

U.S. retirement assets hit \$18 trillion again: ICI

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The value of annuity assets held outside retirement plans was \$1.637 trillion in 1Q 2011, its highest point since the third quarter of 2007, according to the ICI Retirement Industry Report.

Total U.S. retirement assets reached \$18.084 trillion in the first quarter of 2011, according to the Investment Company Institute's Retirement Industry [Report](#). In nominal terms, that figure almost matched the all-time high of \$18.124 trillion set in 3Q 2007.

That number represented the market value of assets held in IRAs, defined contribution plans, defined benefit plans, government plans at the federal, state and local levels, and annuities. Retirement assets had slumped to just \$13.279 trillion in 1Q 2009.

Variable annuity mutual fund assets totaled \$1.41 trillion in the 1Q 2011, the highest level since 3Q 2007. Only about 18% of VA mutual fund assets is in defined contribution plans, such as TIAA-CREF, and just seven percent is in VAs in IRAs. Three-quarters, or about \$1.06 trillion, is in VAs held outside retirement accounts.

The percentage of non-retirement VA assets held in domestic equity funds has dropped from a high of 69% in 2000 to just 50% in 2010. As recently as 2006, domestic equity funds held a 62% share. In 2010, 24% of non-retirement VA assets were invested in bonds. In 2000, bonds held just a six percent share.

The amount of mutual fund assets in non-retirement VAs (\$1.06 trillion) is about 20% as large as the total amount of the mutual fund assets in U.S. retirement accounts (\$4.89 trillion). The value of all mutual fund assets in the U.S. at the end of 2010 was \$11.8 trillion—representing a rebound from \$9.6 trillion in crisis-stricken 2008 but still shy of the record \$12 trillion at the end of 2007.

The growth curve of retirement assets since 1974 follows the growth curve of the major equity market indexes and the growth of the financial services industry. In 1974, retirement assets totaled just \$368 billion (\$1.745 trillion in current dollars).

The ICI data showed that annuity assets have consistently been less than 10% of retirement assets since the early 1980s, with a brief exception in the first quarter of 2009. The value of annuity assets held outside retirement plans was \$1.637 trillion in 1Q 2011, its highest point since the third quarter of 2007.

Looking at the IRA market, the data from 1975 through today shows that most IRA assets were originally held at banks and thrifts. In the 1980s, mutual funds and brokerage accounts gradually began capturing IRA assets. In 1990, mutual funds held 22% of iRA assets, banks held 42%, and brokerages held 30%.

After that, banks fell back, mutual funds surged forward and brokerages held fairly steady. Today, IRAs hold \$4.861 trillion, with 47% in mutual funds, 36% in brokerage accounts (except mutual funds), 10% in banks and 7% in life insurance companies.

Defined contribution plans hold \$4.696 trillion today, with 401(k) plans accounting for \$3,175 trillion of that. So, 401(k) plans represent the single largest pool of retirement assets, followed by mutual funds (\$2.3 trillion) and brokerage accounts (\$1.745 trillion).

Since the passage of ERISA in 1974, retirement assets have come to represent an increasing share of U.S. household assets. In 1974, the share was 11%. By 2000, it reached 35%; since then it has climbed to 37%. Total U.S. financial assets peaked at \$50.662 trillion in the second quarter of 2007. At the end of 1Q 2011, they were \$48.847 trillion.

The ICI data doesn't show the distribution of retirement assets across different segments of the U.S. population. For instance, according to [Spectrem](#), about half of the \$2.3 trillion in 401(k) plans is in plans with 5,000 or more participants. In 2006, the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project showed that just over half of all 401(k) accounts were worth less than \$20,000.

The GAO has estimated that only about 53% of private sector U.S. workers have access to employer-sponsored retirement plans. The data suggests that \$18 trillion in retirement assets is more or less concentrated in the largest accounts among long-tenured, high-income employees in large employer-sponsored plans.