

# Mutual Fund Ownership and Shareholder Characteristics

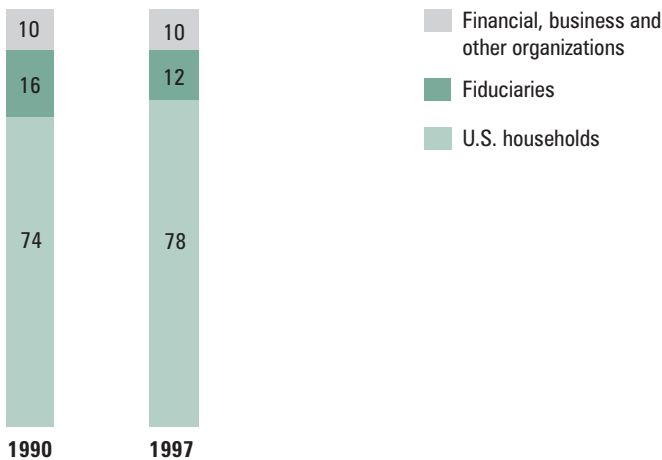
An estimated 66.5 million individuals in 37.4 million U.S. households own the majority of the mutual fund industry's \$4.490 trillion in assets. As of year-end 1997, they held \$3.520 trillion, or 78.4 percent, of mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians or administrators—and other institutional investors held the remaining \$970 billion, or 21.6 percent.

## U.S. HOUSEHOLD FINANCIAL ASSETS

U.S. households own many financial assets, including mutual funds, stocks, bonds and bank deposits. In 1997, households made \$549 billion of net purchases of financial assets, down slightly from \$551 billion in 1996.

According to the Federal Reserve Board, U.S. households invested \$358.0 billion, or 65.3 percent, of

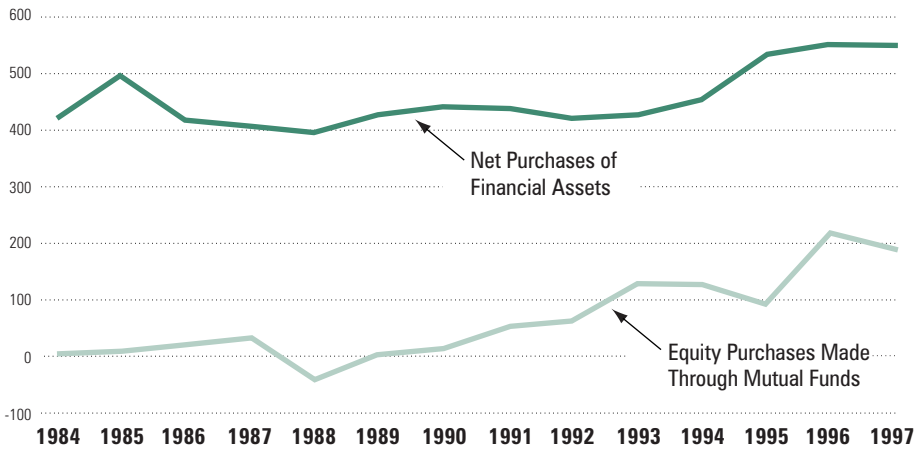
**Composition of Mutual Fund Ownership**  
(percent of total mutual fund assets)



Note: Total assets of mutual funds were \$1.067 trillion at year-end 1990 and \$4.490 trillion at year-end 1997.

## Household Net Purchases of Financial Assets, 1984-1997

(billions of dollars)



Note: See page 117 for data points on this chart.

Source: Federal Reserve Board, Employee Benefit Research Institute, and Investment Company Institute

their total net purchases of financial assets in mutual funds (including reinvested dividends). Long-term mutual funds—equity and bond and income funds—accounted for \$243 billion, or 44.3 percent; money market funds attracted \$115.0 billion, or 21.0 percent; and other financial assets, such as stocks, bonds and bank deposits, captured the remaining \$190.7 billion, or 34.7 percent.

### U.S. HOUSEHOLDS: NET SELLERS IN THE EQUITY MARKET

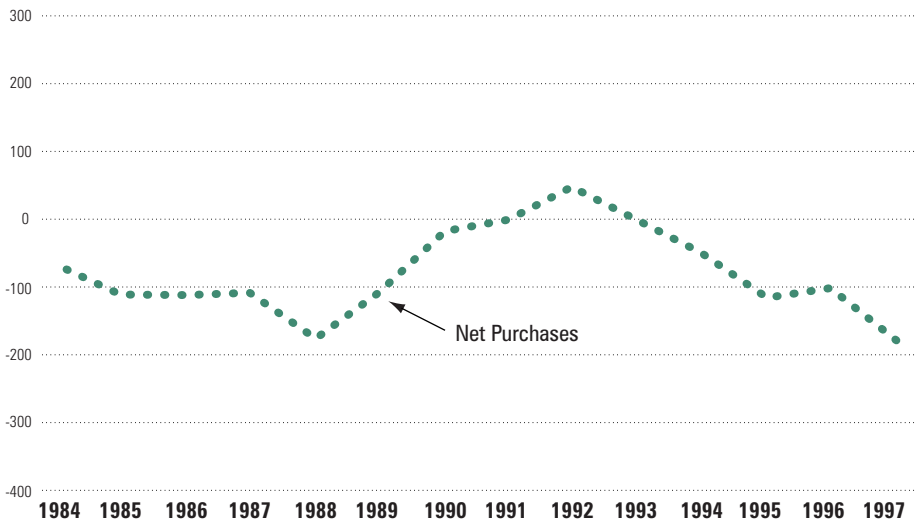
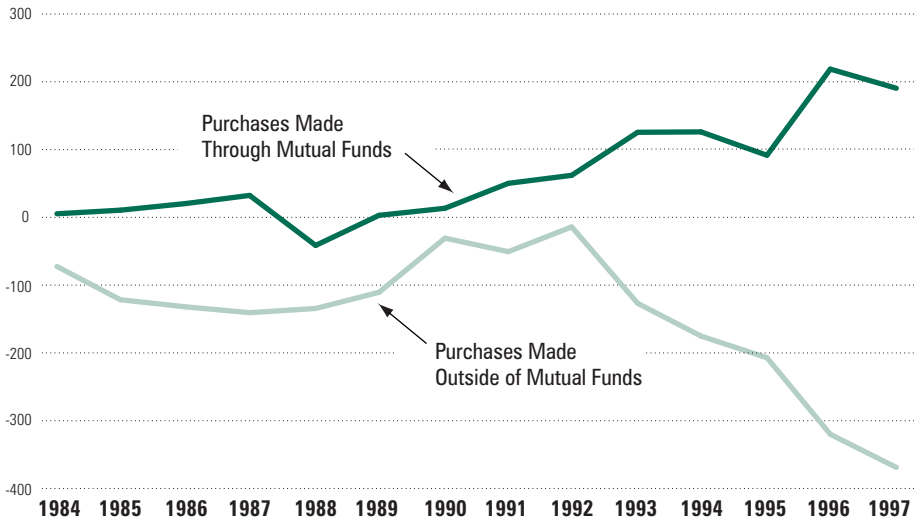
The large inflows to equity funds in 1997—indeed, throughout the

1990s—have occurred at the same time that U.S. households have been net sellers of stock. From 1990 to 1997, U.S. households, on net, sold \$1.2 trillion of equity holdings from sources other than mutual funds while purchasing \$870 billion through mutual funds. In 1990, net equity purchases through mutual funds were \$13 billion; by 1997, that figure had reached \$190 billion.

In 1997 alone, households were net sellers of \$369 billion in stocks through sources other than mutual funds; this marked the fifth straight year that households were net sellers of stock.

## Purchases of Equities by Households

(billions of dollars)



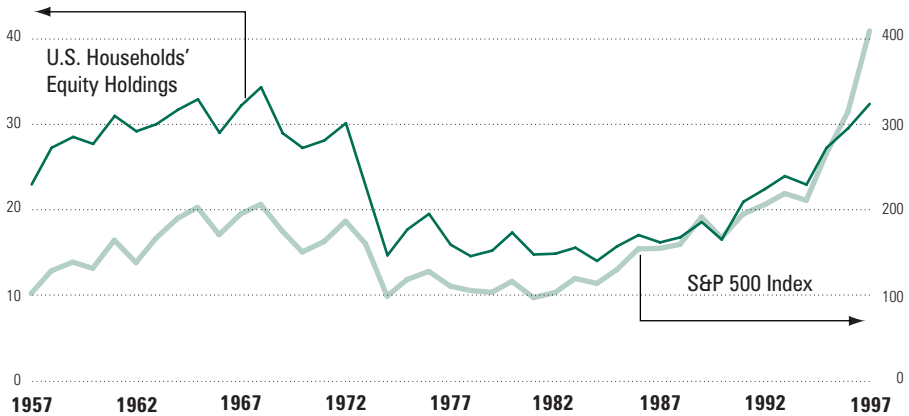
Note: See page 117 for data points for these charts.

Source: Federal Reserve Board, Employee Benefit Research Institute and Investment Company Institute

---

## Total Holdings of Equities\* by Households

(percent of total financial assets of households and the real value of the S&P 500 Index)



\*Equities held directly or through mutual funds, bank personal trusts and estates, and defined contribution plans.

Note: See page 118 for data points on this chart.

Source: Federal Reserve Board, Employee Benefit Research Institute, and Investment Company Institute.

---

### STOCK MARKET PERFORMANCE FUELS EQUITY ASSET GROWTH

Even though households have been net sellers of corporate stock, the share of their household financial assets held in equities has actually risen. This occurred because of the appreciation in value of U.S. households' remaining stock holdings, including those held in mutual funds. At year-end 1997, household direct and indirect holdings of equities were \$8.8 trillion and amounted to 32.4 percent of household financial assets. This is up from 29.5 percent at the end of

1996 and represents a continuation of the trend that began in 1982 with the upward march in stock prices. The current share of household financial assets held in equities is near the peak reached in 1968 following the extended runup in stock market prices during the 1960s.

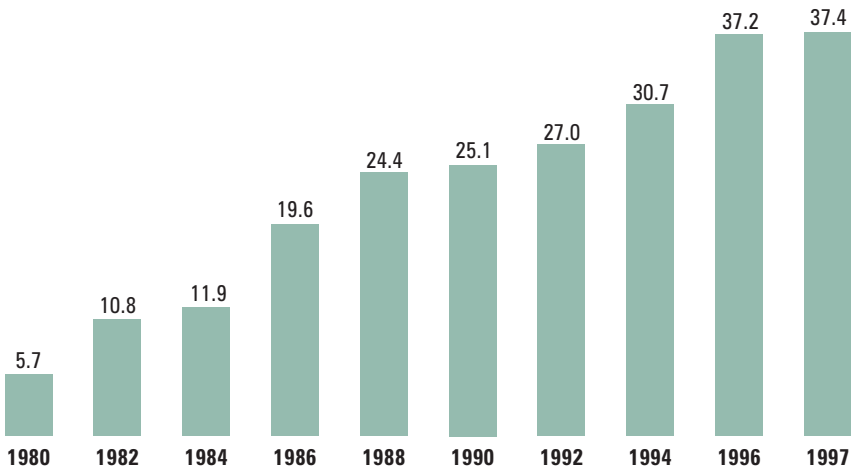
### U.S. SHAREHOLDER CHARACTERISTICS

The number of U.S. households owning mutual funds rose an estimated 1.8 percent between mid-1996 and mid-1997, increasing from 36.8 million to 37.4 million.

---

## Household Ownership of Mutual Funds

(percent of U.S. households)



---

Investment Company Institute research released in mid-1996 finds that the average mutual fund investor is middle class, 44 years old, likely to be married and employed, and possesses financial assets of \$50,000. The investment decisionmaker in a fund-owning household is most often solely a man (47 percent compared with 32 percent women). Men and women share investment decisionmaking in 21 percent of households. Shareholders are fairly evenly distributed among age groups, and only 18 percent of shareholders are retired.

The typical mutual fund investor purchased his or her first fund share in 1990 or earlier (68 percent). Among these seasoned fund investors, 57 percent also own individual stocks and 75 percent have Individual Retirement Accounts. Roughly half added money to an existing account in the year preceding the survey.

Investors use funds to achieve long-term investment goals. Eighty-four percent cite retirement as one of their investment goals, and 26 percent list saving for their children's or grandchildren's college education.

The typical mutual fund investor owns more than one kind of fund. For example, investors in equity mutual funds typically hold three different funds, and more than half also hold bond and income funds. About 70 percent of equity fund investors bought their first fund shares in 1990 or earlier; half added money to an existing account in the previous year. In addition, 61 percent of equity fund shareholders and 59 percent of

bond and income fund shareholders own individual stocks. The types of funds owned tend not to differ according to age, financial assets or sex of the investment decisionmaker.

## WOMEN INVESTORS

In 32 percent of fund-owning households, the investment decisionmakers are solely women. As a group, they are very similar to male household investment

---

### Household Owners of Mutual Funds Demographic and Financial Characteristics, 1995<sup>1</sup>

|  | First Purchase<br>in 1990<br>or Earlier | First Purchase<br>in 1991<br>or Later |
|--|---|---------------------------------------|
| <b>Demographic Characteristics</b>             |   |                                       |
| Median age                                     | 46                                      | 37                                    |
| Percent of households:                         |   |                                       |
| Married  | 73                                      | 63                                    |
| Employed full- or part-time                    | 79                                      | 88                                    |
| Minor children <sup>2</sup>                    | 41                                      | 48                                    |
| Four-year college degree or more               | 60                                      | 55                                    |
| <b>Financial Characteristics</b>               |   |                                       |
| Median household income                        | \$60,000                                | \$50,000                              |
| Median household financial assets <sup>3</sup> | \$70,000                                | \$25,000                              |
| Percent of households owning: <sup>4</sup>     |   |                                       |
| Individual stocks                              | 57                                      | 48                                    |
| Individual bonds                               | 27                                      | 19                                    |
| Annuities                                      | 29                                      | 18                                    |
| IRAs   | 75                                      | 60                                    |
| 401(k)s  | 51                                      | 50                                    |

<sup>1</sup>Characteristics of primary financial decisionmaker in the household.

<sup>2</sup>Percent of married households.

<sup>3</sup>Excludes assets in employer-sponsored retirement plans.

<sup>4</sup>Multiple responses included.

---

## Ownership Characteristics of Mutual Fund Households, 1995<sup>1</sup>

|  | <b>First Purchase<br/>in 1990<br/>or Earlier</b> | <b>First Purchase<br/>in 1991<br/>or Later</b> |
|--|--|--|
| Median mutual fund assets  | \$25,000   | \$7,000  |
| Median number of funds owned   | 3  | 2  |
| Percent  |  |  |
| Household assets in mutual funds <sup>2</sup>                          | 36   | 28   |
| Fund types owned <sup>3</sup>  |  |  |
| Equity   | 75   | 71   |
| Bond and income  | 50   | 38   |
| Money market   | 54   | 45   |
| Households' use of purchase channels                                   |  |  |
| Sales force  | 65   | 60   |
| Direct market  | 33   | 29   |
| Investment goal <sup>3</sup>   |  |  |
| Retirement   | 81   | 77   |
| Children's education   | 24   | 27   |
| Risk tolerance profile   |  |  |
| Willing to take:   |  |  |
| Substantial risk with the expectation of substantial gain              | 8  | 10   |
| Above-average risk with the expectation of above-average gain          | 36   | 38   |
| Average risk with the expectation of average gain                      | 41   | 36   |
| Below-average risk with the expectation of below-average gain          | 10   | 13   |
| No risk  | 6  | 3  |
| Awareness: Agreed that investing in stock and bond funds involves risk | 96   | 100  |
| Evaluations: Assessed risk of most recent stock or bond fund purchase  | 67   | 71   |
| Horizon: Assess mutual fund risk in time frame exceeding five years    | 65   | 62   |

<sup>1</sup>Excludes mutual funds in employer-sponsored retirement plans.

<sup>2</sup>Excludes any mutual fund assets held in employer-sponsored retirement plans.

<sup>3</sup>Multiple responses included.

decisionmakers except that they tend to be slightly older, are less likely to be married (although half of them are married), and are more likely to be widowed. They are also more cautious investors, tolerating a lower level of risk than the average male decisionmaker, and are slightly more likely to use a financial adviser.

## GENERATIONAL DIFFERENCES

Generation X (ages 18 to 30) is very interested in mutual fund investing. This group has the lowest level of household assets, yet has the second highest portion of financial assets in mutual funds (38 percent), after those aged 50 to

70. Among the age groups, Generation X also has the highest tolerance for investment risk.

At the time of the survey in 1995, Baby Boomer shareholders (ages 31 to 49) have twice as many financial assets in mutual funds as Generation X investors, yet a smaller percentage of their assets is invested in funds (27 percent). Baby Boomer shareholders also tend to own more types of funds than Generation X fund owners, who typically have more assets in equity funds. Retirement as a goal for fund investing was high for shareholders of all the generations, ranging from 72 to 89 percent.