

**MEMO# 18174**

November 10, 2004

## **ICI RESEARCH INDICATES GROWTH IN NUMBER OF U.S. HOUSEHOLDS OWNING MUTUAL FUNDS**

[18174] November 10, 2004 TO: BOARD OF GOVERNORS No. 71-04 INDEPENDENT DIRECTORS COUNCIL No. 10-04 RE: ICI RESEARCH INDICATES GROWTH IN NUMBER OF U.S. HOUSEHOLDS OWNING MUTUAL FUNDS ICI recently published two major studies about mutual fund shareholders as part of its longstanding program of shareholder research. This research finds that 92 million individuals comprising 48 percent of U.S. households owned mutual funds in June 2004. These owners may be characterized as representative of middle-American households. Both studies, summarized below, help ICI fulfill its mission of advancing the industry's knowledge of mutual fund shareholder characteristics and behavior. 1. "U.S. Household Ownership of Mutual Funds in 2004," Fundamentals, October 2004 [<http://www.ici.org/statements/res/fm-v13n3.pdf>] Background Since 1988, ICI has conducted an annual tracking survey of randomly selected U.S. households to estimate household and individual ownership of mutual funds. In 1988, less than one-quarter of all U.S. households owned funds. Today, nearly half of all U.S. households own funds. Findings The most recent ICI survey found that the number of U.S. households owning mutual funds increased in 2004, following declines in the previous two years. An estimated 53.9 million U.S. households owned mutual funds in June 2004, up from 53.3 million in July 2003. Household mutual fund owners represented 48.1 percent of all U.S. households in June 2004, compared with 47.9 percent in July 2003. A total of 92.3 million individuals owned mutual funds in June 2004—up from 91.2 million in 2003. 2 2. 2004 Profile of Mutual Fund Shareholders, ICI, October 2004 [[http://www.ici.org/pdf/rpt\\_profile04.pdf](http://www.ici.org/pdf/rpt_profile04.pdf)] Background The Profile of Mutual Fund Shareholders is one of the ICI's flagship investor research publications. The study is conducted every three years to identify shareholders' demographic, financial, and fund ownership characteristics. It serves as the premier reference document on shareholders for mutual fund companies, policymakers, academics, and the media. Findings Demographic Characteristics of Shareholders Reflect Middle-American Households Mutual fund shareholders in the U.S. have a median age of 48 years. Most are married or living with a partner, have college or postgraduate degrees, and are employed. Median income of mutual fund-owning households is \$68,700, and median household financial assets are \$125,000. 69 percent own IRAs. 72 percent list saving for retirement as their primary financial goal. Ownership of Mutual Funds 24.4 25.0 27.0 30.7 37.2 44.0 47.4 49.0 52.0 49.6 47.9 48.1 1988 1990 1992 1994 1996 1998 1999 2000 2001 2002 2003 2004 Millions of US Households 22.2 Percent of US Households Source: US Household Ownership of Mutual Funds, ICI, 2004 23.4 25.8 30.2 36.8 44.4 48.4 51.7 56.3 54.2 53.3 53.9 3 Shareholder Personal Characteristics Median Age 48 years Household income \$68,700 Household financial assets \$125,000 Percent Married or living with a

partner 71 Employed 77 College degree or more 56 Own IRA 69 Primary financial goal is retirement 72 Mutual Fund Ownership Characteristics Median household mutual fund holdings are \$48,000 and represent a median of 47 percent of household financial assets, excluding primary residents. Shareholders own a median of 4 mutual funds. 80 percent of shareholders own equity funds. 63 percent own funds through defined contribution retirement plans such as 401(k) plans, and 68 percent own funds outside these plans. 60 percent did not conduct mutual fund transactions in 2003, other than automatic payroll contributions and reinvestment of dividends. Mutual Fund Ownership Characteristics Median Household mutual fund assets \$48,000 Number of funds owned 4 Household financial assets invested in mutual funds 47% Percent Own equity funds 80 Own funds: Inside defined contribution retirement plans Outside defined contribution retirement plans 63 68 Conducted a mutual fund transaction in 2003 40 \*\*\*\* 4 These and other findings are detailed in the publication, which is available online or by calling the Research Department at 202.326.5913. Attached is a one page graphical summary of the Profile of Mutual Fund Shareholders that has been provided to the press. John D. Rea Vice President – Research Chief Economist Attachment (in .pdf format)

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