

VIDEO

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Focus on Funds: Fund Investment Is Transforming American Stock Ownership

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American stock ownership has become democratized through the increased use of funds. In the October 12, 2018, edition of *Focus on Funds*, ICI Chief Economist Sean Collins talks about the stake today's "Main Street" fund investor holds in corporate America.

Transcript

Stephanie Ortbals-Tibbs, ICI director of media relations: When you envision stock ownership in America today, it's more accurate to think of Main Street than Wall Street. Stock ownership in this country has transformed so that average American savers have a bigger stake than ever in the US stock market, as I recently learned from talking with ICI Chief Economist Sean Collins.

Sean Collins, ICI chief economist: Stock ownership has become democratized through mutual funds and ETFs [exchange-traded funds], and through the retirement plan system. In the late 1980s, only about a third of US households owned stock, either directly or indirectly. The most recent numbers show that over half of US households own stock, either directly or indirectly, through mutual funds. That's over 65 million households that own stock. And this transformation of stock ownership has been across the board, across the income spectrum.

So, for example, more than four in 10 US households that own stock, either directly or indirectly, have incomes of less than \$68,000.

Ortbals-Tibbs: Sean, what do you see driving this transformation?

Collins: We've had growth in mutual funds as a product, and mutual funds are a very good way for investors to achieve diversification and ownership in stock at low cost. In addition, we've had growth in 401(k) plans and IRAs [individual retirement accounts]. 401(k) plans and IRAs are vehicles that help put stock in the hands of investors for retirement purposes.

For example, the most recent statistics show that nine out of 10 401(k) plan participants

own at least some stock in their 401(k) plans. Not only that; those numbers show that 50 percent of 401(k) plan participants own the vast majority of their assets in stocks. IRA statistics show essentially the same thing.

Ortbals-Tibbs: So the American capital markets now matter to the average American in a way they might not have decades ago.

Collins: American capital markets have always mattered to Main Street, but now they have a direct vested interest in seeing returns, dividends, on their 401(k) plans, and stocks in those plans and IRAs.

Ortbals-Tibbs: Sean, what's unfortunate is that this data really isn't showing up in what some commentators—even some politicians, like Elizabeth Warren—are saying. [There's] kind of outdated reporting and commenting going on out there.

Collins: Right. I think it's really unfortunate because the democratization of stock ownership means that investors across the board, across Main Street, have common interests with US corporations. US corporations produce profits. Profits get paid out as dividends, where they raise stock prices. And that drops right to the bottom line of 401(k) plan investors or IRA investors.

Ortbals-Tibbs: Some people might say, "Well, what about all of these reports that, actually, there just aren't even as many people engaged in the stock market these days? Maybe people are just kind of walking away after the financial crisis."

Collins: It's a misimpression. The proportion of US households that own stocks today—over 50 percent—is about where it was in 2008.

Ortbals-Tibbs: So, bottom line, why does it matter? What do investors, policymakers, and commentators need to know about today's stock market? Why does it matter if maybe the narrative wasn't quite right?

Collins: It matters tremendously because Main Street investors, through 401(k) plans and IRAs, see their stock values appreciating, and that helps them reach their goals for retirement, medical issues, whatever the case may be. Their interests are aligned with corporate America, and it's very important for policymakers to understand that when they make decisions about (potentially) 401(k) plans, about (potentially) IRAs, about what's going on in the stock market. Keep in mind that any policy changes that you make may be touching Main Street.

Additional Resources

- [*ICI Viewpoints: Stock Ownership in the United States: It's Main Street*](#)
- [*2018 Investment Company Fact Book*](#)
- [*ICI Statistics*](#)

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