

**MEMO# 8937**

May 28, 1997

## **RESEARCH ON AMERICA'S RETIREES**

May 28, 1997 TO: PRIMARY CONTACTS - MEMBER COMPLEX No. 33-97 RESEARCH COMMITTEE No. 11-97 INDUSTRY STATISTICS COMMITTEE No. 9-97 DIRECT MARKETING COMMITTEE No. 14-97 SALES FORCE MARKETING COMMITTEE No. 14-97 SMALL FUNDS COMMITTEE No. 13-97 PENSION COMMITTEE No. 14-97 BROKER/DEALER ASSOCIATE MEMBERS No. 10-97 RE: Research on America's Retirees

For more than a decade, the Investment Company Institute has conducted many market research projects on behalf of its members. From time-to-time, projects are undertaken that benefit a specific segment of Institute members. In such instances, those companies interested in the research are asked to share in the research cost. This year the Institute is planning a participant-financed study of America's retirees and is pleased to invite your organization to participate. Background Americans age 65 and over are one of the fastest growing population segments and are, for that reason, a viable market for the mutual fund industry. In 1995, 33.5 million Americans were age 65 or older, representing 13 percent of the population. By 2030, the Census Bureau estimates that the number of Americans age 65 or older will more than double to reach 69.4 million, or 20 percent of the U.S. population. Demographers attribute this projected explosion in the number of elderly persons to several factors, including the aging of the Baby Boom generation and a greater life expectancy. In addition to its current and future size, the retiree market has another attribute that makes it attractive: it has money. According to the Federal Reserve Board, in 1995 the average net worth of families headed by 65 to 74 year-olds was \$331,600 and \$276,000 for families headed by those age 75 years or older. According to a recent Forbes article, households with a head age 65 or older account for 40 percent of the nation's total personal financial assets. Benefits to Participating Companies The study's findings will provide a basis for initiating actions to strengthen customer relationships with fund-owning seniors and to develop relationships with those not owning funds. The results of the study will identify specific products and services that are important to retirees, particularly as they redistribute their assets to meet the financial challenges of retired life. The findings will assist mutual fund companies in product development and designing communications, services, and sales tools that are tailored to this market. The results of the study will assist ICI members in understanding shareholders' need for professional financial guidance in retirement, their sensitivity to sales charges, fees, and expenses, and the disposition of any lump sum distributions. Scope of the Research The proposed study will focus on retirees and will provide a first-ever benchmark profile of this segment of the population, particularly their financial characteristics, views on subjects such as managing their finances and planning adequately for unexpected health problems, and how their asset mix changes as they age. In particular, the role of mutual funds among this segment's finances will be examined. Specific objectives include to: Assess the financial and attitudinal preparedness of individuals who retired before the age of 65 versus those who retired at

age 65 or older, and their financial expectations for retirement. Determine the disposition of individuals' 401(k) plan assets upon retirement, particularly whether retirees rolled their 401(k) plan assets into an IRA or an annuity. Identify how the asset mix of retirees' investment portfolios has changed at different ages or life stages. Identify the sources retirees turn to for financial advice and investment information, and their reasons for using these sources. Determine what types of investment services are important to retirees. Identify and describe retired Americans' ownership of mutual funds. Identify how retirees have prepared for (and are continuing to prepare for) the financial challenges they may face as they grow older. Compare and contrast the characteristics and attitudes of retirees who currently own mutual funds with those who do not. One-thousand retirees (500 who own funds and 500 who do not) will be interviewed to obtain this information. Participant Fees Only companies that agree to participate in this study will receive its results. The cost of the research on America's Retirees will be shared by the participants in proportion to their mutual fund assets under management as of December 1996. The overall cost of the study includes the direct and indirect costs incurred by the Institute. This cost will be assigned to each participant using assets under management as of December 1996 as estimated in the following schedule.

Total Fund Assets as of December 1996	Participation Fee
Greater than \$50 billion	\$8,000.00
Between \$20 and \$50 billion	\$7,000.00
Between \$10 billion and \$20 billion	\$6,000.00
Between \$2 billion and \$10 billion	\$5,000.00
Between \$250 million to \$2 billion	\$4,000.00
Less than \$250 million	\$3,000.00

ICI members wishing to participate in the study must indicate their support before June 18, 1997 by completing the attached form. Fees must be paid before delivery of the final report, which is expected to be in the fall of 1997. Responsibilities Companies that agree to participate in the research on America's retirees will need to :

- Assign a manager to serve as a point of contact with ICI on this project;
- Agree that ICI members who do not participate in supporting this research will not receive the final report;
- and Agree to pay the proportionate share of the cost of the study.

Action Requested So that we may proceed with this project as quickly as possible, it is important that we hear from you promptly as to your interest in participating in the research on America's retirees. Please return the attached form to the Institute before June 18, 1997 via fax at 202/326-5924 or by mail to indicate whether or not your organization will participate. Please contact Monica Bensusky, who will manage this project, at 202/326-5920 if you have any questions regarding this important industry project. Sandra J. West Director, Market and Policy Research Attachment

INVESTMENT COMPANY INSTITUTE 1997 RESEARCH ON AMERICA'S RETIREES Participation Form CHECK ONE: ☐ The organization listed below agrees to participate in the 1997 Investment Company Institute Study of America's retirees. The obligations are to 1) assign a manager to serve as a point of contact with ICI on this project; 2) agree that the final report will be available only to those ICI members who participate in this research; and 3) agree to pay the appropriate participate fee. ☐ The organization listed below will not participate. COMPLETE: ORGANIZATION: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

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 \_\_\_\_\_

RESEARCH CONTACT:  
 TELEPHONE NUMBER:

\_\_\_\_\_  
 \_\_\_\_\_

Authorized Signature  
 Name -----

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