

## VIDEO

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# Focus on Funds: IRA Asset Allocation

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## IRA Asset Allocation

Individual retirement accounts (IRAs) are the single largest component of U.S. retirement assets. ICI's research, drawing on data from more than 10 million traditional IRA accounts, sheds light on how IRA investors manage their assets.

### Transcript

**Stephanie Ortballs-Tibbs, Director, ICI Media Relations:** Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

Individual retirement accounts, or IRAs, are the single largest component of U.S. retirement assets. Since individuals are in charge of managing their own IRA investments, researchers and policymakers are interested in understanding how those assets are invested. ICI's research, drawing from more than 10 million traditional IRA investors' accounts, sheds light on this question.

**Sarah Holden, Senior Director, ICI Retirement and Investor Research:** Equity investing plays a major role in IRA investments.

### **Equity Holdings Play a Prominent Role in Traditional IRA Investing** **Percentage of traditional IRA balances, year-end**

Note: The sample is 10.4 million traditional IRA investors aged 25 or older in 2012. Percentages are dollar-weighted averages. Components do not add to 100 percent because of rounding.

Source: The IRA Investor Database™

At year-end 2012, 49 percent of traditional IRA assets were invested in equity funds and equities directly. Equities also may be held through target date funds and other balanced funds. At year-end 2012, 6 percent of traditional IRA investors' assets were invested in target date funds and another 11 percent were in non-target date balanced funds.

Traditional IRA investors also hold fixed-income investments. Bonds and bond funds were 20 percent of traditional IRA assets at year-end 2012 and money market funds were 13

percent.

**Stephanie Ortals-Tibbs:** ICI's research also explores how traditional IRA investors' investments in equities have changed since year-end 2007, before the financial market crisis. It's clear that the 2008 crisis still lingers in peoples' minds.

**Sarah Holden:** The share of traditional IRA assets invested in equities has fallen between year-end 2007 and year-end 2012, in part reflecting the relative change in equity values.

**Exposure to Equity Holdings Declined Among Traditional IRA Investors**  
**Percentage of traditional IRA investors, year-end 2007 and year-end 2012**

Note: Equity holdings are the sum of equities, equity funds, and the equity portion of balanced funds.

Source: The IRA Investor Database™

Although the vast majority of traditional IRA investors held at least some equities in their traditional IRAs, at year-end 2012, 23 percent of traditional IRA investors held none, up from 16 percent at year-end 2007. A large part of the story here involves small account balances, which are more likely to be invested in money market funds.

A significant minority of traditional IRA investors have high concentrations of equities in their accounts. At year-end 2012, 23 percent of traditional IRA investors had invested all of their accounts in equities, and in total, 39 percent had more than 80 percent of their accounts invested in equities.

The concentrations of traditional IRA balances in equities versus fixed-income investments vary across investor age, as well as with the size of the traditional IRA balance.

**Stephanie Ortals-Tibbs:** Additional details on asset allocations of traditional IRA balances are available in the full report on ICI's website. That's this week in funds. See you next week.

## **Additional Resources**

- [The Role of IRAs in U.S. Households' Savings for Retirement, 2013 \(pdf\)](#)
- [ICI Research on IRA Investors](#)
- [The IRA Investor Profile](#)
- [Graphic: Equity Holdings Play a Prominent Role in Traditional IRA Investing \(pdf\)](#)
- [Graphic: Exposure to Equity Holdings Declined Among Traditional IRA Investors Between 2007 and 2012 \(pdf\)](#)

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