



# EBRI News

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## *New Report from EBRI:*

### **Rollovers Fuel Growth as IRA Assets Hit Record \$3.67 Trillion**

WASHINGTON—Individual retirement account (IRA) assets experienced their third consecutive year of growth in 2005, reaching a record high of \$3.67 trillion, and are likely to become the single largest source of retirement assets outside of Social Security for private-sector workers in retirement, according to a report released today by the nonpartisan Employee Benefit Research Institute (EBRI).

Rollovers from employment-based tax-qualified retirement plans (such as 401(k) plans), which amount to about \$200 billion a year, fueled the growth in IRAs, says the report in the January 2007 *EBRI Notes*, available at [www.ebri.org](http://www.ebri.org). Contributions to IRAs, at the annual level of \$40 billion-plus, pale in comparison to rollovers. Further, the report notes, most IRA assets are in *traditional* IRAs (tax-deferred contributions with withdrawals taxed), where rollovers are placed, but the largest share of new contributions is going to *Roth* IRAs (after-tax contributions with tax-free withdrawals) and other IRAs.

The report, using data primarily from the Internal Revenue Service and the Investment Company Institute, makes these additional points:

- The annual percentage point increases in IRA assets for 2003–2005 were 18.1 percent, 11.5 percent, and 9.9 percent, respectively. Also, 2005 was only the second year since 1981 when IRAs experienced less than double-digit percentage annual increases, with the exception of the three years of stock market retrenchment from 2000–2002.
- The growth in IRA assets occurred mostly in mutual funds and self-directed brokerage accounts. Mutual fund assets increased from \$1.052 trillion in 2002 to \$1.668 trillion in 2005. Assets in self-directed brokerage accounts increased from \$949 billion to \$1.389 trillion over the same period.
- Traditional IRAs hold about 92 percent of all IRA assets, driven by rollovers from other plans, but tax-free Roth IRAs account for more new contributions (31 percent) than traditional IRAs (29 percent).
- The percentage of eligible taxpayers who contributed to IRAs was near 10 percent for each year from 2000–2002. The average contribution was about \$2,400 in 2000 and 2001, before contribution limits increased in 2002. In 2002, the average contribution jumped to \$2,894.

Total IRA assets are larger than those in either private-sector defined benefit (traditional pension) or defined contribution (typically 401(k)-type) plans, the report says. In 2005, when IRAs held \$3.67 trillion, defined benefit plans held \$2.15 trillion and defined contribution plans held \$2.97 trillion. The amount of assets in IRAs above the amount in defined benefit and defined contribution plans has increased each year since 2001.

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