

MEMO# 18901

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INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2004

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [18901] May 27, 2005 TO: PENSION MEMBERS No. 24-05 PENSION OPERATIONS ADVISORY COMMITTEE No. 16-05 RESEARCH COMMITTEE No. 9-05 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2004 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, 2004 and December 31, 2004. Survey respondents indicate that, between June 30, 2004 and December 31, 2004, the number of SIMPLE IRA plans increased 2 percent, the number of participants edged up 1 percent,² and SIMPLE IRA assets invested in mutual funds were up 15 percent. By comparison, over the second half of 2003, the number of SIMPLE IRA plans rose 2 percent, the number of participants increased 2 percent, and SIMPLE IRA mutual fund assets were up 27 percent. Based on our survey results, the SIMPLE IRA continues to be most popular among very small employers. Most SIMPLE IRA plans have 10 or fewer participants. Survey results are based on the responses of 24 firms, representing an estimated 74 percent of the \$20 billion of SIMPLE IRA assets invested in mutual funds at year-end 2003.³ Note that the survey respondents are not randomly selected and therefore do not necessarily reflect the characteristics of the typical SIMPLE IRA account invested in mutual funds. 1 The Institute has conducted 12 earlier surveys. For the most recent previous survey, see Institute Memorandum [#18034] summarizing June 30, 2004 survey results, dated September 23, 2004. Note the number and composition of survey respondents change over time and the newest survey results represent a complete and consistent time series that reflects revisions to earlier data. 2 Growth in SIMPLE IRA plans and participants typically is slower in the second half of a year compared with the first half, in part because employers generally are not allowed to form new SIMPLE IRA plans after October 1st of any given year under IRS regulations. 3 For data on IRA assets invested in mutual funds, see the Investment Company Institute, "Mutual Funds and the U.S. Retirement Market in 2003," Fundamentals, Vol. 13, No. 2, June 2004 (available on ICI's website at: <http://www.ici.org/fundamentals/fm-v13n2.pdf>). 2 Highlights of the survey results are as follows: I. SIMPLE IRA plans: Survey results indicate, as of December 31, 2004, there were approximately 399,600 SIMPLE IRA plans, an increase of 6 percent in 2004.⁴ Estimates for previous time periods are shown in the top panel of the chart attached. II. SIMPLE IRA participants: Survey results indicate, as of December 31, 2004, there were approximately 1,763,000 SIMPLE IRA participants. The number of SIMPLE IRA

participants increased 7 percent in 2004.⁵ Estimates for previous time periods are shown in the lower panel of the chart attached. III. Size of SIMPLE IRA plans: For those respondents who were able to provide the data, as of December 31, 2004, about 90 percent of the SIMPLE IRA plans had 10 or fewer participants. Approximately 99 percent of the SIMPLE IRA plans had 25 or fewer participants.⁶ On average, there were 4.4 participants per plan in December 2004. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah A. Holden Senior Economist Research Department Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 18901, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18901. Attachment (in .pdf format) 4 Growth in the number of SIMPLE IRA plans and participants may have been higher than reflected in the reported statistics. A few reporters indicated efforts to close very small or inactive accounts in their systems during the year. 5 See footnote 4. 6 The Institute's previous ad hoc surveys showed similar distributions regarding plan size.

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