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Millennials’ Retirement Savings in Mutual Funds Reflect Role of Employer Plans as Gateway to Fund Investing

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Younger Generations Begin Fund Investing Earlier Than Older Generations

Washington, DC, October 18, 2016—Millennials’ focus on retirement saving through mutual funds reflects the important role of workplace retirement plans as a gateway to fund investing, according to a survey of US households by the Investment Company Institute (ICI) released today. In addition, ICI found that mutual fund–owning households headed by Millennials made their first mutual fund purchase at an earlier age than Baby Boom households.

The results from ICI’s annual survey, released in two studies, “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016” and “Characteristics of Mutual Fund Investors, 2016,” found that among mutual fund–owning households, more households headed by Millennials (45 percent) than Baby Boom households (34 percent) held their funds only through employer-sponsored retirement plans. The survey showed that among mutual fund–owning households that purchased their first mutual fund in 2010 or later, 71 percent purchased the fund through a workplace retirement plan, compared with 56 percent of those that made their first purchase before 1990.

“Our 2016 household survey shows that savers across all generations continue to rely on mutual funds to meet their financial goals,” said Sarah Holden, ICI senior director of retirement and investor research. “Among the millions of households headed by Millennials, for example, more than one-third owned mutual funds and they have been buying mutual funds at a younger age than preceding generations. Millennials typically are engaged in mutual fund investing through their employers’ retirement plans, a popular entry point for mutual fund ownership.”

Younger Generations Began Mutual Fund Investing Earlier Than Older Generations

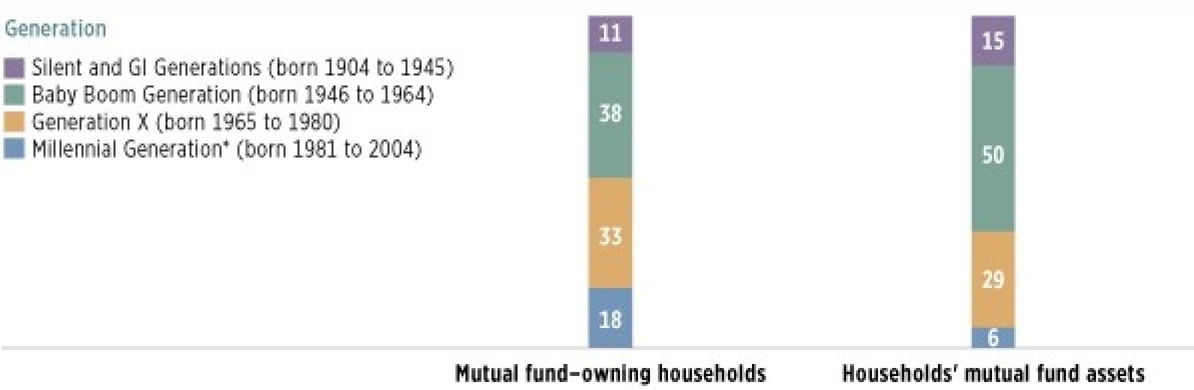
The ICI survey revealed that each successive generation began mutual fund investing at an earlier age. The median age at which households headed by adult Millennials (born between 1981 and 1998) first purchased mutual funds was 23. The median age for first mutual fund purchase for households headed by a member of Generation X (born between 1965 and 1980) was 27, while Baby Boomers (born between 1946 and 1964) were in their thirties when they made their first mutual fund purchase.

Baby Boom Households Held Half of All Household Mutual Fund Assets

About 55 million US households representing 94 million individual investors owned mutual funds in mid-2016, according to the research. Nearly half of the more than 43 million US households headed by a Baby Boomer owned mutual funds, and their mutual fund holdings accounted for half of US households' mutual fund assets in mid-2016. These data reflect the fact that Baby Boomers have had decades to accumulate savings. In addition, half of the nearly 35 million Generation X households owned mutual funds, accounting for 29 percent of US households' mutual fund assets. Thirty-five percent of the nearly 29 million Millennial Generation households owned mutual funds, holding 6 percent of household mutual fund assets—reflecting the shorter time Millennials have had to save and invest.

Baby Boomers Make Up the Largest Group of Mutual Fund Owners

Percentage of total, mid-2016



*The Millennial Generation was aged 12 to 35 in 2016; however, survey respondents must be 18 or older.

Note: Generation is based on age of the household's sole or co-decisionmaker for saving and investing.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Other key survey findings for 2016 include:

- **More than 44 percent of US households owned shares of US-registered investment companies—**including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts—representing an estimated 56 million households and about 96 million investors. Mutual funds were the most common type of investment company owned, with about 55 million US households, or nearly 44 percent, owning mutual funds in mid-2016.

- **Three times as many US households owned mutual funds through tax-deferred accounts as owned mutual funds outside such accounts**. Tax-deferred accounts include employer-sponsored retirement plans, individual retirement accounts (IRAs), and variable annuities. Almost all mutual fund–owning households—92 percent—were focused on retirement saving as one of their financial goals.
- **The majority of US mutual fund shareholders had moderate or lower household incomes and were in their peak earning and saving years**. Fifty-one percent of US households owning mutual funds had incomes less than $100,000, and individuals between the ages of 35 and 64 headed 63 percent of mutual fund–owning households.

ICI's 2016 household survey also provided other key demographic insights about mutual fund–owning households, including their high rate of Internet access (92 percent) and the variation in their willingness to take financial risk over time and across age groups.

About the survey: ICI's Annual Mutual Fund Shareholder Tracking Survey gathers information on the demographic and financial characteristics of mutual fund–owning households in the United States. Our most recent survey, conducted from May to July 2016, was based on a "dual frame" sample of 5,500 US households—a sample split equally between landline and cell phone interviews. Of the households contacted, 2,399, or 43.6 percent, owned mutual funds. More detail on the 2016 survey is found on page 4 of "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016."
