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New Research from EBRI:

IRA Assets Grew 12.5 Percent in 2007, Study Reports

WASHINGTON—Total assets in individual retirement accounts (IRAs) grew 12.5 percent in 2007, reaching a record $4.75 trillion, the fifth consecutive year of double-digit IRA growth, according to a study released today by the nonpartisan Employee Benefit Research Institute (EBRI).

The study shows that the percentage growth last year for IRA assets was lower than the 15.6 percent recorded in 2006. The average annual percentage increases in IRA assets during the 1990s amounted to 17.2 percent. After the retrenchment in assets during the economic downturn from 2000–2002, the annual increases resumed their double-digit rise in 2003, the study says. Total IRA assets were $4.22 trillion in 2006.

The study in the September 2008 *EBRI Notes*, available at www.ebri.org, includes the following points:

- ***Total IRA assets*** in 2007 were larger than those in other retirement plan types. Private-sector defined contribution (401(k)-type) plans held $3.49 trillion, and private-sector defined benefit plans held $2.33 trillion in 2007.
- ***Rollovers*** from other types of retirement plans continue to fuel IRA growth, not new contributions.
- ***A large shift in market share*** has taken place over the past quarter-century in IRA assets, with mutual funds and brokerage accounts now dominant. Mutual funds held 47 percent of IRA assets in 2007, followed by brokerage accounts (38 percent), life insurance companies (8 percent) and banks/thrifts (7 percent).
- ***Traditional IRAs hold most assets,*** amounting to about 90 percent of all IRA assets (traditional IRAs are taxable on withdrawal). But most new contributions are going into Roth (untaxed at withdrawal) and other types of IRAs.

In addition, the study reports the portion of eligible taxpayers who contributed to IRAs was near 10 percent for each year from 2000–2004, ranging from 9.5 percent to 10.6 percent. The average contribution for those contributing was approximately $2,400 in both 2000 and 2001, before the contribution limits increased in 2002. In 2002, the average contribution jumped to $2,894, and in 2004 it rose to $3,324.

The EBRI analysis notes that, while IRAs are likely to be the largest non-Social Security asset in retirement for many Americans in the next generation of retirees (baby boomers and beyond), only 10 percent of taxpayers eligible to contribute to an IRA actually do so. While the higher IRA contribution limits that took effect in 2002 did increase the size of the average contribution, they did not attract more contributors. This underscores how IRAs are primarily a holding vehicle for assets coming from employment-based retirement plans (such as pensions and 401(k) plans) and generally are not being used for new retirement savings.

The full September 2008 EBRI Notes will be posted early Sept. 11 on the EBRI Web site, www.ebri.org Embargoed copies are available in advance upon request.
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