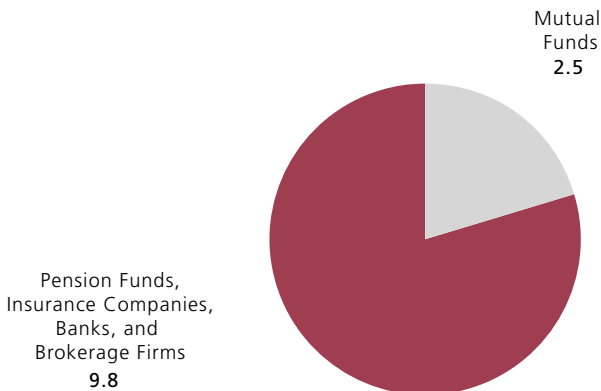


Mutual Funds and the Retirement Market

Mutual funds accounted for \$2.5 trillion, or 20 percent, of the \$12.3 trillion U.S. retirement market at year-end 2000. The remaining \$9.8 trillion of assets in the retirement market are managed by pension funds, insurance companies, banks, and brokerage firms.

U.S. Retirement Market Assets, 2000*

(trillions of dollars)



*Preliminary data

Source: Investment Company Institute and Federal Reserve Board

Retirement Accounts Hold One-Third of Fund Industry Assets

The \$2.5 trillion in mutual fund retirement plan assets represented 35 percent of all mutual fund assets at year-end 2000. Consistent with the slight decline in overall long-term mutual fund assets, which were pulled down by the weak equity market performance, mutual fund retirement plan assets edged down 2 percent during the year.

Mutual Fund Retirement Assets, 1991-2000¹

(billions of dollars)

	Total Retirement	Employer-Sponsored Accounts ²	IRAs
1991	336	147	189
1992	437	199	238
1993	608	285	323
1994	687	337	350
1995	941	464	477
1996	1,193	594	599
1997	1,542	774	767
1998	1,938	979	960
1999	2,510	1,266	1,243
2000 ¹	2,453	1,221	1,232

¹Preliminary data

²Includes private defined contribution plans (401(k), 403(b), and others), state and local government employee retirement funds (and 457 plans), and private defined benefit plans.

Note: Components may not add to totals due to rounding.

Source: Investment Company Institute, Federal Reserve Board, Internal Revenue Service, and Department of Labor

Mutual fund retirement assets primarily come from two sources: employer-sponsored defined contribution plans and Individual Retirement Accounts (IRAs). Funds hold roughly the same amount of assets from each source.

Mutual Funds and the IRA Market

Assets in IRAs have continued to grow during the 1980s and 1990s despite the enactment of the Tax Reform Act of 1986, which limited the availability of tax-deductible contributions to IRAs. Asset growth has been primarily due to investment performance and rollovers from employer-sponsored plans. In addition, legislative changes in the late 1990s introduced new types of IRAs (SIMPLE, Roth, and Education).

Since the mid 1980s, the mutual fund industry's share of the IRA market has increased from 14 percent to 46 percent at year-end 2000. At the end of 2000, mutual funds accounted for \$1.2 trillion of the estimated \$2.7 trillion IRA market.

Assets in the IRA Market, 1990-2000¹

(billions of dollars)

	Bank and Thrift Deposits ²	Life Insurance Companies	Mutual Funds	Securities Held Directly Through Brokerage Accounts	Total IRA Assets
1990	266	53	141	176	636
1991	282	50	189	255	776
1992	275	56	238	298	866
1993	263	70	323	338	993
1994	255	79	350	372	1,056
1995	261	94	477	457	1,288
1996	258	110	599	499	1,467
1997	254	160	767	547	1,728
1998	249	190	960	752	2,150
1999	244	245	1,243	931 ^e	2,663 ^e
2000 ¹	250	246 ^e	1,232	922 ^e	2,650 ^e

¹Preliminary data

²Bank and thrift deposits include Keogh deposits.

^eEstimated

Note: Components may not add to totals due to rounding.

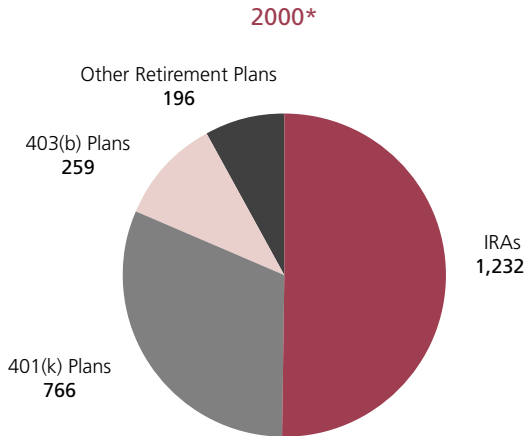
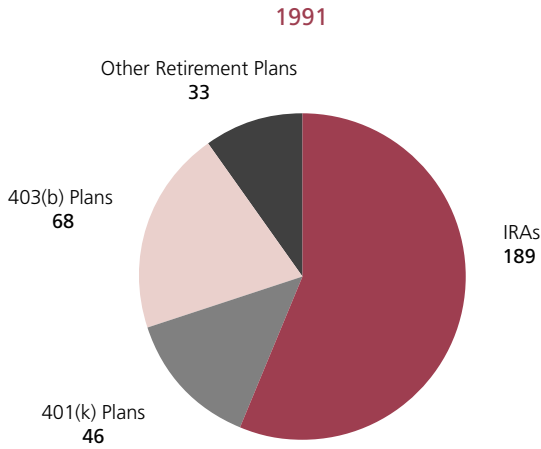
Source: Investment Company Institute, Federal Reserve Board, American Council of Life Insurers, and Internal Revenue Service

Mutual Funds and the Employer-Sponsored Pension Market

Mutual fund assets held in employer-sponsored retirement accounts totaled \$1.2 trillion in 2000, a decrease of \$45 billion, or 4 percent, from 1999. Mutual funds accounted for approximately 13 percent of the overall employer-sponsored market at year-end 2000. The employer-sponsored pension market is comprised of \$2.1 trillion in assets in private defined benefit pension funds, \$2.6 trillion in private defined contribution pension funds (and 457 plans), \$3.1 trillion in state and local government employee retirement funds, \$1.0 trillion in annuity reserves, and \$0.7 trillion in federal government defined benefit plans.

Mutual Fund Assets by Type of Retirement Plan, 1991 and 2000*

(billions of dollars)



*Preliminary data

Source: Investment Company Institute, Federal Reserve Board, Internal Revenue Service, and Department of Labor

Mutual Funds and the Defined Contribution Market

The most important source of fund assets in the employer-sponsored plan market is defined contribution plans, especially 401(k) plans. At year-end 2000, 65 percent, or \$766 billion, of mutual fund defined contribution plan assets were held in 401(k) plans. Mutual funds' share of the 401(k) market has increased during the 1990s from 9 percent in 1990 to an estimated 45 percent at year-end 2000. Mutual fund assets in 403(b) plans were about 22 percent of mutual fund assets in defined contribution plans at year-end 2000, or \$259 billion.

Assets in 401(k) Plans, 1990-2000*

(billions of dollars)

	Mutual Fund 401(k) Plan Assets	Other 401(k) Plan Assets	Total
1990	35	350	385
1991	46	394	440
1992	82	471	553
1993	140	476	616
1994	184	491	675
1995	266	598	864
1996	345	716	1,061
1997	466	798	1,264
1998	596	863 ^e	1,459 ^e
1999	780	935 ^e	1,715 ^e
2000*	766	946 ^e	1,712 ^e

*Preliminary data

^eEstimated

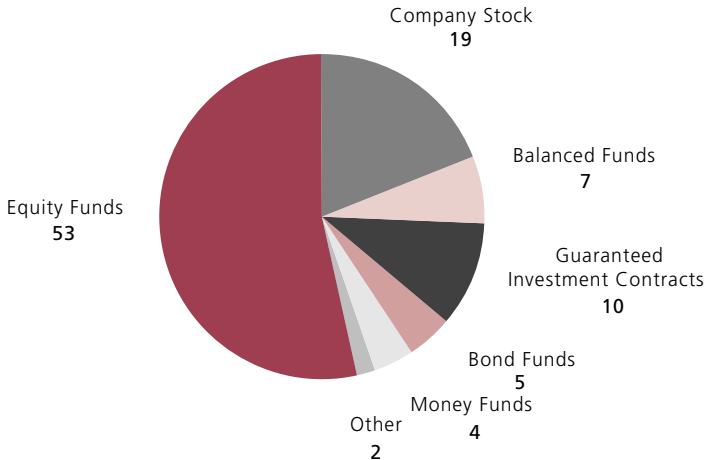
Source: Investment Company Institute, Federal Reserve Board, and Department of Labor

401(k) Participants: Asset Allocations, Balances, and Loans

According to research by ICI and the Employee Benefit Research Institute (EBRI), 401(k) plan participants are making sensible investment decisions and accumulating substantial account balances.

Average Asset Allocation for All 401(k) Plan Balances, 1999

(percent)



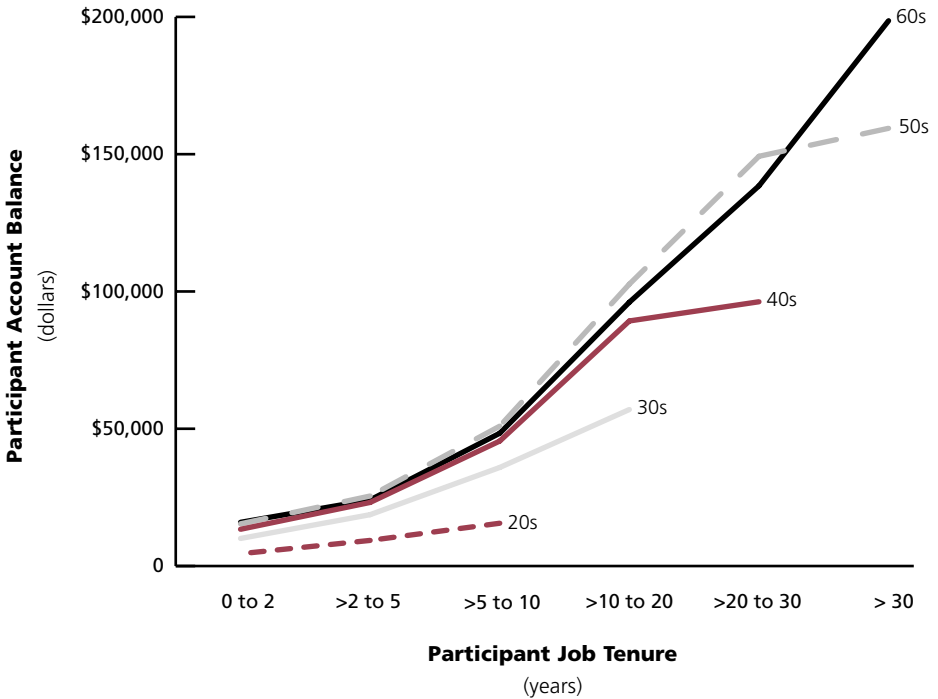
Note: Funds include mutual funds and other pooled investments.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

Younger participants tend to allocate a larger portion of their account balances to equity funds (which include equity mutual funds and other pooled equity investments), while older participants are more likely to invest in guaranteed investment contracts (GICs) and bond funds. For example, on average, individuals in their twenties invested 63 percent of their assets in equity funds, 4 percent in GICs, and 4 percent in bond funds. By comparison, individuals in their sixties invested 44 percent of their assets in equity funds, 19 percent in GICs, and 7 percent in bond funds.

The average 401(k) account balance, excluding plan loans, was \$55,502 at year-end 1999, or 18 percent higher than the average account balance the year before. Workers in their sixties with at least 30 years of job tenure at their current employer had an average 401(k) account balance of \$198,595.

Average 401(k) Account Balance by Age and Tenure, 1999



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

Note: See page 113 for data points on this chart.

Most 401(k) participants do not borrow from their plans. At year-end 1999, only 18 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represents about 14 percent of their account balances (net of the unpaid loan balances).

Types of Funds Used by Retirement Plan Investors

Of the \$2.5 trillion in mutual fund retirement assets at year-end 2000, \$1.9 trillion, or 76 percent, were invested in U.S. domestic or foreign equity funds. U.S. domestic equity funds alone comprise \$1.6 trillion, or 67 percent, of mutual fund retirement assets. By comparison, only about 57 percent of overall fund industry assets—including retirement and nonretirement accounts—are invested in domestic and foreign equity funds.

Mutual Fund Retirement Assets by Type of Fund, 2000*

(billions of dollars)

	Equity		Bond	Hybrid	Money Market	Total
	Domestic	Foreign				
IRAs	\$781	\$123	\$95	\$92	\$141	\$1,232
401(k) Plans	537	69	36	71	53	766
403(b) Plans	211	16	7	11	13	259
Other Employer-Sponsored Plans	115	19	33	11	19	196
Total	\$1,644	\$227	\$171	\$186	\$225	\$2,453

*Preliminary data

Note: Components may not add to totals due to rounding

Approximately \$396 billion, or 16 percent, of mutual fund retirement assets are invested in fixed-income funds: bond or money market funds. Bond funds hold \$171 billion, or 7 percent, of mutual fund retirement assets, and money market funds account for \$225 billion, or 9 percent.

The remaining \$186 billion, or approximately 8 percent, of mutual fund retirement assets are held in hybrid funds, which invest in a mix of equity and fixed-income securities and derivative instruments.