

Mutual Funds Hold 22 Percent Share of U.S. Retirement Market Assets, June 2004

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Mutual Fund Retirement Assets Reach Record \$2.7 Trillion

Washington, DC, June 22, 2004 - Strong stock market returns and heavy net cash flow boosted retirement assets invested in mutual funds 28 percent in 2003 to a record \$2.7 trillion, according to [new research](#) released today by the Investment Company Institute. Retirement assets invested in mutual funds were about equally split between IRAs and defined contribution plan accounts.

Growth of mutual fund assets held in retirement accounts outpaced the growth of all U.S. retirement assets by 10 percentage points. As a result, the share of mutual fund assets in the total U.S. retirement market rose to 22 percent up from 20 percent in 2002. The 2003 share matches the all-time high reached in 1999, the last strong year for the stock market before the 2003 rally. U.S. retirement assets, which include IRAs, annuities, and employer-sponsored pension plans, totaled \$12.1 trillion at year-end 2003, up from \$10.2 trillion in 2002.

The share of all mutual fund industry assets held in retirement accounts rose to 36 percent in 2003 from 33 percent in 2002. Retirement investors continued to favor long-term funds (equity, hybrid, and bond funds) over money market funds and the share of long-term funds held in retirement accounts rose to 45 percent in 2003, up from 43 percent in 2002.

"Investors have shown once again their long-term commitment to mutual funds as a great way to save for retirement," said ICI President Paul Schott Stevens.

The net inflow to retirement accounts held in long-term funds increased in 2003 to \$110 billion from \$81 billion in 2002. The bulk of this flow was to equity funds, drawing four times the inflow from retirement accounts in 2003 than in 2002. Inflow to hybrid funds, which invest in a mix of stock and fixed-income securities, doubled in 2003 over the year before. Reflecting the low interest rate environment, money market funds experienced a net outflow of \$25 billion from retirement accounts in 2003.

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These results are based on an annual ICI survey, with 14,059 mutual fund share classes responding, representing 83 percent of mutual fund assets. As highlighted in the report, U.S. retirement assets invested in mutual funds are held in IRAs (including traditional, Roth, and employer-sponsored), 401(k) plans, 403(b) plans, 457 plans, and other defined contribution plans.

For more information and a discussion of industry developments in 2003, see Brian Reid, Stephen Sevigny, and Bernhard Silli, "[Mutual Fund and Economic Developments in 2003](#)," Perspective, Vol. 10, No. 1, March 2004.