

# ICI RESEARCH PERSPECTIVE

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## What US Households Consider When They Select Mutual Funds, 2023

### KEY FINDINGS

- » **Mutual fund investors review a fund’s investment objective, as well as the risk level of the fund’s investments, when making their fund purchase decision.** In 2023, more than nine in 10 mutual fund–owning households considered a fund’s investment objective, as well as the risk level of a fund’s investments, when selecting mutual fund investments. Four in 10 mutual fund–owning households indicated that the risk level of the fund’s investments was “very important” in their fund selection decision.
- » **Nearly all mutual fund investors agree that diversification and cost effectiveness are important features of mutual funds.** In 2023, more than nine in 10 also agree that professional management is another positive feature of mutual funds.
- » **Mutual fund investors typically examine the historical performance of a fund and a fund’s performance compared with an index when purchasing a mutual fund.** In 2023, more than nine in 10 mutual fund–owning households considered these performance measures when selecting mutual funds. Nearly half of mutual fund–owning households indicated that historical performance was very important to their fund purchase decision, and nearly four in 10 said a fund’s performance compared with an index was very important.
- » **Mutual fund investors also review fund fees and expenses.** In 2023, more than nine in 10 mutual fund–owning households considered fund fees and expenses when selecting their mutual funds. Indeed, almost half of mutual fund–owning households indicated that fund fees and expenses were very important to their fund selection decision.

## What's Inside

- 2 Background on Mutual Fund–Owning Households
- 3 Mutual Fund–Owning Households Review Several Key Pieces of Information When Selecting Funds
- 8 Notes
- 9 References

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### Background on Mutual Fund–Owning Households

ICI's Annual Mutual Fund Shareholder Tracking Survey gathers information on mutual fund–owning households. In 2023, the survey found that 68.7 million US households, or 52.3 percent, owned mutual funds.<sup>1</sup> In 2023, the survey asked mutual fund–owning households to rank the importance of a variety of factors when making their mutual fund purchase decisions.<sup>2</sup>

This paper, which presents the results from that question, first describes the variety of financial services firms that US households use to purchase mutual funds; it then analyzes mutual fund–owning households' willingness to take investment risk and the investment profile of the mutual funds they own. Finally, the paper presents research on mutual fund fees, which finds that mutual fund investors tend to concentrate their mutual fund assets in lower-cost funds.

### Mutual Funds Are Offered Through an Array of Financial Services Firms

A wide array of financial services firms offer mutual funds, and households own mutual funds both inside and outside employer-sponsored retirement plans. In 2023, 73 percent of mutual fund–owning households held mutual funds through employer-sponsored retirement plans.<sup>3</sup> US households also own mutual funds outside of employer-sponsored retirement plans, with many seeking the help of investment professionals when making mutual fund investments and some going directly to mutual fund companies or discount brokers. In 2023, 70 percent of mutual fund–owning households held mutual funds outside employer-sponsored retirement plans.<sup>4</sup> These households purchased funds through two sources: the investment professional channel and the direct market channel. The investment professional channel includes registered investment advisers, full-service brokers, independent financial planners, bank or savings institution representatives, insurance agents, and accountants. The direct market channel includes fund companies and discount brokers. In 2023, about half (46 percent) of households owning mutual funds held funds purchased through an investment professional, and nearly three in 10 (28 percent) owned funds purchased through the direct market channel.<sup>5</sup>

## Mutual Fund–Owning Households Review Several Key Pieces of Information When Selecting Funds

### Fund Investment Objectives and Risks Are Important to Mutual Fund–Owning Households

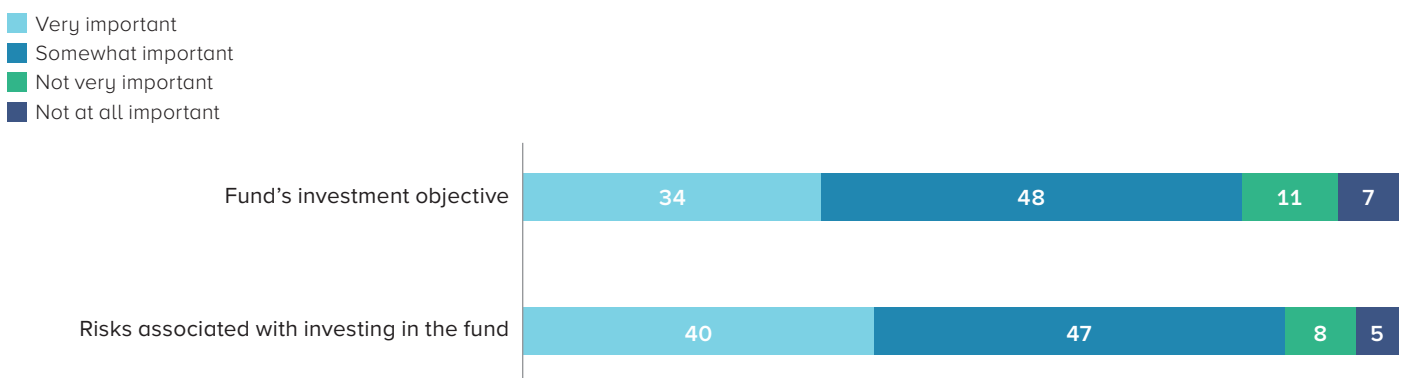
When asked about the information they consider when choosing a mutual fund, mutual fund–owning households said they typically review a fund’s investment objective as well as the risk level of a fund’s investments. In

2023, 93 percent of mutual fund–owning households considered a fund’s investment objective when making their purchase decision, with 34 percent agreeing that it was very important (Figure 1). Similarly, 95 percent of mutual fund–owning households reviewed the risk level of a fund’s investments, with 40 percent of mutual fund–owning households considering the risk level of a fund’s investments “very important” when making their purchase decision.

FIGURE 1

### Most Shareholders Review Investment Risks and Objectives When Selecting Mutual Funds

Percentage of mutual fund–owning households, 2023



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

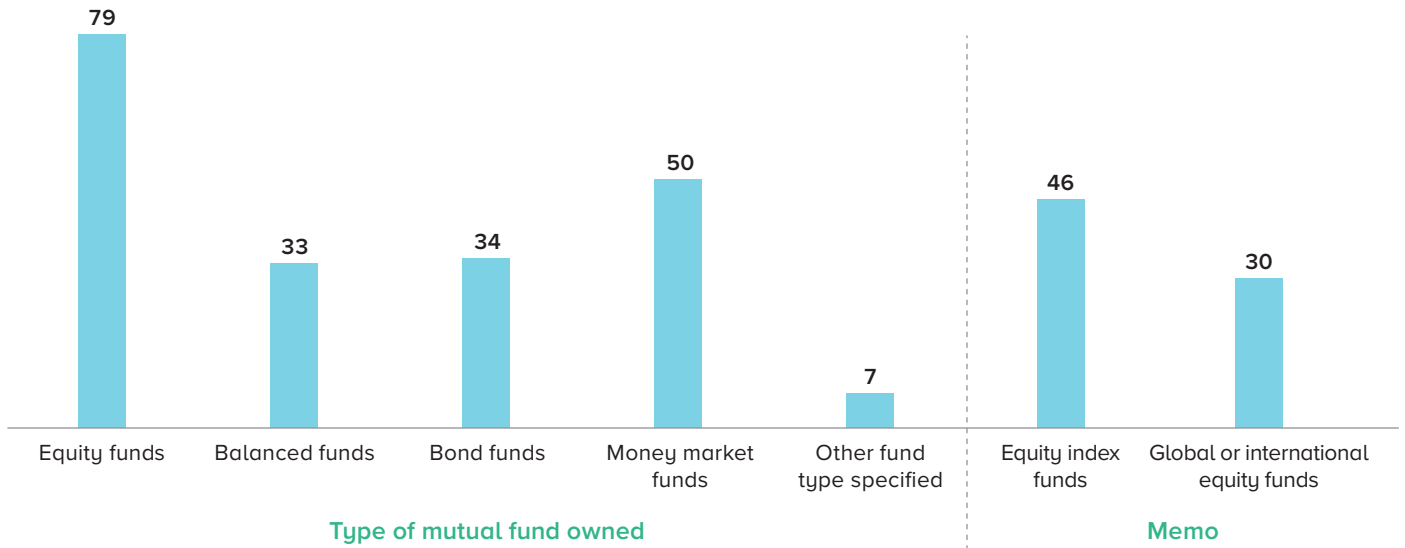
Reflecting their consideration of risk when selecting funds and their willingness to take investment risk, it is not surprising that most mutual fund–owning households engage in equity investing through their mutual funds. Households owning mutual funds are far more willing to take investment risk than US households in general. In 2023, 30 percent of households owning mutual funds were willing to take above-average or substantial risk with their investments, compared with 22 percent of all US households.<sup>6</sup> In 2023, 79 percent of mutual fund–owning households owned equity mutual funds, by far the most popular type of mutual fund owned (Figure 2).<sup>7</sup> Thirty-three percent owned balanced mutual funds, which invest in a mix of equities and bonds.

Analyzing the composition of household mutual fund assets also demonstrates that households are focused on equity investing. At year-end 2023, households owned 88 percent of industrywide mutual fund assets, or \$22.5 trillion in mutual fund assets (Figure 3).<sup>8</sup> More than half of households’ mutual fund assets were invested in equity funds at year-end 2023. Specifically, 44 percent of households’ mutual fund assets were in domestic equity funds, and 12 percent were in world equity funds. Another 7 percent of households’ mutual fund assets were in balanced funds, which provide further exposure to equity markets.<sup>9</sup>

FIGURE 2

### Equity Funds Are the Most Commonly Owned Type of Mutual Fund

Percentage of US households owning mutual funds, 2023



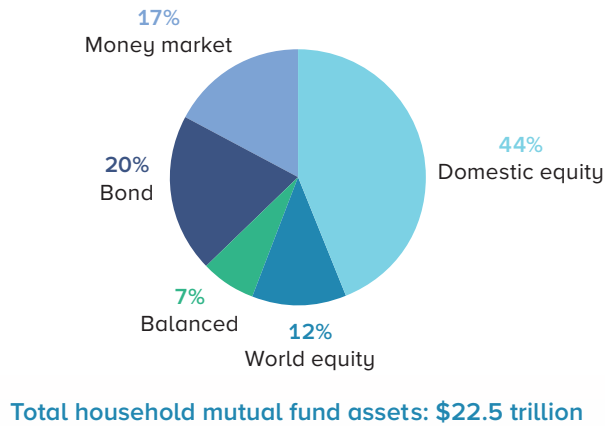
Note: Multiple responses are included.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey; see *ICI Research Perspective*, “Characteristics of Mutual Fund Investors, 2023”

FIGURE 3

### Equity Funds Represent the Majority of Households’ Mutual Fund Assets

Percentage of total household mutual fund assets, year-end 2023



Source: Investment Company Institute

## Funds Offer Cost-Effective, Diversified, and Professionally Managed Investing

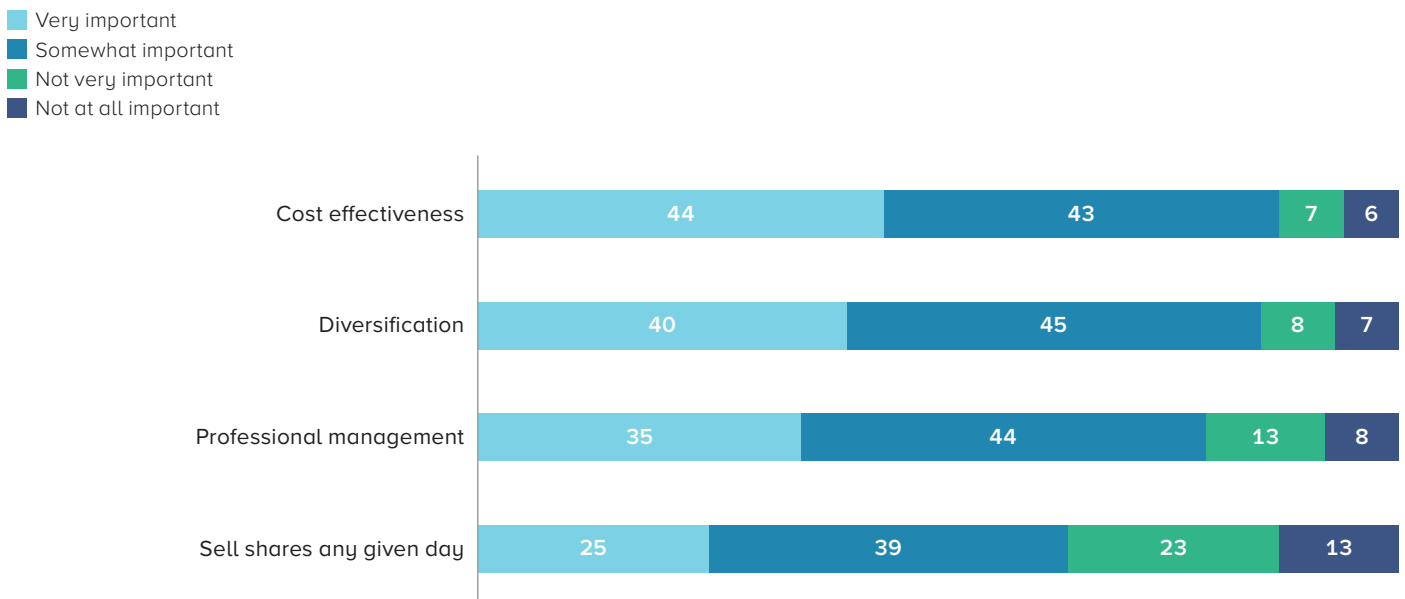
Mutual fund–owning households appreciate the benefits of fund investing. In 2023, a vast majority of mutual fund–owning households agree that the cost effectiveness of mutual funds is important to them (Figure 4). Fund owners also appreciate the diversification funds offer, recognizing that an investor shouldn’t put all their eggs in one basket.

Professional management of funds means an investment expert makes all the decisions on asset allocations, deciding which individual securities to buy or sell and when to rebalance. Mutual funds also offer flexibility, allowing shareholders to buy or sell their fund shares on any given business day. Fund owners appreciate these key fund features and the convenience of investing through mutual funds.

FIGURE 4

### Hallmarks of Mutual Funds Make Them a Popular Investment

Percentage of mutual fund–owning households, 2023



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

## Mutual Fund Investors Also Review Fund Performance, Fees, and Expenses

When asked about the information they consider when choosing a mutual fund, performance is reviewed. In 2023, 94 percent of mutual fund–owning households said that they reviewed the historical performance of a fund, with 47 percent indicating that a fund’s historical performance was very important when making their fund purchase decision (Figure 5). Ninety-three percent of mutual fund–owning households indicated that they considered a fund’s performance compared with an index, with 37 percent saying this benchmarking was very important when making their purchase decision. Eighty-two percent of mutual fund–owning households considered a fund’s rating from a rating service, with 17 percent considering such a rating to be very important when making their purchase decision. It is possible that

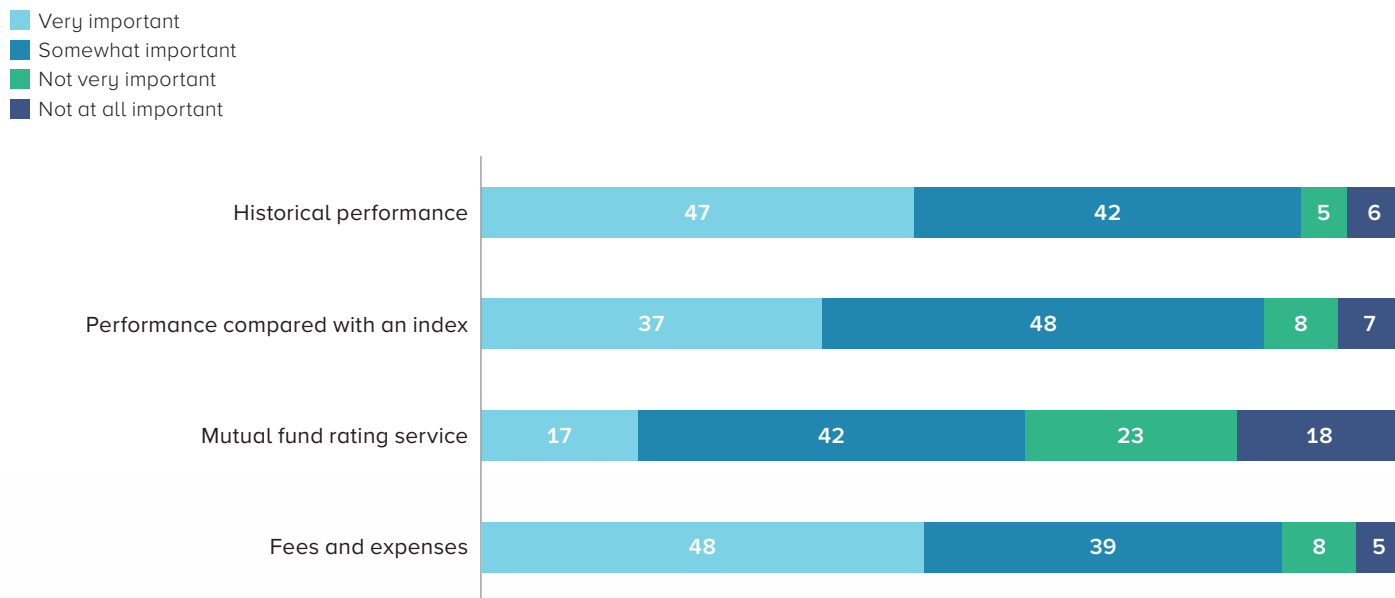
fewer households report reviewing these ratings in part because they are considering funds that have been prescreened by financial advisers. Therefore, it may not be a distinguishing criterion when households ultimately select a fund.

Fund fees and expenses were also a very important consideration in fund selection. In 2023, more than nine in 10 mutual fund–owning households indicated that they reviewed the fund’s fees and expenses (Figure 5). Indeed, 48 percent said the fund’s fees and expenses were very important when making their purchase decision. Households that place less emphasis on fees and expenses may be choosing among a set of funds already prescreened for them by financial advisers or defined contribution retirement plan sponsors,<sup>10</sup> which considered fees and expenses when building the fund lineup.<sup>11</sup>

FIGURE 5

### More Than Nine in 10 Mutual Fund–Owning Households Review Fund Performance, Fees, and Expenses

Percentage of mutual fund–owning households, 2023



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

## Mutual Fund Investors Tend to Pay Lower-Than-Average Expense Ratios

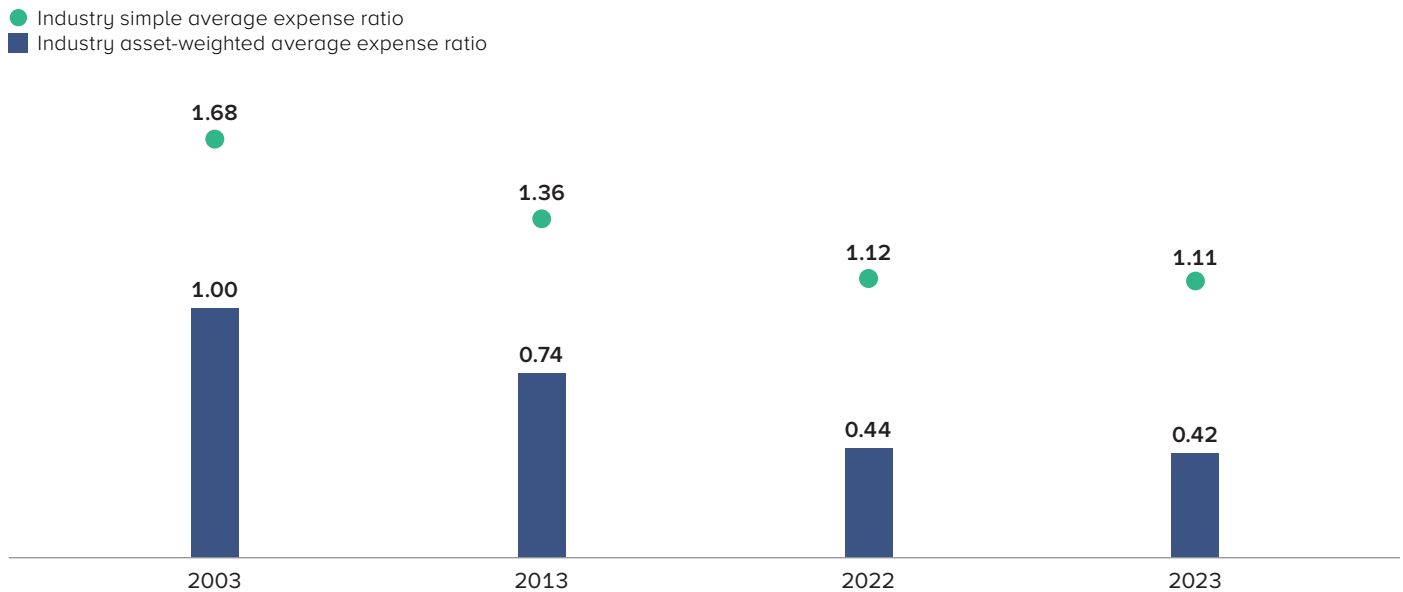
Likely reflecting their self-reported emphasis on reviewing mutual fund fees, mutual fund investors tend to concentrate their assets in lower-cost funds.<sup>12</sup> For example, fund investors incurred an asset-weighted

average expense ratio of 0.42 percent for equity mutual funds, which was less than half the industrywide simple average of 1.11 percent for all equity mutual funds offered in the United States in 2023 (Figure 6). Mutual fund investors have also concentrated their assets in lower-cost balanced, bond, and money market funds.<sup>13</sup>

FIGURE 6

### Mutual Fund Investors Tend to Pay Lower-Than-Average Expense Ratios

Equity mutual fund expense ratios, percent



Note: Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar; see *ICI Research Perspective*, “Trends in the Expenses and Fees of Funds, 2023”

## Additional Reading

- » Mutual Fund Shareholders’ Use of Information  
[www.ici.org/research/investors/information](http://www.ici.org/research/investors/information)
- » Mutual Fund Ownership  
[www.ici.org/research/investors/ownership](http://www.ici.org/research/investors/ownership)
- » *2024 Investment Company Fact Book*, forthcoming  
[www.icifactbook.org](http://www.icifactbook.org)

## Notes

- <sup>1</sup> ICI conducts the Annual Mutual Fund Shareholder Tracking Survey each year to gather information on the demographic and financial characteristics of mutual fund–owning households in the United States. The most recent survey was conducted from May to June 2023 and was fielded on the KnowledgePanel®, a probability based online panel designed to be representative of the US population. The KnowledgePanel® is designed and administered by Ipsos, an online consumer research company. The Annual Mutual Fund Shareholder Tracking Survey sample for 2023 included 6,073 US households drawn from the KnowledgePanel®. Of the households contacted, 3,176 households, or 52.3 percent, owned mutual funds. Beginning in 2017, the survey also asked respondents to rate the importance of several key pieces of information typically available to fund investors when selecting mutual funds. The overall margin of sampling error for the 2023 sample of US households owning mutual funds is  $\pm 1.7$  percentage points at the 95 percent confidence level. See Holden, Schrass, and Bogdan 2023a.
- <sup>2</sup> The question was added to the Annual Mutual Fund Shareholder Tracking Survey in 2017. A complete list of ICI research on mutual fund shareholders’ use of information is available at [www.ici.org/research/investors/information](http://www.ici.org/research/investors/information).
- <sup>3</sup> Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored individual retirement accounts (IRAs; specifically, SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs). See Figure 4 in Holden, Schrass, and Bogdan 2023b.
- <sup>4</sup> See Figure 4 in Holden, Schrass, and Bogdan 2023b.
- <sup>5</sup> Ibid.
- <sup>6</sup> See Figure 7 in Holden, Schrass, and Bogdan 2023a.
- <sup>7</sup> For additional discussion, see Holden, Schrass, and Bogdan 2023b, which first published these results.
- <sup>8</sup> US households held 95 percent of long-term mutual fund assets at year-end 2023. See Figure 3.2 in Investment Company Institute, forthcoming.
- <sup>9</sup> Balanced mutual funds invest in a mix of equities and bonds. Those structured as funds of funds are not counted as balanced funds here but rather as the assets in the underlying equity and bond funds.
- <sup>10</sup> For an analysis of mutual fund fees paid by 401(k) plan participants on the mutual funds held in their 401(k) plans, see Holden, Rybak, and Chism 2023. For an analysis of typical large 401(k) plan investment lineups and variation in mutual fund fees paid by 401(k) plan size, see BrightScope and Investment Company Institute 2023. For an analysis of mutual fund fees paid by individual retirement account (IRA) investors on mutual funds held in their IRAs, see Duvall 2022.
- <sup>11</sup> There was little variation in mutual fund–owning households’ responses by ownership status inside or outside employer-sponsored retirement plans. Based on the 2023 survey data, 44 percent of mutual fund–owning households that indicated that their primary channel for mutual fund ownership was inside employer-sponsored retirement plans said fees and expenses were “very important,” compared with 52 percent of mutual fund–owning households that indicated their primary channel for mutual fund ownership was outside employer-sponsored retirement plans and 48 percent across all mutual fund–owning households. Forty percent of mutual fund–owning households that indicated that their primary channel for mutual fund ownership was inside employer-sponsored retirement plans considered fees and expenses as “somewhat important,” compared with 38 percent of mutual fund-owning households that said their primary channel for mutual fund ownership was outside employer-sponsored retirement plans and 39 percent of all mutual fund-owning households. Less than one-tenth of each group indicated that fees and expenses were “not very important,” and about one-twentieth said they were “not at all important.”
- <sup>12</sup> For the complete analysis of mutual fund and exchange-traded fund (ETF) fees and expenses, see Duvall and Johnson 2024.
- <sup>13</sup> See Duvall and Johnson 2024; Holden, Rybak, and Chism 2023; and Duvall 2022.



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**Michael Bogdan**

Michael Bogdan is an associate economist in the retirement and investor research division at ICI. Bogdan conducts research concerning the Institute's household surveys. His areas of expertise include households' ownership of mutual funds and other investments, retirement plans, and individual retirement accounts. Bogdan also conducts research with government surveys such as the Survey of Consumer Finances and the Current Population Survey. Before joining ICI in 1997, Bogdan worked for the chemical engineering department at Michigan State University as a technology transfer specialist for the Composite Materials and Structures Center. He has an MA and a BS in economics from Miami University in Oxford, Ohio.



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Daniel Schrass is an economist in the retirement and investor research division at ICI. He focuses on investor demographics and behavior, as well as trends in household retirement saving activity. His detailed research includes analysis of IRA-owning households and individual IRA investors in the IRA Investor Database™, which includes data on millions of IRA investors. He also conducts research with government surveys such as the Survey of Consumer Finances, the Current Population Survey, and the Survey of Household Economics and Decisionmaking. Before joining ICI in October 2007, he served as an economist at the US Bureau of Labor Statistics. He has an MA in applied economics from the Johns Hopkins University and a BS in economics from the Pennsylvania State University.



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