

ICI VIEWPOINTS

MAY 10, 2024

Looking Back on a Century of Innovation

By Erica Richardson

As ICI celebrates the 100th anniversary of the mutual fund, we're all celebrating 100 years of innovation across the regulated funds industry—innovation that has enriched everyday investors.

In 1924, when the Massachusetts Investors' Trust opened, no one could have imagined today's world of sophisticated investment products traded at lightning speed from anywhere in the world. Consumers can purchase nearly any investment product with nothing more than the swipe of a finger, and access to those features grows by the day.

But well before online investing, pooled investment funds were an innovation to democratize investment. When mutual funds were first introduced, the scalability provided by their open-end features and the ability to redeem shares on any trading day were a hit with investors. The industry has innovated further, introducing exchange-traded funds, which can trade throughout the day without the fund needing to redeem shares—highly attractive for the modern environment of instant online trading.

Whereas the first pooled investment funds were predominantly ways to access stocks, bond funds—including tax-exempt municipal bond funds—began to take off in the 1970s, as did a groundbreaking solution to the limitations of bank accounts called a money market fund. Today, trillions of dollars are collectively held in money market and municipal bond funds, a sign of confidence in their ability to help individuals preserve and build wealth through highly rated investments.

Diversification no longer requires a large, complex portfolio for an individual investor of moderate means, nor does expert management have to come at an exorbitant cost. Today, innovations like index funds compound that advantage, letting investors buy, hold, and trade whole industries, regions, or

even the global stock market via a simple, low-cost vehicle.

Target date funds are another sophisticated innovation offering convenience and diversification. Born in the 1990s as an option to simplify retirement saving, these funds have become especially popular with younger retirement savers as well as families investing for college. And closed-end funds, offering exposure to specialized corners of the market plus other unique features, have served the needs of millions of retirees and other income-seeking investors.

Investment fund companies are constantly looking to expand both accessibility and affordability. Fierce competition has inspired new products across the industry, each company jockeying for a share of the market via unique strategies, sophisticated technologies, and cost efficiencies that have helped drive [average expense ratios to historic lows](#). Index funds have kept that competition sharp, with asset managers competing to provide index tracking services at lower costs.

On top of these developments, modern improvements in retirement plan design, a burgeoning investing culture, and an increased societal push to save early and often have led younger generations to take greater advantage of investment opportunities. In fact, [Gen Z and Millennial households have made more progress in retirement saving](#) than previous generations had at the same stages of life. The opportunity to save through mutual funds, collective investment trusts, and other pooled options in tax-deferred retirement plans has been a main driver for these young investors. And ICI supports legislation that seeks to improve access to retirement saving for underserved populations, as the Secure 2.0 Act did when it was passed in late 2022.

For a hundred years, the industry has been meeting investors where they are, providing services and solutions to stay ahead of the financial and technological needs of a changing world. We're carrying that spirit of experimentation and innovation with us into the next hundred—and beyond.

Erica Richardson is ICI's Chief Strategic Communications Officer.