Investment Company Institute and the Securities Industry Association

Equity Ownership in America, 2005

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Supplemental Data

The ICI/SIA survey also gathered data on the characteristics of U.S. households' equity portfolios and equity transaction activity. These findings are available online at www.ici.org and www.sia.com.

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Executive Summary

America has become a society of equity investors. The number of households owning equities has increased more than three-fold since the early 1980s. Today, nearly 57 million U.S. households, half of *all* U.S. households, own stocks directly or through mutual funds (Figure 1), according to a survey conducted by the Investment Company Institute (ICI) and the Securities Industry Association (SIA) in the first quarter of 2005.

Equity ownership has grown since 1999, the year ICI and SIA first conducted joint studies, despite a 2000–2002 stock market contraction that was one of the worst bear markets since the Great Depression. The number of households owning equities since 1999 increased by 7.1 million and by 2.8 million since 2002.

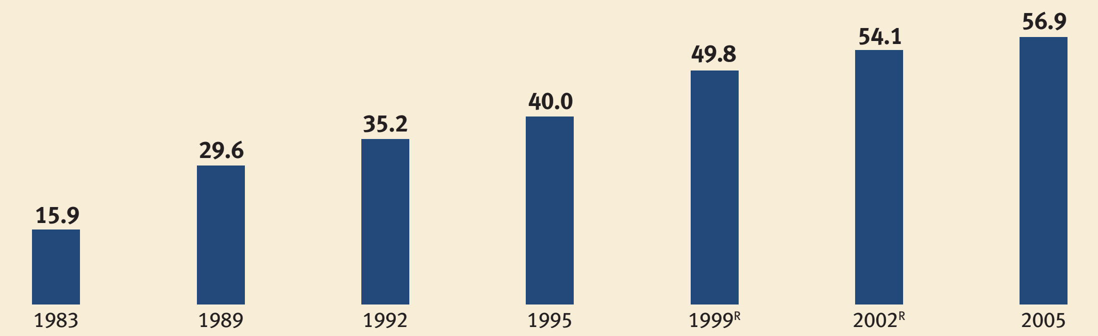
In this third ICI/SIA survey of equity ownership,[1] the following major trends are noted:

- Half of all U.S. households now own equities directly or through mutual funds, up from about one-fifth in 1983. Ninety percent of equity-owning households invest in stock mutual funds, and nearly half own individual stock.
- The growth in equity ownership has been largely fueled by the increased availability of defined contribution retirement plans, particularly 401(k) plans. Participants invest heavily in equities—primarily stock mutual funds—inside these plans.

FIGURE 1

Equity Ownership Among U.S. Households Increases

Millions of U.S. households owning equities, 1983–2005



R=Revised

Note: The number of households owning equities in 1999 and 2002 was revised to reflect updated U.S. Census Bureau estimates of the number of U.S. households in those years.

Sources: ICI/SIA Equity Ownership Surveys; Federal Reserve Board, Survey of Consumer Finances; and U.S. Census Bureau

[1] The ICI/SIA survey was conducted in the first quarter of 2005, and included telephone interviews with 2,414 equity investors—defined in this study as households owning either publicly traded stock or stock mutual funds, inside or outside employer-sponsored retirement plans. All interviews were with decisionmakers most knowledgeable about household savings and investments. The overall sampling error for the survey is ± 2 percentage points at the 95 percent confidence level. The first ICI/SIA survey was undertaken in 1999; the second in 2002.

- Equity ownership has grown through bull and bear markets. The number of individuals in the U.S. owning equities is up 5.2 percent since 2002, and up 14.4 percent since 1999, the year in which the first ICI/SIA study was conducted.
- Overall, investors' equity portfolios have recovered from the bear market. Median household financial assets in equities in 2005 are $65,000, compared with $50,000 in 1999 and 2002. Equity owners in 2005, on average, hold 55 percent of their household financial assets in individual stock or stock mutual funds.
- Equity ownership occurs across a broad range of demographic groups. Younger owners are more likely to hold equities through mutual funds and in tax-deferred accounts than are older investors. Younger owners are also more likely to have first invested in equities through retirement plans at work, whereas older investors typically purchased their first equity investments outside these plans.
- Although growth in equity ownership since 1999 has been primarily through retirement plans at work, nearly three-quarters of U.S. households that own equities hold individual stock or stock mutual funds outside these plans. Professional financial advisers are the main conduit to equity ownership outside retirement plans at work.

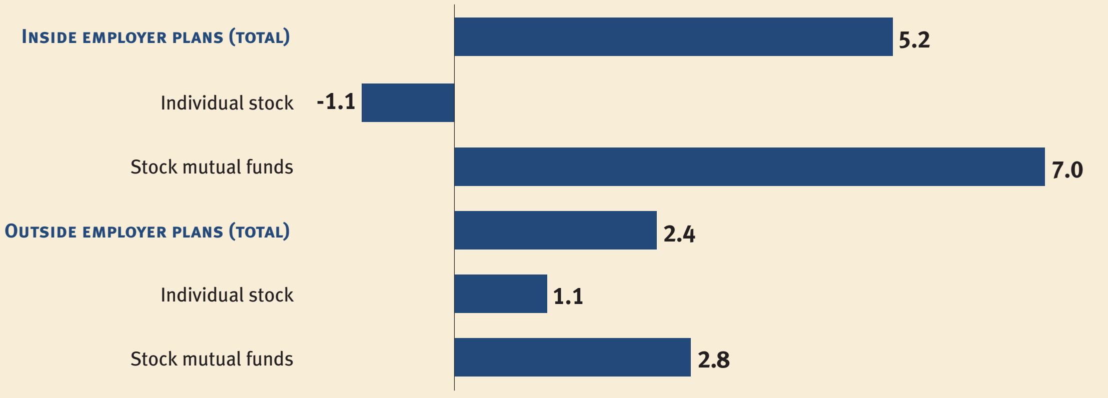
Patterns of Equity Ownership

The growth of equity ownership among America's individual investors during the past 20 years has been fueled largely by the expansion of defined contribution retirement plans, particularly 401(k) plans, which widely use stock mutual funds and other types of mutual funds as investment options. Defined contribution plans continue to be an important source of growth for equity ownership. Between 1999 and 2005, the number of households owning equities through employer-sponsored retirement plans grew by 5.2 million (Figure 2). Over the same period, the number of households owning equities outside these plans increased by 2.4 million.

FIGURE 2

Households Owning Stock Funds Inside Employer-Sponsored Retirement Plans Fuel Growth in Equity Ownership

Change in the millions of U.S. households owning equities between 1999 and 2005[1]



[1] *Multiple responses included.*

Sources: ICI/SIA Equity Ownership Surveys and U.S. Census Bureau

Defined contribution retirement plans also play an important role in introducing investors to equity investing and influence investors' initial equity purchases. Today, nearly half of all equity owners began investing in equities by purchasing stock mutual fund shares through retirement plans at work. Among younger equity investors, the proportion is even greater. More than six out of every ten equity investors under age 35 initially purchased equities through stock mutual funds in retirement plans at work. In contrast, the majority of investors age 65 or older made their initial equity investments outside employer plans. These investors would not have had access to 401(k) plans until late in their careers.

As a result, there are clear generational differences among America's individual investors with regard to the types of equities held and the tax status of these investments. Older investors are more likely to own individual stock, and younger investors are more likely to own stock mutual funds (Figure 3). Older investors are also more likely to hold equities in taxable accounts, whereas younger investors are more likely to hold equities in tax-deferred accounts (Figure 4). In fact, nearly three-quarters of equity investors age 65 or older own equities in taxable accounts. For these senior investors, equity holdings in taxable accounts typically represent the vast majority of their equity assets.

FIGURE 3

Younger Investors Primarily Own Equities Through Stock Mutual Funds

Percent of equity investors owning individual stock and stock mutual funds by age, 2005

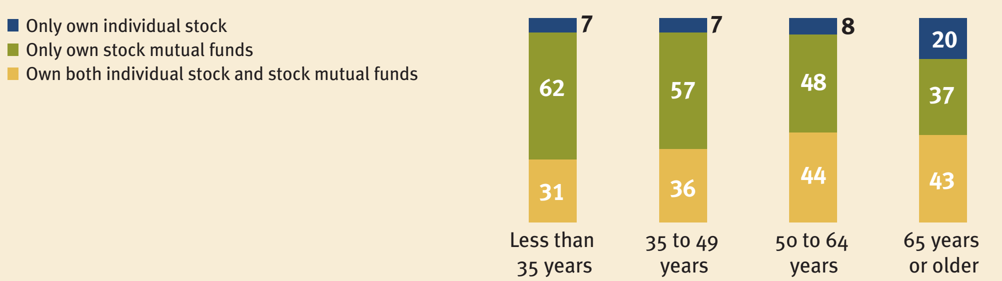
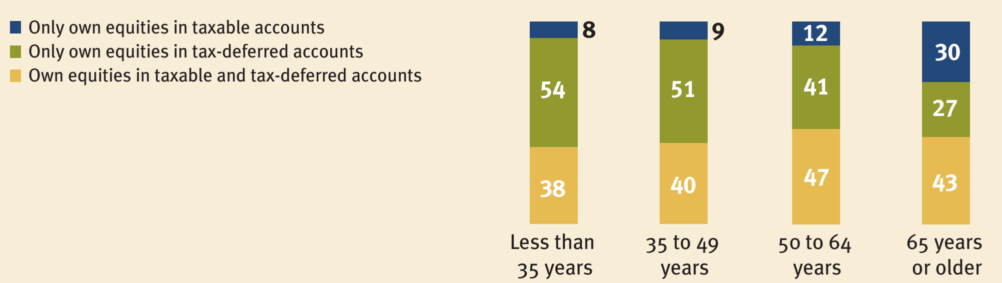


FIGURE 4

Younger Investors Are More Likely to Own Equities in Tax-Deferred Accounts

Percent of equity investors owning taxable and tax-deferred accounts by age, 2005



Note: Tax-deferred accounts are those held in employer-sponsored retirement plans or IRAs.

Equity Investors' Characteristics

America's equity owners range from young investors in their 20s and 30s to senior investors in their 60s and beyond. Two-thirds of all equity investors in 2005 are between the ages of 35 and 64, the peak earning and investing years (Figure 5). In addition to having different patterns of equity ownership, as described above, younger and older investors also tend to have different investment objectives. Younger investors typically seek asset accumulation as an investment focus, whereas older investors have a greater demand for income-producing investments and wealth management. As the U.S. population ages, the financial services industry likely will need to adjust its mix of products and services to accommodate the financial needs of older investors.

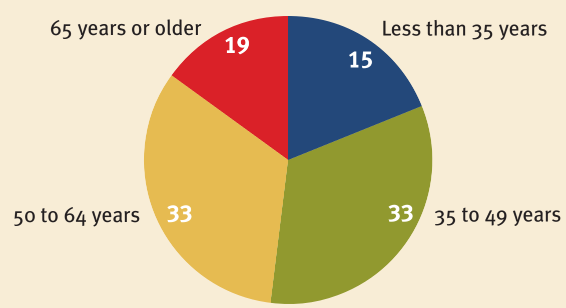
As in past years, nearly all equity owners in 2005 follow a buy-and-hold investment philosophy and view their equity holdings as long-term investments. However, equity investors today are somewhat more conservative financially than they were six years ago, likely in response to the 2000–2002 bear market. For example, equity investors in 2005 are less willing to take substantial or above-average financial risk with their individual stock or stock mutual fund investments than equity investors in 1999.

Although equity owners are more cautious about investment risk today than six years ago, their equity holdings continue to account for most of their household financial assets. The typical equity assets of households owning individual stock or stock mutual funds in 2005 is $65,000, representing more than half of their total household financial assets (Figure 6). Because older investors typically have been investing for a longer period of time, they usually have greater equity assets than younger investors (Figure 7). But as investors age, they tend to allocate more assets to income-producing investments. Consequently, the equity holdings of older investors typically represent a smaller percentage of total household financial assets than do the equity holdings of younger investors.

FIGURE 5

Investors of All Ages Own Equities

Percent of equity investors in each age group, 2005[1]



Mean Age: 51 years
Median Age: 51 years

Number of respondents: 2,335

[1] *age of primary or responding co-decisionmaker*

FIGURE 6

Equity Investors Tend to Be Middle-Aged, With Moderate Household Incomes and Financial Assets

Characteristics of equity investors, 2005

How Many Americans Own Equities?	
Individuals	91.1 million
Households	56.9 million
Who Are They?	
Median age	51 years
Median household income	$65,000
Married or living with a partner	70%
College graduates	56%
Employed	70%
Retired from their lifetime occupations	29%
Saving for retirement	88%
What Do They Own?	
Median household financial assets	$125,000
Median percent of household financial assets in equities	55%
IRAs	67%
Participate in or are covered by a retirement plan at work	78%
What Is in Their Equity Portfolios?	
Median household equity assets	$65,000
Own stock mutual funds	90%
Own individual stock	49%

Sources: ICI/SIA 2005 Equity Ownership Survey and U.S. Census Bureau

FIGURE 7

Investors of All Ages and Education Levels Hold a Large Percentage of Household Financial Assets in Equities

Household financial assets invested in equities by age and education, 2005

	Median Household Financial Assets Invested in Equities *(in dollars)*	Median Percent of Household Financial Assets Invested in Equities *(percent)*
Age of Equity Investor		
Less than 35 years	$33,800	59
35 to 49 years	$50,200	59
50 to 64 years	$87,500	54
65 years or older	$103,800	41
Education of Equity Investor		
High school graduate or less	$40,000	50
Some college or associate's degree	$50,000	53
College or postgraduate degree	$78,000	57

Equity investors also have more diversified financial portfolios in 2005 than previously. A greater percentage of equity investors today than six years ago have foreign equity holdings, primarily through ownership of international or global stock mutual funds. In addition, more equity investors in 2005 own hybrid mutual funds, annuities, investment real estate, individual bonds, and bond mutual funds.

Use of Professional Financial Advisers

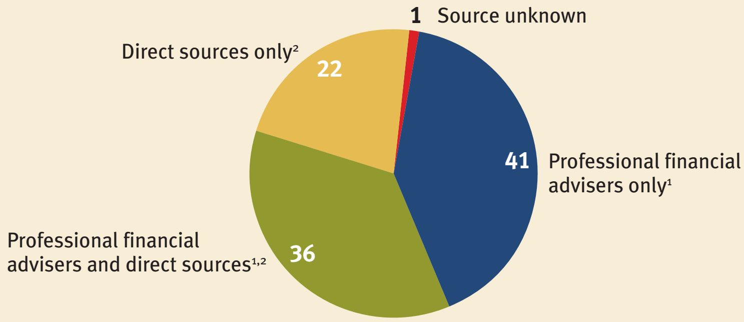
While the increase in the number of investors holding equities through retirement plans at work has driven the growth of equity ownership, nearly three-quarters of all equity investors hold equities outside these plans. Professional financial advisers are the main conduit to equity ownership outside employer plans. More than three-quarters of investors who hold equities outside employer-sponsored plans in 2005 own equities purchased through advisers. The largest segment of these investors uses advisers as their sole means for purchasing equities (Figure 8).

Nearly two-thirds of equity investors who have consulted financial advisers within the past five years rely on one adviser for investment guidance, usually a full-service broker or an independent financial planner, with whom they typically confer twice a year. They turn to their primary advisers mainly for retirement-related advice—how to allocate financial assets during retirement and saving and investing through retirement plans at work—but also for tax and estate planning. Although some equity investors view their advisers as order-takers or simply sign off on their advisers' decisions, most form collaborative relationships with their primary advisers in which they make investment decisions together.

FIGURE 8

Equity Purchases Outside Employer-Sponsored Retirement Plans Are Made Through Advisers, Direct Channels

Percent of investors owning equities outside employer plans by purchase source, 2005



Number of respondents: 1,588

[1] *Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*

[2] *Direct sources include companies issuing individual stock or stock mutual funds directly and discount brokers.*

CHAPTER 1:

Patterns of Equity Ownership

Chapter Summary

Equity ownership in America has grown over the past two decades, and now half of all U.S. households own individual stock or stock mutual funds. The shift from traditional pensions to defined contribution plans is the engine that has propelled much of the increase. The growth of defined contribution plans, which often offer stock mutual funds as investment options, has played a large part in introducing many individuals to equity investing.

While the vast majority of equity investors hold stock mutual funds, about half also hold individual stock. There is a direct correlation between the type of equity owned and the age of the investor. Because younger investors' initial exposure to equity investing generally is through retirement plans at work, they tend to own equities through stock mutual funds. Older investors, who typically made their initial investments outside these plans, are more likely than younger investors to hold individual stock.

Growth in Equity Ownership

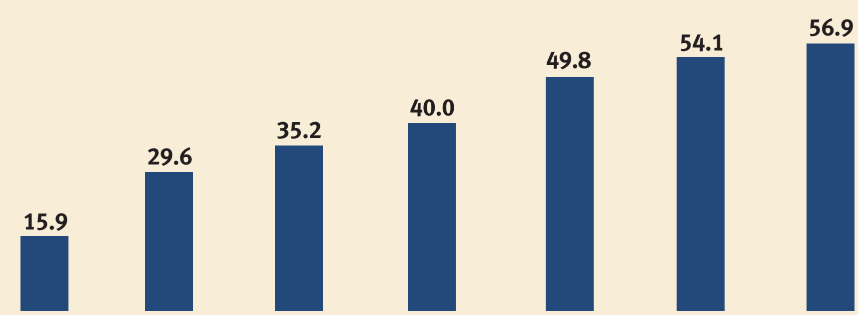
Half of All U.S. Households Own Equities

Currently, half of all U.S. households and one in three individuals own shares of publicly traded stock or stock mutual funds (Figures 9 and 10). As of January 2005, 56.9 million U.S. households held equities in their investment portfolios. The number of households owning equities has increased more

FIGURE 9

Half of All U.S. Households Own Equities in 2005

Number and percent of U.S. households owning equities, 1983–2005



Millions of Households	1983	1989	1992	1995	1999[R]	2002[R]	2005
Percent of Households	19.0	31.8	36.7	40.4	47.9	49.5	50.3

R=Revised

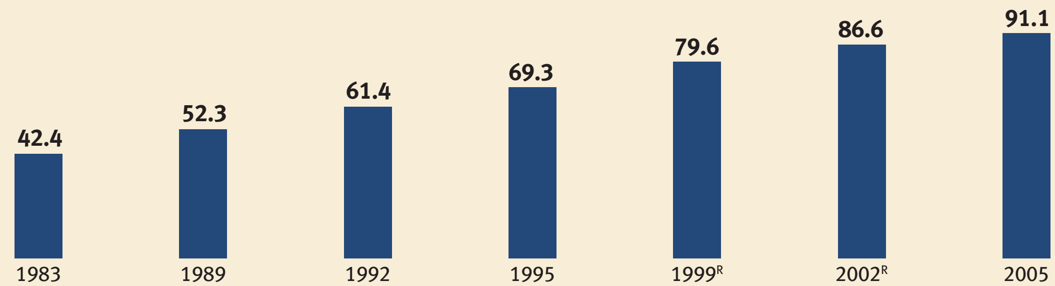
Note: The number of households owning equities in 1999 and 2002 was revised to reflect updated U.S. Census Bureau estimates of the number of U.S. households in those years.

Sources: ICI/SIA Equity Ownership Surveys; Federal Reserve Board, Survey of Consumer Finances; and U.S. Census Bureau

FIGURE 10

One in Three Individuals Owns Equities in 2005

Millions of individual U.S. investors owning equities, 1983–2005



R=Revised

Note: The number of individuals owning equities in 1999 and 2002 was revised to reflect updated U.S. Census Bureau estimates of the number of U.S. households in those years.

Sources: ICI/SIA Equity Ownership Surveys, New York Stock Exchange, and U.S. Census Bureau

than three-fold since the early 1980s, compared with a 35 percent increase in the overall number of households in the United States.[2] The faster growth in the number of equity investors has led to a significant increase in the percentage of U.S. households owning equities.

Even though the 2000–2002 bear market was one of the worst stock market contractions since the Great Depression (Figure 11), the number of households owning equities has grown 5.2 percent since 2002 when the last ICI/SIA Equity Ownership Survey was conducted. While household ownership of equities has increased in recent years, the growth rate of equity ownership has slowed considerably since the 1990s. For example, the number of households owning equities rose 24.5 percent between 1995 and 1999, but was followed by a more modest 8.6 percent increase between 1999 and 2002, and 5.2 percent between 2002 and 2005.

Several factors seem to have contributed to the slowdown in the growth of equity ownership during the past decade. First, the growth in the number of workers enrolled in defined contribution plans has slowed. In the 1980s and early 1990s, a large portion of the increase in equity ownership occurred through these plans as an increasing number of businesses began offering them to their workers, particularly among the nation's largest employers. By the late 1990s, most large employers had defined contribution retirement plans as an employee benefit. Additional growth in defined contribution plan coverage since the mid-1990s has come largely from small- and mid-sized businesses. Because these employers have fewer workers, the percentage of employees covered by defined contribution plans has grown more slowly in the past decade, which has resulted in slower growth in equity ownership.

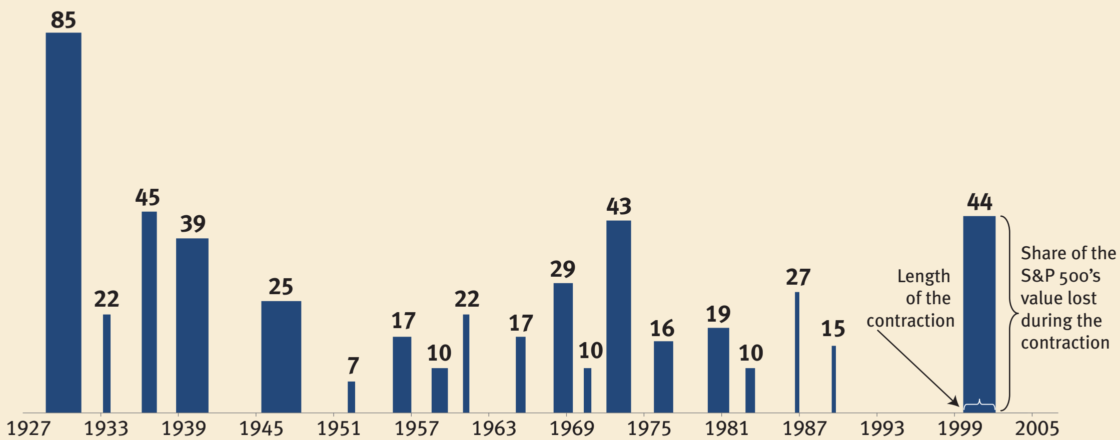
Second, the number of households owning individual stock inside employer plans fell slightly after 2002, which offset the increase in the number of households owning stock mutual funds in these plans (Figure 12). The overall effect has been a leveling out in the household ownership of equities inside employer plans.

[2] According to the U.S. Census Bureau, there were 83.9 million U.S. households in 1983 and 113.1 million in March 2005 (see U.S. Census Bureau, Current Population Survey, *March and Annual Social and Economic Supplements, 2004 and earlier* (www.census.gov/population/socdemo/hh-fam/hh1.pdf) and U.S. Census Bureau, Current Population Reports, P-60-229, *Income, Poverty, and Health Insurance Coverage in the United States: 2004,* August 2005 (www.census.gov/prod/2005pubs/p60-229.pdf)).

FIGURE 11

Recent Bear Market One of the Worst Contractions Since the Great Depression

Percent drop in the monthly average of the S&P 500 index between 1927 and 2005



Sources: Investment Company Institute and Standard & Poor's Corporation

FIGURE 12

Number Owning Equities Inside Employer-Sponsored Retirement Plans Levels Out

Millions of U.S. households, 1999–2005

	1999[R]	2002[R]	2005
Any type of equity[1,2]	49.8	54.1	56.9
Inside employer plans	32.4	37.2	37.6
Outside employer plans	36.9	36.8	39.3
Individual stock (total)[1,3]	26.5	26.1	28.4
Inside employer plans	8.7	9.1	7.6
Outside employer plans	22.2	21.5	23.3
Stock mutual funds (total)[1]	42.5	48.3	51.8
Inside employer plans	29.0	34.1	36.0
Outside employer plans	28.3	29.5	31.1

R=Revised

[1] *Multiple responses included.*

[2] *The average number of individuals owning equities per household was 1.6 in 1999, 2002, and 2005.*

[3] *Employer stock options excluded.*

Note: The number of households owning funds in 1999 and 2002 was revised to reflect updated U.S. Census Bureau estimates of the number of U.S. households in those years.

Sources: ICI/SIA Equity Ownership Surveys and U.S. Census Bureau

Third, younger individuals today are not purchasing equities at the same rate as younger people in earlier years. From the early 1980s through the mid-1990s, the incidence of equity ownership rose rapidly among younger and older individuals (Figure 13). In recent years, the incidence of ownership has remained unchanged for households headed by individuals age 35 or older, but has declined for households headed by individuals under age 35.

Types of Equities Owned

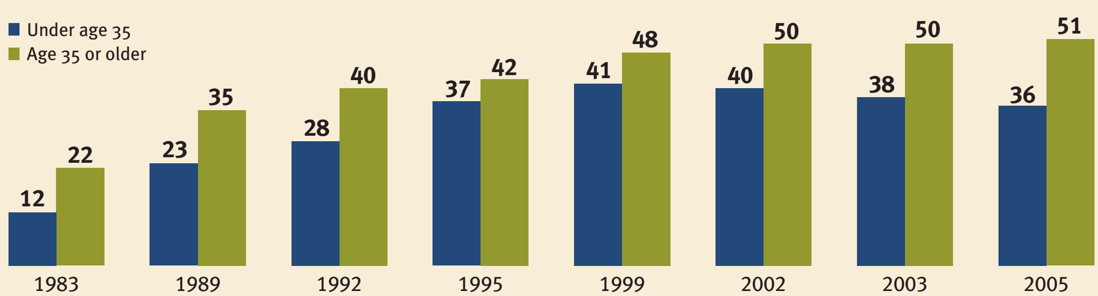
Most Equity Owners Own Stock Mutual Funds

Stock mutual funds are the most prevalent form of equity ownership among U.S. households. A total of 51.8 million households, 90 percent of all equity-owning households,[3] hold stock mutual funds. More than half of all equity investors solely own stock mutual funds, and 39 percent own both stock mutual funds and individual stock (Figure 14). Since 1990, U.S. households' net equity purchases primarily have been through mutual funds (Figure 15), underscoring the significance of stock mutual funds as a source of equity ownership.

FIGURE 13

Young Americans' Ownership of Equities Has Declined Since 1999

Percent of U.S. households owning equities by age,[1] 1983–2005



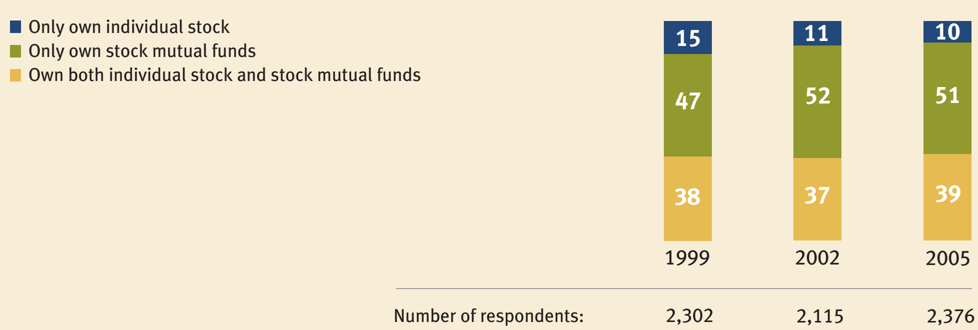
[1] *age of primary or responding co-decisionmaker*

Sources: ICI Mutual Fund Tracking Surveys and Federal Reserve Board, Survey of Consumer Finances

FIGURE 14

Most Equity Investors Own Stock Mutual Funds

Percent of equity investors owning individual stock and stock mutual funds, 1999–2005



[3] See Appendix C for detailed tabulations of the characteristics of all stock mutual fund investors.

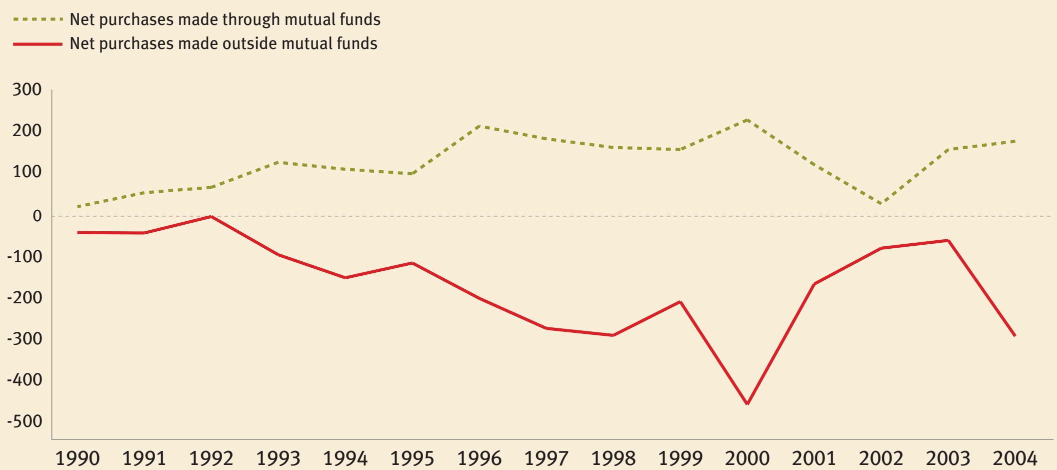
Investors' reliance on stock mutual funds as a vehicle for owning equities has continued to increase in recent years. Between 1999 and 2005, the number of households investing in stock mutual funds increased by 9.3 million. Much of the increase in stock mutual fund ownership occurred inside employer-sponsored retirement plans. At the same time, the number of households investing in stock funds outside these plans rose modestly.

Households own stock mutual funds both inside and outside employer-sponsored retirement plans. Among investors holding stock mutual funds, nearly 40 percent solely own stock mutual funds inside employer plans and 34 percent own stock funds inside and outside these plans (Figure 16).[4] The remaining 27 percent solely own stock mutual funds outside employer plans.

FIGURE 15

U.S. Households Increasingly Purchase Equities Through Mutual Funds

Purchases of equities by households, in billions of dollars, 1990–2004

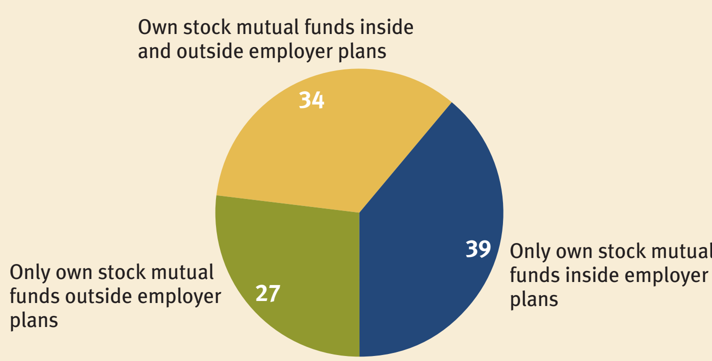


Sources: Investment Company Institute and Federal Reserve Board, Flow of Funds Accounts

FIGURE 16

Employer-Sponsored Retirement Plans Are Main Source of Stock Fund Ownership

Percent of investors owning stock mutual funds inside and outside employer plans, 2005



Number of respondents: 2,066

[4] See Appendix D for detailed tabulations of the characteristics of investors owning stock mutual funds inside and outside employer-sponsored plans.

Half of Equity Investors Own Individual Stock

About half of all equity investors, or 28.4 million households, own individual stock,[5] a slight increase since 1999. Individual stock ownership is concentrated outside employer-sponsored retirement plans. Nearly three-quarters of individual stock investors solely own individual stock outside these plans and 20 percent own individual stock both inside and outside employer-sponsored plans (Figure 17).[6] Only 7 percent solely own individual stock inside employer plans, more than half of whom indicate they hold employer stock.

Older and Younger Investors Own Different Types of Equities

There are distinct generational differences in the types of equities owned by older and younger investors. In general, older investors are more likely to own individual stock. In fact, one-fifth of equity investors age 65 or older solely own individual stock, compared with only 7 percent of equity investors under age 35. Younger investors tend to solely own stock mutual funds.

The differences among investors in the types of equities they own is in part due to how individuals were initially introduced to equity investing. Nearly half of all equity investors in 2005 made their initial equity investments in stock mutual funds acquired through retirement plans at work. Because many older investors were in the workforce prior to the creation and introduction of defined contribution plans, only 21 percent of those age 65 or older made their first equity purchases through mutual funds inside employer-sponsored retirement plans (Figure 18). In contrast, 61 percent of equity investors under age 35 say their initial equity investments were through mutual funds inside work retirement plans. Individuals with some secondary education or with household incomes of $50,000 or more also are more likely to have first invested in equities through mutual funds inside these plans.

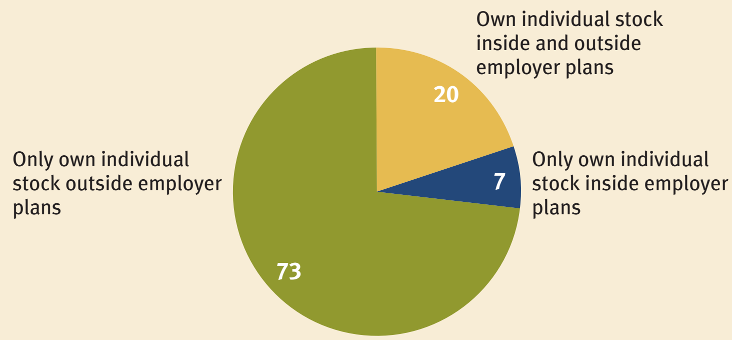
[5] See Appendix C for detailed tabulations of the characteristics of all individual stock investors.

[6] See Appendix D for detailed tabulations of the characteristics of investors owning individual stock inside and outside employer-sponsored plans.

FIGURE 17

Most Individual Stock Investors Own Stock Outside Employer-Sponsored Retirement Plans

Percent of investors owning individual stock inside and outside employer plans, 2005



Number of respondents: 1,120

FIGURE 18

Employer-Sponsored Retirement Plans, Mutual Funds Introduce Investors to Equities

Percent of equity investors whose initial equity purchases were stock mutual funds through employer plans, by investor characteristics, 2005

Age of Equity Investor	
Less than 35 years	61
35 to 49 years	62
50 to 64 years	46
65 years or older	21
Education of Equity Investor	
High school graduate or less	44
Some college or associate's degree	56
College or postgraduate degree	48
Household Income	
Less than $50,000	43
$50,000 to $99,999	61
$100,000 to $149,999	60
$150,000 or more	51
Household Financial Assets	
Less than $50,000	58
$50,000 to $149,999	60
$150,000 to $499,999	58
$500,000 or more	40
Length of Equity Ownership	
Less than five years	57
Five to nine years	57
Ten years or more	50

These initial purchase patterns help explain other differences in the types of equities owned. As investors' level of education, household income, household financial assets, and length of equity ownership increase, so does their likelihood of owning both stock mutual funds and individual stock (Figure 19). For example, 59 percent of equity investors with household financial assets of $500,000 or more own both stock mutual funds and individual stock, compared with 20 percent of those with household financial assets below $50,000. Seventy percent of equity investors in this low-asset category solely own stock mutual funds.

FIGURE 19

Types of Equities Owned Varies by Investor Characteristics

Percent of equity investors owning individual stock and stock mutual funds, by investor characteristics, 2005

	Only Own Individual Stock	Only Own Stock Mutual Funds	Own Both Individual Stock and Stock Mutual Funds
Age of Equity Investor			
Less than 35 years	7	62	31
35 to 49 years	7	57	36
50 to 64 years	8	48	44
65 years or older	20	37	43
Education of Equity Investor			
High school graduate or less	13	65	22
Some college or associate's degree	10	56	34
College or postgraduate degree	9	44	47
Household Income			
Less than $50,000	12	62	26
$50,000 to $99,999	7	56	37
$100,000 to $149,999	8	42	50
$150,000 or more	8	34	58
Household Financial Assets			
Less than $50,000	10	70	20
$50,000 to $149,999	8	59	33
$150,000 to $499,999	8	49	43
$500,000 or more	11	30	59
Length of Equity Ownership			
Less than five years	13	76	11
Five to nine years	9	65	26
Ten years or more	8	48	44

Ownership of Equities in Tax-Deferred and Taxable Accounts

Most Equity Investors Hold Equities in Tax-Deferred Accounts

Because many U.S. workers invest in equities through retirement plans at work, a large portion of households now hold equities in tax-deferred accounts. Tax-deferred ownership of equities is also boosted by equity ownership in IRAs. More than 40 percent of equity investors hold individual stock or stock mutual funds through IRAs. Together, nearly 90 percent of equity investors hold some or all of their equity assets in tax-deferred accounts: 45 percent solely own equities in tax-deferred accounts and another 42 percent own equities in both taxable and tax-deferred accounts (Figure 20). Only 13 percent of equity investors solely hold equities in taxable accounts.

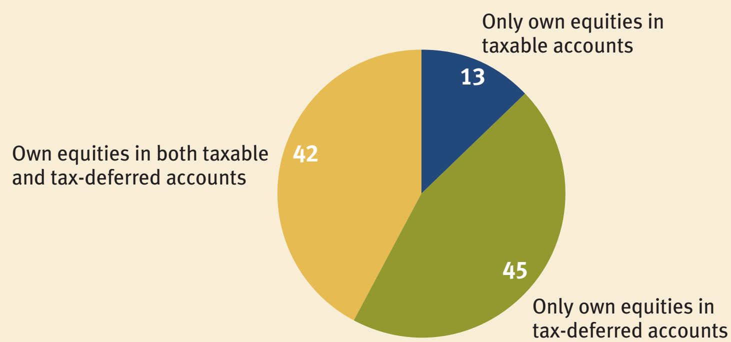
All Types of Investors Hold Equities in Tax-Deferred Accounts

Ownership of equities in tax-deferred accounts is widespread across all investor groups when categorized by age, education, household income, household financial assets, and length of equity ownership. More than two-thirds of equity investors in each of these classifications own equities in tax-deferred accounts (Figure 21). For example, 92 percent of equity investors under age 35 and 70 percent of those age 65 or older hold equities in tax-deferred accounts.

FIGURE 20

Nearly 90 Percent of Equity Investors Hold Equities in Tax-Deferred Accounts

Percent of equity investors owning equities in taxable and tax-deferred accounts, 2005



Number of respondents: 1,761

However, certain types of equity investors are more likely than others to solely own equities in tax-deferred accounts. This is especially evident when equity investors are classified by their level of household financial assets. More than 60 percent of equity investors with household financial assets below $50,000 solely own equities in tax-deferred accounts, compared with one-quarter of those with household financial assets of $500,000 or more. Ownership of equities through both tax-deferred and taxable accounts increases with investors' education, household income, household financial assets, and length of equity ownership.

FIGURE 21

Investors of All Types Hold Equities in Tax-Deferred Accounts

Percent of equity investors owning equities in taxable and tax-deferred accounts, by investor characteristics, 2005

	Only Own Equities in Taxable Accounts	Only Own Equities in Tax-Deferred Accounts	Own Equities in Taxable and Tax-Deferred Accounts
Age of Equity Investor			
Less than 35 years	8	54	38
35 to 49 years	9	51	40
50 to 64 years	12	41	47
65 years or older	30	27	43
Education of Equity Investor			
High school graduate or less	21	50	29
Some college or associate's degree	14	51	35
College or postgraduate degree	10	40	50
Household Income			
Less than $50,000	19	50	31
$50,000 to $99,999	6	50	44
$100,000 to $149,999	5	34	61
$150,000 or more	6	30	64
Household Financial Assets			
Less than $50,000	14	61	25
$50,000 to $149,999	7	50	43
$150,000 to $499,999	7	36	57
$500,000 or more	12	25	63
Length of Equity Ownership			
Less than five years	21	63	16
Five to nine years	15	52	33
Ten years or more	11	41	48

CHAPTER 2:

Equity Investors' Characteristics

Chapter Summary

The aggregate characteristics of equity investors in 2005 are largely influenced by the overall aging of the U.S. population and the 2000–2002 bear market, one of the largest stock market contractions since the Great Depression. For example, the percentage of equity investors age 50 or older is greater in 2005 than in 1999. Equity investors in 2005 are also more concerned about short-term volatility and are less willing to take above-average financial risk than they were in 1999, even though their equity portfolios generally have recovered from the 2000–2002 bear market. Finally, equity investors have diversified their financial portfolios to own a broader range of investments—particularly income-producing investments—than previously.

Implications of an Aging Equity Investor Population

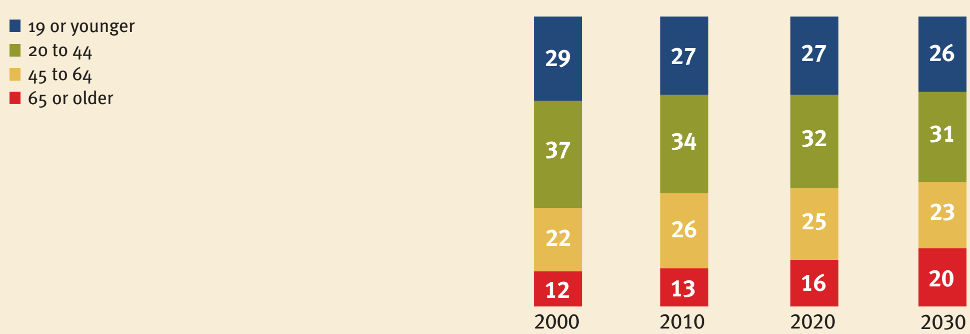
The average age of equity investors has increased somewhat since the 2002 ICI/SIA Equity Ownership Survey. In part, the increase reflects the aging of the overall U.S. population.[7] The decline in the percentage of younger households investing in equities also has contributed to the increase in the average age.

The average age of equity investors is likely to continue increasing as the overall U.S. population ages. In 2000, 12 percent of the U.S. population was age 65 or older, but by 2030, individuals age 65 or older are projected to account for one-fifth of the entire U.S. population (Figure 22).[8]

FIGURE 22

Seniors Are the Fastest-Growing Age Group

Percent of projected U.S. population by age, 2000 to 2030



Source: U.S. Census Bureau

[7] The age composition of the U.S. population is becoming older as a result of the aging Baby Boom Generation (individuals born between 1946 and 1964), low fertility rates, and increases in life expectancy.

[8] U.S. Census Bureau, "U.S. Interim Projections by Age, Sex, Race, and National Hispanic Origin" (www.census.gov/ipc/www/usinterimproj/).

Equity Investors' Financial Goals Vary by Age

Equity investors typically have several financial goals that they are trying to achieve simultaneously (Figure 23). These goals generally vary by age. Younger equity investors are more likely than older equity investors to be saving to finance their retirement, pay for education, or purchase a home or other large item.

Due to increases in life expectancy, Americans today are preparing for the possibility of living many more years in retirement than did individuals in earlier generations. Consequently, financing retirement remains a major goal for many equity investors age 65 or older.[9] Most of these senior equity investors also list the provision of current income and leaving an inheritance as financial goals.

The effect of age on financial goals is particularly evident with regard to investors' primary financial goal. Saving for retirement is by far the most frequently mentioned primary financial goal of equity investors below age 65, especially among those age 50 to 64 years. In contrast, equity investors age 65 or older are as likely to cite the provision of current income as they are financing retirement as their main financial goal.

FIGURE 23

Equity Investors' Financial Goals Vary by Age

Percent of equity investors by age, 2005

	All Equity Investors	Age of Equity Investor: Less than 35 Years	35 to 49 Years	50 to 64 Years	65 Years or Older
Financial Goals[1]					
Retirement	88	93	93	92	69
Inheritance	49	51	42	45	64
Emergency	56	62	53	56	58
Minimize taxes	51	47	53	54	45
Education	31	55	48	16	9
Current income	32	22	19	31	63
Purchase a home or other large item	17	34	21	11	6
Primary Financial Goal					
Retirement	60	55	65	73	32
Education	9	17	15	3	1
Current income	10	3	3	9	32
Emergency	6	7	4	5	8
Minimize taxes	4	1	4	3	6
Inheritance	7	6	4	4	18
Purchase a home or other large item	3	8	4	2	1
Other	1	3	1	1	2

[1] *Multiple responses included.*

Note: Number of respondents varies.

[9] Other ICI research has similar findings. A 2004 survey of 3,613 mutual fund shareholders found that more than three-quarters of shareholders age 65 or older listed financing retirement as a financial goal (see *Profile of Mutual Fund Shareholders,* Investment Company Institute, Fall 2004, p. 118 (www.ici.org/pdf/rpt_profile04.pdf)).

Portfolio Holdings Are Consistent with Financial Goals

Older equity investors that have short-term financial goals are often more risk-averse than younger investors (Figure 24). More than one-quarter of equity investors age 65 or older describe themselves as willing to take below-average or no financial risk. Less than one-fifth of equity owners age 65 or older are willing to take substantial or above-average risk with their equity investments, compared with more than two-fifths of those under age 35.

To achieve short-term goals and reduce their exposure to financial risk, investors typically shift some of their portfolio holdings from equities to other types of investments as they age.[10] Older equity investors are more likely than younger equity investors to own bond investments and money market mutual funds, both of which usually carry less financial risk than equities (Figure 25). Older equity investors also are more likely to hold annuities, an investment that is tax-deferred and generally offers an insurance component. In contrast, younger investors are more likely to own U.S. Savings bonds, an investment often used to save for college education expenses.[11]

FIGURE 24

Equity Investors' Willingness to Take Financial Risk Decreases With Age

Percent of equity investors by investor characteristics, 2005

	Substantial Risk For Substantial Gain	Above-Average Risk For Above-Average Gain	Average Risk For Average Gain	Below-Average Risk For Below-Average Gain	Unwilling To Take Any Risk
Age of Equity Investor					
Less than 35 years	9	36	46	6	4
35 to 49 years	7	37	44	6	6
50 to 64 years	5	22	56	11	6
65 years or older	3	15	53	13	16
Household Investment Decisionmaker					
Male	10	35	41	8	5
Female	3	23	52	10	12
Co-decisionmakers	5	26	52	9	7
Education of Equity Investor					
High school graduate or less	6	17	45	13	18
Some college or associate's degree	5	24	52	10	9
College or postgraduate degree	6	33	49	8	4
Household Income					
Less than $50,000	5	22	50	10	13
$50,000 to $99,999	5	31	51	7	6
$100,000 to $149,999	6	40	40	8	6
$150,000 or more	9	32	49	7	3

[10] A 1997 survey of 1,010 retired investors with household incomes of $25,000 or more found that, on average, retired investors age 65 or older allocated 25 percent of household financial assets to bond and income investments, compared with 17 percent of retired investors under age 65 (see *Profile of America's Retired Investors,* Investment Company Institute, 1998).

[11] A 2003 survey of 918 households with children younger than 18 and that were saving for college found that more than 42 percent were using U.S. Savings bonds as one investment to achieve this goal (see *Profile of Households Saving for College,* Investment Company Institute, 2003, p. 7 (www.ici.org/pdf/rpt_03_college_saving.pdf)).

Consequently, the equity holdings of older investors typically represent a smaller percentage of total household financial assets than do the equity holdings of younger investors. Among equity investors age 65 or older, equity assets in 2005 typically represent about two-fifths of total household financial assets (Figure 26). For those under age 50, equity holdings on average account for about three-fifths of total household financial assets.

Although older investors hold a smaller share of their household financial assets in equities, the average amount of their equity holdings is larger because they have more financial assets than younger investors. The median equity holding among equity investors age 65 or older is $103,800, while the median holding among equity investors under age 35 is $33,800.

Because the financial goals, investment objectives, and portfolio strategies of older and younger investors tend to be quite different, the aging of the U.S. population and America's equity investors has implications for the financial services industry. Financial services firms will likely need to continue to build services that emphasize income, asset management, and asset protection to meet the demands of aging investors.[12]

FIGURE 25

Older Equity Investors Diversify Their Portfolios to Reduce Financial Risk

Percent of equity investors owning each type of investment,[1] by age, 2005

	Age of Equity Investor			
	Less than 35 Years	35 to 49 Years	50 to 64 Years	65 Years or Older
Savings accounts, money market deposit accounts, or certificates of deposit	82	84	83	83
Hybrid mutual funds	59	63	67	54
U.S. Savings bonds	42	41	35	29
Money market mutual funds	29	39	48	45
Bond investments (total)	28	33	43	46
Individual bonds (excluding U.S. Savings bonds)	9	12	17	24
Bond mutual funds	24	27	36	35
Investment real estate	17	25	38	33
Fixed or variable annuities	13	20	36	42
Exchange-traded funds	3	3	3	4

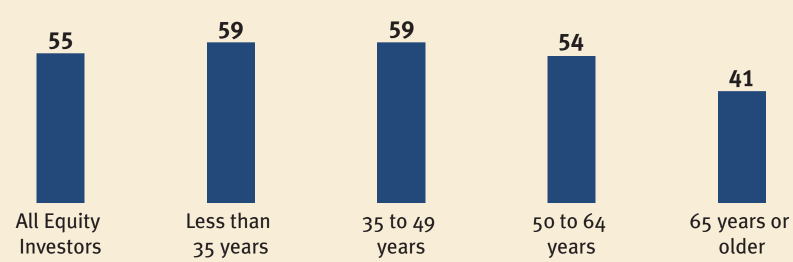
[1] *Multiple responses included.*

Note: Number of respondents varies.

FIGURE 26

Equity Holdings Account for More Than Half of Equity Investors' Assets

Median percent of total household financial assets held in equities, by age, 2005



	All Equity Investors	Less than 35 years	35 to 49 years	50 to 64 years	65 years or older
Median Equity Holdings	$65,000	$33,800	$50,200	$87,500	$103,800

[12] See The Cerulli Report: *Funding Retirement Income: Impact on Managers and Distributions,* 2002; and James M. Poterba, "The Impact of Population Aging on Financial Markets," October 2004, *NBER Working Paper,* No. 10851, pp. 27 and 30 (www.nber.org/papers/W10851).

Changes Since the Bear Market

Investors' Equity Portfolios Have Recovered from the Bear Market

Many investors saw the value of their investment portfolios erode during the 2000–2002 bear market after achieving sizeable investment returns in the 1990s. Overall, investors' equity portfolios have rebounded since the stock market contraction. Median household equity assets rose to $65,000 in 2005 from $50,000 in 1999 and 2002 (Figure 27). Mean equity assets followed a similar pattern, reaching $221,800 in 2005 from about $170,000 in 1999 and 2002.

Recovery from the 2000–2002 bear market appears to be robust and widespread. Median equity assets of all generations of equity investors increased between 2002 and 2005, especially those of the Silent and GI Generations (individuals born in 1945 or earlier). The median equity assets of these senior equity investors in 2005 are $105,000, up from $69,600 in 2002 (Figure 28).

FIGURE 27

Equity Portfolios Have Recovered from the 2000–2002 Bear Market

Percent of equity investors by household financial assets in equities, 1999–2005

	1999	2002	2005
Less than $25,000	30	24	20
$25,000 to $49,999	20	24	23
$50,000 to $74,999	12	15	11
$75,000 to $99,999	7	7	8
$100,000 to $249,999	16	15	20
$250,000 to $499,999	8	7	8
$500,000 or more	7	8	10
Mean	$167,100	$171,000	$221,800
Median	$50,000	$50,000	$65,000
Number of respondents:	2,237	2,027	2,192

FIGURE 28

Bear Market Recovery Has Been Widespread

Median household equity assets by generation, 1999–2005

	1999	2002	2005
Generation Y equity investors *(born in 1977 or later)*	---	$8,000	$13,200
Generation X equity investors *(born between 1965 and 1976)*	$21,000	$25,000	$40,000
Baby Boom Generation equity investors *(born between 1946 and 1964)*	$50,000	$51,000	$74,800
Silent or GI Generation equity investors *(born in 1945 or earlier)*	$81,000	$69,600	$105,000

Note: Number of respondents varies. The vast majority of Generation Y were not adults at the time of the 1999 survey, so insufficient data exist to calculate median household equity assets in 1999 for this generation.

Equity Investors Willing to Take Investment Risk, But Some Are Less Accepting of Short-Term Volatility

Despite the rebound in the value of their equity holdings, the 2000–2002 bear market appears to have heightened some equity investors' unease with short-term volatility (Figure 29). The percentage of equity owners not concerned about short-term investment fluctuations, which declined between 1999 and 2002, continued to fall between 2002 and 2005. Concern about short-term fluctuations increased across all age groups of equity investors, even those under age 35.

The 2000–2002 bear market also seems to continue to temper equity owners' willingness to take investment risk. Although equity investors in 2005 are not as risk-averse as they were in 2002, they are more conservative about risk than they were before the bear market (Figure 30).[13] For example, 34 percent of equity investors were willing to take substantial or above-average financial risk in 2005, compared with 40 percent in 1999.

FIGURE 29

Investors Are More Concerned With Short-Term Fluctuations Since Bear Market

Percent of equity investors agreeing with each statement,[1] 1999–2005

	1999	2002	2005
I view my equity investments as savings for the long term	96	96	96
I tend to follow a buy-and-hold investment strategy	87	86	82
I am not concerned about short-term fluctuations in my equity investments	83	77	72
Investing in individual stock or stock mutual funds involves accepting some degree of risk	NA	NA	95

NA=Not asked

[1] Multiple responses included.

Note: Number of respondents varies.

FIGURE 30

Equity Investors Are More Conservative About Risk Since Bear Market

Percent of equity investors by willingness to take financial risk, 1999–2005

	1999	2002	2005
Substantial risk for substantial gain	9	8	6
Above-average risk for above-average gain	31	24	28
Average risk for average gain	48	51	49
Below-average risk for below-average gain	7	10	9
Unwilling to take any risk	6	7	8
Number of respondents	2,299	2,104	2,344

[13] A 2004 survey of 900 Americans age 50 or older had a similar finding. In that survey, 13 percent of respondents indicated they were taking less risk with their investments since the 2000–2002 bear market (see *The State of 50+ America,* AARP, April 2004 p. 33 (http://assets.aarp.org/rgcenter/general/fifty_plus_2004.pdf)).

More Investors Are Diversifying Their Equity Portfolios to Include International Holdings

Perhaps to temper the risk level of their equity portfolios, in 2005 a number of equity investors diversified their equity holdings to include overseas investments. Nearly two-thirds of all equity investors in 2005 hold foreign equities through ownership of individual stock in foreign companies or ownership of international or global mutual funds, up from about half in 1999 and 2002 (Figure 31).

The pattern of international or global stock fund ownership closely matches net flows into stock mutual funds with international or global investment objectives, which are largely influenced by foreign equity prices and currency exchange rates. For example, the share of stock fund investors owning international or global funds rose to 65 percent in 2005 from 56 percent in 2002 following the decline of the U.S. dollar that began in early 2002.

Ownership of individual stock in foreign companies has increased modestly since 1999. Currently, more than one-fifth of individual stock shareholders hold individual stock in foreign companies, compared with 15 percent in 1999 and 18 percent in 2002.

FIGURE 31

Equity Investors Are Increasing Ownership of Foreign Equities

Number of respondents:	1,954	1,596	1,753	1,209	964	1,045	1,635	1,396	1,578

Equity Investors Own a Broad Range of Investments

Equity investors have diversified their portfolios in another way—by holding a broader range of investments. For example, more equity investors in 2005 than in 1999 or 2002 own hybrid funds, bond funds, money market funds, annuities, and investment real estate (Figure 32). In part, this may be because equity investors' overall investment portfolios tend to become more income-oriented as they age. But it also appears that the 2000–2002 bear market led equity investors in all age groups to diversify their portfolios. Greater percentages of equity owners of all ages in 2005 than in 1999 hold investments other than stock mutual funds or individual stock.

Transaction Activity

Majority of Equity Investors Do Not Buy or Sell Equities in Any Given Year

Because the majority of equity investors are saving for retirement and have long-term investment horizons, most are not frequent traders. As a group, these investors do not have a pattern of buying or selling equities in response to stock market conditions. The share of equity investors who conducted equity transactions in 1998, 2001, and 2004—excluding automatic reinvestment of dividends and automatic contributions—remained steady at about 40 percent even though market conditions in each of these years were very different (Figure 33).[14,15]

FIGURE 32

Equity Investors Are Increasing Ownership of Various Types of Investments

Percent of equity investors owning each type of investment,[1] 1999–2005

	1999	2002	2005
Savings accounts, money market deposit accounts, or certificates of deposit	83	86	83
Hybrid mutual funds	39	52	62
Money market mutual funds	26	35	42
Investment real estate	26	24	30
Fixed or variable annuities	21	23	28
Bond investments (total)	22	36	38
Individual bonds (excluding U.S. Savings bonds)	9	17	16
Bond mutual funds	16	26	31
U.S. Savings bonds	NA	NA	37
Exchange-traded funds	NA	NA	3

NA=Not asked

[1] Multiple responses included.

Note: Number of respondents varies.

[14] The U.S. stock market was very volatile in 1998 but experienced strong, double-digit gains. That year, the S&P 500 index posted a 27 percent increase, its seventh largest annual gain since World War II. In contrast, significant declines occurred in stock prices during 2001. For the year, the S&P 500 index was down 13 percent, its fifth largest annual decline since World War II. U.S. equity markets in 2004 posted single-digit gains, with the S&P 500 index ending 2004 with a 9 percent gain.

[15] A 2004 survey of 1,917 Americans age 50 or older owning individual stock or stock mutual funds had similar findings. In that survey, 55 percent of individual stock investors and 49 percent of stock mutual fund investors had not conducted transactions in the 12 months preceding the survey (see *Investor Perceptions and Preferences Toward Selected Stock Market Conditions and Practices: An AARP Survey of Stock Owners Age 50 and Older,* AARP, March 2004, p. 58 (http://assets.aarp.org/rgcenter/econ/investor.pdf)).

In addition, most investors who buy or sell equities conduct only a small number of transactions in a given year (Figure 34). During 2004, for example, nearly 60 percent of those who bought or sold equities conducted five or fewer transactions. Investors conducting a small number of transactions typically purchased shares of individual stock or stock mutual funds, whereas those conducting a large number of transactions tended to be both buying and selling equities.

FIGURE 33

Majority of Equity Investors Are Not Frequent Traders

Percent of equity investors by transaction activity, 1998–2004

	1998	2001	2004
Conducted equity transactions (total)[1]	42	40	40
Bought equities	39	31	32
Sold equities	27	24	27
Did not conduct equity transactions	58	60	60

[1] *Multiple responses included.*

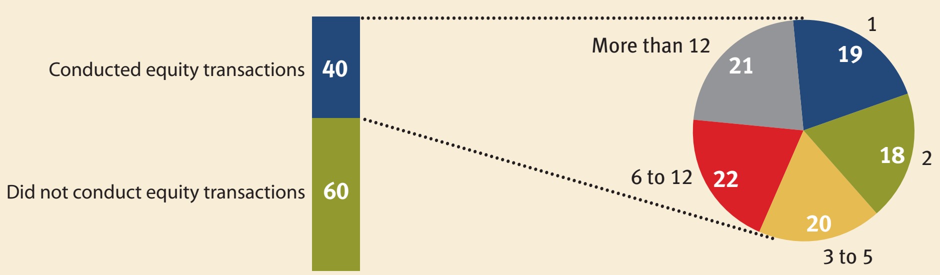
Note: Number of respondents varies. See page 39 for transaction definition.

FIGURE 34

Investors Who Trade Equities Typically Conduct a Small Number of Transactions

Equity Transaction Activity During 2004
(percent of equity investors)

Number of Equity Transactions Conducted During 2004
(percent of equity investors who conducted transactions during 2004)



Number of respondents: 2,187

Number of respondents: 785

Note: See page 39 for transaction definition.

Use of the Internet

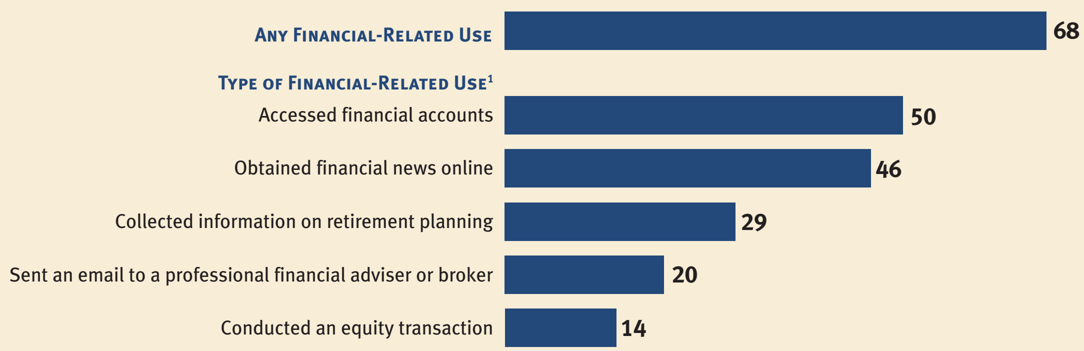
Equity Investors Use the Internet for Financial Purposes, But Usually Not to Buy or Sell Equities

Use of the Internet is widespread among equity investors, with more than two-thirds using the Internet for financial-related purposes during 2004 (Figure 35). The most frequently mentioned financial uses were to access financial accounts or get financial news. The least frequently mentioned financial use was to buy or sell equities; just 14 percent used the Internet to conduct equity transactions during 2004.

FIGURE 35

Most Equity Investors Use the Internet for Financial-Related Purposes

Percent of equity investors who used the Internet for financial-related purposes during 2004



[1] *Multiple responses included.*

Note: Number of respondents varies.

Equity Investors of All Ages, Incomes, and Education Levels Use the Internet for Financial Purposes

Equity investors who used the Internet for financial-related purposes during 2004 included those of all ages, educational backgrounds, and household income levels. However, use of the Internet for financial-related purposes is greatest among younger equity investors, those with college or post-graduate degrees, and those with greater household incomes (Figure 36). These Internet users are also more likely to be male sole decisionmakers for household savings and investments.

FIGURE 36

All Types of Equity Investors Use the Internet for Financial-Related Purposes

Percent of equity investors who used the Internet for financial-related purposes during 2004, by investor characteristics

	Used the Internet For a Financial-Related Purpose	Did Not Use the Internet For a Financial-Related Purpose
Age of Equity Investor		
Less than 35 years	77	23
35 to 49 years	72	28
50 to 64 years	69	31
65 years or older	47	53
Household Investment Decisionmaker		
Male	73	27
Female	55	45
Co-decisionmakers	70	30
Education of Equity Investor		
High school graduate or less	41	59
Some college or associate's degree	64	36
College or postgraduate degree	77	23
Household Income		
Less than $50,000	48	52
$50,000 to $99,999	72	28
$100,000 to $149,999	81	19
$150,000 or more	91	9

CHAPTER 3:
USE OF PROFESSIONAL FINANCIAL ADVISERS

CHAPTER SUMMARY

While many U.S. investors hold equities through retirement plans at work, a large number also own equities outside these plans. Investors holding equities outside retirement plans at work usually purchased them through professional financial advisers. These equity investors regularly seek guidance from their advisers that relates to their retirement savings: allocating assets in retirement and investing in retirement plans at work. Most of these investors have one financial adviser with whom they confer twice a year, on average.

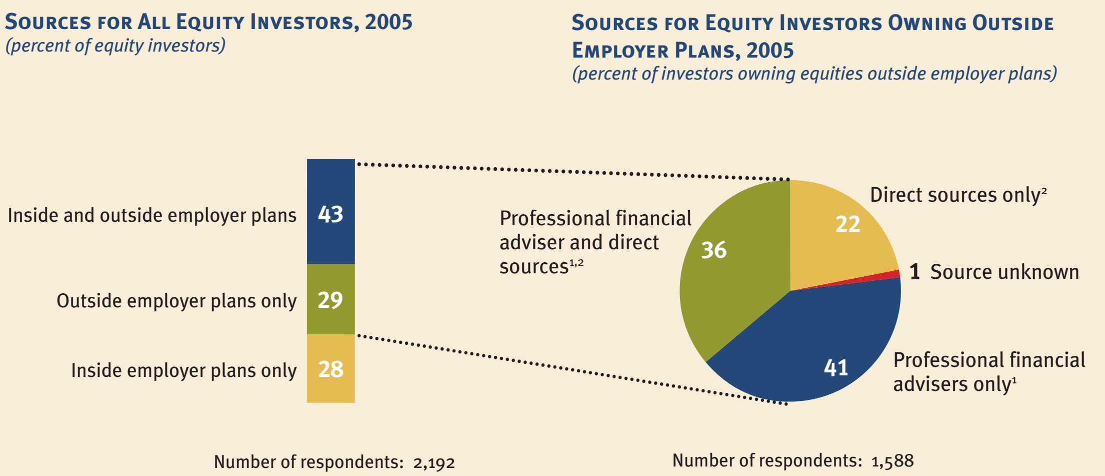
OWNERSHIP OF EQUITIES THROUGH PROFESSIONAL FINANCIAL ADVISERS

Financial Advisers Are the Main Conduit to Equity Ownership Outside Employer-Sponsored Retirement Plans

Seventy-two percent of all equity investors in 2005 own equities outside employer plans (Figure 37). Among these investors, more than three-quarters own equities that were purchased through professional financial advisers: 41 percent own equities solely through advisers and 36 percent hold equities purchased both through advisers and direct sources. Twenty-two percent own equities solely through direct sources.[16]

FIGURE 37

MOST INVESTORS HOLDING EQUITIES OUTSIDE EMPLOYER-SPONSORED RETIREMENT PLANS PURCHASE THEM THROUGH ADVISERS



[1] *Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*

[2] *Direct sources include companies issuing individual stock or stock mutual funds directly and discount brokers.*

[16] Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. Direct sources include companies issuing individual stock or stock mutual funds directly and discount brokers.

Professional financial advisers help investors select investments suitable to their financial goals and risk tolerance. Advisers also provide investors with a range of services, including executing purchase and sales transactions, maintaining financial records, and coordinating the distribution of prospectuses, financial reports, and proxy statements.

In contrast, fund supermarkets and discount brokerage firms generally do not provide advice, and investors typically must undertake their own investment research. However, supermarkets and discount brokerages generally provide a variety of products and tools to assist in decisionmaking.

Equity ownership through advisers—either solely or in combination with direct sources—is predominant across all investor groups, including investors of all ages, education levels, household incomes, household financial assets, and lengths of equity ownership. In each of these classifications, at least two-thirds of equity investors have used advisers to purchase individual stock or stock mutual funds outside employer plans. For example, 71 percent of investors under age 35 holding equities outside employer plans own equities through advisers, as do 83 percent of those age 65 or older (Figure 38).

Although ownership of equities outside employer plans is widespread, some equity investors are far more likely than others to own equities exclusively through advisers. This is especially evident when considering the gender of the household decisionmaker. Among investors holding equities outside employer plans, 51 percent of females who are sole investment decisionmakers own equities exclusively through advisers, compared with 37 percent of males who are sole investment decision-makers. Equity ownership through both advisers and direct sources increases with age, education, household income, household financial assets, and length of equity ownership.

FIGURE 38

Equity Investors of All Types Use Advisers

Percent of investors owning equities outside employer plans through advisers and direct sources, by investor characteristics, 2005

	Own Equities Through Professional Financial Advisers Only[1]	Own Equities Through Professional Financial Advisers and Direct Sources[1,2]	Own Equities Through Direct Sources Only[2]
Age of Equity Investor			
Less than 35 years	41	30	29
35 to 49 years	42	36	22
50 to 64 years	41	35	24
65 years or older	40	43	17
Household Investment Decisionmaker			
Male	37	35	28
Female	51	33	16
Co-decisionmakers	39	38	23
Education of Equity Investor			
High school graduate or less	50	33	17
Some college or associate's degree	40	34	26
College or postgraduate degree	39	38	23
Household Income			
Less than $50,000	46	31	23
$50,000 to $99,999	41	35	24
$100,000 to $149,999	37	37	26
$150,000 or more	37	39	24
Household Financial Assets			
Less than $50,000	41	23	36
$50,000 to $149,999	44	28	28
$150,000 to $499,999	42	37	21
$500,000 or more	36	40	24
Length of Equity Ownership			
Less than five years	51	23	26
Five to nine years	45	25	30
Ten years or more	41	39	20
Type of Equity Owned			
Individual stock only	34	25	41
Stock mutual funds only	60	21	19
Both individual stock and stock mutual funds	29	49	22

[1] *Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*

[2] *Direct sources include companies issuing individual stock or stock mutual funds directly and discount brokers.*

The Adviser-Investor Relationship

Most Equity Investors Have One Professional Financial Adviser

Most equity investors consult with only one professional financial adviser. Nearly two-thirds of equity investors who conferred with financial professionals within the last five years have one adviser (Figure 39). Another 27 percent use two advisers, and 8 percent use three or more advisers.

Equity investors age 35 or younger are the age group most likely to use only one adviser (Figure 40). Use of multiple advisers increases significantly with household financial assets. Among investors who have consulted advisers in the last five years, 24 percent of those with household financial assets below $50,000 use two or more advisers, compared with 46 percent of those with household financial assets of $500,000 or more. Use of multiple advisers also increases with household income.

Equity Investors' Primary Advisers Are Usually Full-Service Brokers or Independent Financial Planners

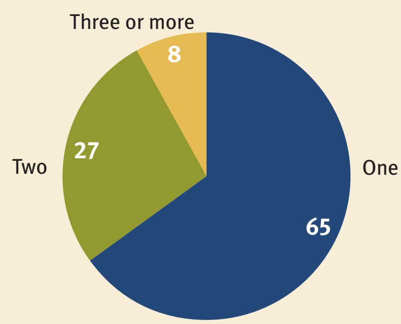
Equity investors' primary financial advisers are typically either full-service brokers or independent financial planners.[17] Among investors who have consulted with advisers in the last five years, 39 percent indicate their primary advisers are full-service brokers and 28 percent point to independent financial planners (Figure 41). Another 10 percent cite bank or savings institution representatives as their primary financial advisers.

FIGURE 39

Most Equity Investors Have One Adviser

Percent of investors who own equities through advisers and who consulted advisers between 2000 and 2005

Number of Advisers Used



Number of respondents: 971

[17] A 1995 survey of 1,001 mutual fund shareholders had similar findings. In this survey, 43 percent of respondents who used professional financial advisers indicated their primary advisers were full-service brokers, and 34 percent mentioned independent financial planners (see *Understanding Shareholders' Use of Information and Advisers,* Investment Company Institute, 1997, p. 10 (www.ici.org/pdf/rpt_undstnd_share.pdf)).

FIGURE 40

Use of Multiple Advisers Increases With Household Income, Assets

Percent of investors who own equities through advisers and who consulted advisers between 2000 and 2005

	Number of Advisers Used	
	One	Two or More
Age of Equity Investor		
Less than 35 years	72	28
35 to 49 years	64	36
50 to 64 years	65	35
65 years or older	63	37
Education of Equity Investor		
High school graduate or less	73	27
Some college or associate's degree	60	40
College or postgraduate degree	64	36
Household Income		
Less than $50,000	67	33
$50,000 to $99,999	70	30
$100,000 to $149,999	64	36
$150,000 or more	55	45
Household Financial Assets		
Less than $50,000	76	24
$50,000 to $149,999	61	39
$150,000 to $499,999	75	25
$500,000 or more	54	46
Length of Equity Ownership		
Less than five years	66	34
Five to nine years	70	30
Ten years or more	65	35

FIGURE 41

Equity Investors' Primary Advisers Are Usually Full-Service Brokers or Financial Planners

Percent of investors who own equities through advisers and who consulted advisers between 2000 and 2005

Primary Adviser	
Full-service broker	39
Independent financial planner	28
Bank or savings institution representative	10
Representative from the investment firm providing a household member's retirement plan at work	6
Accountant or CPA	5
Discount broker	5
Insurance agent	4
Some other type of adviser[1]	3
Number of respondents	944

[1] *Other includes retirement plan benefits specialist at work, lawyer, family member, and financial media commentator.*

Reliance on Advisers When Making Investment Decisions

Investors Rely on Advisers for Investment Guidance, Not Just Order Execution

Most investors owning equities through professional financial advisers regularly rely on their advisers for investment advice and guidance. More than three-quarters of these investors conferred with professional financial advisers in the five years preceding the survey as part of their investment decisionmaking process (Figure 42). A majority state that they "always" or "sometimes" consult their advisers.

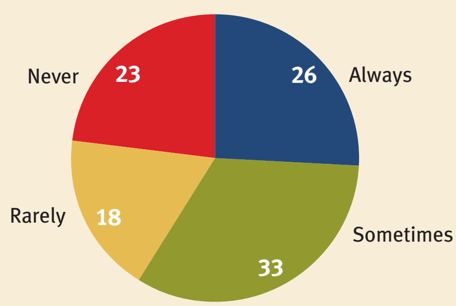
Although the majority of investors owning equities through advisers have turned to financial professionals for assistance with investment decisionmaking, reliance on advisers is greater among women who are sole investment decisionmakers and among investors with substantial household financial assets.[18] For example, 81 percent of investors who own equities through advisers and have household financial assets of $500,000 or more sought professional investment guidance in the last five years, compared with 67 percent of those with household financial assets below $50,000 (Figure 43).

FIGURE 42

Investors Who Own Equities Through Advisers Often Consult Them When Making Investment Decisions

Percent of investors owning equities through advisers, 2005

Frequency of Consulation With Advisers[1]



Number of respondents: 1,275

[1] *in the five years preceding the survey*

[18] A recent survey conducted by Tiburon Strategic Advisors had similar findings. In the Tiburon survey, investors' propensity to seek out financial advice increased substantially with investable assets and household income. Other factors that Tiburon found influence investors' use of advisers are their available free time and interest in finance and investing (see *Tiburon Releases Summary of Key Advisor Challenges* (www.tiburonadvisors.com)).

FIGURE 43

Equity Investors of All Types Rely on Advisers When Making Investment Decisions

Percent of equity investors owning equities through advisers, by investor characteristics, 2005

	Frequency of Consultation with Advisers[1]			
	Always	Sometimes	Rarely	Never
Household Investment Decisionmaker				
Male	24	31	16	29
Female	30	34	14	22
Co-decisionmakers	26	33	21	20
Education of Equity Investor				
High school graduate or less	27	35	16	22
Some college or associate's degree	31	29	17	23
College or postgraduate degree	24	35	19	22
Household Income				
Less than $50,000	29	29	16	26
$50,000 to $99,999	28	31	20	21
$100,000 to $149,999	23	35	24	18
$150,000 or more	29	34	22	15
Household Financial Assets				
Less than $50,000	15	32	20	33
$50,000 to $149,999	30	32	19	19
$150,000 to $499,999	28	32	18	22
$500,000 or more	30	31	20	19

[1] *in the five years preceding the survey*

Among equity investors who typically consult financial advisers, most confer with their primary advisers two or more times a year (Figure 44), usually to discuss retirement-related matters—a finding that reflects the overall aging of equity investors. More than half of equity investors who have consulted professional financial advisers in the last five years have received advice on how to use accumulated assets in retirement (Figure 45). Slightly less than half obtained guidance on saving and investing through retirement plans at work. Some received assistance with tax planning, estate planning, and education expense planning. Very few consulted with their advisers about small business planning.

FIGURE 44

Equity Investors Who Use Advisers Typically Consult Their Primary Advisers Twice a Year

Percent of investors who own equities through advisers and who consulted advisers between 2000 and 2005

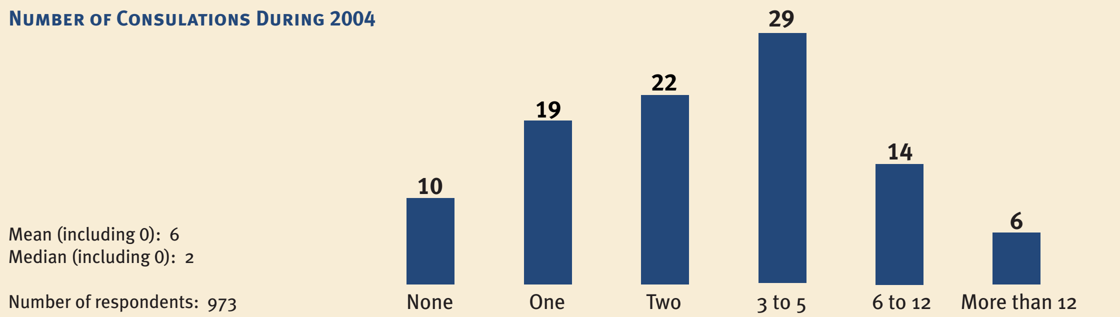
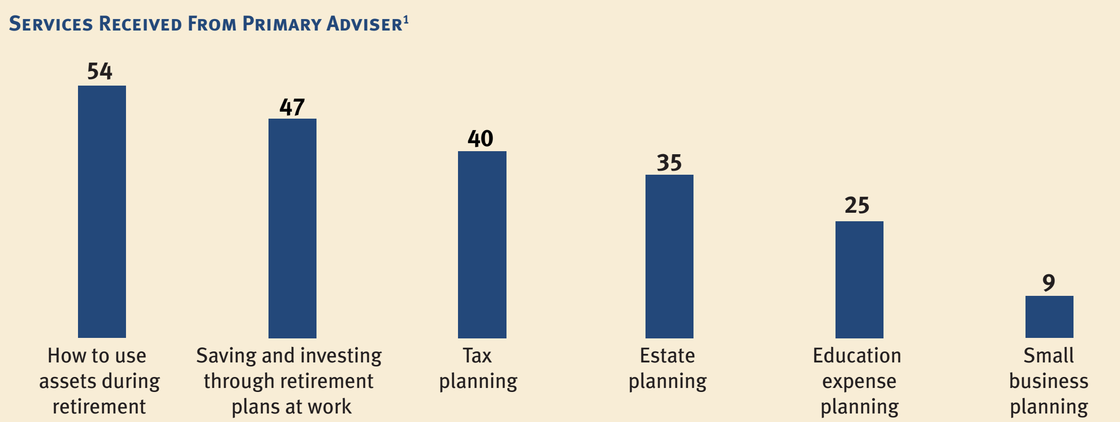


FIGURE 45

Equity Investors Rely on Advisers for More Than Order Execution

Percent of investors who own equities through advisers and who consulted advisers between 2000 and 2005



[1] *Multiple responses included.*

Investors Have a Collaborative Relationship with Primary Adviser

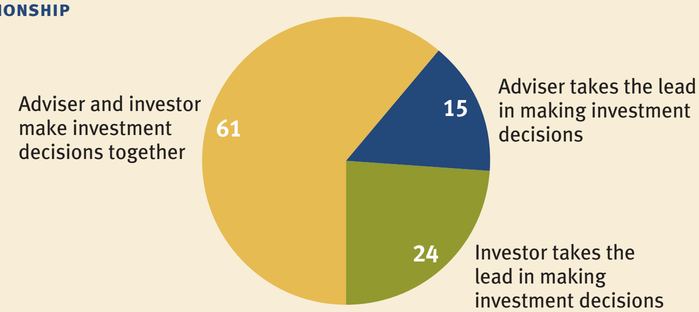
Equity investors and their primary financial advisers typically have a collaborative approach to making investment decisions. More than 60 percent of equity investors who have consulted financial advisers in the last five years say they make investment decisions together with their primary advisers (Figure 46). About one-quarter indicate they personally take the lead in making investment decisions, and 15 percent say their primary advisers take the lead.

FIGURE 46

MOST EQUITY INVESTORS COLLABORATE WITH THEIR PRIMARY ADVISERS WHEN MAKING INVESTMENT DECISIONS

Percent of investors who own equities through advisers and who consulted advisers between 2000 and 2005

TYPE OF INVESTMENT DECISIONMAKING RELATIONSHIP



Number of respondents: 978

APPENDIX A:

Research Methodology

This report summarizes results of a survey conducted by the Boston Research Group in January 2005 under the direction of the Investment Company Institute (ICI) and the Securities Industry Association (SIA). It is the third survey of equity ownership conducted by the two organizations. The first survey was undertaken in 1999; the second in 2002.

The ICI/SIA equity research covers a period of significant change in the stock market. When the January 2005 survey was conducted, the U.S. stock market was continuing its recovery from the 2000–2002 bear market. Each of the three major U.S. stock market indices posted single-digit gains in 2004, and the Dow Jones industrial average started 2005 close to a new high. The January 1999 survey was also conducted during a period of rising stock prices, with each of the major stock market indices experiencing double-digit increases in the year preceding the survey. The January 2002 survey was conducted during one of the worst bear markets since the Great Depression; all major stock market indices incurred losses in 2001.

Survey Content

The survey collected detailed information on individual stock and stock mutual fund ownership inside and outside employer-sponsored retirement plans. The survey included sections on ownership of: 1) individual stock *inside* employer-sponsored retirement plans, 2) stock mutual funds *inside* employer-sponsored retirement plans, 3) individual stock *outside* employer-sponsored retirement plans, and 4) stock mutual funds *outside* employer-sponsored retirement plans. Another section included equity investors' views on various aspects of equity investing, financial goals, willingness to take financial risk with equity investments, use of the Internet, and use of professional financial advisers. The final section of the survey collected demographic data on equity owners, such as their age, household income, household financial assets, education, marital status, and retirement status.

The survey also gathered data on equity transaction activity in the year preceding the survey. Detailed findings on equity transaction activity are presented in Appendix F, which is available online at www.ici.org and www.sia.com. In this study, equity transactions are defined as the purchase or sale of shares of individual stock or stock mutual funds. Purchases of individual stock and stock mutual funds in employer-sponsored retirement plans exclude automatic reinvestment of dividends and regular, automatic payroll contributions, but include employee allocation changes to these investments through either payroll contribution changes or account balance changes. Purchases of individual stock and stock mutual funds outside employer-sponsored retirement plans exclude automatic reinvestment of dividends and regular purchases made through systematic deductions from paychecks or bank accounts.

Interviewing and Sampling Procedures

The 2005 survey used the same methodology as the 1999 and 2002 versions to enable comparisons between the three sets of data. Interviews were conducted by telephone and were completed in January and February 2005. Eligible respondents were age 18 or older and owned individual, publicly traded stock or stock mutual funds, either inside or outside employer-sponsored retirement plans. All interviews were conducted with the household decisionmaker most knowledgeable about savings and investments.[19]

A random digit dial (RDD) national probability sample was used to generate a representative sample of equity owners nationwide. A total of 4,927 household financial decisionmakers were asked whether their households owned equities. Of these, 2,476 decisionmakers, or 50.3 percent, indicated that their households owned equities—2,012 completed the entire survey and 464 completed part of it.[20] The 464 partial interviews with known equity owners were included in estimates of the incidence of equity ownership among U.S. households.

To ensure that high net-worth households were represented in the study, 402 additional interviews were conducted with high net-worth equity owners. A randomly selected sample of affluent equity owners was drawn from the Donnelly Marketing, Inc. Affluence Model, which incorporates available financial, demographic, and geographic information to build a profile of each household in the United States. Based on that information, each household is assigned an affluence rating. To confirm affluence, all household financial decisionmakers contacted were asked whether they had household incomes of $100,000 or more or household financial assets of $250,000 or more. Decisionmakers who did not meet these criteria were not interviewed. After interviewing, households in this high net-worth sample were assigned a weight based on the proportion of affluent equity owners in the random digit dial sample and were then included in the database.

Respondents to the 2005 equity ownership survey were asked how many individuals in their households own individual stock and stock mutual funds, both inside and outside employer-sponsored retirement plans. The average number of individuals per household and the number of households owning each investment type inside and outside employer plans were multiplied to obtain the estimated number of individual investors owning each investment type inside and outside employer plans. For example, the average number of individuals owning any type of equity in 2005, inside or outside employer plans, is 1.6. The total number of households owning equities in 2005 is 56.9 million. Multiplying 56.9 million by 1.6 results in 91.1 million, the estimated number of individuals owning equities in 2005.

Throughout this report, percentages may not add to 100 because of rounding. Where respondents were allowed to provide multiple responses, percentages may add to more than 100. Subgroups of respondents on which percentage results are based exclude those respondents who were unable or unwilling to answer the questions that define the subgroups. Some subgroups of respondents are not mutually exclusive. For example, the subgroup of respondents owning individual stock includes respondents who also own stock mutual funds, and vice versa. Many of the figures in this report include the unweighted number of respondents answering survey questions.

[19] A household consists of all persons who occupy a housing unit. A house, an apartment, or other group of rooms, or a single room is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters. A household includes related family members and all unrelated persons, if any, such as lodgers, foster children, wards, or employees who share a housing unit. A person living alone in a housing unit, or a group of unrelated persons sharing a housing unit as partners, is also counted as a household.

[20] In 1999, 1,943 respondents from the RDD sample completed the survey; in 2002, 1,986 respondents from the RDD sample completed the survey. The large number of randomly selected respondents in each survey and use of the same sampling procedures enable detailed comparisons to be made between the three data sets. Each data set is statistically representative of the entire population of equity investors at the time each survey was conducted.

Sampling Tolerances

The use of sample surveys is standard practice for constructing estimates about a total population. Estimates derived through survey sampling are subject to sampling error. As sample size increases, the level of potential sampling error generally becomes smaller. This confidence level can be used to construct "confidence intervals"—ranges that would include the average estimate taken across all possible samples with known probability. Approximately 95 percent of the intervals figured in all possible samples would contain the average estimate taken across all samples. Figure 47 shows the approximate sampling error for estimates of proportions computed for the sample as a whole and for subsamples of various sizes. The overall sampling error for the survey is ± 2 percentage points at the 95 percent confidence level.

FIGURE 47

Sampling Error at the 95 Percent Confidence Level for Selected Percentages of Responses, by Sample Size

	Percent of Responses				
	10 Percent or 90 Percent	20 Percent or 80 Percent	30 Percent or 70 Percent	40 Percent or 60 Percent	50 Percent
Sample Size					
2,500	1	2	2	2	2
2,000	1	2	2	2	2
1,500	2	2	3	3	3
1,450	2	2	3	3	3
1,050	2	3	3	3	3
800	2	3	3	4	4
500	3	4	4	5	5
100	6	8	9	10	10
50	9	11	13	14	14

Note: This table shows, for example, that if the sample size is 1,500 and if 10 percent of the respondents provide the same answer to a question and 90 percent provide the other answer, then, using the same procedures, these responses can be expected to be replicated for the entire population within a range of ± 2 percentage points, 95 percent of the time.

APPENDIX B:

Number and Percent of Households Owning Equities

FIGURE 48

U.S. Household Ownership of Equities, 1999–2005

	Percent of All Households			Number of Households (millions)			Number of Individual Investors (millions)		
	1999	2002	2005	1999R	2002R	2005	1999R	2002R	2005
Any type of equity[1,2]	47.9	49.5	50.3	49.8	54.1	56.9	79.6	86.6	91.1
Any equity inside employer-sponsored retirement plans	31.2	34.0	33.2	32.4	37.2	37.6	45.4	52.0	48.8
Any equity outside employer-sponsored retirement plans	35.5	33.7	34.7	36.9	36.8	39.3	59.0	58.9	58.9
Individual stock (total)[1]	25.5	23.9	25.1	26.5	26.1	28.4	39.7	39.2	42.6
Individual stock inside employer-sponsored retirement plans	8.4	8.3	6.7	8.7	9.1	7.6	11.3	12.7	9.9
Employer stock inside employer-sponsored retirement plans[3]	6.0	5.6	4.1	6.2	6.1	4.6	8.1	8.0	6.0
Nonemployer stock inside employer-sponsored retirement plans[4]	4.4	3.5	3.6	4.6	3.8	4.1	6.4	5.4	5.7
Individual stock outside employer-sponsored retirement plans[3]	21.4	19.7	20.6	22.2	21.5	23.3	33.3	32.3	35.0
Stock mutual funds (total)[1]	40.9	44.2	45.8	42.5	48.3	51.8	68.0	72.5	77.7
Stock mutual funds inside employer-sponsored retirement plans	27.9	31.2	31.8	29.0	34.1	36.0	40.6	47.7	46.8
Stock mutual funds outside employer-sponsored retirement plans	27.2	27.0	27.5	28.3	29.5	31.1	45.2	44.3	46.7

R=Revised

[1] *Multiple responses included.*

[2] *The average number of individuals owning equities per household was 1.6 in 1999, 2002, and 2005.*

[3] *Employer stock options excluded.*

[4] *The number of U.S. households owning nonemployer stock inside employer plans in 1999 was revised using the incidence of access to a brokerage account window from the 2002 survey. The 1999 survey did not include a question about brokerage account windows.*

Note: The number of households and individuals owning funds in 1999 and 2002 was revised to reflect updated U.S. Census Bureau estimates of the number of U.S. households in those years.

Sources: ICI/SIA Equity Ownership Surveys and U.S. Census Bureau

APPENDIX C:

Detailed Tabulations of Characteristics of All Equity Investors, All Individual Stock Investors, and All Stock Mutual Fund Investors

FIGURE 49

Demographic Characteristics of Equity Investors, 1999–2005

Percent

	1999 Equity Investors	2002 Equity Investors	2005 Equity Investors	Type of Equity Owned in 2005: Individual Stock	Type of Equity Owned in 2005: Stock Mutual Fund
Household Investment Decisionmaker					
Male is sole decisionmaker	26	24	25	28	24
Female is sole decisionmaker	20	19	21	18	21
Co-decisionmakers	54	57	54	54	55
Number of respondents	2,336	2,165	2,414	1,259	2,172
Age of Respondent					
Less than 35 years	21	21	15	12	15
35 to 49 years	38	36	33	29	34
50 to 64 years	26	29	33	35	34
65 years or older	15	14	19	24	17
Mean age	48 years	48 years	51 years	53 years	50 years
Median age	47 years	47 years	51 years	53 years	50 years
Number of respondents	2,280	2,093	2,335	1,220	2,100
Household Income in Year Preceding Survey					
Less than $20,000	6	6	8	7	7
$20,000 to $29,999	8	6	8	6	7
$30,000 to $39,999	13	10	9	8	9
$40,000 to $49,999	13	11	10	8	11
$50,000 to $74,999	28	26	23	21	24
$75,000 to $99,999	15	18	16	15	16
$100,000 to $149,999	10	14	14	18	14
$150,000 to $199,999	3	4	5	7	5
$200,000 to $499,999	3	4	5	8	5
$500,000 or more	1	1	2	2	2
Mean	$74,700	$86,300	$93,700	$110,400	$95,500
Median	$60,000	$62,500	$65,000	$74,000	$65,000
Number of respondents	1,688	1,557	1,707	846	1,548
Marital Status of Respondent					
Married or living with a partner	73	71	70	74	70
Divorced or separated	10	10	12	10	12
Widowed	6	6	8	8	7
Single	11	13	10	8	11
Number of respondents	2,295	2,159	2,410	1,256	2,169

FIGURE 49, *continued*

	1999 Equity Investors	2002 Equity Investors	2005 Equity Investors	Type of Equity Owned in 2005: Individual Stock	Type of Equity Owned in 2005: Stock Mutual Fund
Education of Respondent					
Some high school or less	1	2	2	1	1
High school graduate	16	18	16	12	16
Some college or associate's degree	30	31	26	23	26
Completed four years of college	26	24	27	30	27
Some graduate school	8	7	9	9	9
Completed graduate school	19	18	20	25	21
Number of respondents	2,316	2,148	2,399	1,254	2,157
Employment Status of Respondent					
Employed full-time	71	67	62	56	64
Employed part-time	9	10	8	8	8
Not employed	20	23	30	36	28
Number of respondents	2,317	2,158	2,403	1,254	2,161
Retirement Status of Respondent					
Retired from lifetime occupation	21	22	29	35	27
Not retired from lifetime occupation	79	78	71	65	73
Number of respondents	2,317	2,157	2,401	1,255	2,159
Employment Status of Spouse or Partner[1]					
Employed full-time	63	62	57	52	58
Employed part-time	11	11	12	13	12
Not employed	26	27	31	35	30
Number of respondents	1,663	1,556	1,717	941	1,551
Retirement Status of Spouse or Partner[1]					
Retired from lifetime occupation	17	18	24	27	22
Not retired from lifetime occupation	83	82	76	73	78
Number of respondents	1,660	1,555	1,714	940	1,547
Number of Children in the Household Under Age 18					
0	NA	NA	65	69	64
1	NA	NA	16	13	17
2 to 3	NA	NA	18	16	18
4 or more	NA	NA	1	2	1
Number of respondents	NA	NA	2,284	1,185	2,051
Ethnic Background of Respondent[2,3]					
Caucasian	90	92	92	93	92
African-American	5	4	5	4	5
Asian	2	2	2	2	2
Hispanic	4	4	3	2	3

NA=Not asked

[1] *percent of respondents married or living with a partner*

[2] *Multiple responses included.*

[3] *Number of respondents varies.*

FIGURE 50

Financial Characteristics of Equity Investors, 1999–2005

Percent

	1999 Equity Investors	2002 Equity Investors	2005 Equity Investors	Type of Equity Owned in 2005: Individual Stock	Type of Equity Owned in 2005: Stock Mutual Fund
Household Financial Assets[1]					
Less than $5,000	5	3	3	2	3
$5,000 to $9,999	5	5	4	2	4
$10,000 to $24,999	13	11	10	7	10
$25,000 to $49,999	12	14	12	8	12
$50,000 to $74,999	12	8	8	7	8
$75,000 to $99,999	8	8	5	5	5
$100,000 to $149,999	10	10	12	10	12
$150,000 to $199,999	7	6	8	7	8
$200,000 to $499,999	16	18	19	22	19
$500,000 to $749,999	5	6	6	10	6
$750,000 to $999,999	2	3	3	4	3
$1 million or more	5	8	10	16	10
Mean	$232,900	$463,400	$490,000	$757,700	$474,700
Median	$85,000	$100,000	$125,000	$205,000	$125,000
Number of respondents	1,335	1,132	1,247	623	1,131
Household Equity Investments[2,3]					
Individual stock (total)	54	49	49	100	44
Inside employer-sponsored retirement plans	20	17	12	27	11
Outside employer-sponsored retirement plans	45	41	43	93	39
Stock mutual funds (total)	85	89	90	80	100
Inside employer-sponsored retirement plans	58	66	66	55	73
Outside employer-sponsored retirement plans	57	56	55	59	61
Year of Initial Equity Purchase					
Before 1990	54	45	45	59	44
1990 to 1995	28	26	24	20	25
1996 to 1998	18	16	11	8	11
1999 to 2002	0	13	14	10	14
2003 or later	0	0	6	3	6
Number of respondents	2,122	1,797	1,996	990	1,814
Source of Household's First Equity Purchase					
Inside employer-sponsored retirement plan	42	48	49	29	52
Outside employer-sponsored retirement plan	52	44	44	61	41
Both inside and outside employer-sponsored retirement plan in same year	6	8	7	10	7
Number of respondents	2,122	1,797	1,996	990	1,814
Household's First Equity Purchase					
Individual stock only	31	22	20	43	12
Stock mutual funds only	59	66	68	30	75
Both individual stock and stock mutual funds	10	12	12	27	13
Number of respondents	2,118	1,795	1,996	990	1,814

FIGURE 50, *continued*

	1999 Equity Investors	2002 Equity Investors	2005 Equity Investors	Type of Equity Owned in 2005: Individual Stock	Type of Equity Owned in 2005: Stock Mutual Fund
Household Ownership of Investments[2,3]					
Bank deposit accounts	83	86	83	84	83
Bond investments (total)	22	36	38	44	39
Individual corporate or government bonds	9	17	16	23	16
Bond mutual funds	16	26	31	34	33
Hybrid mutual funds	39	52	62	63	65
Money market mutual funds	26	35	42	47	43
Fixed or variable annuities (total)	21	23	28	29	29
Variable annuities	15	17	19	20	19
Fixed annuities	10	11	18	17	17
Investment real estate	26	24	30	37	29
Exchange-traded funds	NA	NA	3	5	3
Hedge funds	NA	NA	1	2	1
U.S. Savings bonds	39	NA	37	40	37
Household Ownership of IRAs[2,3]					
Traditional or Roth IRA (total)	51	54	62	70	64
Traditional IRA	47	44	53	61	54
Roth IRA	11	21	25	27	26
SIMPLE IRA, SEP-IRA, or SAR-SEP IRA	NA	15	17	18	18
Any of the above	NA	58	67	73	69
Household Defined Benefit or Defined Contribution Retirement Plan Coverage[2,3]					
Defined benefit retirement plan	39	38	38	40	38
Defined contribution retirement plan (total)	69	70	67	62	69
401(k) plan	57	57	55	52	57
403(b) plan	8	12	10	9	11
State, local, or federal government retirement plan	18	18	17	16	18
Any of the above	80	79	78	75	79
Household Ownership of Education-Targeted Savings Program Accounts[2,3]					
State-sponsored 529 pre-paid or college savings plan	NA	5	8	9	8
Coverdell Education Savings Account	NA	NA	5	5	5

NA=Not asked

[1] *excludes primary residence but includes assets in employer-sponsored retirement plans*

[2] *Multiple responses included.*

[3] *Number of respondents varies.*

FIGURE 51

Views on Equity Investing, 1999–2005

Percent

	1999 Equity Investors	2002 Equity Investors	2005 Equity Investors	Type of Equity Owned in 2005: Individual Stock	Type of Equity Owned in 2005: Stock Mutual Fund
Agreement with Statements on Investing[1]					
I view my equity investments as savings for the long term	96	96	96	95	96
I tend to follow a buy-and-hold investment strategy	87	86	82	86	82
I am not concerned about short-term fluctuations in my equity investments	83	77	72	73	72
Investing in individual stock or stock mutual funds involves accepting some degree of risk	NA	NA	95	95	95
I am confident that I will have enough money in retirement on which to live comfortably	NA	NA	71	76	71
Willingness to Take Financial Risk with Equity Investments					
Substantial risk for substantial gain	9	8	6	8	6
Above-average risk for above-average gain	31	24	28	29	28
Average risk for average gain	48	51	49	49	50
Below-average risk for below-average gain	7	10	9	8	9
Unwilling to take any risk	6	7	8	6	7
Financial Goals for Equity Investments[1]					
Retirement	89	87	88	86	89
Inheritance	NA	34	49	51	48
Emergency	42	33	56	56	56
Minimize taxes	NA	31	51	53	52
Education	32	29	31	30	32
Current income	20	18	32	36	30
Purchase of home or other large item	15	14	17	15	17
Primary Financial Goal for Equity Investments					
Retirement	66	65	60	57	62
Education	11	10	9	9	9
Current income	6	6	10	12	9
Emergency	5	5	6	6	5
Minimize taxes	NA	3	4	4	4
Inheritance	NA	6	7	7	6
Purchase of home or other large item	5	3	3	3	3
Other	7	2	1	2	1

NA=Not asked

[1] Multiple responses included.

Note: Number of respondents varies.

APPENDIX D:

Detailed Tabulations of Characteristics of Individual Stock and Stock Mutual Fund Investors, Inside and Outside Employer-Sponsored Retirement Plans

FIGURE 52

Demographic Characteristics of Equity Investors by Ownership Inside and Outside Employer-Sponsored Retirement Plans, 2005

Percent

	Own Equities Inside Employer Plans			Own Equities Outside Employer Plans		
	Total	Individual Stock	Stock Mutual Fund	Total	Individual Stock	Stock Mutual Fund
Household Investment Decisionmaker						
Male is sole decisionmaker	23	24	23	25	28	24
Female is sole decisionmaker	18	14	18	21	18	22
Co-decisionmakers	59	62	59	54	54	54
Number of respondents	1,562	301	1,494	1,686	1,046	1,312
Age of Respondent						
Less than 35 years	18	11	18	13	11	12
35 to 49 years	40	39	40	31	30	32
50 to 64 years	33	38	33	35	35	36
65 years or older	9	12	9	21	24	20
Mean age	47 years	49 years	47 years	52 years	53 years	52 years
Median age	47 years	50 years	47 years	52 years	53 years	52 years
Number of respondents	1,509	290	1,444	1,635	1,020	1,272
Household Income in Year Preceding Survey						
Less than $20,000	4	3	4	7	6	7
$20,000 to $29,999	5	2	6	6	5	6
$30,000 to $39,999	8	5	7	9	8	9
$40,000 to $49,999	10	5	10	10	9	10
$50,000 to $74,999	25	22	25	22	20	22
$75,000 to $99,999	18	19	18	15	15	16
$100,000 to $149,999	17	19	17	16	19	16
$150,000 to $199,999	6	11	6	6	7	6
$200,000 to $499,999	6	12	6	7	9	6
$500,000 or more	1	2	1	2	2	2
Mean	$101,000	$129,400	$100,900	$101,800	$112,000	$101,300
Median	$70,000	$87,500	$71,000	$70,000	$75,000	$70,000
Number of respondents	1,159	210	1,113	1,160	703	898
Marital Status of Respondent						
Married or living with a partner	74	81	74	72	75	72
Divorced or separated	12	6	12	10	9	10
Widowed	4	4	4	8	7	8
Single	10	9	10	10	9	10
Number of respondents	1,559	299	1,491	1,682	1,043	1,309

FIGURE 52, *continued*

	Own Equities Inside Employer Plans			Own Equities Outside Employer Plans		
	Total	Individual Stock	Stock Mutual Fund	Total	Individual Stock	Stock Mutual Fund
Education of Respondent						
Some high school or less	1	1	1	1	1	1
High school graduate	14	10	14	14	11	15
Some college or associate's degree	27	28	27	23	22	23
Completed four years of college	28	26	28	29	31	28
Some graduate school	9	8	9	9	9	9
Completed graduate school	21	27	21	24	26	24
Number of respondents	1,552	298	1,484	1,675	1,043	1,301
Employment Status of Respondent						
Employed full-time	75	74	76	59	57	60
Employed part-time	7	6	7	9	8	9
Not employed	18	20	17	32	35	31
Number of respondents	1,555	299	1,487	1,677	1,043	1,303
Retirement Status of Respondent						
Retired from lifetime occupation	16	18	16	32	35	31
Not retired from lifetime occupation	84	82	84	68	65	69
Number of respondents	1,553	299	1,485	1,676	1,044	1,302
Employment Status of Spouse or Partner[1]						
Employed full-time	65	61	66	54	53	54
Employed part-time	12	13	12	12	12	12
Not employed	23	26	22	34	35	34
Number of respondents	1,175	244	1,119	1,237	798	962
Retirement Status of Spouse or Partner[1]						
Retired from lifetime occupation	15	18	14	27	28	27
Not retired from lifetime occupation	85	82	86	73	72	73
Number of respondents	1,172	244	1,116	1,233	796	959
Number of Children in the Household Under Age 18						
0	57	59	57	67	68	67
1	19	18	19	15	13	16
2 to 3	22	20	22	16	17	16
4 or more	2	3	2	2	2	1
Number of respondents	1,486	285	1,419	1,593	985	1,235
Ethnic Background of Respondent[2,3]						
Caucasian	90	94	90	93	94	94
African-American	6	5	6	4	4	4
Asian	2	2	2	2	2	2
Hispanic	4	1	4	2	2	2

[1] *percent of respondents married or living with a partner*

[2] *Multiple responses included.*

[3] *Number of respondents varies.*

FIGURE 53

Financial Characteristics of Equity Investors by Ownership Inside and Outside Employer-Sponsored Retirement Plans, 2005

Percent

	Own Equities Inside Employer Plans			Own Equities Outside Employer Plans		
	Total	Individual Stock	Stock Mutual Fund	Total	Individual Stock	Stock Mutual Fund
Household Financial Assets[1]						
Less than $5,000	2	0	2	2	2	2
$5,000 to $9,999	4	2	4	2	2	2
$10,000 to $24,999	10	4	10	8	5	8
$25,000 to $49,999	11	6	11	10	8	10
$50,000 to $74,999	9	6	9	8	7	7
$75,000 to $99,999	6	4	5	5	5	5
$100,000 to $149,999	13	11	13	12	10	13
$150,000 to $199,999	9	11	9	9	8	9
$200,000 to $499,999	19	27	20	20	21	19
$500,000 to $749,999	5	9	5	8	10	8
$750,000 to $999,999	3	6	3	4	5	4
$1 million or more	9	14	9	12	17	13
Mean	$434,600	$759,400	$420,500	$581,000	$729,900	$602,700
Median	$125,000	$225,000	$125,000	$162,100	$211,900	$170,000
Number of respondents	861	150	827	853	520	648
Household Equity Investments[2,3]						
Individual stock (total)	43	100	41	63	100	52
Inside employer-sponsored retirement plans	18	100	14	14	21	12
Outside employer-sponsored retirement plans	37	73	37	61	100	50
Stock mutual funds (total)	97	83	100	90	83	100
Inside employer-sponsored retirement plans	96	78	100	55	57	56
Outside employer-sponsored retirement plans	46	54	47	79	64	100
Year of Initial Equity Purchase						
Before 1990	44	62	43	51	60	51
1990 to 1995	26	19	27	24	21	26
1996 to 1998	12	10	12	11	8	9
1999 to 2002	13	7	13	10	9	10
2003 or later	5	2	5	4	2	4
Number of respondents	1,376	256	1,318	1,454	921	1,127
Source of Household's First Equity Purchase						
Inside employer-sponsored retirement plan	70	53	70	27	24	27
Outside employer-sponsored retirement plan	20	28	20	63	65	63
Both inside and outside employer-sponsored retirement plan in same year	10	19	10	10	11	10
Number of respondents	1,376	256	1,318	1,454	921	1,127

FIGURE 53, *continued*

	Own Equities Inside Employer Plans			Own Equities Outside Employer Plans		
	Total	Individual Stock	Stock Mutual Fund	Total	Individual Stock	Stock Mutual Fund
Household's First Equity Purchase						
Individual stock only	13	42	10	26	43	14
Stock mutual funds only	75	19	78	58	31	69
Both individual stock and stock mutual funds	12	39	12	16	26	17
Number of respondents	1,376	256	1,318	1,454	921	1,127
Household Ownership of Non-Equity Investments[2,3]						
Bank deposit accounts	83	84	83	84	83	84
Bond investments (total)	38	48	38	43	44	45
Individual corporate or government bonds	14	23	14	19	23	19
Bond mutual funds	32	38	32	34	34	37
Hybrid mutual funds	64	66	65	67	64	73
Money market mutual funds	42	57	42	47	47	51
Fixed or variable annuities (total)	26	29	26	31	29	33
Variable annuities	17	21	17	21	20	23
Fixed annuities	17	18	17	19	17	20
Investment real estate	29	38	29	32	37	32
Exchange-traded funds	3	6	3	3	5	3
Hedge funds	1	3	1	1	2	1
U.S. Savings bonds	40	48	39	38	39	38
Household Ownership of IRAs[2,3]						
Traditional or Roth IRA (total)	62	72	62	73	73	77
Traditional IRA	51	64	51	61	64	65
Roth IRA	28	32	28	31	29	34
SIMPLE IRA, SEP-IRA, or SAR-SEP IRA	23	30	23	17	18	18
Any of the above	68	79	68	76	76	80
Household Defined Benefit or Defined Contribution Retirement Plan Coverage[2,3]						
Defined benefit retirement plan	40	46	40	38	39	39
Defined contribution retirement plan (total)	85	86	86	62	63	63
401(k) plan	75	81	75	50	54	49
403(b) plan	12	11	12	10	9	11
State, local, or federal government retirement plan	19	15	20	17	16	18
Any of the above	100	100	100	74	75	74
Household Ownership of Education-Targeted Savings Program Accounts[2,3]						
State-sponsored 529 pre-paid or college savings plan	10	13	10	9	10	9
Coverdell Education Savings Account	5	9	5	5	6	5

[1] *excludes primary residence but includes assets in employer-sponsored retirement plans*

[2] *Multiple responses included.*

[3] *Number of respondents varies.*

FIGURE 54

Views on Equity Investing by Ownership Inside and Outside Employer-Sponsored Retirement Plans, 2005

Percent

	Own Equities Inside Employer Plans			Own Equities Outside Employer Plans		
	Total	Individual Stock	Stock Mutual Fund	Total	Individual Stock	Stock Mutual Fund
Agreement With Statements on Investing[1]						
I view my equity investments as savings for the long term	97	95	97	96	96	96
I tend to follow a buy-and-hold investment strategy	82	83	82	85	87	85
I am not concerned about short-term fluctuations in my equity investments	73	72	74	73	74	73
Investing in individual stock or stock mutual funds involves accepting some degree of risk	96	96	96	96	96	96
I am confident that I will have enough money in retirement on which to live comfortably	69	73	69	73	77	73
Willingness to Take Financial Risk With Equity Investments						
Substantial risk for substantial gain	7	11	6	5	7	5
Above-average risk for above-average gain	31	30	32	30	31	29
Average risk for average gain	48	49	48	50	49	51
Below-average risk for below-average gain	8	6	8	9	8	9
Unwilling to take any risk	6	4	6	6	5	6
Financial Goals for Equity Investments[1]						
Retirement	93	92	93	88	87	90
Inheritance	47	50	47	48	51	49
Emergency	56	59	55	55	56	56
Minimize taxes	55	63	55	52	52	53
Education	36	38	36	30	30	31
Current income	25	32	24	32	35	31
Purchase of home or other large item	19	19	19	15	15	15
Primary Financial Goal for Equity Investments						
Retirement	67	61	68	60	58	62
Education	11	13	10	9	9	9
Current income	6	8	5	11	11	10
Emergency	4	4	4	6	6	5
Minimize taxes	4	3	4	4	4	3
Inheritance	4	4	4	7	7	7
Purchase of home or other large item	4	3	4	3	3	3
Other	1	3	1	1	2	1

[1] *Multiple responses included.*

Note: Number of respondents varies.

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