

Characteristics of Mutual Fund Investors, 2008

KEY FINDINGS

- **In 2008, most households that owned mutual funds were headed by individuals in their peak earning and saving years.** About two-thirds of mutual fund–owning households were headed by individuals between the ages of 35 and 64.
- **The majority of mutual fund owners was employed and had moderate household incomes.** More than three-quarters of individuals heading households owning mutual funds were employed either full- or part-time. Nearly three in five U.S. households owning mutual funds had incomes between \$25,000 and \$99,999.
- **Mutual fund–owning households often held several funds, and equity funds were the most commonly owned mutual fund.** Among households owning mutual funds, 86 percent held more than one fund, and four in five owned equity funds.
- **Almost all mutual fund investors were focused on retirement saving.** Saving for retirement was one of the household’s financial goals for 95 percent of mutual fund–owning households, and more than three-quarters indicated that retirement saving was their household’s primary financial goal.
- **Employer-sponsored retirement plans are increasingly the gateway to fund ownership.** About two-thirds of fund-owning households that purchased their first fund in 2000 or later purchased that fund through an employer-sponsored retirement plan, as compared to about half of those that made their first purchase before 1990. In 2008, about two-thirds of mutual fund–owning households owned funds inside employer-sponsored retirement plans. Almost three-quarters of mutual fund–owning households held funds outside of employer-sponsored retirement plans.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS IN 2008

In 2008, an annual ICI survey of mutual fund ownership revealed that 52.5 million, or 45.0 percent, of households in the United States owned mutual funds.¹

This report highlights the characteristics of those households.

MOST MUTUAL FUND OWNERS ARE IN PRIME EARNING YEARS, MARRIED, AND EDUCATED

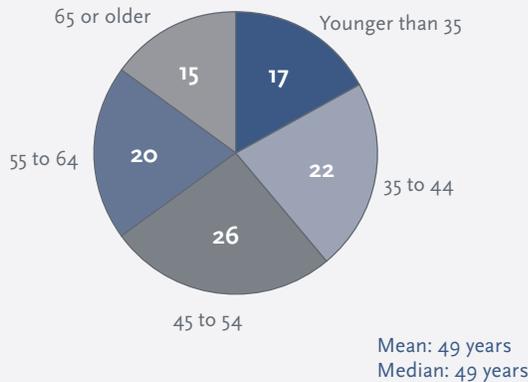
Mutual fund shareholders vary in their age, educational attainment, and marital status. In 2008, the median age of individuals heading mutual fund–owning households was 49 (Figure 1). Most mutual fund–owning households, 68 percent, were headed by individuals between the ages of 35 and 64, the age

FIGURE 1

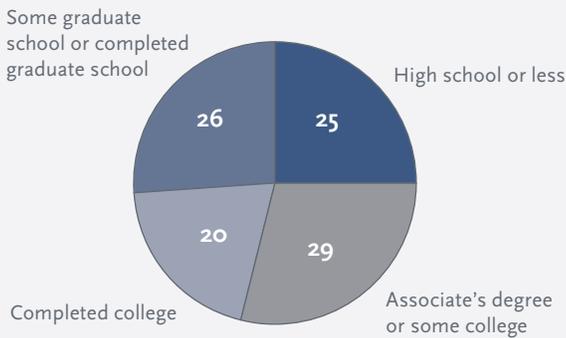
MUTUAL FUND OWNERS REPRESENT A VARIETY OF DEMOGRAPHIC GROUPS

Percentage of U.S. households owning mutual funds, 2008

AGE OF HEAD OF HOUSEHOLD



EDUCATION LEVEL OF HEAD OF HOUSEHOLD



MARITAL STATUS OF HEAD OF HOUSEHOLD



Note: Head of household refers to the sole or co-decisionmaker for household saving and investing.
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

range in which saving and investing traditionally is the greatest.² Seventeen percent of mutual fund-owning households were headed by individuals younger than 35, and 15 percent were headed by individuals 65 or older. Among heads of mutual fund-owning households, 46 percent had college degrees or postgraduate education, and another 29 percent had obtained associate's degrees or some college education. Seventy-six percent were married or living with a partner.

MOST MUTUAL FUND OWNERS ARE EMPLOYED AND ARE MIDDLE-INCOME

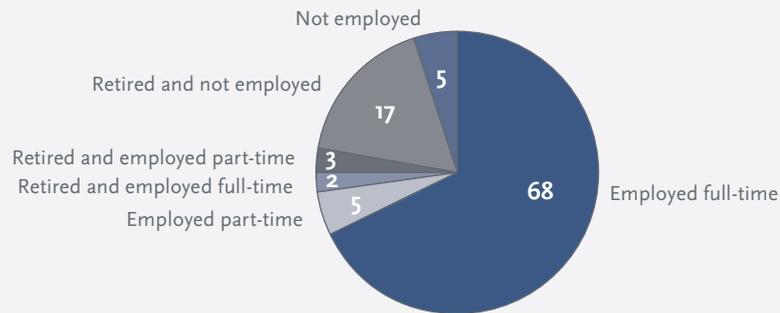
Individuals across all employment and income groups own mutual funds. Among households that owned mutual funds in 2008, 78 percent were headed by individuals who were employed full- or part-time (Figure 2). Among the 22 percent who were not employed, 77 percent were retired—that is to say, they responded affirmatively to “are you retired from your lifetime occupation?” Overall, 22 percent of individuals heading households that owned mutual funds said that they were retired.³ The median household income of mutual fund-owning households was \$80,000; 22 percent had household incomes of less than \$50,000; 21 percent had household incomes between \$50,000 and \$74,999; and 20 percent had incomes between \$75,000 and \$99,999. The remaining 37 percent had incomes of \$100,000 or more.

FIGURE 2

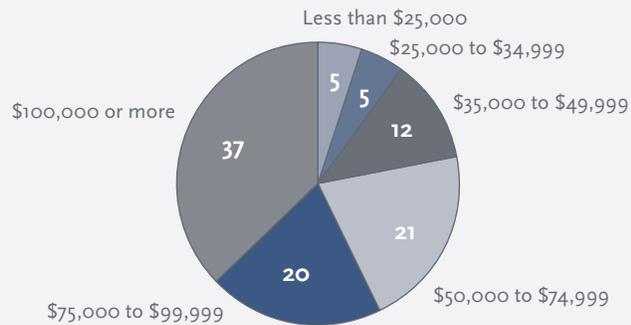
MUTUAL FUND OWNERS REPRESENT MANY DIFFERENT EMPLOYMENT AND INCOME GROUPS

Percentage of U.S. households owning mutual funds, 2008

EMPLOYMENT STATUS OF HEAD OF HOUSEHOLD¹



TOTAL HOUSEHOLD INCOME²



Mean: \$98,000
Median: \$80,000

¹Head of household refers to the sole or co-decisionmaker for household saving and investing.

²Total reported is household income before taxes in 2007.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

For more detailed information about mutual fund owners, see *Profile of Mutual Fund Shareholders, 2008*, ICI's full report of the findings of the 2008 Annual Mutual Fund Shareholder Tracking Survey. This report presents a comprehensive overview of mutual fund owners, including their demographic characteristics, the ways in which they purchase fund shares, and the ways in which U.S. households use funds to meet their current and long-term financial needs.

MUTUAL FUND OWNERS HOLD A RANGE OF OTHER INVESTMENTS

Mutual fund–owning households typically have other types of savings and investments: 43 percent owned individual stocks, 32 percent owned certificates of deposit, and 32 percent owned fixed or variable annuities in 2008 (Figure 3). In addition, 28 percent held investment real estate, and 12 percent owned individual bonds (excluding U.S. savings bonds).

MUTUAL FUNDS ARE IMPORTANT COMPONENTS IN INVESTOR PORTFOLIOS

Mutual fund–owning households often hold more than one mutual fund. In 2008, the median number of mutual funds owned by shareholder households was four (Figure 4). Among these households, 41 percent owned three or fewer funds, and 59 percent owned four or more, with 13 percent reporting they held 11 or more funds.

FIGURE 3

MUTUAL FUND–OWNING HOUSEHOLDS HOLD A MIX OF FINANCIAL ASSETS

Percentage of U.S. households owning mutual funds, 2008

TYPE OF FINANCIAL ASSET



Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Equity funds were the most commonly owned type of mutual fund, held by 80 percent of mutual fund–owning households (Figure 5). In addition, 38 percent owned hybrid funds, 48 percent owned bond funds, and 66 percent owned money market funds. Mutual

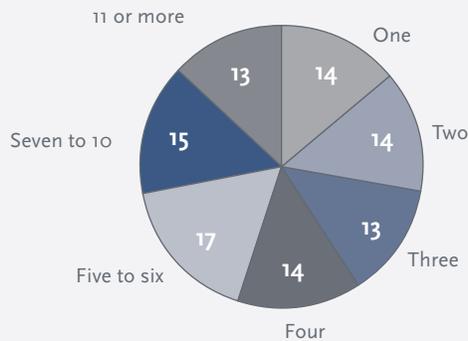
fund holdings represented a significant portion of these households' financial assets: 69 percent had more than half of their household financial assets invested in mutual funds (Figure 6).

FIGURE 4

MOST MUTUAL FUND–OWNING HOUSEHOLDS OWN MULTIPLE FUNDS

Percentage of U.S. households owning mutual funds, 2008

NUMBER OF MUTUAL FUNDS HOUSEHOLD OWNS



Mean: Six mutual funds
Median: Four mutual funds

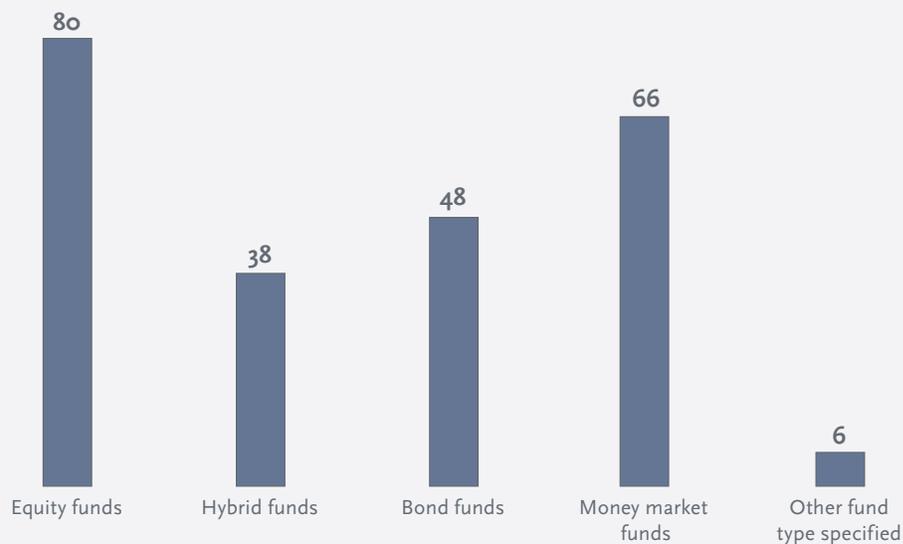
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 5

EQUITY FUNDS ARE THE MOST COMMONLY OWNED MUTUAL FUND

Percentage of U.S. households owning mutual funds, 2008

TYPE OF MUTUAL FUND OWNED



Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

RETIREMENT SAVING IS OFTEN THE GOAL OF MUTUAL FUND INVESTORS

Mutual fund–owning households have a variety of financial goals for their mutual fund investments. The vast majority, 95 percent, indicated they were using mutual funds to save for retirement (Figure 7); 76 percent indicated that saving for retirement was their household’s primary financial goal. Many mutual fund–owning households (47.5 million) held funds in tax-deferred savings accounts.⁴ Nevertheless,

16.7 million U.S. households held long-term mutual funds (stock, bond, and balanced/hybrid funds) in taxable accounts in 2008.

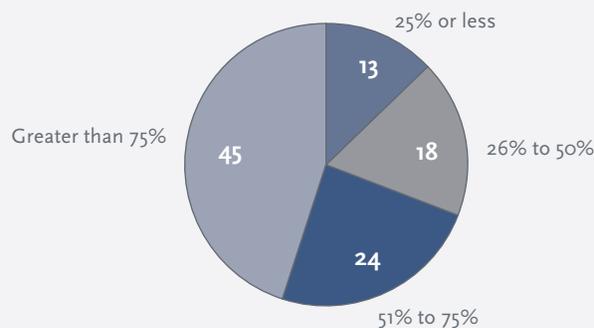
Retirement is not the only financial goal for households’ mutual fund investments. Fifty-two percent of mutual fund–owning households reported that reducing their taxable income was one of their goals; 45 percent listed saving for an emergency as a goal; and 25 percent reported saving for education among their goals.

FIGURE 6

MUTUAL FUNDS ARE AN IMPORTANT COMPONENT OF INVESTOR PORTFOLIOS

Percentage of U.S. households owning mutual funds, 2008

MUTUAL FUNDS’ SHARE OF HOUSEHOLD FINANCIAL ASSETS



Note: Household financial assets include assets in employer-sponsored retirement plans, but exclude the household’s primary residence.

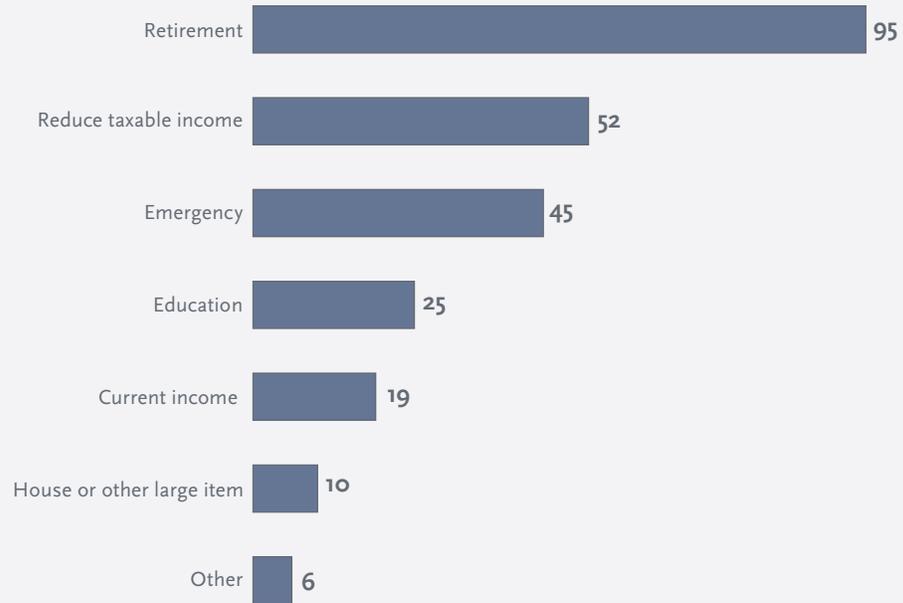
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 7

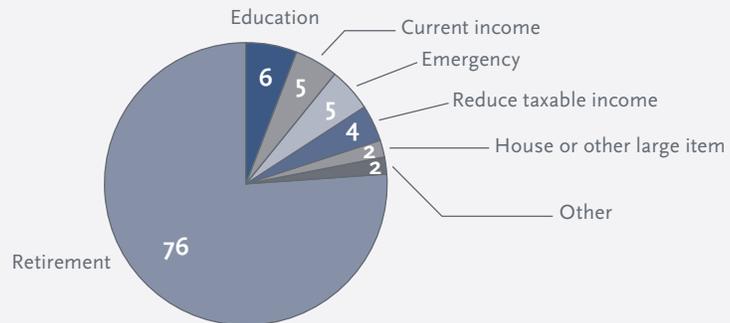
BULK OF MUTUAL FUND INVESTORS FOCUS ON RETIREMENT

Percentage of U.S. households owning mutual funds, 2008

FINANCIAL GOALS FOR MUTUAL FUND INVESTMENTS*



PRIMARY FINANCIAL GOAL FOR MUTUAL FUND INVESTMENTS



* Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

EMPLOYER-SPONSORED PLANS, FINANCIAL ADVISERS ARE MAIN CHANNELS OF FUND INVESTMENTS

Among mutual fund–owning households, 27 percent invested in mutual funds solely inside employer-sponsored retirement plans, which include defined contribution (DC) plans and employer-sponsored IRAs;⁵ 32 percent owned funds solely outside these plans; and 41 percent had funds both inside and

outside employer-sponsored retirement plans (Figure 8). Altogether, 68 percent of mutual fund–owning households owned funds through employer-sponsored retirement plans, and 73 percent owned funds outside of these plans.⁶ Among households owning mutual funds outside of employer-sponsored retirement plans, 77 percent owned funds purchased from a professional financial adviser.⁷

FIGURE 8

MUTUAL FUND INVESTMENTS OUTSIDE RETIREMENT PLANS ARE OFTEN GUIDED BY FINANCIAL ADVISERS

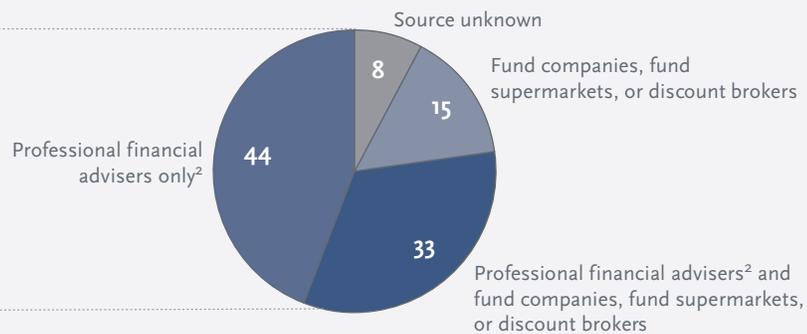
SOURCES OF MUTUAL FUND OWNERSHIP

(percentage of U.S. households owning mutual funds, 2008)



SOURCES FOR HOUSEHOLDS OWNING MUTUAL FUNDS OUTSIDE EMPLOYER-SPONSORED RETIREMENT PLANS

(percentage of U.S. households owning mutual funds outside employer-sponsored retirement plans,¹ 2008)



¹Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

²Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIRST FUND PURCHASES ARE INCREASINGLY MADE THROUGH EMPLOYER-SPONSORED PLANS

Mutual fund–owning households often purchase their first mutual fund through employer-sponsored retirement plans: 59 percent purchased their first fund through that channel (Figure 9). Households that made their first mutual fund purchase more recently were more likely to have done so through employer-sponsored retirement plans. Among households that bought their first mutual fund in 2000 or later, 68 percent bought that first fund through such a plan, compared with 53 percent of households that first purchased mutual funds before 1990.

MOST FUND-OWNING HOUSEHOLDS BOUGHT FIRST FUND BEFORE 1995

The vast majority of mutual fund–owning households have invested in mutual funds for many years: 39 percent bought their first mutual fund before 1990; 19 percent purchased their first fund between 1990 and 1994; and 20 percent bought their first fund between 1995 and 1999 (Figure 10). Twenty-two percent of mutual fund–owning households purchased their first fund in 2000 or later.

FIGURE 9

EMPLOYER-SPONSORED RETIREMENT PLANS ARE INCREASINGLY THE SOURCE OF FIRST FUND PURCHASE

Percentage of U.S. households owning mutual funds, 2008

Source of first mutual fund purchase	Year of household's first mutual fund purchase				Memo: all mutual fund–owning households
	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or later	
Inside employer-sponsored retirement plan	53	60	61	68	59
Outside employer-sponsored retirement plan	47	40	39	32	41

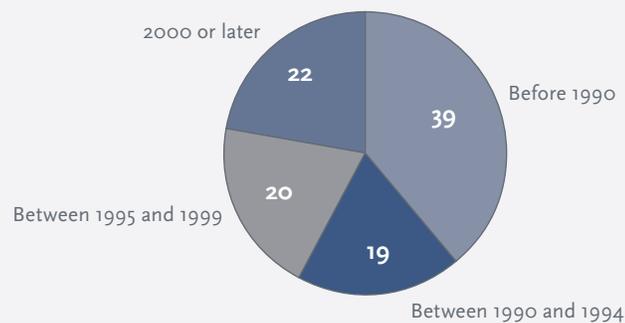
Note: Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 10

MOST MUTUAL FUND–OWNING HOUSEHOLDS PURCHASED FIRST FUND MORE THAN A DECADE AGO

Percentage of U.S. households owning mutual funds, 2008

YEAR OF HOUSEHOLD'S FIRST MUTUAL FUND PURCHASE

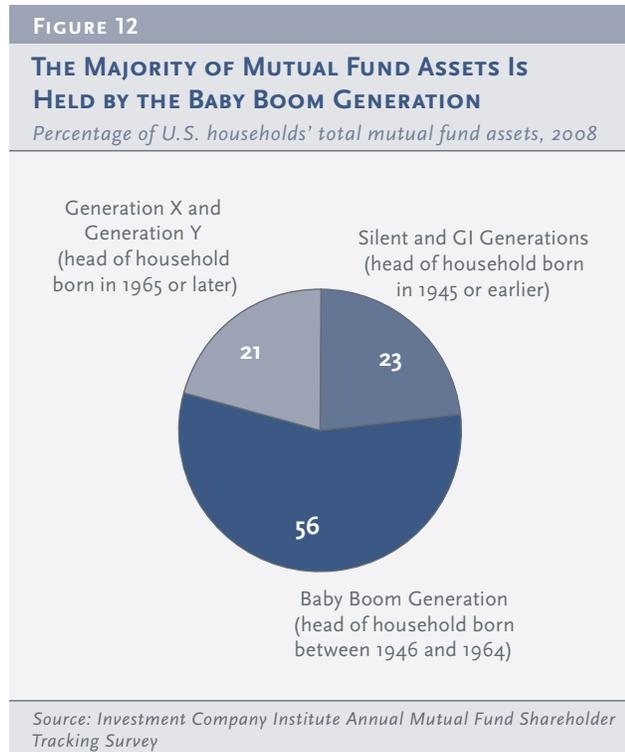
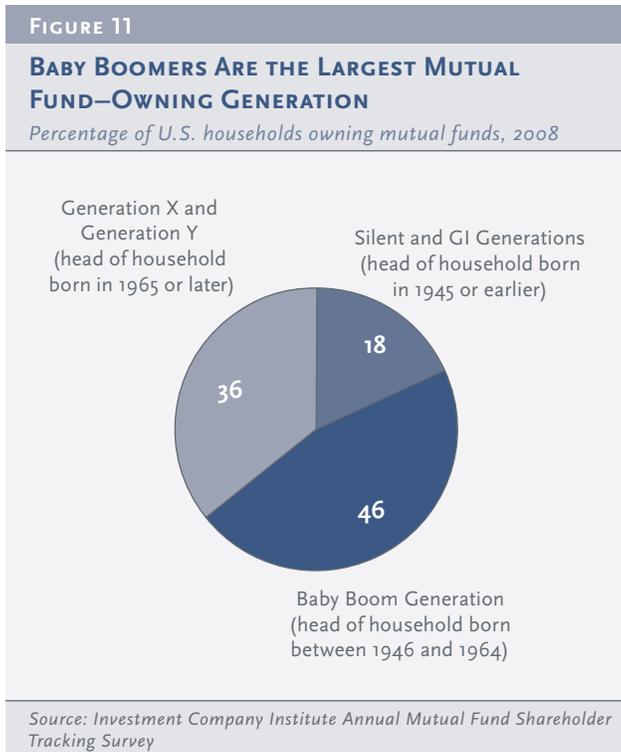


Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

BABY BOOMERS OWN THE LARGEST SHARE OF MUTUAL FUND ASSETS

Mutual fund–owning households are headed by members of all generations, but members of the Baby Boom Generation (head of household born between 1946 and 1964) were the largest share in 2008. Forty-six percent of households owning mutual funds were headed by members of the Baby Boom Generation (Figure 11). In addition, 36 percent of households owning mutual funds were headed by members of the Baby Boom Generation (Figure 11). In addition, 36 percent of households owning mutual funds were headed by members of Generation X and Generation Y (head of household born in 1965 or later), and 18 percent were headed by members of the Silent and GI Generations (head of household born in 1945 or earlier).

In addition to being the largest shareholder group, households headed by members of the Baby Boom Generation also held the largest percentage of mutual fund assets. Fifty-six percent of households' total mutual fund assets were owned by households headed by members of the Baby Boom Generation (Figure 12). Households headed by members of the Silent and GI Generations held another 23 percent of households' total mutual fund assets, and Generation X– and Generation Y–headed households held the remaining 21 percent of households' total mutual fund assets.



NOTES

- ¹ The 2008 ICI Annual Mutual Fund Shareholder Tracking Survey included a randomly selected sample of 4,100 U.S. households, of which 1,844 households, or 45.0 percent, owned mutual funds. The standard error for the 2008 sample of households owning mutual funds is ± 2.3 percentage points at the 95 percent confidence level. Survey data have been weighted to match census region, age distribution, household income distribution, and educational attainment of the U.S. population. For additional discussion of incidence of mutual fund ownership in the United States, see Holden, Bogdan, and Bass 2008. For additional detail on the characteristics of U.S. households that own mutual funds, see Schrass and Bass 2009. U.S. Census Bureau 2008 reported there were 116.8 million households in the United States in 2008.
- ² The life-cycle pattern of savings suggests that older individuals are able to save at higher rates because they no longer face the expenses of buying a home, or putting children through college, or paying for their own education. An augmented version of the life-cycle theory predicts that the optimal savings pattern increases with age. For a summary discussion of life-cycle models, see Browning and Crossley 2001. In addition, see discussion in Brady and Sigris 2008, as well as Sabelhaus, Bogdan, and Schrass 2008.
- ³ Among households whose heads reported they were retired, 77 percent were not employed, 14 percent were employed part-time, and 9 percent were employed full-time (Figure 2).
- ⁴ Tax-deferred accounts include employer-sponsored retirement plans, traditional IRAs, Roth IRAs, and variable annuities. See Holden, Bogdan, and Bass 2008 for additional information.
- ⁵ DC plans include 401(k), 403(b), or 457 plans. Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs. For more information on employer-sponsored retirement plans, see Brady and Holden 2008a, Brady and Holden 2008b, and Investment Company Institute 2008. For additional information on households that own IRAs, see Holden and Schrass 2009a and Holden and Schrass 2009b.
- ⁶ Mutual funds held in traditional IRAs or Roth IRAs were counted as funds owned outside employer-sponsored retirement plans. Fifty-one percent of U.S. households that owned mutual funds held funds in traditional IRAs or Roth IRAs in 2008 (see Schrass and Bass 2009).
- ⁷ Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. For additional information on mutual fund owners' use of professional financial advisers, see Leonard-Chambers and Bogdan 2007 and Schrass 2008.

ABOUT THE SURVEY

The Investment Company Institute conducts the Annual Mutual Fund Shareholder Tracking Survey each spring to gather information on the demographic and financial characteristics of mutual fund-owning households in the United States. The most recent survey was undertaken in May 2008 and was based on a sample of 4,100 U.S. households selected by random digit dialing, of which 1,844 households, or 45.0 percent, owned mutual funds. Eligible households included those owning mutual funds inside or outside employer-sponsored retirement plans. All interviews were conducted over the telephone with the member of the household who was the sole or co-decisionmaker most knowledgeable about the household's savings and investments.

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