

Traditional IRAs Powered by Rollovers; But Little in Contributions

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Tax Season Reminder: Savers Can Still Make Tax Year 2013 Contributions to IRAs until April 15

Washington, DC, March 10, 2014 - Traditional individual retirement accounts (IRAs) continue to be opened predominantly with rollovers from employer-sponsored retirement plans and data also show that few Americans used the opportunity to contribute and save directly in IRAs in 2012. Those are the key findings from the annual update of a study released by the Investment Company Institute.

The new data in "[The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2012](#)" shows that nearly nine out of 10 traditional IRAs opened in 2012 were opened with rollovers. It also highlights low traditional IRA contribution activity: in tax year 2012, 8.4 percent of traditional IRA investors aged 25 to 69 contributed to their traditional IRAs. The analysis also finds that those individuals using traditional IRAs as a contributory savings vehicle show persistence in their contribution activity. For example, more than two-thirds of traditional IRA investors contributing at the limit in 2011 did so again in 2012.

"IRAs are a key component of the retirement landscape with a total of \$6.2 trillion held in all forms of IRAs as of September 2013," said Sarah Holden, Senior Director of Retirement and Investor Research. "And while in recent years most traditional IRAs are created through rollovers, traditional IRAs represent an important contributory savings vehicle, especially for workers without retirement plans through their employers."

Study Serves as Reminders for Savings Vehicle Option and 2013 Tax Filing Opportunity

The low traditional IRA contribution activity in the study serves as three important real-world reminders:

1. For Americans focused on saving for retirement, the traditional IRA is a savings vehicle available to workers for themselves and their spouses.
2. Individuals may be eligible to make deductible or non-deductible traditional IRA contributions.
3. As Americans file their tax returns in the coming weeks, contributions to traditional IRAs for 2013 may be made until the due date for 2013 tax returns—for most households, that's April 15, 2014.

Data Find Traditional IRA Savers Stayed the Course; Account Balances Back

The report also presents analysis of 5.5 million consistent traditional IRA investors, which finds that traditional IRA savers showed little reaction to the 2008 financial crisis. Although account balances fell considerably following the stock market decline in 2008, the average traditional IRA balance for traditional IRA investors aged 25 to 69 with account balances in all years between 2007 and 2012 was higher at year-end 2012 than at year-end 2007. The change in traditional IRA balances reflects contributions, rollovers, conversions, withdrawals, and investment returns.

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