

## IRA Ownership Steady, Rollovers Fuel IRA Asset Growth

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## IRA Assets Are a Significant Component of U.S. Retirement Wealth

**Washington, DC, December 1, 2010** - Americans are accumulating significant resources in individual retirement accounts (IRAs) largely through rollovers from employer-sponsored retirement plans, according to a new report published today by the Investment Company Institute. Among the nearly 49 million U.S. households owning IRAs in May 2010, IRA assets accounted for about one-third of household financial assets. With \$4.2 trillion in assets, IRAs accounted for more than one-quarter of all U.S. retirement wealth in the second quarter of 2010.

Rollovers from employer-sponsored retirement plans continue to play a key role in building IRA assets. In May 2010, more than half of U.S. households owning traditional IRAs had rollover assets in their traditional IRAs. Among households reporting rollover activity, 85 percent indicated the entire plan balance was preserved with the rollover.

“The data highlight the important role that IRAs play in U.S. retirement saving, particularly as a repository for rollovers, and suggest individuals are responsible stewards of their retirement accumulations,” said Sarah Holden, ICI’s senior director of retirement and investor research.

### **IRA Ownership and Contribution Activity Remain Steady**

The study, *The Role of IRAs in U.S. Households’ Saving for Retirement, 2010*, finds that four out of 10 U.S. households owned IRAs in May 2010—essentially the same as in May 2009. Fifteen percent of U.S. households contributed to IRAs in tax year 2009, the same as in tax year 2008. Traditional IRAs continue to be the most popular form of IRAs, with 33 percent of U.S. households owning them in May 2010.

## IRA Withdrawal Activity Down, Due in Part to Change in 2009 Tax Rules

The research finds IRA withdrawals continued to be infrequent and mostly retirement related. However, withdrawal activity among traditional IRA-owning households fell to lower levels in tax year 2009. The drop coincided with the suspension of the required minimum distribution (RMDs) from traditional IRAs in 2009, enacted by the Worker, Retiree, and Employer Recovery Act of 2008. Fifteen percent of households owning traditional IRAs in 2010 reported taking withdrawals from these IRAs in tax year 2009, compared with 19 percent in tax year 2008 and 20 percent in tax year 2007.

### Other Findings on IRA Ownership and Withdrawal Activity

- **In 2010, 41 percent of U.S. households owned IRAs.** Eight percent only owned IRAs and 33 percent had IRAs and participated in employer-sponsored retirement plans (defined contribution plan accounts or defined benefit plan coverage). Another 29 percent of U.S. households reported only having employer-sponsored plans. All told, 70 percent of U.S. households had retirement plans through work or IRAs.
- **Most traditional IRA withdrawals were made by retirees.** Fifteen percent of traditional IRA-owning households took withdrawals in tax year 2009, and the vast majority—73 percent—of the households taking withdrawals reported someone in the household was retired.
- **IRA owners generally plan to hold off on making IRA withdrawals until required to do so by law.** Fifty-nine percent of traditional IRA-owning households not making withdrawals in tax year 2009 indicated it was unlikely they would withdraw from their IRAs before required at age 70½. Living expenses and emergency expenses were the two most frequently mentioned expected future uses of IRA monies.

The study reports information from two separate ICI household surveys. ICI's 2010 IRA Owners Survey was conducted in May 2010, based on a sample of 1,800 randomly selected, representative U.S. households owning traditional IRAs, Roth IRAs, or employer-sponsored IRAs. The 2010 ICI Annual Mutual Fund Shareholder Tracking Survey was also conducted in May 2010, based on a sample of 4,200 randomly selected U.S. households, of which 1,738 households, or 41.4 percent, owned IRAs.

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