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Equity Allocation in Traditional IRAs Rose in 2013

Washington, DC, July 14, 2015—Nearly half of working-age Americans who made contributions into traditional individual retirement accounts (IRAs) in 2013 contributed up to the new legal limit, according to an annual update of a study released today by the Investment Company Institute (ICI). After five years at the same level, the traditional IRA contribution limit was increased in 2013 to \$5,500 for taxpayers younger than 50, and to \$6,500 (including catch-up contributions) for those 50 or older.

The report “[The IRA Investor Profile: Traditional IRA Investors’ Activity, 2007–2013](#)” provides analysis of contribution, rollover, withdrawal, and asset allocation activity among traditional IRA investors, based on data for 10.7 million traditional IRA owners at year-end 2013. With \$6.0 trillion in assets at year-end 2013, traditional IRAs are a key component of the U.S. retirement system.

“We found that in 2013, when contribution limits for traditional IRAs were raised for the first time in five years, nearly half of traditional IRA contributors reached the new legal limit,” said Sarah Holden, senior director of retirement and investor research. “This study suggests that retirement savers who contribute to traditional IRAs are paying attention to the rules governing these accounts.”

Rollovers from employer retirement plans, however, remain the main source of new IRAs. Fewer than one in 10 traditional IRA investors made contributions in tax year 2013.

Rebound in Share of Equity Assets Held by Consistent Investors in Traditional IRAs

The ICI study also analyzed 5.2 million “consistent” traditional IRA investors—those with accounts from year-end 2007 through year-end 2013. Among other findings, this analysis reveals that for consistent

investors aged 25 to 59 the share of traditional IRA assets invested in equities rose to 72.6 percent at year-end 2013, up from 68.3 percent at year-end 2012. With that increase, these investors' aggregate allocation to equity holdings—including equities, equity funds, and the equity portion of balanced funds—was almost back to their equity allocation at the end of 2007.

Traditional IRA Savers Stayed the Course; Account Balances Back

More broadly, the study showed that consistent traditional IRA savers had a muted reaction to the 2008 financial crisis. Contribution and rollover activity declined only a bit in the wake of the crisis. While account balances fell considerably following the stock market decline in 2008, the average traditional IRA balance for traditional IRA investors aged 25 to 69 with account balances in all years between 2007 and 2013 was significantly higher at year-end 2013 than at year-end 2007. The change in traditional IRA balances reflects contributions, rollovers, conversions, withdrawals, and investment returns.

Other key findings of the study include:

- In tax year 2013, 8.7 percent of traditional IRA investors contributed to their traditional IRAs. This low rate is attributable to a number of factors, including that many retirement savers are meeting their savings needs through employer-sponsored accounts and rules limit the ability to make deductible contributions to traditional IRAs.
- Rollovers continued to be the predominant way investors open traditional IRAs. About two-thirds of new traditional IRAs in 2013 were opened with rollovers.
- Withdrawal activity is rare among younger traditional IRA investors. Overall, only about one in five traditional IRA investors took withdrawals in 2013. About three-quarters of those withdrawals were taken by traditional IRA investors aged 60 or older, who can take penalty-free distributions. More than half of withdrawals overall were taken by investors aged 70 or older, for whom annual distributions generally are required.

For additional information, please see ICI's newly updated "[Ten Important Facts About IRAs.](#)"

About The IRA Investor Database

The report is based on [The IRA Investor Database™](#), a joint project by ICI and the Securities Industry and Financial Markets Association (SIFMA). The database is designed to shed light on IRA contribution, rollover, conversion, and withdrawal activity, and the types of assets that investors hold in these accounts. For year-end 2013, The IRA Investor Database has more than 15 million IRA investors, about two-thirds of whom own traditional IRAs.

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