NEWS RELEASE

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Joint ICI/SIFMA Survey Finds Ownership Driven by Growth of DC Savings Plans
Washington, DC, December 15, 2008 - Nearly half of U.S. households owns equities or bonds, a significant increase during the last two decades. But ownership of these investment assets has declined since 2001, as increasing market volatility has reduced Americans' tolerance for risk, according to a new joint study released today by the Investment Company Institute and the Securities Industry and Financial Markets Association.

Based on a survey of more than 5,000 households, researchers at ICI and SIFMA calculate that 54.5 million households participated in the market through equity or bond ownership in early 2008. This represents 47 percent of U.S. households—up from 39 percent in 1989, the first year for which directly comparable survey data are available.

The two-decade rise in equity and bond investment was fueled by the rapid growth of defined contribution (DC) retirement savings plans, such as 401(k) plans, the researchers conclude. Between 1989 and 2004—the latest year for which comparable data are available—the number of participants in private-sector DC plans nearly doubled, from 36 million to 65 million. The ICI/SIFMA survey shows that at every income level, working-age households are much more likely to be equity or bond owners if their employer sponsors a DC plan.

“This research underscores the significant role of the 401(k) system in turning Americans into savers and investors. It also points to the important role that employers play in offering opportunities for ownership and building retirement security,” said Paul Schott Stevens, president and CEO of ICI. “Despite the market's recent turmoil, Americans' retirement assets are greater than in decades past. Today's market conditions underscore the need to provide more and better investment education to help Americans manage their assets for a secure future.”

“Market volatility is daunting to investors, as this study makes clear, but over the long-term, savings and investment in the financial marketplace remain a crucial stepping stone on the path towards a secure retirement,” said Tim Ryan, president and CEO of SIFMA. “As Americans work to strengthen and build their family's nest egg, this report provides important benchmarks for both the industry and policymakers on their efforts.”

Other key findings of the new study, Equity and Bond Ownership in America, 2008, include:

- Among the working-age population, household income plays the dominant role in determining ownership patterns. Within income groups, education is also a determinant. For example, among those earning $100,000 or more, the ownership rate is 65 percent for those with no more than a high school education, and 90 percent for those with at least some graduate school education.
- Each successive generation of workers has generally higher equity ownership rates at any given age than have their predecessors.;
- Risk tolerance has decreased among both younger and older households since 2001. This decrease in willingness to take risks appears to be related to the stock-market turbulence in the bear market of 2000–2002 and appears to have played a role in the decrease in ownership rates in recent years, from a peak of 57 percent of households in 2001 to 47 percent in 2008.
- Investment goals and risk tolerance among equity and bond owners vary systemically with age, with older investors much less likely to say they are willing to take above-average or substantial risks in order to get higher returns.
- Most equity and bond investors use the Internet for managing or viewing their accounts and regularly rely on advisers for investment advice and guidance. Two-thirds (67 percent) of owners consulted with financial advisers during the 2003–2008 time period.

Equity and Bond Ownership in America, 2008, is the fourth joint ICI/SIFMA survey of asset ownership. Prior studies, conducted in 1999, 2002, and 2005, focused on equity ownership, both through mutual funds and through direct investment in stocks. This year’s survey for the first time includes detailed questions about bond ownership, including direct investment in bonds, ownership of bond mutual funds, and holdings of “hybrid” funds that invest in both equities and bonds.

The study traced the pattern of ownership rates since 1989 using the Federal Reserve Board Survey of Consumer Finances and the ICI Annual Mutual Fund Shareholder Tracking Survey, together with the 2008 ICI/SIFMA Equity and Bond Owners Survey. ICI senior economist John Sabelhaus and ICI associate economists Michael Bogdan and Daniel Schrass authored the study.

The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. ICI is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs).