Individual Retirement Accounts: How Balances of Older Account Owners Change Over Time

By Craig Copeland, Ph.D., Employee Benefit Research Institute

ATA GLANCE

• Assets held in individual retirement accounts (IRAs) have been growing rapidly, rising from $1.47 trillion in 1996 to $9.20 trillion in 2017. As a result of this growth, these assets have become a major share of all retirement assets held by retirees. Thus, how they are used is of great interest to those focused on retirement adequacy due to this use having a tremendous effect on Americans’ retirement.

• This Issue Brief examines changes in IRA balances over a three-year period from end-of-year 2012 to end-of-year 2015. While three years is a rather brief time, it allows for evaluating whether individuals owning IRAs, particularly those near or in retirement, are drawing down the assets very quickly or are preserving or even growing them. This has become a key policy issue, as it helps shed light on whether Americans use their IRA assets in a way that allows them to maintain a standard of living throughout retirement beyond what any Social Security benefits provide. This is also the next evaluation to be done after the assessment of whether workers are accumulating sufficient assets in the individual account plan retirement system.

• This study tracks Traditional and Roth IRAs that were in the EBRI IRA Database in 2012. Each of these accounts will be followed to see if they are maintained or closed. If maintained, the IRA’s balance changes from 2012 to the end of the study in 2015 are examined. The focus is on those around retirement ages — 60 years old or older. In 2012, the EBRI IRA Database had 19.8 million Traditional and Roth IRAs. Traditional IRAs amounted to 14.4 million, while Roth IRAs numbered 5.4 million.

• Of the IRAs owned by those ages 60 or older, slightly over 80 percent still had positive balances after three years. Not until the owners reached ages 85 or older did a significantly higher percentage of accounts not have a positive balance (were not closed or depleted) after three years. There were only small differences between IRA types (Traditional vs. Roth) in the likelihood that balances were still positive after the three years. However, accounts with larger balances were more likely to still have positive balances.

• If the IRA still had a positive balance in 2015 at the end of the study, just under a third (32.0 percent) had a balance less than what it was in 2012. However, Traditional IRAs were far more likely to have a lower balance than Roth IRAs. Specifically, 36.5 percent of the Traditional IRAs had lower balances in 2015, compared with 13.2 percent of the Roth IRAs.

• Accounts owned by older individuals were more likely to have a decrease in their balances. For IRAs owned by those ages 60–64, 20.8 percent had a balance decrease. This percentage continued upward with the age of the IRA owner, reaching 63.3 percent for those ages 85 or older.

• Almost half (45.0 percent) of accounts either went to zero — were depleted or closed — or decreased in size since 2012. However, this proportion rose sharply with age, going from 35.0 percent of accounts owned by those ages...
60–64 to 76.9 percent for those owned by individuals ages 85 or older. Accounts owned by males had a somewhat higher likelihood of a decline at 44.6 percent vs. 41.9 percent for accounts owned by females.

- Of all IRAs owned by those ages 60 or older, the median balance change over the period was an increase of 11.9 percent. Consequently, the balances of many IRAs owned by those ages 60 or older experienced fairly substantial increases even during a time when the owners were near or at retirement and could be expected to start spending down their assets.

- Some of the factors that lead to larger balance changes include the IRA type, age of the account owner, the account balance size, and the number of annual withdrawals taken.
  
  - Roth IRAs were much more likely to have had positive account balance changes than Traditional IRAs: the 25th percentile balance change for Roth IRAs was an increase of 9.9 percent, compared with a decrease of 8.5 percent for Traditional IRAs.
  
  - Older account owners experienced lower balance increases than younger account owners near or in retirement: IRAs owned by those ages 85 or older decreased 5.9 percent over the period studied at the median, compared with 21.1 percent growth for IRAs owned by those ages 60–64.

- Withdrawal behavior shows that those younger than age 71 who made a withdrawal took out a larger share of their accounts than those who were just at the beginning of the required minimum distribution age, where they were potentially only making a withdrawal because they were required to do so.

- A comparison of these IRA results with a study of overall nonhousing wealth changes shows that the changes in IRA balances are in line with the changes in wealth for retirees over the three-year period.

- Seeing such a large percentage of IRA balances increasing in this period is encouraging from the perspective of IRA owners not outliving their retirement assets. However, some may be doing too well, as they may be in position to spend more. While these results show what happened in this short time period, a longer time period may have different results. Thus, a further examination is warranted of effective behaviors and strategies for retirees to achieve the balance of not outliving their assets while at the same time maintaining the appropriate standard of living given the size of their nest egg.
Craig Copeland is senior research associate at the Employee Benefit Research Institute (EBRI). This Issue Brief was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

**Suggested Citation:** Craig Copeland. "Individual Retirement Accounts: How Balances of Older Account Owners Change Over Time." *EBRI Issue Brief,* no. 477 (Employee Benefit Research Institute, March 21, 2019).

**Copyright Information:** This report is copyrighted by the Employee Benefit Research Institute (EBRI). It may be used without permission but citation of the source is required.

**Report availability:** This report is available on the internet at [www.ebri.org](http://www.ebri.org).

### Data Security

The Employee Benefit Research Institute’s (EBRI’s) retirement databases (the EBRI/ICI Participant-Directed Retirement Plan Database, the EBRI IRA Database, and the EBRI Integrated Defined Contribution/IRA Database) have undergone multiple independent security audits and have been certified to be fully compliant with the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) ISO/IEC 27002 Information Security Audit standard. Moreover, EBRI has obtained a legal opinion that the methodology used meets the privacy standards of the Financial Services Modernization Act of 1999 (the Gramm-Leach-Bliley Act). At no time has any nonpublic, personal information that is personally identifiable, such as Social Security numbers, been transferred to or shared with EBRI.

### Table of Contents

Introduction ................................................................. 6
Characteristics of IRA Ownership ..................................... 6
Balance Changes From 2012–2015 for All IRAs .................... 6
Balance Changes From 2012–2015 for IRAs Owned by Those Ages 60 or Older .............................................. 11
Accounts With Any Decline ........................................... 19
Other Factors .................................................................. 22
Changes in Account Balances for Those With Positive Balances in 2015 .......................................................... 22
Factors in Balance Changes ............................................. 26
Comparison With Wealth Changes ..................................... 29
Conclusion ..................................................................... 30
Endnotes ....................................................................... 31

### Figures

Figure 1, Distribution of IRA Ownership, by Various Characteristics and IRA Type ......................................................... 7

Figure 2, Percentage of IRAs Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by IRA Type ........................................................................................................ 8

Figure 3, Percentage of IRAs Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner .......................................................... 8
Figure 4, Percentage of IRAs Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance.................................................................................................................................................. 9

Figure 5, Percentage of IRAs That Were Closed or Had a Decrease in Account Balance From 2012–2015, by IRA Type........................................................................................................................................................................9

Figure 6, Percentage of IRAs That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner......................................................................................................................................................................... 10

Figure 7, Percentage of IRAs That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance .................................................................................................................................................................. 10

Figure 8A, Percentage of All IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner .............................................................................................................. 12

Figure 8B, Percentage of Traditional IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner .................................................................................................. 12

Figure 8C, Percentage of Roth IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner .................................................................................................. 12

Figure 9, Percentage of IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance .............................................................................................................. 13

Figure 10A, Percentage of Traditional IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance .................................................................................................. 14

Figure 10B, Percentage of Roth IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance .................................................................................................. 14

Figure 11, Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012 in 2014 and 2015, by IRA Type ................................................................................................................................................... 15

Figure 12, Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012, by Age of Account Owner .................................................................................................. 15

Figure 13, Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012, by Account Balance .................................................................................................. 16

Figure 14A, Percentage of Traditional IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012, by Account Balance .................................................................................................. 17

Figure 14B, Percentage of Roth IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012, by Account Balance .................................................................................................. 17

Figure 15A, Percentage of All IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner .................................................................................................. 18

Figure 15B, Percentage of Traditional IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner .................................................................................................. 18

Figure 15C, Percentage of Roth IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner .................................................................................................. 18
Figure 16, Percentage of IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance .................................................. 19

Figure 17A, Percentage of Traditional IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance .................................................. 20

Figure 17B, Percentage of Roth IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance .................................................. 20

Figure 18, Percentage of IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Gender of Account Owner ............................................... 21

Figure 19, Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012, by Number of Annual Withdrawals .................................................. 21

Figure 20, Percentage of IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, All vs. Those Receiving a Rollover in 2012 .................................................................. 22

Figure 21, Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by IRA Type .......................................................... 23

Figure 22, Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Age of Account Owner ............................................. 23

Figure 23, Distribution of the Percentage Changes in Account Balances From 2012–2015 for Traditional IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Age of Account Owner ....................... 24

Figure 24, Distribution of the Percentage Changes in Account Balances From 2012–2015 for Roth IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Age of Account Owner ........................................... 25

Figure 25, Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Account Balance ................................................. 25

Figure 26, Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Number of Annual Withdrawals ........................................ 27

Figure 27, Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 Who Took a Distribution Each Year 2013–2015, by Age of Account Owner ............................................. 27

Figure 28, Percentage of IRAs Owned by Those Ages 60 or Older That Received Contributions or Rollovers in at Least One Year 2013–2015 ........................................................................ 28

Figure 29, Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Whether the Account Received Contributions or Rollovers .... 28

Figure 30, Distribution of the Percentage of Initial Nonhousing Wealth Remaining 3–4 Years After Retirement (HRS) vs. Distribution of the Percentage of IRA Assets Remaining 3 Years Later for Those Ages 65 or Older (IRA Database), by Initial Levels ................................................. 29
Individual Retirement Accounts: How Balances of Older Account Owners Change Over Time

By Craig Copeland, Ph.D., Employee Benefit Research Institute

Introduction
Assets held in individual retirement accounts (IRAs) have been growing rapidly, rising from $1.47 trillion in 1996 to $9.20 trillion in 2017. As a result of this growth, these assets have become a major share of all retirement assets held by retirees. Thus, how they are used is of great interest to those focused on retirement adequacy due to this use having a tremendous effect on Americans’ retirement.

This Issue Brief examines changes in IRA balances over a three-year period from end-of-year 2012 to end-of-year 2015. While three years is a rather brief time, it allows for evaluating whether individuals owning IRAs, particularly those near or in retirement, are drawing down the assets very quickly or are preserving or even growing them. This has become a key policy issue, as it helps shed light on whether Americans use their IRA assets in a way that allows them to maintain a standard of living throughout retirement beyond what any Social Security benefits provide. This is also the next evaluation to be done after the assessment of whether workers are accumulating sufficient assets in the individual account plan retirement system.

This study tracks Traditional and Roth IRAs that were in the EBRI IRA Database in 2012. Each of these accounts will be followed to see if they are maintained or closed. If maintained, the IRA’s balance changes from 2012 to the end of the study in 2015 are examined. The focus is on those around retirement ages — 60 years old or older.

In 2012, the EBRI IRA Database had 19.8 million Traditional and Roth IRAs. Traditional IRAs amounted to 14.4 million, while Roth IRAs numbered 5.4 million.

Characteristics of IRA Ownership
Just over half (51.0 percent) of all Traditional and Roth IRAs were owned by individuals ages 55 or older (Figure 1). Furthermore, 13.1 percent of these IRAs were owned by those ages 71 or older. Owners of Traditional IRAs were older on average with 56.4 percent being ages 55 or older and 15.8 percent being ages 71 or older. In contrast, owners of Roth IRAs were younger with just 36.7 percent being ages 55 or older.

Almost two-thirds (63.6 percent) of Traditional and Roth IRAs had account balances of less than $50,000 (Figure 1). However, 9.2 percent had account balances of $250,000 or more. Traditional IRAs had larger balances on average with 12.2 percent of them having an account balance of $250,000 or more, compared with only 1.2 percent of Roth IRAs. Furthermore, 41.2 percent of Roth IRAs had account balances less than $10,000 vs. 24.0 percent of Traditional IRAs.

More IRA owners were identified as males than females (40.8 percent vs. 34.2 percent). This held true across both IRA types with a similar proportion. Lastly, 72.5 percent of the IRAs were Traditional and 27.5 percent were Roth.

Balance Changes From 2012–2015 for All IRAs
In order to eliminate the upward bias on the share of IRAs with increasing balances that would result if closed IRAs (which would obviously have declining balances) were included, a determination on whether the IRAs that existed in 2012 were still open in 2015 is conducted. All age groups are presented first to show the overall changes before focusing on IRAs owned by those near or in retirement (ages 60 or older).
### Figure 1
**Distribution of IRA Ownership, by Various Characteristics and IRA Type**

<table>
<thead>
<tr>
<th>Age</th>
<th>All</th>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25</td>
<td>1.2%</td>
<td>0.4%</td>
<td>3.2%</td>
</tr>
<tr>
<td>25–34</td>
<td>8.2</td>
<td>5.6</td>
<td>15.1</td>
</tr>
<tr>
<td>35–44</td>
<td>15.5</td>
<td>13.4</td>
<td>21.1</td>
</tr>
<tr>
<td>45–54</td>
<td>22.7</td>
<td>22.7</td>
<td>22.8</td>
</tr>
<tr>
<td>55–59</td>
<td>13.1</td>
<td>13.7</td>
<td>11.5</td>
</tr>
<tr>
<td>60–64</td>
<td>12.5</td>
<td>13.4</td>
<td>10.2</td>
</tr>
<tr>
<td>65–70</td>
<td>12.3</td>
<td>13.5</td>
<td>8.9</td>
</tr>
<tr>
<td>71–75</td>
<td>5.0</td>
<td>5.7</td>
<td>3.0</td>
</tr>
<tr>
<td>75–84</td>
<td>6.6</td>
<td>8.0</td>
<td>2.8</td>
</tr>
<tr>
<td>85 or older</td>
<td>1.6</td>
<td>2.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Unknown</td>
<td>1.4</td>
<td>1.5</td>
<td>1.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Balance</th>
<th>All</th>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1,000</td>
<td>2.7</td>
<td>2.5</td>
<td>3.4</td>
</tr>
<tr>
<td>$1,000–$4,999</td>
<td>14.7</td>
<td>12.7</td>
<td>19.9</td>
</tr>
<tr>
<td>$5,000–$9,999</td>
<td>11.3</td>
<td>8.8</td>
<td>17.9</td>
</tr>
<tr>
<td>$10,000–$24,999</td>
<td>19.0</td>
<td>16.3</td>
<td>26.0</td>
</tr>
<tr>
<td>$25,000–$49,999</td>
<td>16.0</td>
<td>15.3</td>
<td>17.8</td>
</tr>
<tr>
<td>$50,000–$74,999</td>
<td>8.9</td>
<td>9.4</td>
<td>7.5</td>
</tr>
<tr>
<td>$75,000–$99,999</td>
<td>5.4</td>
<td>6.3</td>
<td>2.9</td>
</tr>
<tr>
<td>$100,000–$149,999</td>
<td>6.6</td>
<td>8.2</td>
<td>2.2</td>
</tr>
<tr>
<td>$150,000–$249,999</td>
<td>6.4</td>
<td>8.3</td>
<td>1.4</td>
</tr>
<tr>
<td>$250,000 or more</td>
<td>9.2</td>
<td>12.2</td>
<td>1.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>All</th>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>34.2</td>
<td>33.8</td>
<td>35.2</td>
</tr>
<tr>
<td>Male</td>
<td>40.8</td>
<td>40.7</td>
<td>41.0</td>
</tr>
<tr>
<td>Unknown</td>
<td>25.0</td>
<td>25.5</td>
<td>23.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IRA Type</th>
<th>All</th>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>72.5</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Roth</td>
<td>27.5</td>
<td>0.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

All characteristics are from 2012.
Source: EBRI IRA Database.
Figure 2
Percentage of IRAs Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by IRA Type

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>83.3%</td>
<td>6.0%</td>
<td>6.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Traditional</td>
<td>81.8%</td>
<td>6.4%</td>
<td>6.8%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Roth</td>
<td>87.3%</td>
<td>4.8%</td>
<td>4.4%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: EBRI IRA Database.

Figure 3
Percentage of IRAs Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than 25</td>
<td>86.1%</td>
<td>4.8%</td>
<td>5.9%</td>
<td>3.2%</td>
</tr>
<tr>
<td>25–34</td>
<td>83.5%</td>
<td>6.0%</td>
<td>6.7%</td>
<td>3.8%</td>
</tr>
<tr>
<td>35–44</td>
<td>85.9%</td>
<td>5.1%</td>
<td>5.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>45–54</td>
<td>86.0%</td>
<td>5.1%</td>
<td>5.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>55–59</td>
<td>83.7%</td>
<td>6.0%</td>
<td>5.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>60–64</td>
<td>82.0%</td>
<td>6.6%</td>
<td>6.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>65–70</td>
<td>81.8%</td>
<td>6.6%</td>
<td>5.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>71–74</td>
<td>83.5%</td>
<td>7.4%</td>
<td>7.3%</td>
<td>4.8%</td>
</tr>
<tr>
<td>75–84</td>
<td>78.9%</td>
<td>12.5%</td>
<td>13.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>85 or Older</td>
<td>62.8%</td>
<td>11.3%</td>
<td>13.4%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

Source: EBRI IRA Database.
Figure 4
Percentage of IRAs Going to Zero From 2012–2015 and
Percentage With a Positive Balance in 2015, by Account Balance

Source: EBRI IRA Database.

Figure 5
Percentage of IRAs That Were Closed or Had a Decrease
in Account Balance From 2012–2015, by IRA Type

Source: EBRI IRA Database.
Figure 6
Percentage of IRAs That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner

Source: EBRI IRA Database.

Figure 7
Percentage of IRAs That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance

Source: EBRI IRA Database.
A modest percentage of all IRAs were closed (or balance was reduced to zero) in each year after 2012, with this percentage becoming somewhat smaller over time (Figure 2). In 2013, 6.2 percent of all of the Traditional and Roth IRAs were closed, with another 6.0 percent (of the original number of IRAs) in 2014 and 4.4 percent in 2015. Traditional IRAs were slightly more likely to be closed each year than were Roth IRAs: 6.8 percent vs. 4.4 percent in 2013, 6.4 percent vs. 4.8 percent in 2014, and 4.8 percent vs. 3.4 percent in 2015.

The IRAs owned by those younger than age 60 were more likely to still have a positive balance by 2015, ranging from 83.5 percent to 86.1 percent. By ages 85 or older, the proportion of accounts that still had positive balances in 2015 was 62.8 percent (Figure 3).

IRAs with larger balances in 2012 were more likely to still have a positive balance by 2015 than those with smaller balances in 2012 (Figure 4). For accounts with less than $1,000, 79.1 percent still had a positive balance in 2015. This percentage continually increased with the size of the account balance to 87.3 percent for balances of $250,000 or more.

Of all IRAs that still had positive balances in 2015, 21.3 percent had balance decreases from 2012 to 2015 (78.7 percent had balances that were the same or increased over the period). Traditional IRAs were more likely to have had an account balance decrease than were Roth IRAs — 25.7 percent compared with 10.4 percent.

Combining the percentage of IRAs that closed and the percentage of those where the balance declined but remained above zero, 34.3 percent of the IRAs in 2012 had some type of decrease by 2015 (Figure 5). This means that 65.7 percent of the IRAs did not decrease during this period. A larger share of the Traditional IRAs had some form of decline (39.1 percent) compared with Roth IRAs (21.7 percent).

IRAs owned by older individuals were more likely to have a decrease in account balance from 2012 to 2015 (Figure 6). For accounts owned by those younger than age 60, the largest percentage decline was 30.1 percent (ages 25–34). For comparison, 35.0 percent of accounts owned by those ages 60–64 had a decrease in their balance. This percentage continued to grow as the age of the account owner increased, reaching 77.9 percent for those owned by individuals ages 85 or older. This is not surprising given that required minimum distribution (RMD) rules apply to Traditional IRAs once the owner reaches age 70 ½. The required withdrawals (distributions) also become a larger percentage of the account balance as the owner gets older above age 70 ½.

The smallest accounts (those with less than $5,000 in 2012) were the most likely to have a decrease in their account balance from 2012 to 2015 (Figure 7) — as high as 41 percent for those with balances of less than $1,000. In contrast, decreases among IRAs with balances of more than $5,000 ranged between 30.3 percent and 37.3 percent — with the exception of the IRAs with the largest balances. Among accounts with balances of $250,000 or more in 2012, the percentage of IRAs that decreased was 39.1 percent.

**Balance Changes From 2012–2015 for IRAs Owned by Those Ages 60 or Older**

Turning to the balance changes of IRAs owned by those ages 60 or older, again a small percentage of accounts in the database in 2012 were closed each year through 2015. In fact, 6.9 percent went to a zero balance or were no longer in the database (closed) in 2013. An additional 6.9 percent went to zero or were closed in 2014 and 5.4 percent did so in 2015 (Figure 8A). Thus, 80.8 percent of the IRAs from 2012 still had positive balances by the end of 2015. Traditional IRAs from 2012 were somewhat less likely than Roth IRAs to still have a positive balance by 2015 — 80.0 percent vs. 84.4 percent (Figures 8B and 8C).

The percentage of 2012 IRAs that still had positive balances by the end of 2015 was virtually identical for those owned by individuals ages 60–74, ranging from 82 percent to 84 percent (Figure 8A). However, once the IRA owner reached age 75, the percentage of IRAs from 2012 that still had positive balances at the end of 2015 started to decrease to 78.9 percent (ages 75–84) and to 62.8 percent (ages 85 or older). The decline for this latter cohort reflects a much greater likelihood of the IRA owner’s death, which would cause the closure of the account.6
Figure 8A
Percentage of All IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner

Source: EBRI IRA Database.

Figure 8B
Percentage of Traditional IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner

Source: EBRI IRA Database.

Figure 8C
Percentage of Roth IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Age of Account Owner

Source: EBRI IRA Database.
Among IRAs owned by those ages 60 or older in 2012, the likelihood of the account having a positive balance in 2015 increased with the size of the 2012 account balance. Specifically, 66.5 percent of the accounts with balances of less than $1,000 in 2012 had positive balances in 2015, compared with 86.9 percent of the accounts with balances of $250,000 or more (Figure 9). This finding held true for Traditional IRAs, with 63.8 percent of accounts with the smallest balances remaining open in 2015 to a high of 86.8 percent for those with the largest balances (Figure 10A). This was also mostly true for Roth IRAs up to balances of $99,999. Roth IRAs with starting account balances of $100,000 to $149,999 and $250,000 or more experienced small declines from the percentages of the next lower balance categories (Figure 10B).

More than three-quarters (77.6 percent) of the accounts of individuals ages 60 or older that remained open until 2015 had balances at least as large as their balance in 2012 by 2014. Less than a quarter (22.4 percent) had balances below their 2012 levels (Figure 11). By 2015, the proportion of these accounts with a balance below their 2012 level rose to 32.0 percent (68.0 percent did not decrease). Traditional IRAs were far more likely to have a decline from their 2012 levels than were Roth IRAs — 36.5 percent by 2015 compared with 13.2 percent.

By age cohort, 20.8 percent of open accounts experienced a decline in their balances between 2012 and 2015 among owners ages 60–64. This value continued to increase with the age of the account owner, reaching 63.3 percent among owners ages 85 or older (Figure 12).

![Figure 9](image_url)

**Figure 9**

Percentage of IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance

Source: EBRI IRA Database.
**Figure 10A**

Percentage of Traditional IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance

![Bar chart showing the percentage of Traditional IRAs owned by those ages 60 or older going to zero from 2012-2015 and with a positive balance in 2015, by account balance.](chart)

Source: EBRI IRA Database.

**Figure 10B**

Percentage of Roth IRAs Owned by Those Ages 60 or Older Going to Zero From 2012–2015 and Percentage With a Positive Balance in 2015, by Account Balance

![Bar chart showing the percentage of Roth IRAs owned by those ages 60 or older going to zero from 2012-2015 and with a positive balance in 2015, by account balance.](chart)

Source: EBRI IRA Database.
Figure 11
Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015
But a Decrease Relative to 2012 in 2014 and 2015, by IRA Type

<table>
<thead>
<tr>
<th>Year</th>
<th>All 2014</th>
<th>All 2015</th>
<th>Traditional 2014</th>
<th>Traditional 2015</th>
<th>Roth 2014</th>
<th>Roth 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>77.6%</td>
<td>74.5%</td>
<td>68.0%</td>
<td>63.5%</td>
<td>90.6%</td>
<td>86.8%</td>
</tr>
<tr>
<td>2015</td>
<td>68.0%</td>
<td>74.5%</td>
<td>63.5%</td>
<td>63.5%</td>
<td>86.8%</td>
<td>90.6%</td>
</tr>
</tbody>
</table>

Source: EBRI IRA Database.

Figure 12
Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015
But a Decrease Relative to 2012, by Age of Account Owner

<table>
<thead>
<tr>
<th>Age</th>
<th>60–64</th>
<th>65–70</th>
<th>71–74</th>
<th>75–84</th>
<th>85 or Older</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>79.2%</td>
<td>71.7%</td>
<td>58.9%</td>
<td>51.9%</td>
<td>36.7%</td>
</tr>
<tr>
<td>2015</td>
<td>20.8%</td>
<td>28.3%</td>
<td>41.1%</td>
<td>48.1%</td>
<td>63.3%</td>
</tr>
</tbody>
</table>

Source: EBRI IRA Database.
By account balance of accounts of $10,000 or more in 2012, the likelihood of a decline in the account balance from 2012 to 2015 goes up with the account balance (Figure 13). In particular, 27.9 percent of accounts with $10,000–$24,999 in 2012 had smaller balances by 2015. This share with a decrease rose to more than a third (36.7 percent) of those with $250,000 or more in 2012. However, for accounts with less than $1,000 in 2012, their likelihood of a decline was higher than that of accounts with $1,000–$9,999.

This relationship between account balances and likelihood of declines is not clean when the IRAs are separated by type. For Traditional IRAs, the likelihood of a decline for accounts of $5,000 or more increased through accounts of $249,999, before a smaller likelihood emerged for accounts of $250,000 or more (Figure 14A). In contrast, for Roth IRAs with account balances of $50,000 or more in 2012, the proportion with declines from their 2012 levels continuously rose with the account balance size (10.8 percent to 15.4 percent) (Figure 14B).
Figure 14A
Percentage of Traditional IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015
But a Decrease Relative to 2012, by Account Balance

Source: EBRI IRA Database.

Figure 14B
Percentage of Roth IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015
But a Decrease Relative to 2012, by Account Balance

Source: EBRI IRA Database.
Figure 15A
Percentage of All IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner

Source: EBRI IRA Database.

No Decrease | Total Decline (Closed + Balance Decrease)
---|---
All | 45.0% | 55.0%
60–64 | 35.0% | 65.0%
65–70 | 41.2% | 58.8%
71–74 | 50.8% | 49.2%
75–84 | 59.0% | 41.0%
85 or Older | 76.9% | 23.1%

Figure 15B
Percentage of Traditional IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner

Source: EBRI IRA Database.

No Decrease | Total Decline (Closed + Balance Decrease)
---|---
All | 49.1% | 50.9%
60–65 | 37.5% | 62.5%
65–71 | 45.0% | 55.0%
71–75 | 56.0% | 44.0%
75–85 | 63.0% | 37.0%
85 or Older | 79.1% | 20.9%

Figure 15C
Percentage of Roth IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Age of Account Owner

Source: EBRI IRA Database.

No Decrease | Total Decline (Closed + Balance Decrease)
---|---
All | 26.6% | 73.4%
60–66 | 26.4% | 73.6%
65–72 | 26.1% | 73.9%
71–76 | 25.2% | 74.8%
75–86 | 28.9% | 71.1%
85 or Older | 42.7% | 57.3%
Accounts With Any Decline

Forty-five percent of the Traditional and Roth IRAs in the EBRI IRA Database with positive balances in 2012 experienced a decline in their account balance — either the account balance went to zero or the account balance fell for those that didn’t go to zero — by 2015 (Figure 15A). This broke down to 49.1 percent with any decline among Traditional IRAs (Figure 15B) and 26.6 percent for Roth IRAs (Figure 15C).

Among Roth owners under the age of 85, there was little difference in the proportion of their accounts experiencing any decline over the time period. It was consistently about a quarter of the accounts. Only among the accounts owned by those ages 85 or older was the percentage with any decline significantly greater — 42.7 percent. In contrast, the percentage of Traditional IRAs with any decline increased with the ages of the account owners, going from 37.5 percent for those ages 60–64 to 79.1 percent for those ages 85 or older.

The IRAs most likely to have had any decline over the 2012–2015 period were those with balances of less than $1,000 at 53.5 percent (Figure 16). Among accounts with balances of $5,000 or more in 2012, the percentage with any decline was lower than that of accounts with lower balances and was relatively consistent ranging from 43–46 percent.

As the 2012 balances of Traditional IRAs increased, there was slightly less chance that the account had any decline in balance from 2012 to 2015 (Figure 17A). Among Traditional IRAs with less than $1,000 in 2012, 56.8 percent of the accounts were closed or had a decrease in their balances by 2015. This percentage moved downward with progressively larger account balances, falling to 45.7 percent for balances of $250,000 or more. Roth IRAs showed a similar pattern, up to a point (Figure 17B). The percentage of Roth IRAs with less than $1,000 that had any decline was 43.7 percent. This percentage fell with the increasing balance sizes to 21.0 percent for accounts of $75,000–$99,999. Thereafter, the proportion with any decline started to trend upward, reaching 25.2 percent for accounts of $250,000 or more.

The gender of the account owner had a very small impact on the likelihood of the accounts having any decline in their account balance over the period (Figure 18). Nearly 45 percent of the male-owned IRAs had any decline by 2015, compared with just under 42 percent of the female-owned IRAs.
Figure 17A

Percentage of Traditional IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance

Source: EBRI IRA Database.

Figure 17B

Percentage of Roth IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Account Balance

Source: EBRI IRA Database.
Figure 18
Percentage of IRAs Owned by Those Ages 60 or Older That Were Closed or Had a Decrease in Account Balance From 2012–2015, by Gender of Account Owner

Source: EBRI IRA Database.

Figure 19
Percentage of IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 But a Decrease Relative to 2012, by Number of Annual Withdrawals

Source: EBRI IRA Database.
Other Factors

One of those most crucial factors in the higher likelihood of an IRA having a balance decline when still having a positive balance in 2015 is the number of annual withdrawals taken from the account. Specifically, 21.4 percent of the accounts without a withdrawal that still had a positive balance in 2015 had a decline in their balances, compared with 39.9 percent of the accounts that had a withdrawal in one year (Figure 19). The likelihood continued to increase with the number of years of withdrawals, reaching 49.7 percent for the accounts with two years of withdrawals and 57.3 percent of the accounts with three years of withdrawals.

Another variable that may affect the likelihood of any decline in the IRA balance is having a rollover in the initial year. The percentage of IRAs with a rollover in 2012 with any subsequent decline in their account balances was higher than for all IRAs — 50.9 percent vs. 45.0 percent (Figure 20). This persisted across both Traditional and Roth IRAs.

Changes in Account Balances for Those With Positive Balances in 2015

This section examines the distribution of changes in the account balances for the accounts with a positive balance at the end of the period (both those that increased and those that decreased). The balance changes could be a result of any additions to the accounts (contributions or rollovers) or subtractions (withdrawals) as well as positive or negative asset returns.

Among the 2012 IRAs that still had a positive balance in 2015, those in the bottom 25 percent of the account balance changes experienced a decrease of 5.7 percent or more (Figure 21). At the median, the change was an increase of 11.9 percent. The top 25 percent of the balance changes were increases of 35.6 percent or more.
Figure 21
Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by IRA Type

Source: EBRI IRA Database.

Figure 22
Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Age of Account Owner

Source: EBRI IRA Database.
Traditional IRAs experienced fewer positive account balance changes than Roth IRAs. The 25th percentile of the account balance changes among Traditional IRAs was -8.5 percent, compared with a 9.9 percent increase for Roth IRAs. The Traditional IRA median account balance change was an increase of 7.9 percent, compared with an increase of 31.0 percent among Roth IRAs. For the top 25 percent of account balance changes, Traditional IRAs rose 29.6 percent or more, while Roth IRAs increased 52.4 percent or more. These differences reflect that the same level of contributions or rollovers going to a Roth would represent a larger percentage gain in the account than it would for a Traditional IRA, since Roth IRAs have lower average balances. In addition, RMD rules apply only to Traditional IRAs and not to Roth IRAs.

Not surprisingly, the greater the age of the IRA owner, the less likely the balance change was positive over the period (Figure 22). IRA owners ages 60–64 experienced a slightly positive increase in balance even at the 25th percentile (0.7 percent from 2012 to 2015); at the median, their balance change was a positive 21.2 percent. However, IRA owners ages 85 or older experienced a 21.5 percent decrease in account balances at the 25th percentile, and even a decrease of 5.9 percent at the median. While all ages of account owners experienced increases in account values at the 75th percentile, the increase was 46.6 percent for the youngest age cohort (ages 60–64) but only 9.3 percent for the oldest age cohort (85 or older).

Focusing on Traditional IRAs, decreases in account balances were more pronounced for each age group compared to IRAs overall (Figure 23). The median went negative at an earlier age of the owners (75–84). In contrast, because Roth IRAs are not subject to RMD rules, their change in account balances by age was very different (Figure 24). No age cohort experienced a negative change in balance — even at the 25th percentile. At the median, balances changes did trend downward as the owner age increased; however, it was by a relatively smaller amount than for Traditional IRAs — the account balance increase was 32.9 percent for those ages 60–64 vs. 26.0 percent for those ages 85 or older.
Figure 24
Distribution of the Percentage Changes in Account Balances From 2012–2015 for Roth IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Age of Account Owner

Figure 25
Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Account Balance

Source: EBRI IRA Database.
The median balance change for those with accounts of less than $1,000 was no change (zero percent), then the median balance change began increasing with the 2012 account balance, reaching 21.8 percent for accounts with balances of $5,000–$9,999 (Figure 25). Above that account balance, the median balance changes decreased, falling to 6.3 percent for accounts of $250,000 or more. The 75th percentile of balance changes followed this same pattern, registering a 43.3 percent increase for the smallest balances, rising to 50.4 percent for balances just under $10,000, and then declining to 21.2 percent for the very largest balances.

**Factors in Balance Changes**

One of the most important factors in the balance changes of the IRAs is the number of annual withdrawals, as this would obviously lead to a higher likelihood of lower balances. When there were no withdrawals, at the median, accounts balances grew 19.5 percent from 2012 to 2015. In contrast, with three years of withdrawals, account balances declined 3.6 percent (Figure 26). With no withdrawals, at the 75th percentile, balances grew 43.6 percent over the period. Accounts with three years of withdrawals grew 11.0 percent at the 75th percentile. At the 25th percentile, account growth was lowest for accounts with two annual withdrawals (-22.9 percent). When there were no withdrawals, account growth was essential flat at the 25th percentile (0.3 percent).

Among the accounts that had annual withdrawals in each year from 2013 to 2015, the analysis finds evidence that accounts owned by IRA owners younger than the RMD ages had larger balance declines than for those at the ages where the RMD rules begin (Figure 27). Specifically, accounts owned by those ages 60–64 (-8.6 percent) and 65–70 (-3.8 percent) experienced a greater decline at the median than those owned by individuals ages 71–74 (-0.4 percent) or ages 75–84 (-3.2 percent). A similar pattern is found at the 25th percentile and the 75th percentile. However, as the IRA owners had more years of RMDs, the balance changes were lower. Accounts of owners ages 75–84 and ages 85 or older had larger declines at the median than of those owned by individuals ages 71–74. This same pattern held for the 25th and 75th percentiles.

Among accounts of owners ages 60 or older, very few received either contributions or rollovers in 2013–2015 (Figure 28). In fact, only 8.2 percent of the accounts owned by those ages 60 or older received contributions and 3.3 percent of these accounts received rollovers.

When isolating the accounts that received either contributions or rollovers in 2013–2015, the balance changes were much higher than for those accounts without these additions (Figure 29). For example, the median balance change was an increase of 42.8 percent for accounts with contributions and an increase of 41.2 percent for those with rollovers vs. an increase of 11.9 percent for all of the accounts.

While the accounts that received contributions or rollovers were more likely to have an increase and to have larger increases, the distribution of the accounts without these additions was very similar to the distribution for all of the accounts. This is due to the very small number of accounts that received either of these additions. The median balance change for all of the accounts was an increase of 11.9 percent, compared with a 9.7 percent increase for those without contributions and an increase of 11.2 percent for those without rollovers. Consequently, the inclusion of the accounts with these additions does not materially impact the overall results presented in this study.
Figure 26
Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Number of Annual Withdrawals

![Bar chart showing the distribution of percentage changes in account balances from 2012-2015 for IRAs owned by those ages 60 or older with positive balances in 2015, by number of annual withdrawals. The chart includes 25th percentile, median, and 75th percentile values for each withdrawal category.]

Source: EBRI IRA Database.

Figure 27
Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015 Who Took a Distribution Each Year 2013–2015, by Age of Account Owner

![Bar chart showing the distribution of percentage changes in account balances from 2012-2015 for IRAs owned by those ages 60 or older with positive balances in 2015 who took a distribution each year 2013-2015, by age of account owner. The chart includes 25th percentile, median, and 75th percentile values for each age group.]

Source: EBRI IRA Database.
Figure 28
Percentage of IRAs Owned by Those Ages 60 or Older That Received Contributions or Rollovers in at Least One Year 2013–2015

Source: EBRI IRA Database.

Figure 29
Distribution of the Percentage Changes in Account Balances From 2012–2015 for IRAs Owned by Those Ages 60 or Older With Positive Balances in 2015, by Whether the Account Received Contributions or Rollovers

Source: EBRI IRA Database.
Comparison With Wealth Changes

An immediate issue that emerges when studying spend downs or balance changes of one type of account is what happens with the dollars that are withdrawn from that particular type of account, as just because the dollars are withdrawn from the IRA doesn't mean they are spent by the account owner. Instead, they could be placed (saved) in a taxable account, so that the overall wealth of the account owner could be unchanged (or not reduced by the full amount of the withdrawal if only a portion of the withdrawal is saved). Thus, this analysis is a complete examination for those interested in just what happens in IRAs, but only a first step for those wanting to see how the overall wealth of older Americans changes as they age.

For purposes of providing this greater context, a rough comparison can be conducted between these IRA results and a study of changes in overall nonhousing wealth. In the April 2018 *EBRI Issue Brief*, the amount of nonhousing wealth was studied for those who had retired for up to 18 years using the Health and Retirement Study (HRS). The amount of nonhousing wealth in the year just prior to retirement (last wealth amount in the wave the primary worker of the household was still working) was compared to the values of this wealth in each subsequent wave of the HRS. A distribution of the share of the households that had various percentages of the pre-retirement wealth is calculated, ranging from less than 20 percent of the initial amount to having greater than 100 percent of the initial amount. The HRS study showed this distribution after each wave, so the distribution of the percentage of initial wealth has values for 1–2 years after retirement, 3–4 years after retirement, etc., as waves are conducted every other year. An important qualifier of the study was that any assets in employer-based plans were not included in the analysis, but these assets could have been added to the wealth after retirement if they were rolled into an IRA that was included in the examined wealth.

![Figure 30](image_url)

*Source: EBRI IRA Database and *EBRI Issue Brief*, no. 447 (April 3, 2018).*
To compare the IRA results to those from HRS, a few considerations have to be made. First, since the retirement date is not known for the IRA owners, all owners ages 65 or older are included. Therefore, not all of the IRA owners are starting their retirements, but are at different stages of retirement. Furthermore, the initial asset amount is from 2012 regardless of age, so the IRA analysis shows the reduction from that point. IRAs with rollovers are included as this is consistent with the HRS study. The distribution of the balance changes for the IRAs is after three years (end of 2012 to end of 2015). Thus, the comparison distribution from the HRS study is the 3–4 years distribution.

Given the constraints on the comparison, the distributions across each level of wealth and assets are quite similar, particularly for the percentage with balances that are above their initial amount (Figure 30). For the groups with less than $200,000 of wealth and assets, 41 percent of the HRS households were shown to have an increase in their wealth after 3–4 years, while 50 percent of the IRAs with this amount of assets had an increase in their balances. Furthermore, 20 percent of the HRS households had less than 20 percent of their wealth after 3–4 years vs. 24 percent of the IRAs having balances in 2015 that were less than 20 percent of their 2012 balances.

As the wealth and asset groupings increased, the percentages with less than 20 percent of their initial values did diverge: in HRS, wealth percentages fell to single digits vs. the low teens for the IRAs from the EBRI database. Yet, the percentages in each of the groups that had less than 50 percent of their initial values were almost equal. Again, the percentages of the HRS households and IRA owners that had increases in their wealth and balances were very similar and were actually closer than for the lowest wealth/asset grouping. For example, 48 percent of the households with initial wealth of $200,000–$499,999 had higher wealth after 3–4 years of retirement, while 49 percent of IRAs with balances of the same amount at the end of 2012 had higher balances by the end of 2015.

Conclusion
The next evaluation of the individual account plan system is underway now that a significant number of workers who had many years with only access to defined contribution plans while they were working have retired. The first test was how much they accumulated in these plans before retiring, while the new assessment is how individuals spend down these assets as they move through their retirement years. In an early analysis of this second evaluation, the results provide some mixed news, as some IRA owners either closed their accounts or saw their balances in these accounts decline by a significant amount. However, there are also many IRA owners who actually saw their balances increase over the rather short period of three years. These results are informative, but they should be used with caution due to the short duration of the analysis and the favorable market conditions for growth in the accounts over the period studied. For a longer duration or when market returns are not as favorable, the results could show a much different result in how the account balances change.

In fact, slightly over 80 percent of the IRAs owned by those ages 60 or older still had positive balances after three years (were not closed). Not until the owners reached ages 85 or older did a significantly higher percentage of accounts not have a positive balance after three years. Therefore, the vast majority of those with IRAs have at least maintained some amount in their IRAs. Additionally, just over two-thirds (68.0 percent) of these IRA owners who were ages 60 or older have not only been able to maintain the account but to grow it. Even more encouraging is news with respect to not outliving their assets; of those owners at the ages where RMDs must begin, a majority have been able to grow their account or have had only a very small decrease over the time studied.

Thus, seeing such a large percentage of older individuals with increasing IRA balances may actually be showing that some are doing too well, as they may be in position to spend more, not including any desired bequest. Furthermore, just because the assets are taken out of the IRA does not mean that the withdrawal amount is being spent. However, from a rough comparison of the IRA balance changes with nonhousing wealth changes, the changes appear to be consistent across both measures, suggesting that IRA balance changes could be a proxy for nonhousing wealth changes.

While these results show what happened in this short time period, a longer time period may have different results and even this short of a period may have a different result in less favorable market conditions. Thus, further examinations
with different and longer time periods are warranted to determine effective behaviors and strategies for retirees to achieve the balance of not outliving their assets while at the same time maintaining the appropriate standard of living given the size of their nest egg, while also matching any desired bequest amount. Yet, for the period studied, many older Americans would be passing the preliminary test of not outliving their assets in their IRAs.

Endnotes

1 See Craig Copeland, “Individual Retirement Account Balances, Contributions, Withdrawals, and Asset Allocation Longitudinal Results 2010–2016: The EBRI IRA Database,” EBRI Issue Brief, no. 462 (Employee Benefit Research Institute, October 22, 2018) for more information about and a complete description of the EBRI IRA database and how it compares to Internal Revenue Service (IRS) estimates on IRA ownership. This study also shows how individuals’ total IRA balances change over a longer time period, but for only those individuals who maintain an account over the full time of the study. Consequently, the effect of closed accounts is not measured such as in the current study.

2 Ages of the IRA owners are their 2012 values. The account balances are the end of year 2012.

3 In some cases, the IRA is no longer in the database, and in other cases, the IRA is still in the database but with a zero balance. In this study, both of these cases are considered to be closed as the balances are zero, so the term closed will be used to describe these accounts. How this data is reported is a data issue based on how the IRA administrators treat these accounts that go to zero or are closed.

4 Beginning in the year individuals turn age 70-½, owners of tax-qualified plans/accounts (e.g., 401(k)-type plans, Traditional IRAs) are required to make an annual minimum distribution (withdrawal). The required minimum distribution (RMD) is calculated by the end of the prior-year balance divided by the longevity factor published by the IRS. For those with more than one IRA, the required minimum distribution does not have to be taken from each account but can be taken from only one account as long the total minimum amount withdrawn from that one account equals the total that must be taken for all the accounts combined. Consequently, in this study of IRAs, not all Traditional IRA owners over 70 years of age had a withdrawal. Owners of Roth IRAs are not required to take a distribution. For more information, see the IRS Publication 590, online at https://www.irs.gov/pub/irs-pdf/p590b.pdf

5 In 2012, the EBRI IRA Database had 7.5 million Traditional and Roth IRAs owned by those ages 60 or older. Traditional IRAs amounted to 6.1 million, while Roth IRAs numbered 1.4 million.

6 Unfortunately, the reason for why the account was closed is not a data item that is collected in the database, so the extent of deaths vs. a potential of running out of funds is not determinable.

7 Sudipto Banerjee, “Asset Decumulation or Asset Preservation? What Guides Retirement Spending,” EBRI Issue Brief, no. 447 (Employee Benefit Research Institute, April 3, 2018). This study uses the term nonhousing assets, but it is defined as any real estate other than primary residence; net value of vehicles owned; individual retirement accounts (IRAs), stocks and mutual funds, checking accounts, savings accounts, money market accounts, certificates of deposit (CDs), government savings bonds, Treasury bills, bonds and bond funds; and any other source of wealth minus all debt (such as consumer loans). Thus, since debts are subtracted from the assets, it is actually a wealth measure, so the term nonhousing wealth is used in the IRA study.

8 An important qualifier of the HRS study was that any assets in employment-based retirement plans were not included in the analysis, but these assets could have been added to the wealth after retirement if they were rolled into an IRA that was included in the examined wealth.