

## NEWS RELEASE

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# Traditional IRA Investors Are Older, More Likely to Have Rollovers Than Roth IRA Investors

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**Washington, DC, August 4, 2016**—Two reports released today by the Investment Company Institute (ICI) provide updated data and analysis on investors in traditional and Roth individual retirement accounts (IRAs). ICI's research shows that traditional IRAs tend to be opened with rollovers, whereas Roth IRAs tend to be opened with contributions. The reports also demonstrate that withdrawal activity is lower, equity holdings are higher, and investors tend to be younger in Roth IRAs than in traditional IRAs.

"There are significant differences between traditional and Roth IRA investors, yet both vehicles provide savers with important flexibility in their retirement savings options," said Sarah Holden, ICI's senior director of retirement and investor research. "Whereas traditional IRAs can be a convenient option for savers looking to roll over a workplace retirement plan, Roth IRAs are typically created with contributions, and have only recently allowed for rollovers. These differences appeal to workers at various stages in their life savings cycles, making traditional and Roth IRAs an effective means for helping Americans prepare for retirement."

The updated reports, titled "[The IRA Investor Profile: Traditional IRA Investors' Activity, 2007-2014](#)" and "[The IRA Investor Profile: Roth IRA Investors' Activity, 2007-2014](#)," use data from [The IRA Investor Database™](#), which houses account-level data for millions of IRA investors from year-end 2007 through year-end 2014.

**Roth IRA investors tend to be younger than traditional IRA investors.** At year-end 2014, 31 percent of Roth IRA investors were younger than 40, compared with 15 percent of traditional IRA investors. Only 24 percent of Roth IRA investors were 60 or older, compared with 39 percent of traditional IRA investors. This younger age distribution reflects in part the rules governing access to Roth IRAs, including income limits on contributions and (until 2010) on conversions, as well as prior limitations on rollovers into Roth IRAs, which have been eased recently.

**Traditional IRAs are typically opened by rollovers, while Roth IRAs are more often**

**started with contributions.** Most (85 percent of) new traditional IRAs in 2014 were opened only with rollovers and nearly half of traditional IRA investors with an account balance at year-end 2014 had rollovers in their traditional IRAs. By contrast, rollovers play a less important role in Roth IRAs—only about one in 15 Roth IRA investors at year-end 2014 had rollovers in their Roth IRAs. Rather, contribution activity plays a more important role in Roth IRAs, with nearly three-quarters (74 percent) of new Roth IRAs opened only through contributions in tax year 2014.

**Roth IRA investors tend to have higher equity holdings than traditional IRA investors.** At year-end 2014, nearly 80 percent of Roth IRA assets were invested in equity holdings, compared with less than two-thirds of traditional IRA assets. The majority of equity holdings is through equities and equity funds (mutual funds, ETFs, and closed-end funds): 66 percent of Roth IRA assets were invested in equities and equity funds, compared with 55 percent of traditional IRA assets. Equity holdings also occur through target date funds and non-target date balanced funds. Some of the difference in allocation to equity holdings reflects the different age distributions, as Roth IRA investors are younger, and younger investors typically weight their portfolios more heavily toward equity investments than older savers.

**Withdrawal activity is much lower among Roth IRA investors than traditional IRA investors.** In contrast to traditional IRAs, which require investors aged 70½ or older to take required minimum distributions (RMDs), Roth IRAs have no RMDs (unless the Roth IRAs are inherited). In 2014, 4 percent of Roth IRA investors made withdrawals, compared with 23 percent of traditional IRA investors. Early withdrawal penalties can apply to both Roth and traditional IRA investors aged 59½ or younger, and withdrawal activity is lower among investors younger than 60 compared with investors aged 60 or older.

### **About The IRA Investor Database™**

[The IRA Investor Database](#) is designed to shed light on IRA contribution, rollover, conversion, and withdrawal activity, and the types of assets that investors hold in these accounts. For year-end 2014, The IRA Investor Database has more than 16 million IRA investors.