

Appendix: Additional Data on the U.S. Retirement Market

The July 2006 issue of *Fundamentals* covers the U.S. retirement market in 2005. The report highlights data collected by the Investment Company Institute (ICI), government agencies, and other trade associations to characterize the U.S. retirement market and mutual funds' role in managing retirement assets. This Appendix provides supplementary tables and charts with additional detail for the July 2006 *Fundamentals*.

MUTUAL FUNDS AND THE U.S. RETIREMENT MARKET

Share of Total Retirement Market. Total U.S. retirement assets rose by 7 percent in 2005 to a record \$14.5 trillion (Figure A1). Mutual fund assets held by Individual Retirement Accounts (IRAs) and employer-sponsored defined contribution (DC) plans rose to represent 24 percent of the total U.S. retirement market in 2005 (Figures A2 and A3).^{1,2} Annuities (variable and fixed) not held in retirement savings accounts represented \$1.4 trillion of the total U.S. retirement market (Figure A1). Variable annuity (VA) mutual fund assets outside of retirement accounts were \$780 billion in 2005 (Figure A4). Some of these VA mutual fund assets may be held in variable life insurance policies, which are not counted as part of the U.S. retirement market.³ But, if one were to assume that all of these VA mutual funds are retirement savings, mutual funds' share of the total retirement market increases to 29 percent.

Share of Total Mutual Fund Assets. IRAs and employer-sponsored DC plan accounts held 39 percent of the \$8.9 trillion in mutual fund assets in the United States in 2005 (Figure A5). Retirement savings accounts hold a significant share of long-term mutual fund assets (46 percent), but are a relatively minor component of money market fund assets (13 percent). The bulk of retirement account mutual fund assets is actively managed: in 2005, \$269 billion were invested in index mutual funds (Figure A6).

Net New Cash Flow to Mutual Funds.⁴ Net new cash flow to long-term mutual funds from retirement accounts was little changed at \$123 billion in 2005, compared with \$129 billion in 2004 (Figures A7 and A8). These flows accounted for 64 percent of the total net new cash flow to long-term mutual funds last year. The popularity of lifestyle and lifecycle funds boosted hybrid fund inflows from retirement accounts, as flows into equity funds slowed and flows into bond funds remained weak.⁵ Money market funds had a small net inflow from retirement accounts after two years of net outflows.

INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

Mutual Funds in IRAs. In 2005, \$1.7 trillion, or 45 percent, of IRA assets were invested in mutual funds.⁶ About two-thirds of those mutual fund assets were equity funds (Figure A9). Hybrid funds (which invest in a mix of equity and fixed-income securities and include lifestyle and lifecycle funds) represented 13 percent of IRA mutual fund holdings in 2005, bond funds another 11 percent, and money market funds the remaining 10 percent. Traditional IRAs hold the bulk of both total IRA assets⁷ and mutual fund assets in IRAs (Figure A10).^{8,9}

Traditional, Roth, and Employer-Sponsored IRAs. Traditional IRAs held an estimated \$3.3 trillion in assets in 2005.¹⁰ Rollovers from employer-sponsored plans have contributed significantly to the growth in traditional IRA assets in recent years; in 2003 (the most recent data available), rollovers to traditional IRAs were \$174 billion.¹¹ Roth IRAs held an estimated \$145 billion in 2005 (Figure A11).¹² Employer-sponsored IRAs¹³ held a total of \$207 billion in assets in 2005, with 62 percent invested in mutual funds (Figures A12 and A13). The relatively new SIMPLE IRA, which is designed for firms with 100 or fewer employees, has experienced steady growth since its introduction in 1998 (Figure A14).¹⁴

EMPLOYER-SPONSORED DEFINED CONTRIBUTION PLANS

Mutual Fund Assets in DC Plan Accounts. In 2005, \$1.8 trillion, or just less than one-half, of employer-sponsored DC plan assets were invested in mutual funds.¹⁵ Nearly three-quarters of those mutual fund assets were equity funds (Figure A15). Hybrid funds (which invest in a mix of equity and fixed-income securities and include lifestyle and lifecycle funds) represented 13 percent of DC plan mutual fund holdings in 2005, bond funds another 8 percent, and money market funds the remaining 6 percent.

401(k), 403(b), 457, and Other DC Plans. Nearly 70 percent of mutual fund DC plans assets are held by 401(k) plans (Figure A16). This is about in line with the share of total DC plan assets held by 401(k) plans: 401(k) plan assets¹⁶ make up about two-thirds of the entire DC plan market (Figure A17). Mutual funds represent just over one-half of all 401(k) assets. In 2005, 403(b) plans¹⁷ held \$649 billion in assets, with 29 percent invested in VA mutual funds, 21 percent in non-VA mutual funds, and the remaining half in annuity reserves at life insurance companies.¹⁸ In 2005, 457 plans¹⁹ had accumulated \$143 billion in assets (Figure A17), of which \$59 billion (or 41 percent) were invested in mutual funds (Figure A16). Other DC plans—which include DC plans without 401(k) features and some Keoghs²⁰—held \$468 billion in assets in 2005 (Figure A17), with \$158 billion (or 34 percent) invested in mutual funds (Figure A16).

FIGURE A1

U.S. TOTAL RETIREMENT MARKET*Billions of dollars, year-end, 1985–2005*

	IRAs	Defined Contribution Plans ¹	State and Local Government Pension Plans	Private Defined Benefit Plans	Federal Pension Plans ²	Annuities ³	Total
1985	\$241	\$508	\$405	\$813	\$172	\$181	\$2,320
1986	329	565	481	839	202	226	2,641
1987	404	652	537	827	233	234	2,887
1988	468	716	603	831	267	291	3,177
1989	546	853	706	945	304	338	3,692
1990	637	889	739	922	340	391	3,918
1991	776	1,058	862	1,073	382	423	4,574
1992	873	1,159	948	1,098	426	473	4,977
1993	993	1,317	1,054	1,212	468	522	5,567
1994	1,056	1,404	1,107	1,303	512	526	5,909
1995	1,288	1,715	1,344	1,496	541	582	6,966
1996	1,467	1,959	1,529	1,623	606	626	7,809
1997	1,728	2,341	1,819	1,798	659	658	9,004
1998	2,150	2,638	2,062	1,948	716	818	10,332
1999	2,651	2,998	2,361	2,117	774	928	11,830
2000	2,629	2,967	2,335	2,009	797	951	11,688
2001	2,619	2,658	2,254	1,845	860	1,041	11,276
2002	2,533	2,487	1,980	1,490	894	1,021	10,404
2003	2,991 ^e	3,054	2,394	1,779	958	1,149	12,326
2004	3,336 ^e	3,453	2,620	1,918	1,023	1,290	13,641
2005	3,667 ^e	3,702	2,735	1,950	1,074	1,403	14,531

*e=estimated*¹Defined contribution plans include private employer-sponsored defined contribution plans (including 401(k) plans), 403(b) plans, and 457 plan assets.²Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust and Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).³Annuities include all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds.

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE A2

DC PLAN AND IRA ASSETS INVESTED IN MUTUAL FUNDS

Billions of dollars, year-end, 1990–2005



note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A3

MUTUAL FUNDS' SHARE OF U.S. RETIREMENT ASSETS^{1,2}

Percent, year-end, 1990–2005



¹U.S. retirement assets include IRAs, annuities, and employer-sponsored defined benefit and defined contribution pension plans. Pension plans are sponsored by employers such as businesses; federal, state, and local governments; and nonprofit organizations.

²Mutual fund retirement assets exclude defined benefit plans' mutual fund holdings, which amount to about 1½ percent of the U.S. retirement market. VA mutual fund assets held outside of retirement accounts also are excluded. Included are mutual fund assets held by IRAs and employer-sponsored defined contribution plans.

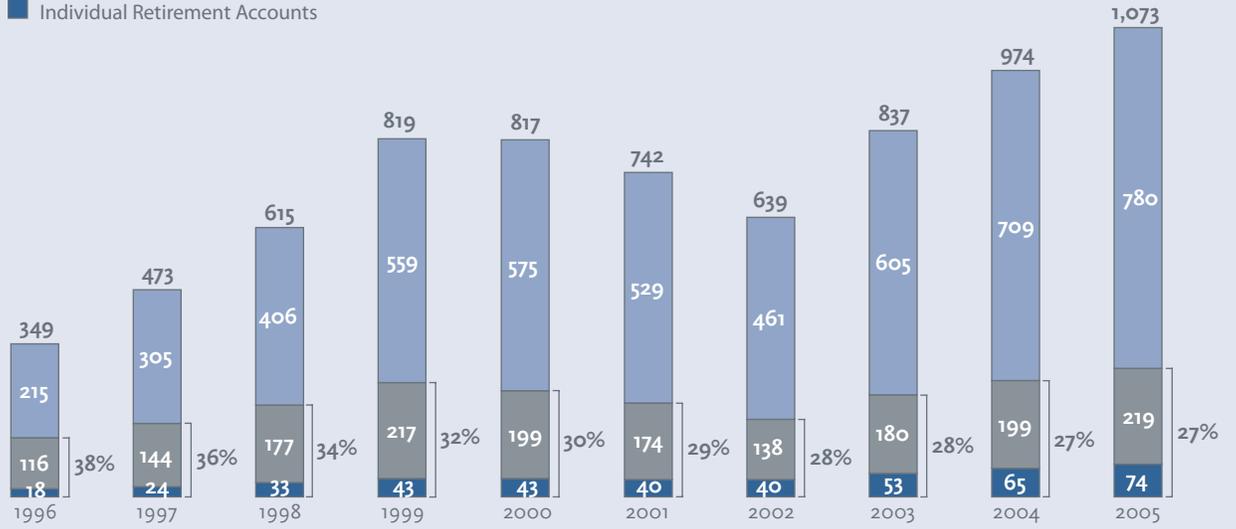
sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE A4

VARIABLE ANNUITY MUTUAL FUND ASSETS

Billions of dollars, year-end, 1996–2005

- Other Investors
- Employer-Sponsored Defined Contribution Plans
- Individual Retirement Accounts



note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A5

SHARE OF MUTUAL FUND ASSETS HELD IN RETIREMENT ACCOUNTS

Percent, year-end, 1990–2005

ALL FUNDS



LONG-TERM FUNDS*



MONEY MARKET FUNDS



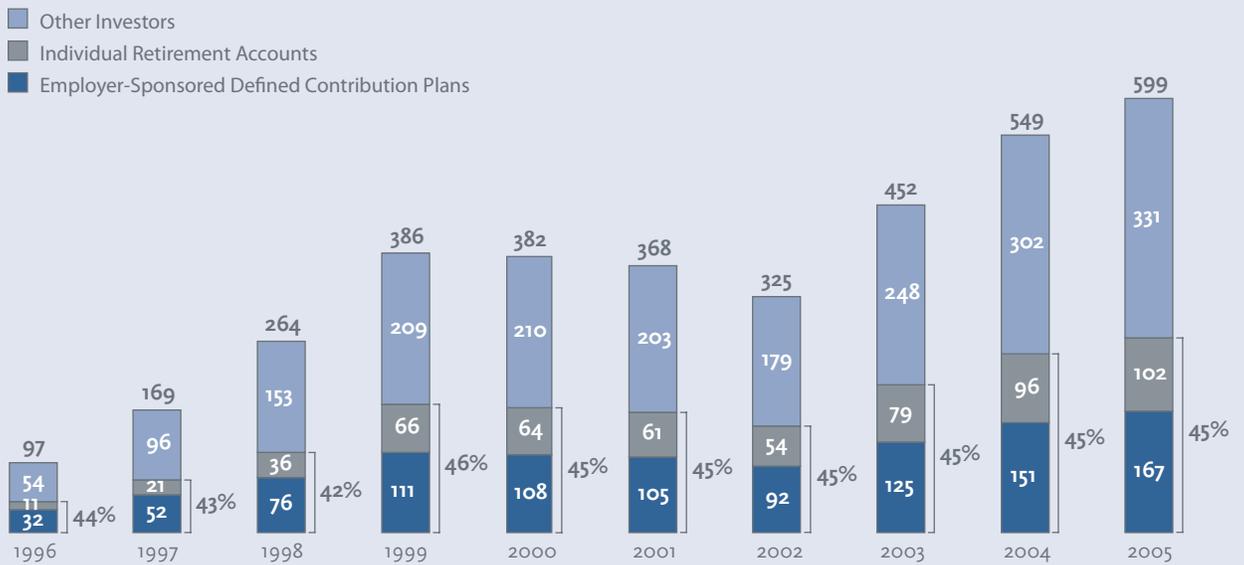
*Long-term funds include equity, hybrid, and bond mutual funds.

source: Investment Company Institute

FIGURE A6

INDEX MUTUAL FUND ASSETS* AND RETIREMENT ACCOUNTS

Billions of dollars, year-end, 1996–2005



*Index mutual funds are equity, bond, and hybrid funds that target specific market indexes with the general objective of meeting the performance of that index. Equity index funds are the most common type of index funds, accounting for 89 percent of the \$599 billion of index fund assets at year-end 2005.

note: Components may not add to the total because of rounding.

source: Investment Company Institute

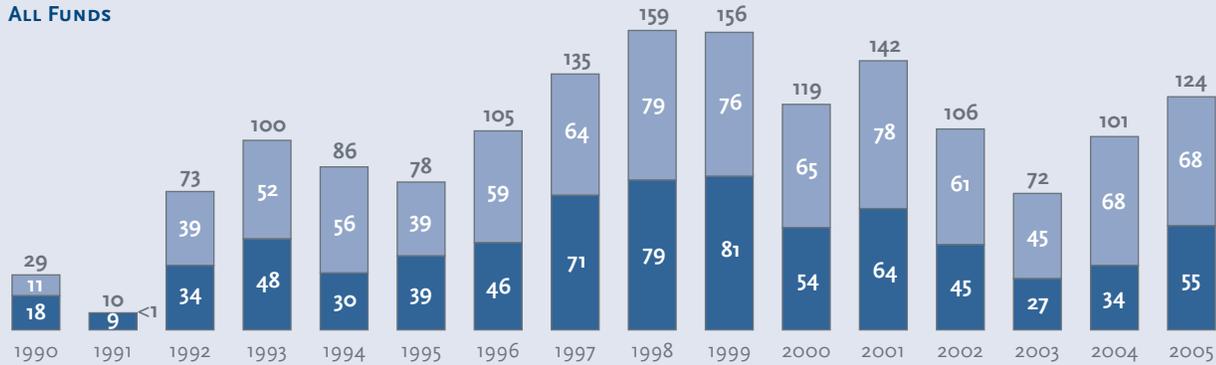
FIGURE A7

ESTIMATED NET NEW CASH FLOW¹ TO MUTUAL FUNDS FROM RETIREMENT ACCOUNTS

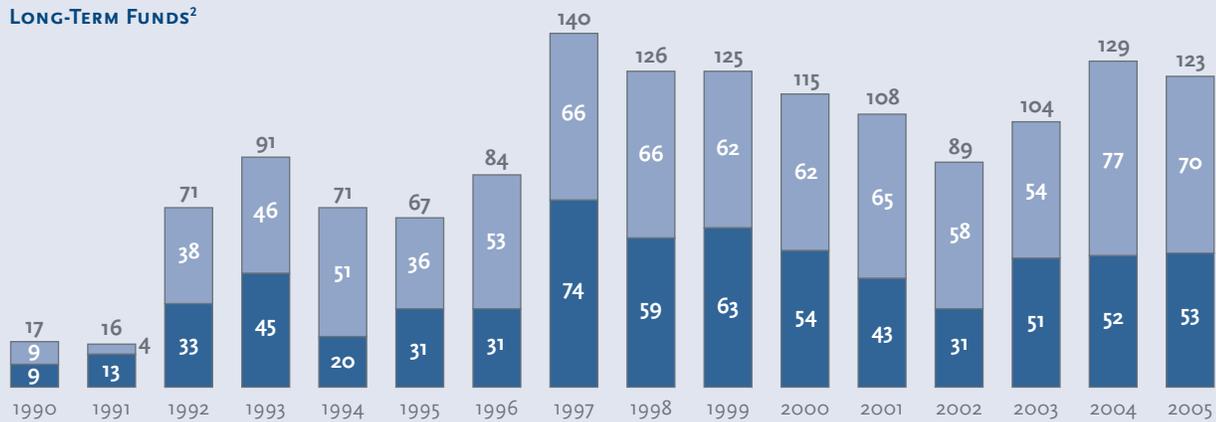
Billions of dollars, 1990–2005

Employer-Sponsored Defined Contribution Plans
Individual Retirement Accounts

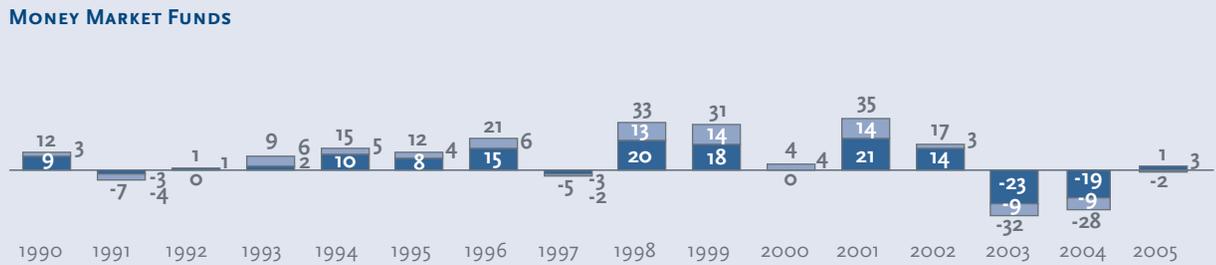
ALL FUNDS



LONG-TERM FUNDS²



MONEY MARKET FUNDS



¹ See text endnote 4 for an explanation of the procedure used to estimate net new cash flows.

² Long-term funds include equity, hybrid, and bond mutual funds.

note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A8

ESTIMATED NET NEW CASH FLOW¹ TO MUTUAL FUNDS FROM RETIREMENT ACCOUNTS BY TYPE OF FUND

Billions of dollars, 1997–2005

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total Retirement²	\$135	\$159	\$156	\$119	\$142	\$106	\$72	\$101	\$124
IRAs	71	79	81	54	64	45	27	34	55
Defined Contribution Plans	64	79	76	65	78	61	45	68	68
Long-Term Funds	140	126	125	115	108	89	104	129	123
IRAs	74	59	63	54	43	31	51	52	53
Defined Contribution Plans	66	66	62	62	65	58	54	77	70
Equity Funds	122	99	124	137	53	22	72	79	48
IRAs	66	48	64	69	22	-4	30	26	22
Defined Contribution Plans	56	51	59	68	31	26	42	53	26
Hybrid Funds^{3,4}	12	8	-2	-8	19	13	31	45	67
IRAs	4	1	-3	-7	6	6	18	25	30
Defined Contribution Plans	8	7	(*)	-1	13	7	13	20	37
Bond Funds	6	19	4	-14	36	53	2	5	8
IRAs	3	10	1	-9	16	29	3	1	1
Defined Contribution Plans	3	9	2	-5	21	25	-1	4	6
Money Market Funds	-5	33	31	4	35	17	-32	-28	1
IRAs	-3	20	18	(*)	21	14	-23	-19	3
Defined Contribution Plans	-2	13	14	4	14	3	-9	-9	-2
Memo:									
Industry Net New Cash Flow²	375	477	363	388	504	74	-43	53	255
Long-Term Funds	272	242	170	229	129	121	216	210	192
Equity Funds	227	157	188	309	32	-28	152	178	136
Hybrid Funds ³	16	10	-14	-31	10	8	32	43	25
Bond Funds	28	75	-4	-50	88	141	32	-11	31
Money Market Funds	103	235	194	159	375	-46	-258	-157	63

¹ See text endnote 4 for an explanation of the procedure used to estimate net new cash flows to mutual funds from retirement accounts.

² Retirement flows to fund of funds are counted in the investment objective of the fund of funds. Industry flows to fund of funds are counted in the investment objectives of the underlying funds.

³ Hybrid funds invest in a mix of equities and fixed-income securities.

⁴ The bulk of lifecycle and lifestyle funds are counted in this category.

(*)=between \$500 million and -\$500 million

note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A9

IRA HOLDINGS OF MUTUAL FUNDS BY TYPE OF FUND

Year-end, 1990–2005

	Domestic Equity		Foreign Equity		Hybrid ¹		Bond		Money Market		Total Assets (billions)
	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	
1990	\$52	38%	\$5	4%	\$9	7%	\$32	23%	\$40	29%	\$139
1991	80	43	8	4	15	8	43	23	40	21	186
1992	107	46	10	4	20	9	54	23	43	18	234
1993	144	45	23	7	37	12	65	20	48	15	318
1994	155	45	31	9	42	12	55	16	61	18	344
1995	238	51	32	7	57	12	66	14	75	16	468
1996	294	50	63	11	66	11	76	13	88	15	587
1997	436	57	75	10	83	11	86	11	91	12	770
1998	571	59	88	9	94	10	99	10	116	12	969
1999	793	63	131	10	98	8	101	8	140	11	1,263
2000	782	63	120	10	92	7	96	8	147	12	1,236
2001	691	59	97	8	95	8	115	10	174	15	1,173
2002	534	51	81	8	94	9	151	14	192	18	1,052
2003	733	56	112	9	135	10	168	13	172	13	1,319
2004	840	56	148	10	177	12	177	12	154	10	1,497
2005	911	55	194	12	216	13	184	11	163	10	1,668

¹Hybrid funds invest in a mix of equities and fixed-income securities.

²Share is the percent of total mutual fund assets in IRAs.

note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A10
IRA HOLDINGS OF MUTUAL FUNDS BY TYPE OF IRA
Year-end, 1992–2005

	Traditional ¹		SEP and SAR-SEP		Roth ²		SIMPLE		Education ³		Total Assets (billions)
	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	Assets (billions)	Share ⁴ (percent)	
1992	\$227	97%	\$7	3%	–	–	–	–	–	–	\$234
1993	305	96	13	4	–	–	–	–	–	–	318
1994	330	96	14	4	–	–	–	–	–	–	344
1995	444	95	23	5	–	–	–	–	–	–	468
1996	555	95	32	5	–	–	–	–	–	–	587
1997	726	94	44	6	–	–	(*)	(**)	–	–	770
1998	879	91	56	6	\$31	3%	\$2	(**)	(*)	(**)	969
1999	1,129	89	73	6	54	4	6	(**)	\$1	(**)	1,263
2000	1,101	89	70	6	56	5	9	1%	1	(**)	1,236
2001	1,041	89	64	5	54	5	11	1	2	(**)	1,173
2002	927	88	58	5	53	5	13	1	2	(**)	1,052
2003	1,148	87	74	6	74	6	20	2	3	(**)	1,319
2004	1,294	86	84	6	89	6	27	2	3	(**)	1,497
2005	1,430	86	95	6	106	6	33	2	4	(**)	1,668

¹Traditional IRAs include contributory and rollover IRAs.

²Roth IRAs include contributory and conversion Roth IRAs.

³Education IRAs were renamed Coverdell Education Savings Accounts (ESAs) in July 2001.

⁴Share is the percent of total mutual fund assets in IRAs.

(*)=less than \$500 million

(**)=less than 1/2 percent

note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A11
ROTH IRAS
Billions of dollars, 1998–2005

	Contributions	Conversions	Total Assets (year-end)	Of Which: Assets Held in Mutual Funds (year-end)
1998	\$8.6	\$39.3	\$56.8	\$31
1999	10.7	3.7	76.2	54
2000	11.6	3.2	77.6	56
2001	11.0	3.1	79.3	54
2002	13.2	3.3	77.6	53
2003	13.4 ^P	2.4 ^P	105.8 ^P	74
2004	N/A	N/A	127.0 ^e	89
2005	N/A	N/A	145.0 ^e	106

e=estimated
p=preliminary
N/A=not available

sources: Investment Company Institute and Internal Revenue Service Statistics of Income Division

FIGURE A12

SEP AND SAR-SEP IRAS

Billions of dollars, 1997–2005

	Contributions	Total Assets (year-end)	Of Which: Assets Held in Mutual Funds (year-end)
1997	\$6.9	\$84.7	\$44
1998	8.7	115.4	56
1999	9.1	142.9	73
2000	10.1	134.0	70
2001	10.1	131.3	64
2002	10.3	117.0	58
2003	11.7 ^p	133.8 ^p	74
2004	N/A	151.0 ^e	84
2005	N/A	171.0 ^e	95

e=estimated

p=preliminary

N/A=not available

sources: Investment Company Institute and Internal Revenue Service Statistics of Income Division

FIGURE A13

SIMPLE IRAS

Billions of dollars, 1997–2005

	Contributions	Total Assets (year-end)	Of Which: Assets Held in Mutual Funds (year-end)
1997	\$0.6	\$0.6	(*)
1998	2.2	3.6	\$2
1999	3.4	9.1	6
2000	4.7	10.4	9
2001	5.5	13.6	11
2002	6.3	16.1	13
2003	6.0 ^p	23.5 ^p	20
2004	N/A	30.0 ^e	27
2005	N/A	36.0 ^e	33

e=estimated

p=preliminary

N/A=not available

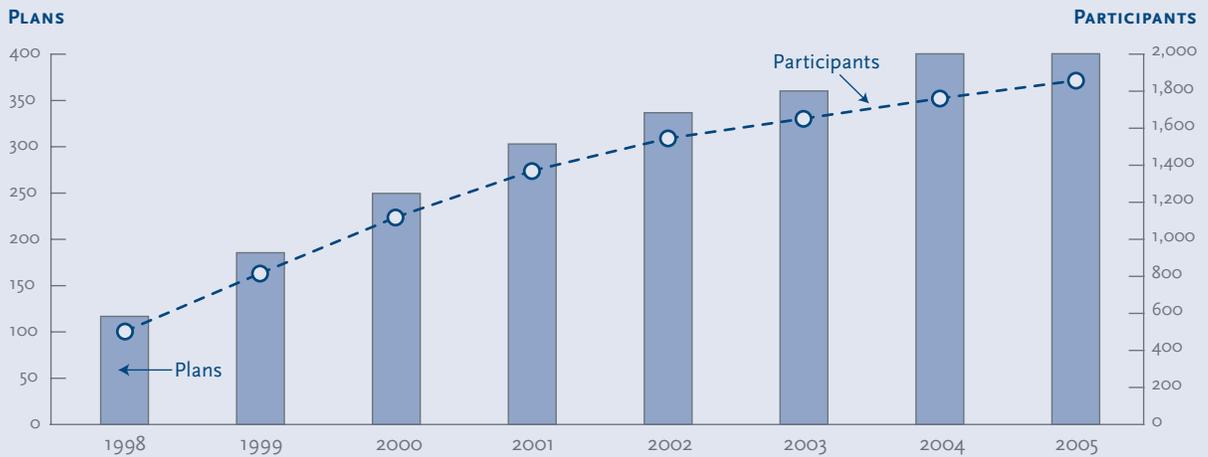
()=less than \$500 million*

sources: Investment Company Institute and Internal Revenue Service Statistics of Income Division

FIGURE A14

SIMPLE IRA PLANS AND PARTICIPANTS FOR A SAMPLE OF MUTUAL FUND COMPANIES

Thousands, year-end, 1998–2005



note: The firms surveyed held about 75 percent of all SIMPLE IRA mutual fund assets at year-end 2005.

source: Investment Company Institute, Survey of a Segment of Member Mutual Fund Companies

FIGURE A15

DEFINED CONTRIBUTION PLAN HOLDINGS OF MUTUAL FUNDS BY TYPE OF FUND

Year-end, 1992–2005

	Domestic Equity		Foreign Equity		Hybrid ¹		Bond		Money Market		Total Assets (billions)
	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	Assets (billions)	Share ² (percent)	
1992	\$132	72%	\$5	3%	\$8	4%	\$16	9%	\$22	12%	\$184
1993	178	68	15	6	17	6	24	9	30	11	263
1994	211	66	24	7	22	7	26	8	37	12	320
1995	308	69	32	7	31	7	30	7	44	10	445
1996	386	66	38	7	57	10	44	8	59	10	584
1997	533	69	53	7	77	10	50	6	60	8	774
1998	691	70	63	6	94	9	62	6	76	8	985
1999	922	72	100	8	103	8	64	5	93	7	1,282
2000	887	71	102	8	103	8	62	5	101	8	1,256
2001	786	66	85	7	113	10	85	7	118	10	1,188
2002	626	59	76	7	110	10	117	11	123	12	1,053
2003	858	63	114	8	147	11	129	9	116	8	1,363
2004	1,000	63	155	10	187	12	138	9	108	7	1,588
2005	1,079	61	203	11	236	13	148	8	110	6	1,776

¹Hybrid funds invest in a mix of equities and fixed-income securities.

²Share is the percent of total mutual fund assets in defined contribution plans.

note: Components may not add to the total because of rounding.

source: Investment Company Institute

FIGURE A16

DEFINED CONTRIBUTION PLAN HOLDINGS OF MUTUAL FUNDS BY TYPE OF PLAN

Billions of dollars, year-end, 1992–2005

	401(k) Plans	403(b) Plans	457 Plans	Other Defined Contribution Plans*	Total
1992	\$82	\$74	\$3	\$25	\$184
1993	140	87	4	33	263
1994	184	93	6	37	320
1995	266	120	9	50	445
1996	351	149	13	71	584
1997	480	188	19	86	774
1998	619	233	28	105	985
1999	813	290	46	133	1,282
2000	819	265	45	127	1,256
2001	798	237	43	110	1,188
2002	712	198	36	106	1,053
2003	927	262	44	130	1,363
2004	1,096	295	51	146	1,588
2005	1,238	321	59	158	1,776

*Other defined contribution plans include Keoghs and defined contribution plans (profit-sharing, thrift-savings, stock bonus, and money purchase) without 401(k) features.

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, and Department of Labor

FIGURE A17

DEFINED CONTRIBUTION PLAN ASSETS BY TYPE OF PLAN

Billions of dollars, year-end, 1994–2005

	401(k) Plans	403(b) Plans	457 Plans	Other Defined Contribution Plans*	Total
1994	\$675	\$272	\$34	\$424	\$1,404
1995	864	319	42	490	1,715
1996	1,061	357	52	489	1,959
1997	1,264	426	72	579	2,341
1998	1,541	437	94	565	2,638
1999	1,790	526	112	570	2,998
2000	1,725	517	110	615	2,967
2001	1,682	443	105	428	2,658
2002	1,580 ^p	434	98	375	2,487
2003	1,978 ^e	533	117	427	3,054
2004	2,267 ^e	600	130	456	3,453
2005	2,443 ^e	649	143	468	3,702

e=estimated

p=preliminary

**Other defined contribution plans include Keoghs and defined contribution plans (profit-sharing, thrift-savings, stock bonus, and money purchase) without 401(k) features.*

note: Components may not add to the total because of rounding.

sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, and American Council of Life Insurers

NOTES

¹ Based on data from ICI's Annual Questionnaire for Retirement Statistics, which gathered data from 16,089 mutual fund share classes representing approximately 84 percent of mutual fund industry assets. Assets were estimated for all nonreporting funds. Data before 2005 reflect revisions to previously reported data. Estimates of retirement assets in broker street name and omnibus accounts were derived from data reported on the Annual Questionnaire for Retirement Statistics and the Annual Questionnaire for Classification of Shareholder Assets.

² In this report, estimates of mutual fund assets in defined benefit plans have been excluded because of incomplete reporting. Federal Reserve Board, *Flow of Funds Accounts, Z.1 Release* (June 8, 2006) data indicate that mutual fund assets held in defined benefit plans accounted for about 1½ percent of the U.S. retirement market in 2005.

³ ICI is unable to separately identify the type of variable product in which variable annuity (VA) mutual funds shares are held. Estimates from Federal Reserve Board staff, based on tabulation of AM Best data, are that approximately 15 percent of all (mutual fund plus non-mutual fund) assets in life insurance company separate accounts are in variable life policies. Separate account assets back variable products at life insurance companies (which include both variable life insurance and variable annuities).

⁴ ICI does not collect sales or net new cash flow for retirement plans on its Annual Retirement Questionnaire. Net new cash flow is sales of shares (other than reinvested distributions) less redemptions plus net exchanges. Net new cash flow was estimated by assuming that retirement assets within an investment objective category had the same investment performance as all mutual fund assets in that category. Investment performance for each investment objective was calculated by taking the total change in assets and adjusting for total net new cash flow during the year. Retirement assets were adjusted by investment performance. The residual change in assets was attributable to net new cash flow. The formula for the flow calculation is:

$$RF_t = \frac{TF_t(RA_{t-1} + RA_t) + 2(RA_t)(TA_{t-1}) - 2(TA_t)(RA_{t-1})}{(TA_t + TA_{t-1})}$$

For a given investment objective, RF represents retirement net new cash flow, TA represents total assets, TF represents total net new cash flow, and RA represents retirement assets.

⁵ Retirement flows to fund of funds are counted in the investment objective of the fund of funds. Industry flows to fund of funds are counted in the investment objective of the underlying funds.

⁶ See Figure 3 in the July 2006 *Fundamentals*, which is available online at www.ici.org/pdf/fm-v15n5.pdf.

⁷ See Figure 4 in the July 2006 *Fundamentals*.

⁸ The Employee Retirement Income Security Act of 1974 (ERISA) created traditional IRAs. In 2005, approximately 37.6 million, or 33.2 percent of, U.S. households had traditional IRAs (see Investment Company Institute, "The Role of IRAs in American's Retirement Preparedness," *Fundamentals*, Vol. 15, No. 1, January 2006 (www.ici.org/pdf/fm-v15n1.pdf)). For more historical information on IRAs, see Sarah Holden, Kathy Ireland, Vicky Leonard-Chambers, and Michael Bogdan, "The Individual Retirement Account at Age 30: A Retrospective," *Perspective*, Vol. 11, No. 1, February 2005 (www.ici.org/pdf/per11-01.pdf)).

⁹ Education IRAs, which were created under the Taxpayer Relief Act of 1997 and renamed Coverdell Education Savings Accounts (ESAs) in July 2001, are included in the total IRA assets (see Figure 3 in the July 2006 *Fundamentals*). The IRS Statistics of Income Division reporting of Education IRAs undercounts those assets because typically only Education IRAs owned by filing dependents are included. Data for tax-year 2000 indicate that filing dependents held \$0.3 billion in Education IRAs, while counting nonfiling dependents brings the total up to \$1.1 billion (see Peter J. Sailer and Sarah E. Nutter, "Accumulation

and Distribution of Individual Retirement Arrangements, 2000," *SOI Bulletin*, Washington, DC: Internal Revenue Service Statistics of Income Division, Spring 2004: pp. 121–134). Mutual fund holdings in Education IRAs were \$4 billion in 2005 (Figure A10).

¹⁰ See Figures 4 and 5 in the July 2006 *Fundamentals*. Total IRA market assets are derived from tabulations of total IRA assets provided by the IRS Statistics of Income (SOI) Division for tax-years 1989, 1993, and 1996 through 2003. These tabulations are based on a sample of IRS returns. For a description of the SOI estimation techniques, see Peter J. Sailer, Michael E. Weber, and Kurt S. Gurka, "Are Taxpayers Increasing the Buildup of Retirement Assets? Preliminary Results from a Matched File of Tax Year 1999 Tax Returns and Information Returns," *National Tax Association, Proceedings, Ninety-Fifth Annual Conference on Taxation, 2002, Orlando, Florida*, Washington, DC: National Tax Association, 2003: pp. 364–369.

¹¹ See Figure 5 in the July 2006 *Fundamentals*. Data from the Federal Reserve Board's Survey of Consumer Finances (SCF) indicates that about one-half of all traditional IRA assets in 2004 were held in rollover IRAs (see Figure 6 in the July 2006 *Fundamentals*).

¹² Roth IRAs were created in the Taxpayer Relief Act of 1997 and were first available in 1998. In 2005, approximately 16.1 million, or 14.2 percent of, U.S. households had Roth IRAs (see Investment Company Institute (January 2006)).

¹³ The SEP (Simplified Employee Pension) IRA was created under the Revenue Act of 1978. The salary reduction (SAR) SEP IRA was created under the Tax Reform Act of 1986. The Small Business Job Protection Act of 1996 prohibited the formation of new SAR-SEP IRAs after December 31, 1996, but introduced SIMPLE (Savings Incentive Match Plan for Employees) IRAs, which were first available in 1997. In 2005, approximately 8.8 million, or 7.8 percent of, U.S. households had employer-sponsored IRAs (see Investment Company Institute (January 2006)).

¹⁴ Based on semi-annual surveys of 24 ICI member firms that hold about three-quarters of the SIMPLE IRA assets invested in mutual funds in 2005.

¹⁵ See Figure 7 in the July 2006 *Fundamentals*.

¹⁶ Assets in 401(k) plans refer to private DC plans with 401(k) features (e.g., salary deferral feature). However, 401(k) plan assets reported for mutual funds and the 401(k) market may include some DC plan assets purchased in the plans prior to the addition of 401(k) features. For the years 1990 through 1999, total 401(k) asset data are from *Private Pension Plan Bulletin: Abstract of 1999 Form 5500 Annual Reports*, U.S. Department of Labor, Employee Benefits Security Administration (EBSA), No. 12, Summer 2004. Data for 2000 and 2001 are from *Private Pension Plan Bulletin: Abstract of 2000 Form 5500 Annual Reports* and *Private Pension Plan Bulletin: Abstract of 2001 Form 5500 Annual Reports*, which are available on the Department of Labor's website at (www.dol.gov/ebsa/PDF/2000pensionplanbulletin.pdf) and (www.dol.gov/ebsa/PDF/2001pensionplanbulletin.pdf). EBSA provided a preliminary estimate of total 401(k) plan assets for 2002. Data after 2002 are estimated by ICI.

¹⁷ These tax-deferred retirement plans are available to employees of educational institutions and certain nonprofit organizations.

¹⁸ See Figure 9 in the July 2006 *Fundamentals*.

¹⁹ These plans allow deferred compensation by employees of state and local governments and certain tax-exempt organizations.

²⁰ Keogh plans (also know as H.R. 10 plans) cover self-employed individuals, partners, and owners of unincorporated businesses. Created by Congress in 1962, these plans were at one time governed by their own set of rules. However, over time, subsequent legislation eliminated differences between Keoghs and other types of pension plans. They are now designated as a specific type of pension plan—i.e., a profit-sharing Keogh, a 401(k) Keogh, etc.—and governed by the rules of such plans.

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