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New Research from EBRI:

Roth IRAs Get Most Contributions; IRAs Funded by Rollovers Hold the Most Money

WASHINGTON—Where does the money go in individual retirement accounts (IRAs)?

Most of the new contributions go into Roth IRAs, but most of the assets are held in traditional IRAs, where the money originated from a rollover from other tax-qualified retirement plans (such as 401(k) plans) and not from new contributions, according to new research by the nonpartisan Employee Benefit Research Institute (EBRI).

The latest report from the unique EBRI IRA Database finds that 26 percent of Roth IRA owners contributed to their accounts in 2011, compared with just 6 percent of traditional IRA owners. For traditional and Roth IRAs combined, 13.2 percent received contributions that year.

The EBRI analysis also shows that individuals with a traditional IRA originating from rollovers had the highest average and median (mid-point) balances of \$110,918 and \$31,944, respectively. Roth owners had lower average and median balances at \$25,228 and \$11,344. And in the 2011 EBRI IRA Database, almost 13 times the amount of dollars were added to IRAs through rollovers than from new contributions.

IRAs hold more than 25 percent of all retirement assets in the United States, which makes them a vital component of the nation's retirement savings. Overall, the total *average* IRA account balance in 2011 was \$70,915, while the average IRA *individual* balance (all accounts from the same person combined, since many individuals own more than one IRA) was \$87,668. The median account balance was \$19,619, and the median individual balance was \$23,785.

The EBRI IRA Database is unique in its ability to track people who own multiple IRAs, providing a measure of individuals' consolidated IRA holdings. For instance, it shows that the overall cumulative IRA average balance was 24 percent larger than the unique account balance, providing a far more accurate picture of the assets held in these accounts.

“The results show the importance of being able to measure an individual's combined account balances to determine the potential total retirement savings he or she has by the aggregation of multiple accounts,” said Craig Copeland, EBRI senior research associated and author of the report.

The EBRI IRA Database contains data collected from various IRA plan administrators on 20.5 million accounts owned by 16.6 million unique individuals with total assets of \$1.456 trillion. EBRI is building a database that will allow it to track the flow of retirement assets saved in 401(k) plans and other tax-qualified plans and transferred to IRAs and spent in retirement as people leave the work force.

Among the other findings in the EBRI IRA report:

- Males had higher individual average and median balances than females: \$114,745 and \$30,704 for males, respectively, vs., \$66,529 and \$21,642 for females. The median balance for males reached \$72,971 for those ages 70 or older, compared with \$42,926 for females of that age.
- Of those individuals contributing, 47.2 percent contributed the maximum amount. Just over one-half (50.7 percent) of those contributing to a traditional IRA contributed the maximum, while 43.6 percent did so with a Roth IRA.
- While more than 1.6 million accounts received contributions and approximately 1.1 million accounts received rollovers in 2011 in the database, almost 13 times the amount of dollars were added to IRAs through rollovers than from contributions.
- More contributions were made to Roth accounts than to traditional IRAs in the database. However, at \$3,879, the average contribution to a traditional account was higher than the \$3,633 average contribution to a Roth account. Yet, a higher overall aggregate amount was contributed to Roth IRAs (\$3.7 billion for Roths compared with \$2.3 billion for traditional accounts).
- Roth IRAs had a higher percentage of younger individuals contribute to them than did traditional IRAs, as 23.8 percent of the Roth accounts receiving contributions were owned by individuals ages 25–34, compared with 8.9 percent for traditional IRAs.
- The EBRI IRA Database is able to track consistent contributors and finds that those who contributed one year were far more likely to contribute the next year. Among traditional and Roth IRA owners, 7.1 percent made contributions in both 2010 and 2011, and of those who contributed in 2010, 65.4 percent contributed again in 2011. Roth IRA owners were both more likely to contribute to their IRA and more likely to contribute to the IRA in subsequent years: 17 percent of Roth IRA owners contributed to their IRA in both years, compared with 3.2 percent of traditional IRA owners. With Roth IRAs, younger owners (above age 25 up to age 50) had higher persistence rates in contributing in both 2010 and 2011) than those 50 or older. With traditional IRAs, persistence rates increased with age through age 49, and then started to decline through age 70 or older.

Full details of the report are published in the May 2012 *EBRI Issue Brief*, “Individual Retirement Account Balances, Contributions, and Rollovers, 2011: The EBRI IRA Database,” available online at www.ebri.org

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