

WHAT'S INSIDE

- 2 US Household Ownership of Mutual Funds in 2016
- 2 Most Mutual Fund Owners Are Educated and in Their Prime Earning Years
- 5 Majority of Mutual Fund Owners Are Employed and Moderate or Lower Income
- 6 Mutual Fund Owners Hold a Range of Other Investments
- 6 Mutual Funds Are Important Components in Investor Portfolios
- 8 Retirement Saving Often Is the Goal of Mutual Fund Investors
- 10 Employer-Sponsored Retirement Plans and Investment Professionals Are the Main Channels of Fund Investments
- 12 First Mutual Fund Purchases Increasingly Are Made Through Employer-Sponsored Retirement Plans
- 14 Most Mutual Fund-Owning Households Bought Their First Fund Before 2000
- 14 Mutual Fund Ownership Varies by Household Generation
- 22 Appendix
- 27 Notes
- 28 References

Sarah Holden, Senior Director of Retirement and Investor Research; Daniel Schrass, Associate Economist; and Michael Bogdan, Associate Economist; prepared this report.

Suggested citation: Holden, Sarah, Daniel Schrass, and Michael Bogdan. 2016. "Characteristics of Mutual Fund Investors, 2016." *ICI Research Perspective* 22, no. 7 (October). Available at www.ici.org/pdf/per22-07.pdf.

Characteristics of Mutual Fund Investors, 2016

KEY FINDINGS

- » **In mid-2016, most households that owned mutual funds were headed by individuals in their peak earning and saving years.** Sixty-three percent of mutual fund-owning households were headed by individuals between the ages of 35 and 64.
- » **The majority of mutual fund owners were employed and had moderate or lower household incomes.** Seventy-six percent of individuals heading households owning mutual funds were employed either full- or part-time. Fifty-one percent of US households owning mutual funds had incomes less than \$100,000.
- » **Mutual fund-owning households often held several funds, and equity funds were the most commonly owned type of mutual fund.** Among households owning mutual funds in mid-2016, 83 percent held more than one fund and 86 percent owned equity funds.
- » **Almost all mutual fund investors were focused on retirement saving.** Saving for retirement was one of the financial goals for 92 percent of mutual fund-owning households, and 74 percent indicated that retirement saving was the household's primary financial goal.
- » **Employer-sponsored retirement plans increasingly are the gateway to mutual fund ownership.** Seventy-one percent of mutual fund-owning households that purchased their first fund in 2010 or later purchased that fund through an employer-sponsored retirement plan, compared with 56 percent of those that made their first purchase before 1990. In mid-2016, 44 percent of mutual fund-owning households owned funds both inside and outside employer-sponsored retirement plans. An additional 37 percent owned mutual funds only inside employer-sponsored retirement plans.

- » **Incidence of mutual fund ownership was the highest among the Baby Boom Generation and Generation X.** In mid-2016, nearly half of the 43.2 million households headed by a Baby Boomer owned mutual funds, and Baby Boom households were 38 percent of households owning mutual funds. Half of 34.7 million households headed by a member of Generation X owned mutual funds in mid-2016, and Generation X households were 33 percent of households owning mutual funds. Thirty-five percent of the 28.6 million households headed by a Millennial owned mutual funds in mid-2016 and Millennial households were 18 percent of households owning mutual funds. Silent and GI Generations headed the remaining 11 percent of mutual fund-owning households.
- » **Half of mutual fund assets held by households are held by Baby Boomers.** In mid-2016, half of households' mutual fund assets were held by Baby Boom households, reflecting the time that they have had to accumulate savings through employer-sponsored retirement plans, individual retirement accounts (IRAs), and other personal accounts. Generation X households held 29 percent of household mutual fund assets in mid-2016, and Silent and GI Generation households held 15 percent. Being younger and having had less time to accumulate savings, Millennial households held 6 percent of all household mutual fund assets.
- » **Younger generations tend to start investing in mutual funds earlier than older generations.** When they were in similar age ranges, the median age of first mutual fund purchase was 23 for households in the Millennial Generation and 25 for Generation X households. When Generation X households and late Baby Boomers were in similar age ranges, the median age of first mutual fund purchase was 26 for Generation X and 31 for those born in the late Baby Boom Generation. Likewise, when they were in similar age ranges, the median age of first mutual fund purchase was 32 for late Baby Boomers and 37 for those born in the early Baby Boom Generation. This pattern reflects the expansion of mutual fund investing, especially as it occurs in employer-sponsored retirement plans.
- » **Millennial households owning mutual funds are more likely to hold funds only inside employer-sponsored retirement plans, compared with older generations.** Forty-five percent of Millennial households owning mutual funds held their funds only through employer-sponsored retirement plans, compared with 34 percent of Baby Boom households owning mutual funds.

US Household Ownership of Mutual Funds in 2016

In mid-2016, the annual ICI survey of mutual fund ownership found that 54.9 million, or 43.6 percent of, households in the United States owned mutual funds.¹ This report highlights the characteristics of those households.

Most Mutual Fund Owners Are Educated and in Their Prime Earning Years

Mutual fund shareholders vary in their age and educational attainment. In mid-2016, the median age of individuals heading mutual fund-owning households was 51 (Figure 1). Most mutual fund-owning households (63 percent) were headed by individuals between the ages of 35 and 64, the age range in which saving and investing traditionally is the greatest.² Nevertheless, 16 percent of mutual fund-owning households were younger than 35. The remaining 21 percent of mutual fund-owning households were headed by individuals aged 65 or older.

Mutual fund-owning households represent a range of education levels. In mid-2016, among heads of mutual fund-owning households, half had college degrees or postgraduate education, and another 29 percent had

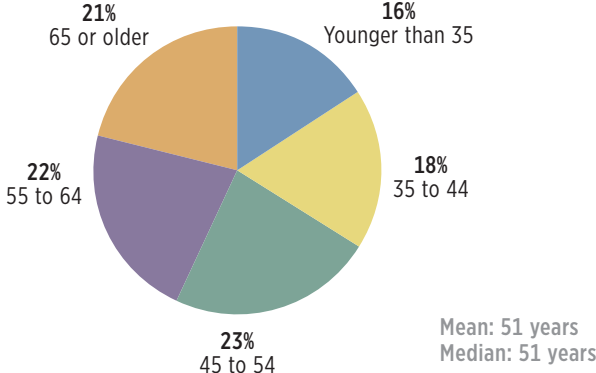
obtained associate's degrees or some college education (Figure 1). Twenty-one percent had a high school diploma or less.

FIGURE 1

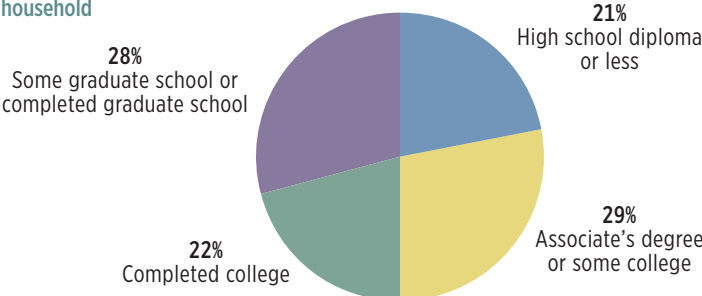
Mutual Fund Owners Represent a Variety of Demographic Groups

Percentage of US households owning mutual funds, 2016

Age of head of household



Education level of head of household



Note: Head of household refers to the sole or co-decisionmaker for household saving and investing.
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

About the Annual Mutual Fund Shareholder Tracking Survey

ICI conducts the Annual Mutual Fund Shareholder Tracking Survey each year to gather information on the demographic and financial characteristics of mutual fund–owning households in the United States. The most recent survey was conducted from May to July 2016 and was based on a dual frame sample of 5,500 US households. Of these, 2,750 households were from a landline random digit dial (RDD) frame and 2,750 households were from a cell phone RDD frame. Of the households contacted, 2,399 (43.6 percent) owned mutual funds. All interviews were conducted over the telephone with the member of the household who was either the sole or the co-decisionmaker most knowledgeable about the household’s savings and investments. The standard error for the 2016 sample of households owning mutual funds is ± 2.0 percentage points at the 95 percent confidence level.

Revisions to ICI’s Annual Mutual Fund Shareholder Tracking Survey

In the usual course of household survey work, researchers periodically reexamine sampling and weighting methods to ensure that the results published are representative of the millions of households in the United States. ICI reexamined its Annual Mutual Fund Shareholder Tracking Survey in 2014, and the figures presented in this paper for the 2016 survey reflect the revised sampling and weighting methodology adopted in 2014. In order to achieve a representative sample of US households, the 2014, 2015, and 2016 Annual Mutual Fund Shareholder Tracking Surveys were based on dual frame samples of landline and cell phone numbers. Each combined sample includes about 50 percent of households reached on a landline and about 50 percent of households reached on a cell phone. Before 2014, the Annual Mutual Fund Shareholder Tracking Surveys were based on samples of landline phone numbers. The change to a combined sample of cell and landline phone numbers improves the representativeness of the sample. For a detailed description of the survey methodology, see “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016,” *ICI Research Perspective* 22, no. 6 (October), available at www.ici.org/pdf/per22-06.pdf.

Additional Reading

For more detailed information about mutual fund owners, see “Profile of Mutual Fund Shareholders, 2016,” ICI’s full report of the findings of the 2016 Annual Mutual Fund Shareholder Tracking Survey. This report presents a comprehensive overview of mutual fund owners, including their demographic characteristics, the ways in which they purchase fund shares, and the ways in which US households use funds to meet their current and long-term financial needs. “Profile of Mutual Fund Shareholders, 2016” will be published in early 2017. See also “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016,” *ICI Research Perspective* 22, no. 6 (October), available at www.ici.org/pdf/per22-06.pdf.

Majority of Mutual Fund Owners Are Employed and Moderate or Lower Income

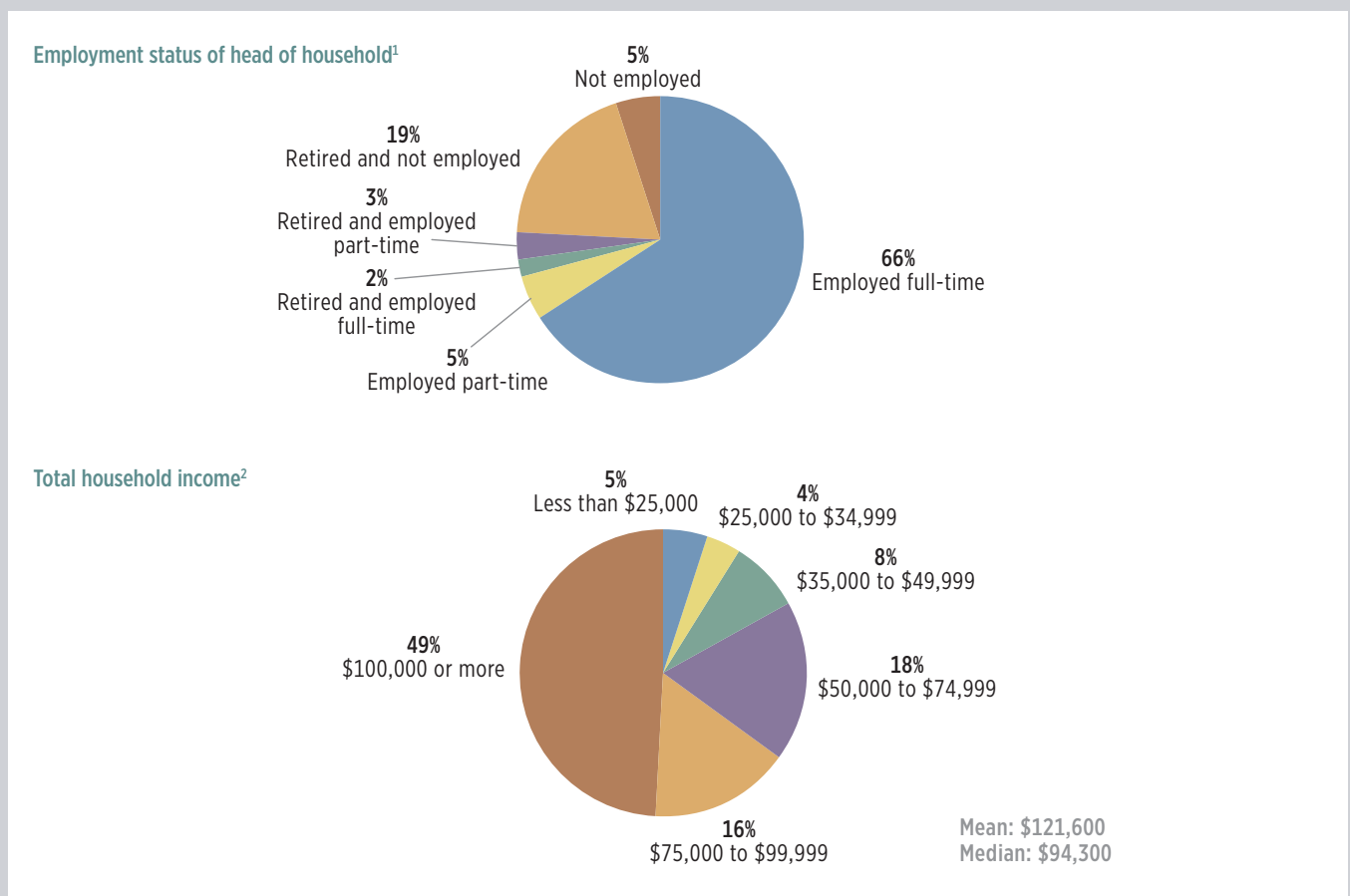
Individuals across all employment and income groups own mutual funds. Among households that owned mutual funds in mid-2016, 76 percent were headed by individuals who were employed full- or part-time (Figure 2). Among the 24 percent who were not employed, 79 percent were retired—that is, they responded affirmatively to the question: “Are you retired from your lifetime occupation?”

Overall, 24 percent of individuals heading households that owned mutual funds said that they were retired.³ The median household income of mutual fund-owning households was \$94,300;⁴ 17 percent had household incomes of less than \$50,000; 18 percent had household incomes between \$50,000 and \$74,999; and 16 percent had incomes between \$75,000 and \$99,999. The remaining 49 percent had household incomes of \$100,000 or more.

FIGURE 2

Mutual Fund Owners Represent Many Different Employment and Income Groups

Percentage of US households owning mutual funds, 2016



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

²Total reported is household income before taxes in 2015.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Mutual Fund Owners Hold a Range of Other Investments

Mutual fund-owning households typically have other types of savings and investments: 42 percent owned individual stocks, 27 percent owned US savings bonds, 27 percent owned investment real estate, and 26 percent owned fixed or variable annuities in mid-2016 (Figure 3). In addition, 23 percent owned certificates of deposit, 12 percent owned individual bonds (excluding US savings bonds), 10 percent owned exchange-traded funds (ETFs), and 4 percent owned closed-end funds.

Mutual Funds Are Important Components in Investor Portfolios

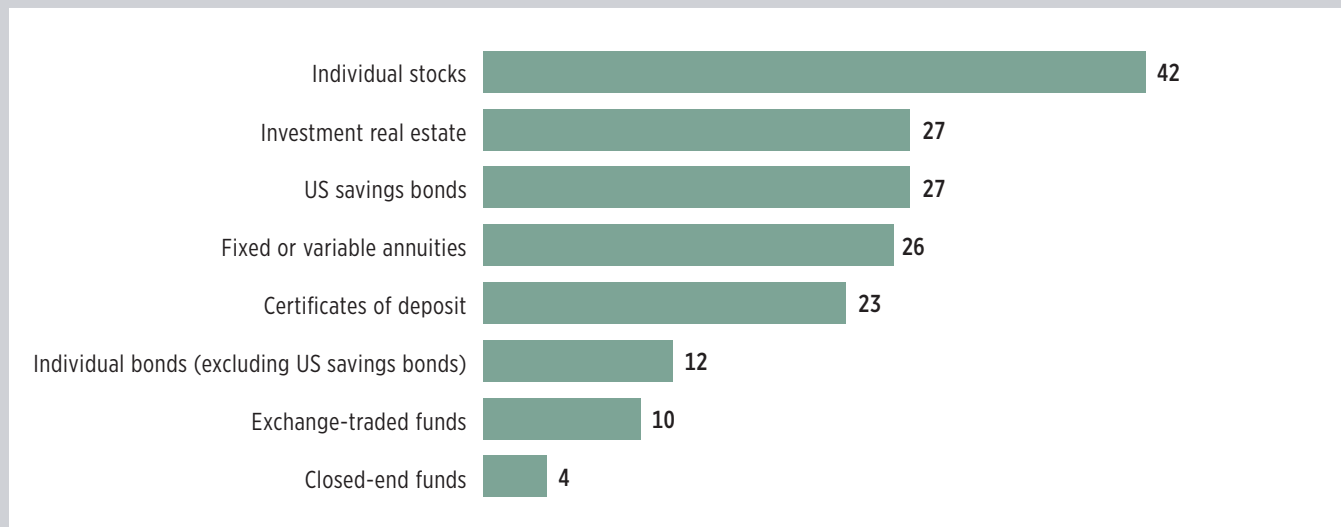
Mutual fund-owning households often hold more than one mutual fund. In mid-2016, the median number of mutual funds owned by shareholder households was four (Figure 4). Among these households, 48 percent owned three or fewer funds, and 52 percent owned four or more, with 14 percent reporting they held 11 or more funds.

Equity funds were the most commonly owned type of mutual fund, held by 86 percent of mutual fund-owning households (Figure 5). In addition, 35 percent owned balanced funds, 46 percent owned bond funds, and 55 percent owned money market funds. Mutual fund holdings represented a significant portion of these households' financial assets: 64 percent had more than half of their household financial assets invested in mutual funds (Figure 6).

FIGURE 3

Mutual Fund-Owning Households Hold a Mix of Financial Assets

Percentage of US households owning mutual funds, 2016



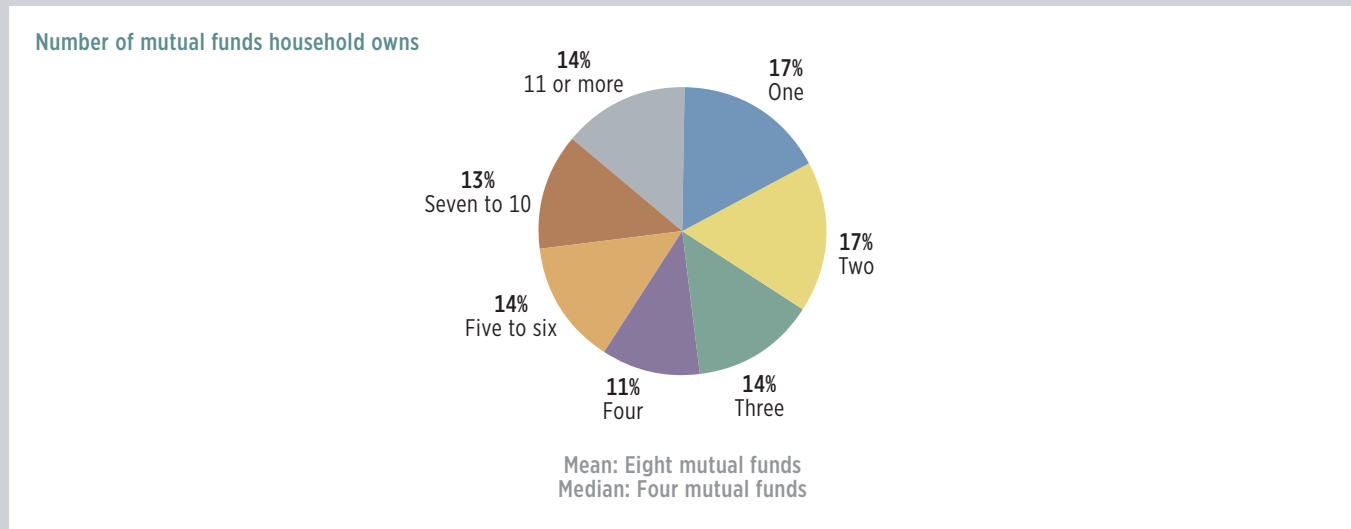
Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 4

Most Mutual Fund–Owning Households Own Multiple Funds

Percentage of US households owning mutual funds, 2016

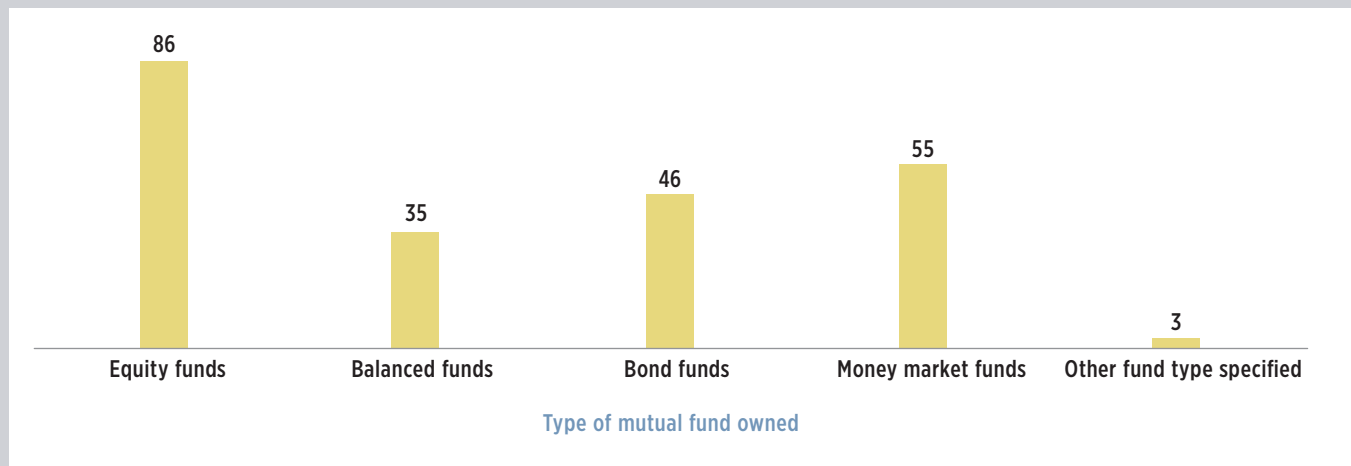


Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 5

Equity Funds Are the Most Commonly Owned Type of Mutual Fund

Percentage of US households owning mutual funds, 2016



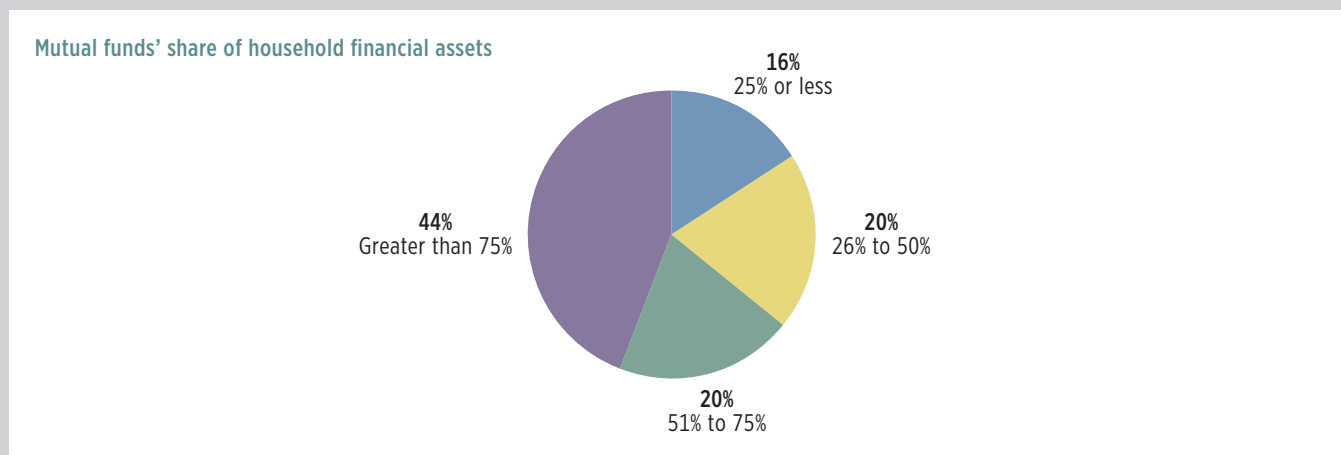
Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 6

Mutual Funds Are an Important Component of Investor Portfolios

Percentage of US households owning mutual funds, 2016



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

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Retirement Saving Often Is the Goal of Mutual Fund Investors

Mutual fund-owning households have a variety of financial goals for their mutual fund investments. The vast majority, 92 percent, indicated that they were using mutual funds to save for retirement (Figure 7), and 74 percent indicated that saving for retirement was their household's primary financial goal.

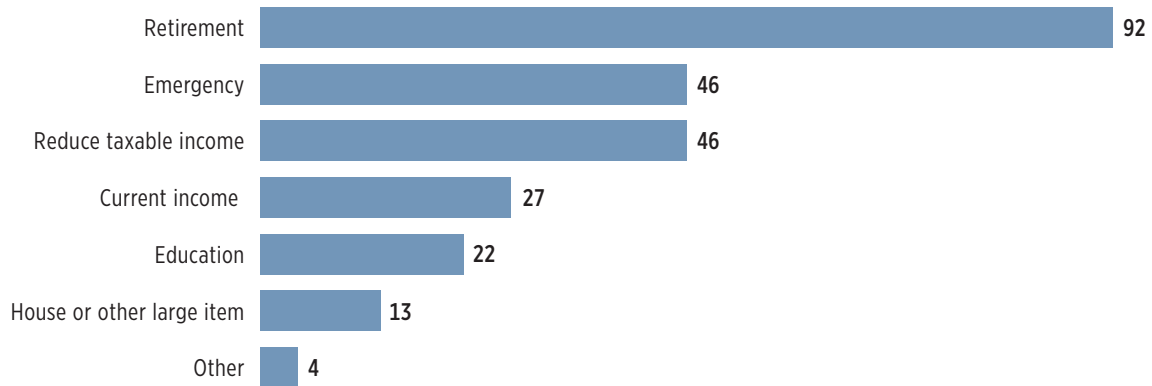
However, retirement is not the only financial goal for households' mutual fund investments. Forty-six percent listed saving for an emergency as a goal, and 22 percent reported saving for education among their goals (Figure 7). Forty-six percent of mutual fund-owning households reported that reducing their taxable income was one of their goals. Though many mutual fund-owning households (51.8 million) held funds in tax-deferred savings accounts,⁵ 9.5 million US households held long-term mutual funds (stock, bond, and balanced funds) in taxable accounts in mid-2016.

FIGURE 7

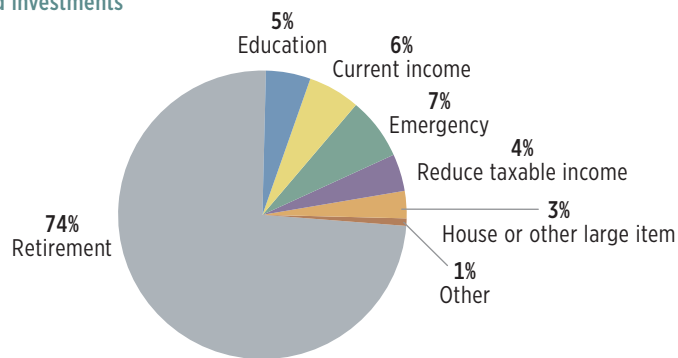
Majority of Mutual Fund Investors Focus on Retirement

Percentage of US households owning mutual funds, 2016

Financial goals for mutual fund investments*



Primary financial goal for mutual fund investments



*Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Employer-Sponsored Retirement Plans and Investment Professionals Are the Main Channels of Fund Investments

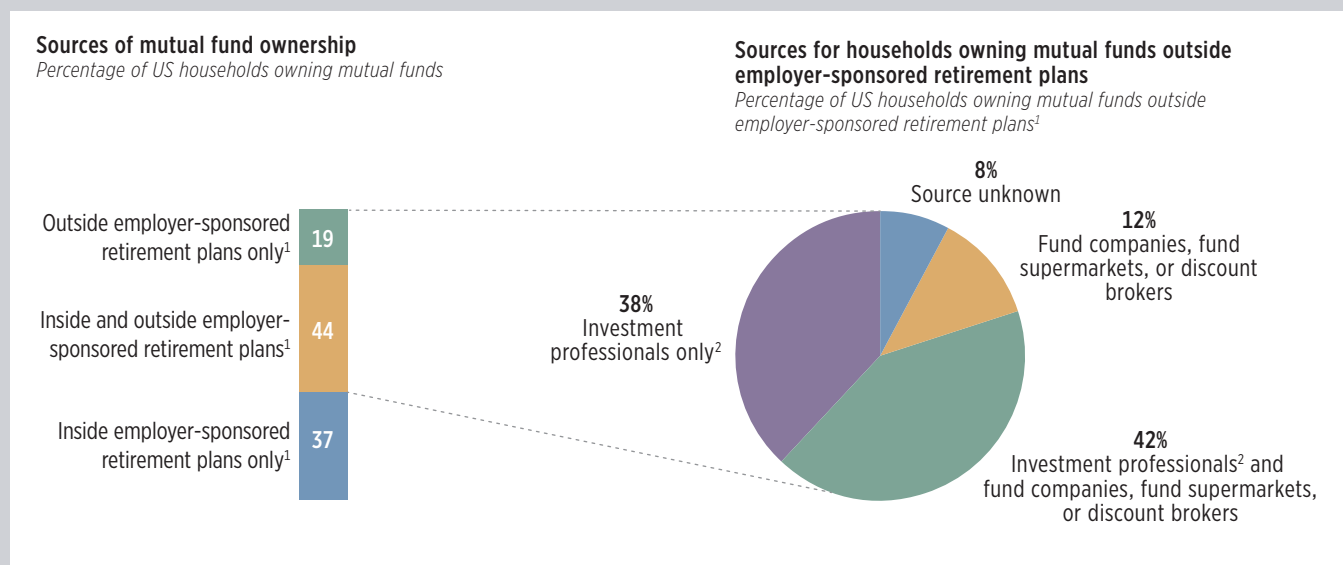
Among mutual fund-owning households, 37 percent invested in mutual funds solely inside employer-sponsored retirement plans, which include defined contribution (DC) plans and employer-sponsored individual retirement accounts (IRAs);⁶ 19 percent owned funds solely outside

these plans; and 44 percent had funds both inside and outside employer-sponsored retirement plans (Figure 8). Altogether, 81 percent of mutual fund-owning households owned funds through employer-sponsored retirement plans, and 63 percent owned funds outside of these plans.⁷ Among households owning mutual funds outside of employer-sponsored retirement plans, 80 percent owned funds purchased from an investment professional.⁸

FIGURE 8

Mutual Fund Investments Outside Retirement Plans Often Are Guided by Investment Professionals

2016



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

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

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Fifty-one percent of mutual fund-owning households held mutual funds through multiple sources (Figure 9). In mid-2016, 16 percent of mutual fund-owning households held mutual funds both inside employer-sponsored retirement plans and through investment professionals; 6 percent owned mutual funds both inside employer-sponsored retirement plans and directly through fund companies, fund supermarkets, or discount brokers; and 8 percent held mutual funds through investment professionals and fund companies, fund supermarkets, or discount brokers.⁹ Another 18 percent owned mutual funds through all three source categories. When owning funds only through one

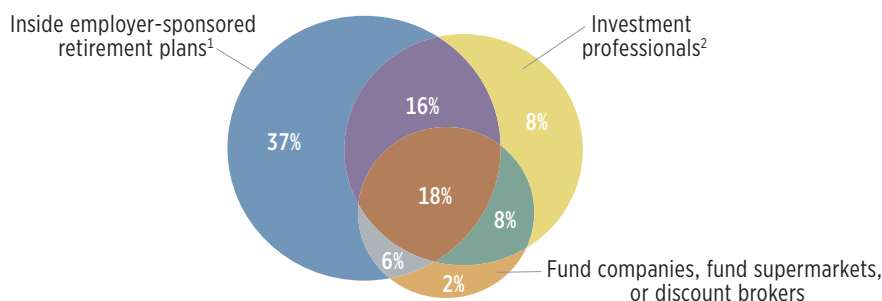
source category, the most common route to fund ownership was employer-sponsored retirement plans: 37 percent of mutual fund-owning households owned funds only through their employer-sponsored retirement plans.

Where households own mutual funds tends to vary with the age of the head of household.¹⁰ Younger mutual fund-owning households are more likely to own funds inside employer-sponsored retirement plans while older mutual fund-owning households are more likely to own funds outside such plans. In mid-2016, 86 percent of mutual fund-owning households younger than 50 held

FIGURE 9

More Than Half of Mutual Fund-Ownning Households Held Shares Through Multiple Sources

Percentage of US households owning mutual funds, 2016



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

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

Note: Figure does not add to 100 percent because 5 percent of households owning mutual funds outside of employer-sponsored retirement plans did not indicate which source was used to purchase funds. Of this 5 percent, 3 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

mutual funds inside employer-sponsored retirement plans (Figure 10).¹¹ Forty-three percent held mutual funds only inside employer-sponsored retirement plans. Forty-five percent of these households owned mutual funds through investment professionals, and 31 percent held funds directly through fund companies or discount brokers. Older mutual fund-owning households tend to own mutual funds outside of employer-sponsored retirement plans. In mid-2016, 76 percent of mutual fund-owning households aged 50 or older held mutual funds inside employer-sponsored retirement plans (Figure 11).¹² Thirty-two percent held mutual funds only inside employer-sponsored retirement plans. Fifty-five percent of these older households owned mutual funds through investment professionals, and 37 percent held funds directly through fund companies or discount brokers.

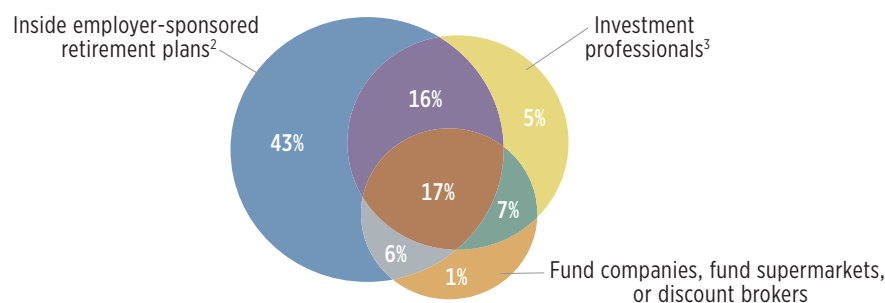
First Mutual Fund Purchases Increasingly Are Made Through Employer-Sponsored Retirement Plans

Mutual fund-owning households often purchase their first mutual fund through employer-sponsored retirement plans. In mid-2016, across all mutual fund-owning households, 67 percent had purchased their first fund through that channel (Figure 12). Households that made their first mutual fund purchase more recently were more likely to have done so through employer-sponsored retirement plans. Among households that bought their first mutual fund in 2010 or later, 71 percent bought that first fund through such a plan, compared with 56 percent of households that first purchased mutual funds before 1990.

FIGURE 10

Younger Mutual Fund-Owning Households Are More Likely to Hold Funds Through Employer-Sponsored Retirement Plans

Percentage of mutual fund-owning households younger than 50,¹ 2016



¹ Age is based on the age of the sole or co-decisionmaker for household saving and investing.

² Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

³ Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

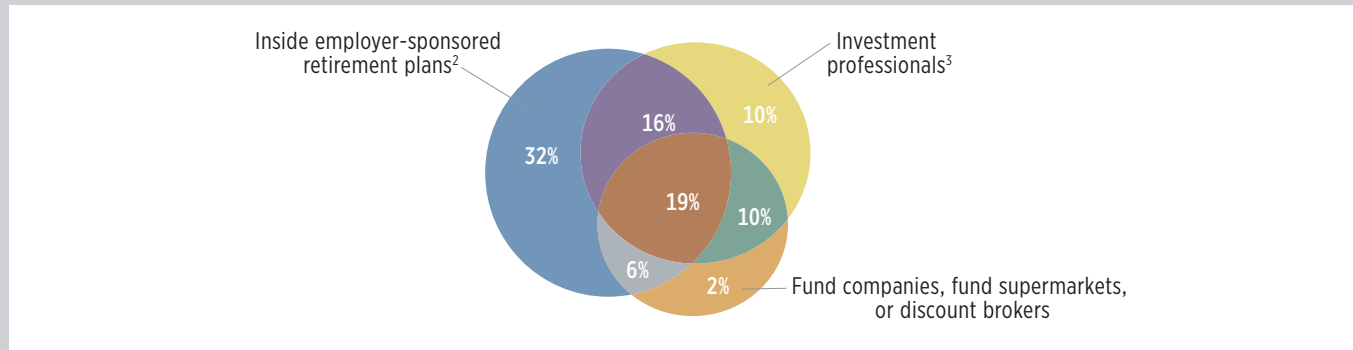
Note: Figure does not add to 100 percent because 5 percent of mutual fund-owning households younger than 50 owned funds outside of employer-sponsored retirement plans, but did not indicate which source was used to purchase funds. Of this 5 percent, 4 percent owned funds both inside and outside employer-sponsored retirement plans and 1 percent owned funds only outside of employer-sponsored retirement plans.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 11

Older Mutual Fund–Owning Households Are More Likely to Hold Funds Outside Employer-Sponsored Retirement Plans

Percentage of mutual fund–owning households aged 50 or older,¹ 2016



¹ Age is based on the age of the sole or co-decisionmaker for household saving and investing.

² Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

³ Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

Note: Figure does not add to 100 percent because 5 percent of mutual fund–owning households aged 50 or older owned funds outside of employer-sponsored retirement plans, but did not indicate which source was used to purchase funds. Of this 5 percent, 3 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent only owned funds outside of employer-sponsored retirement plans.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 12

Employer-Sponsored Retirement Plans Are Increasingly the Source of First Fund Purchase

Percentage of US households owning mutual funds, 2016

| | Year of household's first mutual fund purchase | | | | | | Memo: all mutual fund–owning households |
|---|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|--|
| | Before 1990 | Between 1990 and 1994 | Between 1995 and 1999 | Between 2000 and 2004 | Between 2005 and 2009 | 2010 or later | |
| Source of first mutual fund purchase | | | | | | | |
| Inside employer-sponsored retirement plans | 56 | 68 | 69 | 70 | 75 | 71 | 67 |
| Outside employer-sponsored retirement plans | 44 | 32 | 31 | 30 | 25 | 29 | 33 |

Note: Employer-sponsored retirement plans include DC 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 Annual Mutual Fund Shareholder Tracking Survey

Most Mutual Fund–Owning Households Bought Their First Fund Before 2000

Most mutual fund–owning households have invested in mutual funds for many years: 27 percent bought their first mutual fund before 1990; 12 percent purchased their first fund between 1990 and 1994; and 15 percent bought their first fund between 1995 and 1999 (Figure 13). Fourteen percent purchased their first fund between 2000 and 2004. Thirty-two percent of mutual fund–owning households purchased their first fund in 2005 or later.

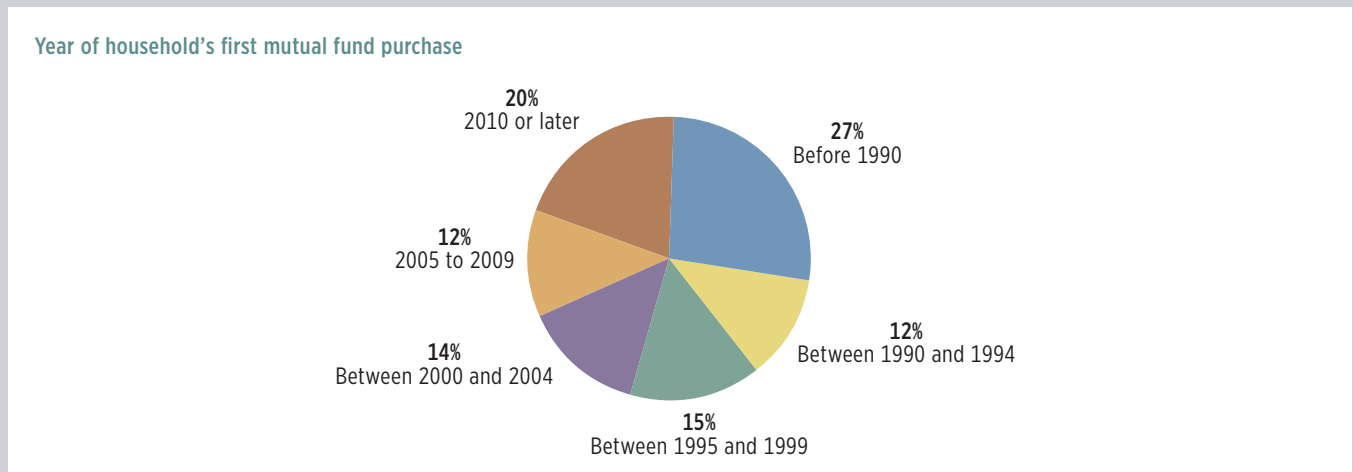
Mutual Fund Ownership Varies by Household Generation

Households can be grouped by generation based on the birth year of the head of household. In mid-2016, there were 125.8 million US households (Figure 14).¹³ Baby Boom households (head of household born between 1946 and 1964) are the largest generation, with 43.2 million, or 34 percent of, US households. Generation X households follow not too far behind with 34.7 million households, and Millennials head 28.6 million households. Finally, there were 19.2 million US households headed by individuals aged 71 or older from the Silent and GI Generations.

FIGURE 13

Most Mutual Fund–Owning Households Purchased Their First Fund More Than a Decade Ago

Percentage of US households owning mutual funds, 2016

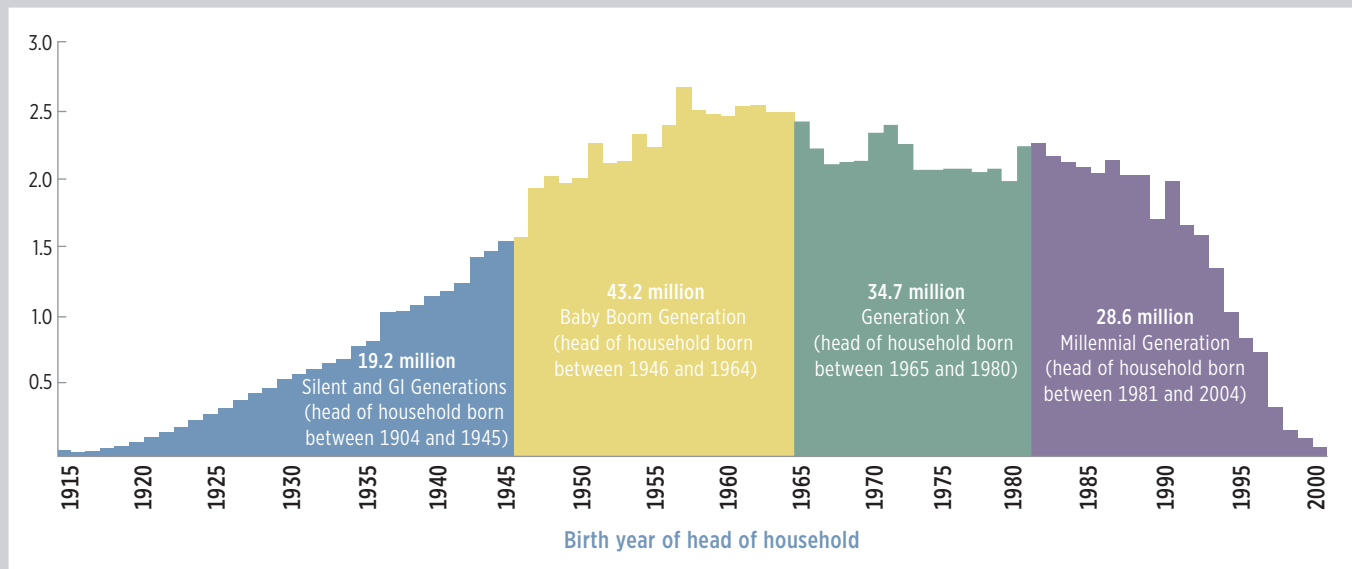


Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE 14

Number of US Households by Birth Year of Head of Household

Millions of households, 2016



Note: In 2016, there were 125.8 million US households. Components do not add to the total because of rounding.

Source: ICI tabulations of the US Census Bureau's Current Population Survey

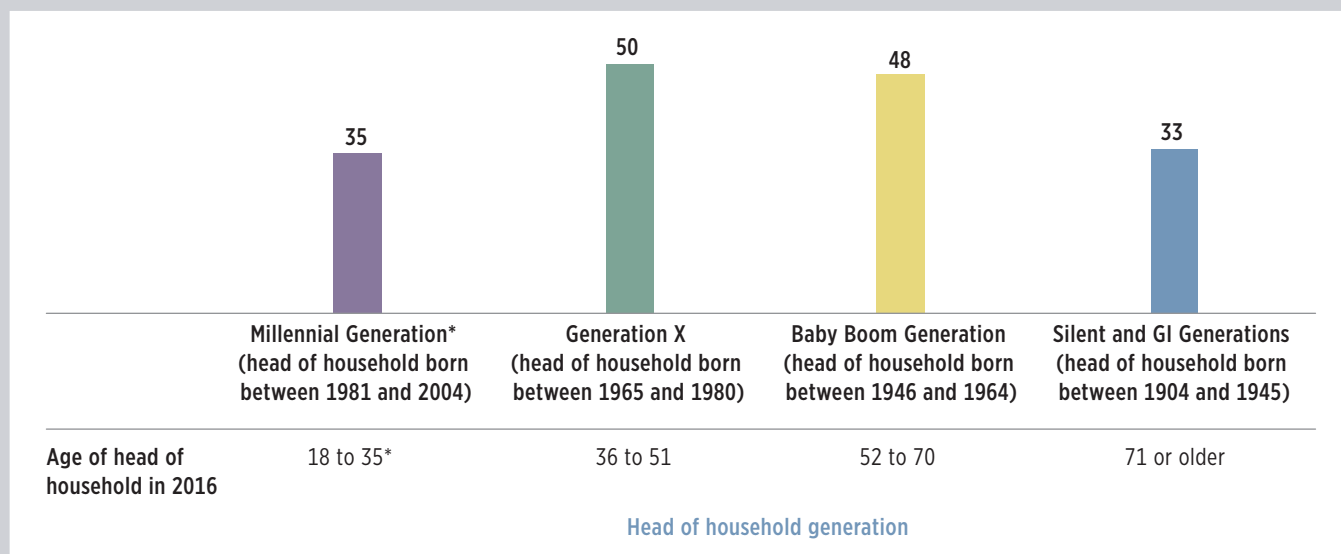
Mutual fund-owning households are headed by members of all generations, but members of the Baby Boom Generation (head of household born between 1946 and 1964) and Generation X (head of household born between 1965 and 1980) had the highest ownership rates in mid-2016. Forty-eight percent of households headed by a Baby Boomer and half of households headed by a member of

Generation X owned mutual funds in mid-2016 (Figure 15). Thirty-five percent of Millennial households (head of household born between 1981 and 2004)¹⁴ and 33 percent of Silent and GI Generation households (head of household born between 1904 and 1945) owned mutual funds in mid-2016.

FIGURE 15

Incidence of Mutual Fund Ownership Is Greatest Among the Baby Boom Generation and Generation X

Percentage of US households within each generation group, 2016



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

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

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

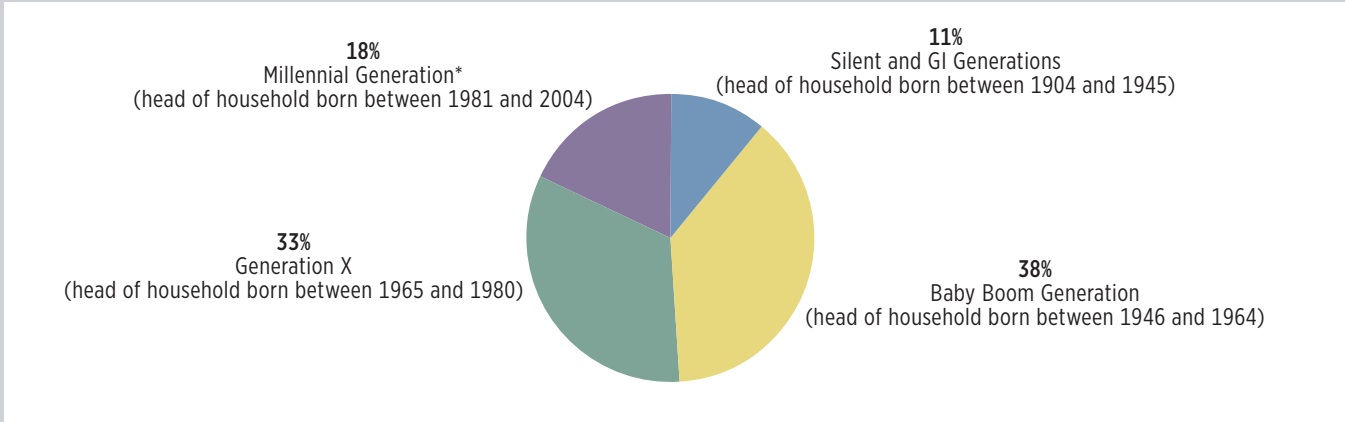
Members of the Baby Boom Generation were the largest share of mutual fund-owning households in mid-2016, reflecting both the size of the Baby Boom Generation and their high incidence of mutual fund ownership. Thirty-eight percent of households owning mutual funds

were headed by members of the Baby Boom Generation (Figure 16). In addition, 33 percent of households owning mutual funds were headed by members of Generation X and 18 percent were headed by Millennials. Eleven percent of households owning mutual funds were headed by members

FIGURE 16

Baby Boomers Make Up the Largest Group of Mutual Fund Owners

Percentage of US households owning mutual funds, 2016



*The Millennial Generation is aged 12 to 35 in 2016; however, survey respondents must be 18 or older.
Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

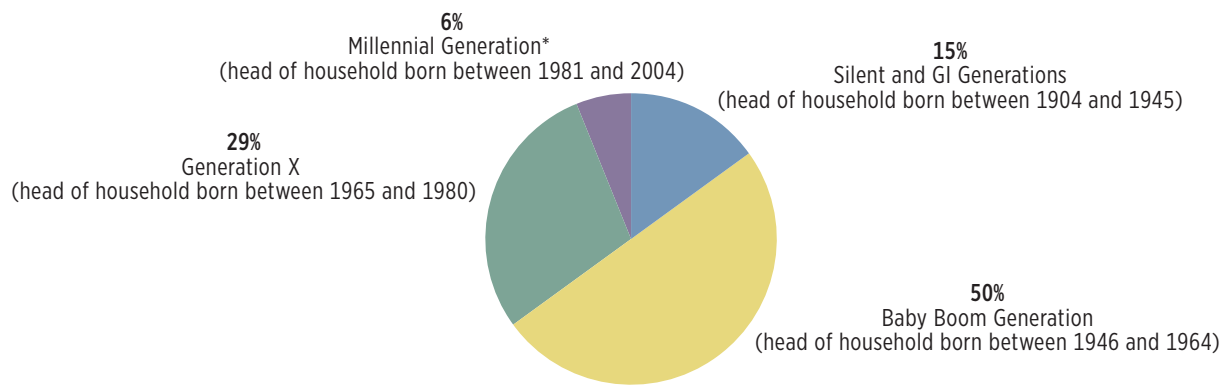
of the Silent and GI Generations.¹⁵ Baby Boomers were not only the largest shareholder group; they also held the largest percentage of household mutual fund assets in mid-2016. Half of households' total mutual fund assets were owned by households headed by Baby Boomers (Figure 17). Households headed by members of the Silent and GI Generations held another 15 percent of households'

total mutual fund assets, and Generation X held 29 percent. Although Millennial households were 18 percent of mutual fund-owning households in mid-2016, they held only 6 percent of households' mutual fund assets. This pattern of ownership reflects on the fact that Millennials are younger and have not had as much time to save as Baby Boomer households that are in their peak earning and saving years.¹⁶

FIGURE 17

The Majority of Mutual Fund Assets Are Held by Baby Boomers

Percentage of total mutual fund assets held by generation, 2016



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

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

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

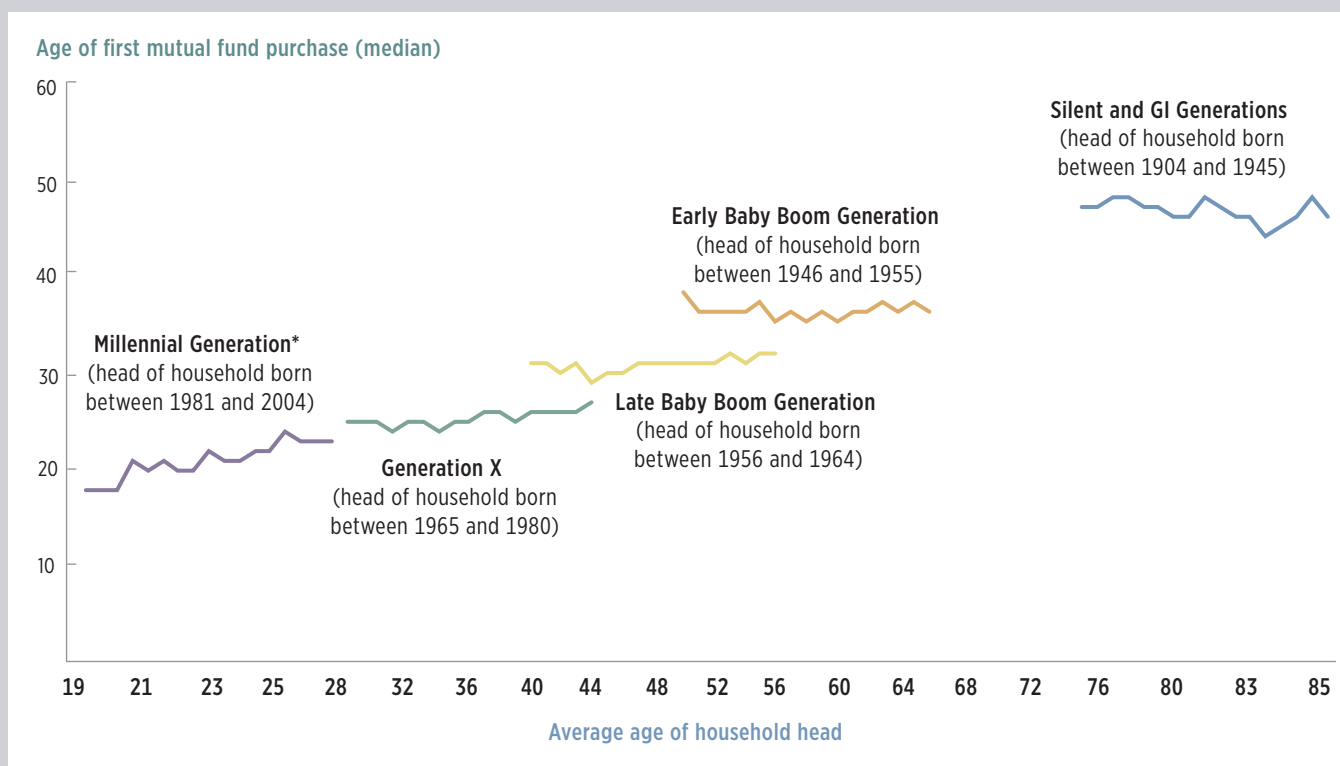
Younger generations tend to start investing in mutual funds earlier than older generations. For example, in 2016, when they were aged 18 to 35, the median age of first mutual fund purchase was 23 for households in the Millennial Generation (Figure 18).¹⁷ By comparison, Generation X households made their first mutual fund purchase at age 25 when they were aged 20 to 35 in 2000. Similarly, in 2016, when Generation X households were aged 36 to 51, their median age of first mutual fund purchase was 27, while in 2003, when late Baby Boomers were aged 39 to 47, their median age of first

mutual fund purchase was 31. Finally, in 2016, when they were aged 52 to 60, the median age of first mutual fund purchase was 32 for households in the late Baby Boom Generation while in 2005, when households in the early Baby Boom Generation were aged 50 to 59, their median age of first mutual fund purchase was 37. This pattern reflects the expansion of mutual fund investing, especially as it occurs in employer-sponsored retirement plans, which an individual would find as they enter the workforce and change jobs over their careers.¹⁸

FIGURE 18

Younger Generations Purchased First Mutual Fund Earlier Than Older Generations

Median age of household head when first mutual fund purchase was made by generation group, 2000–2016



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

Note: Age is the average age of the generation group at the time of the survey. Generation is based on the age of the household sole or co-decisionmaker for saving and investing. See Figure A1 for the data points plotted.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

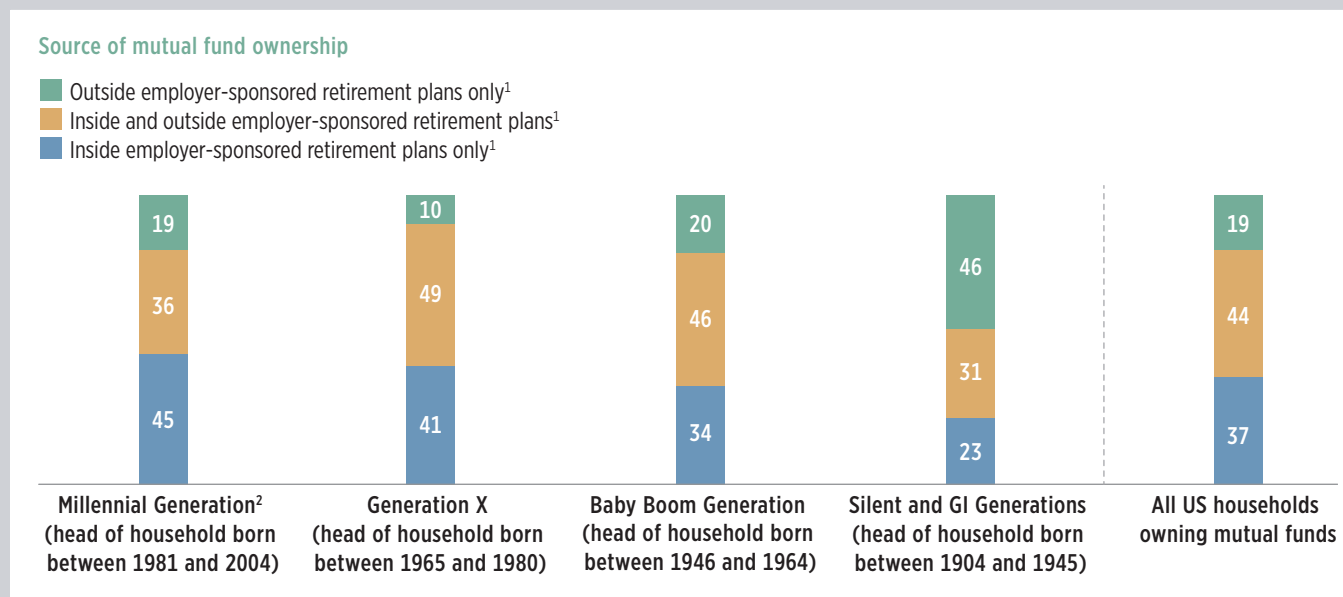
Younger generations are more likely to own mutual funds only inside employer-sponsored retirement plans, while older generations are more likely to own funds outside such plans. In mid-2016, 45 percent of mutual fund-owning households in the Millennial Generation owned funds only inside employer-sponsored retirement plans, compared with 34 percent of mutual fund-owning households headed by members of the Baby Boom Generation (Figure 19). Fifty-five percent of mutual fund-owning households in the Millennial Generation owned funds outside of employer-sponsored retirement plans, compared with nearly two-thirds of mutual fund-owning households headed by a

Baby Boomer. Baby Boom and Generation X households are more likely to own funds both inside and outside employer-sponsored retirement plans than younger or older generations. In mid-2016, 49 percent of Generation X households and 46 percent of Baby Boom households owned mutual funds both inside and outside employer-sponsored retirement plans, compared with 36 percent of Millennial Generation households and 31 percent of Silent and GI Generation households. The Silent and GI Generation households are the most likely to hold mutual funds only outside employer-sponsored retirement plans.

FIGURE 19

Mutual Fund Ownership Inside and Outside of Employer-Sponsored Retirement Plans Varies by Generation

Percentage of US households owning mutual funds by generation, 2016



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

² The Millennial Generation is aged 12 to 35 in 2016; however, survey respondents must be 18 or older.

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

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

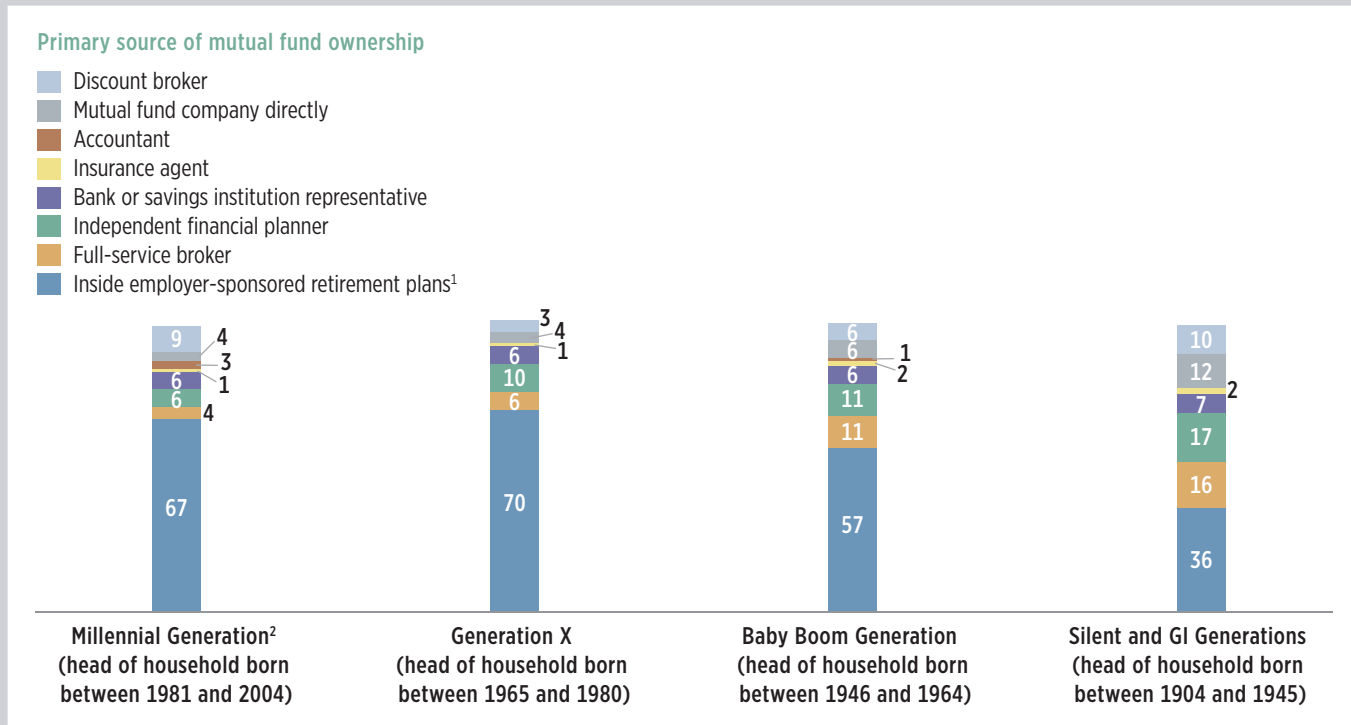
Older generations are more likely to purchase mutual funds primarily through investment professionals,¹⁹ particularly full-service brokers or independent financial planners. In mid-2016, 31 percent of mutual fund–owning households headed by a Baby Boomer used an investment professional as their primary source for purchasing mutual funds, compared with one in five mutual fund–owning households

in the Millennial Generation (Figure 20). Twenty-two percent of mutual fund–owning Baby Boomer households reported that their primary source for purchasing mutual funds was full-service brokers or independent financial planners, compared with 10 percent of Millennial mutual fund–owning households.

FIGURE 20

Primary Channels Used to Purchase Mutual Funds Vary by Generation

Percentage of US households owning mutual funds by generation, 2016



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

² The Millennial Generation is aged 12 to 35 in 2016; however, survey respondents must be 18 or older.

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

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Appendix

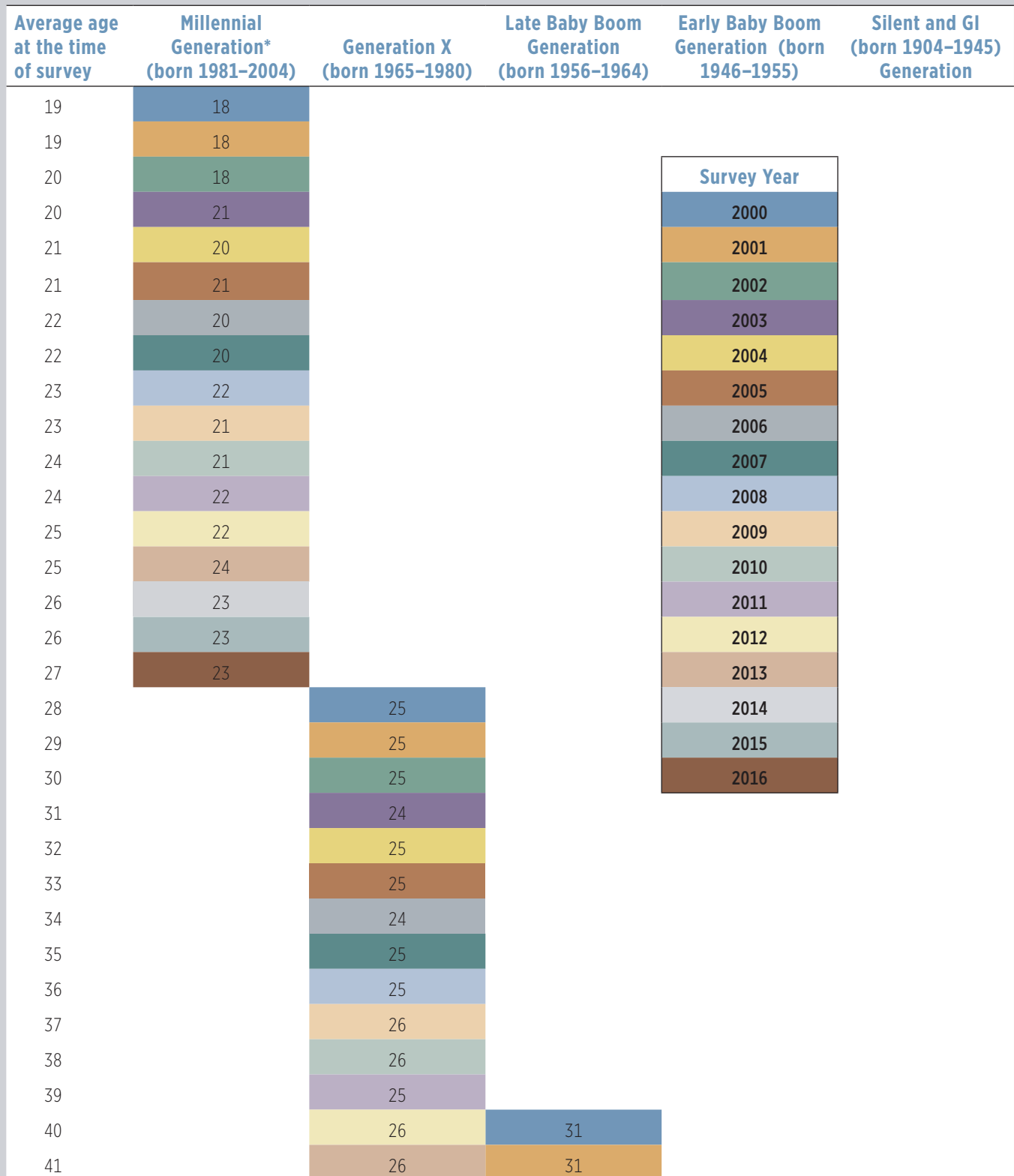
Figure A1 provides the data points plotted in Figure 18, analyzing the median age of the head of household when the first mutual fund purchase was made.

Figure A2 analyzes how mutual fund-owning households' purchase sources vary by generation. For example, Millennial households tend to hold mutual funds only through employer-sponsored retirement plans (45 percent) compared with older generations (e.g., 29 percent of early Baby Boom households that owned mutual funds held them only through employer-sponsored retirement plans). Figures 9 through 11 present a similar analysis for all mutual fund-owning households (Figure 9), those with a head of household younger than 50 (Figure 10), and those with a head of household aged 50 or older (Figure 11).

FIGURE A1

Age of First Mutual Fund Purchase by Generation

Median age of household head when first mutual fund purchase was made by generation of the household head, 2000–2016



Continued on the next page

FIGURE A1 CONTINUED

Age of First Mutual Fund Purchase by Generation

Median age of household head when first mutual fund purchase was made by generation of the household head, 2000–2016

| Average age at the time of survey | Millennial Generation* (born 1981–2004) | Generation X (born 1965–1980) | Late Baby Boom Generation (born 1956–1964) | Early Baby Boom Generation (born 1946–1955) | Silent and GI (born 1904–1945) Generation |
|-----------------------------------|---|-------------------------------|--|---|---|
| 42 | | 26 | 30 | | |
| 43 | | 26 | 31 | | |
| 44 | | 27 | 29 | | |
| 45 | | | 30 | | |
| 46 | | | 30 | | |
| 47 | 2000 | | 31 | | |
| 48 | 2001 | | 31 | | |
| 49 | 2002 | | 31 | | |
| 50 | 2003 | | 31 | 38 | |
| 51 | 2004 | | 31 | 36 | |
| 52 | 2005 | | 31 | 36 | |
| 53 | 2006 | | 32 | 36 | |
| 54 | 2007 | | 31 | 36 | |
| 55 | 2008 | | 32 | 37 | |
| 56 | 2009 | | 32 | 35 | |
| 57 | 2010 | | | 36 | |
| 58 | 2011 | | | 35 | |
| 59 | 2012 | | | 36 | |
| 60 | 2013 | | | 35 | |
| 61 | 2014 | | | 36 | |
| 62 | 2015 | | | 36 | |
| 63 | 2016 | | | 37 | |
| 64 | | | | 36 | |
| 65 | | | | 37 | |
| 66 | | | | 36 | |
| 67 | | | | | |
| 68 | | | | | |
| 69 | | | | | |
| 70 | | | | | |
| 71 | | | | | |
| 72 | | | | | |
| 73 | | | | | |

Continued on the next page

FIGURE A1 CONTINUED

Age of First Mutual Fund Purchase by Generation

Median age of household head when first mutual fund purchase was made by generation of the household head, 2000–2016

| Average age at the time of survey | Millennial Generation* (born 1981–2004) | Generation X (born 1965–1980) | Late Baby Boom Generation (born 1956–1964) | Early Baby Boom Generation (born 1946–1955) | Silent and GI (born 1904–1945) Generation |
|-----------------------------------|---|-------------------------------|--|---|---|
| 74 | | | | | |
| 75 | | | | | |
| 76 | 2000 | | | | 47 |
| 77 | 2001 | | | | 47 |
| 78 | 2002 | | | | 48 |
| 79 | 2003 | | | | 48 |
| 80 | 2004 | | | | 47 |
| 80 | 2005 | | | | 47 |
| 81 | 2006 | | | | 46 |
| 81 | 2007 | | | | 46 |
| 82 | 2008 | | | | 48 |
| 82 | 2009 | | | | 47 |
| 83 | 2010 | | | | 46 |
| 83 | 2011 | | | | 46 |
| 84 | 2012 | | | | 44 |
| 84 | 2013 | | | | 45 |
| 85 | 2014 | | | | 46 |
| 85 | 2015 | | | | 48 |
| 86 | 2016 | | | | 46 |

*The Millennial Generation was born between 1981 and 2004; however, only respondents 18 or older are included in the survey.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing. In the calculation of average age, the youngest that the Millennial Generation can be is 18 and the oldest that the Silent and GI Generations can be is age 100. Due to this, there are duplicate average age values for these generation groups across different survey years. In addition, there is a gap in the data between the average ages of 65 and 76 because the Silent and GI Generations include much older individuals than the early Baby Boom Generation group, making the average age for the Silent and GI Generation group much older.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

FIGURE A2

Mutual Fund Purchase Sources By Generation

Percentage of households owning mutual funds by head of household generation, 2016

| | Millennial Generation¹ (head of household born between 1981 and 2004) | Generation X (head of household born between 1965 and 1980) | Late Baby Boom Generation (head of household born between 1956 and 1964) | Early Baby Boom Generation (head of household born between 1946 and 1955) | Silent and GI Generations Generation (head of household born between 1904 and 1945) | Memo: Baby Boom Generation (head of household born between 1946 and 1964) |
|--|---|--|---|--|--|--|
| Inside employer-sponsored retirement plans only ² | 45 | 42 | 38 | 29 | 23 | 34 |
| Inside employer-sponsored retirement plans and investment professionals ^{2, 3} | 10 | 20 | 16 | 20 | 11 | 18 |
| Inside employer-sponsored retirement plans, investment professionals, and fund companies, fund supermarkets, or discount brokers ^{2, 3} | 18 | 17 | 20 | 19 | 16 | 19 |
| Investment professionals only ³ | 6 | 4 | 7 | 10 | 18 | 9 |
| Investment professionals and fund companies, fund supermarkets, or discount brokers ³ | 10 | 5 | 6 | 10 | 19 | 7 |
| Fund companies, fund supermarkets, or discount brokers only | 2 | (*) | 3 | 2 | 4 | 2 |
| Inside employer-sponsored retirement plans and fund companies, fund supermarkets, or discount brokers ² | 6 | 7 | 6 | 5 | 2 | 6 |
| Owned mutual funds inside and outside employer-sponsored retirement plans but did not know outside purchase source | 2 | 4 | 3 | 3 | 2 | 3 |
| Only owned mutual funds outside employer-sponsored retirement plans but did not know the outside purchase source | 1 | 1 | 1 | 2 | 5 | 2 |

¹ The Millennial Generation is aged 12 to 35 in 2016; however, survey respondents must be 18 or older.

² Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

³ Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

(*) = less than 0.5 percent

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

Notes

- ¹ The 2016 ICI Annual Mutual Fund Shareholder Tracking Survey included a randomly selected dual frame sample of 5,500 US households, with 2,750 households from a landline random digit dial (RDD) frame and 2,750 households from a cell phone RDD frame. Of the households contacted, 2,399 households, or 43.6 percent, owned mutual funds. The standard error for the 2016 sample of households owning mutual funds is ± 2.0 percentage points at the 95 percent confidence level. Survey data have been weighted to match census region, age distribution, household income distribution, educational attainment, and telephone status of the US population. For additional discussion of incidence of mutual fund ownership in the United States and for more information on the 2016 survey, see Holden, Schrass, and Bogdan 2016. For additional detail on the characteristics of US households that own mutual funds, see Schrass and Bogdan 2017, forthcoming. US Census Bureau 2016 reported that there were 125.8 million households in the United States in 2016.
- ² The life-cycle pattern of savings suggests that older individuals are able to save at higher rates because they no longer face the expenses of buying a home, putting children through college, or paying for their own education. An augmented version of the life-cycle theory predicts that the optimal savings pattern increases with age. For a summary discussion of life-cycle models, see Browning and Crossley 2001. In addition, see discussion in Brady and Bogdan 2014, as well as Sabelhaus, Bogdan, and Schrass 2008.
- ³ Among households whose heads reported they were retired, 79 percent were not employed, 13 percent were employed part-time, and 8 percent were employed full-time.
- ⁴ This is higher than the median household income across all US households (\$55,000 in 2015), reflecting, in part, mutual fund-owning households' higher likelihood to be headed by individuals who are working and between the ages of 35 and 64, the age range in which saving and investing traditionally is the greatest. See Holden, Schrass, and Bogdan 2016 for additional information.
- ⁵ Tax-deferred accounts include employer-sponsored retirement plans (including employer-sponsored IRAs), traditional IRAs, Roth IRAs, and variable annuities. See Holden, Schrass, and Bogdan 2016 for additional information.
- ⁶ DC plans include 401(k), 403(b), 457 plans, and other DC plans. Employer-sponsored IRAs include SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs. For more information on employer-sponsored retirement plans, see Investment Company Institute 2016. For additional information on households that own IRAs, see Holden and Schrass 2016a and 2016b.
- ⁷ Mutual funds held in traditional IRAs or Roth IRAs were counted as funds owned outside employer-sponsored retirement plans. Forty-two percent of US households that owned mutual funds held funds in traditional IRAs or Roth IRAs in 2016 (see Schrass and Bogdan 2017, forthcoming).
- ⁸ Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. For additional information on mutual fund owners' use of investment professionals, see Schrass and Bogdan 2017, forthcoming; Leonard-Chambers and Bogdan 2007; and Schrass 2013.
- ⁹ In addition, 3 percent of mutual fund-owning households owned mutual funds both inside and outside employer-sponsored retirement plans, but did not indicate specifically which outside source they used.
- ¹⁰ For a similar analysis by generation of the head of household, see Figure A2.
- ¹¹ In mid-2016, 4 percent of mutual fund-owning households younger than 50 owned mutual funds both inside and outside employer-sponsored retirement plans, but did not indicate specifically which outside source they used.
- ¹² In mid-2016, 3 percent of households aged 50 or older owned mutual funds both inside and outside of employer-sponsored retirement plans, but did not indicate specifically which outside source they used.
- ¹³ See US Census Bureau 2016.
- ¹⁴ Survey participants must be 18 or older and be the most knowledgeable about the household's savings and investments; so although people born between 1981 and 2004 are members of the Millennial Generation, only those born between 1981 and 1998 are included in this survey.
- ¹⁵ Households headed by members of the Silent Generation (born between 1925 and 1945) were 11 percent of all mutual fund-owning households; the GI Generation (born between 1904 and 1924) represented less than 0.5 percent. For additional information on mutual fund-owning households by generation, see Schrass and Bogdan 2017, forthcoming.
- ¹⁶ Ownership of 401(k) assets and IRA assets has a similar pattern by age. See Holden et al. 2016; Holden and Bass 2016; and Holden and Schrass 2016c.
- ¹⁷ The underlying data for Figure 18 are reported in Figure A1. Figure 18 presents the median age of household head when the first mutual fund purchase was made for each generation group. The data for the year of first mutual fund purchase are available on these households every year from 2000 to 2016 from the Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey. For each survey year, the relevant statistics are plotted at the average of the age range for each generation group. For example, in 2016, Generation X ranged in age from 36 to 51, and the 2016 data point for this group is plotted above age 44. Presented in this way, patterns can be discerned both across households and over time.
- ¹⁸ See Sabelhaus, Bogdan, and Schrass 2008; Sabelhaus and Schrass 2009; and Holden, Schrass, and Bogdan 2016.
- ¹⁹ See note 8 for the definition of investment professional.

References

- Brady, Peter, and Michael Bogdan. 2014. "Who Gets Retirement Plans and Why, 2013." *ICI Research Perspective* 20, no. 6 (October). Available at www.ici.org/pdf/per20-06.pdf.
- Browning, Martin, and Thomas F. Crossley. 2001. "The Life-Cycle Model of Consumption and Saving." *Journal of Economic Perspectives* 15, no. 3: 3–22 (Summer).
- Holden, Sarah, and Steven Bass. 2016. "The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2014." *ICI Research Report* (August). Available at www.ici.org/pdf/rpt_16_ira_traditional.pdf.
- Holden, Sarah, and Daniel Schrass. 2016a. "The Role of IRAs in US Households' Saving for Retirement, 2015." *ICI Research Perspective* 22, no. 1 (February). Available at www.ici.org/pdf/per22-01.pdf.
- Holden, Sarah, and Daniel Schrass. 2016b. "Appendix: Additional Data on IRA Ownership in 2015." *ICI Research Perspective* 22, no. 1A (February). Available at www.ici.org/pdf/per22-01a.pdf.
- Holden, Sarah, and Daniel Schrass. 2016c. "The IRA Investor Profile: Roth IRA Investors' Activity, 2007–2014." *ICI Research Report* (August). Available at www.ici.org/pdf/rpt_16_ira_roth.pdf.
- Holden, Sarah, Daniel Schrass, and Michael Bogdan. 2016. "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2016." *ICI Research Perspective* 22, no. 6 (October). Available at www.ici.org/pdf/per22-06.pdf.
- Holden, Sarah, Jack VanDerhei, Luis Alonso, and Steven Bass. 2016. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2014." *ICI Research Perspective* 22, no. 3, and *EBRI Issue Brief*, no. 423 (April). Available at www.ici.org/pdf/per22-03.pdf.
- Investment Company Institute. 2016. "The US Retirement Market, Second Quarter 2016" (September). Available at www.ici.org/info/ret_16_q2_data.xls.
- Leonard-Chambers, Victoria, and Michael Bogdan. 2007. "Why Do Mutual Fund Investors Use Professional Financial Advisers?" *Investment Company Institute Fundamentals* 16, no. 1 (April). Available at www.ici.org/pdf/fm-v16n1.pdf.
- Sabelhaus, John, Michael Bogdan, and Daniel Schrass. 2008. *Equity and Bond Ownership in America, 2008*. Washington, DC: Investment Company Institute; New York: Securities Industry and Financial Markets Association (December). Available at www.ici.org/pdf/rpt_08_equity_owners.pdf.
- Sabelhaus, John, and Daniel Schrass. 2009. "The Evolving Role of IRAs in US Retirement Planning." *Investment Company Institute Perspective* 15, no. 3 (November). Available at www.ici.org/pdf/per15-03.pdf.
- Schrass, Daniel. 2013. "Ownership of Mutual Funds Through Investment Professionals, 2012." *ICI Research Perspective* 19, no. 2 (February). Available at www.ici.org/pdf/per19-02.pdf.
- Schrass, Daniel, and Michael Bogdan. 2017, forthcoming. "Profile of Mutual Fund Shareholders, 2016." *ICI Research Report*.
- US Census Bureau. 2016. "Income, Poverty, and Health Insurance Coverage in the United States: 2015." *Current Population Reports*, P60-256 (September). Washington, DC: US Government Printing Office. Available at www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf.



1401 H Street, NW
Washington, DC 20005
202-326-5800
www.ici.org

Copyright © 2016 by the Investment Company Institute. All rights reserved.

The Investment Company Institute (ICI) is a leading global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.