NEWS RELEASE

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Growth in IRA, 401(k) Accounts Helped Propel Assets to $16.4 Trillion

Washington, DC, May 7, 2007 – Americans held a record $16.4 trillion in retirement assets at the end of 2006, up $1.7 trillion from the previous year, the Investment Company Institute reported today. In the first comprehensive look at the scope of the nation’s retirement market during 2006, ICI found that strong growth in individual retirement accounts (IRAs) and employer-sponsored defined contribution plans, including 401(k) accounts, powered the 12 percent increase.

The retirement market statistics are reported in the 2007 Investment Company Fact Book, which ICI released today. The ICI’s authoritative research serves as a primary source of IRA data and provides detailed measures of 401(k) and other defined contribution plans. Federal agencies use ICI data to help measure the retirement holdings of American households.

“Our latest data continue to show that the retirement assets of U.S. households are growing and that a significant portion of household wealth is dedicated to funding retirement,” says ICI Chief Economist Brian Reid. “Today’s workers face a range of potential challenges as they move toward retirement. But the data indicate that they are also building up their retirement savings. Retirement assets accounted for 39 percent of household financial assets last year.”

At year-end 2006, investors held $8.3 trillion in IRAs and defined contribution (DC) plans, accounting for about half of the entire retirement market. Institute researchers combine their data on IRAs and DC plans with publicly available data on defined benefit plans, government employees’ plans, and annuities to produce an authoritative measure of Americans’ overall retirement savings.

IRAs continue to serve as a pillar of individuals’ retirement preparedness. Last year, assets rose 17 percent to $4.2 trillion – $2 trillion of that held in mutual funds. Assets held in employer-sponsored defined contribution plans were not far behind, totaling $4.1 trillion. Mutual funds accounted for $2.1 trillion of that total.

The 47th edition of the Fact Book also contains comprehensive statistics and historical trends for the investment company industry. The 2007 Fact Book offers expanded coverage on the characteristics of mutual fund investors and sections devoted to closed-end funds and exchange-traded funds. Key facts include:

- 96 million individuals in 55 million U.S. households owned mutual funds in 2006. The median fund-owning household held $48,000 in mutual funds (page 57).
- Financial help and advice is key to mutual fund investors: Among shareholders owning funds outside of defined contribution plans, more than 80 percent hold fund shares through professional financial advisers. Generally, fund investors who choose to work with advisers indicate the relationship improves their chances of growing their money and gives them peace of mind about their investments (pages 62 – 64).
- Shareholders continue to migrate toward lower-cost funds. Since 1980, the cost of owning mutual funds has fallen by more than half. Stock fund shareholders paid total fees and expenses (including sales loads and ongoing expenses) of 1.07 percent of assets in 2006, compared with 2.32 percent in 1980 (page 48). In addition, stock funds with below-average expense ratios received 90 percent of new cash in 2006 (page 50). For bond fund shareholders, total fees and expenses fell to 0.84 percent in 2006 from 2.05 percent in 1980 (page 48).
- Investors are increasingly turning toward hybrid funds designed to meet their risk preferences (lifestyle funds) or to rebalance as investors age (lifecycle funds). In 2006, assets held in lifestyle funds grew by 44 percent; lifecycle fund assets grew by 61 percent (page 85).
- Registered investment companies managed a record $11.2 trillion at year-end 2006 (page 8).
- Exchange-traded funds continued their rapid growth in 2006. ETF assets grew 40 percent to $423 billion by year-end (page 31).
- Closed-end fund assets grew for the fifth consecutive year, rising 8 percent in 2006 to $298 billion (page 41).

The Investment Company Institute, the national association of the U.S. investment company industry, is an authoritative source of information on the investment company industry, its shareholders and its economics, and on the U.S. retirement and education savings markets.