

News from EBRI

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Combining All IRAs Owned by Individuals Is Key to Measuring Their Total Potential Retirement Savings; Required Minimum Distribution Rules Continue to Be Major Determinant in IRA Withdrawals

Washington, D.C. – To better determine the potential total retirement savings of an individual, it's key to measure not only the unique individual retirement account (IRA) balance, but also the combination of all IRAs an individual owns. This is according to new research by the Employee Benefit Research Institute (EBRI), a private, non-partisan, nonprofit research group. EBRI's latest findings show that the overall cumulative IRA average balance per individual is 27 percent larger than the IRA balance per account.

EBRI's database covers research results on the distribution of IRA types and account balances, contributions, rollovers, withdrawals, and asset allocation in IRAs, as well as certain demographic characteristics of the account owner for the year 2016, the latest data available.

“EBRI's findings for 2016 contain information on over 24.2 million accounts owned by some 19.1 million individuals with total assets of \$2.36 trillion,” said Craig Copeland, EBRI senior research associate and author of the IRA report. “The report shows that in 2016, 22.7 percent of those ages 71 or older were found to have Traditional IRA withdrawals in excess of their required minimum distributions (RMDs), meaning that over three-quarters took only the amount they were required to take.”

The RMD rules only apply to Traditional IRA owners, where beginning in the year owners turn age 70½, they are required to make an annual minimum distribution (withdrawal). The RMD rules do not apply to Roth IRA owners. Consequently, only 6.2 percent of Roth IRA owners ages 71–79 took a withdrawal in 2016.

Some key findings of the EBRI IRA analysis:

- The average IRA account balance in the database was \$97,515 at year-end 2016, and the average IRA individual balance (when all accounts owned by the individual are combined) was \$123,973 – a 27 percent larger balance when all of an individual's accounts are considered.
- Average IRA account balances differed significantly by the IRA type. Roth IRAs had the lowest average balance, while Traditional IRAs had the highest average balances.

- Rollovers to IRAs in 2016, regardless of the source, amounted to over 16 times more than the total contributions in the database, with the average and median rollover to a Traditional IRA in 2016 being \$94,238 and \$21,383, respectively.
- Just under 11 percent of all accounts in the database received a contribution in 2016, but Roth IRAs were more likely to receive a contribution than Traditional IRAs (24.9 percent vs. 5.5 percent).
- Almost 24 percent of individuals owning a Traditional or Roth IRA took a withdrawal in 2016, including 27.1 percent of Traditional IRA owners compared with 4.6 percent of Roth IRA owners.
- One-half of all IRA assets were allocated to equities, although this varied with owner age, account balance, and IRA type.
- Those owning Traditional IRAs had, on average, lower allocations to equities. In addition, equity allocations peaked for both Traditional and Roth IRA owners ages 45–54. IRAs with the largest and smallest balances had the lowest combined exposure to equities (including the equity share of balanced funds).
- Overall in 2016, 28.6 percent of IRAs had less than 10 percent in equities and 26.6 percent had more than 90 percent in equities, so-called “extreme allocations” in a particular asset category. Also, more than 1 in 5 IRAs (23.4 percent) had more than 90 percent of their assets in bonds and money.

The full report is the eighth annual cross-sectional analysis of the EBRI IRA database. It includes results on the distribution of IRA types and account balances, contributions, rollovers, withdrawals, and asset allocation in IRAs for 2016, the latest data available.

The full *Issue Brief* is available [here](#). A related EBRI *Fast Fact* is located [here](#).

About EBRI:

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