New Research from EBRI:

IRA Withdrawals: How Much and When

WASHINGTON—Individual retirement accounts (IRAs) are a vital component of U.S. retirement savings, representing approximately one-quarter of all retirement assets in the nation. But as a growing number of Americans head into retirement, how much are they withdrawing from these accounts—and will it last?

New research by the nonpartisan Employee Benefit Research Institute (EBRI) finds that in the EBRI IRA Database, just under 21 percent of traditional and Roth IRA accounts had a withdrawal in 2012. However, the overall IRA withdrawal percentage was largely driven by activity among traditional IRAs owned by individuals ages 70-½ or older, a point at which the individuals are required by federal law to take distributions from these accounts.

For those at or above the required minimum distribution (RMD) age of 70-½, the withdrawal rates at the median (mid-point) appeared close to the amount that is required to be withdrawn, though some were significantly more. In contrast, among individuals under age 60, 10 percent or fewer had a withdrawal.

Significantly, when looking at the distribution of the withdrawal rates for those ages 70 or older, the median of the three-year average withdrawal rates also show that most individuals are withdrawing at a rate that is likely to be able to sustain some level of post-retirement income from IRAs throughout their retirement years. Furthermore, looking at withdrawal patterns over the 2010–2012 period, the EBRI analysis suggests that the initial withdrawal rate for those in this age group appears to be at a level that these individuals are likely to continue to take.

“While the median withdrawal rates are encouraging in that they suggest that many individuals would be able to maintain the IRA as an ongoing source of income throughout retirement, further study is needed to see if these individuals are maintaining those withdrawal rates over longer periods of time,” noted Craig Copeland, EBRI senior research associate and author of the report. “Additionally, the integration of IRA data with data from employment-based defined contribution retirement accounts that is currently underway as part of initiatives associated with EBRI’s Center for Research on Retirement Income (CRI) will allow for a better picture of what individuals who may have multiple retirement accounts do as they age through retirement.”

Using its proprietary EBRI IRA Database, the EBRI analysis found that among those taking withdrawals all three years, and having reached the age for required distributions, the median withdrawal rate was 5.1 percent.

As the EBRI report notes, a substantial portion of IRA 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. Thus, in many cases, IRAs are not only independent retirement savings vehicles, but repositories for assets built up in the employment-based retirement system.

The EBRI IRA Database, an ongoing project that collects data from multiple IRA plan administrators, for 2012 contains information on 25.3 million accounts owned by 19.9 million unique individuals, with total assets of $2.09 trillion. In this study, only withdrawals by individuals owning either traditional or Roth IRAs in the database are examined, a total of 17.7 million individuals with $1.97 trillion in assets.
Among other findings in the new EBRI analysis:

- Just under 21 percent of all traditional and Roth IRA accounts together had a withdrawal in 2012, including 24.3 percent of traditional accounts and 3.6 percent of Roth accounts.
- By age, 65.4 percent of the individuals taking a withdrawal were ages 65 or older, and just over half (51.1 percent) were ages 71 or older, while just 11.5 percent were younger than age 50. For traditional IRA owners taking a withdrawal, the age distribution followed the overall age distribution, with 67.6 percent ages 65 or older and 53.1 percent ages 71 or older.
- In contrast, among Roth IRA owners who took a withdrawal, 44.0 percent were younger than age 50 and only 9.8 percent were ages 71 or older. Among Roth owners who took a withdrawal, 35.6 percent had a balance of less than $10,000.

Copeland noted that while withdrawals by individuals younger than traditional retirement age do occur, they are generally thought to be the result of the need for money either because of hardships (loss of job, medical bills, etc.) or due to insufficient funds held elsewhere by individuals to finance purchases (house, business, etc.), even though the resulting tax and premature withdrawal penalties imposed are significant.


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