

Traditional IRA–Owning Households Indicate Rollovers Help to Consolidate Retirement Assets

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IRA Owners Also Have Tax Implications in Mind

Washington, DC, December 17, 2012 - Rollovers into traditional individual retirement accounts (IRAs) are playing an important role as households consolidate retirement assets, according to new data in ICI's annual survey of households owning IRAs. Specifically, in May 2012, 45 percent of traditional IRA-owning households with rollovers in their traditional IRAs reported that consolidating assets was among the reasons for their rollovers, and 19 percent said it was the primary reason.

The paper, *The Role of IRAs in U.S. Households' Saving for Retirement, 2012*, also found that taxes were forefront in savers' calculations with 67 percent of traditional IRA–owning households with rollovers indicating that preserving the tax treatment of their accounts was a factor in their decision to make a rollover. Overall, 51 percent of traditional IRA–owning households reported that their traditional IRAs contained rollovers from employer-sponsored retirement plans and these households tended to roll over the entire employer-sponsored plan balance.

“The research finds that traditional IRAs help individuals achieve retirement security by allowing them to consolidate and manage their retirement assets as they change jobs and move through their careers,” said Sarah Holden, ICI's senior director of retirement and investor research. “IRAs thus are fulfilling one of the purposes Congress laid out when it created IRAs in 1974—to help Americans preserve retirement savings.”

IRA Ownership Remains Steady as Component of Retirement System

The paper also examines IRA ownership as part of the broader retirement system, finding in May 2012 that 68 percent of U.S. households had retirement plans through work or IRAs. Further breaking out the numbers:

- Forty percent of U.S. households owned IRAs:
 - **Traditional IRAs** continue to be the most common type of IRA, with 33 percent of U.S. households owning them in May 2012.
 - Ownership of **Roth IRAs** continued to edge up, and in May 2012, nearly 17 percent of U.S. households owned Roth IRAs.
 - Almost 8 percent of U.S. households owned employer-sponsored IRAs (**SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs**).
- Thirty-two percent of U.S. households had IRAs and had employer-sponsored retirement plans (defined contribution [DC] plan accounts or defined benefit [DB] plan coverage), and 8 percent of U.S. households only owned IRAs.
- Twenty-eight percent of U.S. households reported having employer-sponsored retirement plans, but no IRAs.

Investment Professionals Often Assist IRA Owners

The study also finds that investment professionals play a significant role for traditional IRA-owning households. In 2012, three-quarters of traditional IRA-owning households held their traditional IRAs through investment professionals (e.g., full-service brokerage, independent financial planning firm, bank or savings institution, or an insurance company). Nearly seven in 10 traditional IRA-owning households have developed a strategy to manage assets and income in retirement, and 60 percent of those with a strategy said an investment professional was the primary source used to create the strategy.

“Traditional IRA-owning households tend to be good stewards of their traditional IRA assets,” said Holden. “In addition, they seek assistance at key decision points in the process of managing their accounts.”

Other Findings on IRA Contribution and Withdrawal Activity

- IRA contribution activity remained steady. Sixteen percent of U.S. households contributed to any IRA in tax year 2011, compared with 14 percent in tax year 2010. This means that 39 percent of IRA-owning households in May 2012 had made contributions to their IRAs in tax year 2011.
- Withdrawals from traditional IRAs continued to be infrequent and mostly retirement-related. Twenty-one percent of traditional IRA-owning households in May 2012 reported they took withdrawals from their traditional IRAs in 2011. More than three-quarters of the households with withdrawals reported that someone in the household was retired. The most commonly listed use of traditional IRA withdrawals was to pay living expenses, cited by 35 percent of those taking withdrawals.
- Traditional IRA owners generally plan to hold off on making IRA withdrawals until required to do so by law. Sixty-five percent of traditional IRA-owning households not making withdrawals in tax year 2011 indicated it was unlikely they would withdraw from their traditional IRAs before required at age 70½. Living expenses and emergency expenses were the two most frequently mentioned expected future uses of IRA savings.

The study reports information from two separate ICI household surveys. ICI's 2012 IRA Owners Survey was conducted in May 2012, based on a sample of 2,801 randomly selected, representative U.S. households owning traditional IRAs, Roth IRAs, or employer-sponsored IRAs. The 2012 ICI Annual Mutual Fund Shareholder Tracking Survey also was conducted in May 2012, based on a sample of 4,019 randomly selected U.S. households, of which 1,622 households, or 40.4 percent, owned IRAs.

The study was coauthored by Holden and Daniel Schrass, ICI associate economist, and additional details are available in an [appendix](#).

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