

Ownership of Mutual Funds and Use of the Internet, 2006

KEY FINDINGS

- **In 2006, the upward trend in household ownership of funds and use of the Internet continued.** An annual ICI survey of fund ownership and Internet usage reveals that nearly 55 million U.S. households own mutual funds and more than 70 percent of these households use the Internet at least once a day.
- **Ownership of mutual funds through employer-sponsored retirement plans continues to rise and is approaching parity with ownership outside these plans.** Today, 38.3 million U.S. households own funds through workplace retirement plans and 40.6 million households own funds outside these plans.
- **Most mutual fund shareholders have moderate household incomes and are in their peak earning and saving years.** About three in five U.S. households owning mutual funds have incomes between \$25,000 and \$99,999, and about two-thirds are headed by individuals between the ages of 35 and 64.
- **Internet access among mutual fund shareholders is nearly universal.** More than nine in 10 households owning funds currently have Internet access.
- **Internet access among senior shareholders has grown significantly over the past 12 months.** Nearly three-quarters of shareholders age 65 or older have Internet access, compared with less than two-thirds in 2005.

NUMBER OF HOUSEHOLDS OWNING FUNDS RISES

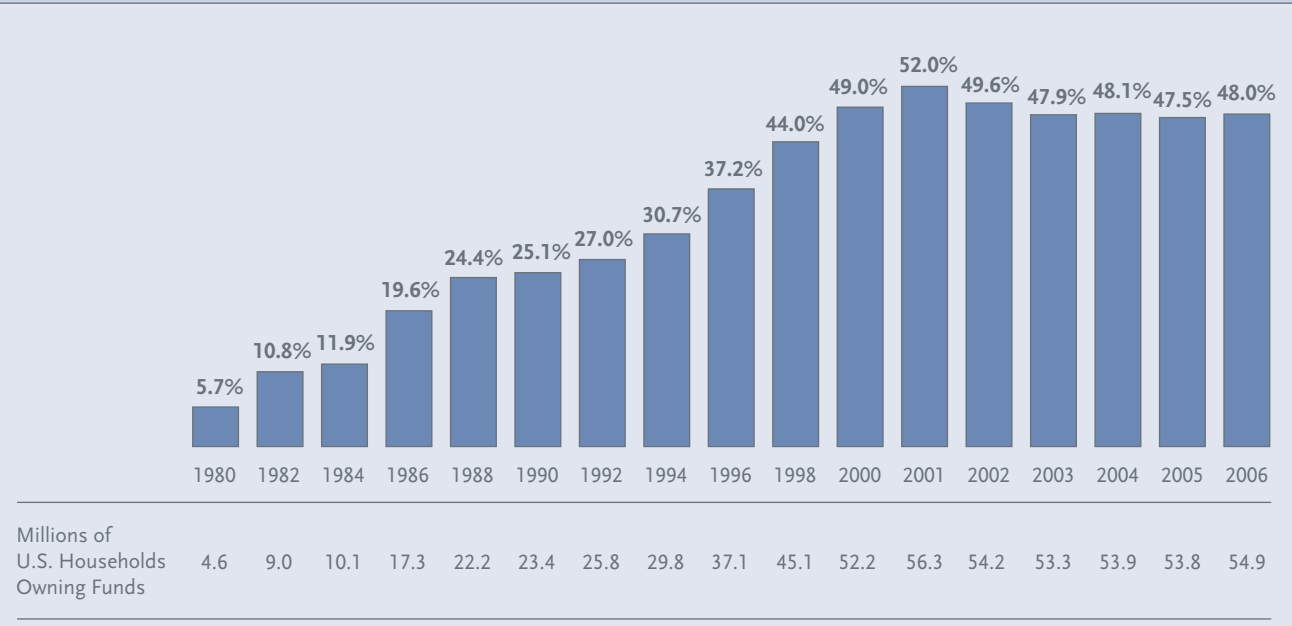
An estimated 54.9 million U.S. households, or 48.0 percent, currently own mutual funds (Figure 1).¹ Following a decline in fund ownership during the 2000–2003 bear market, the number of households

owning mutual funds has increased over the past two years. The percentage of U.S. households owning funds has stayed about the same since 2003. It is estimated that 96 million individuals currently own mutual funds (Figure 2).²

FIGURE 1

ABOUT HALF OF ALL U.S. HOUSEHOLDS OWN MUTUAL FUNDS IN 2006

Number and percent of U.S. households owning mutual funds, selected years

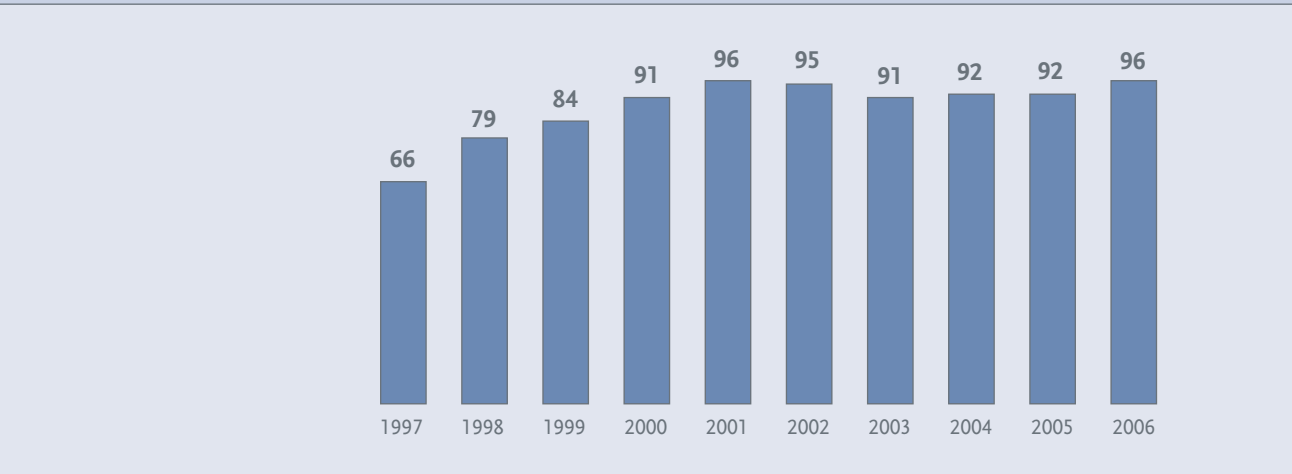


sources: Investment Company Institute and U.S. Census Bureau

FIGURE 2

96 MILLION INDIVIDUAL INVESTORS OWN MUTUAL FUNDS IN 2006

Millions of individual U.S. investors owning mutual funds, 1997–2006



sources: Investment Company Institute and U.S. Census Bureau

FUND OWNERSHIP INSIDE AND OUTSIDE EMPLOYER PLANS ABOUT EVEN

Although fund ownership outside employer-sponsored retirement plans³ still exceeds ownership inside these plans, the gap has narrowed considerably over the past decade. Today, 40.6 million households own funds outside workplace retirement plans and 38.3 million households own funds through these plans

(Figure 3). A decade ago, an estimated 10.4 million more households owned funds outside employer plans than inside these plans. The growth of fund ownership through workplace retirement plans has been largely fueled by the shift from traditional pensions to defined contribution plans,⁴ many of which offer mutual funds as investment options.⁵

FIGURE 3

GAP BETWEEN OWNERSHIP OF MUTUAL FUNDS INSIDE AND OUTSIDE EMPLOYER PLANS NARROWS

Number and percent of U.S. households owning mutual funds inside and outside employer-sponsored retirement plans,¹ 1997–2006

	Number of U.S. Households (millions)		Share of U.S. Households (percent)	
	Inside Employer-Sponsored Retirement Plans ²	Outside Employer-Sponsored Retirement Plans	Inside Employer-Sponsored Retirement Plans ²	Outside Employer-Sponsored Retirement Plans
1997	19.2	29.6	19.0	29.3
1998	26.6	33.7	25.9	32.9
1999	29.4	38.1	28.3	36.7
2000	33.8	36.9	31.8	34.7
2001	36.1	41.4	33.4	38.3
2002	35.8	39.8	32.8	36.4
2003	36.4	38.4	32.7	34.5
2004	36.4	39.3	32.5	35.1
2005	35.7	39.0	31.5	34.4
2006	38.3	40.6	33.5	35.5

¹ Multiple responses are included.

² Mutual funds held in 401(k) plans, 403(b) plans, SAR-SEP IRAs, SEP-IRAs, and SIMPLE IRAs are included. The formation of new SAR-SEP IRAs was prohibited after December 31, 1996.

sources: Investment Company Institute and U.S. Census Bureau

MOST MUTUAL FUND SHAREHOLDERS ARE IN THEIR PEAK EARNING AND SAVINGS YEARS

While people of all ages own mutual funds, ownership is concentrated among individuals in their prime saving and investing years. Two-thirds of households owning mutual funds in 2006 are headed by individuals between the ages of 35 and 64, the age range in which saving and investing traditionally is greatest. Among

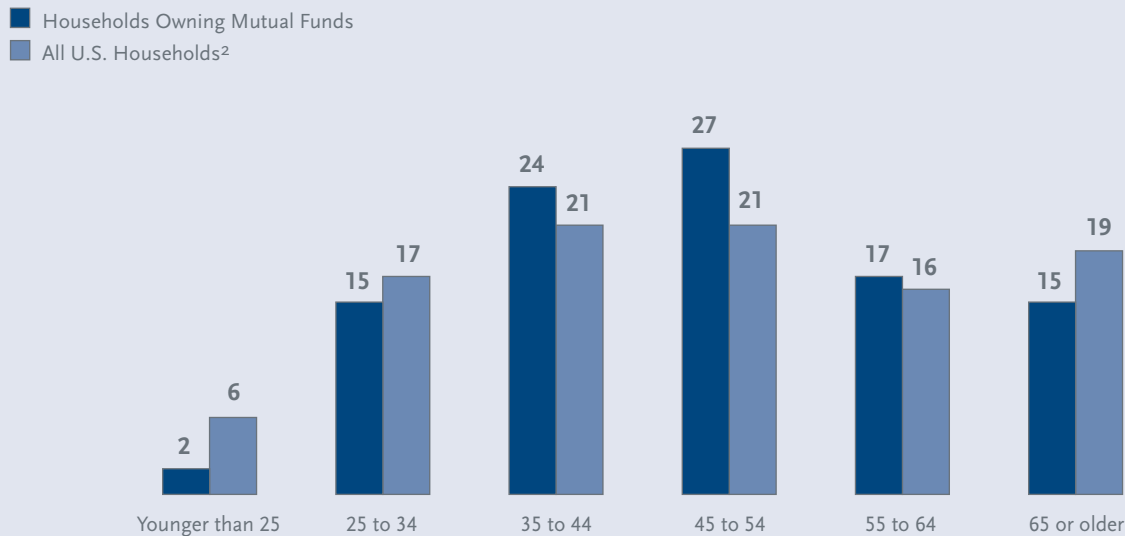
all U.S. households, about six in 10 are headed by individuals in this age group (Figure 4).

For most of the past decade, the incidence of mutual fund ownership has been greatest among households headed by individuals between ages 35 and 64. Since 1998, more than half of households in this age cohort have owned mutual funds (Figure 5).

FIGURE 4

MOST MUTUAL FUND SHAREHOLDERS ARE BETWEEN AGES 35 AND 64

Percentage distribution of households owning mutual funds and all U.S. households, by age,¹ 2006



¹Age is based on individual heading household.

²The percent of all households in each age group is based on ICI survey data.

source: Investment Company Institute

FIGURE 5

INCIDENCE OF MUTUAL FUND OWNERSHIP GREATEST AMONG 35- TO 64-YEAR-OLDS

Percent of U.S. households within each age group¹ owning mutual funds, 1997–2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Younger than 35	32	38	43	43	46	43	39	38	39	35
35 to 44	45	52	55	58	60	57	54	57	54	55
45 to 54	44	53	58	59	60	59	57	55	53	60
55 to 64	44	51	50	54	54	55	59	55	57	53
65 or older	26	31	34	32	41	37	34	37	37	38

¹Age is based on individual heading household.

source: Investment Company Institute

MUTUAL FUND SHAREHOLDERS TYPICALLY HAVE MODERATE HOUSEHOLD INCOMES

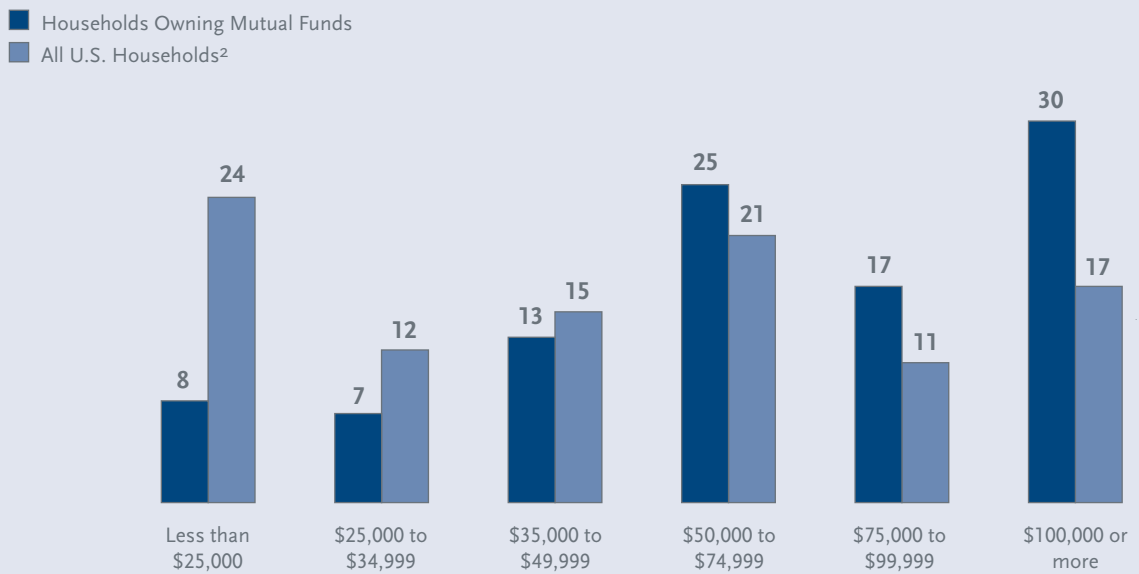
Just as individuals of all ages own funds, so do individuals of all incomes. The majority of households owning mutual funds have moderate incomes,

although their incomes tend to be higher than that of the typical U.S. household. Nearly two-thirds of all U.S. households owning funds in 2006 have incomes between \$25,000 and \$99,999 (Figure 6).

FIGURE 6

MOST HOUSEHOLDS OWNING MUTUAL FUNDS HAVE MODERATE INCOMES

Percentage distribution of households owning mutual funds and all U.S. households, by income,¹ 2006



¹Income is based on 2005 pre-tax household income.

²The percentage of all U.S. households in each income group is based on ICI survey data.

source: Investment Company Institute

The incidence of mutual fund ownership increases with household income, which explains why mutual fund owners generally have incomes higher than the national average. For instance, 70 percent of all U.S. households with incomes of \$50,000 or more own funds in 2006, compared with 26 percent of households with incomes less than \$50,000 (Figure 7). Among most household income groups, the incidence of fund ownership did not change significantly between 2005 and 2006.

NEARLY ALL MUTUAL FUND SHAREHOLDERS HAVE ACCESS TO THE INTERNET

The number of mutual fund investors with Internet access has grown considerably in recent years. Today, more than nine in 10 households owning funds have Internet access, up from two-thirds in 2000, the first year in which ICI measured shareholders' access to the Internet (Figure 8).⁶ Altogether, 50.5 million fund-owning households and an estimated 83.3 million individual mutual fund investors currently have Internet access.

FIGURE 7

OWNERSHIP OF MUTUAL FUNDS INCREASES WITH HOUSEHOLD INCOME

Percent of U.S. households within each income group¹ owning mutual funds, 1997–2006

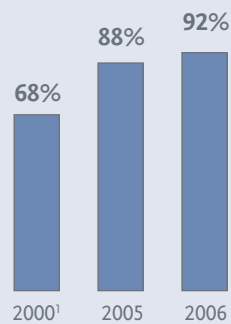
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Less than \$25,000	12	13	15	17	21	14	15	15	12	16
\$25,000 to \$34,999	31	28	30	37	38	36	33	32	32	29
\$35,000 to \$49,999	38	47	49	49	49	48	41	40	49	40
\$50,000 to \$74,999	57	62	62	66	66	67	59	61	61	58
\$75,000 to \$99,999	66	72	78	77	78	79	77	77	73	71
\$100,000 or more	80	77	78	79	85	82	83	83	82	83
Less than \$50,000	24	27	29	32	35	30	28	27	27	26
\$50,000 or more	64	68	70	72	74	74	70	72	70	70

¹Income is based on previous year's pre-tax household income.
source: Investment Company Institute

FIGURE 8

NINE OUT OF 10 HOUSEHOLDS OWNING MUTUAL FUNDS HAVE INTERNET ACCESS

Number and percent of fund-owning households with Internet access, selected years



Year	Number of Mutual Fund-Owning Households With Internet Access
2000	35.5
2005	47.3
2006	50.5

¹In 2000, shareholders not using the Internet in the past 12 months or solely using the Internet for email were not counted as having Internet access.

sources: Investment Company Institute and Mediamark Research Inc., cited in U.S. Census Bureau, Statistical Abstract of the United States: 2000, and www.mediamark.com.

Traditionally, age has been a differentiator of Internet access. Paralleling the national pattern, the incidence of Internet access has been greatest among younger mutual fund shareholders. Recent increases in Internet access among older shareholders, however, have narrowed the generational gap considerably. Today, shareholders age 65 or older are more than twice as likely to have Internet access than in 2000.

In particular, Internet access among senior shareholders expanded dramatically during the past 12 months. Currently, 72 percent of shareholders age 65 or older have Internet access, up from 63 percent in 2005 (Figure 9). In contrast, Internet access among shareholders age 35 or younger—which is reaching market saturation—increased modestly, from 94 percent in 2005 to 96 percent in 2006.

FIGURE 9

INTERNET ACCESS INCREASES SIGNIFICANTLY AMONG SENIOR MUTUAL FUND SHAREHOLDERS

Percent of fund-owning households with Internet access, selected years

	Had Internet Access in 2000	Had Internet Access in 2005	Have Internet Access in 2006
Respondent Age			
Less than 35 years	83	94	96
35 to 49 years	75	93	97
50 to 64 years	60	91	90
65 years or older	30	63	72
Respondent Education			
High school or less	39	72	72
Some college or associate's degree	68	86	90
College or postgraduate degree	81	93	96
Household Income			
Less than \$50,000	47	76	79
\$50,000 to \$99,999	77	92	94
\$100,000 to \$149,999	92	97	99
\$150,000 or more	94	97	97

source: Investment Company Institute

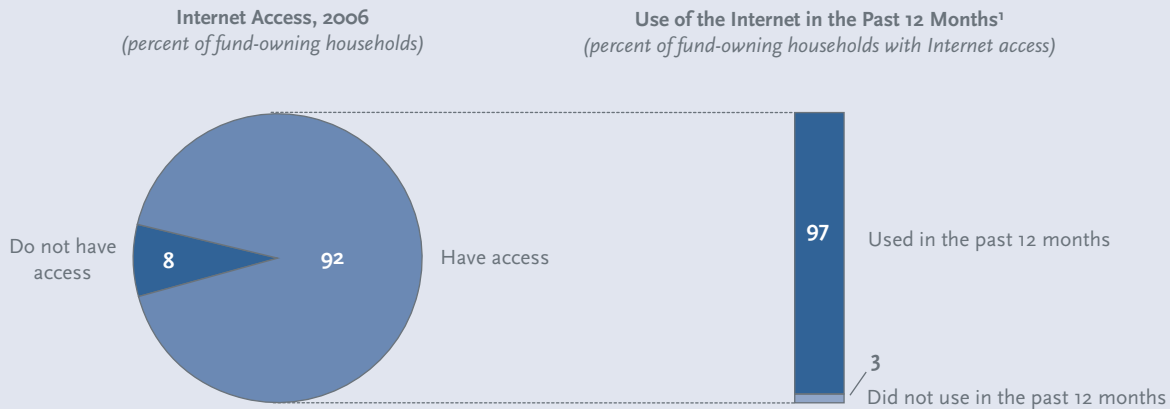
MUTUAL FUND SHAREHOLDERS REPORT FREQUENT USE OF THE INTERNET

Virtually all mutual fund investors with Internet access went online at least once between June 2005 and May 2006 (Figure 10). Only 3 percent of shareholders with

Internet access did not go online during this period. Moreover, shareholders' daily use of the Internet is increasing. More than seven in 10 shareholders with Internet access currently go online at least once a day, up from two-thirds in 2005 (Figure 11).

FIGURE 10

NEARLY ALL MUTUAL FUND SHAREHOLDERS WITH INTERNET ACCESS GO ONLINE

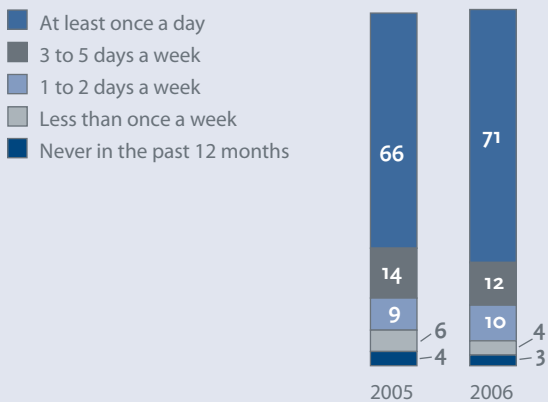


¹June 2005 through May 2006
source: Investment Company Institute

FIGURE 11

MUTUAL FUND SHAREHOLDERS' DAILY USE OF THE INTERNET INCREASES

Percent of fund-owning households with Internet access, by frequency of Internet use,¹ 2005 and 2006



¹Internet use is based on responding primary or co-decisionmaker for household saving and investing.
note: Totals may not add to 100 percent because of rounding.
source: Investment Company Institute

MUTUAL FUND SHAREHOLDERS USE THE INTERNET FOR FINANCIAL PURPOSES

The Internet has become central to many shareholders' management of their finances. About eight in 10 shareholders with Internet access go online for financial purposes, such as to check their bank or investment accounts, obtain investment information, or buy or

sell investments (Figure 12).⁷ In addition, mutual fund owners are much more likely than non-fund owners to engage in common online activities, such as accessing email, obtaining information about non-financial products and services, or purchasing products and services other than investments.

FIGURE 12

MOST MUTUAL FUND SHAREHOLDERS USE THE INTERNET FOR FINANCIAL-RELATED PURPOSES

Percent of fund-owning and non-fund-owning households with Internet access,¹ by online activities in past 12 months,² 2006

	Own Funds	Do Not Own Funds
Accessed email	89	76
Used Internet for a financial purpose (total)	79	54
Accessed any type of financial account, such as bank or investment accounts	74	50
Obtained investment information	57	23
Bought or sold investments online	23	8
Used Internet for a non-financial purpose (total)	90	76
Obtained information about products and services other than investments	83	69
Purchased something other than investments online	77	56

¹Online activities are based on responding primary or co-decisionmaker for household saving and investing.

²June 2005 through May 2006

source: Investment Company Institute

NOTES

- ¹ The Investment Company Institute conducts an annual survey to track households' and individuals' ownership of mutual funds and use of the Internet. The June 2006 survey included a sample of 3,000 randomly selected U.S. households. The survey's standard error for the total sample is +/-1.8 percentage points at the 95 percent confidence level. The sample was weighted to match the age distribution of the U.S. population. Survey data were not weighted before 1997. The number of U.S. households owning mutual funds in 2006 is based on the U.S. Census Bureau's estimate of 114.1 million total U.S. households as of March 2006 (see U.S. Census Bureau, Current Population Reports, Series P60-231, *Income, Poverty, and Health Insurance Coverage in the United States: 2005, August 2006* (www.census.gov/prod/2006pubs/p60-231.pdf)). Ownership includes mutual funds held in variable annuities.
- ² Year-to-year changes in the number of individuals owning funds over the past four years are not statistically meaningful. The mean number of mutual fund shareholders per fund-owning household was 1.752 in 1997, 1.741 in 1998, 1.710 in 1999, 1.736 in 2000, 1.702 in 2001, 1.750 in 2002, 1.711 in 2003, 1.713 in 2004, 1.699 in 2005, and 1.745 in 2006.
- ³ Mutual fund ownership outside employer-sponsored retirement plans includes ownership of funds held in taxable accounts and in traditional and Roth IRAs. Mutual fund ownership inside employer-sponsored retirement plans includes ownership of funds held in 401(k) plans, 403(b) plans, 457 plans, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs.
- ⁴ In 2002 (the most recent data available), there were 685,943 defined contribution retirement plans, up from 660,542 in 1997 (see U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin*, Abstract of 1997 Form 5500 Annual Reports and Abstract of 2002 Form 5500 Annual Reports (www.dol.gov/ebsa/publications)).
- ⁵ The growth in mutual fund assets since 1997 demonstrates the increased offering of mutual funds as an investment option in defined contribution retirement plans: mutual fund assets in these plans increased from \$774 billion in 1997 to \$1,776 billion in 2005 (see Investment Company Institute, "The U.S. Retirement Market, 2005," *Fundamentals*, Vol. 15, No. 5., July 2006, p.7 (www.ici.org/pdf/fm-v15n5.pdf)).
- ⁶ See Investment Company Institute, "Mutual Fund Shareholders' Use of the Internet," *Fundamentals*, Vol. 9, No. 3, July 2000 (www.ici.org/pdf/fm-v9n3.pdf).
- ⁷ Other recent ICI research has found that a majority of shareholders use the Internet for financial purposes. According to a 2006 ICI survey, 85 percent of recent fund investors who go online used the Internet to obtain financial information during the 12 months preceding the survey, 26 percent used it to buy or sell investments, and 19 percent used it to contact a professional financial adviser (see Investment Company Institute, *Understanding Investor Preferences for Mutual Fund Information*, August 2006 (www.ici.org/pdf/rpt_06_inv_prefs_full.pdf)).

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