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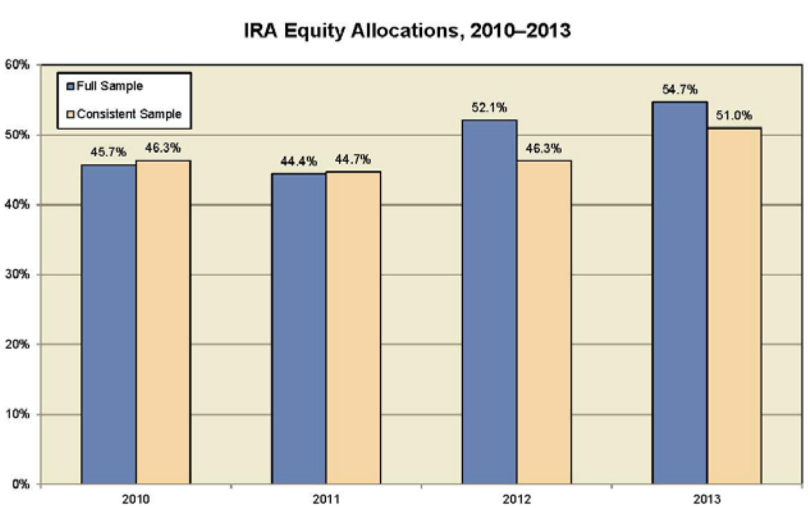
New Research from EBRI:

IRA Stock Allocations Jumped in 2013

WASHINGTON—Owners of individual retirement accounts (IRAs) significantly increased their investment allocations to stock equities in 2013 compared with 2010-2011, according to a new analysis by the nonpartisan Employee Benefit Research Institute (EBRI).

EBRI found the increase appears to be driven by the fact that nearly half of all IRA accounts are at an "extreme" value and the higher probability of IRA accounts seeing a positive change in their equity allocations during the stock market run-up from 2010 to 2013.



Source: EBRI IRA Database, 2010–2013.
Note: The full sample of EBRI IRA Database consists of an annual snapshot of almost 26 million IRA accounts. The consistent sample consists of individual IRA owners who have a Traditional, Roth, or SEP/SIMPLE IRA with a positive balance in the database and complete asset allocation data for each year from 2010–2013.

The report is based on the latest results from the unique EBRI IRA Database, which is able to track individual data for almost 26 million IRA accounts both on a calendar-year basis and over time (a so-called "longitudinal" analysis). It provides data for 2013 (the latest year available) and compares results going back three years, to 2010—the first year of the longitudinal analysis, which finds that equity allocations in 2013 were higher than they were in 2010 and 2012 for the both each year's full sample and the consistent sample of those in the database each year.

While more than half of all IRA assets were found to be allocated to equities, this varied with age, account balance, and IRA type. Gender differences in asset allocations were minimal. Roth IRAs had the highest allocations to stocks, compared with traditional IRAs. Those older or owning a traditional IRA had, on average, lower allocations to equities.

Among the highlights of the new EBRI report:

- In the EBRI IRA Database for those accounts with complete asset-allocation data in 2013, 54.7 percent of the assets were in equities, 10.1 percent in balanced funds, 15.3 percent in bonds, 11.6 percent in money, and 8.4 percent in other assets. When combining the equity share of balanced funds to the equity allocation, the total equity exposure of IRA owners was 60.7 percent of the assets.

- IRAs owned by males and females had nearly equal average allocations to bonds, equities, and money. However, male-owned accounts were more likely to have assets in the other-assets category, while female-owned accounts had a higher percentage of assets in balanced funds.
- The amount allocated to equities increased across all demographic groups and IRA types in 2013, driving an overall increase allocated to equities in each these groups from 2010–2013. The bond allocation decreased across all groups in 2013 to levels below that in 2010. Money allocations decreased across all groups, except for account balances of less than $5,000.
- For IRAs owned by those ages 25 or older, the percentage allocated to bonds increased with the age of the owner, while the percentage allocated to equities with the equity share from balanced funds decreased. The amount allocated to other assets increased and the amount allocated to balanced funds decreased as the age of the IRA owners increased from age 25 through age 84.
- Among a consistent sample of IRA owners for whom the database had complete asset allocation over all three years, changes in the asset allocation from 2010 to 2012 were generally very small. But in 2013, the percentage allocated to equities increased substantially by nearly 5 percentage points to 51.0 percent, and the percentage allocated to bonds decreased by almost 4 percentage points from 16.1 percent in 2012 to 12.4 percent in 2013. The amount allocated to money also decreased by 1.6 percentage points in 2013, while the percentages allocated to balanced funds was unchanged and to other assets was slightly increased.
- Overall, 22.8 percent of IRAs have less than 10 percent in equities and 34.0 percent have more than 90 percent in equities. Furthermore, almost 1 in 5 IRAs (18.9 percent) had more than 90 percent of their assets in bonds and money.

As EBRI notes, IRAs are a vital component of U.S. retirement savings, representing approximately 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 moved to IRAs through rollovers. Thus, IRAs in many cases are a repository for assets built up in the employment-based retirement system, as individuals hold money in them until or during retirement.

The full report, "IRA Asset Allocation, 2013, and Longitudinal Results, 2010–2013," is published in the September 2015 *EBRI Notes* and online at www.ebri.org

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI conducts objective research and education to inform plan design and public policy, does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or www.asec.org