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**New Research from EBRI:**

## **Overall IRA Withdrawal Rates Follow RMD Rule Rates**

WASHINGTON—Withdrawals from individual retirement accounts (IRAs) tend to be small and closely follow the rates dictated by the federal required minimum distribution (RMD) rules that apply to individuals age 70-1/2 or older, according to a new study by the nonpartisan Employee Benefit Research Institute (EBRI).

Examining patterns drawn from the proprietary EBRI IRA Database, the median withdrawal rate for those taking a distribution was found to be 7.4 percent for the combination of traditional and Roth IRAs and 6 percent when considering traditional IRAs only. Just over 16 percent of traditional and Roth IRA accounts combined had a withdrawal in 2011 (the latest data available), including 20.5 percent of traditional IRA accounts.

EBRI found that withdrawal activity was “largely driven by activity among traditional IRAs owned by individuals ages 70-1/2 or older, where the individuals were required (by law) to make withdrawals.”

By contrast, among IRA owners ages 25–59, less than 10 percent took a withdrawal from those accounts.

“For those at the age where they had to make a withdrawal, the median withdrawal rates appeared close to the amount required by law to be withdrawn,” said Craig Copeland, senior research associate at EBRI and author of the report.

He also noted that in situations where there was both a rollover and a withdrawal, the movement of funds appeared to reflect a desire to take advantage of differing tax rules between IRAs and employment-based retirement plans from which the rollover likely originated.

Among the report’s findings:

- Traditional IRAs, which have existed longer than Roth IRAs, tend to be larger, and account for most of the withdrawals (over 90 percent of the withdrawals in the EBRI IRA Database were from traditional IRAs).
- Most withdrawals (about 65 percent) were made by those ages 60 or older; almost 44 percent were by those ages 70 or older.

- The average withdrawal amount was \$16,374, although the average withdrawal from a traditional IRA was larger than from a Roth IRA. Average withdrawals increased from ages 25 to 69, and steadily declined thereafter.
- The median (mid-point, half above and half below) withdrawal rates suggest that many individuals are highly likely to maintain the IRA as a source of income throughout retirement, although further research is needed.

IRAs are currently the largest repository of retirement funds in the United States, representing more than 25 percent of all retirement assets. As the report notes, a substantial portion of these assets originated in other tax-qualified retirement plans, such as defined benefit (pension) and 401(k) plans, and were moved to IRAs through rollovers at job change.

The EBRI IRA Database, an ongoing project that collects data from IRA plan administrators, contains information for 2011 (the latest available) on 20.5 million accounts with total assets of \$1.456 trillion. EBRI's study examined only withdrawals from accounts identified as traditional or Roth IRAs in the database, a total of 15.3 million accounts with \$1.11 trillion in assets.

The full report, "IRA Withdrawals, 2011," is published in the February *EBRI Notes*, online at [www.ebri.org](http://www.ebri.org)

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