

Contributions and Rollovers to Individual Retirement Accounts

Introduction

Individual retirement accounts (IRAs) are a vital component of U.S. retirement savings, holding more than one-quarter of all retirement plan assets in the nation. A substantial and growing portion of these IRA assets originate in other tax-qualified retirement plans, such as defined benefit (pension) and 401(k) plans, and are moved to IRAs through rollovers from those plans. While IRAs do receive a substantial amount of contributions each year, rollovers greatly outweigh the additions to IRAs each year. This *Fast Fact* looks at contributions and rollovers to Traditional and Roth IRAs during 2016. These results are from EBRI's August *Issue Brief*, "IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation."

About the EBRI IRA Database

The EBRI IRA Database is an ongoing project that collects data from various types of IRA administrators. For year-end 2016, it contains information on 24.2 million accounts owned by 19.1 million unique individuals, with total assets of \$2.36 trillion. For each account within the database, the IRA type, account balance, contributions made, rollovers transferred during the year (if any), withdrawals taken, asset allocation, and certain demographic characteristics of the account owner are included (among other items).

Roth IRAs were significantly more likely to receive contributions than Traditional IRAs:

- Just over 10 percent (10.7 percent) of Roth and Traditional IRAs combined received contributions in 2016.
- However, only 5.5 percent of Traditional IRAs received contributions, while 24.9 percent of Roth IRAs received contributions.

Of the IRAs receiving contributions in 2016, 44.6 percent received the maximum allowable,¹ with just under one-half (49.7 percent) of Traditional IRAs receiving the maximum, compared with 41.5 percent of Roth IRAs.

Roth IRAs owned by younger individuals were more likely to have received contributions than those owned by older individuals:

- Over half (54 percent) of Roth accounts owned by those younger than age 25 received a contribution in 2016.

- This compares with 19 percent of Roth IRAs owned by those ages 60–64.
- In contrast, the percentage of Traditional IRA accounts being contributed to was *not* dramatically different nominally, as the percentage receiving a contribution ranged from 12 percent (ages less than 25) to 6 percent (ages 60–64).

Still, when there were contributions, accounts owned by older individuals, in general, were more likely to receive the maximum contribution for both Roth and Traditional IRAs.

- Just over 4 in 10 (41 percent) Roth accounts owned by individuals ages 25–29 received the maximum contribution, compared with 55 percent for Roth accounts owned by individuals ages 60–64.
- Thirty-two percent of Traditional IRAs received the maximum among accounts with owners ages 25–29, while 55 percent of Traditional IRAs owned by individuals ages 60–64 received the maximum contribution.

Traditional IRAs with higher balances are less likely to receive contributions than those with lower balances. In contrast, the opposite is true for Roth IRAs.

- Almost 9 percent of Traditional IRAs with account balances of \$5,000–\$9,999 received a contribution, compared with only 3.4 percent of Traditional IRAs with balances of \$250,000 or more.
- Twenty percent of Roth IRAs having balances below \$5,000 received a contribution in 2016. This percentage increased to 35.0 percent for Roth IRAs with balances of \$100,000–\$149,999, before declining to 10.7 percent for accounts of \$250,000 or more.

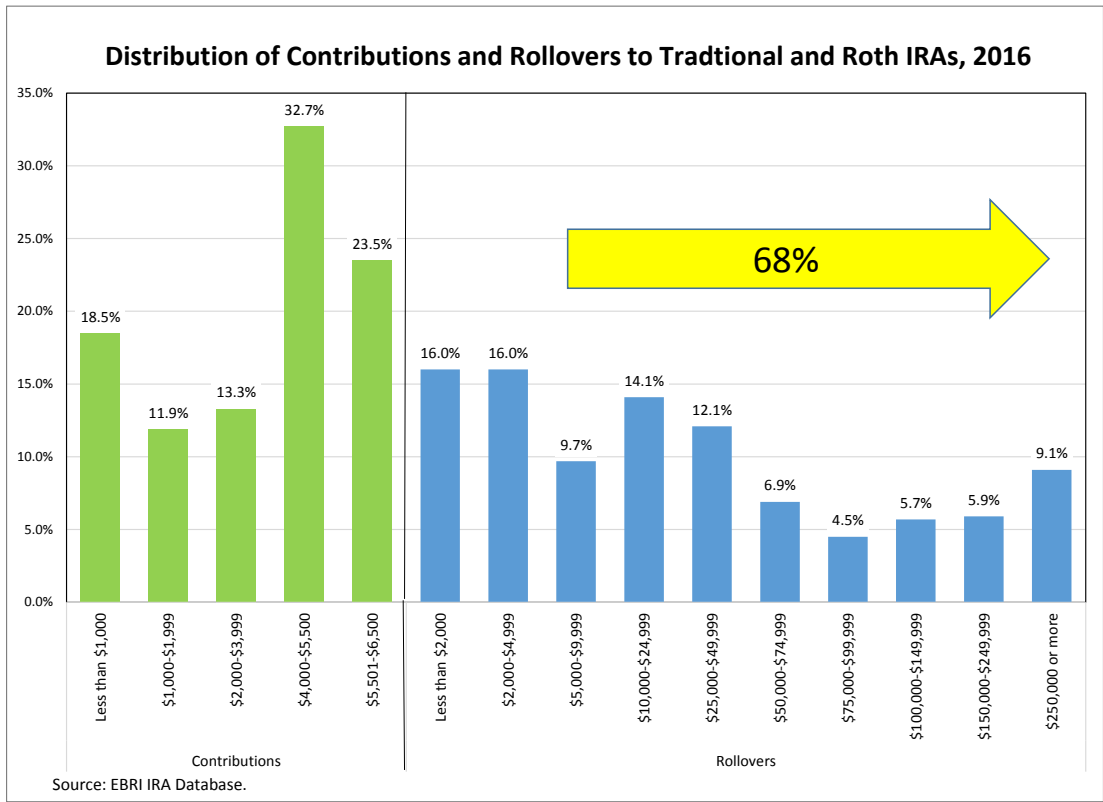
The likelihood of the contribution to a Traditional IRA being the maximum allowed increased with the size of the account balance, going from 27.3 percent for accounts with less than \$5,000 to 70.0 percent for accounts with \$250,000 or more. Similarly, 4.5 percent of the Roth IRAs with less than \$5,000 that received a contribution received the maximum, while 78.1 percent of the Roth IRAs receiving a contribution with a balance of \$250,000 or more received the maximum contribution.

The average contribution to Traditional IRAs was 9 percent higher than to Roth IRAs (\$4,154 and \$3,807 respectively).

The overall average amount contributed to all IRAs was \$3,938. However, total contributions to Roth IRAs were 1.5 times more than total contributions to Traditional IRAs, due to significantly more Roth accounts receiving contributions.

However, the bulk of additions to IRAs come from rollovers, not contributions.

- In fact, in 2016, the amount of dollars moved to IRAs through rollovers was more than 16 times the amount contributed directly to IRAs.
- Almost one-quarter (23.5 percent) of contributions made to IRAs were in the \$5,501 to \$6,500 range (the maximum amount allowed for those ages 50 or older), compared with 68.0 percent of the rollovers being \$5,000 or larger, including 9.1 percent of \$250,000 or more.



Rollover amounts were significantly higher among Traditional versus Roth IRAs.

- The average rollover to Traditional IRAs was more than four times that of the rollovers to Roth IRAs (\$94,238 and \$21,659, respectively). The median rollover to Traditional IRAs was more than three times that to Roth IRAs (\$21,383 and \$6,500 respectively).
- Average and median rollover amounts increased with the owner’s age through age 69 for Traditional IRAs and ages 70 or older for Roth IRAs.

Conclusion:

While Roth IRAs were more likely to receive contributions than Traditional IRAs, the major additions to all IRAs are coming from rollovers, as the dollars being built up in employment-based plans are moved to IRAs to hold for retirement. Therefore, the growth of IRAs is expected to continue to increase as workers retire and move their assets to them. Consequently, the majority of the drawdown of assets from retirement accounts is currently occurring in IRAs, while much of the assets were accumulated in employment-based plans.

The EBRI report, “EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2016 Update,” is published as the August 13, 2018, *EBRI Issue Brief* and is available online [here](#).

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¹ In 2016, the maximum contribution to an IRA was \$5,500 for those younger than age 50 and \$6,500 for those ages 50 or older, due to the additional \$1,000 catch-up contribution allowed for individuals of that age.