INVESTMENT COMPANY INSTITUTE

NEWS RELEASE

December 16, 2010

ICI Research: Rollovers Into Traditional IRAs are Widely Distributed Across All Age Groups

ICI Research: Rollovers Into Traditional IRAs Are Widely Distributed Across All Age Groups Washington, DC, December 16, 2010 - Rollovers into traditional IRAs are widely distributed across all age groups, according to research by the Investment Company Institute released today. This is the second report based on a database unveiled in July that collects account-level data of more than 10 million individual retirement accounts (IRAs). While rollovers fuel growth in traditional IRA assets in the aggregate, the study finds, it is largely a different group of traditional IRA investors that make rollovers year-to-year.

The IRA Investor Profile: Traditional IRA Investors' Rollover Activity, 2007 and 2008 —based on The IRA Investor Database™, a joint project by the Investment Company Institute (ICI) and the Securities Industry and Financial Markets Association (SIFMA)—finds that rollovers were relatively equally distributed across all age groups in 2007 and 2008. Specifically, each five-year age band from the 30 to 34 age group up to the 60 to 64 age group accounts for 10 percent to 13 percent of the total number of rollover occurrences. This relatively equal distribution reflects that rollovers occur across the full working career, not just at retirement.

IRA Database Reveals Rollovers Build Over Time

The study finds that 12.3 percent of traditional IRA investors had rollovers in 2007 and 11.3 percent of traditional IRA investors had rollovers in 2008. But the presence of rollovers builds over time, and 20.8 percent of traditional IRA investors in 2008 had made rollovers in either 2007 or 2008, with only 1.1 percent making rollovers in both years. Further, household survey data show that more than half of households owning traditional IRAs report having made rollovers at some point in time.

"Americans' retirement nest eggs are benefitting from the Employee Retirement Income Security Act provision that permits workers to roll over employer-sponsored retirement plan accruals into traditional IRAs upon job separation," said Sarah Holden, Senior Director of Retirement and Investor Research at ICI. "The IRA Investor Database, which uses a comprehensive sample of account-level data, provides new understanding of such rollover activity and the range of IRA investors who make rollovers."

Study Reveals Range in Sizes of Rollovers

The study also illuminates the concentration of rollover amounts across size categories. For instance, 13.7 percent of all rollovers among traditional IRA investors were less than $2,000 in 2007, while 9.8 percent of rollovers were $200,000 or more. However, according to 2007 data, there are large differences in the amounts that younger investors and older investors in traditional IRAs are likely to roll over. Sixty-two percent of 25- to 29-year old traditional IRA investors with rollovers had rollovers of less than $5,000, while only 15 percent of 70- to 74-year-old traditional IRA investors had rollovers less than $5,000.

Meanwhile, at the other end of the spectrum, almost 40 percent of 70- to 74-year-old traditional IRA investors with rollovers had rollover amounts of $100,000 or more, including more than one-fifth with rollovers of $200,000 or more. While a negligible number of the youngest individuals had rollovers in those ranges, the smaller amounts these younger savers rolled over have the remaining decades of their working careers to grow through the effects of compound investment returns.

Overall Growth in Traditional IRA Assets

Information culled from The IRA Investor Database also shows that rollovers from employer-sponsored retirement plans are a key to understanding how many individuals become traditional IRA investors. In 2007, for example, nearly two-thirds of traditional IRA investors with rollovers appeared to have opened their accounts with rollovers. This effect was most pronounced among younger traditional IRA investors—as compared with older traditional IRA investors. The data suggest that nearly 86 percent of the traditional IRA investors aged 25 to 29 in 2007 opened their accounts with rollovers.

IRA investments, which totaled $4.2 trillion at the end of the second quarter 2010, represent more than one-quarter of total U.S. retirement market assets and nearly 10 percent of U.S. households’ total financial assets. In 2007, preliminary estimates from the IRS Statistics of Income division indicate, rollovers accounted for $323.1 billion in gross inflows to traditional IRAs, while contributions were $14.4 billion. In short, rollovers have played a significant role in boosting the aggregate level of assets in traditional IRAs.
