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Characteristics of Mutual Fund Investors, 2012

KEY FINDINGS

- » **In 2012, 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.** Seventy-two percent of individuals heading households owning mutual funds were employed either full- or part-time. Fifty-seven percent of 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 type of mutual fund.** Among households owning mutual funds in 2012, 87 percent held more than one fund and 79 percent owned equity funds.
- » **Almost all mutual fund investors were focused on retirement saving.** Saving for retirement was one of the financial goals for 93 percent of mutual fund-owning households, and almost three-quarters indicated that retirement saving was the household's primary financial goal.
- » **Employer-sponsored retirement plans increasingly are the gateway to mutual fund ownership.** More than two-thirds of mutual fund-owning households that purchased their first fund in 2005 or later purchased that fund through an employer-sponsored retirement plan, as compared with 58 percent of those that made their first purchase before 1990. In 2012, 37 percent of mutual fund-owning households owned funds both inside and outside employer-sponsored retirement plans. An additional 35 percent owned mutual funds only inside employer-sponsored retirement plans.

U.S. Household Ownership of Mutual Funds in 2012

In 2012, the annual ICI survey of mutual fund ownership found that 53.8 million, or 44.4 percent, of households in the United States owned mutual funds.¹ This report highlights the characteristics of those households.

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

Mutual fund shareholders vary in their age, educational attainment, and marital status. In 2012, the median age of individuals heading mutual fund-owning households

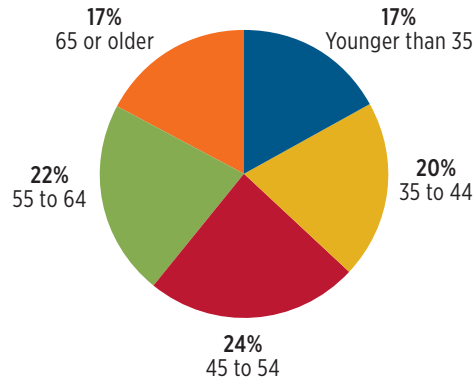
was 51 (Figure 1). Most mutual fund-owning households (66 percent) were headed by individuals between the ages of 35 and 64, the age range in which saving and investing traditionally is the greatest.²

FIGURE 1

Mutual Fund Owners Represent a Variety of Demographic Groups

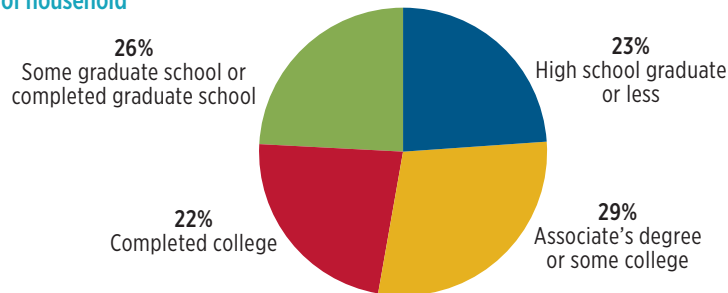
Percentage of U.S. households owning mutual funds, 2012

Age of head of household

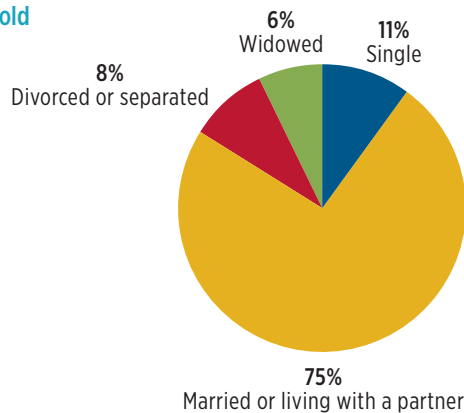


Mean: 51 years
Median: 51 years

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

In 2012, 17 percent of mutual fund–owning households were headed by individuals younger than 35, and 17 percent were headed by individuals aged 65 or older (Figure 1). Among heads of mutual fund–owning households, 48 percent had college degrees or postgraduate education, and another 29 percent had obtained associate’s degrees or some college education. Three-quarters were married or living with a partner.

Most Mutual Fund Owners Are Employed and Middle-Income

Individuals across all employment and income groups own mutual funds. Among households that owned mutual

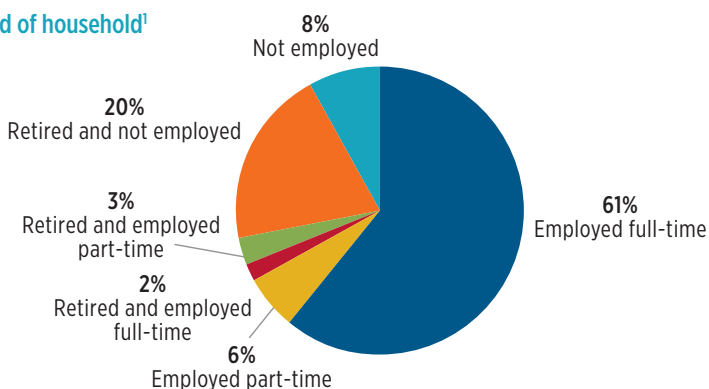
funds in 2012, 72 percent were headed by individuals who were employed full- or part-time (Figure 2). Among the 28 percent who were not employed, 71 percent were retired—that is to say, they responded affirmatively to: “Are you retired from your lifetime occupation?” Overall, 25 percent of individuals heading households that owned mutual funds said that they were retired.³ The median household income of mutual fund–owning households was \$80,000; 23 percent had household incomes of less than \$50,000; 21 percent had household incomes between \$50,000 and \$74,999; and 18 percent had incomes between \$75,000 and \$99,999. The remaining 38 percent had household incomes of \$100,000 or more.

FIGURE 2

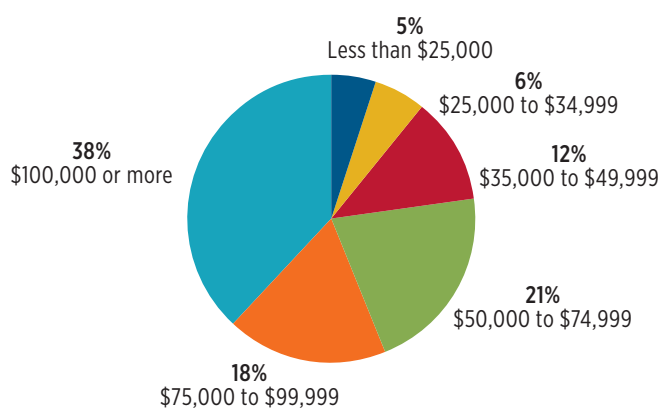
Mutual Fund Owners Represent Many Different Employment and Income Groups

Percentage of U.S. households owning mutual funds, 2012

Employment status of head of household¹



Total household income²



Mean: \$100,600
Median: \$80,000

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

² Total reported is household income before taxes in 2011.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Mutual Fund Owners Hold a Range of Other Investments

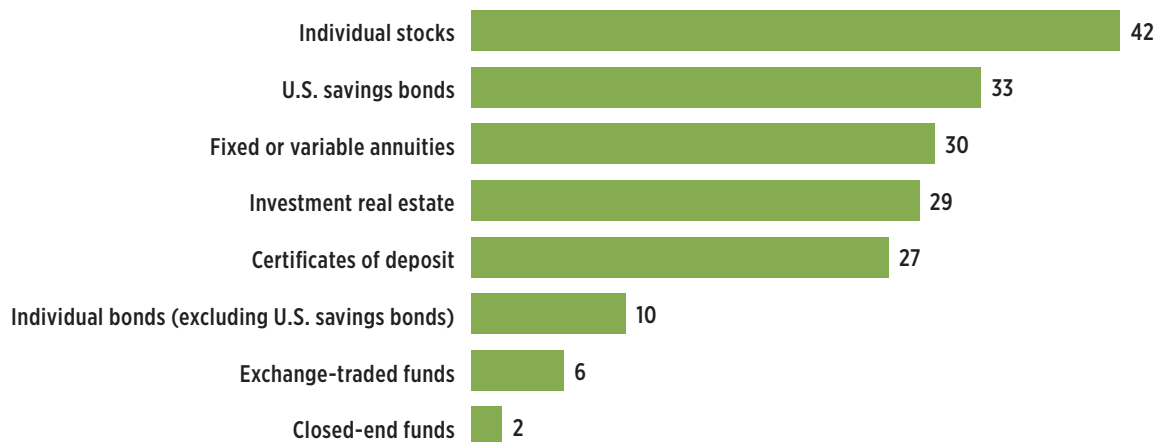
Mutual fund-owning households typically have other types of savings and investments: 42 percent owned individual stocks, 33 percent owned U.S. savings bonds, 30 percent owned fixed or variable annuities, and 29 percent owned

investment real estate in 2012 (Figure 3). In addition, 27 percent owned certificates of deposit, 10 percent owned individual bonds (excluding U.S. savings bonds), 6 percent owned exchange-traded funds (ETFs), and 2 percent owned closed-end funds.

FIGURE 3

Mutual Fund-Owning Households Hold a Mix of Financial Assets

Percentage of U.S. households owning mutual funds, 2012



Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Additional Reading

For more detailed information about mutual fund owners, see “Profile of Mutual Fund Shareholders, 2012,” ICI’s full report of the findings of the 2012 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. “Profile of Mutual Fund Shareholders, 2012” will be published in early 2013. See also “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2012,” *ICI Research Perspective*, available at www.ici.org/pdf/per18-06.pdf.

Mutual Funds Are Important Components in Investor Portfolios

Mutual fund-owning households often hold more than one mutual fund. In 2012, the median number of mutual funds owned by shareholder households was four (Figure 4).

Among these households, 40 percent owned three or fewer funds, and 60 percent owned four or more, with 18 percent reporting they held 11 or more funds.

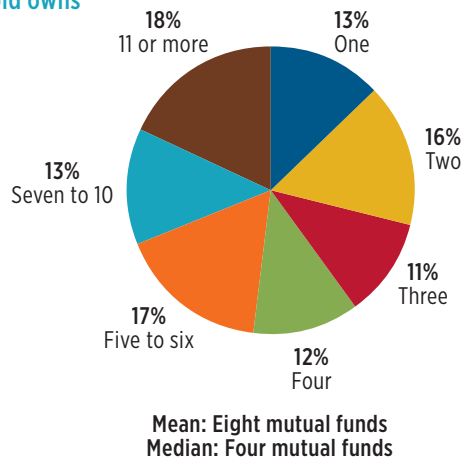
Equity funds were the most commonly owned type of mutual fund, held by 79 percent of mutual fund-owning households (Figure 5). In addition, 44 percent owned hybrid funds, half owned bond funds, and 66 percent owned money market funds. Mutual fund holdings represented a significant portion of these households' financial assets: 68 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, 2012

Number of mutual funds household owns

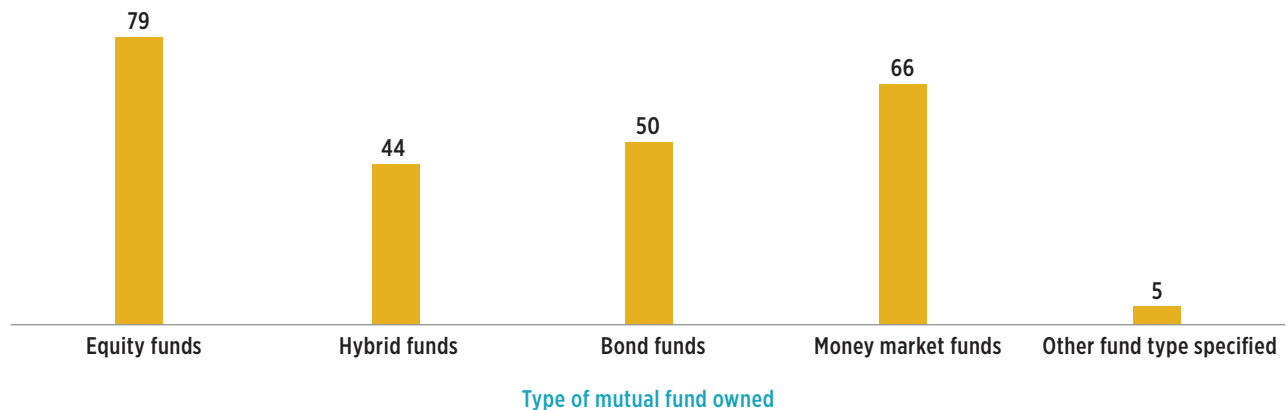


Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 5

Equity Funds Are the Most Commonly Owned Type of Mutual Fund

Percentage of U.S. households owning mutual funds, 2012



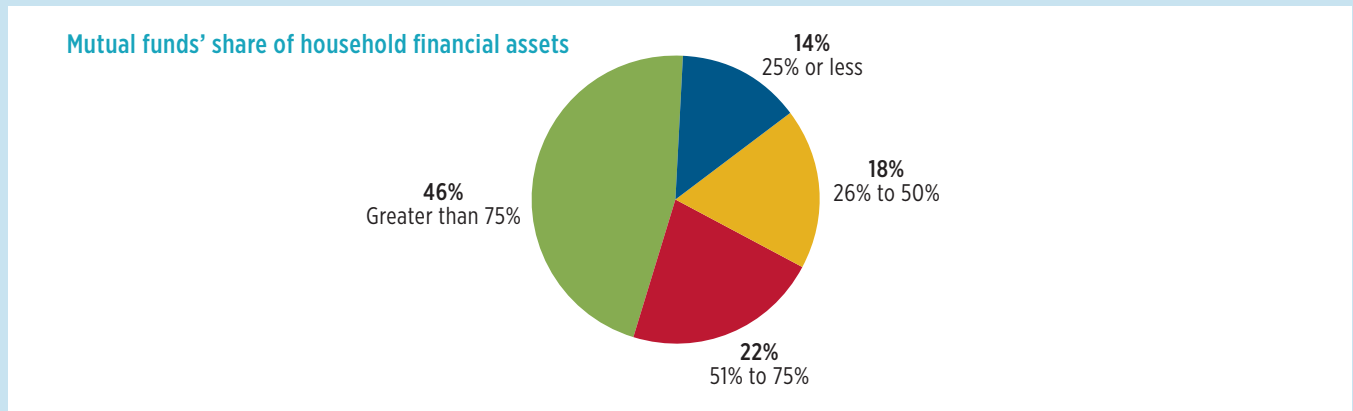
Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 6

Mutual Funds Are an Important Component of Investor Portfolios

Percentage of U.S. households owning mutual funds, 2012



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, 93 percent, indicated they were using mutual funds to save for retirement (Figure 7); 73 percent indicated that saving for retirement was their household's primary financial goal.

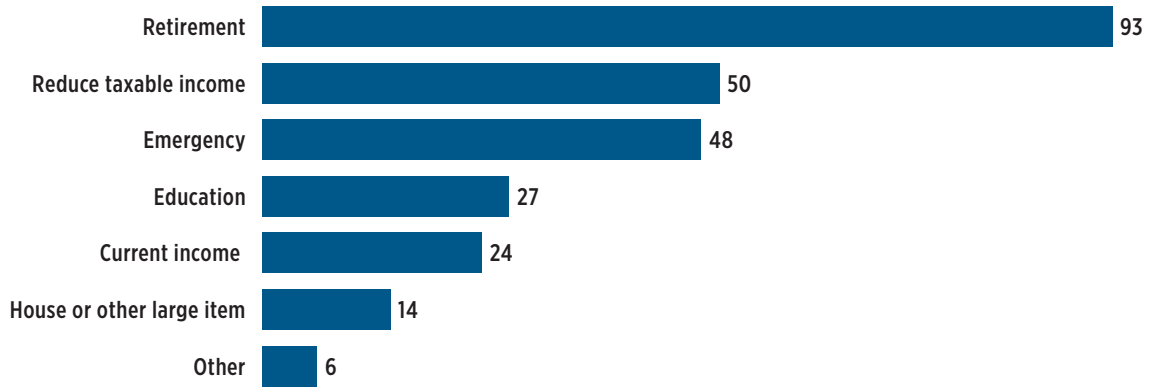
Retirement is not the only financial goal for households' mutual fund investments. Forty-eight percent listed saving for an emergency as a goal; and 27 percent reported saving for education among their goals (Figure 7). Half of mutual fund-owning households reported that reducing their taxable income was one of their goals. While many mutual fund-owning households (49.3 million) held funds in tax-deferred savings accounts,⁴ 14.7 million U.S. households held long-term mutual funds (stock, bond, and balanced/hybrid funds) in taxable accounts in 2012.

FIGURE 7

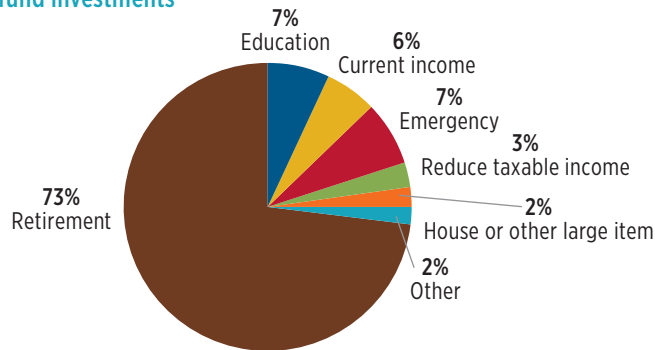
Bulk of Mutual Fund Investors Focus on Retirement

Percentage of U.S. households owning mutual funds, 2012

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 Retirement Plans and Investment Professionals Are the Main Channels of Fund Investments

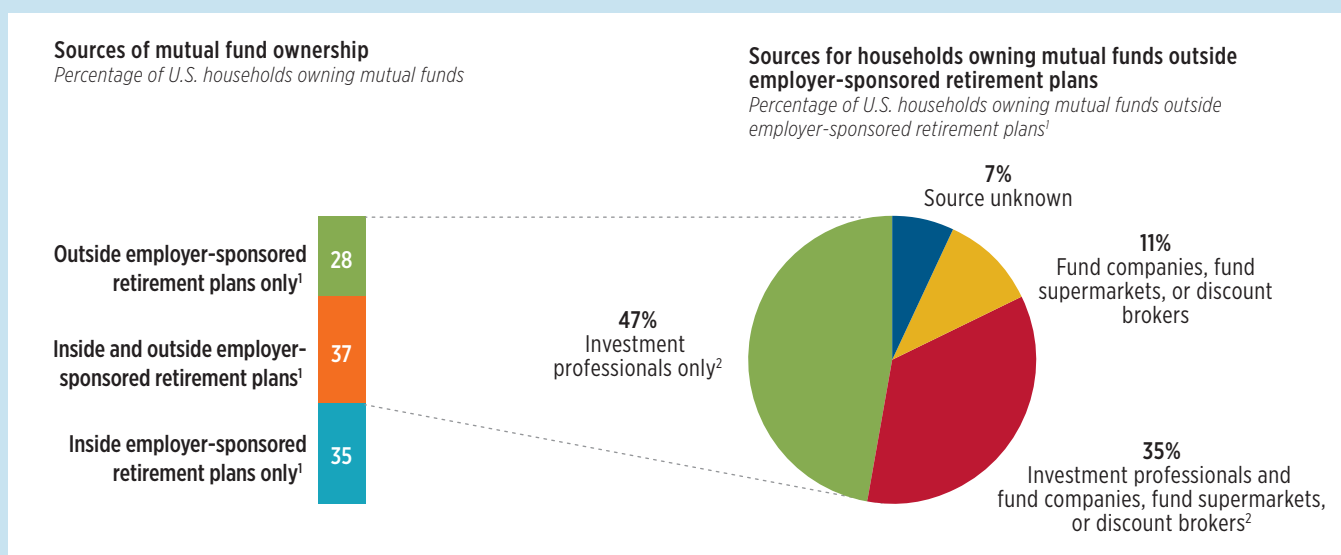
Among mutual fund-owning households, 35 percent invested in mutual funds solely inside employer-sponsored retirement plans, which include defined contribution (DC) plans and employer-sponsored individual retirement accounts (IRAs);⁵ 28 percent owned funds solely outside

these plans; and 37 percent had funds both inside and outside employer-sponsored retirement plans (Figure 8). Altogether, 72 percent of mutual fund-owning households owned funds through employer-sponsored retirement plans, and 65 percent owned funds outside of these plans.⁶ Among households owning mutual funds outside of employer-sponsored retirement plans, 82 percent owned funds purchased from an investment professional.⁷

FIGURE 8

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

2012



¹ 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).

² 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

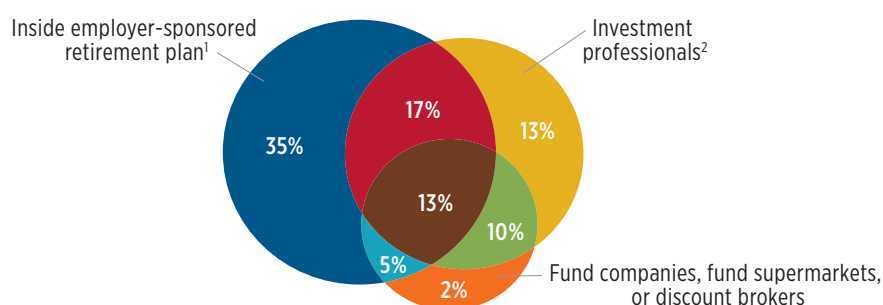
Nearly half (48 percent) of mutual fund–owning households held mutual funds through multiple sources. In May 2012, 17 percent of mutual fund–owning households held mutual funds both inside employer-sponsored retirement plans and through investment professionals; 5 percent owned mutual funds both inside employer-sponsored retirement plans and directly through fund companies, fund supermarkets, or discount brokers; and 10 percent held mutual funds

through investment professionals and fund companies, fund supermarkets, or discount brokers (Figure 9).⁸ Another 13 percent owned mutual funds through all three source categories. When owning funds only through one source category, the most common route to fund ownership was employer-sponsored retirement plans: 35 percent of mutual fund–owning households owned funds only through their employer-sponsored retirement plans.

FIGURE 9

Nearly Half of Mutual Fund–Owning Households Held Shares Through Multiple Sources

Percentage of U.S. households owning mutual funds, 2012



¹ 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).

² 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 5 percent of households owning mutual funds outside of employer-sponsored retirement plans did not indicate which source was used to purchase funds. Of this 5 percent, 3 percent owned mutual funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Source: 2012 ICI Annual Mutual Fund Shareholder Tracking Survey

First Mutual Fund Purchases Increasingly Are Made Through Employer-Sponsored Plans

Mutual fund-owning households often purchase their first mutual fund through employer-sponsored retirement plans. In 2012, across all mutual fund-owning households, 63 percent had purchased their first fund through that channel (Figure 10). 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 2005 or later, 69 percent bought that first fund through such a plan, compared with 58 percent of households that first purchased mutual funds before 1990.

FIGURE 10

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

Percentage of U.S. households owning mutual funds, 2012

	Year of household's first mutual fund purchase					Memo: all mutual fund-owning households
	Before 1990	Between 1990 and 1994	Between 1995 and 1999	Between 2000 and 2004	2005 or later	
Source of first mutual fund purchase						
Inside employer-sponsored retirement plan	58	65	64	66	69	63
Outside employer-sponsored retirement plan	42	35	36	34	31	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

Most Mutual Fund–Owning Households Bought Their First Fund Before 2000

Most mutual fund–owning households have invested in mutual funds for many years: 37 percent bought their first mutual fund before 1990; 15 percent purchased their

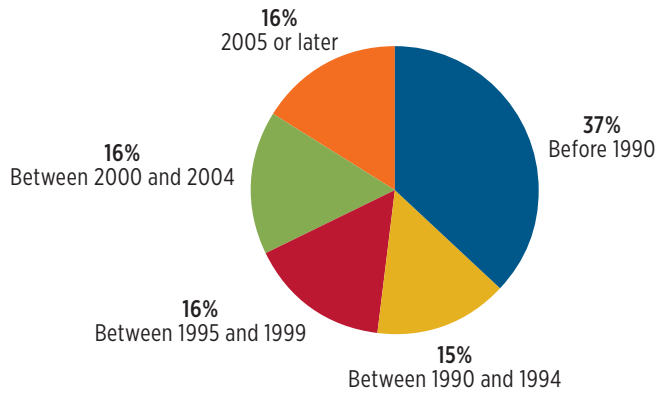
first fund between 1990 and 1994; and 16 percent bought their first fund between 1995 and 1999 (Figure 11). Thirty-two percent of mutual fund–owning households purchased their first fund in 2000 or later.

FIGURE 11

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

Percentage of U.S. households owning mutual funds, 2012

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

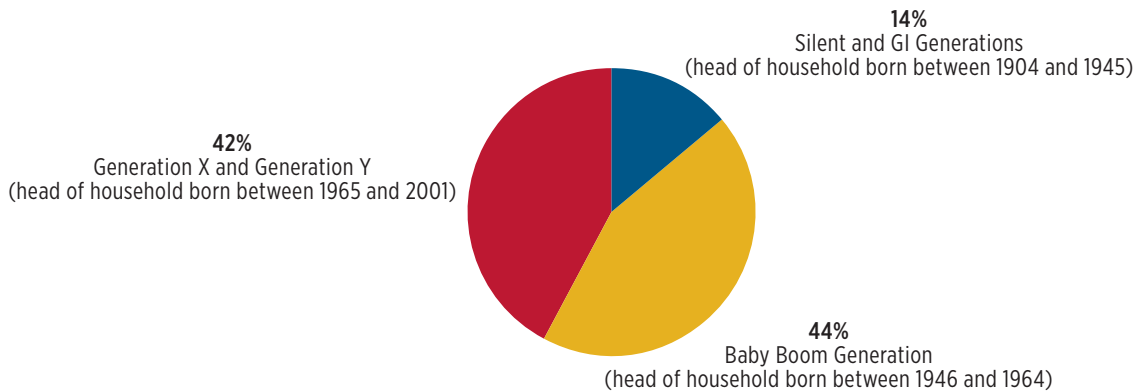
Mutual fund-owning households are headed by members of all generations, but members of the Baby Boom Generation (head of household born between 1946 and 1964) were the largest share in 2012. Forty-four percent of households owning mutual funds were headed by members of the Baby

Boom Generation (Figure 12). In addition, 42 percent of households owning mutual funds were headed by members of Generation X and Generation Y (head of household born between 1965 and 2001),⁹ and 14 percent were headed by members of the Silent and GI Generations (head of household born between 1904 and 1945).¹⁰

FIGURE 12

Baby Boomers Are the Largest Mutual Fund-Owning Generation

Percentage of U.S. households owning mutual funds, 2012



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

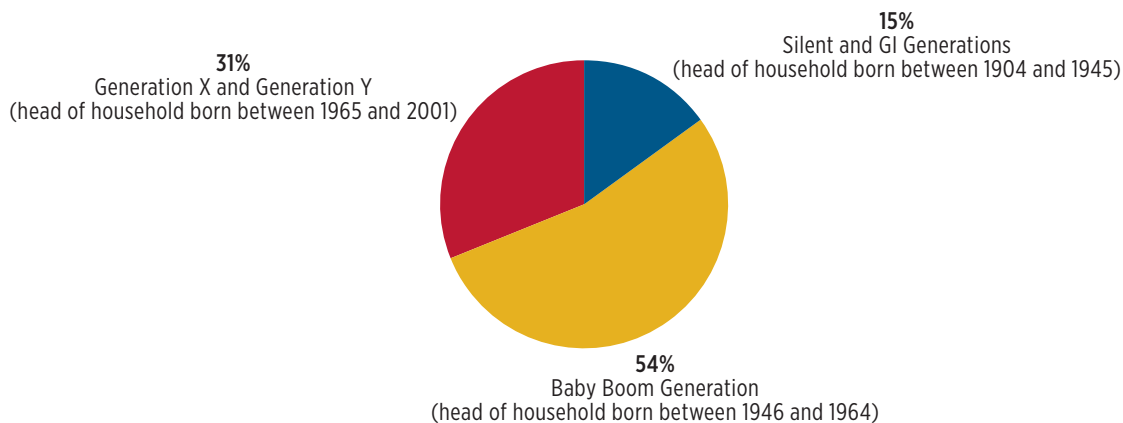
In addition to being the largest shareholder group, households headed by members of the Baby Boom Generation also held the largest percentage of mutual fund assets owned by households. Fifty-four percent of households' total mutual fund assets were owned by households headed by members of the Baby Boom

Generation (Figure 13). Households headed by members of the Silent and GI Generations held another 15 percent of households' total mutual fund assets, and Generation X- and Generation Y-headed households held the remaining 31 percent of households' total mutual fund assets.

FIGURE 13

The Majority of Mutual Fund Assets Is Held by Baby Boomers

Percentage of total mutual fund assets held by generation, 2012



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

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 2012 and was based on a sample of 4,019 U.S. households selected by random digit dialing, of which 1,786 households, or 44.4 percent, owned mutual funds. 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. The standard error for the 2012 sample of households owning mutual funds was ± 2.3 percentage points at the 95 percent confidence level.

Notes

- ¹ The 2012 ICI Annual Mutual Fund Shareholder Tracking Survey included a randomly selected sample of 4,019 U.S. households, of which 1,786 households, or 44.4 percent, owned mutual funds. The standard error for the 2012 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 Schrass, Bogdan, and Holden 2012. For additional detail on the characteristics of U.S. households that own mutual funds, see Bogdan and Schrass 2013 (forthcoming). U.S. Census Bureau 2012 reported that there were 121.1 million households in the United States in 2012.
- 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, 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 Bogdan 2012, as well as Sabelhaus, Bogdan, and Schrass 2008.
- ³ Among households whose heads reported they were retired, 81 percent were not employed, 11 percent were employed part-time, and 8 percent were employed full-time.
- ⁴ Tax-deferred accounts include employer-sponsored retirement plans (including employer-sponsored IRAs), traditional IRAs, Roth IRAs, and variable annuities. See Schrass, Bogdan, and Holden 2012 for additional information.
- ⁵ 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 2012. For additional information on households that own IRAs, see Holden and Schrass 2011a and 2011b.
- ⁶ Mutual funds held in traditional IRAs or Roth IRAs were counted as funds owned outside employer-sponsored retirement plans. Forty-seven percent of U.S. households that owned mutual funds held funds in traditional IRAs or Roth IRAs in 2012 (see Bogdan and Schrass 2013, forthcoming).
- ⁷ Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. For additional information on mutual fund owners' use of investment professionals, see Bogdan and Schrass 2013 (forthcoming); Leonard-Chambers and Bogdan 2007; and Schrass 2008.
- ⁸ In addition, 3 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.
- ⁹ Households headed by members of Generation X were 25 percent of all mutual fund-owning households; Generation Y represented 17 percent. For additional information on mutual fund-owning households by generation, see Bogdan and Schrass 2013 (forthcoming).
- ¹⁰ Households headed by members of the Silent Generation were 13 percent of all mutual fund-owning households; the GI Generation represented 1 percent. For additional information on mutual fund-owning households by generation, see Bogdan and Schrass 2013 (forthcoming).

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