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New Research from EBRI:

“Extreme” IRA Allocations More Likely Among Younger Workers With Smaller Balances

WASHINGTON—Young workers with small balances and owners of Roth individual retirement accounts (IRAs) are more likely than other IRA owners to make “extreme” allocations to stocks or money, according to a new report from the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI report, which defines “extreme” allocations as having less than 10 percent or more than 90 percent in a particular asset category in an account, found that:

- **By age**, the youngest (younger than age 25) IRA owners had the highest percentage, with more than 90 percent in equities (37.5 percent). Above age 25, the percentage with more than 90 percent in money/cash equivalent funds decreased with age. However, the percentage of IRA owners above 25 with more than 90 percent invested in bonds and money combined decreased as the owner’s age increased until age 75.
- **By type**, Roth and traditional IRAs established by contributions were more likely to have greater than 90 percent invested in equities and least likely to have more than 90 percent invested in money/cash equivalent funds. In contrast, traditional IRAs established by rollovers, and SEP/SIMPLE IRAs were much more likely to have 10 percent or less invested in equities and 90 percent or more invested in money/cash equivalent funds.
- **By account balance**, IRA owners with higher account balances generally were less likely to have extreme asset allocations. For example, while 37.2 percent of those with account balances of \$10,000–\$24,999 had 90 percent or more of their assets invested in equities, only about 1 in 10 of those with account balances of \$250,000 or more did.
- **By gender**, There was very little difference by gender: About 29 percent of females and 28 percent of males had 90 percent or more of their IRA assets invested in equities. Similarly, 62 percent of females and about 65 percent of males had less than 10 percent invested in bonds.

These and other findings from the latest update of the EBRI IRA Database, “IRA Asset Allocation, 2011,” are published in the October *EBRI Notes*, online at www.ebri.org

The EBRI report notes that IRAs are a vital component of U.S. retirement savings, representing more than 25 percent of all retirement assets in the nation. A substantial portion of these IRA

assets originated in other tax-qualified retirement plans, such as defined benefit (pension) and 401(k) plans, and were subsequently moved to IRAs through rollovers.

In the entire EBRI IRA Database, as of year-end 2011, 44.4 percent of the assets were in equities, 10.7 percent in balanced funds, 18.0 percent in bonds, 13.0 percent in money/cash equivalent funds and 13.8 percent in other assets.

The EBRI IRA Database is an ongoing project that collects data from IRA plan administrators. For 2011, it contained complete asset allocation on 18.4 million accounts with \$1.388 trillion in assets.

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