

Fundamentals

Investment Company Institute Research In Brief

Vol. 8 / No. 3

April 1999

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<http://www.ici.org>

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U.S. Household Ownership of Closed-end Funds in 1998

An estimated 2.3 million, or 2.3 percent, of all U.S. households owned closed-end funds in 1998.^{1,2} More than 80 percent of closed-end fund owners also owned open-end, or mutual, funds (Figure 1).

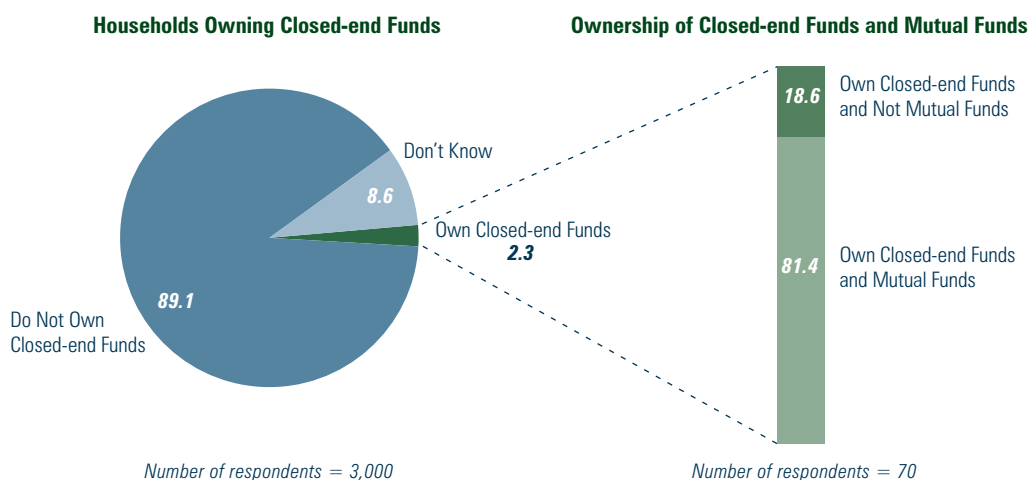
Characteristics of Closed-end Fund Owners

The median age of individuals heading closed-end fund households was 48. Median household income was \$56,000 and median household financial assets were \$250,000 (Figures 2 and 3). In contrast, the median financial assets held in all U.S. households was \$50,000. Most closed-end fund owners were married and nearly half had a college or postgraduate degree.

figure 1

U.S. Households That Own Closed-end Funds, 1998

(percent of U.S. households)



source: Investment Company Institute Annual Tracking Survey (1998).

¹ Closed-end funds are one of the three principal types of investment companies, along with mutual funds and unit investment trusts, recognized under the Investment Company Act of 1940. Unlike mutual funds, closed-end funds offer a fixed number of shares, are usually listed on a major stock exchange, and do not stand ready to issue and redeem shares on a continuous basis.

² The data presented on household ownership of closed-end funds is based on an Institute survey of 3,000 U.S. households conducted in May 1998. The standard error is ± 1.8 percent at the 95 percent confidence level. The Institute weighted its sample to match the age distribution of the U.S. population. (See U.S. Census, Current Population Reports, Series P20-509, *Household and Family Characteristics, March 1997*). The "All U.S. Households" column in Figures 2 and 3 is based on all respondents to the Institute survey.

figure 2

Demographic Characteristics of Closed-end Fund Owners, 1998

	All U.S. Households	Households Owning Closed-end Funds	Households Not Owning Closed-end funds ¹
Median			
Age of head of household	45 years	48 years	45 years
Household income	\$35,000	\$56,000	\$35,000
Percent			
Married	58	69	57
Widowed	9	5	9
Four-year college degree or more	36	48	35
Completed graduate school	12	30	11
Employed (full- or part-time)	67	67	68
Retired from lifetime occupation	25	38	24

figure footnote:

¹Excludes 258 respondents, or 8.6 percent of all respondents, who refused to answer or did not know.

note: Number of respondents varies.

source: Investment Company Institute Annual Tracking Survey (1998).

figure 3

Financial Characteristics of Closed-end Fund Owners, 1998

	All U.S. Households	Households Owning Closed-end Funds	Households Not Owning Closed-end funds ¹
Median			
Household financial assets ²	\$50,000	\$250,000	\$50,000
Percent			
Own:³			
Mutual funds	44	81	43
Individual stock other than company stock	27	67	26
Company stock through employer	23	43	23
Individual bonds	24	45	22
Variable annuities	18	30	17
Fixed annuities	10	23	9
Real estate (excluding primary residence)	23	48	21
Have:³			
An IRA	30	70	29
A Keogh or SEP-IRA	6	11	6
A 401(k) plan	39	50	39
An employee-sponsored retirement plan, other than a 401(k) plan	23	29	22

figure footnotes:

¹Excludes 258 respondents, or 8.6 percent of all respondents, who refused to answer or did not know.

²Excluding primary residence and including assets in IRAs and employer-sponsored retirement plans.

³Multiple responses included if household owns more than one of those listed.

note: Number of respondents varies.

source: Investment Company Institute Annual Tracking Survey (1998).

Nearly 40 percent were retired from the work force, compared with 25 percent of all U.S. household heads. In addition, closed-end fund owners held various types of retirement accounts. Seventy percent had IRAs. Half had investments in 401(k) plans; 29 percent had assets in other qualified plans (Figure 3).

Of the 81 percent of closed-end fund owners also investing in mutual funds, 60 percent held equity mutual funds; 50 percent, bond and hybrid mutual funds; and 44 percent, money market mutual funds (Figure 4). About two-thirds of closed-end fund owners held individual stock other than employer stock, and nearly half owned investment real estate. More than 40 percent of closed-end fund owners held individual bonds.

The typical closed-end fund owner had \$12,000 invested in two closed-end funds. The two most frequently held closed-end funds were domestic equity funds and high-yield bond funds (Figure 5).

Thirty-seven percent of closed-end fund owners bought or received their first closed-end

figure 4

Types of Mutual Funds Owned by Closed-end Fund Owners, 1998¹

(percent)

	Households Owning Closed-end Funds	Households Not Owning Closed-end Funds ²
Equity mutual funds	60	28
Bond and hybrid mutual funds	50	22
Money market mutual funds	44	18
Number of respondents	70	2,673

figure footnotes:

¹Multiple responses included if household owns more than one of those listed.

²Excludes 258 respondents, or 8.6 percent of all respondents, who refused to answer or did not know.

source: Investment Company Institute Annual Tracking Survey (1998).

fund prior to 1990. Fourteen percent of closed-end fund owners had sold shares of a closed-end fund in the 15 months since January 1997. The majority of closed-end fund owners indicated they are willing to take average financial risk for average financial gain with their closed-end fund investments.

Closed-end Fund Assets and Number of Funds

At year-end 1998, 476 U.S. closed-end funds held \$151.6 billion in assets. Between 1997 and 1998, assets in closed-end funds increased by 1 percent (Figure 6). Closed-end funds invested in domestic

securities represented 77 percent of all closed-end fund assets in 1998, up from 73 percent in 1997, reversing the shift from domestic to foreign securities that occurred between 1994 and 1997 (Figure 7). Closed-end fund assets invested in foreign securities decreased from 21 percent to 18 percent of all closed-end fund assets between 1998 and 1997. Assets of global closed-end funds, those with a mix of domestic and foreign securities, dropped from 6 percent to 5 percent between 1997 and 1998.

figure 5

Closed-end Fund Ownership Characteristics, 1998

(all closed-end fund owners)

Median

Household financial assets held in closed-end funds	\$12,000 ¹
Number of closed-end funds owned	2

Percent

Own:	
Domestic equity closed-end funds	48
High-yield bond closed-end funds	46
Emerging market closed-end funds	34
Municipal bond closed-end funds	31
Specific country closed-end funds	26

Financial risk willing to take:

Substantial risk for substantial gain	8
Above-average risk for above-average gain	18
Average risk for average gain	60
Below-average risk for below-average gain	7
None	7

Purchased first closed-end fund:

Before 1990	37
1990 to 1995	39
1996 or later	24

Sold shares in a closed-end fund since January 1997	14
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figure footnote:

¹ The average amount of household financial assets held in closed-end funds was \$41,500.

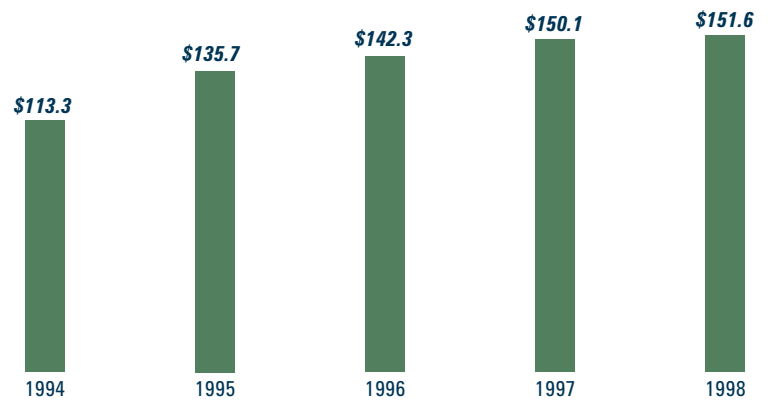
note: Number of respondents varies.

sources: Investment Company Institute Survey of Closed-end Fund Owners (1998) and Annual Tracking Survey (1998).

figure 6

Closed-end Fund Assets, 1994-1998

(billions)

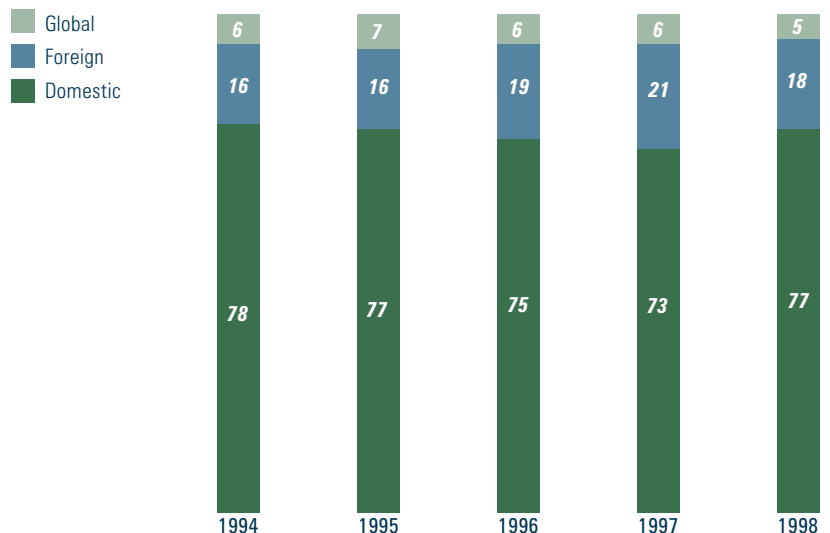


source: Investment Company Institute Annual Closed-end Surveys.

figure 7

Closed-end Fund Assets by Investment Objective, 1994-1998

(percent)



source: Investment Company Institute Annual Closed-end Surveys.

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