

# FUNDAMENTALS

INVESTMENT COMPANY INSTITUTE RESEARCH IN BRIEF

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## Mutual Fund Ownership in the U.S.

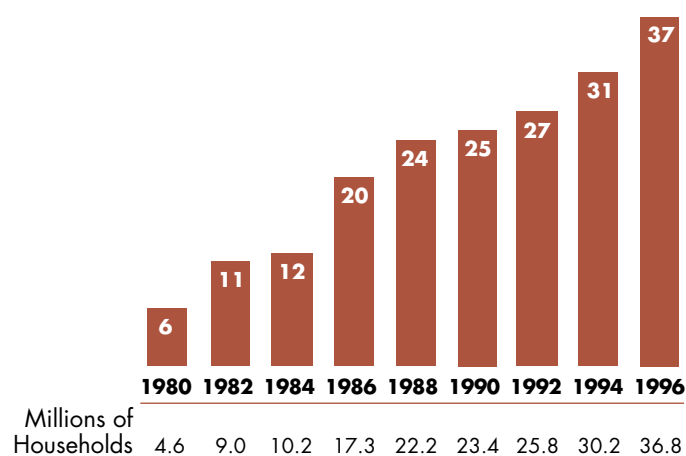
### Household Ownership of Mutual Funds

An estimated 63 million individuals, making up 36.8 million households, owned mutual funds either directly or through a retirement plan as of April 1996.<sup>1</sup> These fund-owning households represented 37 percent of all U.S. households, up from 31 percent in mid-1994. Over this period, the estimated number of households owning mutual funds rose 6.6 million, or more than 20 percent (Figure 1).

Figure 1

### Ownership of Mutual Funds by U.S. Households, 1980-1996<sup>1</sup>

(percent of U.S. households)



<sup>1</sup>Households owning mutual funds from 1980 to 1986 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; percentages for 1988 through 1992 exclude households only owning mutual funds through employer-sponsored retirement plans; percentages for 1994 and 1996 include households only owning mutual funds through employer-sponsored retirement plans. The standard error for the 1996 survey is  $\pm 2.0$  percent at the 95 percent confidence level.

<sup>1</sup>This analysis is based on a survey conducted by the Investment Company Institute with a representative, random sample of 2,644 U.S. households. The standard error is  $\pm 2.0$  percent at the 95 percent confidence level. The U.S. Census estimates that there were 98.9 million U.S. households in July 1996 (See U.S. Census, Current Population Reports, Series P-25-1129, Projections of the Number of Households and Families in the United States: 1995 to 2010). The age distribution of the Institute's sample differs only slightly from the U.S. Census' 1996 estimate of the age distribution of heads of households (the distribution differences relate to the percent of households headed by those younger than 35 and by those 65 or older). (See U.S. Census, Current Population Reports, Series P-25-1129, Projections of the Number of Households and Families in the United States: 1995 to 2010). The income distribution of the Institute's sample closely matches the U.S. Census' 1993 household income data (most recent data available). (See U.S. Census, Current Population Reports, Series P60-189, Income, Poverty, and Valuation of Noncash Benefits: 1994).

### Mutual Fund Ownership by Income

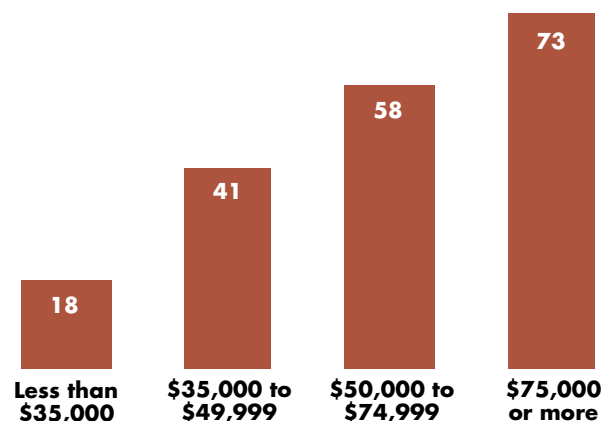
Mutual fund ownership among U.S. households tends to increase with household income. For example, in April 1996, 18 percent of U.S. households with annual income below \$35,000 owned mutual funds, while 73 percent of those with annual income of \$75,000 or more owned mutual funds (Figure 2). Stock funds, owned by 23 percent of all U.S. households, are the most widely held type of mutual fund. Sixteen percent of U.S. households owned bond and income funds, while 13 percent owned money market mutual funds. Ownership of each type of fund also tends to rise with household income (Figure 3).

Despite the correlation between ownership rates and household income, the majority of U.S. households owning mutual funds at the time of the survey had moderate income. Nearly one half had income ranging from \$35,000 to \$74,999, while another quarter had income below this range (Figure 4).

Figure 2

### Mutual Fund Ownership Within Household Income Groups, 1996

(percent of U.S. households<sup>1</sup>)



<sup>1</sup>The percent of households in each income group is based on the Institute's survey data, and closely matches the U.S. Census' 1993 household income data (most recent data available). (See U.S. Census, Current Population Reports, Series P60-189, Income, Poverty, and Valuation of Noncash Benefits: 1994).

Figure 3

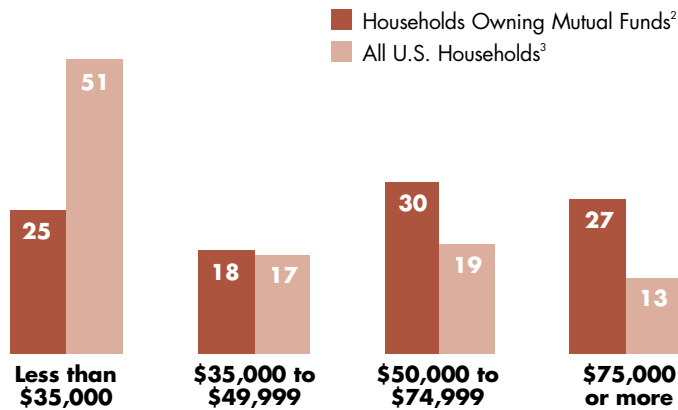
### Mutual Fund Ownership Within Household Income Groups by Type of Fund Owned, 1996 (percent of U.S. households<sup>1</sup>)

	Stock Funds	Bond and Income Funds	Money Market Funds
All U.S. Households	23	16	13
Less than \$35,000	8	7	5
\$35,000-\$49,999	24	17	15
\$50,000-\$74,999	37	28	21
\$75,000 or more	55	33	29

<sup>1</sup>See explanation in Figure 2.

Figure 4

### Distribution of Households by Income, 1996<sup>1</sup> (percent)



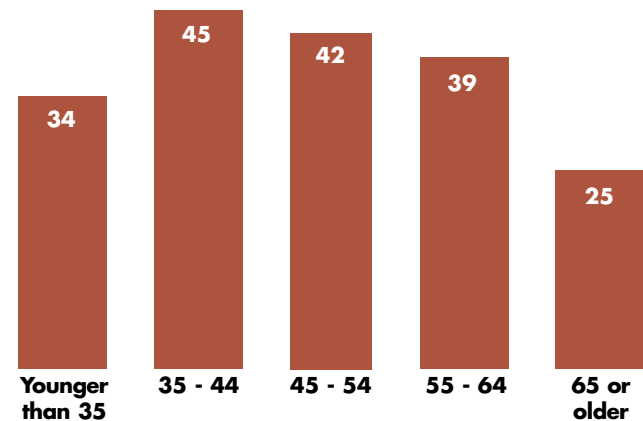
<sup>1</sup> Household income before taxation for 1995.

<sup>2</sup>Includes money market, stock, bond and income, IRA, Keogh, and 401(k) fund owners.

<sup>3</sup>See explanation in Figure 2.

Figure 5

### Mutual Fund Ownership Within Household Age Groups, 1996 (percent of U.S. households<sup>1</sup>)



<sup>1</sup>The percent of households in each age group is based on the Institute's survey data, and closely matches the U.S. Census' 1996 estimate of the age distribution of heads of households. (See U.S. Census, Current Population Reports, Series P25-1129, Projections of the Number of Households and Families in the United States: 1995 to 2010).

### Mutual Fund Ownership by Age

Mutual fund ownership by age was more uniform than ownership by income. Fund ownership was greatest among households headed by individuals aged 35 to 44 years, and was least frequent among those aged 65 or older (Figure 5).

Stock funds appear to be most popular among U.S. households in the 35-to-44 and 45-to-54 age groups, with about one quarter of all U.S. households in these two age groups owning such funds. In contrast, 14 percent of elderly households (defined as those representing the 65-or-older age group) owned stock funds (Figure 6).

Among all owners of mutual funds, 60 percent are below age 45, with 32 percent between 35 and 44, and 28 percent younger than 35. The percentage of mutual fund households accounted for by those aged 45 to 54 was 19 percent, and the percentage accounted for by those 55 or older was 21 percent (Figure 7).

Figure 6

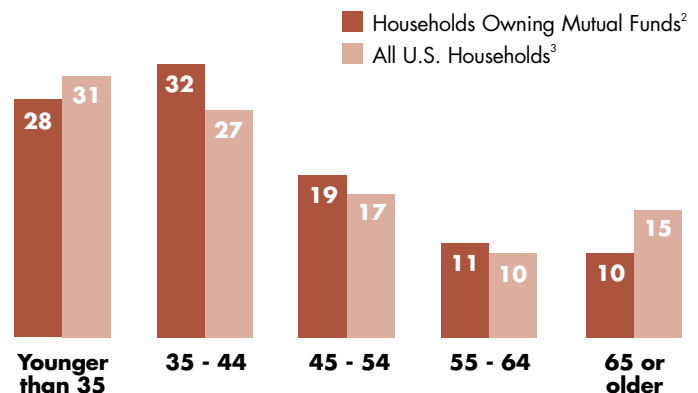
### Mutual Fund Ownership Within Household Age Groups by Type of Fund Owned, 1996 (percent of U.S. households<sup>1</sup>)

	Stock Funds	Bond and Income Funds	Money Market Funds
All U.S. Households	23	16	13
Younger than 35	20	13	11
35-44	28	20	16
45-54	27	17	16
55-64	22	20	14
65 or older	14	16	12

<sup>1</sup>See explanation in Figure 5.

Figure 7

### Distribution of Households by Age, 1996<sup>1</sup> (percent)



<sup>1</sup>Age of head of household.

<sup>2</sup>Includes money market, stock, bond and income, IRA, Keogh, and 401(k) fund owners.

<sup>3</sup>See explanation in Figure 5.