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IRA Asset Allocation

THE IMPORTANCE OF IRAS: Individual retirement accounts (IRAs) hold more than 25 percent of all retirement assets in the United States. A substantial portion of these assets originated in other tax-qualified retirement plans, such as defined benefit (pension) and 401(k) plans, and were moved to IRAs through rollovers. Thus, IRAs in many cases have become a repository for assets built up in the employment-based retirement system, as individuals hold money in them until or during retirement.

THE EBRI IRA DATABASE™ AND ASSET ALLOCATION: EBRI collects data from IRA plan administrators, and its IRA database currently contains information on 14.1 million accounts of 11.1 million unique individuals with total assets of \$732.9 billion, as of year-end 2008. In this database, 38.5 percent of the assets were in equities, 22.3 percent in money, 13.6 percent in bonds, 12.1 percent in balanced funds, and 13.6 percent in other assets.

ALLOCATION BY AGE: IRA owners under age 45 were more likely to be invested in equities and balanced funds combined than those over age 45. Those over age 45 were more likely to be invested in bonds and other assets. The percentage of assets in money across each age group was around 21 percent.

IRA Asset Allocation

By Craig Copeland, Employee Benefit Research Institute

Introduction

Individual retirement accounts (IRAs) are a vital component of U.S. retirement savings, holding more than 25 percent of all retirement assets in the nation. A substantial portion of these IRA assets originated in other tax-qualified retirement plans, such as defined benefit (pension) and 401(k) plans, and were moved to IRAs through rollovers. Thus, IRAs in many cases have become a repository for assets built up in the employment-based retirement system, as individuals hold money in them until or during retirement.

Despite IRAs' importance in the U.S. retirement system, there is a limited amount of knowledge about the behavior of individuals who own IRAs alone or in combination with employment-based defined contribution (DC) plans. Consequently, expanded research in this area is needed to understand the financial prospects of future retirees and the market for IRAs.

The Employee Benefit Research Institute (EBRI) has focused on retirement savings since its inception in 1978, and has done particularly informative research on the behavior of participants in 401(k) plans. However, the connection between defined contribution (DC) plan participants and IRA owners has not been well developed. In order to fill this gap, EBRI has started an initiative to study in depth this connection between DC plans and IRAs. To do this, EBRI has created the EBRI IRA Database,[™] which will be able to link individuals within and across data providers in this IRA database and with participants in DC plans. This will be done both by calendar year and longitudinally, allowing examination of retirement asset holdings at a point in time and as the individual ages and either changes jobs or retires.

This article is the second in a series of publications analyzing the EBRI IRA Database.[™] It examines asset allocation, on a dollar-weighted basis, within IRA accounts by IRA type and account balance and by gender and age of the account owner.¹ In addition to presenting the average asset allocation across the accounts, this study determines the percentage of accounts that have extreme allocations—less than 10 percent or more than 90 percent in a particular asset. This helps illustrate the distribution of the allocations across all accounts.

This first step in the research of IRA asset allocation will be built upon in future studies by examining how IRA owners with more than one account allocate their assets across the accounts. The unique feature of this database is the ability to link accounts within and across data providers to see if IRA owners have different allocation strategies across the accounts or if they split their assets similarly across accounts. Furthermore, this study will be extended to DC plans as the integration of the two databases is completed.

Data

The EBRI IRA Database[™] is an ongoing project that collects data from IRA plan administrators, and currently contains information on 14.1 million accounts of 11.1 million unique individuals with total assets of \$732.9 billion, as of year-end 2008.² EBRI is currently collecting/processing data for year-end 2009, and the database will expand significantly in the future (not only longitudinally but also on an annual individual total). For each account within the database, the IRA type, the account balance, any contributions made 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.

Data Security

EBRI's retirement databases (the EBRI/ICI Participant-Directed Retirement Plan Database,TM the EBRI IRA Database,TM the EBRI Integrated Defined Contribution/IRA DatabaseTM) have been the subject of multiple independent security audits and have been certified to be fully compliant with the ISO-27002 Information Security Audit standard. Moreover, EBRI[®] has obtained a legal opinion that the methodology used meets the privacy standards of the Gramm-Leach-Bliley Act. At no time has any nonpublic personal information that is personally identifiable, such as Social Security Number, been transferred to or shared with EBRI.[®] None of the three databases allows identification of any individuals or plan sponsors.

IRA Types

The EBRI IRA DatabaseTM classifies IRAs into four types: traditional (originating from contributions), Roth, SEP (Simplified Employer Pension)/SIMPLE (Savings Incentive Match Plan for Employees), and rollover (traditional IRA originating from assets rolled over from other tax-qualified plans, such as an employment-based pension or DC plan). The distribution of IRA accounts in 2008 was 33.6 percent in traditional IRAs, 33.4 percent rollover IRAs (combined with the traditional IRAs, 67.0 percent), 23.4 percent Roth IRAs, and 9.6 percent SEPs and SIMPLEs.

Asset Categories

The assets in the database are divided into six categories.

- **Equities**—equity mutual funds, directly held individual stocks, and other 100 percent equity investment vehicles;
- **Bonds**—bond mutual funds, directly held bonds, and other 100 percent bond investment vehicles;
- **Money**—money market mutual funds, money market savings accounts, and certificates of deposit;
- **Balanced funds**—balanced, lifestyle/lifecycle, target-date funds, and any other funds that have a partial investment in equities and bonds; and
- **Other assets**—any remaining assets that do not fit into the above categories, such as stable value funds, real estate (both investment trusts and directly purchased), fixed and variable annuities, etc.

Overall Allocation³

In the entire EBRI IRA database in 2008, 38.5 percent of the IRA assets were in equities, 22.3 percent in money, 13.6 percent in bonds, 12.1 percent in balanced funds, and 13.6 percent in other assets (Figure 1).⁴ When combining the allocation of balanced funds attributable to equities to the equity allocation, the total equity holdings of IRA owners is 45.8 percent.⁵ Male and female IRA owners had virtually identical allocations in bonds, equities (not including the balanced fund portion), and money. However, males were slightly more likely to have assets in the other category, while females had a higher percentage of assets in balanced funds. IRA owners under age 45 were more likely to be invested in equities and balanced funds combined than those over age 45. Those over age 45 were more likely to be invested in bonds and other assets. The percentage of assets in money across each age group was around 21 percent.

As the account balances increase, the percentage of assets in equities and balanced funds combined declines. For instance, among those IRAs with balances from \$10,000–\$24,999, 50.4 percent of the assets

were in equities and 20.1 percent in balanced funds (70.5 percent combined), compared with 37.6 percent in equities and 11.7 percent in balanced funds (49.3 percent combined) for IRAs with account balances of \$150,000–\$249,999. IRAs with the largest balances (\$250,000 or more) had more of the assets diversified across all the asset categories—with the highest percentage of assets in bonds, money, and other assets—than IRAs in any of the smaller-account balance categories.

Roth IRAs had the highest share of assets in equities (51.4 percent) and balanced funds (16.7 percent) (Figure 2). Rollover IRAs had the lowest percentage in equities (at 35.8 percent), but had the highest percentage of assets in money (at 24.2 percent) and the highest percentage in bonds. The higher allocation to equities in Roths compared with rollovers can be explained by two reasons: Roth owners are younger on average than rollover owners, and Roth IRAs tend to be supplemental savings funded by individual contributions only, whereas rollovers tend to be the main or primary retirement savings for workers nearing retirement or retirees. Consequently, the asset allocation reflects the period of the owner's life and the share of the retirement savings the accounts represent.

IRA Type Allocations

Gender—Within each IRA type, the asset allocation differences between genders is minimal (Figure 3). The bond, equity, money, and annuity allocations are virtually identical. In traditional IRAs, males had 39.2 percent of their assets in equities, while females had 39.1 percent. The one consistent difference across the three IRA types (traditional, rollover, and Roth) is that males had a higher share of assets in other assets, while females had more in balanced funds.

Age—The asset allocation across ages within each IRA type has some minor differences, but in general the percentage allocated to equities and balanced funds declined as the owner aged, while the percentage allocated to other assets increased (Figure 4). Assets in Roth IRAs had the most consistent trends, with allocations to bonds, money, and other assets increasing with the age of the owner. The allocation to balanced funds decreased as the owners aged, with the allocation to equities increasing with age among those ages 35–44, before declining through age 70 or older.

Traditional and rollover IRAs have similar patterns of asset allocation, with the youngest owners (under age 25) having higher money, bond, and other asset allocations than those just older (ages 25–44). Allocations to balanced funds and equities increase through age 44 then decline as age increased for both IRA types.

Account Balance—Except for the smallest accounts (less than \$5,000), the percentage of assets in equities and balanced funds declined across each type of IRA as the account balance increased (Figure 5). Rollover IRAs had lower equity allocations consistently across account balances, while Roth IRAs had consistently higher allocations. Bond allocations were highest for traditional IRAs. Roths had the highest use of other assets, representing 20 percent of the assets for those with balances of \$250,000 or more.

Gender Allocations

Age—Asset allocation between the genders across each age group are very similar (Figure 6). For instance, females and males under age 25 had 49.1 percent and 49.5 percent, respectively, in equities, while women had 33.1 percent and men had 33.6 percent in equities among those age 70 or older. Furthermore, a decreasing percentage of equities and an increasing percentage of bond and other assets were found as age increased for both genders.

Account Balance—Within each gender, the asset allocation trends across the asset categories were essentially equivalent as the account balance increased (Figure 7). Bond and other assets allocations increased as the account balance of the IRAs increased. Once the account balance was \$5,000 or more, the

Figure 1
Individual Retirement Account (IRA) Asset Allocation,
by Various Characteristics, 2008

	Balanced Funds ^a	Bond	Equity	Equity With Balanced ^b	Money ^c	Other
All	12.1%	13.6%	38.5%	45.8%	22.3%	13.6%
Gender						
Female	14.1	13.5	38.7	47.1	21.9	11.9
Male	10.6	14.0	38.4	44.8	22.2	14.8
Unknown	16.8	10.6	38.3	48.4	24.1	10.1
Age						
Less than 25	18.5	5.1	48.6	59.6	20.9	6.9
25–34	22.1	4.1	46.5	59.7	21.9	5.5
35–44	16.0	6.3	50.2	59.8	19.9	7.5
45–54	14.0	8.8	46.5	54.9	20.7	9.9
55–64	11.6	13.3	38.1	45.1	22.8	14.1
65–69	9.9	16.3	33.9	39.8	23.5	16.4
70 or older	10.5	17.8	33.5	39.7	22.2	16.1
Unknown	16.7	11.9	38.9	48.9	22.7	9.9
Account Balance						
Less than \$5,000	22.0	3.2	46.3	59.5	23.6	4.9
\$5,000–\$9,999	22.5	4.8	50.0	63.4	17.6	5.2
\$10,000–\$24,999	20.1	6.3	50.4	62.5	17.3	5.9
\$25,000–\$49,999	17.8	8.6	47.3	58.0	18.9	7.4
\$50,000–\$99,999	15.1	10.3	44.5	53.6	20.2	9.9
\$100,000–\$149,999	13.2	11.9	40.6	48.5	22.1	12.2
\$150,000–\$249,999	11.7	13.7	37.6	44.6	23.0	14.0
\$250,000 or more	8.1	17.6	32.2	37.1	24.3	17.8

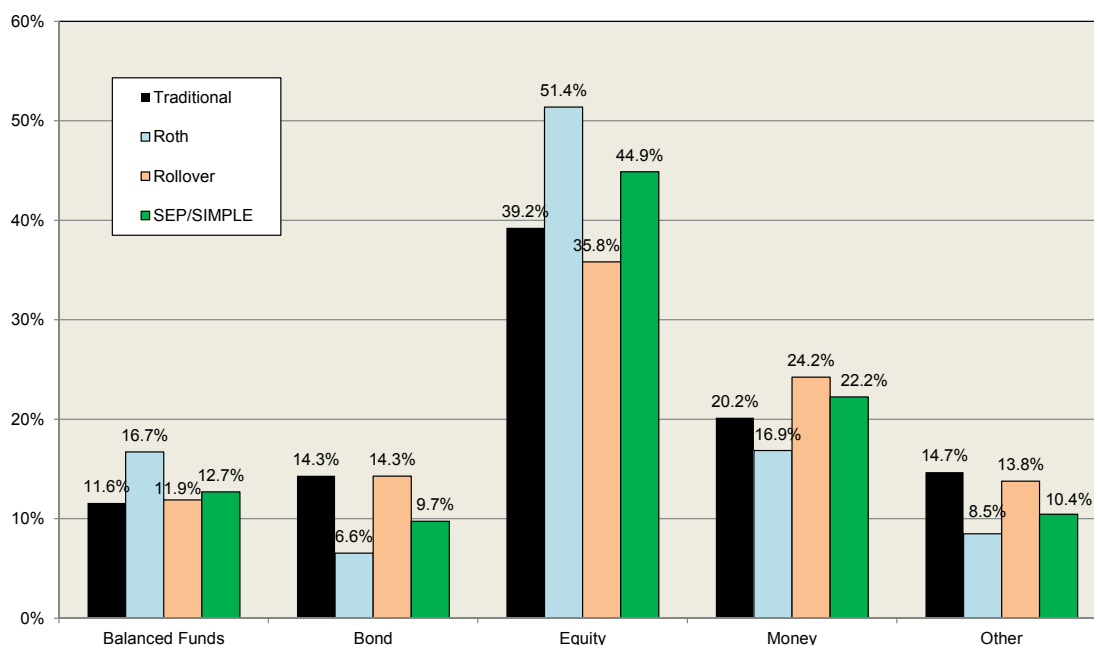
Source: EBRI IRA Database.™

^a Balanced funds include life-cycle/style funds and target-date funds.

^b Equity with balanced includes the equity allocation plus 60 percent of the balanced fund allocation. This is for an estimation of the total percentage of assets in equities for IRA owners.

^c Money includes money market mutual funds and certificates of deposit (CDs).

Figure 2
Individual Retirement Account (IRA) Asset Allocation, by IRA Type, 2008



Source: EBRI IRA Database.™

Balanced funds include life-cycle/style funds and target-date funds. Money includes money market mutual funds and certificates of deposit (CDs).

Figure 3 Individual Retirement Account (IRA) Asset Allocation, by IRA Type and Gender, 2008					
Type/Gender	Balanced Funds ^a	Bond	Equity	Money ^b	Other
Traditional					
Female	13.8%	14.5%	39.1%	19.8%	12.8%
Male	9.7	14.6	39.2	20.2	16.2
Unknown	16.0	11.6	39.7	21.6	11.1
Roth					
Female	18.1	6.8	51.1	17.0	7.1
Male	14.1	6.7	51.8	17.3	10.1
Unknown	23.1	5.4	50.7	14.6	6.2
Rollover					
Female	13.6	14.1	35.5	24.5	12.2
Male	10.7	14.7	36.1	23.7	14.8
Unknown	16.2	11.3	34.8	27.4	10.3
Source: EBRI IRA Database. TM					
^a Balanced funds include life-cycle/style funds and target-date funds.					
^b Money includes money market mutual funds and certificates of deposit (CDs).					

Figure 4 Individual Retirement Account (IRA) Asset Allocation, by IRA Type and Age, 2008					
Type/Age	Balanced Funds ^a	Bond	Equity	Money ^b	Other
Traditional					
Less than 25	12.1%	9.3%	42.9%	25.5%	10.1%
25–34	18.7	5.9	45.5	23.0	7.0
35–44	14.1	7.4	51.0	18.4	9.2
45–54	13.5	9.1	48.4	17.8	11.2
55–64	11.3	13.0	40.7	20.1	14.9
65–69	9.5	16.3	35.8	21.4	17.1
70 or older	11.0	18.1	34.1	20.7	16.0
Unknown	16.7	12.7	40.0	20.0	10.6
Roth					
Less than 25	24.1	2.5	52.6	16.9	3.9
25–34	24.2	2.7	53.6	14.4	5.1
35–44	18.2	3.8	59.1	12.9	6.0
45–54	17.0	5.5	54.5	15.9	7.1
55–64	15.9	8.2	48.2	18.7	9.0
65–69	12.2	9.2	46.8	19.8	12.0
70 or older	11.4	10.4	44.2	20.0	14.0
Unknown	19.8	5.7	50.8	16.1	7.6
Rollover					
Less than 25	4.1	10.0	40.2	28.8	17.0
25–34	21.4	4.8	39.1	29.1	5.6
35–44	16.2	6.8	47.1	22.4	7.5
45–54	14.0	9.3	43.8	22.9	9.9
55–64	11.5	14.3	34.8	24.9	14.4
65–69	10.0	17.0	31.5	25.0	16.4
70 or older	10.0	18.1	32.1	23.6	16.3
Unknown	16.0	12.8	35.9	25.3	10.1
Source: EBRI IRA Database. TM					
^a Balanced funds include life-cycle/style funds and target-date funds.					
^b Money includes money market mutual funds and certificates of deposit (CDs).					

Figure 5 Individual Retirement Account (IRA) Asset Allocation, by IRA Type and Account Balance, 2008					
Type/Account Balance	Balanced Funds ^a	Bond	Equity	Money ^b	Other
Traditional					
Less than \$5,000	21.4%	4.2%	50.8%	18.0%	5.6%
\$5,000–\$9,999	21.1	5.7	51.8	15.9	5.5
\$10,000–\$24,999	19.8	7.3	51.1	15.4	6.3
\$25,000–\$49,999	17.7	9.4	48.7	16.2	7.9
\$50,000–\$99,999	15.0	11.1	45.5	17.6	10.8
\$100,000–\$149,999	12.5	13.1	41.2	19.5	13.7
\$150,000–\$249,999	10.4	15.1	37.5	21.0	16.0
\$250,000 or more	6.8	18.7	31.7	23.1	19.7
Roth					
Less than \$5,000	24.4	2.7	52.4	14.9	5.6
\$5,000–\$9,999	23.8	3.8	52.1	15.0	5.3
\$10,000–\$24,999	19.4	5.1	55.5	14.3	5.7
\$25,000–\$49,999	16.0	7.8	51.6	17.6	7.1
\$50,000–\$99,999	12.4	7.7	51.5	17.9	10.4
\$100,000–\$149,999	10.7	8.6	48.3	19.5	12.9
\$150,000–\$249,999	9.0	9.3	45.5	20.6	15.6
\$250,000 or more	6.1	11.5	37.5	23.7	21.2
Rollover					
Less than \$5,000	17.7	2.7	32.4	43.3	3.9
\$5,000–\$9,999	22.6	5.0	44.5	22.8	5.2
\$10,000–\$24,999	21.2	6.5	44.4	21.9	6.0
\$25,000–\$49,999	18.8	8.4	43.5	22.1	7.3
\$50,000–\$99,999	15.7	10.1	42.0	22.6	9.5
\$100,000–\$149,999	14.1	11.6	38.9	24.0	11.4
\$150,000–\$249,999	12.7	13.4	36.6	24.2	13.1
\$250,000 or more	8.8	17.4	32.1	24.9	16.8
Source: EBRI IRA Database.™					
^a Balanced funds include life-cycle/style funds, and target-date funds					
^b Money includes money market mutual funds and certificates of deposit (CDs).					

Figure 6 Individual Retirement Account (IRA) Asset Allocation, by Gender and Age, 2008					
Gender/Age	Balanced Funds ^a	Bond	Equity	Money ^b	Other
Female					
Less than 25	16.4%	5.2%	49.1%	22.0%	7.4%
25–34	22.3	4.0	44.6	24.6	4.6
35–44	17.7	6.5	49.2	20.3	6.3
45–54	16.0	9.3	45.6	20.5	8.7
55–64	13.3	13.6	37.9	22.4	12.8
65–69	11.7	16.2	34.2	23.0	14.8
70 or older	12.2	18.3	33.1	21.9	14.5
Unknown	19.3	11.5	39.0	22.3	8.0
Male					
Less than 25	15.9	5.5	49.5	21.6	7.6
25–34	18.2	4.2	49.1	21.5	6.9
35–44	13.6	6.5	51.6	19.6	8.7
45–54	12.2	8.7	47.4	20.6	11.0
55–64	10.3	13.5	38.4	22.6	15.1
65–69	8.8	16.6	33.9	23.3	17.4
70 or older	9.6	17.8	33.6	22.2	16.9
Unknown	14.9	12.5	38.8	22.7	11.1
Unknown					
Less than 25	29.4	4.0	45.2	17.1	4.4
25–34	29.4	3.8	44.0	18.9	3.9
35–44	20.7	5.5	47.3	20.6	5.9
45–54	18.3	7.7	44.4	22.2	7.5
55–64	15.9	11.2	36.2	25.9	10.8
65–69	14.0	13.8	32.7	26.9	12.5
70 or older	13.1	15.2	32.9	24.5	14.2
Unknown	19.1	9.7	39.0	24.0	8.2
Source: EBRI IRA Database.™					
^a Balanced funds include life-cycle/style funds and target-date funds					
^b Money includes money market mutual funds and certificates of deposit (CDs).					

Figure 7 Individual Retirement Account (IRA) Asset Allocation, by Gender and Account Balance, 2008					
Gender/Account Balance	Balanced Funds ^a	Bond	Equity	Money ^b	Other
Female					
Less than \$5,000	22.9%	3.5%	45.7%	23.6%	4.3%
\$5,000–\$9,999	23.3	5.1	48.4	18.6	4.5
\$10,000–\$24,999	21.7	6.8	48.4	18.0	5.2
\$25,000–\$49,999	19.6	9.3	45.1	19.4	6.6
\$50,000–\$99,999	16.7	11.4	42.2	20.6	9.2
\$100,000–\$149,999	14.3	13.3	38.3	22.3	11.7
\$150,000–\$249,999	12.2	15.4	35.6	23.0	13.8
\$250,000 or more	7.9	18.5	31.7	24.4	17.5
Male					
Less than \$5,000	18.9	3.1	48.3	23.8	5.9
\$5,000–\$9,999	19.3	4.7	52.3	17.4	6.2
\$10,000–\$24,999	17.5	6.2	52.6	16.8	6.9
\$25,000–\$49,999	15.5	8.3	49.5	18.4	8.3
\$50,000–\$99,999	13.3	9.7	46.5	19.6	10.8
\$100,000–\$149,999	12.0	11.3	42.2	21.6	12.9
\$150,000–\$249,999	10.9	13.2	38.8	22.5	14.6
\$250,000 or more	8.0	17.6	32.5	23.9	18.1
Unknown					
Less than \$5,000	27.6	2.7	42.7	23.1	4.0
\$5,000–\$9,999	28.7	4.0	47.5	15.7	4.2
\$10,000–\$24,999	24.1	5.6	49.0	16.5	4.8
\$25,000–\$49,999	21.2	7.6	45.4	19.8	6.0
\$50,000–\$99,999	19.2	9.1	42.0	22.3	7.4
\$100,000–\$149,999	17.3	10.6	37.8	25.6	8.8
\$150,000–\$249,999	15.6	12.3	34.8	27.2	10.2
\$250,000 or more	10.5	14.4	31.4	28.0	15.6
Source: EBRI IRA Database.™					
^a Balanced funds include life-cycle/style funds and target-date funds.					
^b Money includes money market mutual funds and certificates of deposit (CDs).					

equity and balanced funds allocations decreased and the money allocations increased as the account balance continued to increase. Accounts with less than \$5,000 had higher equity and balanced funds allocations than those accounts with \$50,000 or more, but had similar money allocations and lower bond and other assets use.

Age Allocations

Account Balance—The same general asset allocation patterns emerge among each age category as the account balance changes (Figure 8). However, the relative allocation levels across the age groups show some differences. For instance, bond allocations are higher within each account balance grouping for older IRA owners, with an increasing level as the account balance increases across all ages.

Equity allocations for the youngest (under age 35) IRA owners with small account balances are the lowest across the age groups. However, when balances reach \$10,000 or more, the younger IRA owners have significant increases in equity allocations, so that those ages 25–34 with the largest account balances had the largest equity allocation. Those under age 45 were much more likely to use balanced funds than were older IRA owners, with those under age 35 and with balances less than \$10,000 having particularly higher allocations to balanced funds.

Extreme Allocations

The sections above looked at the average allocation across the various characteristics examined. However, tremendous variation around that average exists among IRA owners. This section investigates what percentage of IRAs have extreme allocations, defined here as having less than 10 percent or more than 90 percent in a particular asset.

Type—The most significant difference among the IRA types is that Roth owners are much more likely to have 90 percent or more of their assets in equities than those who own the other types (Figure 9). Furthermore, Roth owners are correspondingly more likely to have less than 10 percent of their assets in bonds, money, or both. Traditional and SEP/SIMPLE owners have relatively similar likelihoods of extreme allocations across the assets studied, while rollover owners are much less likely to have 90 percent or more of their assets in equities and more likely to have larger allocations to bonds and money.

Gender—The likelihood of extreme allocations is virtually identical across genders (Figure 9). For instance, 29.7 percent of females had 90 percent or more in equities, compared with 29.0 percent for males.

Age—As the age of the IRA owner increases, the less likely they are to have more than 90 percent in equities and less than 10 percent in bonds and money (Figure 9). This follows the standard investment guide to reduce the allocation to assets with high variability in returns (equities) as one ages. A finding that does not follow this guide is the approximate 20 percent of those under age 35 having more than 90 percent in money. Otherwise, the results across the ages follow the patterns that would move the assets away from equities and to bonds and money as the owners mature.

Account Balance—IRA owners with higher account balances are less likely to have extreme asset allocations (Figure 9). For instance, 38.3 percent of those with an account of \$5,000–\$9,999 had 90 percent or more of their assets in equities, compared with 5.9 percent of those with an account balance of \$250,000 or more. Furthermore, these accounts with higher balances are less likely to have less than 10 percent combined in money and bonds.

Conclusion

This study provides the first look at the asset allocation in the IRA accounts from the EBRI IRA Database.TM The findings from this unique database show the most detailed average asset allocation of IRAs currently available, by providing more asset types from various IRA administrators/recordkeepers. The asset allocation found in IRAs is very similar to that in 401(k) plans. When comparing the overall percentage held in equities in 401(k) plans from the EBRI/ICI 401(k) Database,⁶ the numbers match closely with those found in the IRA accounts (37.4 percent in 401(k) plans and 38.5 percent in IRAs). The bond and balanced funds percentages are also similar (12.3 percent and 13.6 percent for bonds and 12.3 percent and 12.1 percent in balanced funds, respectively). Money is significantly higher in IRAs, but if money is combined with GICs and Stable Value Funds in 401(k) plans, 22.3 percent of the assets are represented, compared with the same percentage for money in IRAs. However, it does appear that individuals in IRAs are more likely to have more than 90 percent or more of their assets in equities than are 401(k) participants.⁷

The next step in asset allocation research from this database is to examine how IRA owners with more than one account allocate their assets across the accounts—is the distribution similar or much different? The results could show that the accounts with extreme allocations are only a part of an individual's total portfolio, instead of the only assets the owner has. When IRA accounts are linked (as the EBRI IRA Database permits), the overall average unique individual balance increased by over 25 percent relative to the average on all accounts.⁸ Consequently, databases that do not have the ability to link accounts owned by the same

individual within and across data providers will significantly understate the total IRA assets held by those owning multiple accounts and potentially overstate the percentage of individuals with extreme allocations.

An individual may not have more than one IRA but have an IRA and a DC plan at a current or previous employer. Therefore, the assets these individuals hold cannot be determined by looking only at account studies, which can greatly understate the total assets that an individual has accumulated in these types of plans because they examine accounts separately, and do not aggregate the accounts. Consequently, the goal of the integration of the EBRI databases is be able to look at the two largest sources of retirement assets (IRAs and DC plans) to see the behavior of individuals across these accounts, as well as behavior within the accounts. A better understanding of the decisions Americans make in their retirement savings accounts would result, which could allow for the determination of what individuals need to know to make better decisions that would lead to superior outcomes within all individual retirement accounts.

As the EBRI IRA Database™ expands and matures, more elaborate types of studies will be conducted on these topics. Furthermore, with the linked defined contribution account data, the tracking of movements of dollars between the primary retirement saving accounts (DC plans and IRAs) can be studied with far greater accuracy. Once individuals have reached their retirement years, the withdrawal or “spend-down” of assets over time can be studied based on the longitudinal data that will be available. This has the potential for a far greater understanding of the retirement preparation and behavior of Americans as these databases expand.

Endnotes

¹ See Craig Copeland, “Average Total IRA Balances and Contributions: An Overview of the EBRI IRA Database™”, *EBRI Issue Brief*, no. 346 (Employee Benefit Research Institute, September 2010) for results of the first publication from the database on balances and contributions.

² Below is a comparison of the EBRI IRA Database™ with numbers from the Internal Revenue Service and the Federal Reserve’s Flow of Funds.

	EBRI Database	IRS 2004 Data	FOF 2008 Data
Total Assets	\$732.9 billion	\$3.3 trillion	\$3.6 trillion
Percentage Traditional Assets	87.8%	89.6%	
Average Rollover Amount	\$74,528	\$59,100	
Average Traditional Contributions	\$3,798	\$3,623	

See Victoria L. Bryant “Accumulation and Distribution of Individual Retirement Arrangements, 2004” *SOI Bulletin* (Spring 2008): 90–101, www.irs.gov/pub/irs-soi/04inretirebul.pdf for the results from the Internal Revenue Service; and see Board of Governors of the Federal Reserve System, *Flow of Funds Accounts of the United States Flows and Outstandings Third Quarter 2010*, www.federalreserve.gov/releases/Z1/Current/z1.pdf for the Flow of Funds results.

³ Given the significant changes in the equity markets during 2008 and 2009, the overall allocations are likely to have had substantial changes when the data results from 2009 and 2010 are analyzed. The equity allocations could have gone down significantly, if individuals were more likely to have moved their assets out of equities in 2009 than to have left their assets in equities.

⁴ The one government data source, the Survey of Consumer Finances (SCF), that has significant detail of all U.S. families' wealth, including IRA and DC plan wealth, only reports an allocation between equity and interest-bearing assets. As this database shows, there is a significant amount of assets in balanced funds and other assets that are not strictly equities or interest bearing but are being represented as such in the data. See Craig Copeland, "Retirement Plan Participation and Asset Allocation, 2007," *EBRI Notes*, no. 11 (Employee Benefit Research Institute, November 2009): 13–23 for results on asset allocation from the survey; and Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, Vol. 95 (February 2009): A1–A55 www.federalreserve.gov/pubs/bulletin/2009/pdf/scf09.pdf (last reviewed February 2011) for more information on the Survey of Consumer Finances.

⁵ The total equity allocation is estimated by assuming that all balanced funds have 60 percent in equities and 40 percent in bonds. However, target-date funds are included in the balanced funds, so this estimation methodology is not likely to hold across ages, but on an overall basis is a good indicator of the average allocation between the two asset classes.

⁶ See Jack VanDerhei, Sarah Holden, and Luis Alonso, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008," *EBRI Issue Brief*, no. 335 (Employee Benefit Research Institute, October 2009) for a detailed description of and results from the EBRI/ICI 401(k) Database from 2008.

⁷ Company stock is not a specific category in IRAs, so this alters the direct comparisons between the two databases, but in general the overall numbers are similar. Company stock inclusion with the separate equity category in the 401(k) database would show a much higher level of assets in equities in 401(k) plans and would lower the difference between those that have 90 percent or more in equities in IRAs and 401(k) plans.

⁸ See Copeland (2010), *op. cit.*

Figure 8
Individual Retirement Account (IRA) Asset Allocation,
by Age and Account Balance, 2008

Age/Account Balance	Balanced Funds ^a	Bond	Equity	Money ^b	Other
Less Than 25					
Less than \$5,000	32.7%	1.3%	40.0%	23.1%	2.9%
\$5,000–\$9,999	26.2	2.2	49.3	18.9	3.4
\$10,000–\$24,999	16.2	3.7	58.9	17.1	4.0
\$25,000–\$49,999	10.9	7.5	51.8	23.1	6.6
\$50,000–\$99,999	8.0	8.8	49.2	25.5	8.5
\$100,000–\$149,999	7.2	10.3	45.5	24.4	12.6
\$150,000–\$249,999	5.5	11.5	45.5	21.9	15.6
\$250,000 or more	1.9	13.9	34.6	22.7	27.0
25–34					
Less than \$5,000	26.6	1.6	37.8	30.3	3.6
\$5,000–\$9,999	29.4	2.5	45.0	18.9	4.2
\$10,000–\$24,999	23.2	3.4	51.2	17.5	4.8
\$25,000–\$49,999	18.5	5.2	48.6	21.5	6.1
\$50,000–\$99,999	14.6	6.7	45.6	25.4	7.7
\$100,000–\$149,999	9.6	8.1	38.1	34.1	10.2
\$150,000–\$249,999	5.9	8.9	35.3	35.0	14.8
\$250,000 or more	4.2	15.9	39.0	28.3	12.6
35–44					
Less than \$5,000	21.0	2.2	48.5	23.5	4.7
\$5,000–\$9,999	22.7	3.2	53.0	16.4	4.8
\$10,000–\$24,999	20.1	4.2	54.8	15.8	5.2
\$25,000–\$49,999	17.6	5.8	52.8	17.5	6.2
\$50,000–\$99,999	14.9	7.1	50.8	19.5	7.7
\$100,000–\$149,999	12.5	8.0	47.5	22.8	9.2
\$150,000–\$249,999	10.1	9.2	43.8	25.9	11.0
\$250,000 or more	5.9	11.9	35.3	31.4	15.4
45–54					
Less than \$5,000	20.4	3.0	48.9	22.5	5.2
\$5,000–\$9,999	21.6	4.1	52.2	17.0	5.1
\$10,000–\$24,999	20.0	5.2	52.9	16.4	5.5
\$25,000–\$49,999	17.9	6.7	51.3	17.6	6.6
\$50,000–\$99,999	15.3	8.0	49.5	18.8	8.4
\$100,000–\$149,999	13.3	9.1	46.6	20.9	10.0
\$150,000–\$249,999	12.0	10.1	44.5	22.1	11.3
\$250,000 or more	8.5	12.2	38.8	25.4	15.1

(cont'd.)

(Fig 8, cont'd.)					
Age/Account Balance	Balanced Funds ^a	Bond	Equity	Money ^b	Other
55–64					
Less than \$5,000	20.1	4.4	48.3	21.5	5.7
\$5,000–\$9,999	20.1	6.0	49.5	18.6	5.8
\$10,000–\$24,999	19.4	7.1	48.8	18.3	6.4
\$25,000–\$49,999	17.5	8.9	46.4	19.5	7.8
\$50,000–\$99,999	14.7	10.2	44.2	20.4	10.5
\$100,000–\$149,999	12.9	11.6	40.3	22.4	12.7
\$150,000–\$249,999	11.5	13.3	37.6	23.0	14.6
\$250,000 or more	8.2	16.5	32.8	24.7	17.7
65–69					
Less than \$5,000	17.8	5.7	49.9	20.5	6.2
\$5,000–\$9,999	17.7	7.4	49.6	19.1	6.2
\$10,000–\$24,999	17.5	8.7	47.0	19.5	7.2
\$25,000–\$49,999	16.1	10.7	43.2	21.1	8.9
\$50,000–\$99,999	13.7	12.0	40.5	21.7	12.0
\$100,000–\$149,999	12.3	13.7	36.5	23.0	14.6
\$150,000–\$249,999	10.9	15.4	33.9	23.6	16.2
\$250,000 or more	7.6	18.7	30.6	24.3	18.8
70 or Older					
Less than \$5,000	18.4	9.5	47.1	19.1	6.0
\$5,000–\$9,999	19.0	11.7	45.9	17.4	6.1
\$10,000–\$24,999	18.7	12.9	43.0	18.1	7.3
\$25,000–\$49,999	17.6	14.2	40.2	19.1	8.9
\$50,000–\$99,999	15.1	14.7	38.1	20.3	11.7
\$100,000–\$149,999	13.3	15.7	35.5	21.7	13.9
\$150,000–\$249,999	11.6	17.2	33.6	22.3	15.3
\$250,000 or more	7.9	19.4	31.1	23.2	18.5
Unknown					
Less than \$5,000	25.0	2.8	44.5	22.6	5.1
\$5,000–\$9,999	26.1	3.8	47.9	17.1	5.1
\$10,000–\$24,999	23.8	4.9	48.9	17.0	5.4
\$25,000–\$49,999	21.7	6.8	46.0	19.3	6.1
\$50,000–\$99,999	19.6	8.5	43.7	21.1	7.2
\$100,000–\$149,999	17.5	10.7	39.8	23.5	8.4
\$150,000–\$249,999	15.9	12.5	37.1	24.8	9.6
\$250,000 or more	11.4	17.4	32.0	25.0	14.2
Source: EBRI IRA Database.™					
^a Balanced funds include life-cycle/style funds and target-date funds.					
^b Money includes money market mutual funds and certificates of deposit (CDs).					

Figure 9

Percentage of Individual Retirement Accounts (IRAs) With Extreme Asset Allocations,^a by Various Characteristics, 2008

	Less Than 10% In Bonds	More Than 90% In Bonds	Less Than 10% In Equities	More Than 90% In Equities	Less Than 10% In Money ^p	More Than 90% In Money ^p	Less Than 10% In Bonds & Money ^p	More Than 90% In Bonds & Money ^p
All	84.7%	2.3%	38.3%	29.6%	69.5%	13.9%	57.0%	16.9%
Type								
Traditional	83.4	3.3	36.6	32.3	73.3	10.6	59.7	14.8
Roth	92.2	1.8	36.1	41.1	77.2	9.9	70.5	12.0
Rollover	80.2	1.8	41.2	18.9	60.6	19.5	44.7	22.2
SEP/SIMPLE	86.3	1.8	39.2	28.6	67.1	16.6	55.8	19.0
Gender								
Female	84.9	2.6	40.2	29.7	69.8	14.5	57.3	17.8
Male	83.3	2.1	35.3	29.0	68.6	13.1	55.0	16.0
Unknown	89.6	2.2	43.6	32.1	71.9	15.1	63.3	17.9
Age								
Less than 25	96.2	0.8	51.1	35.0	71.7	18.1	68.5	19.1
25-34	94.4	0.8	47.4	30.8	67.1	20.1	62.4	21.1
35-44	90.7	1.1	35.8	35.4	71.6	14.1	63.6	15.5
45-54	87.1	1.7	35.0	32.9	71.2	13.1	60.3	15.2
55-64	81.7	2.6	37.2	27.5	68.6	13.3	53.6	16.7
65-69	76.8	3.3	38.3	23.6	66.1	13.1	47.8	17.7
70 or older	73.2	5.7	41.4	21.9	67.9	11.9	46.8	19.2
Unknown	88.7	2.0	40.7	30.6	71.0	14.7	61.4	17.2
Account Balance								
Less than \$5,000	95.8	1.9	49.7	38.4	68.6	22.8	64.9	24.9
\$5,000-\$9,999	91.8	2.5	39.8	38.3	75.4	12.5	68.2	15.4
\$10,000-\$24,999	87.5	2.6	34.8	34.0	73.9	10.7	63.2	13.8
\$25,000-\$49,999	81.0	2.7	33.1	26.1	70.2	10.8	54.3	14.4
\$50,000-\$99,999	75.2	2.4	31.3	19.4	67.0	10.5	46.7	14.0
\$100,000-\$149,999	70.4	2.3	32.0	13.7	62.5	10.8	39.0	14.4
\$150,000-\$249,999	65.1	2.2	31.8	9.9	59.8	10.3	32.8	13.9
\$250,000 or more	57.9	2.1	32.3	5.9	55.3	9.2	24.5	13.3

Source: EBRI IRA Database.TM^a Extreme asset allocations refer to almost no assets (less than 10 percent) or almost all (more than 90 percent).^b Money includes money market mutual funds and certificates of deposit (CDs).

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Reference

Insurance Information Institute. *The Insurance Fact Book 2011*. Hardcopy, \$45 + S&H; PDF, \$58 (discounts for multiple copies are available). Insurance Information Institute, 110 William St., 24th Fl., New York, NY 10038, (800) 331-9146 or (212) 346-5500, e-mail: publications@iii.org, www.iii.org/publications

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Towers Watson: Global Pension Asset Study 2011, www.towerswatson.com/assets/pdf/3761/Global-Pensions-Asset-Study-2011.pdf

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