

NEWS RELEASE

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Mutual Funds Hold 21 Percent Share of U.S. Retirement Market Assets, June 2002

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Washington, DC, June 28, 2002 - Mutual funds retained a 21 percent share of the \$10.9 trillion U.S. retirement market in 2001 with \$2.3 trillion in assets held in retirement accounts, according to new [research](#) released today by the Investment Company Institute, the national association of the mutual fund industry.

Institute research also found that assets in the overall U.S. retirement market declined 4 percent in 2001, and retirement assets invested in mutual funds were down similarly. The decline in retirement mutual fund assets occurred entirely in the equity fund category due to widespread weakness in stock prices in 2001. Mutual fund assets in both Individual Retirement Accounts (IRAs) and defined contribution plans declined in 2001. The share of mutual fund assets held through retirement accounts edged slightly lower to 33 percent from 35 percent in 2000.

Retirement investors continued to keep a long-term investment horizon despite adverse market conditions. Net new cash flow into mutual funds from retirement accounts strengthened in 2001. For the year, net flow to mutual funds from retirement accounts was an estimated \$140 billion, up 18 percent from the year before. Last year's net flow was the third largest on record, and the increase in flows occurred in both IRAs and defined contribution plans. Institute research found that retirement account net flows were positive for all types of mutual funds. Overall, retirement account net flows amounted to about one-quarter of total mutual fund industry net new cash flows in 2001.

"Despite last year's market downturn, mutual fund investors maintained their long-term perspective," Institute President Matthew P. Fink said. "Saving for retirement continues to be a primary financial goal for the vast majority of mutual fund investors."

Overview of the U.S. Retirement Market

The nation's nearly \$11 trillion retirement market consists of IRAs, public and private defined contribution and defined benefit plans, and annuities not otherwise held in IRAs and pension plans. Mutual funds accounted for \$2.3 trillion of the retirement market at year-end 2001 while the remainder was held by pension funds, insurance companies, banks, and brokerages. At year-end 2001, defined contribution plans held \$2.5 trillion, or 23 percent, of

the total U.S. retirement market while IRAs held \$2.4 trillion, or 22 percent.

Defined benefit plan assets, including those in private and federal defined benefit plans and the vast majority of those in state and local government retirement funds, held \$4.9 trillion, or 45 percent, of the total retirement market. The remaining \$1.2 trillion, or 11 percent, of retirement assets were fixed and variable annuities, excluding those held in IRAs, 457 plans, or private pension plans.

Mutual Funds and Defined Contribution Pension Plans

Mutual fund assets in defined contribution plans decreased 6 percent in 2001 to \$1.1 trillion; the remainder of defined contribution plan assets are held by pension funds, insurance companies, banks, and brokerages. Equity fund assets held by defined contribution plans moved sharply lower, while assets in hybrid, bond, and money market funds posted substantial gains. Three-quarters of defined contribution plan assets held in mutual funds were invested in equity funds in 2001. Net new cash flow from defined contribution plan accounts to mutual funds increased in 2001 to \$78 billion from \$63 billion. Mutual fund assets in 401(k) plans totaled \$765 billion in 2001 and accounted for about 44 percent of all 401(k) plan assets. Net new cash flow to mutual funds from 401(k) plans totaled \$61 billion, up 17 percent from \$52 billion in 2000. Mutual fund assets in defined contribution plans other than 401(k) plans fell to \$373 billion in 2001 from \$410 billion the year before. Two-thirds of these assets were invested in 403(b) plans, which are tax-deferred retirement plans available to employees of educational institutions and certain nonprofit organizations.

Mutual Funds and IRAs

For the third consecutive year, mutual funds held about half of total IRA assets, with the remainder held by bank and thrift deposits, insurance companies, and brokerages. Mutual fund assets held in IRAs declined 5 percent to \$1.2 trillion in 2001, while total IRA market assets declined 4 percent to \$2.4 trillion. The decline in mutual fund IRA assets occurred solely in the equity fund category as IRA assets in hybrid, bond, and money market fund categories posted appreciable gains. Equity funds assets represented 68 percent of total mutual fund IRA assets in 2001. Net new cash flow from IRAs to mutual funds rose in 2001 to \$62 billion from \$56 billion in 2000. Education IRAs, now known as Coverdell Education Savings Accounts, held about \$2 billion in mutual fund assets at year-end 2001.