NEWS RELEASE

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Retirement Assets Reach Record $16.4 Trillion, July 2007

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Now Account for About 40 Percent of Household Financial Assets

Washington, DC, July 25, 2007 - The nation's retirement nest eggs reached a record $16.4 trillion in 2006, an 11 percent increase over the prior year and a 55 percent increase since 2002, when the equity bear market bottomed, according to the latest research published today by the Investment Company Institute. The ICI study is considered an important barometer of the state of Americans' retirement accumulations.

The increase in retirement assets during 2006 was powered by strong growth in employer-sponsored defined contribution plans and individual retirement accounts (IRAs). Retirement assets now account for nearly 40 percent of household financial assets, up from about 24 percent two decades ago. Investors held $8.3 trillion in IRAs and defined-contribution plans at year-end 2006, accounting for about half of the entire retirement market. The remainder is in annuities, government pension plans, and private defined benefit plans.

"Americans continue to focus on saving for retirement and that is encouraging news," said Sarah Holden, Senior Director of Retirement and Investor Research, who co-authored the study with ICI Senior Economist Peter Brady. "Our research indicates that individuals are building retirement nest eggs by using employer-sponsored plans and IRAs."

Defined contribution plan and IRA assets invested in mutual funds constituted one-quarter of Americans' retirement savings in 2006, about $4.1 trillion. Mutual funds manage 52 percent of defined contribution plan assets and 47 percent of IRA assets. The growth in assets in these retirement plans in recent years has lifted mutual funds' share of the retirement market.

Additional findings include:

- Employer-sponsored retirement plans play a key role in helping American workers accumulate retirement assets. The bulk (nearly two-thirds) of Americans' retirement assets is held in employer-sponsored retirement plans, including both defined contribution plans, such as 401(k), 403(b) and 457 plans, and defined benefit (traditional pension) plans. Furthermore, a significant portion of assets held in

Individual Retirement Accounts (IRAs) originated in employer plans and were then transferred (or “rolled over”) into IRAs.
- About half of Americans’ retirement savings are held in defined contribution plans and IRAs. Assets in defined contribution plans and IRAs continued to grow more rapidly than assets in other types of retirement plans in 2006, increasing 15 percent compared with 8 percent asset growth for other retirement plans. Together, assets in defined contribution plans and IRAs represented 51 percent of retirement assets in 2006, up from 39 percent in 1990.
- Assets in lifestyle and lifecycle funds continued to grow rapidly. Investors and retirement plan sponsors in recent years have increased their use of lifestyle funds, which create conservative, moderate, or aggressive blends of stock and bond holdings to match an investors’ risk tolerance, and lifecycle funds, which shift their asset mix to match an investors’ retirement target date. Lifestyle and lifecycle funds grew 50 percent in 2006 to $303 billion, after rising 57 percent in 2005.

The annual study, The U.S. Retirement Market, 2006, represents an authoritative examination of the size and composition of the U.S. retirement market, combining ICI's extensive data collection with data from the U.S. Department of Labor, Federal Reserve Board, the Internal Revenue Service Statistics of Income Division, and other trade associations.