
All skewed up: Most IRA owners hold extreme asset allocations

By Editorial Staff Wed, Oct 29, 2014

IRA owners with the largest account balances had the lowest exposure to equities (in equity funds and balanced funds) in 2012, according to a study by the Employee Benefit Research Institute.

In 2012, almost 60% of individual retirement account (IRA) owners had less than 10% or more than 90% of their savings in a particular investment category, according to the Employee Benefit Research Institute (EBRI).

The full report, "IRA Asset Allocation, 2012, and Longitudinal Results, 2010–2012," is published in the October *EBRI Notes*, online at www.ebri.org.

Based on the latest results from the unique EBRI IRA Database, EBRI found that 23.7% of IRA owners had less than 10% in equities and 35.5% had more than 90% in equities. Furthermore, almost one in five IRA owners (18.5%) had more than 90% of their assets in bonds and money.

Roth IRA owners were the most likely to hold more than 90% in equities, EBRI said, but that likelihood gradually declined after age 55. Those age 85 or older had a higher average share of their assets in bonds or money funds, a finding driven by the large share of owners in that age category with more than 90% in bonds.

Looking at all the assets in the EBRI IRA Database in 2012, 52.1% were in equities, 9.5% in balanced funds, 15.1% in bonds, 12.8% in money and 10.6% in "other" assets. When the equity allocation of balanced funds was added to the equity funds, IRA owners had a total equity exposure of 57.8% of assets.

Male and female IRA owners had similar average allocations to bonds, equities, and money. Males were more likely to have assets in the "other" category, while females had a higher percentage of assets in balanced funds. Those older or owning a traditional IRA had, on average, lower allocations to equities. Individuals with the largest balances had the lowest combined exposure to equities (including the equity share of balanced funds).

The EBRI IRA Database collects data from IRA plan administrators. For 2012, it contains information on 25.3 million accounts with total assets of \$2.09 trillion. For each account within the database, the IRA type, the account balance, any contributions during the year, the asset allocation, and certain demographic characteristics of the account owner are

included (among other items). Furthermore, the accounts can be linked by the account owner to aggregate the accounts to the individual level both across and within data providers, which allows for behavioral studies at both the individual and account levels.

EBRI's analysis study includes the first look at asset allocation longitudinally from 2010–2012 and finds that equity allocations in 2010 were very similar to those of 2012. This result appears to be driven by the almost 60% of accounts that remained at either a 0% allocation or a 100% allocation in both years.

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