

Characteristics of Mutual Fund Investors, 2007

KEY FINDINGS

- **Most households that own mutual funds are headed by individuals in their peak earnings and savings years.** Almost two-thirds of mutual fund-owning households are headed by individuals between the ages of 35 and 64.
- **Most mutual fund owners are employed; most have moderate household incomes.** Almost three-quarters of individuals heading households that own mutual funds are employed either full- or part-time. Nearly three in five U.S. households that own mutual funds have incomes between \$25,000 and \$99,999.
- **Households that own mutual funds often hold several funds, and equity funds are the most commonly owned mutual fund.** Among households that own mutual funds, eight in 10 hold more than one fund, and four in five own equity funds.
- **Almost all mutual fund investors focus on retirement saving.** Saving for retirement is one of the household's financial goals for nine of 10 mutual fund-owning households, and almost three-quarters indicate that retirement saving is their household's primary financial goal.
- **Employer-sponsored retirement plans are increasingly the gateway to mutual fund ownership.** Two-thirds of fund-owning households that purchased their first fund in 2000 or later purchased that fund through an employer-sponsored retirement plan, compared with half of those that made their first purchase before 1990. In 2007, two-thirds of mutual fund-owning households own funds inside employer-sponsored retirement plans. Almost three-quarters of mutual fund-owning households hold funds outside of employer-sponsored retirement plans.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS IN 2007

An annual ICI survey of mutual fund ownership reveals that 43.6 percent of households in the United States, or 50.6 million households, own mutual funds in 2007.¹ This report highlights the characteristics of those households.

MOST MUTUAL FUND OWNERS ARE IN PRIME EARNINGS YEARS, MARRIED, AND EDUCATED

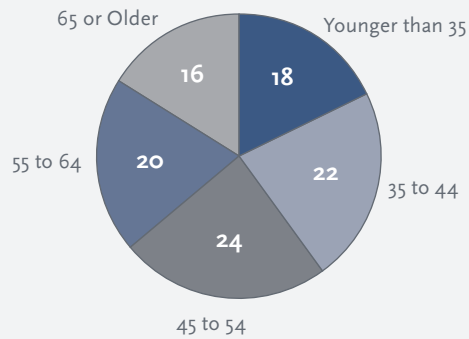
Mutual fund shareholders vary in their age, educational attainment, and marital status. The median age of individuals heading households that own mutual funds is 49 (Figure 1). Most households that own mutual funds, 66 percent, are headed by individuals between the ages of 35 and 64, the age range in which

FIGURE 1

MUTUAL FUND OWNERS REPRESENT A VARIETY OF DEMOGRAPHIC GROUPS

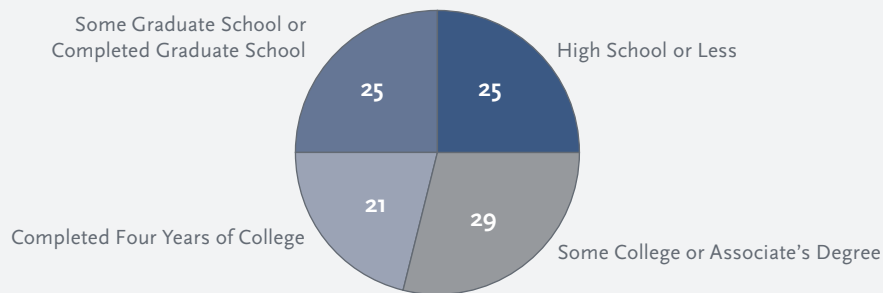
Percent of U.S. households owning mutual funds, 2007

AGE OF HEAD OF HOUSEHOLD

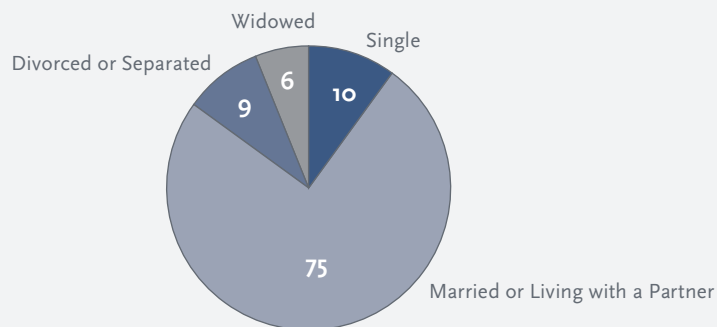


Mean: 49 years
Median: 49 years

EDUCATION LEVEL OF HEAD OF HOUSEHOLD



MARITAL STATUS OF HEAD OF HOUSEHOLD



Note: Head of household is the sole or co-decisionmaker for saving and investing.
Source: Investment Company Institute

saving and investing traditionally are the greatest.² Eighteen percent of mutual fund-owning households are headed by individuals younger than 35, and 16 percent are headed by individuals 65 or older. Among heads of mutual fund-owning households, 46 percent have college degrees or postgraduate education, and another 29 percent have obtained some college education or associate's degrees. Three-quarters are married or living with a partner.

MOST MUTUAL FUND OWNERS ARE EMPLOYED AND ARE MIDDLE-INCOME

Individuals across all employment and income groups own mutual funds. Among households that own mutual funds, 73 percent are headed by individuals

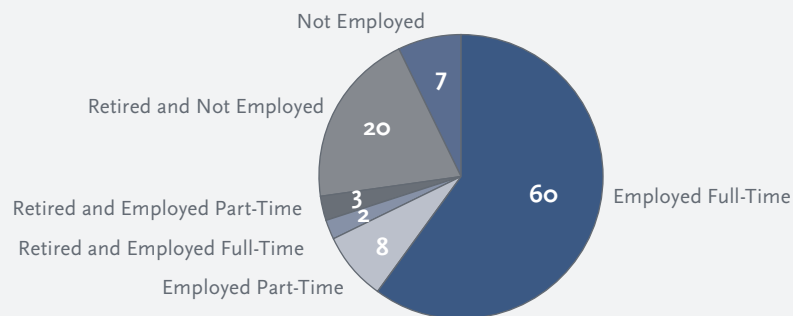
who are employed full- or part-time in 2007 (Figure 2). Among the 27 percent who are not employed, three-quarters are retired—that is to say, they responded affirmatively to “are you retired from your lifetime occupation?” Overall, 25 percent of individuals heading households that own mutual funds say that they are retired.³ The median household income of mutual fund-owning households is \$74,000; 26 percent have household incomes of less than \$50,000; 24 percent have household incomes between \$50,000 and \$74,999; and 17 percent have incomes between \$75,000 and \$99,999. The remaining one-third have incomes of \$100,000 or more.

FIGURE 2

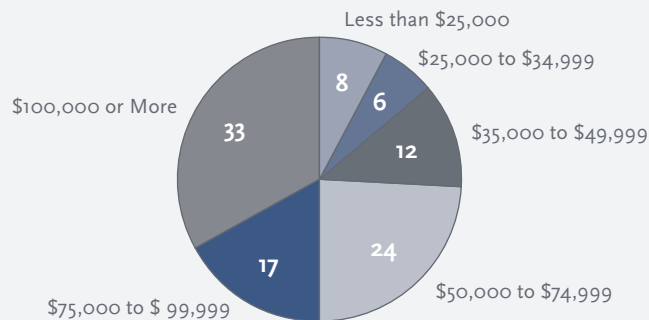
MUTUAL FUND OWNERS REPRESENT MANY DIFFERENT EMPLOYMENT AND INCOME GROUPS

Percent of U.S. households owning mutual funds, 2007

EMPLOYMENT STATUS OF HEAD OF HOUSEHOLD¹



TOTAL HOUSEHOLD INCOME²



Mean: \$92,900
Median: \$74,000

¹Head of household is the sole or co-decisionmaker for saving and investing.

²Total reported is household income before taxes in 2006.

Source: Investment Company Institute

MUTUAL FUND OWNERS HOLD A RANGE OF OTHER INVESTMENTS

Mutual fund-owning households typically have other types of savings and investments: 46 percent own individual stocks, 38 percent own certificates of deposit, and 31 percent own fixed or variable annuities (Figure 3). In addition, 28 percent hold investment real estate, and 17 percent own individual bonds (excluding U.S. Savings Bonds).

MUTUAL FUNDS ARE IMPORTANT COMPONENTS IN INVESTOR PORTFOLIOS

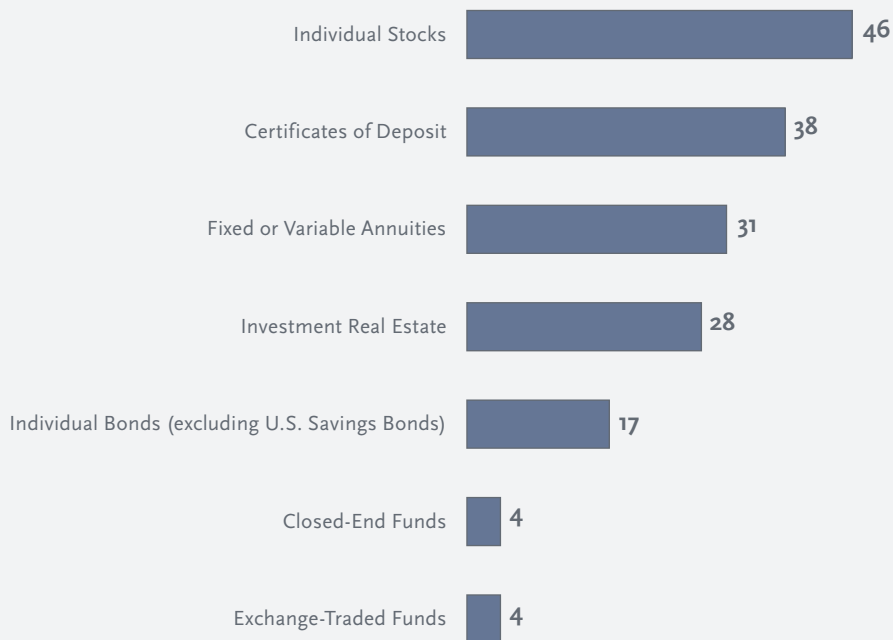
Mutual fund-owning households often hold more than one mutual fund. The median number of mutual funds owned by shareholder households is four (Figure 4). Among these households, 45 percent own three or fewer funds and 55 percent own four or more, with 14 percent reporting they hold 11 or more funds.

FIGURE 3

MUTUAL FUND-OWNING HOUSEHOLDS HOLD A MIX OF FINANCIAL ASSETS

Percent of U.S. households owning mutual funds, 2007

TYPE OF FINANCIAL ASSET



Note: Multiple responses are included.
Source: Investment Company Institute

Equity funds are the most commonly owned type of mutual fund, held by 80 percent of mutual fund-owning households (Figure 5). In addition, 45 percent own hybrid funds; 45 percent own bond funds; and 65 percent own money market funds. Mutual fund

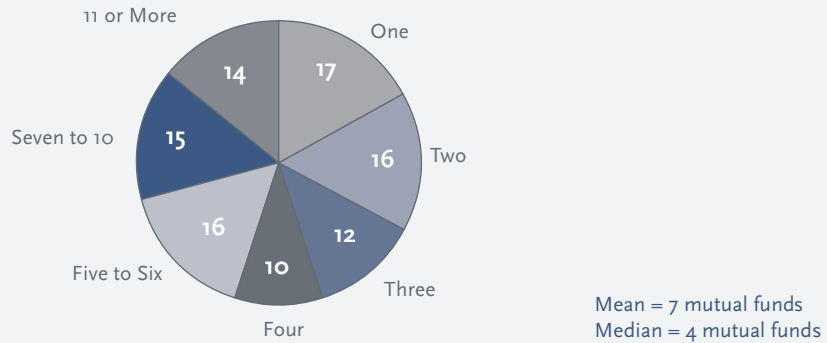
holdings represent a significant portion of these households' financial assets: 64 percent have more than half of their household financial assets invested in mutual funds (Figure 6).

FIGURE 4

MOST MUTUAL FUND-OWNING HOUSEHOLDS OWN MULTIPLE FUNDS

Percent of U.S. households owning mutual funds, 2007

NUMBER OF MUTUAL FUNDS HOUSEHOLD OWNS



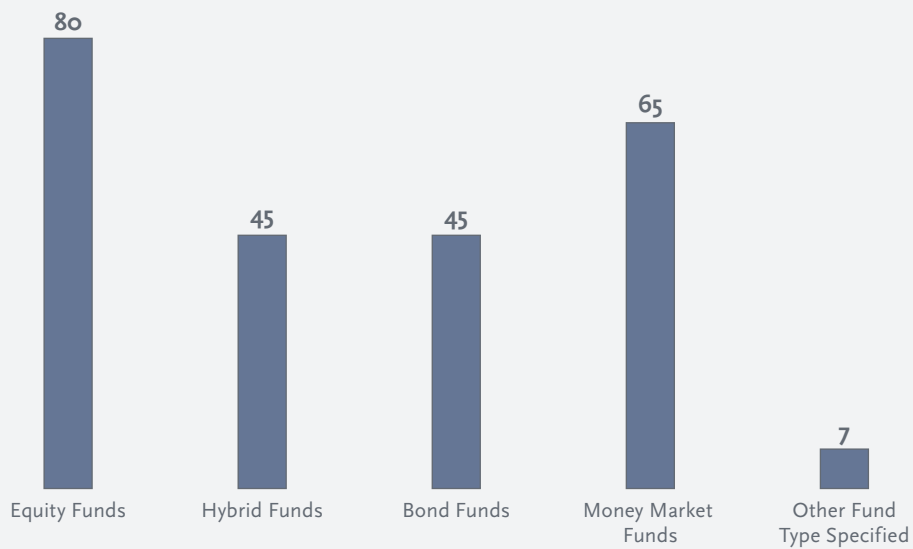
Source: Investment Company Institute

FIGURE 5

EQUITY FUNDS ARE THE MOST COMMONLY OWNED MUTUAL FUND

Percent of U.S. households owning mutual funds, 2007

TYPE OF MUTUAL FUND OWNED



*Note: Multiple responses are included.
Source: Investment Company Institute*

RETIREMENT SAVING OFTEN GOAL OF MUTUAL FUND INVESTORS

Mutual fund-owning households have a variety of financial goals for their mutual fund investments. The vast majority, 91 percent, indicate they are using mutual funds to save for retirement (Figure 7); 73 percent indicate that saving for retirement is their household's primary financial goal. Indeed, many mutual fund-owning households (45.4 million) hold funds in tax-

deferred savings accounts.⁴ Nevertheless, 16.4 million U.S. households hold long-term mutual funds (stock, bond, and balanced/hybrid funds) in taxable accounts.

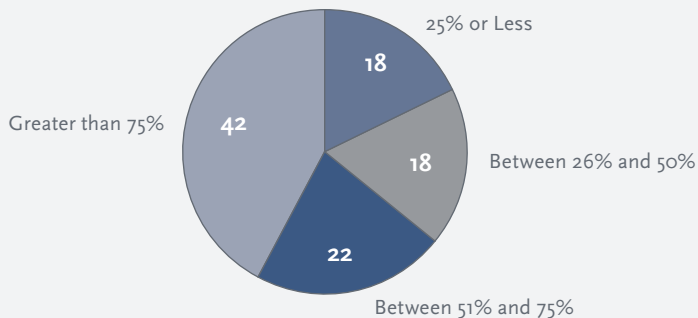
Retirement is not the only financial goal for households' mutual fund investments. Fifty-two percent of mutual fund-owning households report that reducing their taxable income is one of their goals; 45 percent list saving for an emergency and 26 percent report saving for education as goals (Figure 7).

FIGURE 6

MUTUAL FUNDS ARE A SIGNIFICANT SHARE OF INVESTOR PORTFOLIOS

Percent of U.S. households owning mutual funds, 2007

MUTUAL FUNDS' SHARE OF HOUSEHOLD FINANCIAL ASSETS



Note: Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

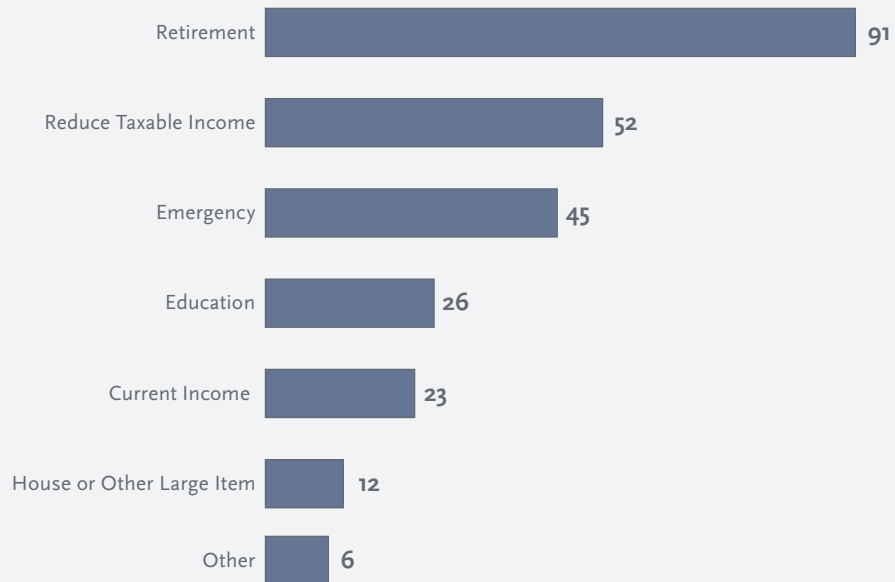
Source: Investment Company Institute

FIGURE 7

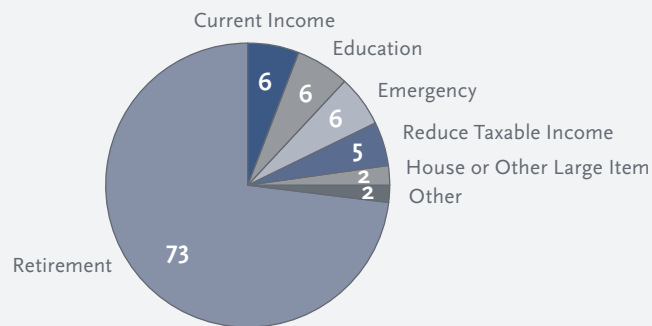
MOST MUTUAL FUND INVESTORS FOCUS ON RETIREMENT

Percent of U.S. households owning mutual funds, 2007

FINANCIAL GOALS FOR MUTUAL FUND INVESTMENTS*



PRIMARY FINANCIAL GOAL FOR MUTUAL FUND INVESTMENTS



*Multiple responses are included.

Source: Investment Company Institute

EMPLOYER-SPONSORED PLANS, FINANCIAL ADVISERS ARE MAIN CHANNELS OF FUND INVESTMENTS

Among mutual fund-owning households, 26 percent invest in mutual funds solely inside employer-sponsored retirement plans, which include defined contribution plans and employer-sponsored IRAs;⁵ 34 percent own funds solely outside these plans; and 40 percent have funds both inside and outside employer-sponsored retirement plans (Figure 8).

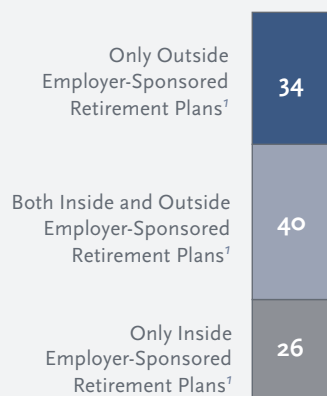
Altogether, 66 percent of mutual fund-owning households own funds through employer-sponsored retirement plans and 74 percent own funds outside of these plans.⁶ Among households that own mutual funds outside of employer-sponsored retirement plans, four-fifths own funds purchased from a professional financial adviser.⁷

FIGURE 8

MUTUAL FUND INVESTMENTS OUTSIDE RETIREMENT PLANS ARE OFTEN GUIDED BY FINANCIAL ADVISERS

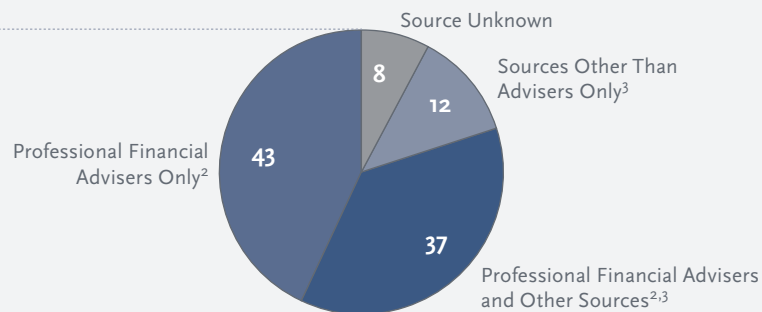
SOURCES OF MUTUAL FUND OWNERSHIP

Percent of U.S. households owning mutual funds, 2007



SOURCES FOR HOUSEHOLDS OWNING MUTUAL FUNDS OUTSIDE EMPLOYER-SPONSORED RETIREMENT PLANS

Percent of U.S. households owning mutual funds outside employer-sponsored retirement plans,¹ 2007



¹ Employer-sponsored retirement plans include defined contribution plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

² Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

³ Other sources include fund companies directly, fund supermarkets, and discount brokers.

Source: Investment Company Institute

FIRST FUND PURCHASES ARE INCREASINGLY MADE THROUGH EMPLOYER-SPONSORED PLANS

Mutual fund-owning households often purchase their first mutual funds through employer-sponsored retirement plans: 57 percent purchased their first fund through that channel (Figure 9). Households that made their first mutual fund purchase more recently are more likely to have done so through an employer-sponsored retirement plan. Among households that bought their first mutual fund in 2000 or later, 67 percent bought that first fund through such a plan, compared with 52 percent of households that first purchased mutual funds before 1990.

MOST FUND-OWNING HOUSEHOLDS BOUGHT FIRST FUND BEFORE 1995

The vast majority of mutual fund-owning households have invested in mutual funds for many years: 39 percent bought their first mutual fund before 1990; 17 percent purchased their first fund between 1990 and 1994; and 24 percent bought their first fund between 1995 and 1999 (Figure 10). Twenty percent of mutual fund-owning households purchased their first fund in 2000 or later.

FIGURE 9

EMPLOYER-SPONSORED RETIREMENT PLANS ARE INCREASINGLY SOURCE OF FIRST FUND PURCHASE

Percent of U.S. households owning mutual funds, 2007

Source of First Mutual Fund Purchase	Year of Household's First Mutual Fund Purchase				Memo: All Mutual Fund-Owning Households
	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or Later	
Inside employer-sponsored retirement plan	52	57	59	67	57
Outside employer-sponsored retirement plan	48	43	41	33	43

Note: Employer-sponsored retirement plans include defined contribution plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

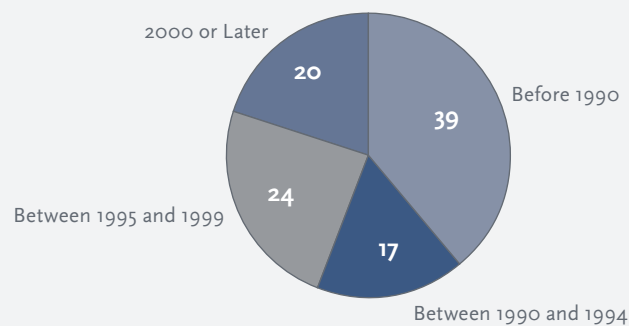
Source: Investment Company Institute

FIGURE 10

MOST MUTUAL FUND-OWNING HOUSEHOLDS PURCHASED FIRST FUND MORE THAN A DECADE AGO

Percent of U.S. households owning mutual funds, 2007

YEAR OF HOUSEHOLD'S FIRST MUTUAL FUND PURCHASE



Source: Investment Company Institute

NOTES

- ¹ The 2007 ICI Mutual Fund Shareholder Tracking Survey included a randomly selected sample of 3,977 U.S. households, of which 1,733 households, or 43.6 percent, own mutual funds. The standard error for the 2007 sample of households owning mutual funds is ± 2.4 percentage points at the 95 percent confidence level. Survey data are weighted to match census region, age distribution, household income distribution, and educational attainment of the U.S. population. For additional discussion of incidence of mutual fund ownership in the United States, see Holden and Bogdan (November 2007). For additional detail on the characteristics of U.S. households that own mutual funds, see Schrass and Holden (April 2008). U.S. Census Bureau (August 2007) reports there are 116.0 million households in the United States in 2007.
- ² For a discussion of the life-cycle of saving, see Holden, Ireland, Leonard-Chambers, and Bogdan (February 2005) and Browning and Crossley (Summer 2001).
- ³ Among households whose heads report they are retired, 80 percent are not employed, 12 percent are employed part-time, and 8 percent are employed full-time (Figure 2).
- ⁴ Tax-deferred accounts include employer-sponsored retirement plans, traditional IRAs, Roth IRAs, and variable annuities. See Holden and Bogdan (November 2007) for additional information.
- ⁵ Defined contribution plans include 401(k), 403(b), or 457 plans. Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs. For more information on employer-sponsored retirement plans, see Brady and Holden (July 2007) and Investment Company Institute (December 2007). For additional information on households that own IRAs, see Holden and Bogdan (January 2008).
- ⁶ Mutual funds held in traditional IRAs or Roth IRAs are counted as funds owned outside employer-sponsored retirement plans. Fifty-two percent of U.S. households that own mutual funds hold funds in traditional or Roth IRAs (see Schrass and Holden (April 2008)).
- ⁷ Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. For additional information on mutual fund owners' use of professional financial advisers, see Leonard-Chambers and Bogdan (April 2007).

ABOUT THE SURVEY

The Investment Company Institute conducts the Mutual Fund Shareholder Tracking Survey each spring to gather information on the demographic and financial characteristics of mutual fund-owning households in the United States. The most recent survey was undertaken in May 2007 and is based on a randomly selected sample of 3,977 U.S. households, of which 1,733 households, or 43.6 percent, own mutual funds. Eligible households include those owning mutual funds inside or outside employer-sponsored retirement plans. All interviews were with the member of the household who is the sole or co-decisionmaker most knowledgeable about the household's savings and investments.

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