EBRI FAST Facts
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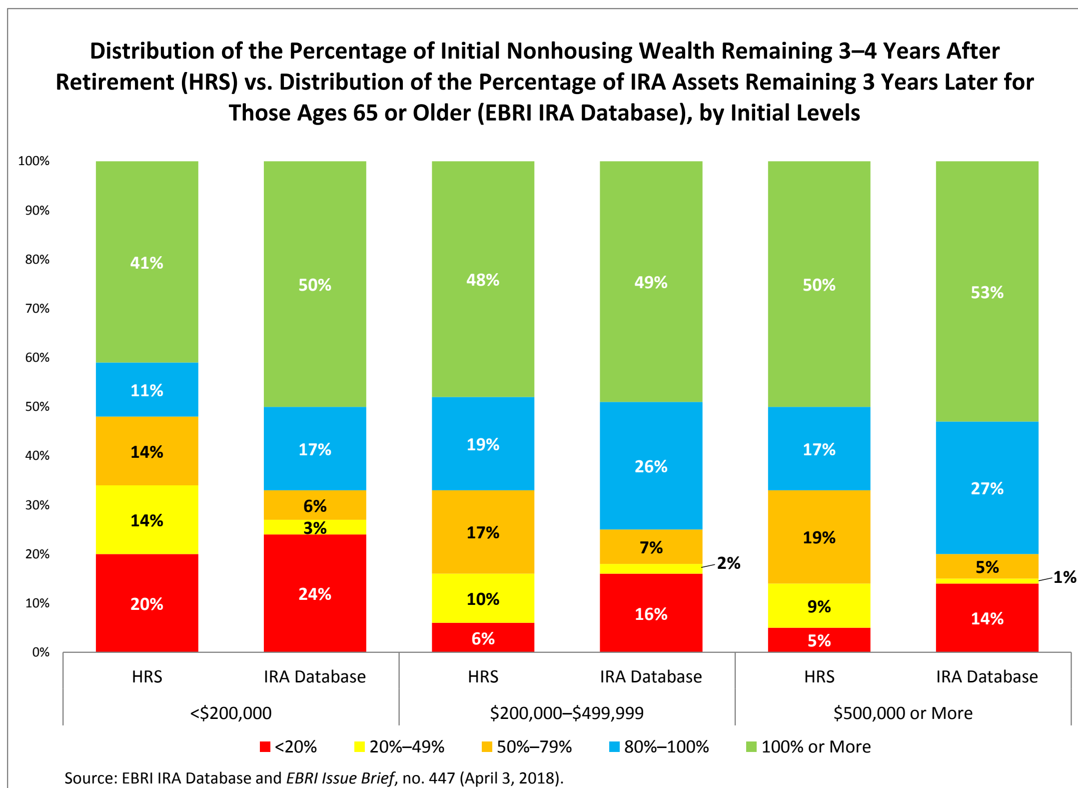
How Do IRA Balance Changes Compare With Wealth Changes?

How are the balances in individual retirement accounts (IRAs) changing for those ages 60 or older? EBRI's March 21, 2019, *Issue Brief*, "Individual Retirement Accounts: How Balances of Older Account Owners Change Over Time," used the EBRI IRA Database to study this question over a three-year period. Approximately one-half of the IRAs were found to have had a larger balance by the end of the period, regardless of the size of the initial IRA balance. In other words, people of retirement ages were just as likely to have grown their IRA balance as to have had their balance decrease, according to the EBRI research.

However, it is important to recognize that changes in IRA balances cannot give a complete picture of what is done with any money taken out of the account. Just because money is withdrawn from an IRA doesn't mean that the money is spent (e.g., the money could instead be saved in regular taxable accounts). Likewise, just because an individual's IRA balance grows during retirement doesn't mean that other non-IRA assets are not being drawn down. Thus, to provide greater insight, changes in IRA balances are compared to the changes in *overall* nonhousing wealth from an analysis EBRI performed on the Health and Retirement Study (HRS).[1] The HRS study broke out the changes in overall nonhousing wealth of households 3–4 years after retirement according to three levels of initial nonhousing wealth: less than $200,000, $200,000 up to $500,000, and $500,000 or more.[2] IRA groupings of the same sizes were used in the comparison of the IRA balance changes to the nonhousing wealth changes.



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To compare the IRA results to those from HRS, a few considerations have to be made. First, since the retirement date is not known for the IRA owners, all accounts of those ages 65 or older are included. Therefore, not all of the IRA owners will be starting their retirements, but will be at different stages of retirement. Furthermore, the initial asset amount will be that in 2012 regardless of age, so IRA analysis will only show the reduction from that point. IRAs with rollovers are included as this is consistent with the HRS study.

Given the constraints on the comparison, the distributions across each level of wealth and assets are quite similar, particularly for the percentage with balances that are above their initial amount. For the groups with less than $200,000 of wealth and assets, 41 percent of the HRS households were shown to have an increase in their wealth after 3–4 years, while 50 percent of the IRAs with this amount of assets had an increase in their balances. Furthermore, 20 percent of the HRS households had less than 20 percent of their wealth after 3–4 years vs. 24 percent of the IRAs having balances in 2015 that were less than 20 percent of their 2012 balances.

As the wealth and asset groupings increased, the percentages with less than 20 percent of their initial values did diverge: in HRS, wealth percentages fell to single digits vs. the low teens for the IRAs from the EBRI database. Yet, the percentages in each of the groups that had less than 50 percent of their initial values were almost equal. Again, the percentages of the HRS households and IRA account owners that had increases in their wealth and balances were very similar, and were actually closer than for the lowest wealth/asset grouping. For example, 48 percent of the households with initial wealth of $200,000–$499,999 had higher wealth after 3–4 years of retirement, while 49 percent of IRAs with balances of the same amount at the end of 2012 had higher balances by the end of 2015.

Seeing such a large percentage of the IRAs owned by those retirement aged and so few having their balances decrease substantially is encouraging from the perspective of individuals *not* outliving their retirement assets. However, some may be doing too well, as they may be in a position to spend more. While these results show what happened in this short time period, a longer time period may have different results. Thus, a further examination is warranted of effective behaviors and strategies for retirees to achieve the balance of not outliving their assets while at the same time maintaining the appropriate standard of living given the size of their nest egg.

The full EBRI report, "Individual Retirement Accounts: How Balances of Older Account Owners Change Over Time," is published as the March 21, 2019, *EBRI Issue Brief* and is available online here.

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[1] Sudipto Banerjee, "Asset Decumulation or Asset Preservation? What Guides Retirement Spending," *EBRI Issue Brief*, no. 447 (Employee Benefit Research Institute, April 3, 2018). This study defined nonhousing wealth as any real estate other than primary residence; net value of vehicles owned; individual retirement accounts (IRAs), stocks and mutual funds, checking accounts, savings accounts, money market accounts, certificates of deposit (CDs), government savings bonds, Treasury bills, bonds and bond funds; and any other source of wealth ***minus*** all debt (such as consumer loans).

[2]An important qualifier of the HRS study was that any assets in employment-based retirement plans were not included in the analysis, but these assets could have been added to the wealth after retirement if they were rolled into an IRA that was included in the examined wealth.