

More Than One-Third of US Households Save Through IRAs

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ICI report finds that IRA investors plan and execute strategies for managing income and assets in retirement

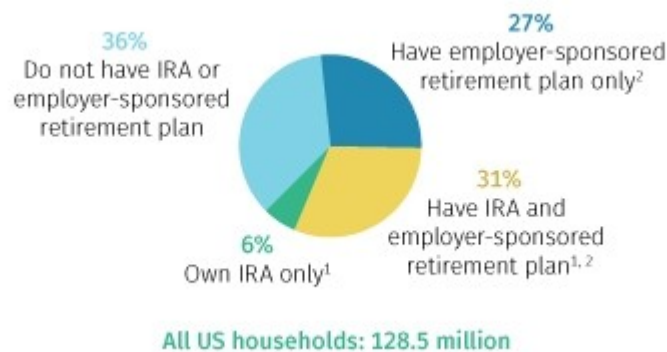
Washington, DC; January 12, 2021—More than one-third of US households—37 percent, or 48 million households—owned individual retirement accounts (IRAs) in mid-2020, according to “[The Role of IRAs in US Households’ Saving for Retirement, 2020](#),” an Investment Company Institute (ICI) study released today.

The study also finds that the majority of households using traditional IRAs pursue thoughtful strategies to manage income and assets in retirement. According to the paper, in planning for retirement, 70 percent of these households reviewed their asset allocation; 67 percent determined their retirement expenses; 66 percent developed a retirement income plan; 60 percent set aside emergency funds; and 50 percent determined when to take Social Security benefits.

“IRAs are an essential savings vehicle used by 48 million American households to prepare for retirement,” said Sarah Holden, ICI’s senior director of retirement and investor research. “These survey results shed light on the high level of engagement by IRA-owning households to consolidate, protect, and manage their nest eggs to and through retirement.”

Many US Households Have Tax-Advantaged Retirement Savings

Percentage of US households, 2020



¹ IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

² Employer-sponsored retirement plans include defined contribution (DC) and defined benefit (DB) retirement plans.

Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and US Census Bureau

Traditional IRAs Often Contain Rollovers

The study found that in mid-2020, about six in 10 traditional IRA-owning households indicated that their traditional IRAs contained rollovers from employer-sponsored retirement plans. Among households with rollovers in their traditional IRAs, 81 percent indicated that they rolled over the entire retirement account balance in their most recent rollover, while 43 percent also made contributions to their traditional IRAs at some point.

These households cite multiple reasons for rolling over their retirement plan assets into traditional IRAs. The three most common primary reasons for rolling over were not wanting to leave assets behind at the former employer (23 percent), wanting to preserve the tax treatment of the savings (17 percent), and wanting to consolidate assets (16 percent). Another 11 percent reported that their primary reason for rolling over was to access more investment options than they found in their employer plans.

Other key findings of the report include:

- **More than eight in 10 IRA-owning households also had employer-sponsored retirement plan accumulations or had defined benefit plan coverage.** All told, more than six in 10 US households had retirement plans through work or IRAs; more than three-quarters of near-retiree households did.
- **IRA withdrawals were infrequent and mostly retirement related.** Twenty-seven percent of traditional IRA-owning households in mid-2020 took withdrawals in tax year 2019, about the same share as in tax year 2018.
- **The majority of households taking traditional IRA withdrawals were headed by retirees.** Eighty-five percent of households that made traditional IRA withdrawals were retired. Only 6 percent of traditional IRA-owning households in mid-2020 headed by individuals younger than 59 took withdrawals. Seventy-six percent of traditional IRA-owning households with withdrawals calculated the withdrawal using the required minimum distribution (RMD) rule—this was the most common amount withdrawn.

About the Study

“[The Role of IRAs in US Households’ Saving for Retirement, 2020](#)” reports information from two separate ICI household surveys. ICI’s IRA Owners Survey, which was conducted in June 2020, is based on a representative sample of 3,277 US households owning traditional IRAs or Roth IRAs. ICI’s Annual Mutual Fund Shareholder Tracking Survey, which was conducted from May to June 2020, is based on a sample of 3,001 US households.

For more information about the role of IRAs in US households’ saving for retirement, see the appendix to the paper, available at www.ici.org/info/per27-01_data.xls.

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