

Who Invests in Mutual Funds and Why?

ICI Explains

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Mutual fund ownership has gone mainstream. About 100 million Americans—or 45 percent of US households—invest in mutual funds, which are a great way for investors to achieve their financial goals. In this short video, ICI Economist Dan Schrass shares insights on who is investing.

About Dan Schrass

This video is narrated by Dan Schrass, an economist in retirement and investor research at ICI. He focuses on investor demographics and behavior, as well as trends in household retirement saving activity. He has an MA in applied economics from the Johns Hopkins University and a BS in economics from the Pennsylvania State University.

Transcript

Dan Schrass: If you're one of the millions of Americans who is investing in mutual funds, give yourself a pat on the back. Mutual funds are an excellent vehicle for investors to achieve their financial goals. And when you buy shares of a mutual fund, you are pooling your money with other investors who desire diversified, professionally managed portfolios.

But who are your fellow investors? Are they only the wealthy among us? The most well educated? Wall Streeters? Turns out, mutual fund investors are Americans of all incomes, ages, and backgrounds, and with many different financial goals.

My name is Dan Schrass. I'm an economist at ICI, and I'm going to tell you a little bit about the Americans who invest in mutual funds.

Mutual fund ownership has gone mainstream. About 100 million Americans, or about 45 percent of US households, own mutual funds. These investors come from every income group—ranging from household incomes of less than \$25,000 to incomes of \$100,000 or more. About half of the US households that own mutual funds are Americans who have moderate or lower incomes.

Mutual fund owners also span every generation—Millennials to Generation X to Baby Boomers to the Silent and GI Generations. Mutual fund ownership is highest among Generation X and the Baby Boomers—around half of both Generation X and Baby Boomer households own mutual funds. This makes sense because those generations are in the peak earning and saving years of their lives.

Millennial households are using mutual funds to save for their important financial goals, too, with about 40 percent of their generation's households owning mutual funds. All of these savers represent a range of education levels—from high school graduates

to those with advanced degrees.

And many of these savers first invested in mutual funds through their job—in a workplace retirement plan such as a 401(k). Retirement plans at work have become the most common channel through which Americans own mutual funds.

Other ways mutual fund owners purchase funds are through brokers, independent financial advisers, discount brokerages, or mutual fund companies. In many cases, these investors may be holding their funds in an individual retirement account, known as an IRA.

Why are American mutual fund owners investing? The reasons are varied, but almost all mutual fund investors are focused on retirement as a financial goal.

Households in their prime earnings and savings years are more likely to identify retirement as their primary financial goal. Younger households are saving for retirement as well, but are also saving for education expenses, a house, or other large item. Older households are more likely to be saving for an emergency in addition to retirement.

Who does this all boil down to? Americans of all different types with a variety of financial goals are mutual fund investors. And these investors are confident that mutual funds can help them reach their financial goals—with nearly nine out of ten mutual fund-owning households expressing their confidence in mutual funds.

For more information and resources on mutual fund owners, please visit ICI's website at www.ici.org.

Additional Resources

- [ICI Explains: What Is a Mutual Fund?](#)
- [What US Households Consider When They Select Mutual Funds, 2018 \(pdf\)](#)
- [Focus on Funds: Learn About the Millions of American Households Invested in Mutual Funds](#)
- [Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2018 \(pdf\)](#)
- [Characteristics of Mutual Fund Investors, 2018 \(pdf\)](#)
- [Mutual Funds: Rated E for Everyone](#)