

## NEWS RELEASE

February 28, 2013

# Majority of Mutual Fund-Owning Households Bought Funds Through Investment Professionals in 2012

Majority of Mutual Fund-Owning Households Bought Funds Through Investment Professionals in 2012

## Older Households or Those with Female Involved in Decisions Are More Likely to Have Ongoing Relationship with a Professional

Washington, DC, February 28, 2013 - More than half (53 percent) of mutual fund-owning households owned funds purchased through investment professionals, such as a full-service broker or registered investment adviser, according to a study by the Investment Company Institute (ICI) released today. Mutual fund-owning households with ongoing advisory relationships tended to be headed by slightly older individuals. Their median age was 52, compared with 49 for those without such ongoing relationships.

In addition, a regression analysis of data in the study, [Ownership of Mutual Funds Through Investment Professionals, 2012](#), found that households headed by a female sole or co-decisionmaker had a significantly higher probability of having an ongoing advisory relationship than households with male decisionmakers. In addition to full service brokers and registered investment advisers, “investment professionals” includes independent financial planners, bank and savings institution representatives, insurance agents and accountants. The study, which is based on data from the Institute’s 2012 Annual Mutual Fund Shareholder Household Tracking Survey, updates a [2008 paper](#) published by ICI.

## Nearly a Third of Households Owning Funds Bought Directly or Through a Discount Broker

While the majority of mutual fund-owning households purchased funds through an investment professional, the study revealed that 30 percent of households purchased their funds through a direct market channel, which includes mutual fund companies directly and discount brokers.. Seventy-two percent of households invested in mutual funds in 2012 owned funds through employer-sponsored retirement plans.

“Mutual funds offer professionally managed, diversified, cost-effective investing, and U.S. households purchase funds through a variety of channels,” said Sarah Holden, ICI’s senior

director of retirement and investor research. “While some households take a very hands-on, do-it-yourself approach to selecting mutual funds, the majority of mutual fund-owning households access funds through investment professionals or their employer-sponsored retirement plans.”

### **Older Households Tended to Own Funds Outside of Employer-Sponsored Retirement Plans**

Mutual fund-owning households headed by older individuals were more likely to own funds outside of employer-sponsored retirement plans in 2012. Specifically, the ICI study, found that 73 percent of mutual fund-owning households headed by individuals aged 50 or older held mutual funds outside of employer-sponsored retirement plans, contrasting with only 57 percent of younger mutual fund-owning households in that category. Of these older households, the study found that 82 percent owned mutual funds through investment professionals. Less than one-third (27 percent) of older mutual fund-owning households invested in mutual funds only inside employer-sponsored retirement plans, compared with 43 percent of younger mutual fund-owning households.

### **Higher Level of Financial Assets Correlates to Greater Likelihood of Using of Advisers**

Conventional wisdom suggests that households with more financial assets would be more likely to use financial advisers than those with fewer assets, a supposition that is confirmed in the survey data. In fact, median household financial assets for mutual fund-owning households with advisory relationships (\$275,000) were nearly double that of their peers without advisory relationships (\$150,000).

In addition, the study’s regression analysis, which evaluated the impact of various factors independently on the existence of an ongoing advisory relationship, found that IRA ownership increases the probability of having an ongoing advisory relationship, while ownership of a defined contribution plan account decreases the probability of having such a relationship.

### **Other findings of the ICI study include:**

- **Nearly Half of Mutual Fund-Ownning Households Held Funds Through Multiple Channels:** Among the households surveyed that were invested in mutual funds, nearly half held them through multiple channels in 2012. Thirteen percent owned funds through all three channels. Five percent owned mutual funds both inside employer-sponsored retirement plans and directly through fund companies, fund supermarkets, or discount brokers; and 10 percent held mutual funds through investment professionals and a direct channel.
- Mutual fund-owning households with ongoing advisory relationships were more willing to take financial risk than those without ongoing advisory relationships in 2012. Specifically, 82 percent of such households were willing to take at least average financial risk, compared with 76 percent of mutual fund-owning households without ongoing advisory relationships.
- From 2009 to 2012, mutual fund-owning households with advisory relationships had greater confidence in mutual funds’ ability to help them achieve their financial goals. For example, this study shows that 82 percent of those households with advisory relationships in 2012 had such confidence, compared with 78 percent of households without advisory relationships. This finding is consistent with the pattern in prior ICI

studies.

ICI also released [Profile of Mutual Fund Shareholders, 2012](#) today, a report that presents detailed results from the annual ICI Mutual Fund Shareholder Tracking Survey. The nearly 54 million households that own mutual funds represent 44.4 percent of U.S. households and 92.4 million individual mutual fund shareholders. This report explores how mutual fund-owning households' demographic and financial characteristics, pattern of mutual fund ownership, financial assets, financial goals, and willingness to take risk vary by number of dimensions. Those dimensions include age, generation, household income, mutual fund purchase source, year of initial mutual fund purchase, and willingness to take financial risk.

### **About the Survey:**

ICI's 2012 Annual Mutual Fund Shareholder Tracking Survey results are based on a sample of 4,019 U.S. households selected by random digit dialing, of which, 1,786 households, or 44.4 percent, owned mutual funds. In addition, the survey collected information on households' ownership of closed-end funds and ETFs. Overall, 45.1 percent of U.S. households owned shares of mutual funds or other U.S.-registered investment companies in 2012, representing an estimated 54.6 million U.S. households and 93.7 million investors. All interviews were conducted over the telephone with the member of the household who was the sole or co-decisionmaker most knowledgeable about the household's savings and investments. Data from this survey were also reported in two other recent ICI publications, namely, [Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2012](#), and [Characteristics of Mutual Fund Investors, 2012](#).

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.