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New Research from EBRI:

IRA Contributions are Inconsistent, But More Owners Are Maxing Out

WASHINGTON—Most owners of individual retirement accounts (IRAs) do not contribute to them every year—but more than half of those who contribute put in the maximum amount allowed by law, according to the most recent analysis of the Employee Benefit Research Institute's unique IRA Database.

EBRI found considerable differences by IRA type in whether IRA owners who have maintained their IRA for five years (consistent account owners) are likely to contribute, as well as the number of years they contribute.

Among the key findings:

Contributions: For instance, among Traditional IRA owners, nearly 88 percent did not contribute in any of the five years studied, while barely 2 percent contributed all five years. In contrast, almost 62 percent of Roth IRA owners did not contribute in any year, but more than 10 percent contributed in all five years. Roth IRA owners in their 20s were most likely to contribute to their accounts.

Maxing out: While the percentage of IRA owns who contribute to their account remained relatively consistent across the five years of EBRI's study, those who contributed the maximum rose from 43.5 percent in 2010 to 53.5 percent in 2012. Increases during that time occurred for each IRA type, with owners of Traditional IRAs having higher likelihoods of contributing the maximum in each year. Because the maximum allowable contribution was raised in 2013, the percentage contributing the maximum overall fell from 53.5 percent in 2012 to 43.3 percent in 2013. But in 2014, the likelihood of contributing the maximum among those who contributed increased again, reaching 55.4 percent.

IRA account balances: Significantly higher growth in account balances was found in the consistent sample of IRA owners compared with the annual snapshot sample. While the cross-sectional overall average account balance increased 38.9 percent from 2010 to 2014, the increase for those IRA owners who continuously owned IRAs from 2010–2014 was 45.8 percent.

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For consistent account owners, the overall average balance increased each year—from $92,087 in 2010 to $93,036 in 2011, to $104,970 in 2012, to $122,272 in 2013, and to $134,244 in 2014. Average balances for each gender also increased each year.

Withdrawals: Among consistent account owners, the percentage of individuals taking a withdrawal from a Traditional or Roth IRA rose from 12.9 percent in 2010, to 15.4 percent in 2011, to 16.7 percent in 2012, to 18.5 percent in 2013, and to 19.6 percent in 2014. This pattern is the result of the increasing percentage of individuals in this sample surpassing the required minimum distribution (RMD) age each year due to the same individuals being in the sample from year to year.

Asset allocation: For the annual cross-sectional snapshot, the percentage allocated to equities decreased from 45.7 percent in 2010 to 44.4 percent in 2011 before a sharp increase in 2012 to 52.1 percent, then rising to 55.7 percent in 2014. The amount allocated to balanced funds was constant from 2010 to 2011 before a slight decline in 2012 and an even smaller uptick in 2013 and in 2014. The percentage in money increased in 2011 and fell through 2014.

Individual retirement accounts (IRAs) represent the largest single repository of U.S. retirement plan assets, holding more than one-quarter of all retirement plan assets in the nation. The Employee Benefit Research Institute (EBRI) developed the EBRI IRA Database to analyze the status of and individual behavior in IRAs. This is the third longitudinal study from the IRA database, which supplements the annual cross-sectional analyses.

Using the EBRI IRA Database, this latest EBRI analysis specifically examines the trends in account balances, contributions, withdrawals, and asset allocation in IRAs from 2010–2014. Results from both the annual cross-sectional sample and a consistent sample of IRA owners who have been in the database in each year from 2010–2014 are presented. This allows for the investigation of the behavior in IRAs that are continuously maintained, instead of the results being affected by new and former IRA owners.

The full report, "Individual Retirement Account Balances, Contributions, Withdrawals, and Asset Allocation Longitudinal Results 2010–2014: The EBRI IRA Database," is published in the Jan. 17 *EBRI Issue Brief,* online at www.ebri.org