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Rollovers Often Are Key in Traditional IRA Ownership

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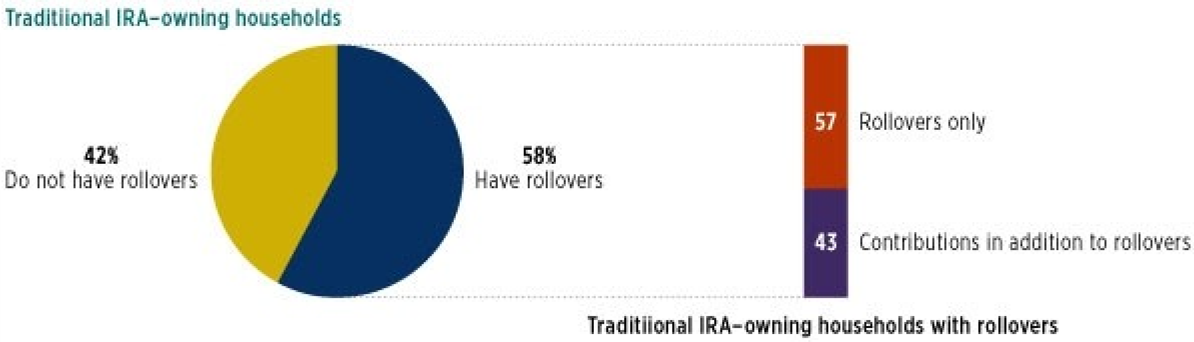
Washington, DC, December 19, 2018—The majority of US households with traditional individual retirement accounts (IRAs) indicated their traditional IRAs included rollovers from workplace retirement plans, according to a survey released today by the Investment Company Institute (ICI). These rollovers allow investors to continue accumulating retirement savings when they change jobs over the course of their careers.

The study,"The Role of IRAs in US Households' Saving for Retirement, 2018," found that 58 percent of traditional IRA–owning households, or 19 million US households, indicated that their traditional IRAs contained rollovers from employer-sponsored retirement plans in 2018. Traditional IRA owners cited multiple reasons for rolling over their retirement accumulations, including avoiding leaving assets behind with a former employer (64 percent), preserving the tax treatment of the savings (60 percent), consolidating assets (54 percent), and having more investment options (54 percent). More than four in 10 traditional IRA–owning households with rollovers indicated that they also took advantage of contributions.

"Traditional IRAs, which are the most common type of IRA, provide a vital tool for American workers to preserve and grow their retirement savings over their careers," said Sarah Holden, ICI's senior director of retirement and investor research. "The data show that a majority of these households have planned ahead, having developed a multi-component strategy for managing their assets and income in retirement."

Traditional IRAs Often Contain Rollovers

Percentage of traditional IRA–owning households, 2018



Source: Investment Company Institute IRA Owners Survey

IRA Withdrawal Frequency Is Low

The study also found that traditional IRA–owning households rarely withdrew from their accounts and that most of the withdrawals are retirement related. Only 26 percent of traditional IRA–owning households in 2018 took withdrawals in tax year 2017, consistent with previous years. Eighty-five percent of households that made withdrawals were retired and only 5 percent of traditional IRA–owning households headed by individuals younger than 59 took withdrawals in tax year 2017.

Other key findings of the report include:

- **One-third of US households owned IRAs in 2018.** More than eight in 10 IRA-owning households also had accumulations in employer-sponsored retirement plans. More than 60 percent of all US households had either retirement plans through work or IRAs, or both.
- **More than one-quarter of US households owned traditional IRAs in 2018.** Traditional IRAs were the most common type of IRA owned, followed by Roth IRAs (owned by about 18 percent of US households) and employer-sponsored IRAs (owned by 6 percent).
- **IRA-owning households cover a wide range of incomes.** In 2018, the majority of IRA-owning households had incomes less than $100,000: 12 percent had household incomes less than $35,000 and 40 percent had household incomes between $35,000 and $99,999.
- **Most traditional IRA–owning households have a planned retirement strategy.** Nearly two-thirds of traditional IRA–owning households indicated they have a strategy for managing income and assets in retirement. Typically, these strategies have many components, often including reviewing asset allocations, determining retirement expenses, developing a retirement income plan, setting aside emergency funds, and determining when to take Social Security benefits.

About the Study

"The Role of IRAs in US Households' Saving for Retirement, 2018" reports information from two separate ICI household surveys. ICI's 2018 IRA Owners Survey, which was conducted in June 2018, is based on a representative sample of 3,219 US households owning traditional IRAs or Roth IRAs. The 2018 ICI Annual Mutual Fund Shareholder Tracking Survey, which was conducted from May to July

2018, is based on a sample of 5,001 randomly selected US households.