

## NEWS RELEASE

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## Many Traditional IRA-Owning Households Take Several Steps in Developing a Strategy

Washington, DC, November 17, 2011 - Sixty-eight percent of U.S. households that own traditional IRAs report that they have a strategy for managing income and assets in retirement, according to new research released by the Investment Company Institute today.

According to the study, [The Role of IRAs in U.S. Households' Saving for Retirement, 2011](#), most traditional IRA-owning households that do develop a retirement asset and income strategy take several different steps to do so. A majority of households surveyed reported setting aside emergency funds (71 percent), developing a retirement income plan (69 percent), reviewing their insurance policies (65 percent), determining their retirement expenses (64 percent), or determining when to take Social Security benefits (54 percent), among the steps they took in this process. More than two-thirds of traditional IRA-owning households with a strategy took three or more of these steps in developing their strategy.

"This research highlights the thoughtful and thorough approach that traditional IRA-owning households take in preparing financially for their retirement," said Sarah Holden, ICI's senior director of retirement and investor research. "Given this finding, one of the questions policymakers need to focus on is how best to enable American households to get the information they need to develop their retirement strategies."

## IRA Ownership and Contribution Activity Remain Steady

The ICI study also finds that nearly four out of 10 U.S. households owned IRAs in May 2011—essentially the same as in May 2010. Fourteen percent of U.S. households contributed to any IRA in tax year 2010, compared with 15 percent in tax year 2009. Traditional IRAs continue to be the most common type of IRA, with just over 31 percent of U.S. households owning them in May 2011.

## **IRA Withdrawal Activity Infrequent**

The research finds IRA withdrawals continued to be infrequent and mostly retirement-related. However, withdrawal activity among traditional IRA-owning households increased to 22 percent in tax year 2010, from 15 percent in tax year 2009. The 2009 level had represented a drop off from 19 percent reported for tax year 2008, coinciding with the suspension of required minimum distributions (RMDs) from traditional IRAs in tax year 2009.

## **Other Findings on IRA Ownership and Withdrawal Activity**

- In May 2011, 39 percent of U.S. households owned IRAs. Thirty-one percent of U.S. households had IRAs and participated in employer-sponsored retirement plans (defined contribution plan accounts or defined benefit plan coverage), and 8 percent of U.S. households only owned IRAs. Another 30 percent of U.S. households reported only having employer-sponsored retirement plans. In all, 69 percent of U.S. households had retirement plans through work or IRAs.
- More than half of traditional IRA-owning households indicated their traditional IRAs contained rollovers from employer-sponsored retirement plans. With their most recent rollover, 83 percent of these households transferred the entire retirement account balance into the traditional IRA. Among households with rollovers in their traditional IRAs, 56 percent have made contributions in addition to the rollovers.
- Most traditional IRA withdrawals were made by retirees. Twenty-two percent of traditional IRA-owning households took withdrawals in tax year 2010, and the vast majority—77 percent—of the households taking withdrawals reported someone in the household was retired.
- Traditional IRA owners generally plan to hold off on making IRA withdrawals until required to do so by law. Sixty-three percent of traditional IRA-owning households not making withdrawals in tax year 2010 indicated it was unlikely they would withdraw from their IRAs before required at age 70½. Living expenses and emergency expenses were the two most frequently mentioned expected future uses of IRA savings.

The study reports information from two separate ICI household surveys. ICI's 2011 IRA Owners Survey was conducted in May 2011, based on a sample of 2,300 randomly selected, representative U.S. households owning traditional IRAs, Roth IRAs, or employer-sponsored IRAs. The 2011 ICI Annual Mutual Fund Shareholder Tracking Survey was also conducted in May 2011, based on a sample of 4,216 randomly selected U.S. households, of which 1,636 households, or 38.8 percent, owned IRAs.