

MEMO# 18034

September 23, 2004

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2004

[18034] September 23, 2004 TO: PENSION MEMBERS No. 47-04 PENSION OPERATIONS ADVISORY COMMITTEE No. 61-04 RESEARCH COMMITTEE No. 24-04 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 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 December 31, 2003 and June 30, 2004. Survey respondents indicate that, between December 31, 2003 and June 30, 2004, the number of SIMPLE IRA plans rose 5 percent, the number of participants increased 6 percent,² and SIMPLE IRA assets invested in mutual funds were up 17 percent. By comparison, over the first half of 2003, the number of SIMPLE IRA plans rose 5 percent, the number of participants increased 5 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 eleven earlier surveys. For the most recent previous survey, see Institute Memorandum [#17244] summarizing December 31, 2003 survey results, dated March 18, 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 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 first half of the year. 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/stats/res/fm-v13n2.pdf>). 2 Highlights of the survey results are as follows: I. SIMPLE IRA plans: Survey results indicate, as of June 30, 2004, there were approximately 392,700 SIMPLE IRA plans, an increase of 5 percent in first half of 2004. Estimates for previous time periods, including revisions, are shown in the top panel of the chart attached. II. SIMPLE IRA participants: Survey results indicate, as of June 30, 2004, there were approximately 1,743,600 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 6 percent in the first half of 2004. Estimates for previous time periods, including revisions, 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 June 30, 2004, about 89 percent of SIMPLE IRA plans had 10 or fewer participants. Approximately 98 percent of the SIMPLE IRA plans had 25 or fewer

participants.⁴ On average, there were 4.4 participants per plan in June 2004. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah Holden Senior Economist Research Department Attachment (in .pdf format) 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 18034, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18034. ⁴ The Institute's previous ad hoc surveys showed similar distributions regarding plan size.

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