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New Research from EBRI:

How IRA Owners Invest Their Assets

WASHINGTON—Where do individual retirement account (IRA) owners put their money? New research from the unique EBRI IRA Database™ finds that almost 40 percent of IRA assets are invested in equities, just over 20 percent are in money funds, 14 percent are in bonds, 12 percent are in balanced funds, and almost 14 percent are in other types of investments.

These findings represent the first look at detailed IRA asset allocation information from the only database that is able to anonymously link individual IRA owners across multiple IRA providers. This allows for more accurate measurement of IRA assets and ownership, and the tracking of retirement assets as they move through different types of retirement plans.

The EBRI IRA Database™ is an ongoing project of the Employee Benefit Research Institute (EBRI) that collects data from IRA plan administrators, and currently contains information on 14.1 million accounts of 11.1 million unique individuals with total assets of $732.9 billion, as of year-end 2008. The assets in the IRAs are broken down into equities, which include individual equities, equity mutual funds, and other 100-percent equity investments; bonds (individual, mutual fund, and other 100 percent investments); balanced funds, which include traditional 60 percent equities/40 percent bonds, as well as target-date funds; money funds (money market mutual funds, money market accounts, and certificates of deposit); and other investments, which include annuities, real estate, and other such investments.

Other findings in the EBRI IRA Database:™

- **Allocation by Balance Size**: As the account balance of the IRA increases, the percentage of assets in equities and balanced funds combined declines. For instance, among those IRAs with balances from $10,000−$24,999, 50.4 percent of the assets were in equities and 20.1 percent in balanced funds (70.5 percent combined), compared with 37.6 percent in equities and 11.7 percent in balanced funds (49.3 percent combined) for IRAs with account balances of $150,000−$249,999.

- **Gender Allocations**: The asset allocation of male and female IRA owners is very similar across all age groups. For instance, females and males under age 25 had 49.1 percent and 49.5 percent, respectively, in equities, while women had 33.1 percent and men had 33.6 percent in equities among those age 70 or older. Furthermore, a decreasing percentage of equities and an increasing percentage of bond and other assets were found as age increased for both genders.

- **Extreme Allocations** (defined as having less than10 percent or more than 90 percent of the account balance in one particular asset):
  - ***Type:*** The most significant difference among the IRA types is that Roth owners are much more likely to have 90 percent or more of their assets in equities than those who own the other IRA types. Furthermore, Roth owners are correspondingly more likely to have less than 10 percent of their assets in bonds, money, or both. Traditional and SEP/SIMPLE IRA owners have relatively similar likelihoods of extreme allocations across the assets studied, while rollover IRA owners are much less likely to have 90 percent or more of their assets in equities and more likely to have larger allocations to bonds and money.

  - ***Account Balance:*** IRA owners with higher account balances are less likely to have extreme asset allocations. For instance, 38.3 percent of those with an account of $5,000−$9,999 had 90 percent or more of their assets in equities, compared with 5.9 percent of those with an account balance of $250,000 or more. Furthermore, these accounts with higher balances are less likely to have less than 10 percent combined in money and bonds.

"It's interesting to note that IRA assets are invested in stocks (equities) at a level that's very close to what's in 401(k)s," said Craig Copeland, senior research associate at EBRI and author of the report. The full results are published in the May 2011 *EBRI Notes,* online at www.ebri.org

Specifically, Copeland said, the latest data from the EBRI/ICI 401(k) database, the largest of its kind, shows that 37.4 percent of all 401(k) assets are invested in equities. That matches closely to the equity level that was found in IRA accounts (38.5 percent).

"The next step in our research is to examine how IRA owners with more than one account allocate their assets across accounts. The results could show that accounts with extreme allocations are only a part of an individual's total portfolio instead of the only assets the owner has."

The Employee Benefit Research Institute (EBRI) is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions.

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