WASHINGTON, DC • BRUSSELS • LONDON • WWW.ICI.ORG

ICI VIEWPOINTS

JANUARY 17, 2018

Americans Rely on Stocks to Meet Their Financial Goals as Much as Ever

By Sean Collins

The following ICI Viewpoints *is a letter to the* Wall Street Journal *by Sean Collins, ICI chief economist, in response to an article published on January 4, 2018:*

Are America's individual investors missing out on one of the biggest bull markets in history? No. The *Wall Street Journal*'s account ("As Dow Tops 25000, Individual Investors Sit It Out," January 4) is based on anecdotes and selective use of data.

Mutual funds that have an investment focus in US stocks have assets of $7.5 trillion, overwhelmingly held by households. That's up from $2.7 trillion at the end of 2008. Retail investors have clearly benefitted from the bull market.

The Federal Reserve reports that 52 percent of Americans owned stocks in 2016, about the same as 2007's 53 percent. About two-thirds of the assets in individual retirement accounts are in stocks. Millennials are investing: more than four in 10 young households own stocks. And Baby Boomers approaching retirement are in stocks: 67 percent of 401(k) account owners in their sixties have more than 40 percent of their balances in equities.

The *Journal* claims that individual investors have pulled nearly $1 trillion from US stock mutual funds. But that excludes the holdings that individuals have in retirement and institutional share classes—which are growing rapidly, not shrinking. The data also ignore purchases of US stock exchange-traded funds (ETFs). In total, US equity mutual funds and ETFs had outflows of just $67 billion over 2012–2017. And those flows don't include the $341 billion that US equity funds paid in dividends and shareholders reinvested in stocks.

When stocks rise a lot—like 2017's 22 percent gain—individuals may rebalance their portfolios toward bonds. But that's just good investment practice—not flight from the market.

Are individual investors "running away" from stocks? Don't believe it. Americans' reliance on stocks to meet their financial goals hasn't waned.

Sean Collins
Chief Economist
Investment Company Institute

Sean Collins is Chief Economist at ICI.