EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

At a Glance | September 10, 2020

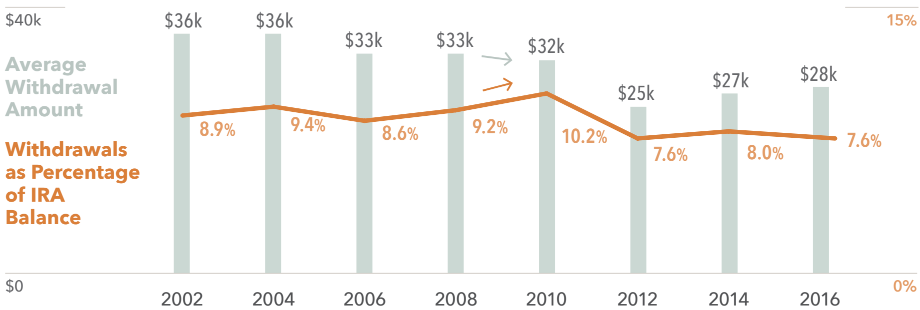
IRA Withdrawal Patterns in Times of Crisis

The waiver of required minimum distributions (RMDs) for 2020 is one of the provisions of the CARES Act. EBRI looks at the Great Recession of 2008–2010 to explore the effects of a prior economic crisis and a similar policy on IRA withdrawal patterns.

IRA WITHDRAWALS

Accountholders in the ages 50-70 cohort did not adjust their withdrawals relative to their account balance during the 2008–2010 market downturn, resulting in a larger proportion of balances being withdrawn.

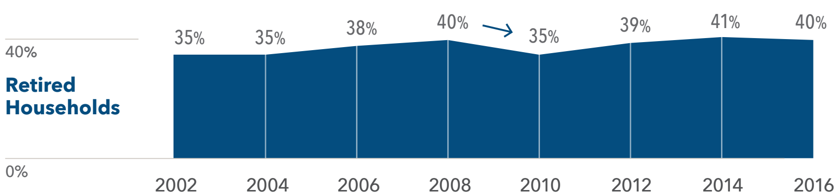
IRA Withdrawals, Households Ages 50-70
By Average Withdrawal Amount[1] and as Percentage of IRA Balance



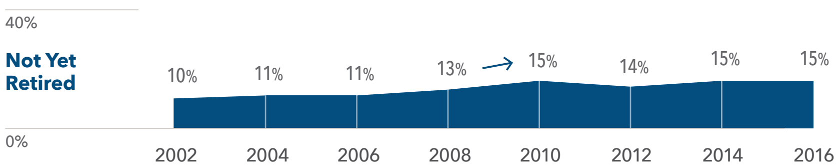
RETIRED VS. NOT RETIRED

The likelihood of an IRA withdrawal among retired households went down during the 2008 market downturn.

Share of Households Aged 50-70 Making IRA Withdrawals
Retired vs. Not-Yet-Retired Households



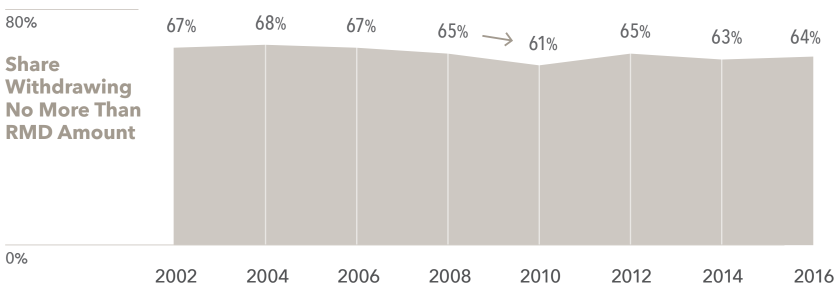
In contrast, the share of not-yet-retired households taking withdrawals from their IRA increased in the same period.



IMPACT OF RMD WAIVER

Biennial IRA withdrawal data show a drop in withdrawals of no more than the RMD amount between 2008 and 2010. This can be attributed to households taking advantage of the 2009 RMD waiver.

IRA Withdrawals, Households Ages 71 and Up
Share of Older Households Withdrawing No More Than Their RMD



1. In 2016 dollars.
SOURCE: Zahra Ebrahimi, "IRA Withdrawal Patterns in Times of Crisis," *EBRI Issue Brief*, no. 510 (Employee Benefit Research Institute, August 13, 2020).