

## Withdrawal Activity of Individuals Owning Both Traditional and Roth Individual Retirement Accounts

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

---

### AT A GLANCE

Traditional and Roth individual retirement accounts (IRAs) have different withdrawal and taxation rules. Traditional IRAs can receive deductible or nondeductible contributions, but any gains accrued in the account are taxable at withdrawal at the prevailing income tax rate. In addition, owners of Traditional IRAs are required to start making withdrawals once they reach age 70-½ (72 for those having their 70th birthday on July 1, 2019, or later). In contrast, Roth IRAs only allow nondeductible (after-tax) contributions, and withdrawals are generally not subject to taxation. Furthermore, owners of Roth IRAs are not required to make withdrawals. Consequently, those owning both IRA types could pursue withdrawal strategies that take advantage of the variations in tax rules — for example, withdrawing from one account type sooner than the other.

Using the EBRI IRA Database, this study seeks to determine if individuals who own both a Traditional and Roth IRA are taking withdrawals in a way that would reveal an awareness of the differences between the two. Key findings are:

- Traditional IRAs are the favored source of withdrawals. This is true even for those in age cohorts that do not require minimum withdrawals. For example, while IRA owners ages 60–64 were more likely to use some combination of the IRAs for their withdrawals, they typically only took one withdrawal from their Roth IRA over time, with the remaining withdrawals coming from the Traditional IRAs.
- Owners of IRAs with the largest balances who took withdrawals each year within the study were among those least likely to take their withdrawal from a Roth IRA, despite being the individuals likely to have the most to gain from taking withdrawals to minimize taxes.
- There was also little evidence that owners deplete or close one account type before withdrawing from another. The account type most likely to be depleted or closed was the Traditional IRA.
- Current retirees do not appear to be taking advantage of the different tax regimes of the two IRA types in their withdrawal strategies. Instead, they are for the most part preserving their Roth IRAs.

The source of an IRA withdrawal of those owning both IRA types can for the most part be assumed to be the Traditional IRA. In many cases, this is because of the Internal Revenue Service (IRS) rules requiring withdrawals from them. A more widespread understanding that the source of withdrawals taken from IRAs can have an impact on the dollars available for everyday uses could have beneficial effects for many retirees.

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, “Withdrawal Activity of Individuals Owning Both Traditional and Roth Individual Retirement Accounts,” *EBRI Issue Brief*, no. 503 (Employee Benefit Research Institute, March 26, 2020).

**Copyright Information:** This report is copyrighted by the Employee Benefit Research Institute (EBRI). You may copy, print, or download this report solely for personal and noncommercial use, provided that all hard copies retain any and all copyright and other applicable notices contained therein, and you may cite or quote small portions of the report provided that you do so verbatim and with proper citation. Any use beyond the scope of the foregoing requires EBRI’s prior express permission. For permissions, please contact EBRI at [permissions@ebri.org](mailto:permissions@ebri.org).

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

## Table of Contents

Introduction .....	4
Data .....	4
Overall Withdrawals .....	4
Accounts Closing or Being Depleted .....	16
Conclusion .....	22
About IRAs .....	23
Endnotes .....	23

## Figures

Figure 1, Percentage of IRA Owners Who Owned Both IRA Types Who Took a Withdrawal .....	5
Figure 2, Distribution of the Source of IRA Withdrawals.....	5
Figure 3, Percentage of IRA Owners Who Took a Withdrawal, 2010 vs. 2016.....	6
Figure 4, Distribution of the Source of Withdrawals of IRA Owners in 2010.....	6
Figure 5, Pattern of Withdrawals for Those Taking Withdrawals Every Year .....	7
Figure 6, Distribution of the Source of First Withdrawals Taken Each Year 2010–2016.....	7
Figure 7A, Distribution of the Number of Withdrawals From a Traditional IRA .....	8
Figure 7B, Distribution of the Number of Withdrawals From a Roth IRA .....	8
Figure 8A, Distribution of the Number of Withdrawals From a Traditional IRA .....	9
Figure 8B, Distribution of the Number of Withdrawals From a Roth IRA .....	9
Figure 9, Distribution of Source of Withdrawals, by IRA Type and Gender of Account Owner.....	10
Figure 10, Distribution of Withdrawals, by Gender of Account Owner.....	10

Figure 11, Distribution of the Number of Withdrawals From a Traditional and Roth IRA, by Gender of Account Owner .....	11
Figure 12, Distribution of the Number of Withdrawals From a Traditional and Roth IRA, by Gender of Account Owner .....	11
Figure 13, Distribution of Source of Withdrawals in 2010, by IRA Type and 2010 Total Account Balance .....	12
Figure 14, Percentage of Withdrawals by Source, Relative to 2010 Total Account Balance.....	13
Figure 15, Distribution of the Source of the First Withdrawal, Relative to 2010 Total Account Balance.....	13
Figure 16A, Distribution of the Number of Withdrawals From a Traditional IRA, Relative to 2010 Total Account Balance.....	14
Figure 16B, Distribution of the Number of Withdrawals From a Roth IRA, Relative to 2010 Total Account Balance.....	14
Figure 17A, Distribution of the Number of Withdrawals From a Traditional IRA, by 2010 Total Account Balance.....	15
Figure 17B, Distribution of the Number of Withdrawals From a Roth IRA, by 2010 Total Account Balance .....	15
Figure 18, Percentage of IRAs Owned by Those Ages 60 or Older That Were Closed or Depleted From 2012–2015, by IRA Type .....	16
Figure 19A, Percentage of Traditional IRAs Closed or Went to a Zero Balance 2012–2015, by Account Owner Ages 60 or Older.....	17
Figure 19B, Percentage of Roth IRAs Closed or Went to a Zero Balance 2012–2015, by Account Owner Ages 60 or Older.....	17
Figure 20A, Percentage of Traditional IRAs Closed or Went to a Zero Balance of Account Owners Ages 60 or Older, by Balance.....	18
Figure 20B, Percentage of Roth IRAs Closed or Went to a Zero Balance of Account Owners Ages 60 or Older, by Balance.....	18
Figure 21, Number of Years of Withdrawals From Maintained IRAs Owned by Those Ages 60 or Older, by IRA Type.....	19
Figure 22A, Number of Years of Withdrawals From Maintained Traditional IRAs, by Account Owner Ages 60 or Older .	20
Figure 22B, Number of Years of Withdrawals From Maintained Roth IRAs, by Account Owner Ages 60 or Older.....	20
Figure 23A, Number of Years of Withdrawals From Maintained Traditional IRAs of Account Owners Ages 60 or Older, by Balance.....	21
Figure 23B, Number of Years of Withdrawals From Maintained Roth IRAs of Account Owners Ages 60 or Older, by Balance.....	21

# Withdrawal Activity of Individuals Owning Both Traditional and Roth Individual Retirement Accounts

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

## Introduction

Traditional and Roth individual retirement accounts (IRAs) have different withdrawal and taxation rules. Traditional IRAs can receive deductible or nondeductible contributions, but at the least any gains accrued in the account are taxable at withdrawal. In addition, owners of Traditional IRAs are required to start making withdrawals starting in the year after they reach age 70½, which was increased to age 72 with the passage of the SECURE Act.<sup>1</sup> In contrast, Roth IRAs only have nondeductible (after-tax) contributions, and withdrawals are not subject to taxation.<sup>2</sup> Furthermore, owners of Roth IRAs are not required to make withdrawals from them. Consequently, they face very different tax rules, which could create reasons for taking withdrawals from one account type sooner or later than the other.

This study attempts to determine if individuals who own both a Traditional and Roth IRA are taking withdrawals in a way that takes advantage of the differing tax statuses of these IRA types.

## Data

The data source used for this study is the EBRI IRA Database.<sup>3</sup> In particular, the individuals who owned both Traditional and Roth IRAs in each year from 2010–2016 in the database are followed to see how often and from which account type withdrawals were taken when having the choice between both IRA types. In addition, another subset of the database is used to assess whether account types have different rates of being depleted or closed. Differing depletion rates could indicate that one account type is used until depletion, then the next account type is used for the source of the withdrawals.

### EBRI IRA Database

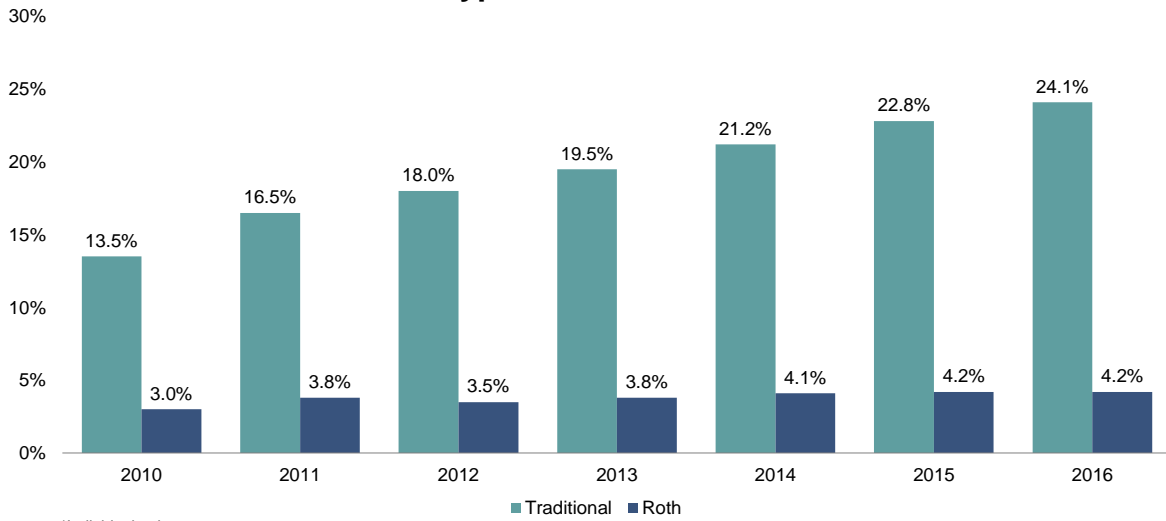
The EBRI IRA Database is an ongoing project that collects data from various types of IRA administrators. For year-end 2016, it contains information on 24.2 million accounts owned by 19.1 million unique individuals, with total assets of \$2.36 trillion.<sup>4</sup> For each account within the database, the IRA type, account balance, contributions made, rollovers transferred during the year (if any), withdrawals taken, asset allocation, and certain demographic characteristics of the account owner are included (among other items).

## Overall Withdrawals

Of the individuals who owned both IRA types from 2010–2016, 13.5 percent took a withdrawal from the Traditional IRA in 2010 and 3.0 percent took one from the Roth IRA (Figure 1).<sup>5</sup> The percentage taking a withdrawal from the Traditional IRA increased to 24.1 percent by 2016, while the share taking a withdrawal from the Roth IRA was 4.2 percent. The increasing percentage of those taking a withdrawal from the Traditional IRA is partially or fully due to the aging of the individuals in the sample used from the database, as it contains the same IRA owners in each year. Consequently, the owners are one year older in each subsequent year of the data, so more individuals moved into the required distribution (withdrawal) ages of 70½ years of age or older.<sup>6</sup> The Roth IRA withdrawal percentage is not affected by the required withdrawal rules. As such, the small increase could be due to the individuals growing older and needing the money.

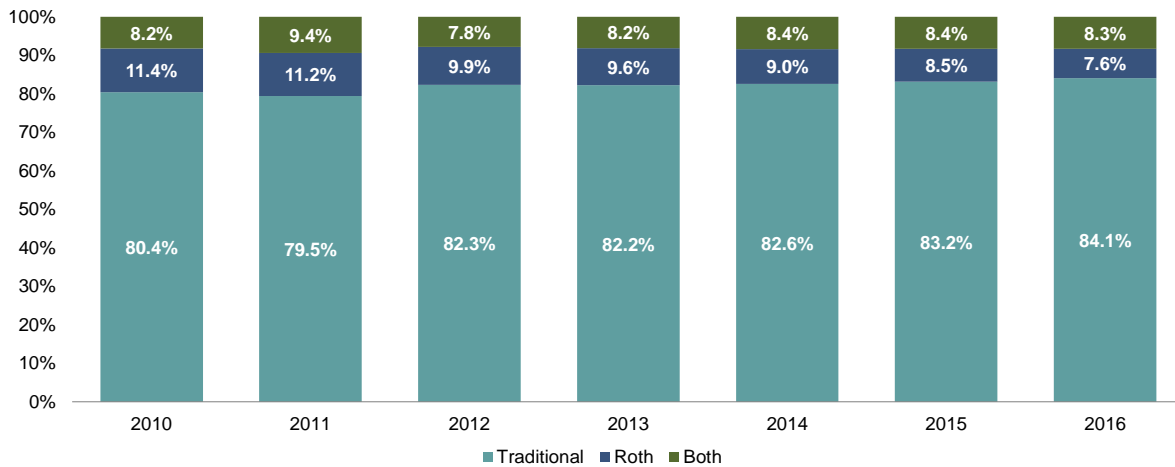
Not surprisingly, given the above, 80.4 percent of individuals owning both IRA types who took a withdrawal had it come from only the Traditional IRA in 2010 (Figure 2). Another 8.2 percent took a withdrawal from the Traditional IRA while also taking one from the Roth IRA. Just 11.4 percent took a withdrawal only from the Roth IRA. These numbers stayed fairly consistent throughout the period studied. However, there was a decline in the percentage who took a withdrawal only from the Roth IRA, falling to 7.6 percent in 2016. The percentage taking withdrawals from both was essentially the same, but the share only taking a withdrawal from the Traditional IRA increased to 84.1 percent.

Figure 1  
**Percentage of IRA\* Owners Who Owned Both IRA Types Who Took a Withdrawal**



\*Individual retirement accounts.  
 Withdrawals taken from 2010–2016.  
 Source: EBRI IRA Database.

Figure 2  
**Distribution of the Source of IRA Withdrawals**



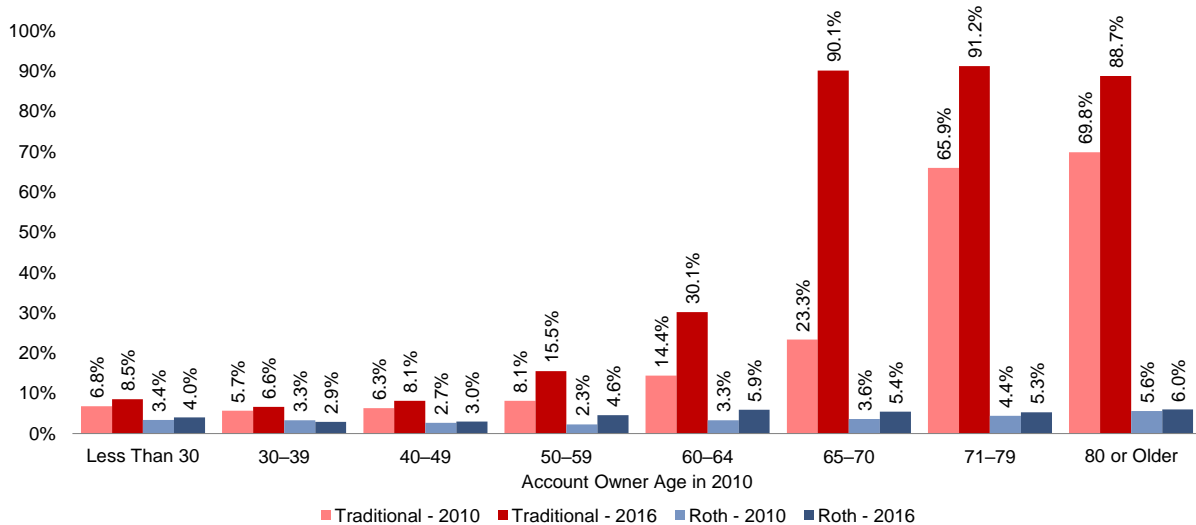
Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
 Source: EBRI IRA Database.

**Age**—The percentage of IRA owners with both types who took a withdrawal in 2010 was very similar among those under age 50.<sup>7</sup> After that age, the likelihood of taking a withdrawal increased with the owner’s age, especially for Traditional IRAs once the owners reached the ages where withdrawals are required (Figure 3). The percentage of the owners under age 50 who took a withdrawal in 2010 from the Traditional IRA was around 6 percent compared with around 3 percent from the Roth IRA. Starting at ages 50–59, the share of owners taking a withdrawal from the Traditional IRA increased with the owner’s age from 8.1 percent to 69.8 percent for those ages 80 or older.<sup>8</sup> The percentage of Roth IRAs with a withdrawal did not surpass 6 percent in 2010 for any age group.

For each age group, the percentage who took a withdrawal from the Traditional IRA was higher in 2016 than in 2010. The largest jump was among the age group that had reached the required minimum withdrawal age by 2016 (ages 65–70 in 2010). However, the proportion of the age group just below the required withdrawal age (ages 60–64 in 2010) taking a withdrawal was more than twice as high in 2016 as it was in 2010 (30.1 percent vs. 14.4 percent). In 2016,

the share of the Roth IRAs where a withdrawal was taken remained close to 2010 levels across all ages and still did not surpass 6 percent for any age group.

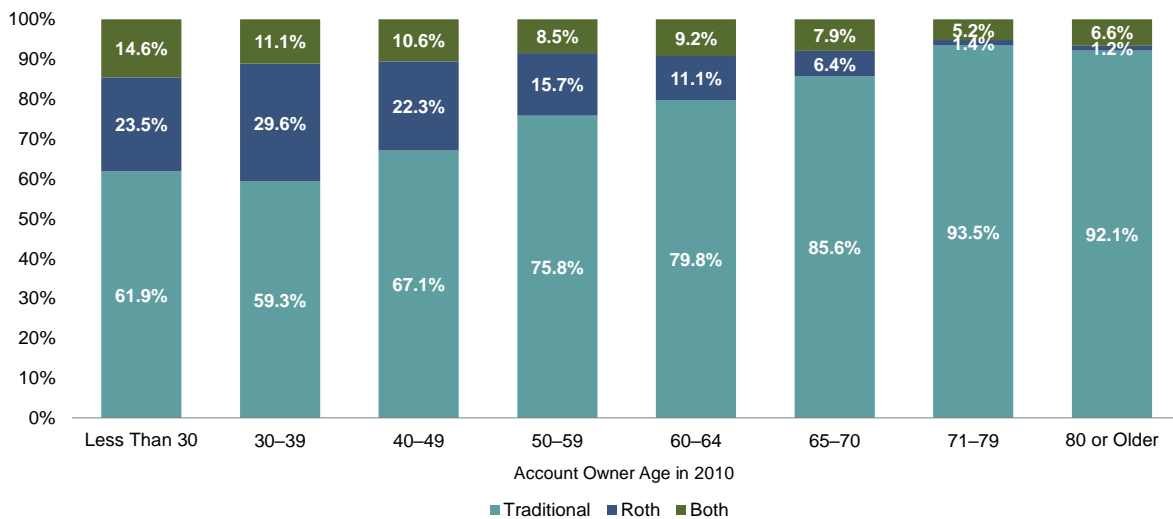
**Figure 3**  
**Percentage of IRA Owners Who Took a Withdrawal, 2010 vs. 2016**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
Source: EBRI IRA Database.

Since the rate of withdrawals from the Traditional IRAs was higher than that of the Roth IRAs, it should follow that the source of the withdrawals would more likely be from a Traditional IRA. Indeed, for IRA owners ages 71 or older who own both types, the Traditional IRA was the only source of the withdrawals more than 90 percent of the time in 2010 (Figure 4). Another 5 to 7 percent took their withdrawal from both the Traditional and Roth IRAs, and just over 1 percent took it from the Roth IRA only. Younger owners (less than 40 years old) were far more likely to take their withdrawal from the Roth IRA, as approximately 60 percent of the withdrawals were from the Traditional IRA only and roughly one-quarter were from the Roth IRA only. Withdrawals from both were taken by 11 to 15 percent. Between ages 40 and 79, the likelihood of the Traditional IRA being the only source of the withdrawal grew with age, reaching more than 90 percent for the oldest owners among these ages.

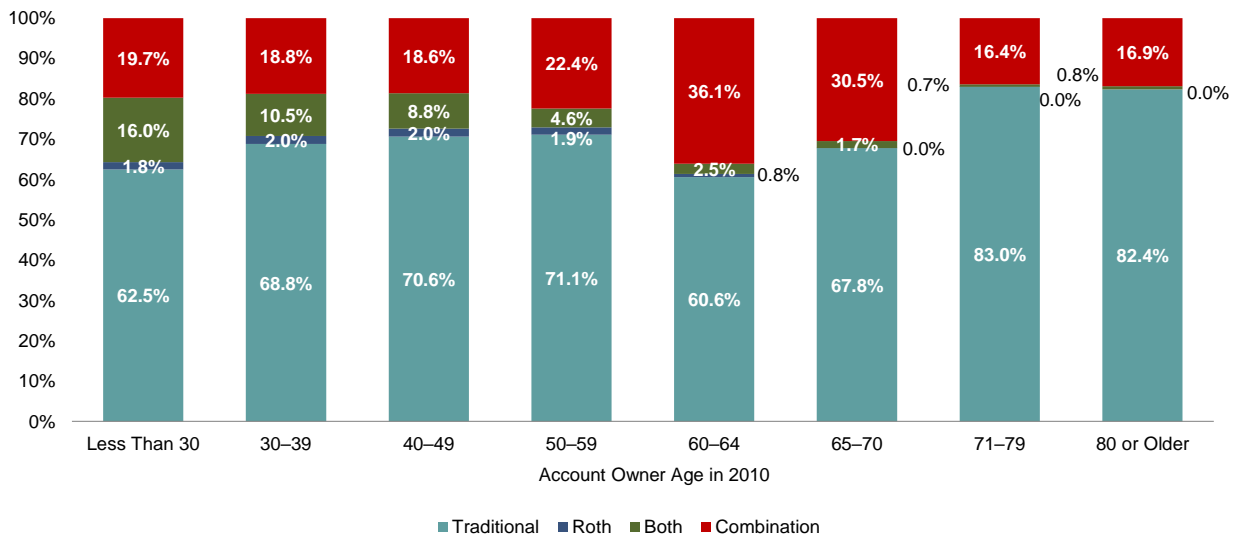
**Figure 4**  
**Distribution of the Source of Withdrawals of IRA Owners in 2010**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
Source: EBRI IRA Database.

IRA owners who owned both IRA types and who took a withdrawal each year were investigated to see whether any withdrawal patterns emerged over time. Among the owners ages 71 or older, the percentage who took all of their annual withdrawals from the Traditional IRA surpassed 80 percent (83.0 percent for those ages 71–79 and 82.4 percent for those ages 80 or older) (Figure 5). Another 16 percent took a combination of Traditional, Roth, or both over the seven years examined. None of the owners studied took a withdrawal every year from only the Roth IRA. Younger workers were more likely to have used some combination of Traditional and Roth IRA withdrawals, but virtually no one took all of their annual withdrawals only from the Roth IRA. The use of a combination of the source of the withdrawals peaked among those ages 60–64 in 2010 and was also relatively high among those ages 65–70. These ages do correlate with the ages where most workers retire, so it appears that there is higher use of Roth IRAs as a source of withdrawals among those who are in retirement but have not reached the required withdrawal ages.

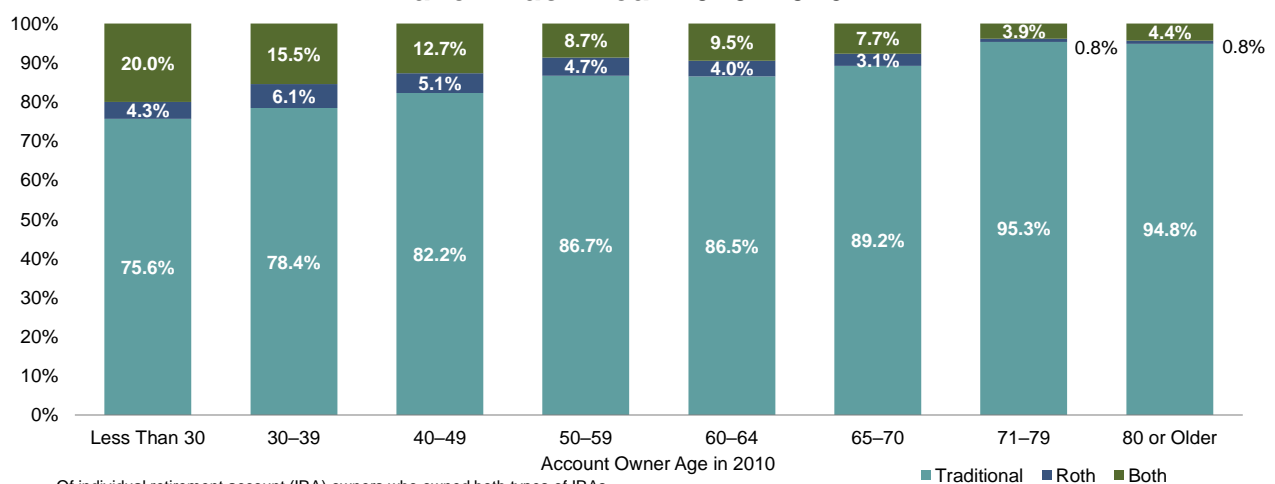
**Figure 5**  
**Pattern of Withdrawals for Those Taking Withdrawals Every Year**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year 2010–2016.  
Source: EBRI IRA Database.

However, the source of the *first* year of withdrawals was predominately the Traditional IRAs — not below 75 percent for any age group and more than 85 percent for the age groups of ages 50 or older (Figure 6). Consequently, very few account owners appear to be starting with a Roth withdrawal then moving to the Traditional when required. It appears instead that the Traditional IRA is the source of the first withdrawal, then a Roth withdrawal comes later either by itself or with the Traditional withdrawal.

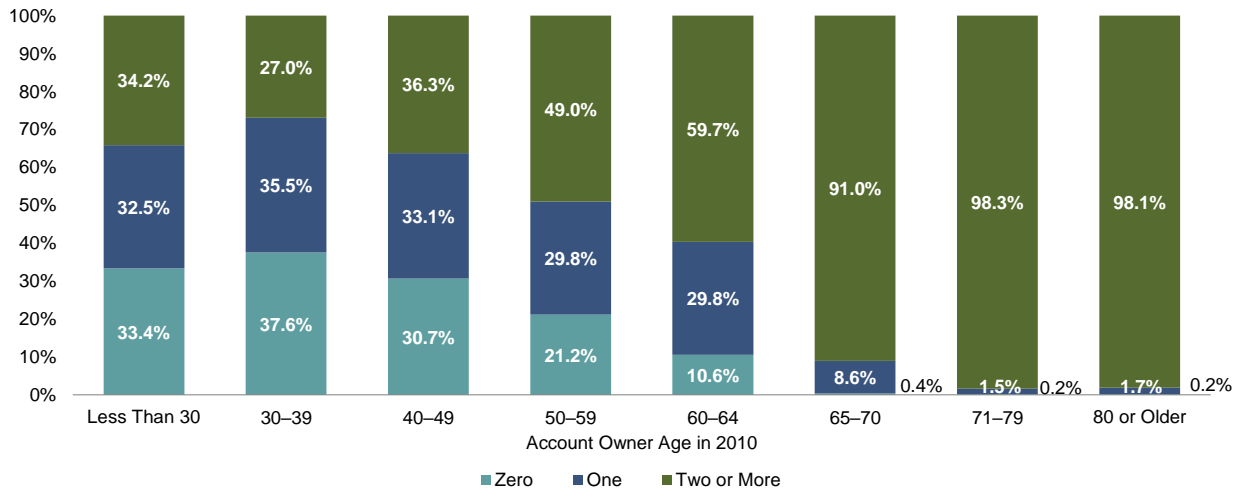
**Figure 6**  
**Distribution of the Source of First Withdrawals Taken Each Year 2010–2016**



Of individual retirement account (IRA) owners who owned both types of IRAs.  
Source: EBRI IRA Database.

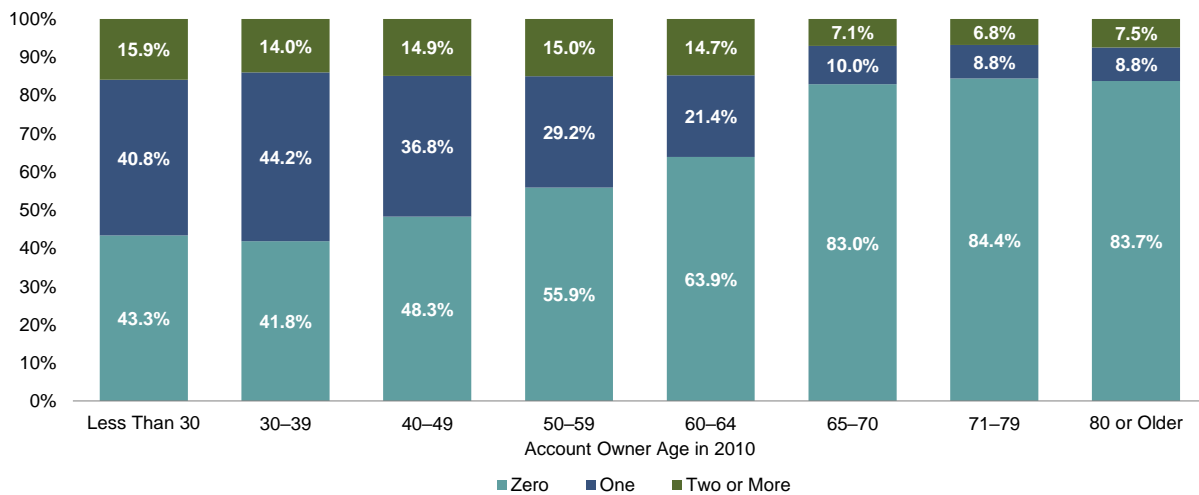
The number of withdrawals taken over this period by those owning both IRA types was larger across all ages when the withdrawals came from the Traditional IRAs than from the Roth IRAs. This was particularly the case among those ages 50 or older. From 2010–2016, the share of those ages 50–59 who took no withdrawals from their Traditional IRA was 21.2 percent, compared with 55.9 percent taking no withdrawals from their Roth IRA (Figure 7A and Figure 7B). Furthermore, 49.0 percent of 50-year-olds took two or more withdrawals from their Traditional IRAs, but only 15.0 percent took two or more from their Roth IRAs. These differences become even more dramatic for the older age groups, where more than 98 percent of those ages 71 or older took two or more withdrawals from their Traditional IRAs, while fewer than 10 percent took two or more withdrawals from their Roth IRAs.

**Figure 7A**  
**Distribution of the Number of Withdrawals From a Traditional IRA**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal from 2010–2016.  
 Source: EBRI IRA Database.

**Figure 7B**  
**Distribution of the Number of Withdrawals From a Roth IRA**

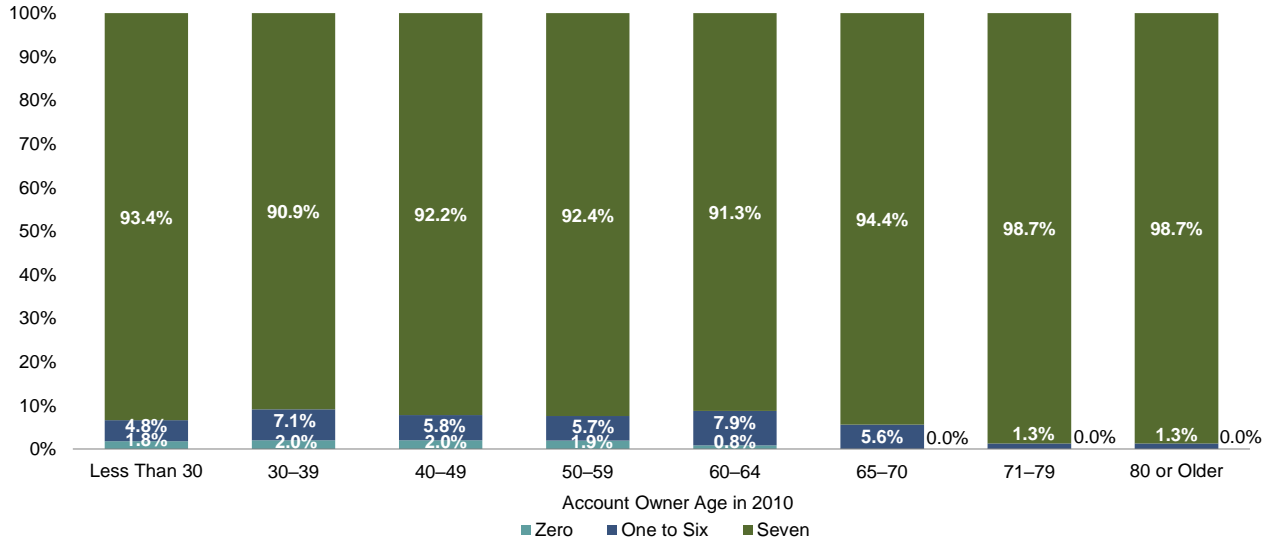


Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal from 2010–2016.  
 Source: EBRI IRA Database.



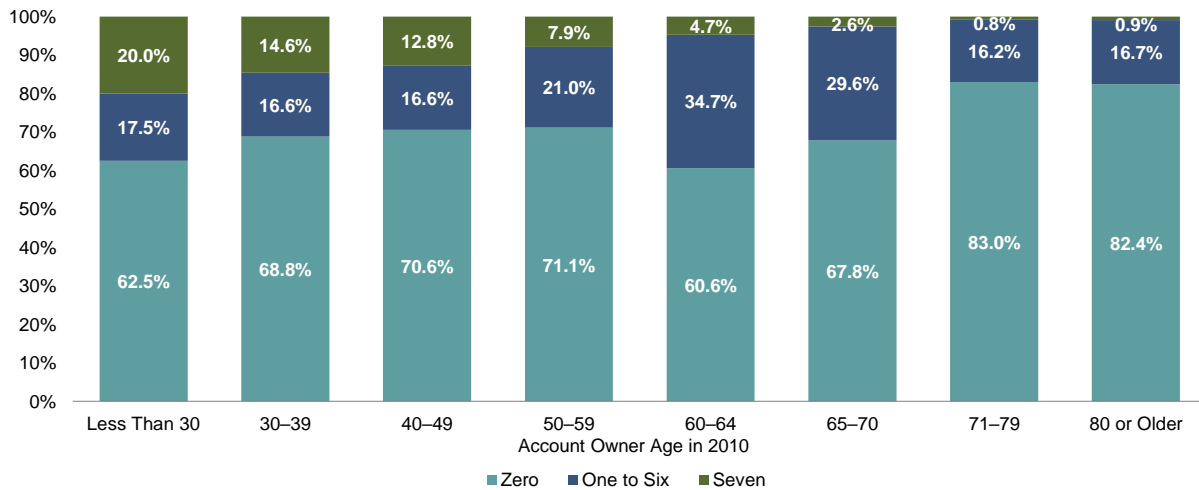
The behavior of those who took a withdrawal each year may be different from those who only took one or intermittent withdrawals, as these individuals appear to be creating a stream of income. Overwhelmingly, when withdrawing each year, individuals were taking the withdrawals from their Traditional IRA, regardless of age (Figure 8A). The age group with the lowest incidence of taking withdrawals each year from their Traditional IRA was those ages 30–39, at 90.9 percent. In contrast, over 98 percent of account owners in the oldest age groups took their withdrawals from the Traditional IRAs. At the same time, no more than 20 percent of individuals owning both IRA types and taking a withdrawal each year from 2010–2016 did so from their Roth IRAs (Figure 8B). Sixty percent or more of account owners in each age cohort took no withdrawal from their Roth IRA in any year.

**Figure 8A**  
**Distribution of the Number of Withdrawals From a Traditional IRA**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year from 2010–2016.  
 Source: EBRI IRA Database.

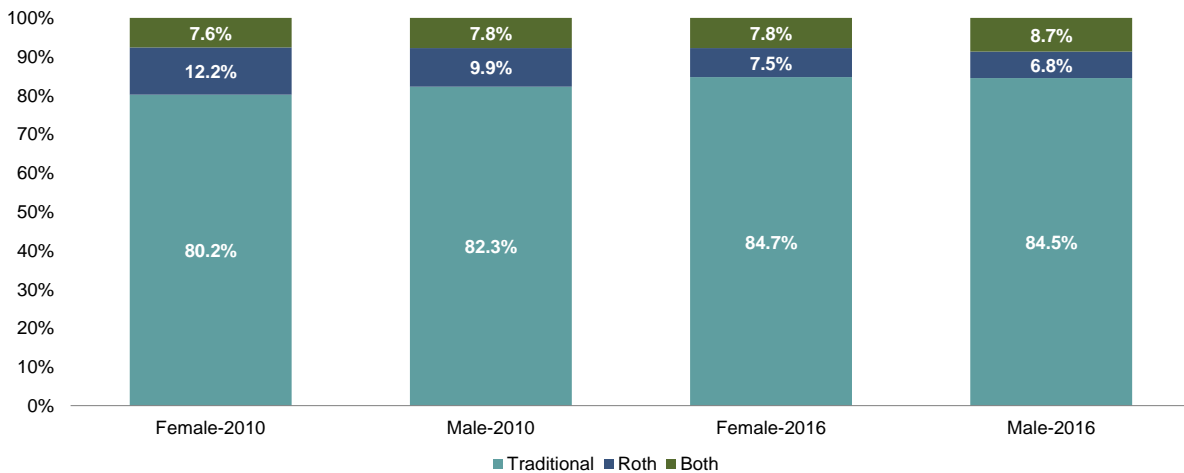
**Figure 8B**  
**Distribution of the Number of Withdrawals From a Roth IRA**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year from 2010–2016.  
 Source: EBRI IRA Database.

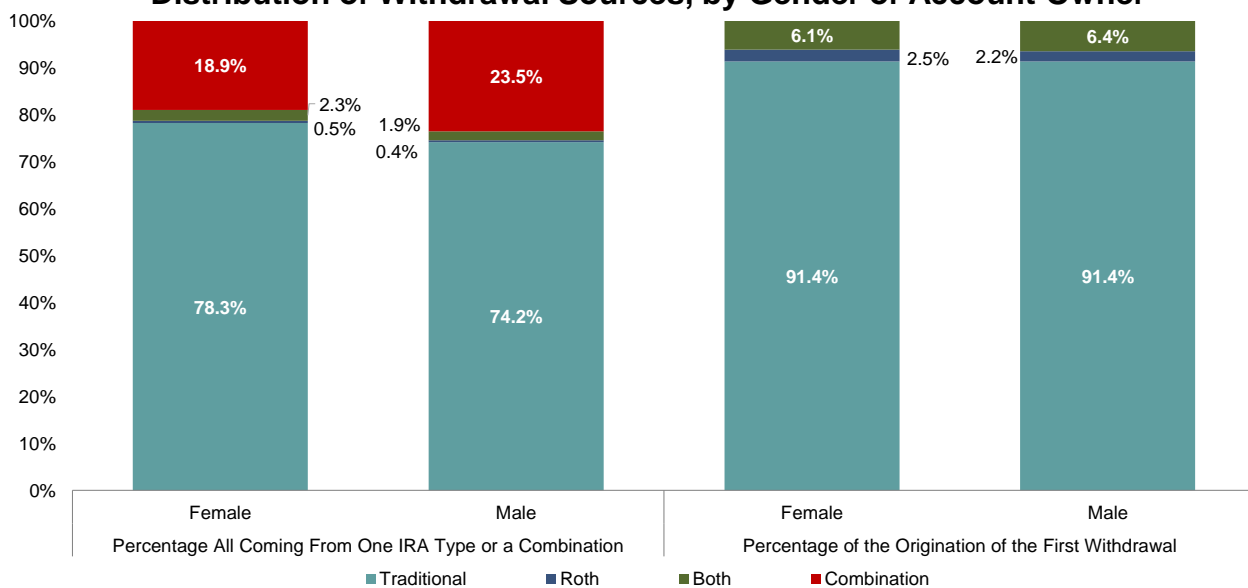
**Gender**— Gender did not appear to have the same impact on the decision on the source of or number of withdrawals as age did. In 2010, female IRA owners were slightly more likely to have taken a withdrawal only from the Roth IRA when owning both (12.2 percent vs. 9.9 percent for male IRA owners), but by 2016, the likelihoods of the source of the withdrawal were virtually identical (Figure 9). Male and female IRA owners were about equally likely to take their withdrawals from their Traditional IRA (74.2 percent and 78.3 percent respectively) (Figure 10). They took approximately the same number of withdrawals (Figure 11). The only difference that could be discerned is that males over time were slightly more likely to have taken a withdrawal from their Roth IRAs (Figure 12).

**Figure 9**  
**Distribution of Source of Withdrawals, by IRA Type and Gender of Account Owner**



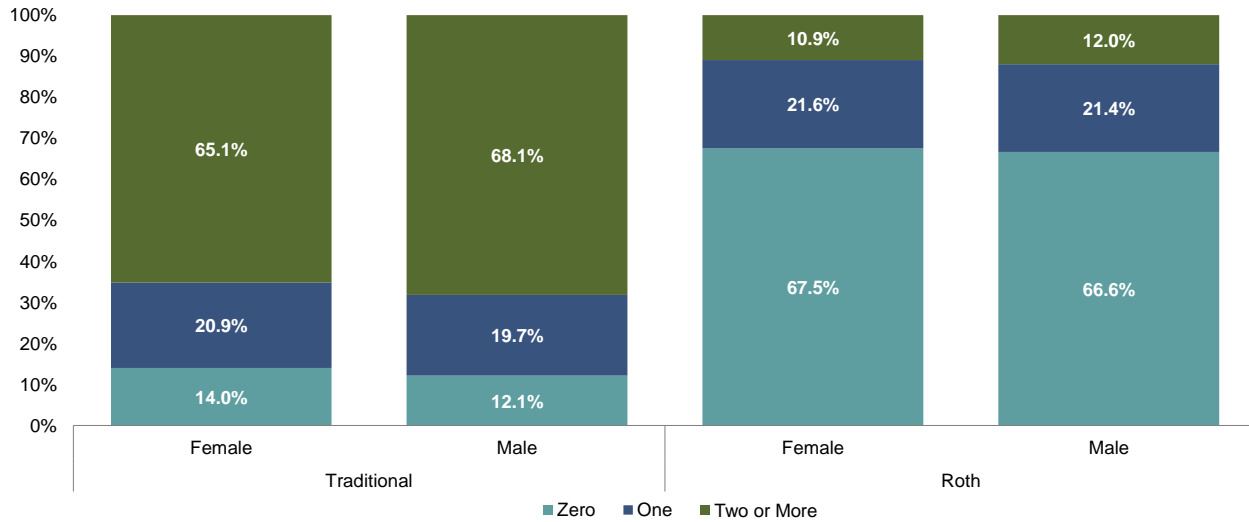
Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
 Source: EBRI IRA Database.

**Figure 10**  
**Distribution of Withdrawal Sources, by Gender of Account Owner**



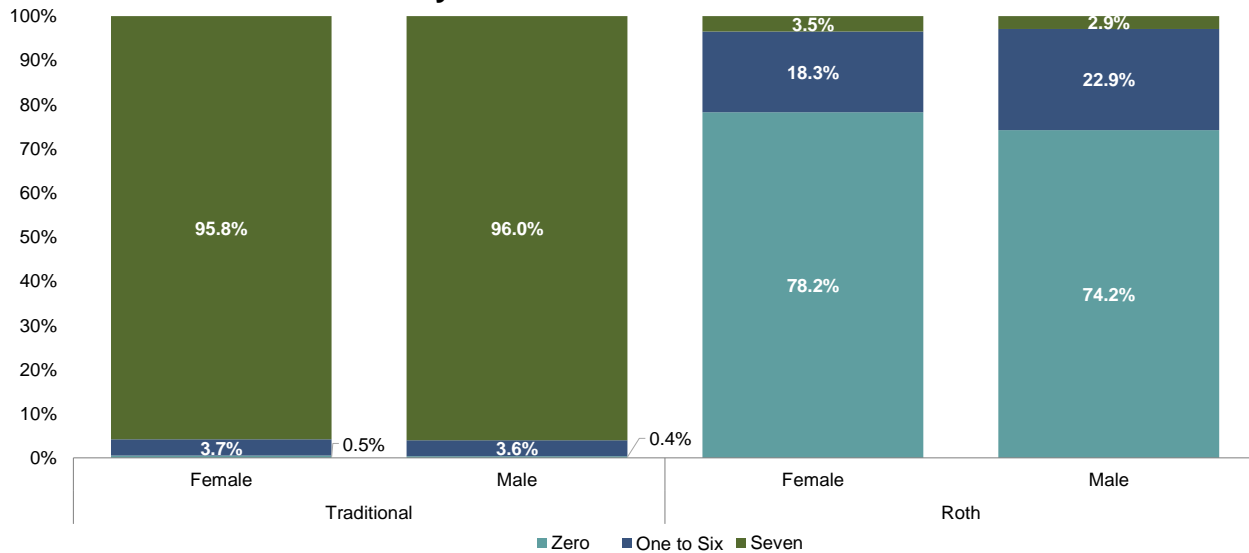
Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal from 2010–2016.  
 Source: EBRI IRA Database.

**Figure 11**  
**Distribution of the Number of Withdrawals From a Traditional and Roth IRA,**  
**by Gender of Account Owner**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
 Source: EBRI IRA Database.

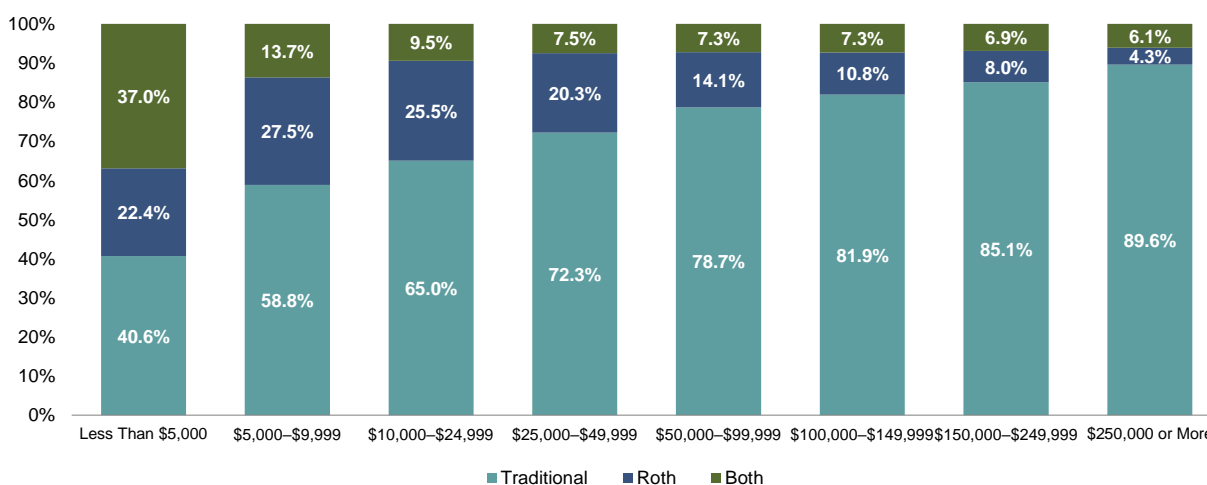
**Figure 12**  
**Distribution of the Number of Withdrawals From a Traditional and Roth IRA,**  
**by Gender of Account Owner**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
 Source: EBRI IRA Database.

**Account Balance**—The larger the balance, the more likely a withdrawal was to come from the Traditional IRA. Owners of both types of IRAs with balances of less than \$5,000 in 2010 took their withdrawal from the Traditional only 40.6 percent of the time compared with 22.4 percent from the Roth (Figure 13). As the balances increased, the likelihood of a withdrawal coming only from only the Traditional increased substantially, reaching 89.6 percent among those with total balances of \$250,000 or more.

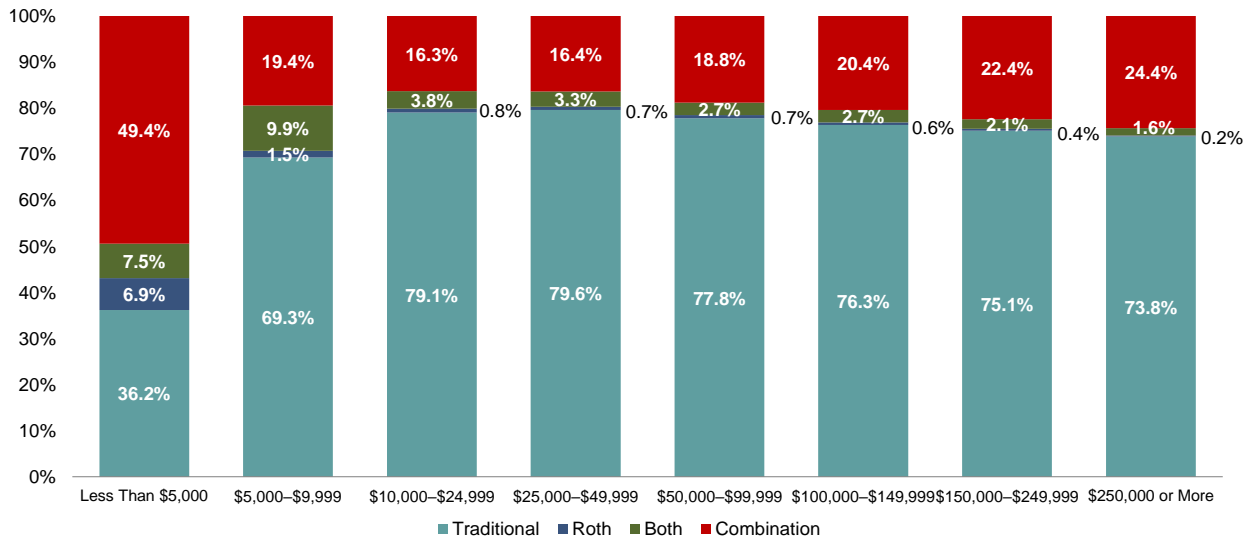
**Figure 13**  
**Distribution of the Source of Withdrawals in 2010, by 2010 Total Account Balance**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal.  
 Source: EBRI IRA Database.

Over time, the Traditional IRA remained the predominant source of withdrawals among those owning both IRA types and taking a withdrawal each year (Figure 14). For individuals with total balances of \$10,000 or more, approximately three-quarters or more took all their withdrawals from only the Traditional IRA — peaking at 79.6 percent for those with total balances of \$25,000–\$49,999 and gradually falling to 73.8 percent for those with total balances of \$250,000 or more. While virtually none of these individuals with balances of \$5,000 or more took all of their withdrawals from only the Roth, a sizable percentage took a withdrawal at some point in combination with their Traditional withdrawals. Almost 25 percent of those with balances of \$250,000 or more took withdrawals of some combination from the Traditional and Roth IRAs from 2010–2016. This number was smaller for those with lower balances, declining to 16.3 percent for those individuals with total balances of \$10,000–\$24,999.

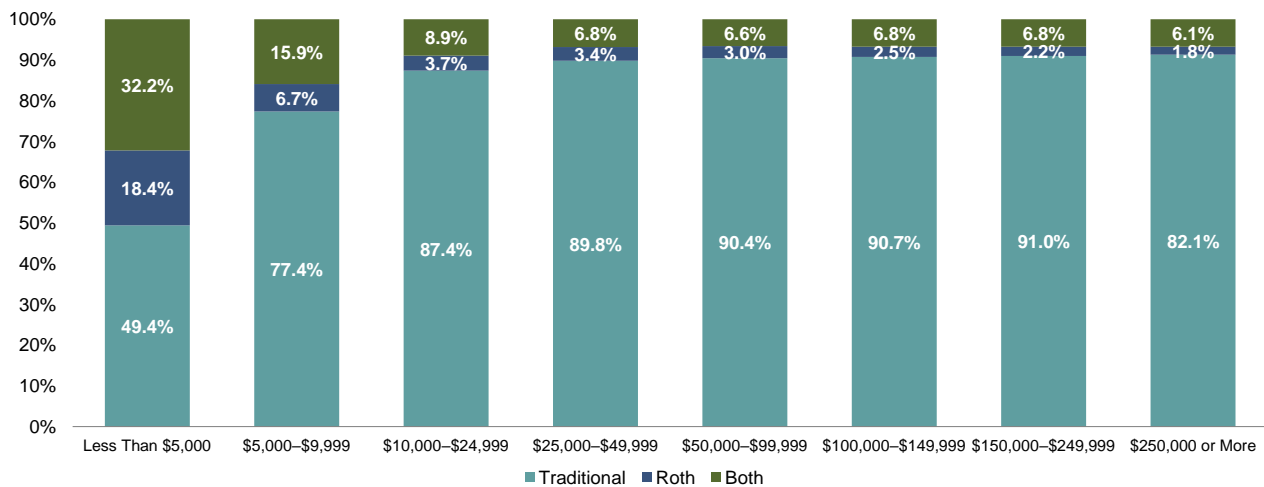
Figure 14  
**Distribution of the Sources of Withdrawals, by Total Account Balance**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year from 2010–2016.  
 Source: EBRI IRA Database.

Even with the use of Roth IRAs in some combination in the withdrawal patterns, the overwhelming majority of individuals took their first-year withdrawal from the Traditional IRA. The exception was for those with balances of less than \$5,000, who remain outliers in withdrawal behavior (Figure 15). For the individuals with balances of \$5,000 or more, the percentage who took their first-year withdrawal from the Traditional IRA ranged from 77.4 percent for those with total balances of \$5,000–\$9,999 to 91.0 percent for those balances of \$150,000–\$249,999.

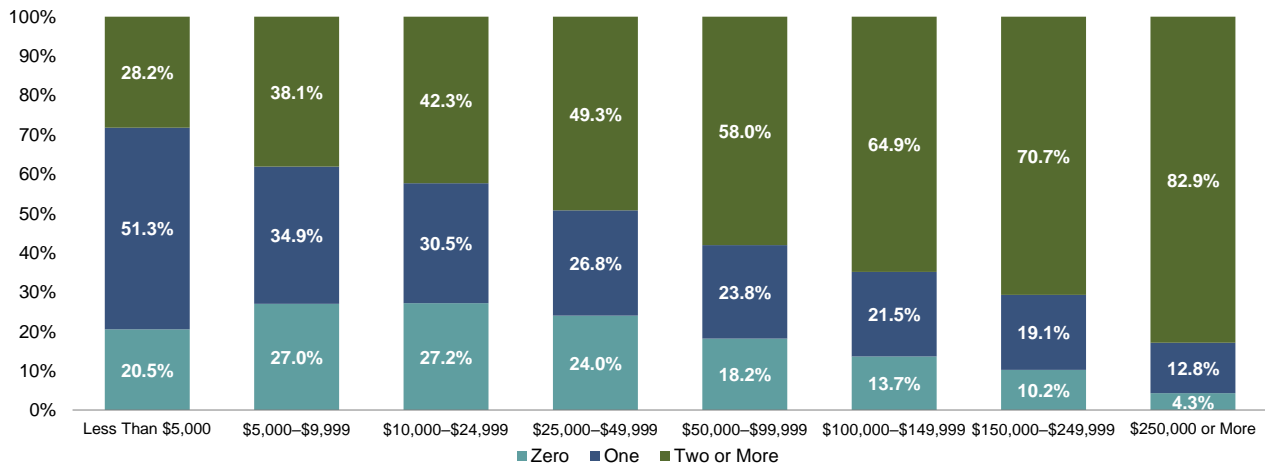
Figure 15  
**Distribution of the Source of the First Withdrawal, by 2010 Total Account Balance**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year from 2010–2016.  
 Source: EBRI IRA Database.

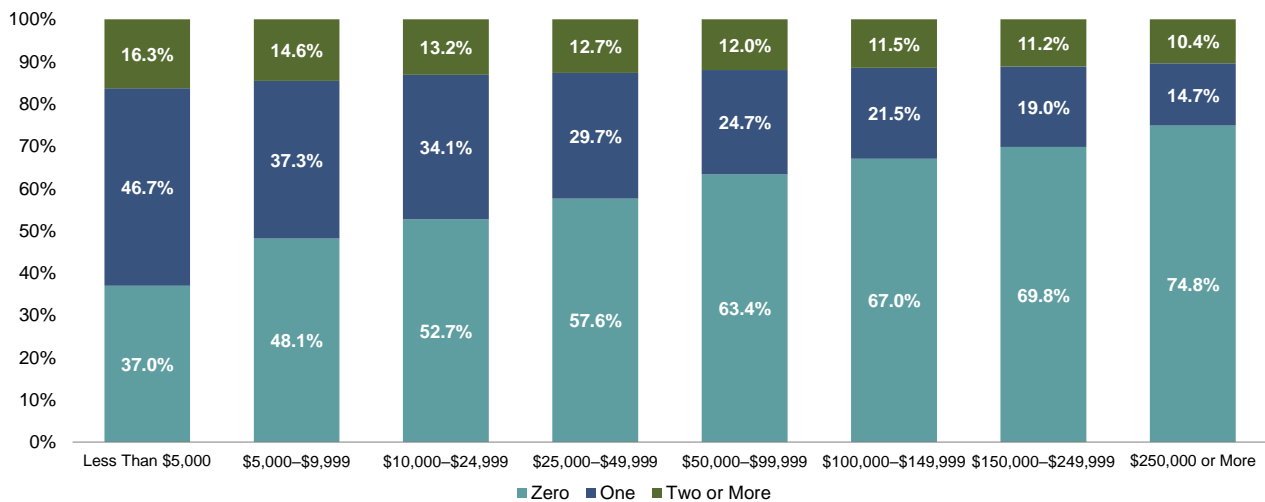
The number of withdrawals from the Traditional IRAs among those owning both IRA types and taking at least one withdrawal from 2010–2016 increased with the size of the individuals’ total account balances (Figure 16A). Twenty-eight percent of those with total balances of less than \$5,000 took two or more withdrawals from the Traditional IRA from 2010–2016. This grew to 82.9 percent of the individuals with balances of \$250,000 or more. The opposite result occurred for the number of withdrawals from the Roth IRA. Only 37.0 percent of those with balances of less than \$5,000 took no withdrawals from the Roth (Figure 16B), while 74.8 percent of those with balances of \$250,000 or more took no withdrawals from their Roth from 2010–2016.

**Figure 16A**  
**Distribution of the Number of Withdrawals From a Traditional IRA, by 2010 Total Account Balance**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal from 2010–2016.  
 Source: EBRI IRA Database.

**Figure 16B**  
**Distribution of the Number of Withdrawals From a Roth IRA, by 2010 Total Account Balance**

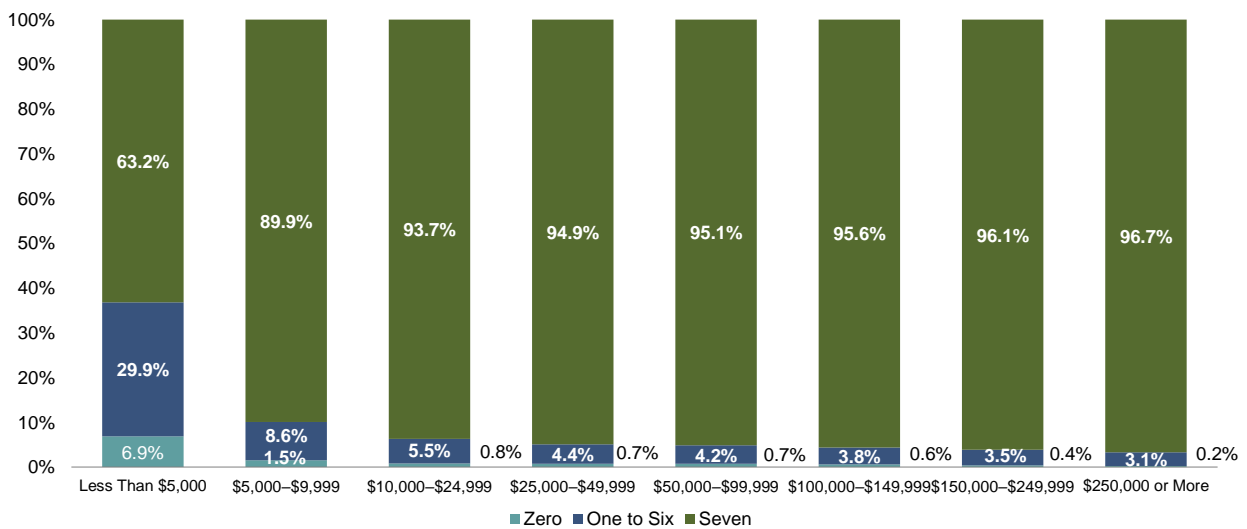


Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal from 2010–2016.  
 Source: EBRI IRA Database.

Individuals with balances of \$10,000 or more consistently took withdrawals only from their Traditional IRAs each year (Figure 17A). Among those with balances of \$10,000–\$24,999, 93.7 percent took a withdrawal from their Traditional IRA only in each of the seven years from 2010–2016. This number gradually increased with total balance size, reaching 96.7 percent of those with balances of \$250,000 or more.

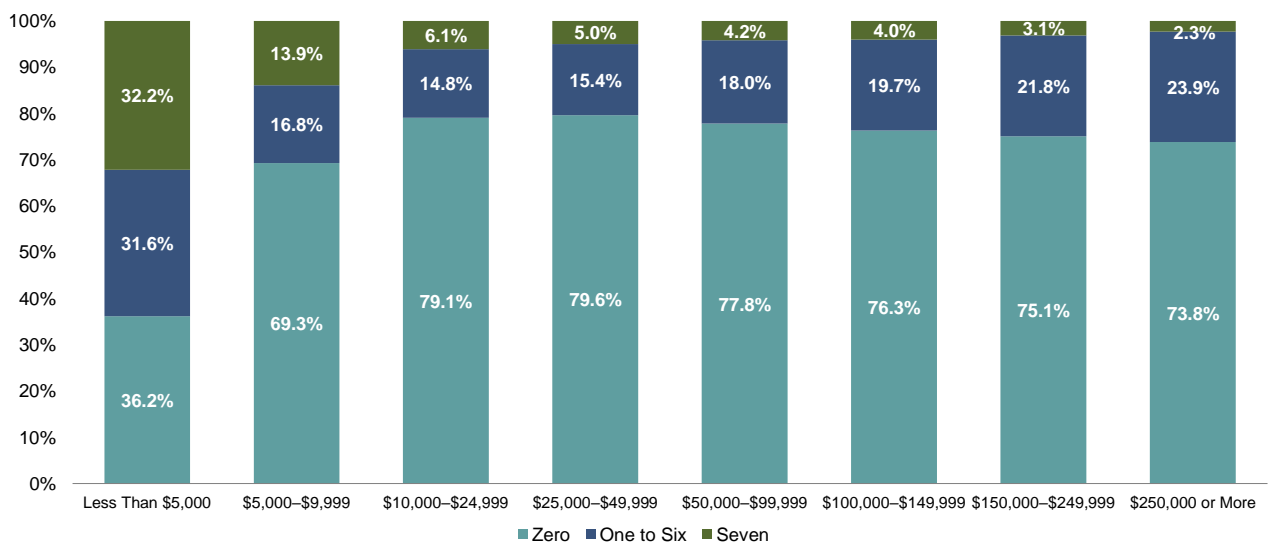
Among those with balances of \$5,000 or more, between 69 and 80 percent took no withdrawals from their Roth IRAs from 2010–2016, even though they did take a withdrawal each year from their IRAs as a whole (Figure 17B). However, there was a growing incidence of a withdrawal being taken from the Roth IRA as the balances increased from \$25,000. At the \$25,000–\$49,999 level, 20.5 percent took at least one withdrawal from their Roth IRA from 2010–2016. As the total balance size increased, this percentage trended upward, reaching 26.2 percent for those with total balances of \$250,000 or more.

**Figure 17A**  
**Distribution of the Number of Withdrawals From a Traditional IRA, by 2010 Total Account Balance**



Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year from 2010–2016.  
 Source: EBRI IRA Database.

**Figure 17B**  
**Distribution of the Number of Withdrawals From a Roth IRA, by 2010 Total Account Balance**



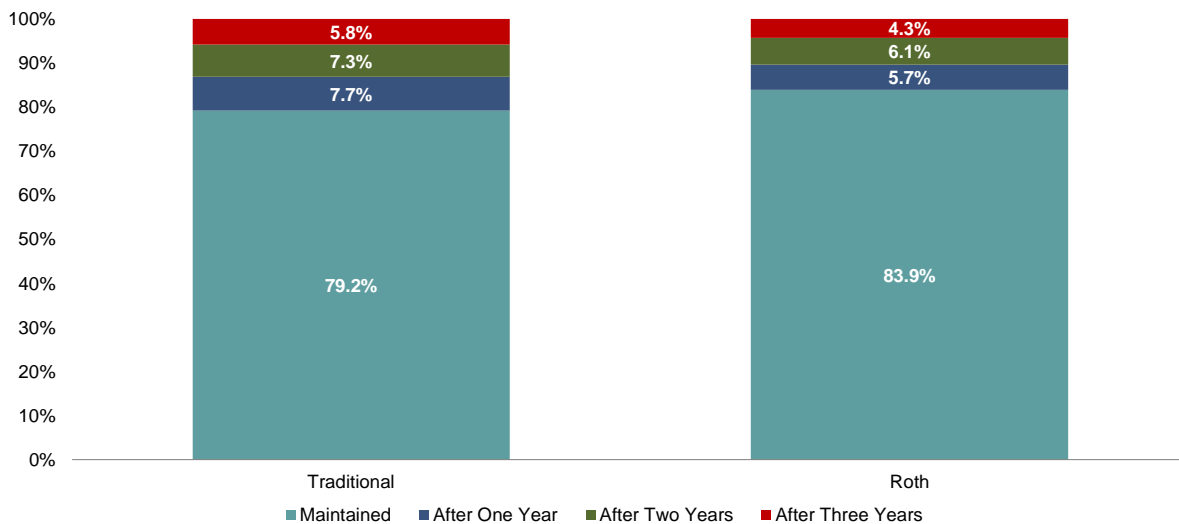
Of individual retirement account (IRA) owners who owned both types of IRAs and took a withdrawal each year from 2010–2016.  
 Source: EBRI IRA Database.

## Accounts Closing or Being Depleted

In the previous section, only those who owned both IRA types each year from 2010–2016 were examined to see where they would take their withdrawals when given the choice between both IRA types. However, it is possible that the IRA owner depleted one IRA type by withdrawing all of the assets in it, then moved to the other IRA type for further withdrawals. Individuals employing this strategy would not have shown up in the previous section. Consequently, in this section, all Traditional and Roth IRAs owned by those ages 60 or older in the database in 2012 are tracked to see if they were closed/depleted or maintained through 2015. This will show if one type is depleted more quickly than the other during a period when the owners of them are near or in retirement (ages 60 or older).

Among all the Traditional and Roth IRAs with owners ages 60 or older in the database in 2012, the Roth IRAs were more likely to have been maintained through 2015 — 83.9 percent vs. 79.2 percent (Figure 18). In each year, Traditional IRAs were slightly more likely to be depleted than were Roth IRAs. For example, by the end of 2013, 7.7 percent of the Traditional IRAs from 2012 were closed/depleted, compared with 5.7 percent of the Roth IRAs, and by the end of 2014, another 7.3 percent of the Traditional IRAs had been closed vs. 6.1 percent of the Roth IRAs.

Figure 18  
**Percentage of IRAs\* Owned by Those Ages 60 or Older That Were Closed or Depleted From 2012–2015, by IRA Type**

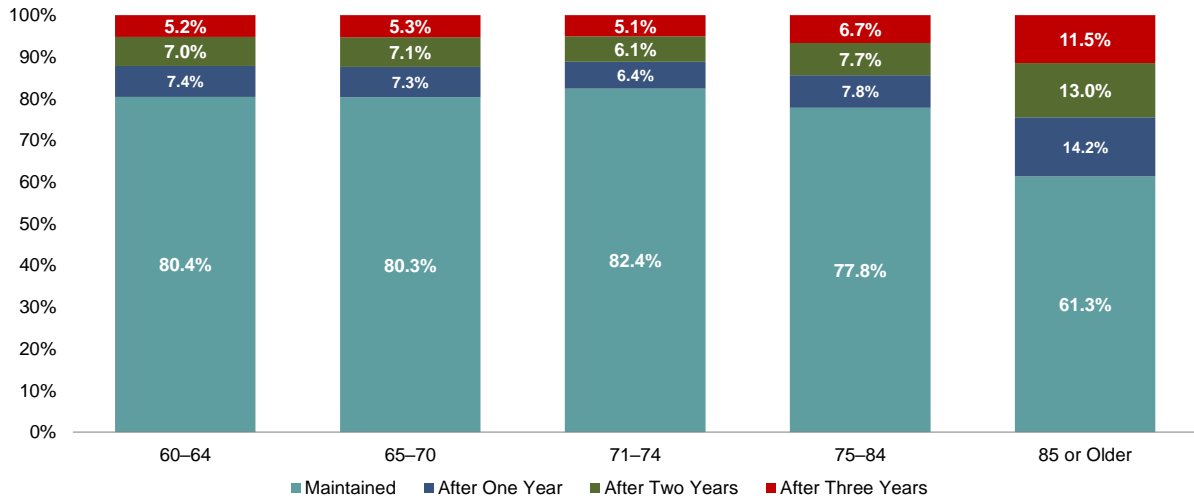


\* Individual retirement accounts.  
 Source: EBRI IRA Database.

**Age**—The percentage of Traditional IRAs maintained was relatively consistent for those owned by individuals ages 60–74 at just over 80 percent. It declined to 77.8 percent for those ages 75–84 and 61.3 percent for those ages 80 or older (Figure 19A). The maintenance pattern of Roth IRAs was similar. However, a higher percentage of Roth IRAs was maintained across each owner age group (Figure 19B). For example, 85.6 percent of the Roth IRAs with owners ages 71–74 were maintained from 2012–2015, compared with 82.4 percent of Traditional IRAs with owners of the same ages.

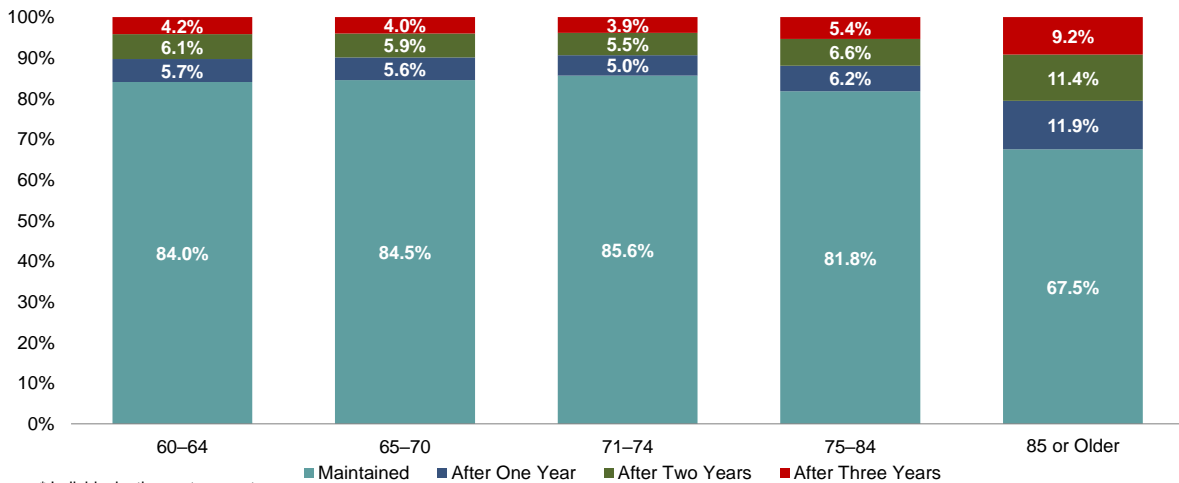


Figure 19A  
**Percentage of Traditional IRAs\* Closed or Went to a Zero Balance 2012–2015 for Account Owners Ages 60 or Older, by Owner Age**



\* Individual retirement accounts.  
 Source: EBRI IRA Database.

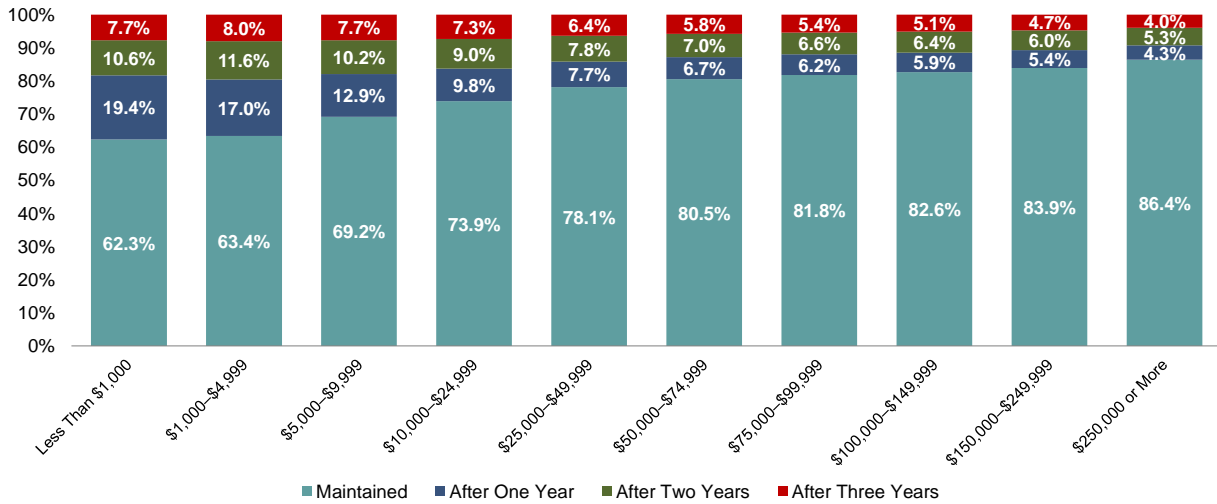
Figure 19B  
**Percentage of Roth IRAs\* Closed or Went to a Zero Balance 2012–2015 for Account Owners Ages 60 or Older, by Owner Age**



\* Individual retirement accounts.  
 Source: EBRI IRA Database.

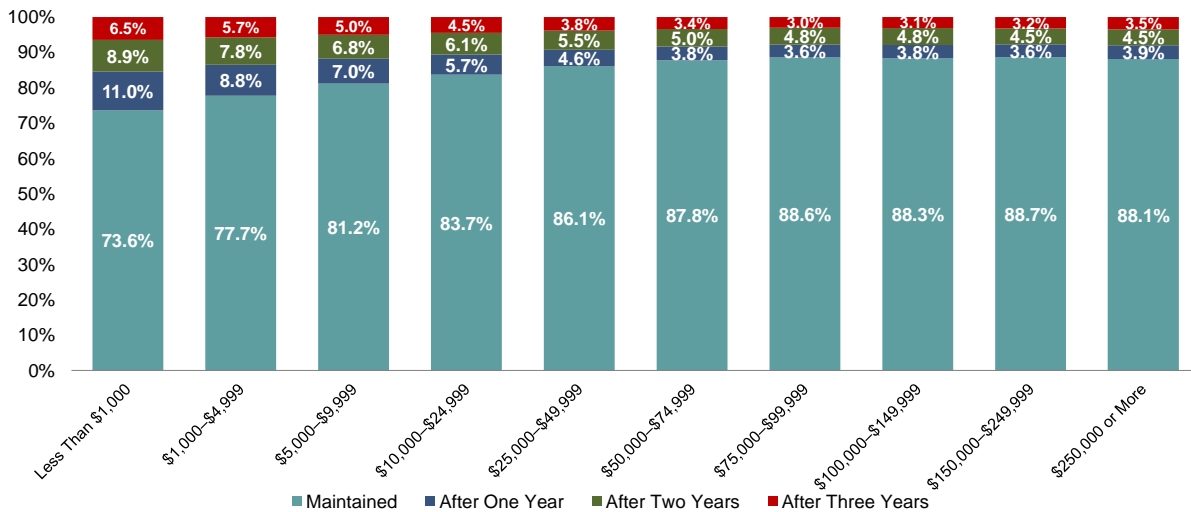
**Account Balances**—As the account balance of the Traditional IRAs increased, so did the share of them being maintained. Specifically, 62.3 percent of Traditional IRAs with balances of less than \$1,000 in 2012 were maintained through 2015 (Figure 20A). This share maintained steadily increased with the balance size, reaching 86.4 percent of the Traditional IRAs with balances of \$250,000 or more. Again, the percentage of Roth IRAs maintained was higher than that of the Traditional IRAs in each balance category (Figure 20B). However, the upward trend did not continue through the highest balances of the Roth IRAs. Instead, the percentage being maintained leveled off at about 88 percent for Roth IRAs with balances of \$50,000 or more.

Figure 20A  
**Percentage of Traditional IRAs Closed or Went to a Zero Balance of Account Owners Ages 60 or Older, by Account Balance**



Of individual retirement account (IRA) owners 2012–2015.  
 Source: EBRI IRA Database.

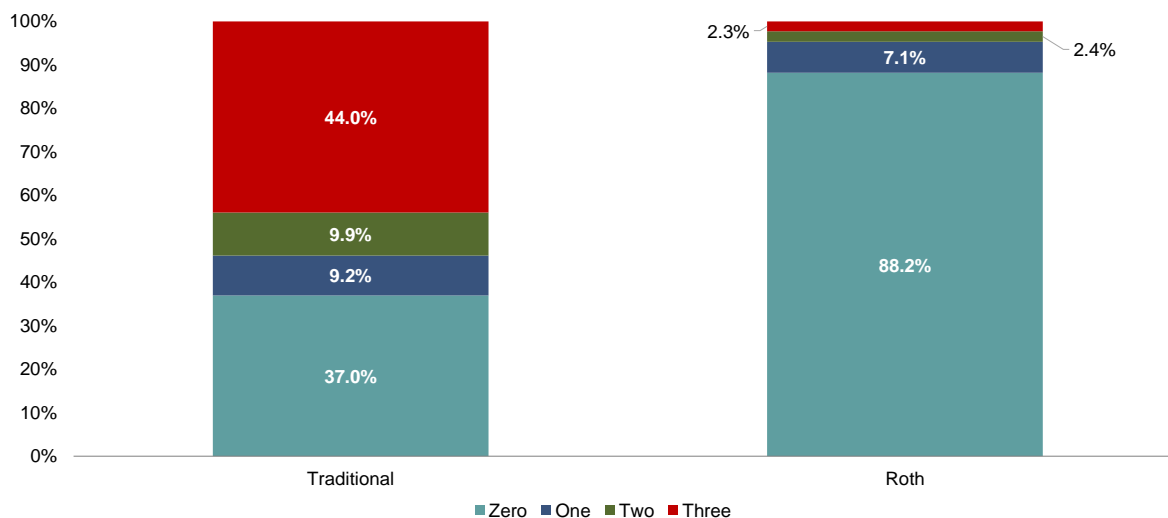
Figure 20B  
**Percentage of Roth IRAs Closed or Went to a Zero Balance of Account Owners Ages 60 or Older, by Account Balance**



Of individual retirement account (IRA) owners 2012–2015.  
 Source: EBRI IRA Database.

**Number of Withdrawals**—Among the IRAs maintained from 2012–2015 by those ages 60 or older, withdrawals were far more commonly taken from Traditional than Roth IRAs.<sup>9</sup> Nearly two-thirds (63.0 percent) of the Traditional IRAs had a withdrawal taken vs. only 11.8 percent of Roth IRAs from 2013–2015 (Figure 21). In fact, 44.0 percent of the Traditional IRAs owned by those ages 60 or older had a withdrawal taken each year from 2013–2015, compared with only 2.3 percent of the Roth IRAs.<sup>10</sup>

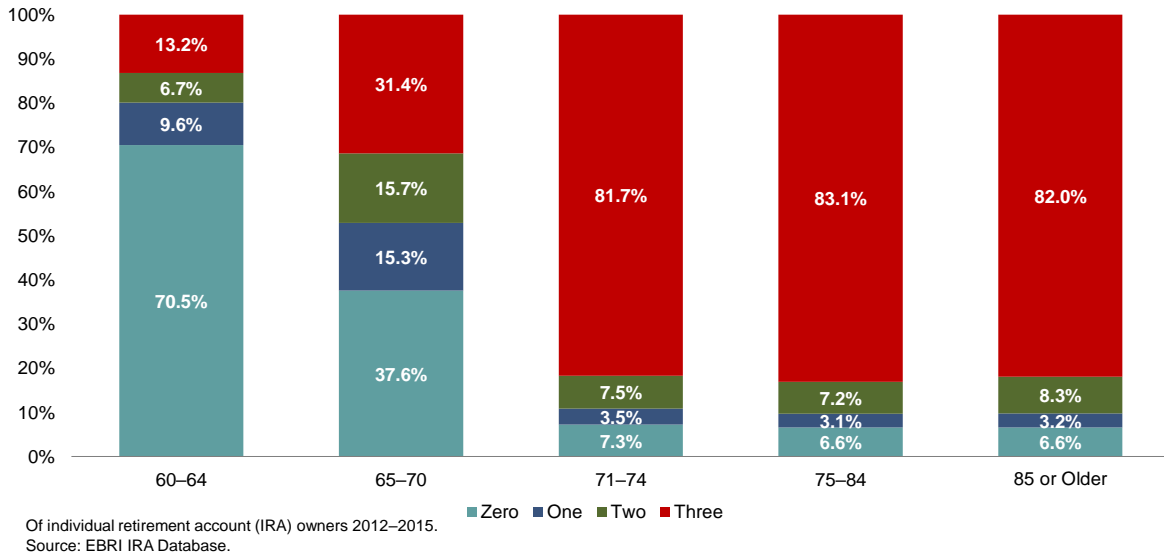
Figure 21  
**Number of Years of Withdrawals From Maintained IRAs Owned by Those Ages 60 or Older, by IRA Type**



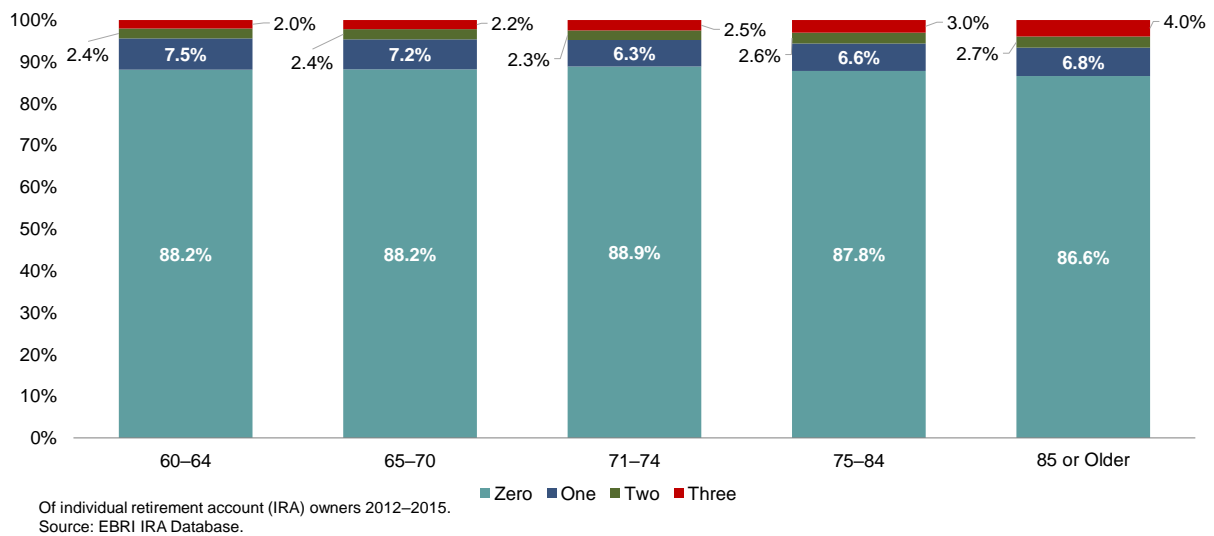
Of individual retirement account (IRA) owners 2012–2015.  
 Source: EBRI IRA Database.

Even among the Traditional IRAs owned by those ages 60–70, the percentage with a withdrawal was far higher than that of the Roth IRAs (Figure 22A and Figure 22B). For example, among the Traditional IRAs owned by those ages 60–64, 29.5 percent had a withdrawal taken, compared with only 11.8 percent of the Roth IRAs owned by those of the same ages. Furthermore, the percentage of Traditional IRAs with a withdrawal increased sharply after the owner ages reached ages 71 or older, as the required withdrawal rules became applicable. However, the share of Roth IRAs with a withdrawal barely budged as the ages of the owners increased: 88.2 percent of the Roth IRAs owned by those ages 60–64 had no withdrawals compared with 86.6 percent for owners ages 85 or older.

**Figure 22A**  
**Number of Years of Withdrawals From Maintained Traditional IRAs for Account Owners Ages 60 or Older, by Owner Age**



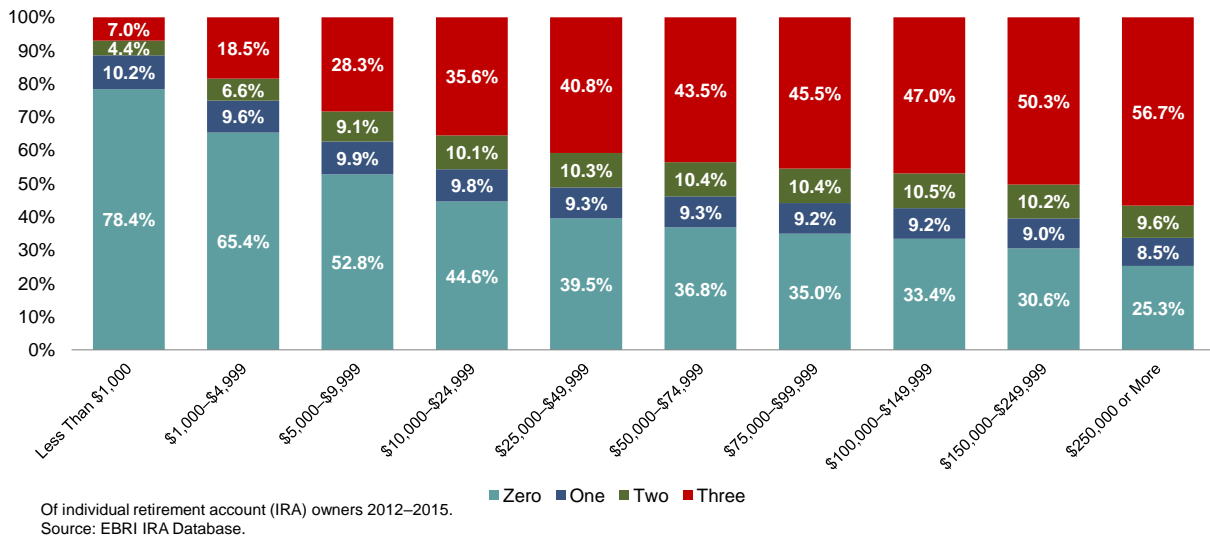
**Figure 22B**  
**Number of Years of Withdrawals From Maintained Roth IRAs for Account Owners Ages 60 or Older, by Owner Age**



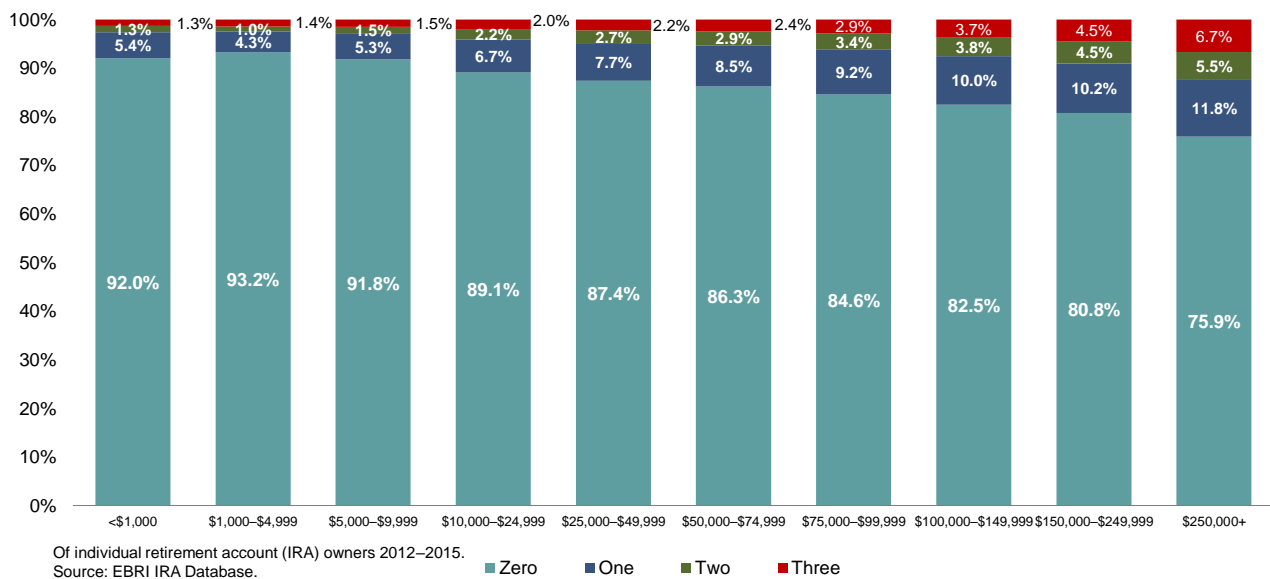
The likelihood of Traditional IRAs owned by those ages 60 or older having a withdrawal increased with the size of the account balance (Figure 23A). Just under 8 in 10 (78.4 percent) Traditional IRAs with balances of less than \$1,000 had no withdrawals from 2013–2015. This percentage steadily decreased to 25.3 percent of the Traditional accounts with balances of \$250,000 or more having no withdrawals, meaning that nearly 75 percent of these accounts did have a withdrawal from 2013–2015.

Again, Roth IRAs were less likely to have had a withdrawal across each account balance category compared with Traditional IRAs (Figure 23B). Furthermore, the drop in the share of Roth IRAs without withdrawals was not as steep compared with that of the Traditional IRAs. More than 9 in 10 (93.2 percent) Roth IRAs with balances of \$1,000–\$4,999 had no withdrawals. This declined to 75.9 percent for those with balances of \$250,000 or more. Thus, even for Roth owners 60 or older with balances of \$250,000 or more in 2012, only a quarter had a withdrawal from 2013 through 2015.

**Figure 23A**  
**Number of Years of Withdrawals From Maintained Traditional IRAs of Account Owners Ages 60 or Older, by Account Balance**



**Figure 23B**  
**Number of Years of Withdrawals From Maintained Roth IRAs of Account Owners Ages 60 or Older, by Account Balance**



## Conclusion

Certain patterns of withdrawals would be expected to emerge among individuals who own both Roth and Traditional IRAs, such as those with larger balances favoring Roth IRAs due to the tax-free nature of the withdrawals. However, the data do not show this. Instead, results from the EBRI IRA Database show that IRA owners consistently favor withdrawals from Traditional IRAs. This is true even for those in age cohorts that do not require withdrawals. For example, while IRA owners ages 60–64 were more likely to use some combination of different sources for the withdrawals, they typically only took one withdrawal from their Roth IRA over time, with the remaining withdrawals coming from the Traditional IRA.

Owners of IRAs with the largest balances who took withdrawals each year were among those least likely to take their withdrawal from a Roth IRA, despite being the individuals likely to have the most to gain from taking withdrawals to minimize taxes.

There was also little evidence that owners deplete or close one account type before withdrawing from another. The account type most likely to be depleted or closed was the Traditional IRA. Current retirees do not appear to be taking advantage of the different tax regimes of the two IRA types in their withdrawal strategies. Instead, they are for the most part preserving their Roth IRAs.

The source of an IRA withdrawal of those owning both IRA types can for the most part be assumed to be the Traditional IRA. In many cases, this is because of the Internal Revenue Service (IRS) rules requiring withdrawals from them. A more widespread understanding that the source of withdrawals taken from IRAs can have an impact on the dollars available for everyday uses could have beneficial effects for many retirees.

## About IRAs

Individual retirement accounts (IRAs) were created by the Employee Retirement Income Security Act of 1974 (ERISA) as a way to provide workers who did not have employment-based pensions an opportunity to save for retirement on a tax-deferred basis. The Economic Recovery Tax Act of 1981 (ERTA) extended the availability of IRAs to all workers with earned income, including those with pension coverage. The Tax Reform Act of 1986 (TRA '86) restricted the tax deductibility of IRA contributions to those with incomes below certain levels and created *nondeductible* IRAs (where contributions are not tax-deductible but earnings still accrue tax-deferred), and *partially* (or *wholly*) deductible IRAs, depending on income. The Taxpayer's Relief Act of 1997 (TRA '97) created a new type of nondeductible IRA — the Roth IRA — and allowed nonworking spouses to contribute to an IRA, subject to certain income restrictions. As an account type, IRAs currently hold the largest single share of U.S. retirement plan assets, largely from rollovers from other types of plans.

There are two basic types of nonemployment-based IRAs that are the focus of this study:

*Traditional IRAs:* Anyone with earned income, as well as a nonearning spouse of an earner under certain conditions, can contribute. Contributions are tax deductible (or not) depending upon the contributor's income and participation in an employment-based retirement plan. Earnings in these IRAs accrue tax-*deferred*, and withdrawals after age 59-½ are taxed as ordinary income. Minimum withdrawals from a Traditional IRA must commence by April 1 of the calendar year after the year the individual turns age 70-½ (age 72 for those reaching their 70<sup>th</sup> birthday on July 1, 2019, or later).

*Roth IRAs:* This type of IRA offers tax-*free* investing for retirement: No taxes are paid on investment returns or on withdrawals made after age 59-½, as long as the Roth IRA has been held for at least five years. Contributions to Roth IRAs are not tax-deductible, but there are no mandatory withdrawals after age 70-½ (age 72) (as there are with Traditional IRAs). Certain income limits restrict eligibility for contributing to a Roth IRA. (Traditional IRAs can be converted to Roth IRAs through paying the applicable taxes.)

The current, maximum, annual contribution to a Traditional or Roth IRA is \$6,000 for those under age 50 at the end of 2020. This limit can be split between a Traditional and a Roth IRA, but the combined limit is \$6,000. Those ages 50 or older in 2020 can make an additional \$1,000 "catch-up" contribution, for a combined annual limit of \$7,000. The maximum contribution to a Roth IRA and the maximum deductible contribution to a Traditional IRA may be reduced depending upon an individual's modified, adjusted gross income.

## Endnotes

<sup>1</sup> The SECURE Act is the Setting Every Community Up for Retirement Enhancement Act of 2019, which was signed into law on December 20, 2019. It pushed back the age when owners of Traditional IRAs must take start taking withdrawals (distributions) from them, as part of the required minimum distribution (RMD) rules, to 72 from 70-½. It also changed the IRA contribution eligibility rules, the required distributions of inherited non-spousal IRAs, and various provisions on employment-based retirement plans.

<sup>2</sup> For earnings in the Roth IRA to be nontaxable when withdrawn, the Roth IRA must be open for five years. If the Roth IRA has not been open this long, the withdrawals of any earnings are taxable, with a few exceptions such as a first-time home purchase.

<sup>3</sup> 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 the most recent results from the database.

<sup>4</sup> Below is a comparison of the EBRI IRA Database with numbers from the Internal Revenue Service. See Internal Revenue Service, "SOI Tax Stats- Accumulation and Distribution of Individual Retirement Arrangements (IRA)." 2015,

<https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements> for more detail about the IRS tabulations of IRA data.

	EBRI IRA Database 2016	Internal Revenue Service 2015 Data
Total Assets	\$2.36 trillion	\$7.48 trillion
Percentage Traditional Assets	85.0%	85.4%
Average Rollover Amount	\$94,238	\$94,535
Average Account Balance	\$123,973	\$127,980
Average Traditional Contribution	\$4,154	\$4,153
Average Traditional Withdrawal	\$17,237	\$15,949
Age		
Under 25	1.8%	1.4%
25–29	4.1	3.5
30–34	6.2	5.4
35–39	7.3	6.5
40–44	7.9	7.7
45–49	9.6	8.9
50–54	10.8	10.9
55–59	12.1	12.7
60–64	12.0	12.9
65–69	10.9	11.2
70 or older	16.5	18.9
Unknown	1.1	0.0
Type		
Traditional	78.7	79.5
SEP/SIMPLE	7.5	10.4
Roth	31.0	32.9

The above percentage of Traditional assets is adjusted for known assets. With the unknown assets included, the Traditional IRA asset percentage is 82.1 percent. As can be seen from the table above, the EBRI IRA Database is very close in all the benchmarks examined.

Based on an asset comparison with the Federal Reserve's *Financial Accounts* report (referenced in Figure 1) 2016 number of \$8.08 trillion, the database includes about 27 percent of the 2016 assets. The number of individuals owning IRAs in the database (19.1 million) represents about one-third of all IRA owners given the 58.4 million individuals the Internal Revenue Service reported owning an IRA in 2015.



---

<sup>5</sup> For complete examination of IRA withdrawals (not just those with both IRA types) from the EBRI IRA Database see, Craig Copeland, "EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2016 Update" *EBRI Issue Brief*, no. 456 (Employee Benefit Research Institute, August 13, 2018) and Copeland (2018) (see endnote 3).

<sup>6</sup> The Internal Revenue Service term for taking money out of account is a distribution. However, distribution also has a statistical meaning of the share of those being studied falling into specific characteristic groups. Thus, withdrawal is used in this study for taking money out of an account, as not to confuse the reader with the distribution of IRA owners falling into specific categories such as ages.

<sup>7</sup> In this section, the owners' ages are as of 2010.

<sup>8</sup> The required minimum distribution (withdrawal) does not have to be taken from all of the IRAs owned by an individual. Instead, the amount of the required withdrawal is calculated by combining all of the Traditional IRAs owned, and that amount can be taken from only one of them or all of them based upon the owner's choice as long as the total withdrawal equals the amount required.

<sup>9</sup> In order to see if there were any changes in the relative number of withdrawals between the IRA types across the two samples, the number of withdrawals is calculated for each IRA maintained from 2012–2015, regardless of ownership of another IRA type. The first year of the IRAs in this section of the analysis is 2012, whereas the previous section began in 2010.

<sup>10</sup> In this section, only post-2012 withdrawal behavior is calculated. In the prior section, the withdrawal behavior was determined for the initial year as well.