

# ICI RESEARCH PERSPECTIVE

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## Characteristics of Mutual Fund Investors, 2020

### KEY FINDINGS

- » **In 2020, most households that owned mutual funds were headed by individuals in their peak earning and saving years.** Sixty percent of mutual fund–owning households were headed by individuals between the ages of 35 and 64.
- » **Many mutual fund owners were employed and had moderate household incomes.** Seventy-five percent of individuals heading households owning mutual funds were employed either full- or part-time. The median household income of US households owning mutual funds was \$105,000.
- » **Mutual fund–owning households often held several funds, and equity funds were the most commonly owned type of mutual fund.** Among households owning mutual funds in 2020, 82 percent held more than one fund, and 90 percent owned equity funds.
- » **Almost all mutual fund investors were focused on retirement saving.** Saving for retirement was a financial goal for 94 percent of mutual fund–owning households, and 75 percent indicated that retirement saving was the household’s primary financial goal.
- » **Employer-sponsored retirement plans are often the gateway to mutual fund ownership.** Sixty-five percent of mutual fund–owning households that purchased their first fund in 2010 or later purchased that fund through an employer-sponsored retirement plan, compared with 53 percent of those that made their first purchase before 1990. In 2020, 46 percent of mutual fund–owning households owned funds both inside and outside employer-sponsored retirement plans. An additional 37 percent owned mutual funds only inside employer-sponsored retirement plans.

Key findings continued »

## What's Inside

- 3 US Household Ownership of Mutual Funds in 2020
- 3 Most Mutual Fund Owners Are Educated and in Their Prime Earning Years
- 5 Most Mutual Fund Owners Are Employed and Represent a Range of Incomes
- 5 Mutual Fund Owners Hold a Range of Other Investments
- 5 Mutual Funds Are Important Components in Investor Portfolios
- 9 Retirement Saving Is Often the Goal of Mutual Fund Investors
- 10 Employer-Sponsored Retirement Plans and Investment Professionals Are the Main Channels of Fund Investments
- 14 First Mutual Fund Purchases Are Often Made Through Employer-Sponsored Retirement Plans
- 14 More Than Half of Mutual Fund–Owning Households Bought Their First Fund Before 2000
- 14 Mutual Fund Ownership Varies by Household Generation
- 22 Notes
- 23 References

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For a set of supplemental tables in Microsoft Excel format, see [www.ici.org/info/per26-09\\_data.xls](http://www.ici.org/info/per26-09_data.xls).

### Key findings continued »

- » **Incidence of mutual fund ownership was the highest among Generation X.** In 2020, 54 percent of the 34.4 million households headed by Generation X owned mutual funds, and Generation X households were 31 percent of households owning mutual funds. Almost half of the 37.0 million households headed by a member of the Millennial Generation or Generation Z owned mutual funds in 2020, and these households were 30 percent of the households owning mutual funds. Forty-four percent of the 42.2 million households headed by a member of the Baby Boom Generation owned mutual funds in 2020, and these households were 31 percent of the households owning mutual funds. Silent and GI Generations headed the remaining 8 percent of mutual fund–owning households.
- » **The largest portion of mutual fund assets held by households are held by Baby Boomers.** In 2020, 43 percent of households' mutual fund assets were held by Baby Boom households, reflecting the time that they have had to accumulate savings through employer-sponsored retirement plans, individual retirement accounts, and other personal accounts. Generation X households held 31 percent of household mutual fund assets in 2020, and Silent and GI Generation households held 10 percent. Being younger and having had less time to accumulate savings, Generation Z and Millennial households held 16 percent of all household mutual fund assets.
- » **Generation Z and Millennial households owning mutual funds are more likely to hold funds only inside employer-sponsored retirement plans, compared with older generations.** In 2020, 43 percent of Generation Z and Millennial households owning mutual funds held their funds only through employer-sponsored retirement plans, compared with 36 percent of Baby Boom households owning mutual funds.

## US Household Ownership of Mutual Funds in 2020

In 2020, the annual ICI survey of mutual fund ownership found that 58.7 million, or 45.7 percent of, households in the United States owned mutual funds. This report highlights the characteristics of those households.

## Most Mutual Fund Owners Are Educated and in Their Prime Earning Years

Mutual fund shareholders vary in their age and educational attainment. In 2020, the median age of

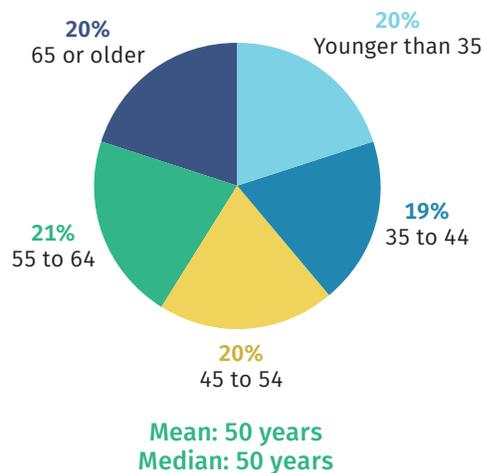
individuals heading mutual fund-owning households was 50 (Figure 1). Most mutual fund-owning households (60 percent) were headed by individuals between the ages of 35 and 64, the age range in which saving and investing traditionally are the greatest.<sup>1</sup> Nevertheless, 20 percent of mutual fund-owning households were younger than 35. The remaining 20 percent of mutual fund-owning households were headed by individuals aged 65 or older.

FIGURE 1

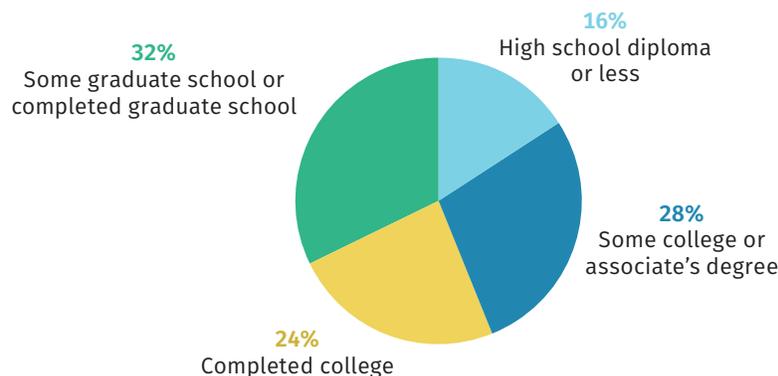
### Mutual Fund Owners Represent a Variety of Demographic Groups

Percentage of US households owning mutual funds, 2020

#### Age of head of household



#### Education level 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

## About the Annual Mutual Fund Shareholder Tracking Survey

ICI conducts the Annual Mutual Fund Shareholder Tracking Survey each year to gather information on the demographic and financial characteristics of mutual fund-owning households in the United States. The most recent survey was conducted from May to June 2020 and was based on a dual-frame telephone sample of 3,001 US households. Of these, 1,350 households were from a landline random digit dial (RDD) frame, and 1,651 households were from a cell phone RDD frame. Of the households contacted, 1,372 households, or 45.7 percent, owned mutual funds. All interviews were conducted over the telephone with the member of the household who was either the sole or the co-decisionmaker most knowledgeable about the household's savings and investments. The standard error for the 2020 sample of households owning mutual funds is  $\pm 2.6$  percentage points at the 95 percent confidence level.

### Revisions to ICI's Annual Mutual Fund Shareholder Tracking Survey

The Annual Mutual Fund Shareholder Tracking Survey interviews a random sample of US households to determine their ownership of a variety of financial assets and accounts, including mutual funds, individual stocks, individual bonds, defined contribution (DC) plan accounts, individual retirement accounts (IRAs), and education savings accounts. In the usual course of household survey work, researchers periodically reexamine sampling and weighting methods to ensure that the results published are representative of the millions of households in the United States. ICI reexamined its Annual Mutual Fund Shareholder Tracking Survey in 2014, and the figures presented in this paper

for the 2020 survey reflect the revised sampling and weighting methodology adopted in 2014. To achieve a representative sample of US households, the 2014, 2015, 2016, 2017, and 2018 Annual Mutual Fund Shareholder Tracking Surveys were based on dual-frame samples of landline (about half) and cell phone numbers (about half). The combined sample for 2019 and 2020 includes about 45 percent of households reached on a landline and about 55 percent of households reached on a cell phone. Before 2014, the Annual Mutual Fund Shareholder Tracking Surveys were based on samples of landline phone numbers. The change to a combined sample of cell and landline phone numbers improves the representativeness of the sample. For a detailed description of the survey methodology, see "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020," *ICI Research Perspective* 26, no. 8 (November), available at [www.ici.org/pdf/per26-08.pdf](http://www.ici.org/pdf/per26-08.pdf).

### Additional Reading

For more detailed information about mutual fund owners, see the forthcoming *ICI Research Report* "Profile of Mutual Fund Shareholders, 2020," which fully details the findings of the 2020 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 US households use funds to meet their current and long-term financial needs. See also "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020," *ICI Research Perspective* 26, no. 8 (November), available at [www.ici.org/pdf/per26-08.pdf](http://www.ici.org/pdf/per26-08.pdf).

Mutual fund–owning households represent a range of education levels. In 2020, among heads of mutual fund–owning households, 56 percent had college degrees or postgraduate education, and another 28 percent had obtained associate’s degrees or some college education (Figure 1). Sixteen percent had a high school diploma or less.

## **Most Mutual Fund Owners Are Employed and Represent a Range of Incomes**

Individuals across all employment and income groups own mutual funds. Among households that owned mutual funds in 2020, 75 percent were headed by individuals who were employed full- or part-time (Figure 2). Among the 25 percent who were not employed, 76 percent were retired—that is, they responded affirmatively to the question: “Are you retired from your lifetime occupation?” Overall, 23 percent of individuals heading households that owned mutual funds said that they were retired.<sup>2</sup> The median household income of mutual fund–owning households was \$105,000;<sup>3</sup> 12 percent had household incomes of less than \$50,000; 15 percent had household incomes between \$50,000 and \$74,999; and 16 percent had incomes between \$75,000 and \$99,999. The remaining 57 percent had household incomes of \$100,000 or more.

## **Mutual Fund Owners Hold a Range of Other Investments**

Mutual fund–owning households typically have other types of savings and investments: 48 percent owned individual stocks, 32 percent owned investment real estate, 25 percent owned US savings bonds, 24 percent owned fixed or variable annuities, and 24 percent owned certificates of deposit in 2020 (Figure 3). In addition, 17 percent owned exchange-traded funds (ETFs), 12 percent owned individual bonds (excluding US savings bonds), and 5 percent owned closed-end funds.

## **Mutual Funds Are Important Components in Investor Portfolios**

Mutual fund–owning households often hold more than one mutual fund. In 2020, the median number of mutual funds owned by shareholder households was four (Figure 4). Among mutual fund–owning households, 59 percent owned four or fewer funds, and 41 percent owned five or more, with 15 percent reporting they held 11 or more funds.

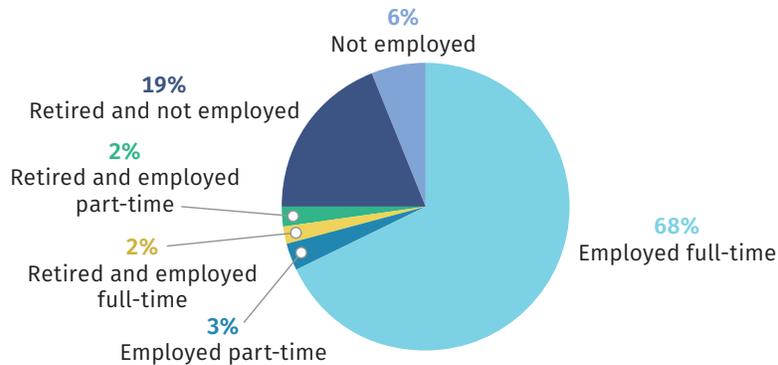
Equity funds were the most commonly owned type of mutual fund, held by 90 percent of mutual fund–owning households (Figure 5). In addition, 35 percent owned balanced funds, 43 percent owned bond funds, and 53 percent owned money market funds. Mutual fund holdings represented a significant portion of these households’ financial assets: 56 percent had more than half of their household financial assets invested in mutual funds (Figure 6).

FIGURE 2

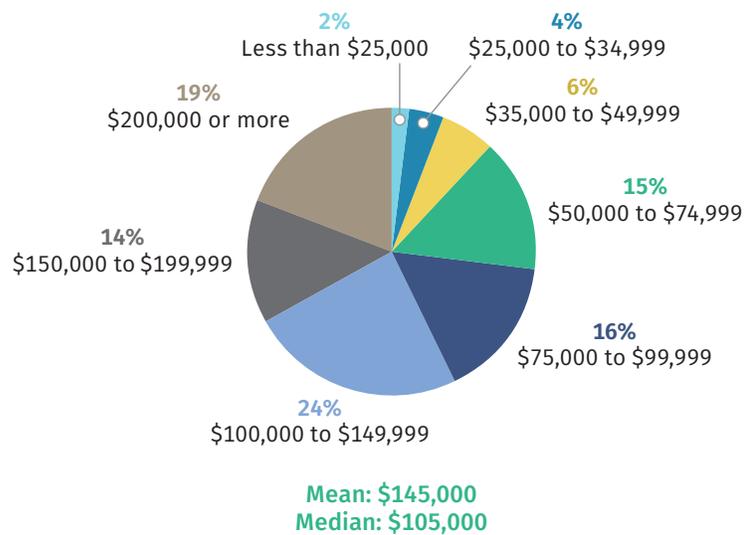
### Mutual Fund Owners Represent Many Different Employment and Income Groups

Percentage of US households owning mutual funds, 2020

#### Employment status of head of household<sup>1</sup>



#### Total household income<sup>2</sup>



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

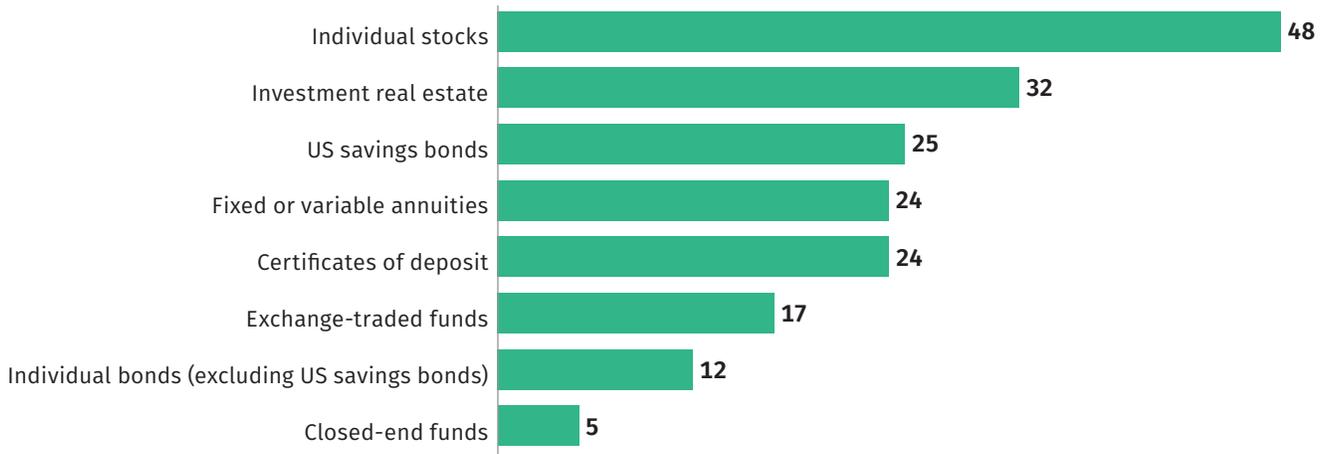
<sup>2</sup> Total reported is household income before taxes in 2019.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 3

### Mutual Fund–Owning Households Hold a Mix of Financial Assets

Percentage of US households owning mutual funds, 2020



Note: Multiple responses are included.

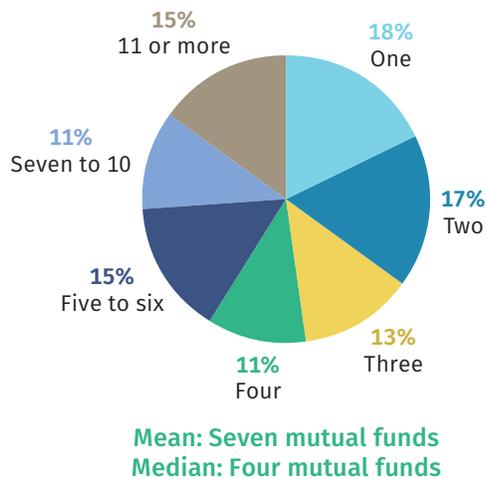
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 4

### Most Mutual Fund–Owning Households Own Multiple Funds

Percentage of US households owning mutual funds, 2020

#### Number of mutual funds household owns

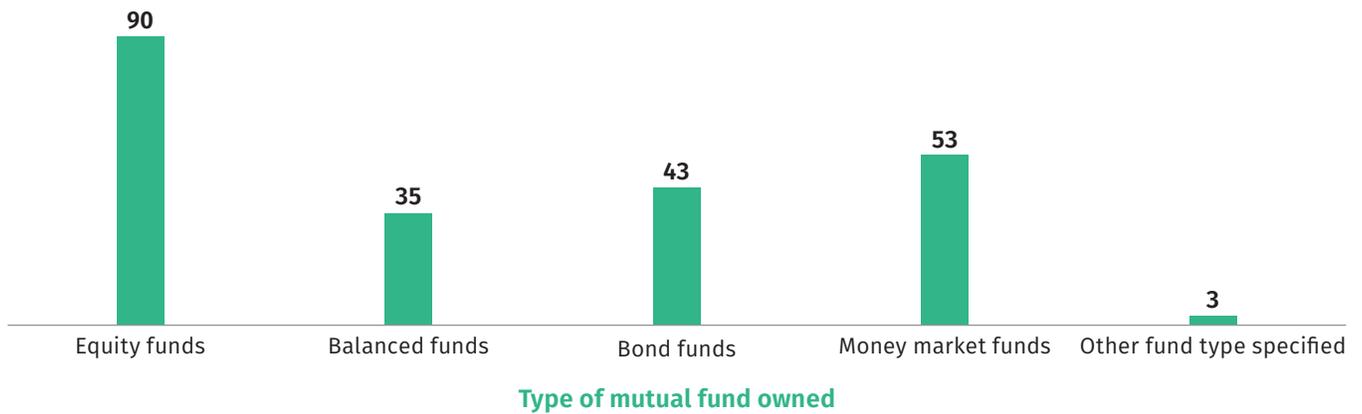


Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 5

### Equity Funds Are the Most Commonly Owned Type of Mutual Fund

Percentage of US households owning mutual funds, 2020



Note: Multiple responses are included.

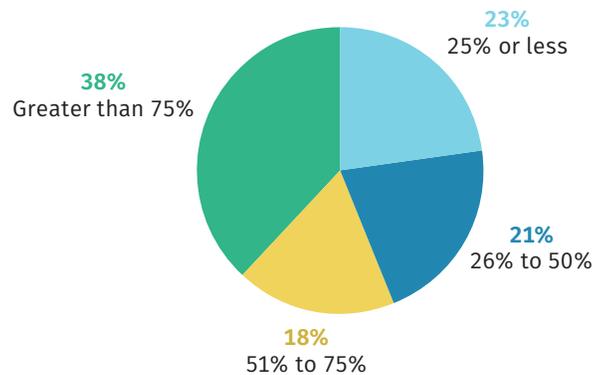
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 6

### Mutual Funds Are an Important Component of Investor Portfolios

Percentage of US households owning mutual funds, 2020

#### 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

## Retirement Saving Is Often the Goal of Mutual Fund Investors

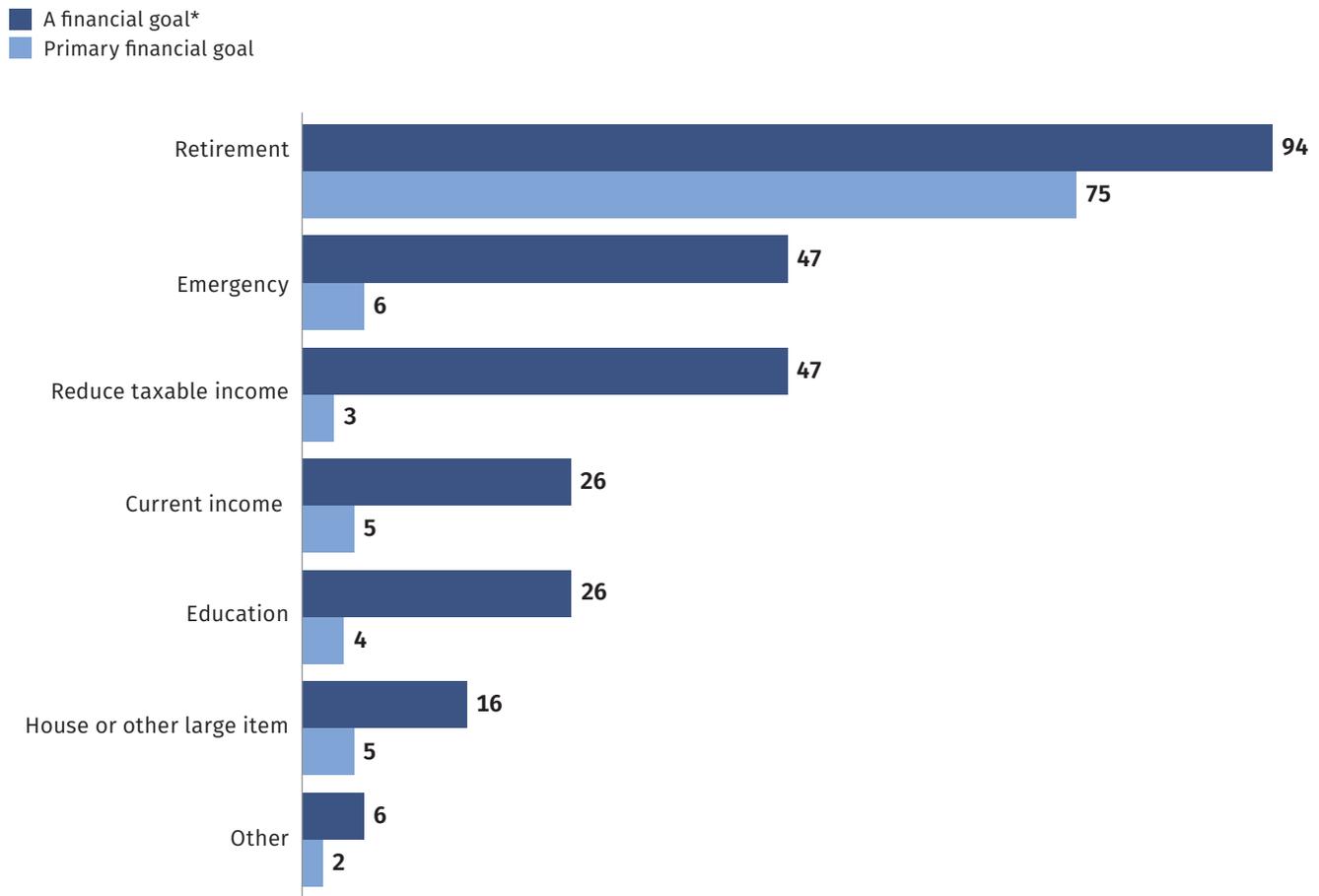
Mutual fund–owning households have a variety of financial goals for their mutual fund investments. The vast majority, 94 percent, indicated that they were using mutual funds to save for retirement, and 75 percent indicated that saving for retirement was their household’s primary financial goal (Figure 7). However, retirement is not the only financial goal for households’ mutual fund investments. Forty-seven percent listed

saving for an emergency as a goal, and 26 percent reported saving for education among their goals (Figure 7). Forty-seven percent of mutual fund–owning households reported that reducing their taxable income was one of their goals. Though many mutual fund–owning households (55.4 million) held funds in tax-deferred savings accounts,<sup>4</sup> 11.7 million US households held long-term mutual funds (stock, bond, and balanced funds) in taxable accounts in 2020.

FIGURE 7

### Majority of Mutual Fund Investors Focus on Retirement

Percentage of US households owning mutual funds, 2020



\* Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

## Employer-Sponsored Retirement Plans and Investment Professionals Are the Main Channels of Fund Investments

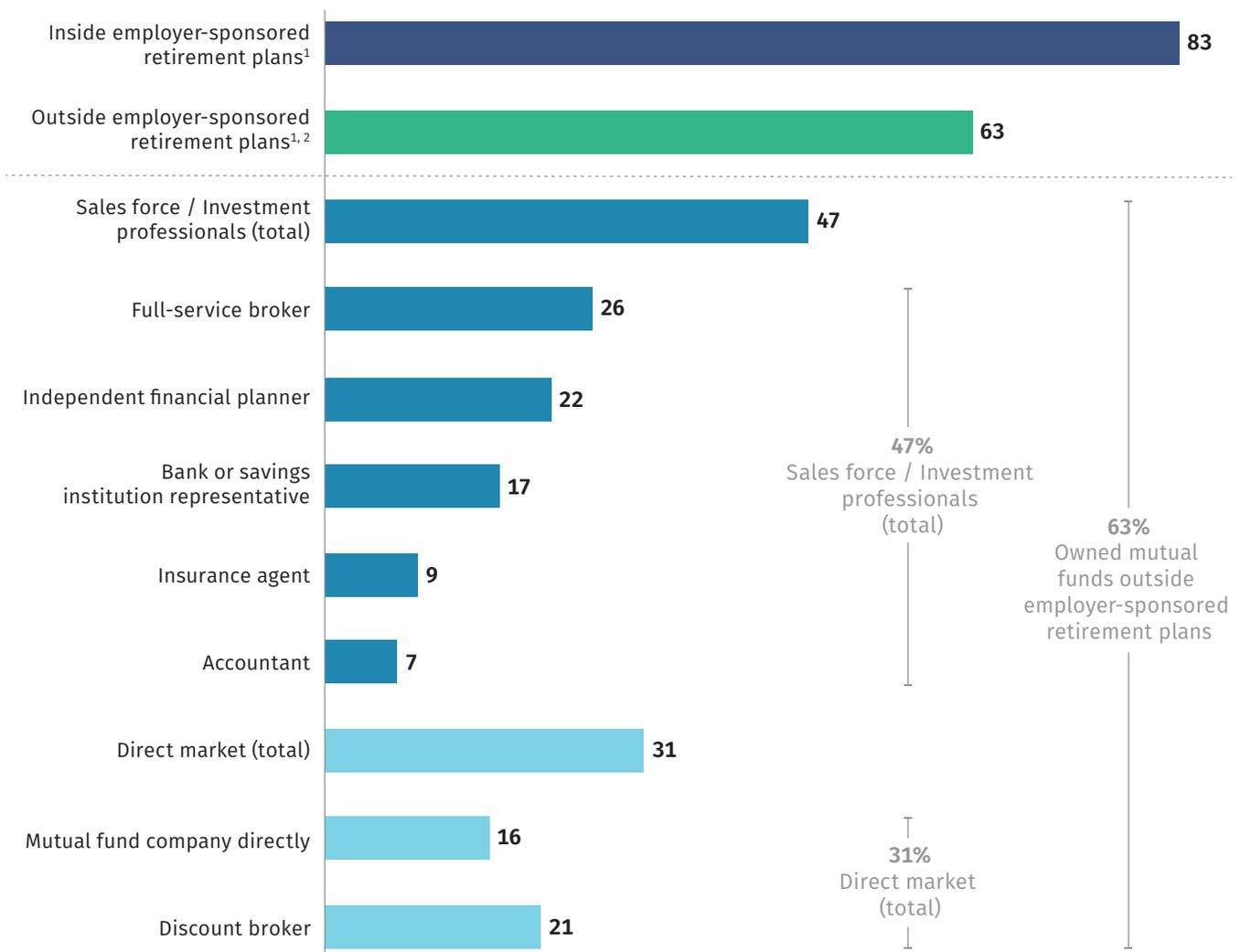
In 2020, 83 percent of mutual fund–owning households held mutual funds through employer-sponsored retirement plans, and 63 percent owned mutual funds outside such plans (Figure 8).<sup>5</sup> This latter group

purchased funds through two sources: the sales force channel (investment professionals) and the direct market channel. In 2020, almost half of households owning mutual funds held funds purchased through an investment professional, and almost a third owned funds purchased through the direct market channel.<sup>6</sup>

FIGURE 8

### Mutual Fund Investors Purchase Mutual Funds Through a Variety of Channels

Percentage of mutual fund–owning households, 2020



<sup>1</sup> 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).

<sup>2</sup> Seven percent of households owning mutual funds outside of employer-sponsored retirement plans did not indicate which source was used to purchase funds. Of this 7 percent, 5 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Among mutual fund–owning households, 37 percent invested in mutual funds solely inside employer-sponsored retirement plans, which include defined contribution (DC) plans and employer-sponsored individual retirement accounts (IRAs);<sup>7</sup> 17 percent owned funds solely outside these plans; and 46 percent

had funds both inside and outside employer-sponsored retirement plans (Figure 9). Among households owning mutual funds outside of employer-sponsored retirement plans, 75 percent owned funds purchased from an investment professional.

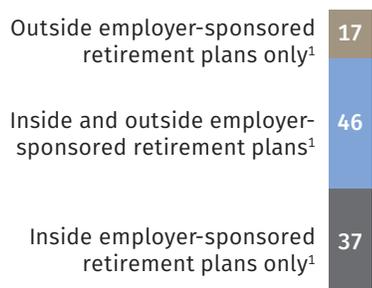
FIGURE 9

### Mutual Fund Investments Outside Retirement Plans Are Often Guided by Investment Professionals

2020

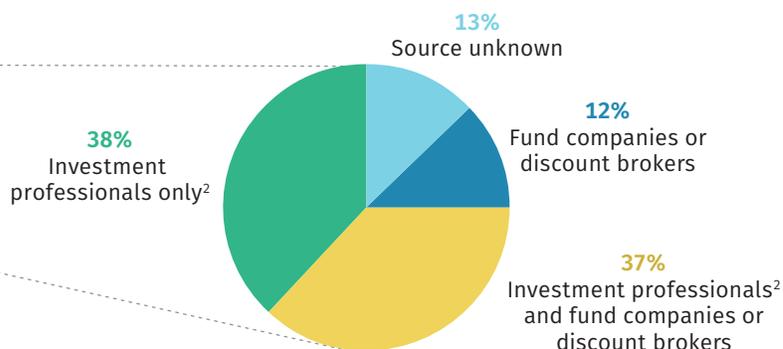
#### Sources of mutual fund ownership

Percentage of US households owning mutual funds



#### Sources for households owning mutual funds outside employer-sponsored retirement plans

Percentage of US households owning mutual funds outside employer-sponsored retirement plans<sup>1</sup>



<sup>1</sup> 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).

<sup>2</sup> Investment professionals include registered investment advisers, 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

More than half of mutual fund-owning households held mutual funds through multiple sources (Figure 10). In 2020, 17 percent of mutual fund-owning households held them both inside employer-sponsored retirement plans and through investment professionals; 6 percent owned them both inside employer-sponsored retirement plans and directly through fund companies or discount brokers; and 7 percent held them through investment professionals and fund companies or discount brokers; and 7 percent held them through investment professionals and fund companies or discount brokers. Another 17 percent owned mutual funds through all three source categories. When a household owned funds through only one source category, the most common route to fund ownership was employer-sponsored retirement plans: 37 percent of mutual fund-owning households owned funds only through their employer-sponsored retirement plans.

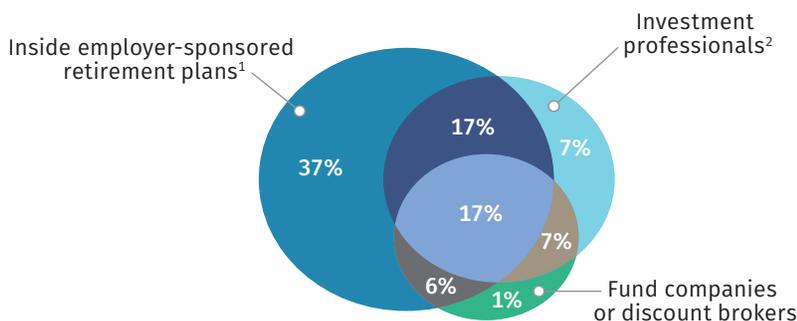
Where households own mutual funds tends to vary with the age of the head of household.<sup>9</sup> Younger mutual fund-owning households are more likely to own funds inside employer-sponsored retirement plans, while

older mutual fund-owning households are more likely to own funds outside such plans. In 2020, 88 percent of mutual fund-owning households younger than 50 held mutual funds inside employer-sponsored retirement plans (Figure 11).<sup>10</sup> Forty-two percent held mutual funds only inside employer-sponsored retirement plans. Forty percent of these households owned mutual funds through investment professionals, and 30 percent held funds directly through fund companies or discount brokers. Older mutual fund-owning households tend to own mutual funds outside of employer-sponsored retirement plans. In 2020, 79 percent of mutual fund-owning households aged 50 or older held mutual funds inside employer-sponsored retirement plans (Figure 12).<sup>11</sup> Thirty-three percent held mutual funds only inside employer-sponsored retirement plans. Fifty-two percent of these older households owned mutual funds through investment professionals, and 30 percent held funds directly through fund companies or discount brokers.

FIGURE 10

### More Than Half of Mutual Fund-Owning Households Held Shares Through Multiple Sources

Percentage of US households owning mutual funds, 2020



<sup>1</sup> 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).

<sup>2</sup> Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

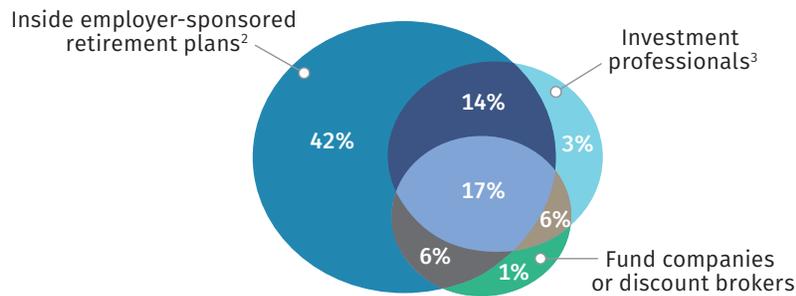
Note: Figure does not add to 100 percent because 8 percent of households owning mutual funds outside of employer-sponsored retirement plans did not indicate which source was used to purchase funds. Of this 8 percent, 6 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 11

### Younger Mutual Fund–Owning Households Are More Likely to Hold Funds Through Employer-Sponsored Retirement Plans

Percentage of mutual fund–owning households younger than 50,<sup>1</sup> 2020



<sup>1</sup> Age is based on the age of the sole or co-decisionmaker for household saving and investing.

<sup>2</sup> 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).

<sup>3</sup> Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

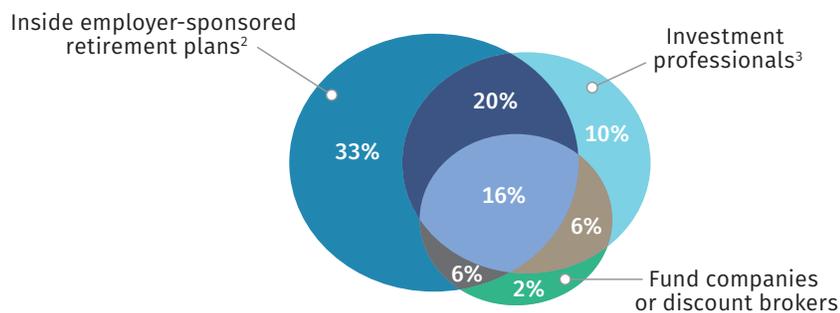
Note: Figure does not add to 100 percent because 11 percent of mutual fund–owning households younger than 50 owned funds outside of employer-sponsored retirement plans, but did not indicate which source was used to purchase funds. Of this 11 percent, 9 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 12

### Older Mutual Fund–Owning Households Are More Likely to Hold Funds Outside Employer-Sponsored Retirement Plans

Percentage of mutual fund–owning households aged 50 or older,<sup>1</sup> 2020



<sup>1</sup> Age is based on the age of the sole or co-decisionmaker for household saving and investing.

<sup>2</sup> 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).

<sup>3</sup> Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

Note: Figure does not add to 100 percent because 7 percent of mutual fund–owning households aged 50 or older owned funds outside of employer-sponsored retirement plans, but did not indicate which source was used to purchase funds. Of this 7 percent, 4 percent owned funds both inside and outside employer-sponsored retirement plans and 3 percent only owned funds outside of employer-sponsored retirement plans.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

## First Mutual Fund Purchases Are Often Made Through Employer-Sponsored Retirement Plans

Mutual fund-owning households often purchase their first mutual fund through employer-sponsored retirement plans. In 2020, across all mutual fund-owning households, 63 percent had purchased their first fund through that channel (Figure 13). 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 2010 or later, 65 percent bought that first fund through such a plan, compared with 53 percent of households that first purchased mutual funds before 1990.

## More Than Half of Mutual Fund-Owning Households Bought Their First Fund Before 2000

Most mutual fund-owning households surveyed in 2020 have invested in mutual funds for many years: 22 percent bought their first mutual fund before 1990; 29 percent purchased their first fund between 1990 and 1999; and 25 percent bought their first fund between 2000 and 2009 (Figure 14). Twenty-four percent of mutual fund-owning households purchased their first fund in 2010 or later.

## Mutual Fund Ownership Varies by Household Generation

Households can be grouped by generation based on the birth year of the head of household. In 2020, there were 128.5 million US households (Figure 15).<sup>12</sup> Baby Boom households (head of household born between 1946 and 1964) are the largest household generation, with 42.2 million or 33 percent of US households. The second-largest group is Generation X, heading 34.4 million households, and Millennials head 32.9 million households. Generation Z, with heads of household born in 1997 or later, head 4.1 million households. Finally, there were 14.9 million US households headed by individuals aged 75 or older from the Silent and GI Generations.

FIGURE 13

### Employer-Sponsored Retirement Plans Are Increasingly the Source of First Fund Purchase

Percentage of US households owning mutual funds, 2020

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 1999	Between 2000 and 2009	2010 or later	
Inside employer-sponsored retirement plans	53	61	75	65	63
Outside employer-sponsored retirement plans	47	39	25	35	37

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).

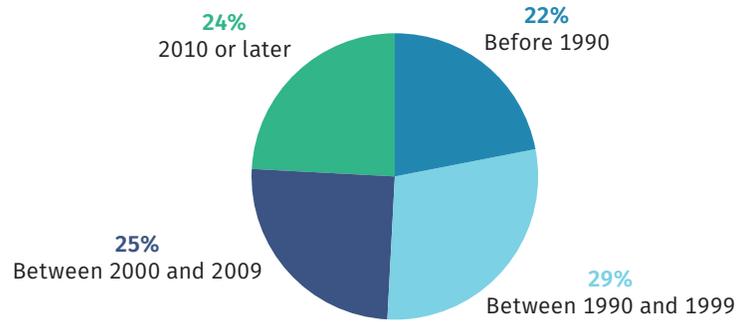
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 14

### Most Mutual Fund–Owning Households Purchased Their First Fund More Than a Decade Ago

Percentage of US households owning mutual funds, 2020

#### Year of household's first mutual fund purchase

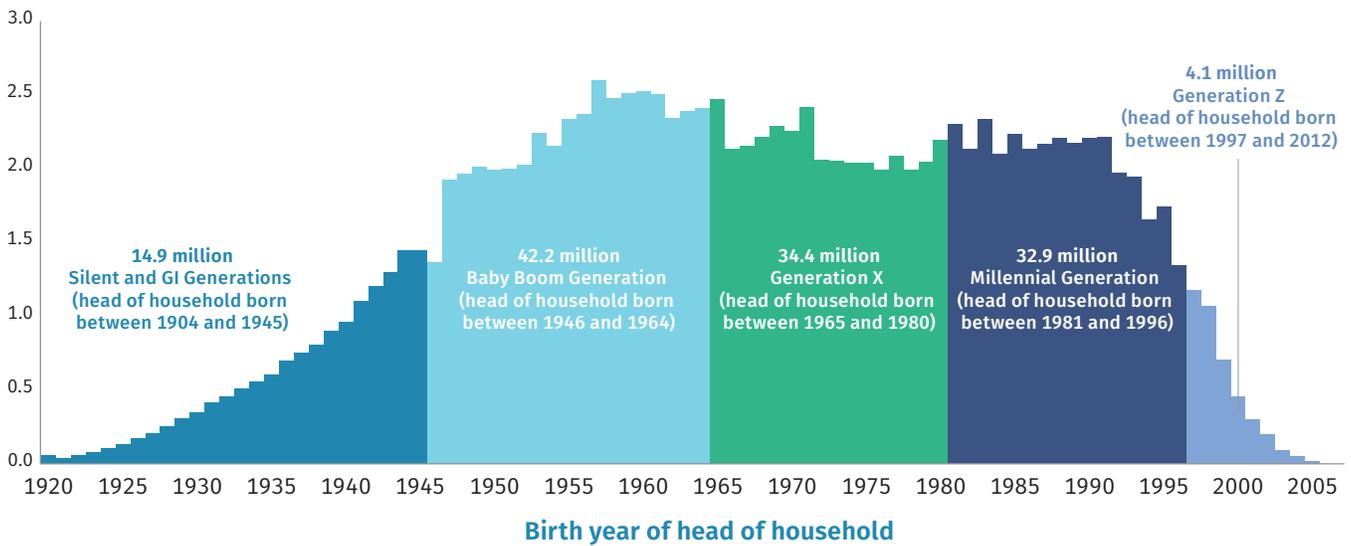


Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 15

### Number of US Households by Birth Year of Head of Household

Millions of households, 2020



Note: In 2020, there were 128.5 million US households.

Source: ICI tabulations of the US Census Bureau's Current Population Survey

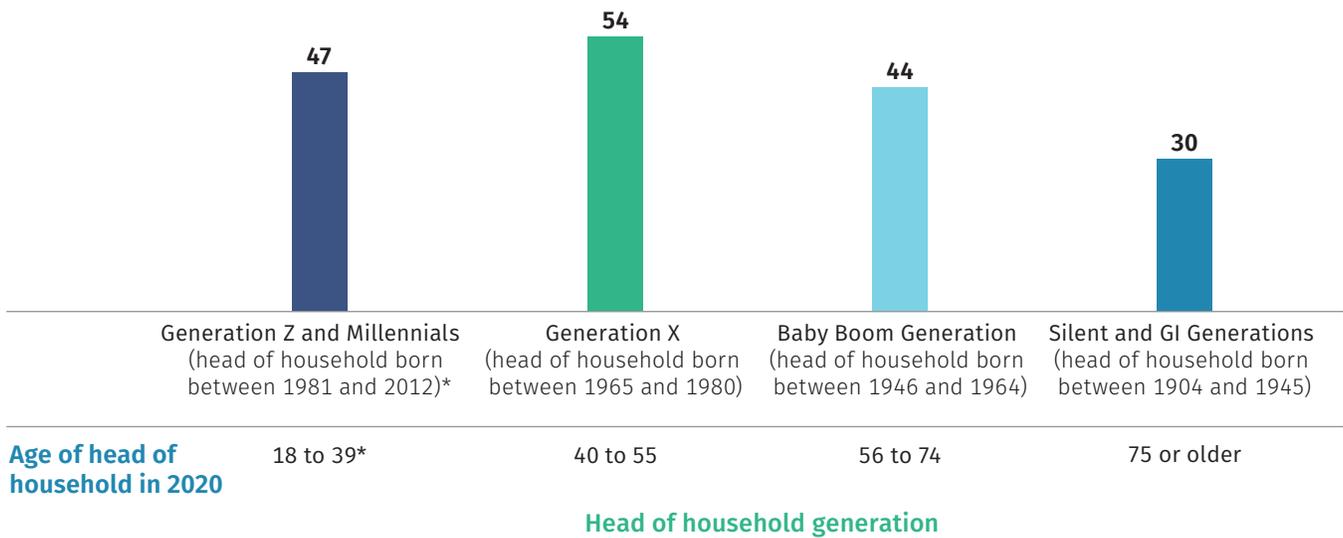
Mutual fund–owning households are headed by members of all generations, but members of Generation X (head of household born between 1965 and 1980) had the highest ownership rates in 2020. Fifty-four percent of households headed by a member of Generation X owned mutual funds in 2020 (Figure 16). Forty-seven percent of Generation Z and Millennial

households (head of household born between 1981 and 2012)<sup>13</sup> owned mutual funds in 2020. Forty-four percent of households headed by a Baby Boomer (head of household born between 1946 and 1964) and 30 percent of Silent and GI Generation households (head of household born between 1904 and 1945) owned mutual funds in 2020.

FIGURE 16

**Incidence of Mutual Fund Ownership Is Greatest Among Generation X**

Percentage of US households within each generation group, 2020



\* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; however, survey respondents must be 18 or older. Incidence of mutual fund ownership for the Millennial Generation (head of household born between 1981 and 1996) is 49 percent.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

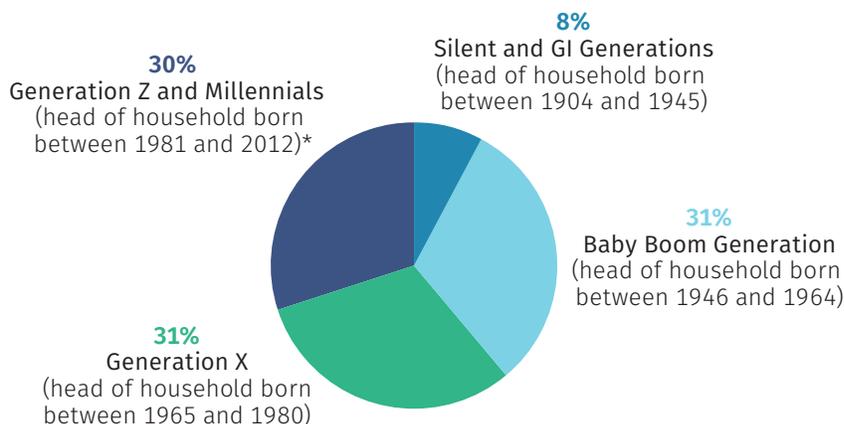
Members of the Baby Boom Generation and Generation X were the largest shares of mutual fund-owning households in 2020, reflecting both their generation sizes and their high incidence of mutual fund ownership. Thirty-one percent of households owning mutual funds were headed by members of the Baby

Boom Generation, and 31 percent of households owning mutual funds were headed by members of Generation X (Figure 17). In addition, 30 percent were headed by members of Generation Z and Millennials. Eight percent of households owning mutual funds were headed by members of the Silent and GI Generations.<sup>14</sup>

FIGURE 17

### Baby Boomers and Generation X Are the Largest Mutual Fund-Owning Generations

Percentage of US households owning mutual funds, 2020



\* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; however, survey respondents must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

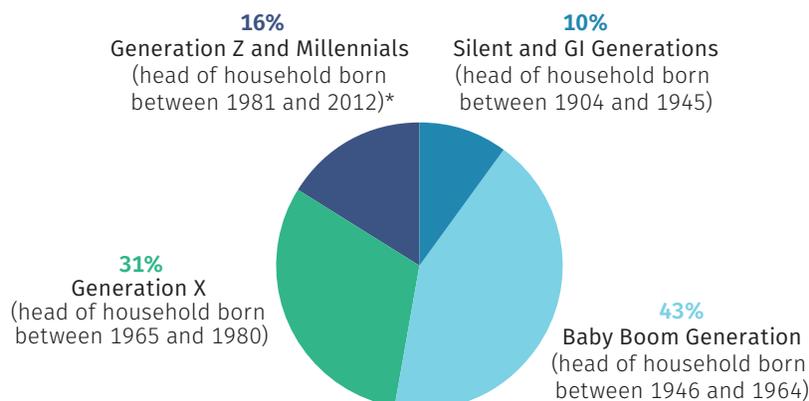
Baby Boomers were not only a large shareholder group—they held the largest percentage of household mutual fund assets in 2020. Forty-three percent of households’ total mutual fund assets were owned by households headed by Baby Boomers; Generation X households held 31 percent (Figure 18); and households headed by members of the Silent and GI Generations held another 10 percent of households’ total mutual

fund assets. Although Generation Z and Millennial households were 30 percent of mutual fund-owning households in 2020, they held only 16 percent of households’ mutual fund assets. This pattern of ownership reflects the fact that Generation Z and Millennials are younger and have not had as much time to save as Baby Boomer households that are in their peak earning and saving years.<sup>15</sup>

FIGURE 18

### Baby Boomers Held Largest Portion of Mutual Fund Assets

Percentage of total mutual fund assets held by generation, 2020



\* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; however, survey respondents must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Younger generations tend to start investing in mutual funds earlier than older generations. For example, in 2020, when they were aged 18 to 39, the median age of first mutual fund purchase was 23 for Generation Z and Millennial households (Figure 19).<sup>16</sup> By comparison, Generation X households made their first mutual fund purchase at 25 when they were aged 20 to 35 in 2000. Similarly, in 2020, when Generation X households were aged 40 to 55, their median age of first mutual fund purchase was 27, while in 2003, when late Baby Boomers were aged 39 to 47, their median age of first

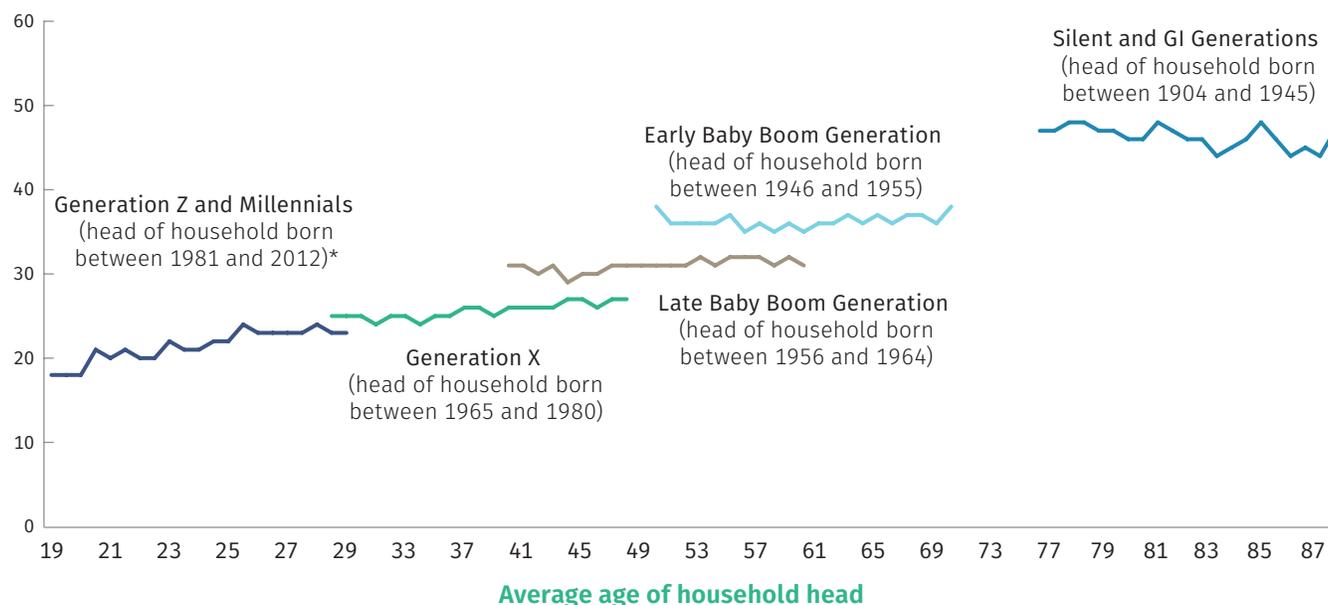
mutual fund purchase was 31. Finally, in 2020, when they were aged 56 to 64, the median age of first mutual fund purchase was 31 for households in the late Baby Boom Generation, while in 2005, when households in the early Baby Boom Generation were aged 50 to 59, their median age of first mutual fund purchase was 37. This pattern reflects the expansion of mutual fund investing, especially as it occurs in employer-sponsored retirement plans, which individuals find as they enter the workforce and change jobs over their careers.<sup>17</sup>

FIGURE 19

### Younger Generations Purchased First Mutual Fund Earlier Than Older Generations

Median age of household head when first mutual fund purchase was made by generation group, 2000–2020

#### Age of first mutual fund purchase (median)



\* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; however, survey respondents must be 18 or older.

Note: Age is the average age of the generation group at the time of the survey. Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Younger generations are more likely to own mutual funds only inside employer-sponsored retirement plans, while older generations are more likely to own funds outside such plans. In 2020, 43 percent of Generation Z and Millennial mutual fund-owning households owned funds only inside employer-sponsored retirement plans, compared with 36 percent of mutual fund-owning households headed by members of the Baby Boom Generation (Figure 20). Fifty-seven percent of Generation Z and Millennial mutual fund-owning households owned funds outside of employer-sponsored retirement plans, compared with 64 percent of mutual fund-owning households headed by a Baby Boomer. Generation X households

are more likely than younger or older generations to own funds both inside and outside employer-sponsored retirement plans. In 2020, 49 percent of Generation X mutual fund-owning households owned mutual funds both inside and outside employer-sponsored retirement plans, compared with 45 percent of Generation Z and Millennial mutual fund-owning households, 45 percent of Baby Boom mutual fund-owning households, and 38 percent of Silent and GI Generation mutual fund-owning households (Figure 20). The Silent and GI Generation households are the most likely to hold mutual funds only outside employer-sponsored retirement plans.

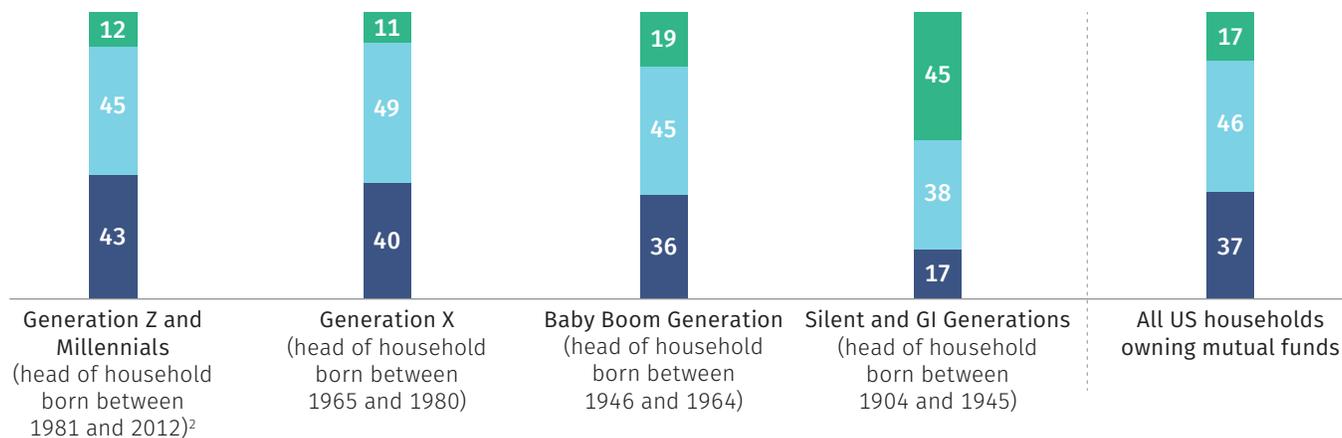
FIGURE 20

### Mutual Fund Ownership Inside and Outside of Employer-Sponsored Retirement Plans

Percentage of US households owning mutual funds by generation, 2020

#### Source of mutual fund ownership

- Outside employer-sponsored retirement plans only<sup>1</sup>
- Inside and outside employer-sponsored retirement plans<sup>1</sup>
- Inside employer-sponsored retirement plans only<sup>1</sup>



<sup>1</sup> 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).

<sup>2</sup> Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; however, survey respondents must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Older generations are more likely to purchase mutual funds primarily through investment professionals,<sup>18</sup> particularly full-service brokers or independent financial planners. In 2020, 39 percent of mutual fund-owning households headed by a Baby Boomer used an investment professional as their primary source for purchasing mutual funds, compared with 22 percent

of Generation Z and Millennial mutual fund-owning households (Figure 21). Twenty-six percent of mutual fund-owning Baby Boomer households reported that their primary source for purchasing mutual funds was full-service brokers or independent financial planners, compared with 14 percent of Generation Z and Millennial mutual fund-owning households.

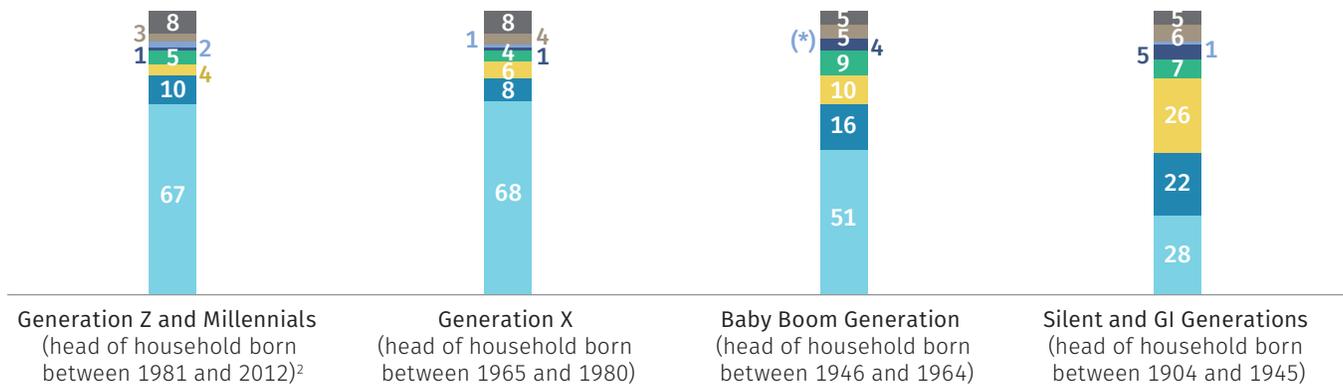
FIGURE 21

### Primary Channels Used to Purchase Mutual Funds

Percentage of US households owning mutual funds by generation, 2020

#### Primary source of mutual fund ownership

- Discount broker
- Mutual fund company directly
- Accountant
- Insurance agent
- Bank or savings institution representative
- Independent financial planner
- Full-service broker
- Inside employer-sponsored retirement plans<sup>1</sup>



<sup>1</sup> 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).

<sup>2</sup> Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; however, survey respondents must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

(\*) = less than 0.5 percent

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

## Notes

- <sup>1</sup> 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, 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 Bass 2020; Brady and Bogdan 2014; and Sabelhaus, Bogdan, and Schrass 2008.
- <sup>2</sup> Among households whose heads reported that they were retired, 82 percent were not employed, 9 percent were employed part-time, and 9 percent were employed full-time.
- <sup>3</sup> This is higher than the median household income across all US households (\$65,000 in 2019), reflecting, in part, mutual fund-owning households' higher likelihood to be headed by individuals who are working and between the ages of 35 and 64, the age range in which saving and investing traditionally are the greatest. See Holden, Schrass, and Bogdan 2020 for additional information.
- <sup>4</sup> Tax-deferred accounts include employer-sponsored retirement plans (including employer-sponsored IRAs), traditional IRAs, Roth IRAs, and variable annuities. See Holden, Schrass, and Bogdan 2020 for additional information.
- <sup>5</sup> Mutual funds held in traditional IRAs or Roth IRAs were counted as funds owned outside employer-sponsored retirement plans. Forty-three percent of US households that owned mutual funds held funds in traditional IRAs or Roth IRAs in 2020 (see Schrass and Bogdan, forthcoming).
- <sup>6</sup> Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. The direct market channel includes fund companies and discount brokers. For additional information on mutual fund owners' use of investment professionals, see Schrass and Bogdan, forthcoming; Leonard-Chambers and Bogdan 2007; and Schrass 2013.
- <sup>7</sup> DC plans include 401(k), 403(b), 457 plans, and other DC plans. Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs. For more information on employer-sponsored retirement plans, see Investment Company Institute 2020. For additional information on households that own IRAs, see Holden and Schrass 2019a and 2019b.
- <sup>8</sup> In addition, 6 percent of mutual fund-owning households owned mutual funds both inside and outside employer-sponsored retirement plans, but did not indicate specifically which outside source they used.
- <sup>9</sup> For a similar analysis by generation of the head of household, see Table 2 in the supplemental tables.
- <sup>10</sup> In 2020, 9 percent of mutual fund-owning households younger than 50 owned mutual funds both inside and outside employer-sponsored retirement plans, but did not indicate specifically which outside source they used.
- <sup>11</sup> In 2020, 4 percent of households aged 50 or older owned mutual funds both inside and outside of employer-sponsored retirement plans, but did not indicate specifically which outside source they used.
- <sup>12</sup> See US Census Bureau 2020.
- <sup>13</sup> Survey participants must be 18 or older and be the most knowledgeable about the household's savings and investments; so although people born between 1981 and 2012 are members of Generation Z and the Millennial Generation, only those born between 1981 and 2002 are included in this survey.
- <sup>14</sup> Households headed by members of the Silent Generation (born between 1928 and 1945) were 8 percent of all mutual fund-owning households; the GI Generation (born between 1904 and 1927) represented less than 0.5 percent. For additional information on mutual fund-owning households by generation, see Schrass and Bogdan, forthcoming.
- <sup>15</sup> Ownership of 401(k) assets and IRA assets has a similar pattern by age. See Holden et al. 2018; Holden and Bass 2018; and Holden and Schrass 2018.
- <sup>16</sup> The underlying data for Figure 19 are reported in Table 1 in the supplemental tables. Figure 19 presents the median age of household head when the first mutual fund purchase was made for each generation group. The data for the year of first mutual fund purchase are available on these households every year from 2000 to 2020 from the Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey. For each survey year, the relevant statistics are plotted at the average of the age range for each generation group. For example, in 2020, Generation X ranged in age from 40 to 55, and the 2020 data point for this group is plotted above age 48. Presented in this way, patterns can be discerned both across households and over time.
- <sup>17</sup> See Sabelhaus, Bogdan, and Schrass 2008; Sabelhaus and Schrass 2009; and Holden, Schrass, and Bogdan 2020.
- <sup>18</sup> See note 6 for the definition of *investment professional*.

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