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Main Street Owns Wall Street

BY SARAH HOLDEN AND MICHAEL BOGDAN

US household activity in the stock market has undergone a transformation over the past three decades. The old idea that investing in the stock market is just for the wealthy is deeply out of date. Indeed, it is safe to say that stock ownership in the United States is widespread on Main Street.

In the late 1980s, less than a third of US households held stocks. Now, a majority do. This growth in stock-owning households has occurred across all income quintiles. In fact, the most rapid growth has taken place among lower- and middle-income American households: today four in 10 stock-owning households have annual family incomes of less than \$74,000.

Stock ownership comes in many forms—directly, through a brokerage account; or indirectly, through mutual funds, exchange-traded funds (ETFs), closed-end funds, and other managed accounts. Indirect ownership of stock has grown over time, and in 2019, more than half (56 percent) of US households' holdings of publicly traded stocks were held indirectly through funds and retirement accounts. The rapid growth in retirement savings accounts such as 401(k) plans and individual retirement accounts (IRAs) has fueled both growth in stock ownership and the trend toward indirect holding of stocks. Millions of investors access the stock market indirectly through mutual funds, seeking the professional management, diversification, and regulation that comes with investing through funds.

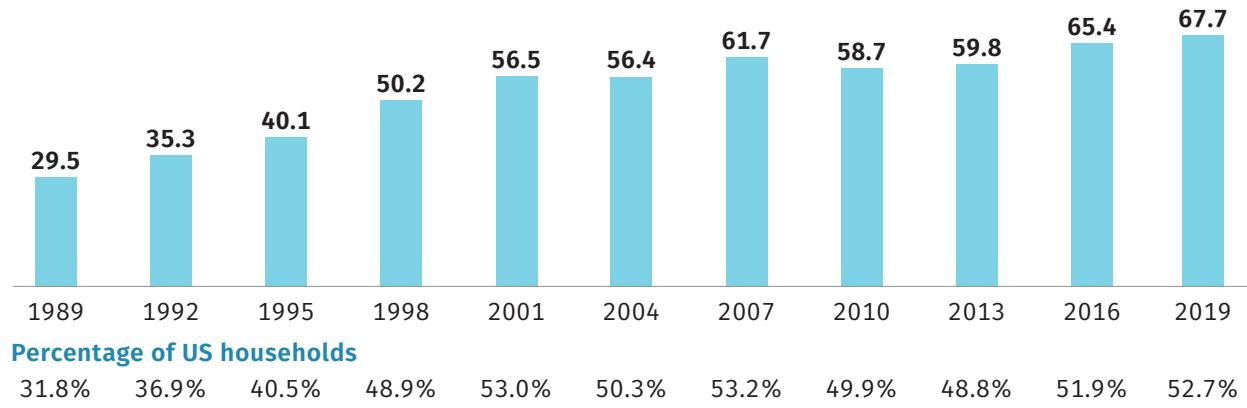
Stock Ownership Has Risen

The **Federal Reserve Board Survey of Consumer Finances** reports that a majority (53 percent) of US households owned stocks in 2019, up from about 32 percent in 1989 (Figure 1). This means that 67.7 million US households owned stocks, directly or indirectly through funds.

FIGURE 1

Reach of Stock Ownership Has Dramatically Expanded in the United States

Stock ownership, millions of US households



Note: Stock ownership includes directly held shares as well as stocks held indirectly through mutual funds, ETFs, closed-end funds, and other managed accounts; it also includes shares held both inside and outside of retirement accounts.

Source: Investment Company Institute tabulations of the Federal Reserve Board Survey of Consumer Finances

Stock Ownership Is Widespread

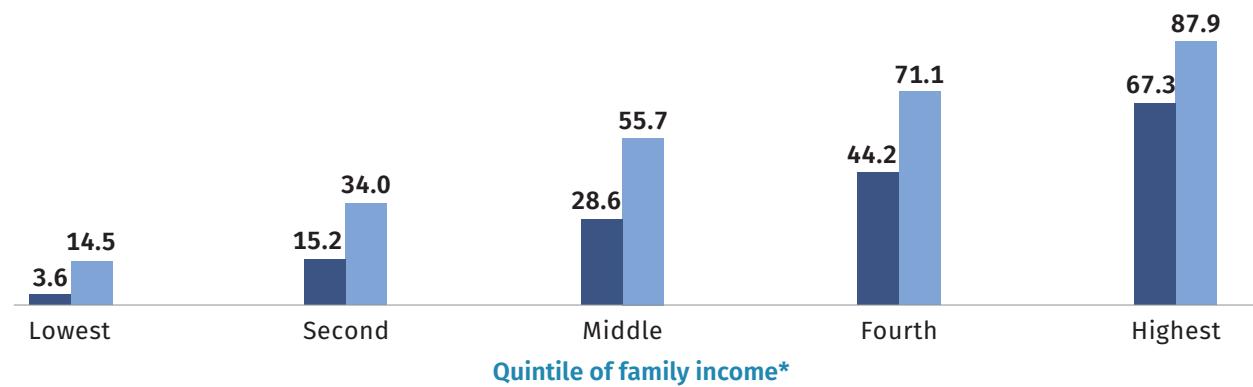
Households across all income groups are invested in stocks. Thanks in large part to the availability of 401(k) plans and IRAs, lower- and middle-income households are much more likely to hold stocks today than they were three decades ago. In 2019, more than 14 percent of households in the lowest income quintile owned stocks, up from only 4 percent in 1989 (Figure 2). Thirty-four percent of households in the second-lowest income quintile owned stocks in 2019, compared with 15 percent in 1989. And more than 55 percent of households in the middle-income quintile owned stocks in 2019, compared with less than 30 percent in 1989.

FIGURE 2

Lower-Income Households Have Seen the Biggest Changes in Stock Ownership Rates

Stock ownership; percentage of US households by family income quintile

■ 1989
■ 2019



*See Figure 3 for income levels for 2019 quintiles.

Note: Stock ownership includes directly held shares as well as stocks held indirectly through mutual funds, ETFs, closed-end funds, and other managed accounts; it also includes shares held both inside and outside of retirement accounts.

Source: Investment Company Institute tabulations of the Federal Reserve Board Survey of Consumer Finances

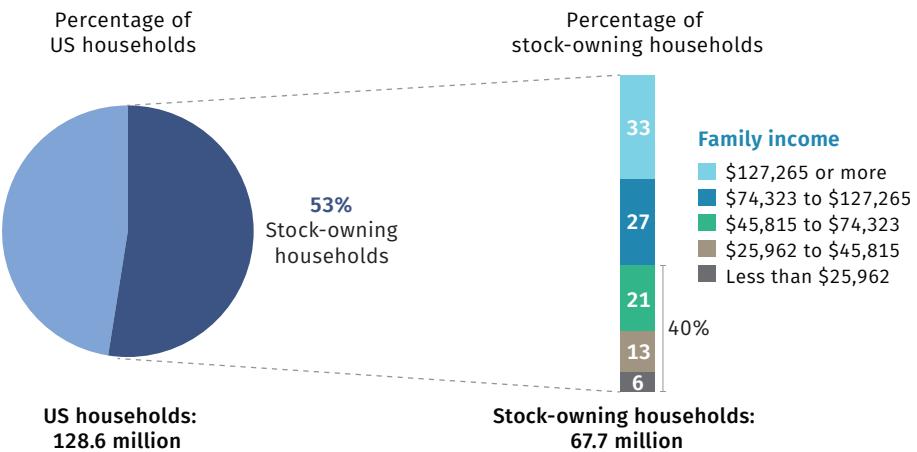
Lower- and Middle-Income Households Make Up a Significant Share of Stock Owners

Four in 10 households that own stocks are lower- to middle-income households. As Figure 3 shows, in 2019, among households that owned stocks, 40 percent had family incomes of less than \$74,000. Another 27 percent of stock-owning households had family incomes between about \$74,000 and about \$127,000.

FIGURE 3

Four in 10 Stock-Owning Households Have Family Income Less Than \$74,000

Percentage of US households that own stocks by family income, 2019



Note: Stock ownership includes directly held shares as well as stocks held indirectly through mutual funds, ETFs, closed-end funds, and other managed accounts; it also includes shares held both inside and outside of retirement accounts. The income breaks are the amounts that divide the entire US household population into quintiles.

Source: Investment Company Institute tabulations of the 2019 Federal Reserve Board Survey of Consumer Finances

Retirement Savers Often Focus on Stock Investing

A key to building a nest egg for retirement is investing for diversification and growth. Not surprisingly, millions of Americans across all income groups help prepare themselves for retirement by investing in stocks through 401(k) plans or IRAs. Today, 60 million Americans are active participants in 401(k) plans, and as of 2017, **more than 60 million Americans held investments in IRAs**. Of these, the vast majority invested a portion of their retirement accounts in stocks, with many investing through mutual funds (stock funds and balanced funds, including target date funds).

Data indicate that more than nine in 10 participants in **401(k) plans** held at least some stocks through their plan accounts, and more than four in 10 had more than 80 percent of their 401(k) plan account balance invested in stocks. A similar picture emerges for **traditional IRA investors**.

Welcome to Main Street

Stock ownership used to conjure up images of Wall Street—but today people all up and down America's Main Streets own stocks and are counting on stock ownership to help realize their financial goals. Since the 1980s, hardworking Americans and retirees have grown their retirement savings through 401(k)s, other defined contribution workplace plans, and IRAs. Today, more Americans own stock than in the past—and stock ownership has become increasingly common for lower- and middle-income households.

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