

MEMO# 11769

March 28, 2000

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 1999

1 The Institute has conducted two earlier surveys: (1) a survey on SIMPLE IRAs as of (December 31, 1998 and) June 30, 1999, summarized in Institute Memorandum to Pension Members No. 34-99, Pension Operations Advisory Committee No. 43-99, and Research Committee No. 11-99, dated September 23, 1999, and (2) a survey on Roth IRAs, Education IRAs and SIMPLE IRAs for first quarter 1998, summarized in Institute Memorandum to Pension Members No. 52-98 and Pension Operations Advisory Committee No. 38-98, dated August 20, 1998. Please note the number and composition of survey respondents change over time. [11769] March 28, 2000 TO: INDUSTRY STATISTICS COMMITTEE No. 2-00 PENSION MEMBERS No. 20-00 PENSION OPERATIONS ADVISORY COMMITTEE No. 23-00 RESEARCH COMMITTEE No. 7-00 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 1999

The Institute recently surveyed certain of its members in a continuing effort to track developments in the SIMPLE IRA market.¹ The Institute's survey requested SIMPLE IRA data on the number of plans, number of plan participants, and value of the assets as of June 30, 1999 and December 31, 1999. Survey respondents indicate that between June 30, 1999 and December 31, 1999, the number of SIMPLE IRA plans rose 23%, the number of participants increased 23%, and SIMPLE IRA assets invested in mutual funds were up 49%. Over 1999 as a whole, our sample indicates the number of SIMPLE IRA plans increased 59%, the number of participants rose 65%, and assets increased about 150%. Growth in the second half of the year was slower than in the first half, in part because employers generally are not permitted to form new SIMPLE IRA plans after October 1st of any given year under IRS regulations. Based on our survey results, it continues to appear that the SIMPLE IRA is most popular among very small employers. Most SIMPLE IRA plans have 10 or fewer participants. Survey results are based on the responses of 22 firms (up from a group of 15 firms in the ad hoc June 1999 survey), representing an estimated 88% of the SIMPLE IRA assets invested in mutual funds at yearend 1998. Please note that the survey respondents were not randomly selected and therefore do not necessarily reflect the characteristics of the typical SIMPLE IRA account invested in mutual funds. Highlights of the survey results are as follows: SIMPLE IRA plans: For those respondents who were able to provide the data, as of December 31, 1999, there were approximately 191,000 SIMPLE IRA plans, an increase of 23% over the second half of 1999. For 1999 as a whole, the number of SIMPLE IRA plans increased about 59%. (For this new larger sample of survey respondents, we estimate there were about 155,300 plans in June 1999 and approximately 119,800 plans in December

1998.) SIMPLE IRA participants: For those respondents who were able to provide the data, as of December 31, 1999, there were approximately 810,800 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 23% over the second half of 1999 and 65% over the year as a whole. (For this new larger sample of survey respondents, we estimate there were about 659,200 SIMPLE IRA participants in June 1999 and approximately 491,500 participants in December 1998.) Size of SIMPLE IRA plans: For those respondents who were able to provide the data, as of December 31, 1999, about 87% of SIMPLE IRA plans had 10 or fewer participants. Approximately 97% of the SIMPLE IRA plans had 25 or fewer participants.² On average, there were 4 participants per plan. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah A. Holden Senior Economist Research Department

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