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## **IRAs now account for 25% of retirement savings: EBRI**

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By Editorial Staff     *Thu, Jan 18, 2018*

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With more assets than 401(k) plans, the IRA market keeps growing in importance for the financial industry. To help manufacturers, distributors, academics and regulators understand this market, the Employee Benefits Research Institute (EBRI) created an IRA database to analyze the status of the market and individual behavior in IRAs.

EBRI has just published its fourth annual IRA database study of longitudinal changes in IRAs, which supplements its annual cross-sectional analyses. In a new Issue Brief based on the IRA Database, EBRI examines the trends in account balances, contributions, withdrawals, and asset allocation in IRAs from 2010–2015.

In contrast to 401(k) plan participants, few IRA owners make regular contributions. For instance, almost 90% of Traditional IRA owners and about 60% of Roth IRA owners made no contributions at all during the six-year period of the study.

The average balance for all IRAs grew by about 50% during the 2010-2015 time frame, to about \$146,000. People 70 years old and older had the highest average (\$229,000) and median (\$81,000) balances. Few people take withdrawals from IRAs until they reach age 70½, when annual taxable distributions become mandatory.

EBRI estimates that IRAs hold 25% of America's \$29.1 trillion in retirement savings. State and local government pensions account for about 20%, private defined contribution plans for 19%, federal government plans for 13%, private insurance contracts for 12%, and private defined benefit plans for 11%.

Highlights from the EBRI Issue Brief are summarized below.

The overall average balance increased 36.1% from 2010 to 2015, while the balances for IRA owners who continuously owned IRAs increased 47.1% over that time period. Growth varied from an average of less than 0.1% (the lowest quartile) to 87.3% (the highest quartile). For consistent Roth IRA owners, the lowest quartile of balance increases for IRAs was 29.7%, and the highest quartile was more than 117.3%.

The overall average balance increased for consistent owners each year—from \$99,603 in 2010 to \$99,960 in 2011, to \$113,564 in 2012, to \$134,781 in 2013, to \$146,308, in 2014, and to \$146,513 in 2015. Average balances for each gender also increased each year. The median values also increased for all IRA owner groups except for those ages 65 or older.

Among Traditional IRA owners, 87.2% did not contribute to the IRA in any year, while 1.8% contributed in all six years. In contrast, 60.1% of Roth IRA owners did not contribute in any year and 9.7% contributed in

all six years.

Roth IRA owners ages 25–29 were the most likely to contribute in any year at 64.1%, and Roth IRA owners ages 30–34 were most likely to contribute in all six years at 15.0%.

The percentage of contributors who contributed the maximum amount rose from 43.5% in 2010 to 53.5% in 2012. Increases during that time occurred for each IRA type, with owners of Traditional IRAs more likely to contribute the maximum in each year.

In 2013, when the limit on allowable contributions increased, the percentage who contributed the maximum fell from 53.5% in 2012 to 43.3% in 2013. Similar percentage-point drops occurred for both Traditional and Roth IRAs. In 2014, the likelihood of contributing the maximum among those who contributed increased again, reaching 55.4%, before a slight decline in 2015 to 54.4%.

In 2010, the average contribution was \$3,335, increasing to \$3,723 in 2011, to \$3,904 in 2012, and to \$4,145 in 2013, before declining to \$4,119 in 2014 and increasing to \$4,169.

For the annual cross-sectional snapshot, the percentage allocated to equities decreased from 45.7% in 2010 to 44.4% in 2011 before a sharp increase in 2012 to 52.1%, subsequent increases to 54.7% in 2013, and to 55.7% in 2014, then a decline in 2015 to 54.7%.

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, 2014, and 2015. The percentage in money increased in 2011 and fell through 2014 before leveling off in 2015.

The share of assets allocated to equities in 2010 was 44.5% and 46.4% in 2012, with a decline to 44.2% in 2011. However, after 2012, the percentage allocated to equities increased, reaching 53.1% in 2014, before a slight retrenchment in 2015 to 52.6%. The percentages allocated to bonds, money, and other assets all fell from 2010 to 2015, while the percentage allocated to balanced funds inched upward.

About 27% of consistent IRA owners had zero percent allocated to equities in 2010 and 2015. Almost 17% had 100% allocated to equities in both years.

Among consistent account owners, 14.6% took a withdrawal from a Traditional or Roth IRA in 2010, 18.4% in 2011, 19.6% in 2012, 21.0% in 2013, 22.6% in 2014, and 23.8% in 2015.

The percentage of consistent account owners ages 71–79 in 2015 who took a withdrawal increased to 80.5% in 2015 from 34.4% in 2010. This reflected the increasing percentage of individuals in this sample surpassing the required-minimum-distribution (RMD) age each year. Moreover, the likelihood of taking a withdrawal increased with age.