, mutual fund ownership, financial assets, and savings goals vary among mutual fund-owning households by household financial assets.

Chapter 9 examines mutual fund-owning households by the level of investment risk the respondent is willing to take. Thirty-three percent of mutual fund-owning households were willing to take above-average or substantial investment risk for similar levels of financial gain, 47 percent were willing to take average investment risk for average financial gain, and 20 percent were willing to take below-average investment risk for below-average financial gain or were unwilling to take investment risk. Figures in this chapter illustrate how demographic characteristics, mutual fund ownership, financial assets, and savings goals vary among mutual fund-owning households by level of investment risk.

Chapter 10 describes mutual fund-owning households by the year of their initial mutual fund purchase. Twenty-seven percent of mutual fund-owning households purchased their first mutual fund before 1990 and 12 percent purchased their first mutual fund between 1990 and 1994. Fifteen percent purchased their first mutual fund between 1995 and 1999, 14 percent between 2000 and 2004, and 32 percent in 2005 or later. Figures in this chapter highlight how demographic characteristics, mutual fund ownership, financial assets, and savings goals vary among mutual fund-owning households by year of initial mutual fund purchase.

Taken together, these chapters present an overview of the millions of US households that invest in mutual funds, the ways in which they purchase fund shares, and the ways in which they use funds to meet their current and long-term financial needs.

CHAPTER 1

Mutual Fund-Owning Households

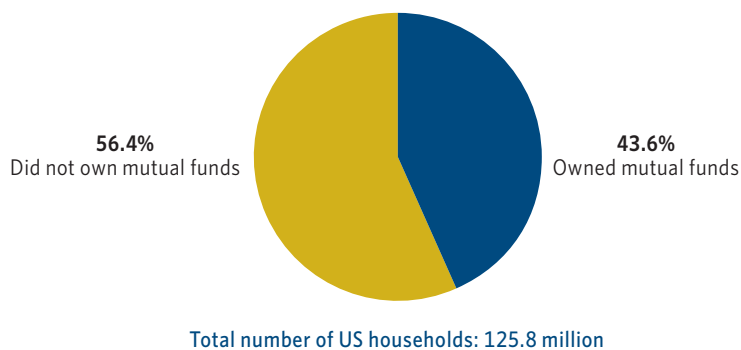
Demographic Characteristics

In mid-2016, 54.9 million, or 43.6 percent of, US households owned mutual funds (Figure 1.1). The median age of individuals heading households that owned mutual funds was 51 (Figure 1.2).⁹ Half of these individuals had college or postgraduate degrees. Seventy-three percent of US households that owned mutual funds consisted of couples that were married or living with a partner, and investment decisionmaking was a shared responsibility in 60 percent of mutual fund-owning households.

FIGURE 1.1

54.9 Million US Households Owned Mutual Funds

Percentage of all US households, 2016



Sources: Investment Company Institute and US Census Bureau

Employment Status and Household Income

The majority of mutual fund-owning households were employed and earned moderate, although above-average, household incomes. Seventy-six percent of individuals heading households that owned mutual funds were employed full- or part-time (Figure 1.3). Five percent of individuals heading households that owned mutual funds indicated they were retired from their lifetime occupations and employed either full- or part-time. Twenty-four percent of individuals heading households that owned mutual funds were not employed, but 79 percent of these household heads were retired. All told, 24 percent of individuals heading households that owned mutual funds were retired from their lifetime occupations. The median income of mutual fund-owning households was \$94,300 in 2015. Seventeen percent had household incomes of less than \$50,000, 18 percent had household incomes between \$50,000 and \$74,999, and 65 percent had incomes of \$75,000 or more.

Financial Characteristics

The majority of mutual fund-owning households have accumulated a variety of financial assets and retirement accounts. Among households that owned mutual funds, median household financial assets were \$200,000 (Figure 1.4). Mutual fund-owning households typically had other types of savings and investments. Twenty-three percent owned certificates of deposit, 42 percent owned individual stocks, and 12 percent owned individual bonds (excluding US savings bonds). In addition, 27 percent held investment real estate and 26 percent held fixed or variable annuities. A significant number of mutual fund-owning households made use of tax-advantaged savings vehicles. Eighty-seven percent had assets in employer-sponsored retirement plan accounts, usually 401(k) plans, and 63 percent owned individual retirement accounts (IRAs).¹⁰ Eighteen percent of US households owning mutual funds had education-targeted savings program accounts—6 percent had Coverdell education savings accounts (ESAs) and 15 percent had 529 plan accounts.

Mutual Fund Ownership

Equity mutual funds were the most commonly held mutual funds. Among households that owned mutual funds, median mutual fund holdings were \$125,000 (Figure 1.5). The largest percentage of mutual fund-owning households, 86 percent, owned equity funds. Thirty-five percent had invested in balanced funds,¹¹ 46 percent in bond funds, and 55 percent in money market funds. In addition, 37 percent of mutual fund-owning households held global

or international equity funds. Mutual fund holdings represented more than half of household financial assets for 64 percent of households that owned mutual funds. The majority of mutual fund-owning households were longtime mutual fund investors (Figure 1.5). Twenty-seven percent reported that the household bought its first mutual fund before 1990; 12 percent between 1990 and 1994; 15 percent between 1995 and 1999; and 14 percent between 2000 and 2004. Thirty-two percent reported that the household bought its first fund in 2005 or later.

Mutual fund-owning households owned many funds through multiple purchase sources (Figure 1.6). In mid-2016, these households owned a median of four mutual funds. Forty-eight percent owned three or fewer funds and 52 percent owned four or more. Among households that owned funds outside employer-sponsored retirement plans, 32 percent owned funds purchased from one source; 30 percent owned funds purchased from two sources; and 38 percent owned funds purchased from three or more sources.

Thirty-seven percent of mutual fund-owning households held mutual funds solely inside employer-sponsored retirement plans, which include defined contribution (DC) plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs); 19 percent owned funds solely outside these plans; and 44 percent had funds both inside and outside employer-sponsored retirement plans (Figure 1.7). Altogether, 81 percent of mutual fund-owning households owned funds through employer-sponsored retirement plans and 63 percent owned funds outside these plans, through either the sales force or direct market channels. Half of mutual fund-owning households owned funds through the sales force channel, that is, through investment professionals, which include registered investment advisers, full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. Thirty-four percent owned funds through the direct market channel, which includes mutual fund companies directly and discount brokers.

Sixty-one percent of all US households that owned mutual funds reported that employer-sponsored retirement plans were their primary source for purchasing mutual funds; 27 percent regarded the sales force channel (investment professionals) as their primary source; and 12 percent considered the direct market channel to be their primary source (Figure 1.7). Sixty-seven percent of mutual fund-owning households in mid-2016 reported that the household bought its first fund through an employer-sponsored retirement plan.

Goals and Mutual Fund Investing

In mid-2016, the vast majority of mutual fund-owning households were using mutual funds to save for retirement (Figure 1.8). Ninety-two percent of mutual fund-owning households indicated that saving for retirement was one of their household's financial goals, and 74 percent indicated that retirement saving was their primary financial goal. Eighty-one percent of households owning mutual funds held funds in employer-sponsored retirement plans, and 45 percent owned funds inside IRAs. Eighty-four percent were confident that mutual funds were an investment that could help them meet their household's financial goals.

Views on Investment Risk

Willingness to take investment risk is higher among mutual fund-owning households than among non-owning households.¹² Almost all mutual fund-owning households were willing to take some investment risk for financial gain (Figure 1.9). Thirty-three percent of mutual fund-owning households said they were willing to take substantial or above-average investment risk for similar levels of financial gain. Forty-seven percent of mutual fund-owning households were willing to take average risk for average gain. Only 20 percent of mutual fund-owning households were willing to take below-average risk for below-average gain or were unwilling to take any investment risk.

FIGURE 1.2

Mutual Fund Shareholder Head of Household Characteristics

Percentage of US households owning mutual funds, 2016

Age of household sole or co-decisionmaker for saving and investing	
Younger than 35	16
35 to 44	18
45 to 54	23
55 to 64	22
65 or older	21
Median	51 years
Mean	51 years
Education level	
High school diploma or less	21
Some college or associate's degree	29
Completed four years of college	22
Some graduate school	5
Completed graduate school	23
Marital status	
Married or living with a partner	73
Single	13
Divorced or separated	8
Widowed	6
Household investment decisionmaker	
Male is sole decisionmaker	25
Female is sole decisionmaker	15
Co-decisionmakers	60
Ethnic background*	
Caucasian	84
African American	8
Hispanic	7
Asian	3
Other	4

* Multiple responses are included.

FIGURE 1.3

Employment Status and Income of Households Owning Mutual Funds

Percentage of US households owning mutual funds, 2016

Employment status¹	
Employed full-time	68
Not retired	66
Retired from lifetime occupation	2
Employed part-time	8
Not retired	5
Retired from lifetime occupation	3
Not employed	24
Not retired	5
Retired from lifetime occupation	19
Total household income²	
Less than \$25,000	5
\$25,000 to \$34,999	4
\$35,000 to \$49,999	8
\$50,000 to \$74,999	18
\$75,000 to \$99,999	16
\$100,000 to \$149,999	25
\$150,000 to \$249,999	17
\$250,000 or more	7
Median	\$94,300
Mean	\$121,600

¹ Figure reports employment status of the head of household (sole or co-decisionmaker for saving and investing).

² Total reported is household income before taxes in 2015.

FIGURE 1.4

Mutual Fund–Owning Households' Financial Assets

Percentage of US households owning mutual funds, 2016

Total household financial assets¹	
Less than \$25,000	14
\$25,000 to \$49,999	6
\$50,000 to \$74,999	7
\$75,000 to \$99,999	5
\$100,000 to \$249,999	20
\$250,000 to \$499,999	18
\$500,000 to \$999,999	19
\$1 million or more	11
Median	\$200,000
Mean	\$475,100
Household ownership of non-mutual fund investments²	
Certificates of deposit	23
Individual stocks, individual bonds, or annuities (total)	57
Individual stocks	42
Individual bonds (excluding US savings bonds)	12
Fixed or variable annuities	26
Investment real estate	27
Closed-end funds	4
Exchange-traded funds	10
Household ownership of employer-sponsored retirement plan accounts²	
Household owned employer-sponsored retirement plan accounts (total)	87
DC retirement plan accounts (total)	85
401(k) plan account	74
403(b); state, local, or federal government plan account	35
Employer-sponsored IRA ³	11
Household ownership of IRAs²	
Household owned IRA (total)	63
Traditional IRA or Roth IRA	59
Employer-sponsored IRA ³	11
Household ownership of education-targeted savings accounts²	
Household owned education-targeted savings program account (total)	18
Coverdell education savings account	6
529 prepaid tuition or college savings plan account (total)	15

¹ Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

² Multiple responses are included.

³ Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

FIGURE 1.5

Mutual Fund Investing Among Households Owning Mutual Funds

Percentage of US households owning mutual funds, 2016

Total household mutual fund assets	
Less than \$5,000	4
\$5,000 to \$9,999	4
\$10,000 to \$19,999	6
\$20,000 to \$29,999	4
\$30,000 to \$49,999	7
\$50,000 to \$74,999	10
\$75,000 to \$99,999	8
\$100,000 to \$249,999	21
\$250,000 or more	36
Median	\$125,000
Mean	\$341,100
Percent allocation of household financial assets to mutual funds	
25% or less	16
Between 26% and 50%	20
Between 51% and 75%	20
More than 75%	44
Types of mutual funds owned*	
Equity funds	86
Hybrid funds	35
Bond funds	46
Money market funds	55
Other fund type specified	3
Year of initial mutual fund purchase	
Before 1990	27
Between 1990 and 1994	12
Between 1995 and 1999	15
Between 2000 and 2004	14
2005 or later	32
Median	1998
Mean	1997

* Multiple responses are included.

FIGURE 1.6

Households Own Many Funds Through Multiple Purchase Sources

Total number of mutual funds owned

Percentage of US households owning mutual funds, 2016

One	17
Two	17
Three	14
Four	11
Five to six	14
Seven to ten	13
Eleven or more	14
Median	4 funds
Mean	8 funds

Number of mutual fund purchase sources used outside employer-sponsored retirement plans*

Percentage of US households owning mutual funds outside employer-sponsored retirement plans, 2016

One	32
Two	30
Three	22
Four or more	16
Median	2 sources
Mean	2 sources

* Purchase sources outside employer-sponsored retirement plans include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, accountants, fund companies directly, and discount brokers.

FIGURE 1.7

Sources Used to Purchase Mutual Funds

Percentage of US households owning mutual funds, 2016

Source of mutual fund ownership	
Only inside employer-sponsored retirement plan	37
Only outside employer-sponsored retirement plan	19
Both inside and outside employer-sponsored retirement plan	44
Purchase sources through which funds are currently owned¹	
Inside employer-sponsored retirement plans (total)	81
Inside DC retirement plans (total)	79
401(k) plan	68
403(b); state, local, or federal government plan	24
Inside employer-sponsored IRA ²	6
Outside employer-sponsored retirement plans (total)	63
Sales force (total)	50
Full-service broker	27
Independent financial planner	26
Bank or savings institution representative	19
Insurance agent	10
Accountant	6
Direct market (total)	34
Mutual fund company directly	20
Discount broker	22
Primary mutual fund purchase source	
Inside employer-sponsored retirement plans	61
Outside employer-sponsored retirement plans	39
Sales force	27
Full-service broker	9
Independent financial planner	10
Bank or savings institution representative	6
Insurance agent	1
Accountant	1
Direct market	12
Mutual fund company directly	5
Discount broker	7
Source of first mutual fund purchase	
Inside employer-sponsored retirement plan	67
Outside employer-sponsored retirement plan	33

¹ Multiple responses are included.

² Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

FIGURE 1.8

Financial Goals of Households Owning Mutual Funds

Percentage of US households owning mutual funds, 2016

Financial goals for mutual fund investments¹	
Retirement	92
Reduce taxable income	46
Emergency	46
Education	22
Current income	27
House or other large item	13
Other	4
Primary financial goal for mutual fund investments	
Retirement	74
Reduce taxable income	4
Emergency	7
Education	5
Current income	6
House or other large item	3
Other	1
Level of confidence that mutual funds are an investment that can help the household meet financial goals	
Very confident	26
Somewhat confident	58
Not very confident	11
Not at all confident	5
Ownership of mutual funds in employer-sponsored retirement plans¹	
Inside employer-sponsored retirement plans (total)	81
Inside DC retirement plans (total)	79
401(k) plan	68
403(b); state, local, or federal government plan	24
Inside employer-sponsored IRA ²	6
Ownership of mutual funds in IRAs¹	
Had IRA invested in mutual funds (total)	45
Traditional IRA or Roth IRA	42
Employer-sponsored IRA ²	6

¹ Multiple responses are included.

² Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.

FIGURE 1.9

Views on Investment Risk

Percentage of US households owning mutual funds, 2016

Level of risk willing to take with financial investments	
Substantial risk for substantial gain	7
Above-average risk for above-average gain	26
Average risk for average gain	47
Below-average risk for below-average gain	8
Unwilling to take any risk	12

CHAPTER 2

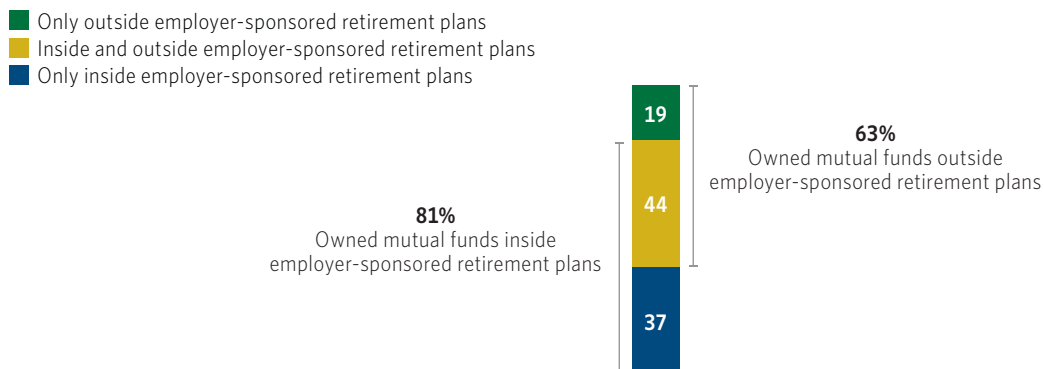
Mutual Fund-Owning Households by Fund Ownership Inside and Outside Employer-Sponsored Retirement Plans

In mid-2016, 81 percent of mutual fund-owning households in the United States held mutual funds inside employer-sponsored retirement plan accounts (Figure 2.1), which include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs). Sixty-three percent of mutual fund-owning households owned mutual funds outside employer-sponsored retirement plan accounts, purchased through either the sales force channel (investment professionals) or direct market channel. Forty-four percent of mutual fund-owning households owned funds both inside and outside employer-sponsored retirement plans.

FIGURE 2.1

Mutual Fund-Owning Households by Fund Ownership Inside and Outside Employer-Sponsored Retirement Plans

Percentage of US households owning mutual funds, 2016



Note: Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

The remaining figures for this chapter show how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by whether the mutual fund-owning households held mutual funds inside or outside employer-sponsored retirement plans (see Figures 2.2 to 2.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

CHAPTER 3

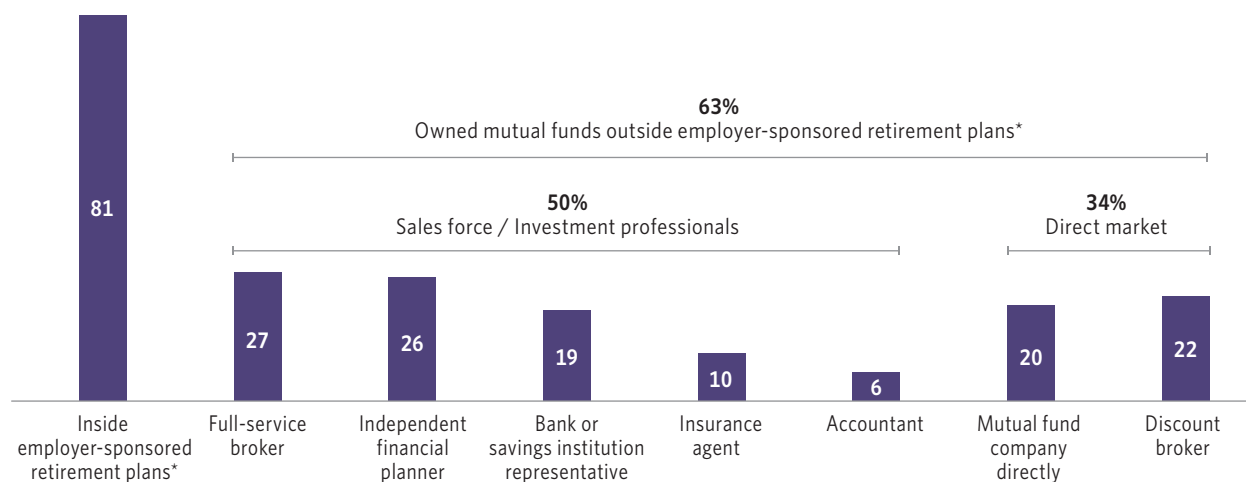
Mutual Fund-Owning Households by Channels Used to Purchase Mutual Funds Outside Employer-Sponsored Retirement Plans

In mid-2016, 81 percent of mutual fund-owning households held mutual funds through employer-sponsored retirement plans, and 63 percent owned mutual funds outside such plans (Figure 3.1). This latter group purchased funds through two sources: the sales force channel (investment professionals) and the direct market channel. The sales force channel—that is, investment professionals—includes registered investment advisers, full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. The direct market channel includes fund companies and discount brokers. In mid-2016, half of households owning mutual funds held funds purchased through the sales force channel and 34 percent owned funds purchased through the direct market channel.

FIGURE 3.1

Sources Used by Mutual Fund-Owning Households to Purchase Mutual Funds

Percentage of US households owning mutual funds, 2016



* Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

Note: Multiple responses are included.

The remaining figures for this chapter illustrate how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by purchase channel (see Figures 3.2 to 3.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

CHAPTER 4

Mutual Fund-Owning Households by Primary Source for Purchasing Funds

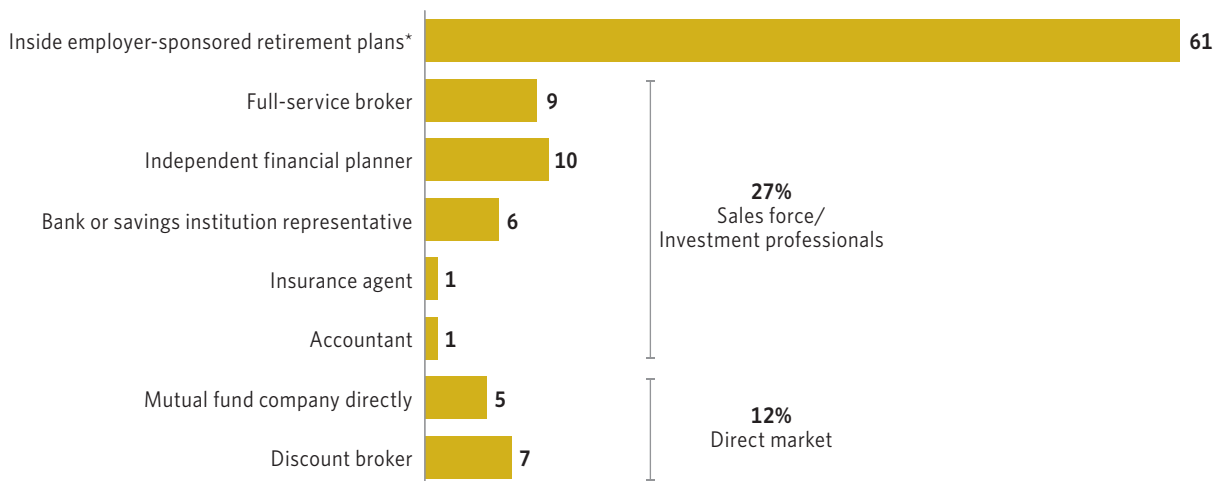
In mid-2016, 61 percent of mutual fund-owning households considered employer-sponsored retirement plans to be their primary source for purchasing mutual funds (Figure 4.1). Another 27 percent viewed the sales force channel (investment professionals) as their main source for buying funds—9 percent considered full-service brokers to be their primary fund source; 10 percent, independent financial planners; 6 percent, bank or savings institution representatives; 1 percent, insurance agents; and 1 percent, accountants.¹³ Finally, 12 percent of mutual fund-owning households viewed the direct market channel as their main source for buying funds (5 percent indicated fund companies as their primary source, and 7 percent cited discount brokers).

The remaining figures for this chapter demonstrate how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by primary purchase channel (see Figures 4.2 to 4.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

FIGURE 4.1

Mutual Fund-Owning Households by Primary Source for Purchasing Funds

Percentage of US households owning mutual funds, 2016



* Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

CHAPTER 5

Mutual Fund-Owning Households by Generation

Multiple generations of Americans own mutual funds. In mid-2016, 18 percent of individuals heading households that owned mutual funds were members of the Millennial Generation, who were born between 1981 and 2004 and were 35 or younger at the time of the survey (Figure 5.1).¹⁴ Thirty-three percent were members of Generation X, those born between 1965 and 1980 and aged 36 to 51 at the time of the survey. The Baby Boom Generation (those born between 1946 and 1964), who were between 52 and 70 at the time of the survey, made up the largest proportion—38 percent—of individuals heading mutual fund-owning households. The remaining 11 percent of individuals heading mutual fund-owning households were members of the Silent and GI Generations, born between 1904 and 1945, who were 71 or older at the time of the survey.¹⁵

FIGURE 5.1

Mutual Fund-Owning Households and Assets by Generation

Percentage of the total, 2016

- Silent and GI Generations (born between 1904 and 1945)
- Baby Boom Generation (born between 1946 and 1964)
- Generation X (born between 1965 and 1980)
- Millennial Generation* (born between 1981 and 2004)



* The Millennial Generation is aged 12 to 35 in 2016; however, survey respondents must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Older generations held the majority of mutual fund assets (Figure 5.1). In mid-2016, the Baby Boom Generation held half of total household mutual fund assets, and the Silent and GI Generations held an additional 15 percent. Generation X held 29 percent of total household mutual fund assets, and the Millennial Generation held the remaining 6 percent.

The remaining figures for this chapter explain how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by generation (see Figures 5.2 to 5.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

CHAPTER 6

Mutual Fund-Owning Households by Age

In mid-2016, 16 percent of individuals heading households that owned mutual funds were younger than 35 at the time of the survey (Figure 6.1). The largest age group was composed of individuals between the ages of 35 and 54, who were 41 percent of mutual fund-owning household heads. Twenty-two percent of individuals heading households that owned mutual funds were between the ages of 55 and 64. The remaining 21 percent were 65 or older at the time of the survey.

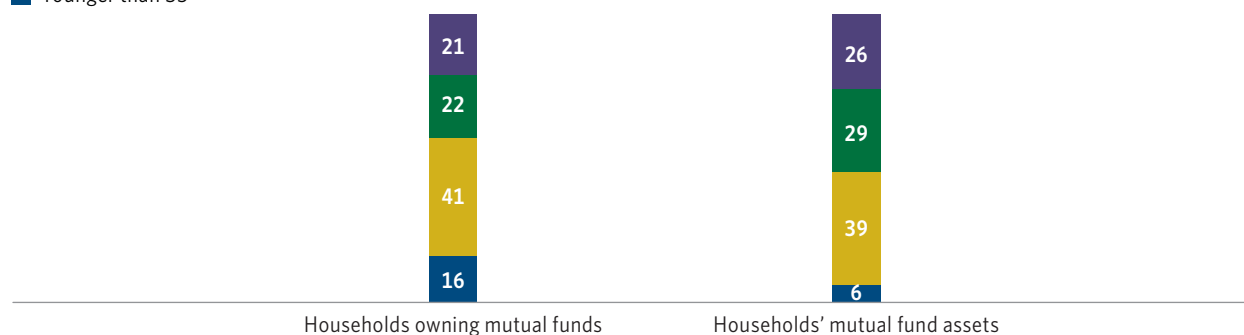
Older age groups held more than half of households' mutual fund assets (Figure 6.1). In mid-2016, 29 percent of total household mutual fund assets were held by individuals heading households between the ages of 55 and 64. Twenty-six percent was held by individuals heading households aged 65 or older. Individuals heading households aged 35 to 54 held the largest amount of mutual fund assets, 39 percent. The remaining 6 percent was held by individuals heading households aged 34 or younger.

FIGURE 6.1

Mutual Fund-Owning Households and Assets by Age

Percentage of the total, 2016

- 65 or older
- 55 to 64
- 35 to 54
- Younger than 35



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

The remaining figures for this chapter reveal how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by age group (see Figures 6.2 to 6.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

CHAPTER 7

Mutual Fund-Owning Households by Household Income

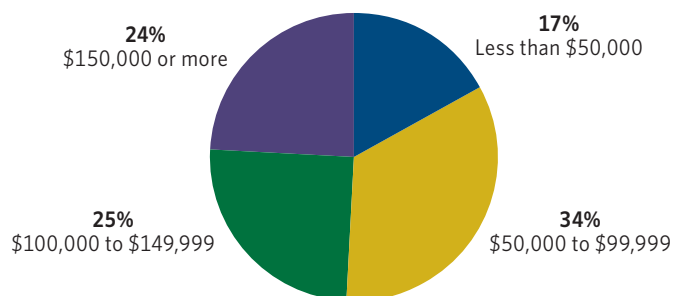
Households in all income categories own mutual funds. In mid-2016, 17 percent of mutual fund-owning households had incomes of less than \$50,000, 34 percent had household incomes between \$50,000 and \$99,999, 25 percent had household incomes between \$100,000 and \$149,999, and 24 percent had household incomes of \$150,000 or more (Figure 7.1).¹⁶ The median household income of mutual fund-owning households (\$94,300) was above the median household income nationwide (\$56,516),¹⁷ reflecting their older age, higher education, and higher likelihood of full-time employment, on average.

The remaining figures for this chapter establish how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by household income (see Figures 7.2 to 7.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

FIGURE 7.1

Mutual Fund-Owning Households by Household Income

Percentage of US households owning mutual funds, 2016



Note: Total reported is household income before taxes in 2015.

CHAPTER 8

Mutual Fund-Owning Households by Household Financial Assets

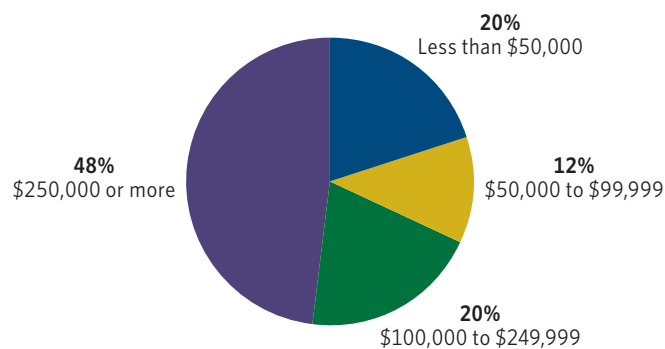
In mid-2016, 20 percent of mutual fund-owning households in the United States had household financial assets of less than \$50,000, and 12 percent had household financial assets between \$50,000 and \$99,999 (Figure 8.1). Another 20 percent had household financial assets between \$100,000 and \$249,999, and 48 percent had household financial assets of \$250,000 or more. Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

The remaining figures for this chapter demonstrate how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by household financial assets (see Figures 8.2 to 8.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

FIGURE 8.1

Mutual Fund-Owning Households by Household Financial Assets

Percentage of US households owning mutual funds, 2016



Note: Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

CHAPTER 9

Mutual Fund-Owning Households by Investment Risk Tolerance

In mid-2016, 33 percent of mutual fund-owning households in the United States were willing to take substantial or above-average risk for similar levels of financial gain (Figure 9.1). Those willing to take average risk for average financial gain—the largest group—accounted for 47 percent of all mutual fund-owning households. Twenty percent of mutual fund-owning households described themselves as willing to take below-average risk for below-average financial gain or unwilling to take any investment risk.

The remaining figures for this chapter show how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, and financial goals vary by investment risk tolerance (see Figures 9.2 to 9.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

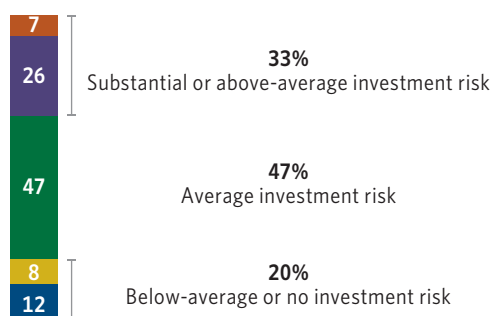
FIGURE 9.1

Mutual Fund-Owning Households by Investment Risk Tolerance

Percentage of US households owning mutual funds, 2016

Level of risk willing to take with financial investments

- Substantial risk for substantial gain
- Above-average risk for above-average gain
- Average investment risk for average gain
- Below-average risk for below-average gain
- Unwilling to take any risk



CHAPTER 10

Mutual Fund-Owning Households by Year of Initial Mutual Fund Purchase

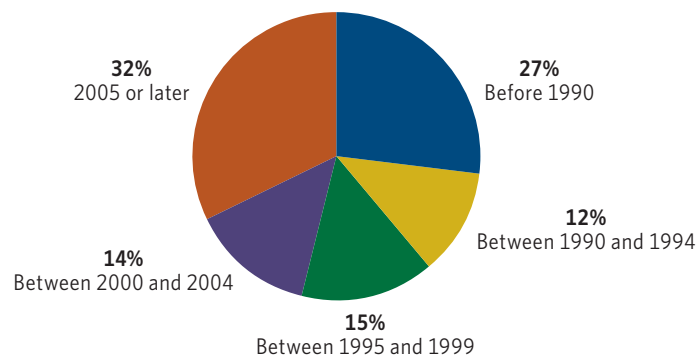
Most mutual fund-owning households have invested in mutual funds for many years. In mid-2016, 27 percent of mutual fund-owning households reported that the household purchased its first mutual fund before 1990; 12 percent purchased their first mutual fund between 1990 and 1994; 15 percent purchased their first mutual fund between 1995 and 1999; and 14 percent purchased their first mutual fund between 2000 and 2004 (Figure 10.1). Thirty-two percent of mutual fund-owning households purchased their first mutual fund in 2005 or later.

The remaining figures for this chapter illustrate how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by year of initial mutual fund purchase (see Figures 10.2 to 10.9, available in a Microsoft Excel file located at www.ici.org/info/rpt_17_profiles_data16.xls).

FIGURE 10.1

Mutual Fund-Owning Households by Year of Initial Mutual Fund Purchase

Percentage of US households owning mutual funds, 2016



Additional Reading

» **Characteristics of Mutual Fund Investors, 2016**

www.ici.org/pdf/per22-07.pdf

» **Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016**

www.ici.org/pdf/per22-06.pdf

» **2016 Investment Company Fact Book: A Review of Trends and Activities in the US Investment Company Industry**

www.icifactbook.org

» **ICI Investor Research**

www.ici.org/research/investors

Research Methodology

Research Design

TNS, a nationwide opinion research firm, conducted the survey of mutual fund-owning households under the direction of the Investment Company Institute's Research Department. The survey gathered demographic, financial, and fund ownership characteristics of mutual fund-owning households nationwide. The survey collected information on fund ownership inside and outside employer-sponsored retirement plans, including the number and types of funds owned and total mutual fund assets. The survey also gathered data about aspects of fund investing, including financial goals and willingness to take investment risk. Finally, the survey collected information on household income and demographic data such as the age, education, and marital status of the head of household.

Interviewing

ICI conducts the Annual Mutual Fund Shareholder Tracking Survey each year to gather information on the demographic and financial characteristics of mutual fund-owning households in the United States. The most recent survey was conducted from May to July 2016 and was based on a dual frame sample of 5,500 US households. Of these, 2,750 households were from a landline random digit dial (RDD) frame and 2,750 households were from a cell phone RDD frame. Of the households contacted, 2,399 (43.6 percent) owned mutual funds. All interviews were conducted over the telephone with the member of the household who was either the sole or the co-decisionmaker most knowledgeable about the household's savings and investments.

Revisions to ICI's Annual Mutual Fund Shareholder Tracking Survey

In the usual course of household survey work, researchers periodically reexamine sampling and weighting methods to ensure that the results published are representative of the underlying population of interest. ICI reexamined its Annual Mutual Fund Shareholder Tracking Survey in 2014, and the figures presented in this paper for the 2016 survey reflect a revised sampling and weighting methodology that was adopted in 2014. In order to achieve a representative sample of US households, the 2014, 2015, and 2016 Annual Mutual Fund Shareholder Tracking Survey is based on a dual frame sample of landline and cell phone numbers. The combined sample includes about 50 percent of households reached on a landline and about 50 percent of households reached on a cell phone. In previous years, the Annual Mutual Fund Shareholder

Tracking Survey was based on a sample of landline phone numbers. The change to a combined sample of cell and landline phone numbers improves the representativeness of the sample. For a detailed description of the survey methodology, see “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016,” *ICI Research Perspective* 22, no. 6 (October), available at www.ici.org/pdf/per22-06.pdf.

Revision of Survey Weights

When a survey sample is drawn from a population, the proportions of segments within the sample (by age, income, or other key variables) may not match the distribution of those segments within the population. The sample’s distribution may be different due to sampling techniques, varying degrees of nonresponse from segments of the population, or a survey design that was not able to cover the entire population. It is possible to improve the relation between the sample and the population from which it was drawn by applying weights to the sample that match the proportions present in the population. This process is known as sample-balancing, or raking.¹⁸ Because the sample methodology for the Annual Mutual Fund Shareholder Tracking Survey was changed to a dual frame RDD survey to include cell phones, it was necessary to adjust the weighting methodology for the survey. In order to combine the landline and cell phone samples, an initial base weight was created to adjust for households that could have been in both the landline and cell phone sample frames. A second stage of weighting included the standard raking to control totals based on census region, householder age, household income, and educational attainment of the head of household from the most recent version of the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).¹⁹ In the 2014, 2015, and 2016 survey, the second stage of weighting also included raking to control totals based on household telephone status from the most recent version of the National Health Interview Survey (NHIS).²⁰ The weighting adjusts for differences among the households sampled in the ICI survey and the population of US households.

Sampling Error

The use of sample surveys is standard practice for constructing estimates about a total population. Estimates derived through survey sampling are subject to sampling error. As sample size increases, the level of potential sampling error generally becomes smaller. The overall sampling error for the 2016 sample of households owning mutual funds is ± 2.0 percentage points at the 95 percent confidence level. Components may not add to 100 percent because of rounding; where respondents were allowed to provide multiple responses, percentages may add to more than 100 percent.

Notes

- ¹ Tabulations of Investment Company Institute data indicate that total net assets in mutual funds for June 2000 were \$7,122 billion. More specifically, in June 2000, equity mutual funds held \$4,292 billion; hybrid mutual funds held \$362 billion; bond mutual funds held \$810 billion; and money market mutual funds held \$1,658 billion. Total net assets in mutual funds for June 2016 were \$15,902 billion—equity mutual funds held \$8,205 billion; hybrid mutual funds held \$1,373 billion; bond mutual funds held \$3,632 billion; and money market funds held \$2,692 billion. See Table 1 in Investment Company Institute 2016b.
- ² For the full series of mutual fund incidence, see Holden, Schrass, and Bogdan 2016a.
- ³ See Figure 1.3 in Investment Company Institute 2016a.
- ⁴ See “Appendix: Research Methodology” on page 35 for details on the survey’s design, interviewing procedures, revisions to survey sampling and weighting, and sampling error.
- ⁵ For prior years’ reports, see Schrass and Holden 2008, 2009, and 2010; Schrass and Bogdan 2011 and 2012; and Bogdan and Schrass 2013, 2014, 2015, and 2016.
- ⁶ See Figure 9 in Holden, Schrass, and Bogdan 2016b.
- ⁷ Survey participants must be 18 or older and be the most knowledgeable about the household’s savings and investments; so although people born between 1981 and 2004 are members of the Millennial Generation, only those born between 1981 and 1998 are included in this survey.
- ⁸ The majority of this grouping is the Silent Generation. The GI Generation, which includes individuals born between 1904 and 1924, represented less than 0.5 percent of individuals heading mutual fund-owning households in 2016. The Silent Generation accounted for 11 percent.
- ⁹ Throughout this report, *head of household* refers to the interviewee (respondent) who identified themselves as the sole or co-decisionmaker for household saving and investing.
- ¹⁰ IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs). For additional information on IRA-owning households, see Holden and Schrass 2017.
- ¹¹ Balanced funds, also called hybrid funds, invest in a mix of equities and fixed-income securities. Most target date and lifestyle mutual funds are counted in this category.
- ¹² See Figure 12 in Holden, Schrass, and Bogdan 2016a. In 2016, 33 percent of mutual fund-owning households were willing to take above-average or substantial investment risk, compared with 11 percent of households not owning mutual funds.
- ¹³ The sample sizes for mutual fund-owning households that consider either insurance agents or accountants to be their primary source for purchasing mutual funds were too small to analyze. Thus, Figures 4.2 to 4.9 do not report separate data for those households.
- ¹⁴ Survey participants must be 18 or older and be the most knowledgeable about the household’s savings and investments; so although people born between 1981 and 2004 are members of the Millennial Generation, only those born between 1981 and 1998 are included in this survey.
- ¹⁵ The majority of this grouping is the Silent Generation. The GI Generation, which includes individuals born between 1904 and 1924, represented less than 0.5 percent of individuals heading mutual fund-owning households in 2016. The Silent Generation accounted for 11 percent.
- ¹⁶ Total reported is household income before taxes in 2015.
- ¹⁷ The median household income nationwide was \$56,516 in 2015. See US Census Bureau 2016.
- ¹⁸ See Izrael, Hoaglin, and Battaglia 2004.
- ¹⁹ See US Census Bureau 2016.
- ²⁰ Responses were weighted to five telephone status categories: cell phone-only; both, cell phone-mostly; both, equally; both, landline-mostly; and landline-only. See Blumberg and Luke 2016.

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Daniel Schrass



Daniel Schrass is an associate economist in the retirement and investor research division at the Investment Company Institute (ICI). He joined ICI in October 2007. At the Institute, he focuses on investor demographics and behavior as well as trends in household retirement saving activity, including detailed research into IRA-owning households and individual IRA investors. Before joining ICI, he served as an economist at the US Bureau of Labor Statistics. He has an MA in applied economics from the Johns Hopkins University and a BS in economics from the Pennsylvania State University.

Michael Bogdan



Michael Bogdan, associate economist, retirement and investor research, joined ICI in 1997. Bogdan conducts research concerning the Institute's household surveys. His areas of expertise include households' ownership of mutual funds and other investments, retirement plans, and individual retirement accounts (IRAs). Bogdan also conducts research with government surveys such as the Survey of Consumer Finances and the Current Population Survey. Before joining ICI, Bogdan worked for the chemical engineering department at Michigan State University as a technology transfer specialist for the Composite Materials and Structures Center. He has an MA and a BS in economics from Miami University in Oxford, Ohio.

