

FUNDAMENTALS

MUTUAL FUND RESEARCH IN BRIEF ICI RESEARCH DEPARTMENT NOVEMBER/DECEMBER 1995

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Shareholders' Use of Home PCs

The use of personal computers (PCs)¹ in the home has exploded in the last five years, with estimates of U.S. household PC ownership climbing from 16 percent in 1990 to 33 percent in 1995.² PC ownership among mutual fund shareholders has consistently outpaced the national average, growing from 28 percent in 1990 to 56 percent in 1995, according to ICI research. ICI estimates that nearly 17 million fund-owning households have personal computers, representing slightly more than half of all PC households nationwide (Figure 1).

Thirty-one percent of fund-owning PC households (5.2 million) subscribe to online services, usually either America Online or Prodigy (Figure 2). Nationally, 27 percent of PC-owning households belong to one or more online services.³ Eighteen percent of all fund-owning households with PCs (3 million) use the Internet (Figure 3). Across the U.S., approximately 14 percent of all PC households use the Internet.⁴

The July ICI survey also found that most fund-owning PC households, including subscribers to online services, do

not use PCs to conduct financial transactions or obtain financial information (Figure 4). According to the Software Publishers Association (SPA), the top software applications among home PC owners are word processing and games, with more than three quarters using these types of programs. SPA research indicates that almost 60 percent of all home PC owners have spreadsheet or personal finance software.⁵

Figure 1

Mutual Fund Shareholders with Home PCs, July 1995

(percent of respondents)

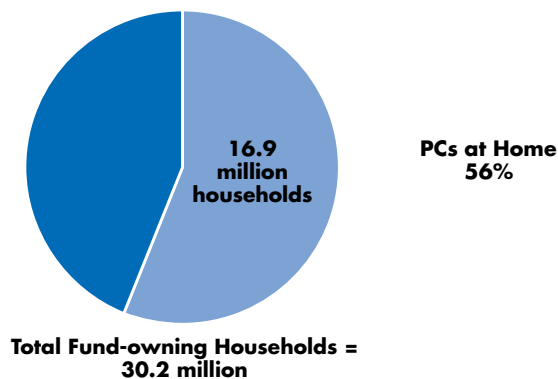
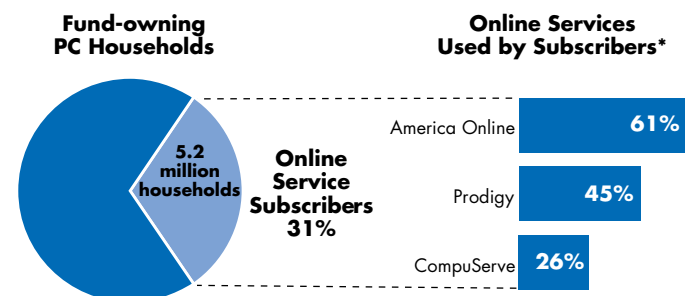


Figure 2

Shareholders' Use of Home PCs for Online Services, July 1995

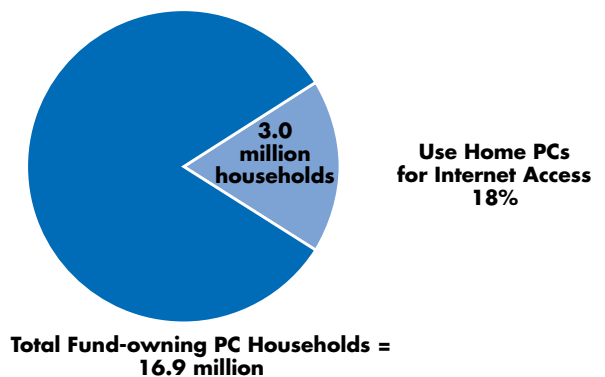


*multiple responses included

Figure 3

Shareholders' Use of Home PCs for Internet Access, July 1995

(percent of respondents with home PCs)



¹ The term personal computer is used here to describe both Intel/Microsoft machines as well as those from other manufacturers such as Apple.

² *Statistical Abstract of the United States*, page 742, and Software Publishers Association, News Release, March 1995.

³ ICI calculations based on data reported in *American Demographics*, August 1995, page 14.

⁴ Ibid.

⁵ Software Publishers Association, News Release, March 1995.

Figure 4

Shareholders' Use of Home PCs to Conduct Financial Transactions or Obtain Financial Information, July 1995

(percent of shareholders with home PCs)

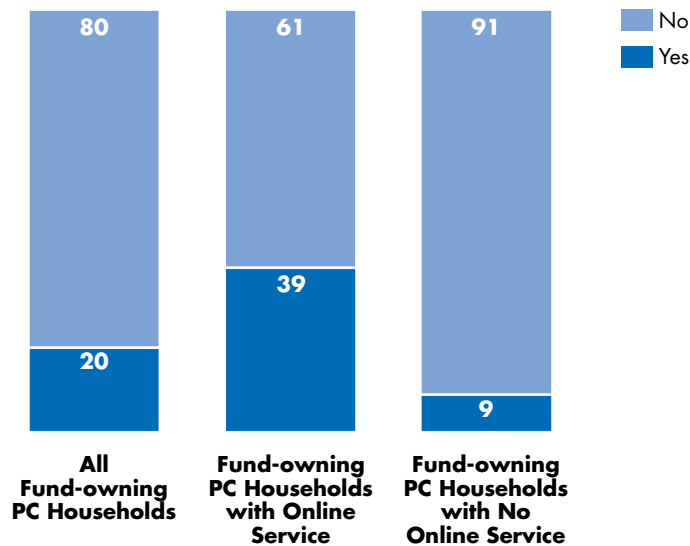


Figure 5

Demographic and Financial Characteristics of Fund Shareholders with Home PCs, July 1995*

	Have PCs at Home			
	Total	Online Service Subscribers	Internet Users	No PC at Home
Median				
Age	41	41	41	44
Household income	\$60,000	\$75,000	\$70,000	\$41,000
Financial assets**	\$50,000	\$50,000	\$50,000	\$40,000
Percent of Respondents				
Completed graduate school	24	28	32	13
Married	74	78	69	65
Widowed	3	2	1	7
Employed (full or part time)	88	91	93	77
Retired from lifetime occupation	10	8	7	21
Owning:***				
Individual stocks	58	60	60	45
Individual bonds	25	28	26	21
Annuities (fixed and variable)	24	23	20	21
Real estate (excluding primary residence)	40	44	37	32
Have:***				
An IRA	64	63	55	59
A 401(k) plan	63	63	63	57

* Shareholder refers to the household's responding financial decisionmaker for mutual fund investments.

** excluding real estate and assets in employer-sponsored retirement plans

*** multiple responses included

The typical mutual fund shareholder with a home PC is 41 years old with household income of \$60,000 and financial assets of \$50,000. Most shareholders with home PCs are married, employed, have an IRA and a 401(k) plan, and own individual stock. Shareholders who use online services or the Internet typically have greater household incomes than do other shareholders (Figure 5).

Shareholders with home PCs have 40 percent of household financial assets invested in mutual funds, and own a median of three funds from two companies. Those who use the Internet, however, own a median of four funds. Regardless of PC usage, shareholders primarily are customers of the sales-force channel. Still, those with PCs tend to be more active mutual fund investors, taking advantage of fund services such as automatic investing or automatic reinvestment of dividends and capital gains distributions (Figure 6).

Figure 6

Mutual Fund Ownership Characteristics of Shareholders with Home PCs, July 1995

	Have PCs at Home			
	Total	Online Service Subscribers	Internet Users	No PC at Home
Median per Household				
Mutual fund assets	\$20,000	\$22,000	\$22,500	\$17,000
Mutual funds owned	3	3	4	3
Mutual fund companies with which fund assets are invested	2	2	2	2
Percent of Households				
Owning:*				
Equity mutual funds	79	76	79	68
Fixed-income mutual funds	52	48	46	45
Money market mutual funds	53	52	58	48
Currently own mutual fund(s) bought through:*				
Sales force channel	70	68	64	75
Direct market channel	39	41	48	32
Bought first mutual fund:				
Prior to January 1990	69	71	70	68
Between 1990 and 1992	20	18	14	19
Since January 1993	11	11	16	13
Account activity in preceding 12 months:*				
Added money to existing fund	55	60	68	34
Automatically purchased shares via a bank account or paycheck (e.g., wire transfers)	37	38	41	26
Automatically reinvested dividends and capital gain distributions	82	84	82	67

* multiple responses included