

# Fundamentals

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## U.S. Household Ownership of Closed-End Funds in 2001

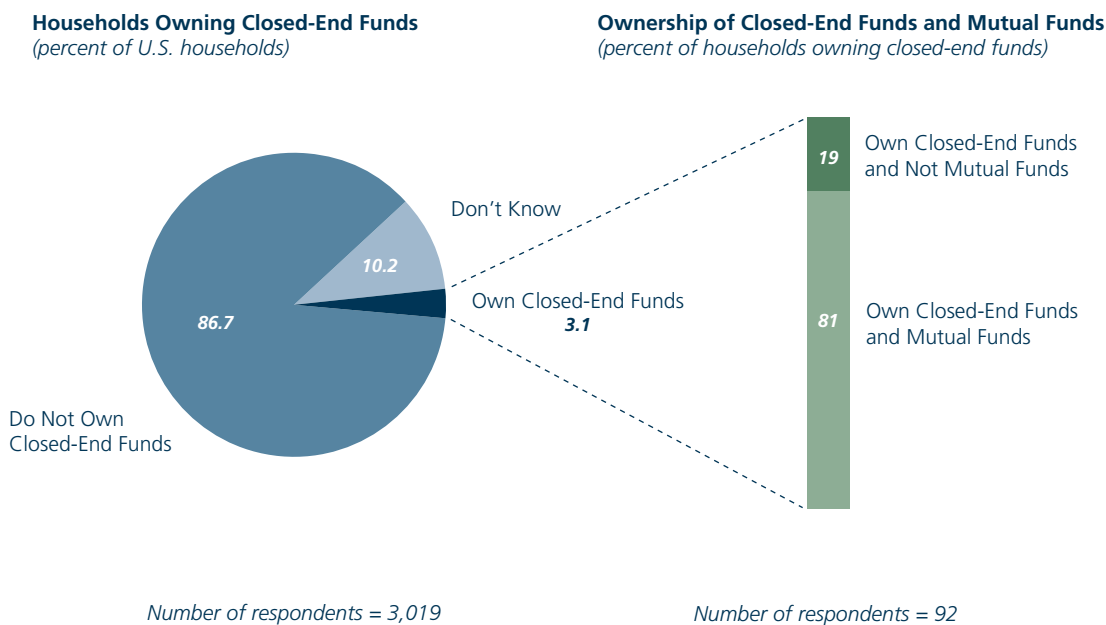
An estimated 3.3 million, or 3.1 percent, of all U.S. households owned closed-end funds in 2001.<sup>1,2</sup> Eighty-one percent of closed-end fund owners also owned open-end, or mutual, funds (Figure 1).

### Characteristics of Households Owning Closed-End Funds

The median age of individuals heading households owning closed-end funds was 48 in 2001 (Figure 2). About three-quarters of these individuals were

figure 1

### U.S. Households That Own Closed-End Funds, 2001



source: Investment Company Institute Annual Tracking Survey (2001)

<sup>1</sup> Closed-end funds are one of the three principal types of investment companies, along with open-end, or mutual, funds and unit investment trusts, recognized under the Investment Company Act of 1940. Closed-end funds generally offer a fixed number of shares that are publicly traded. The price of a closed-end fund's shares fluctuates based on investor supply and demand. Closed-end funds are not required to redeem shares and have managed portfolios.

<sup>2</sup> The data presented on household ownership of closed-end funds is based on an Institute survey of 3,019 randomly selected U.S. households conducted in May 2001. The standard error is +/-1.8 percent at the 95 percent confidence level. In 1998, the incidence of closed-end fund ownership was 2.3 percent (see "U.S. Household Ownership of Closed-end Funds in 1998," *Fundamentals*, Vol. 8, No. 3, Investment Company Institute, April 1999 ([www.ici.org/pdf/fm-v8n3.pdf](http://www.ici.org/pdf/fm-v8n3.pdf))). The increase in the incidence of closed-end fund ownership between 1998 and 2001 is not statistically significant.

figure 2

## Demographic Characteristics of U.S. Households That Own Closed-End Funds, 2001

	All U.S. Households	Households Owning Closed-End Funds	Households Not Owning Closed-End Funds <sup>1</sup>
<b>Median</b>			
Age of head of household	46 years	48 years	45 years
Household income	\$45,000	\$75,000	\$45,000
<b>Percent<sup>2</sup></b>			
Married	53	76	52
Four-year college degree or more	39	66	38
Employed (full- or part-time)	68	71	69
Retired from lifetime occupation	24	37	23

<sup>1</sup> Excludes 310 respondents, or 10.2 percent of all respondents, who refused to answer or did not know.

<sup>2</sup> Of individuals heading households.

*note:* Number of respondents varies.

*source:* Investment Company Institute Annual Tracking Survey (2001)

figure 3

## Financial Characteristics of U.S. Households That Own Closed-End Funds, 2001

	All U.S. Households	Households Owning Closed-End Funds	Households Not Owning Closed-End Funds <sup>1</sup>
<b>Median</b>			
Household financial assets <sup>2</sup>	\$75,000	\$300,000	\$70,000
<b>Percent</b>			
Household owns: <sup>3</sup>			
Mutual funds	52	81	51
Individual stock other than company stock	29	78	27
Company stock through employer	23	47	22
Individual bonds	19	40	18
Variable annuities	18	49	16
Fixed annuities	11	41	9
Real estate (excluding primary residence)	21	46	19
Household has: <sup>3</sup>			
An IRA	42	78	40
A 401(k) plan	40	48	39
Another employer-sponsored retirement plan, but not a 401(k) plan	24	35	23

<sup>1</sup> Excludes 310 respondents, or 10.2 percent of all respondents, who refused to answer or did not know.

<sup>2</sup> Excluding primary residence and including assets in IRAs and employer-sponsored retirement plans.

<sup>3</sup> Multiple responses included if household owns more than one of the items listed.

*source:* Investment Company Institute Annual Tracking Survey (2001)

married and 71 percent were employed. Two-thirds had college or postgraduate degrees, whereas 39 percent of individuals heading all U.S. households had college or postgraduate degrees. Thirty-seven percent of individuals heading households owning closed-end funds were retired from their primary occupations, compared with 24 percent of all U.S. household heads. Households owning closed-end funds had a median income of \$75,000 and financial assets of \$300,000 (Figures 2 and 3). In contrast, median financial assets in all U.S. households was \$75,000.

Seventy-eight percent of U.S. households owning closed-end funds held IRAs, and nearly one-half had investments in 401(k) plans (Figure 3). More than three-quarters held individual stock other than their employer's stock, and 46 percent owned investment real estate. Forty percent of closed-end fund owners held individual bonds.

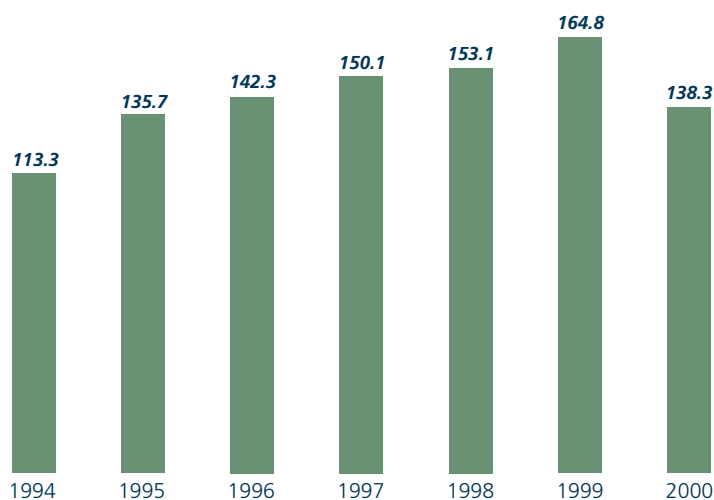
## Closed-End Fund Assets and Number of Funds

At year-end 2000,<sup>3</sup> 483 U.S. closed-end funds held \$138.3 billion in assets. Between 1999 and 2000, assets in closed-end funds decreased \$26.5 billion (Figure 4). Conversions of closed-end funds to open-end mutual funds accounted for the majority of the decline in assets, with the remainder reflecting negative investment returns. In 2000, more than two-thirds of U.S. closed-end fund assets were held in domestic bond funds, with tax-exempt bond funds accounting for 48 percent, or \$66.1 billion, and taxable bond funds representing 20 percent, or \$27.1 billion (Figure 5).

figure 4

### Closed-End Fund Assets, 1994–2000

(billions)



source: Investment Company Institute Annual Closed-End Fund Survey

figure 5

### Closed-End Fund Assets by Investment Objective, 1994–2000

(billions)

	1994	1995	1996	1997	1998	1999	2000
<b>Equity closed-end funds</b>							
Domestic	14.8	17.7	20.3	22.3	23.4	25.2	24.4
Global/international	17.8	21.2	24.1	29.3	24.8	39.0	12.0
<b>Bond closed-end funds</b>							
Domestic	73.8	86.2	86.1	87.0	95.6	91.4	93.2
Taxable	23.0	27.3	27.6	27.3	33.7	28.8	27.1
Tax-exempt	50.8	58.9	58.5	59.7	61.9	62.6	66.1
Global/international	6.9	10.6	11.8	11.5	9.3	9.2	8.7

source: Investment Company Institute Annual Closed-End Fund Survey

<sup>3</sup> Most recent data available.

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