



ICI RESEARCH

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Ten Important Facts About Roth IRAs

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Individual Retirement Accounts (IRAs)

Individual retirement accounts (IRAs), created in 1974 by the Employee Retirement Income Security Act (ERISA), have helped millions of US households save for retirement. Congress originally designed traditional IRAs to give individuals not covered by retirement plans at work a tax-advantaged savings plan and to play a complementary role to the employer-sponsored retirement system by preserving rollover assets at job change or retirement. Since then, policymakers have changed rules surrounding IRAs and introduced new types of IRAs, such as the Roth IRA, which was created by the Taxpayer Relief Act of 1997.

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FACT 1

Nearly one-quarter of US households have Roth IRAs.

Americans held \$13.6 trillion in individual retirement accounts (IRAs) at year-end 2023, with Roth IRAs accounting for \$1.4 trillion of that total. Forty-three percent of IRA assets, or \$5.8 trillion, were invested in mutual funds. The most common type of IRA is the traditional IRA, which was created by the Employee Retirement Income Security Act of 1974 (ERISA). The second most common type is the Roth IRA, created by the Taxpayer Relief Act of 1997. Forty-four percent of Roth IRA–owning households in 2023 indicated their Roth IRA was the first type of IRA they opened. Households often invest in both traditional and Roth IRAs. In 2023, 60 percent of households that owned Roth IRAs also owned traditional IRAs.

Millions of US Households Own Roth IRAs

	Year created	Number of US households with type of IRA, ¹ 2023	Percentage of US households with type of IRA, ¹ 2023	Assets in type of IRA, year-end 2023 Trillions of dollars ²
Traditional IRA	1974 (Employee Retirement Income Security Act)	41.1 million	31.3%	\$11.4
Employer-sponsored IRAs	1978, 1986, and 1996 ³	5.0 million	3.8%	\$0.7
Roth IRA	1997 (Taxpayer Relief Act)	31.9 million	24.3%	\$1.4
Any IRA ¹		55.5 million	42.2%	\$13.6

¹ Households may own more than one type of IRA.

² IRA assets at year-end 2023 are ICI estimates.

³ Employer-sponsored IRAs include: SEP IRAs, created by the Revenue Act of 1978; SAR-SEP IRAs, created by the Tax Reform Act of 1986; and SIMPLE IRAs, created by the Small Business Job Projection Act of 1996.

Sources: Investment Company Institute, Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey, and US Census Bureau; see Figure 2 in “The Role of IRAs in US Households’ Saving for Retirement, 2023” *ICI Research Perspective* (February 2024) and Table 10 in “The US Retirement Market, First Quarter 2024”

FACT 2

More than one-third of Roth IRA investors are younger than 40.

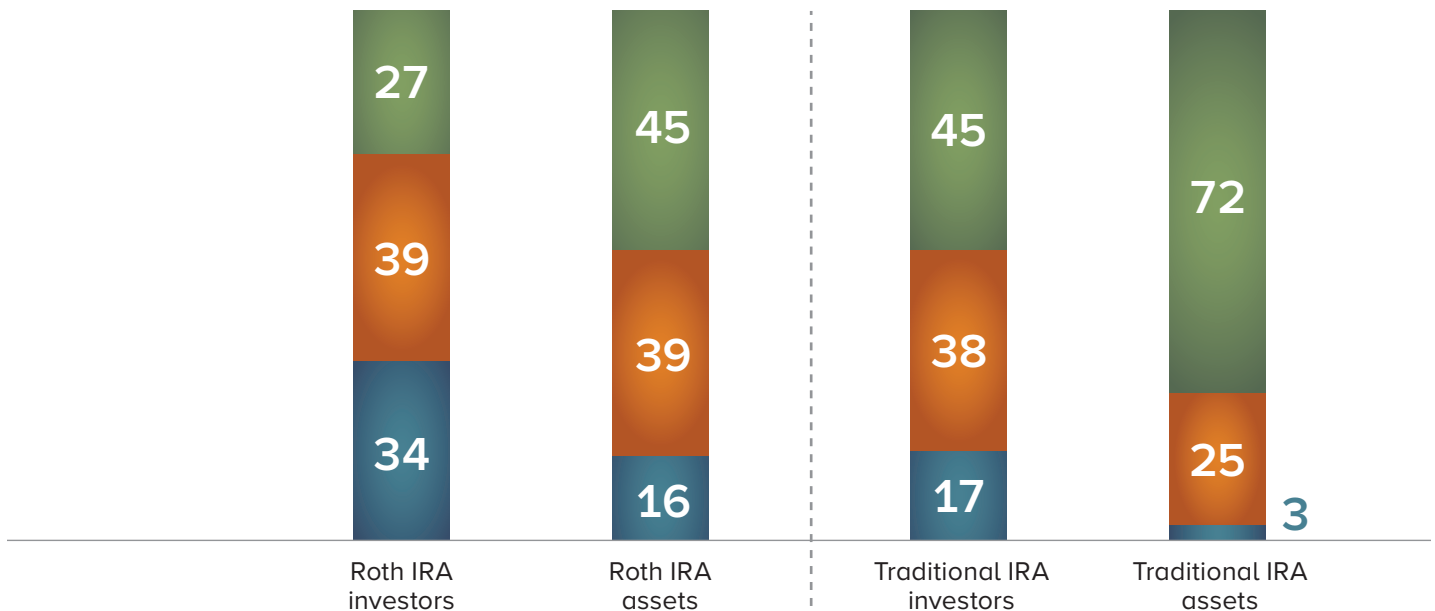
IRAs are owned by individuals of all ages, but Roth IRA investors tend to be younger than traditional IRA investors. At year-end 2020, 34 percent of Roth IRA investors were younger than 40, compared with only 17 percent of traditional IRA investors. Twenty-seven percent of Roth IRA investors were 60 or older, compared with 45 percent of traditional IRA investors. This age pattern reflects the different key role of Roth IRAs, which tend to be opened with contributions, versus traditional IRAs, which tend to be opened with rollovers—an activity that tends to occur later in one’s career or at retirement.

Roth IRA Investors Are Younger than Traditional IRA Investors

Percentage of total, year-end 2020

AGE OF IRA INVESTOR

- 60 or older
- 40 to 59
- Younger than 40



Note: The sample is 4.6 million Roth IRA investors (aged 18 or older) holding \$246.7 billion in Roth IRA assets at year-end 2020 and 6.6 million traditional IRA investors (aged 18 or older) holding \$1,026.9 billion in traditional IRA assets at year-end 2020.

Source: The IRA Investor Database™; see Figure A.32 in “The IRA Investor Profile: Roth IRA Investors’ Activity, 2010–2020,” *ICI Research Report* (June 2024)

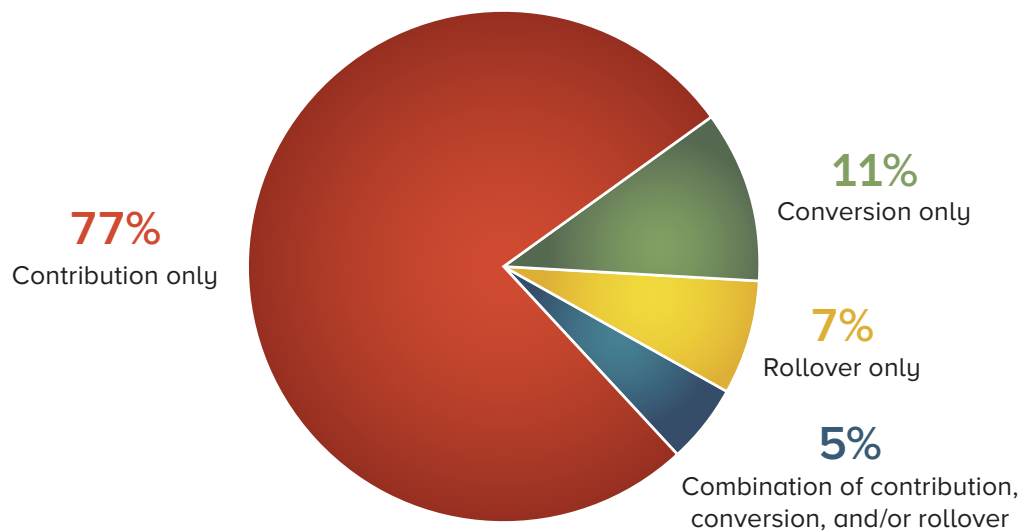
FACT 3

Roth IRAs are most commonly opened with contributions.

Roth IRAs can be opened with contributions (subject to income limits), conversions, or rollovers. In a typical year, the most common path to Roth IRA ownership is through contributions. In tax year 2020, 77 percent of new Roth IRAs were opened only with contributions. In contrast, 11 percent were opened only with conversions, and 7 percent were opened only with rollovers.

Roth IRAs Are Most Commonly Opened with Contributions

Percentage of new Roth IRAs, 2020



Note: New Roth IRAs are accounts that did not exist in The IRA Investor Database in 2019 and were opened in 2020 by one of the paths indicated. The calculation excludes Roth IRAs that changed financial services firms. The sample is 0.3 million new Roth IRA investors aged 18 or older at year-end 2020.

Source: The IRA Investor Database™; see Figure E.2 in “The IRA Investor Profile: Roth IRA Investors’ Activity, 2010–2020,” ICI Research Report (June 2024)

FACT 4

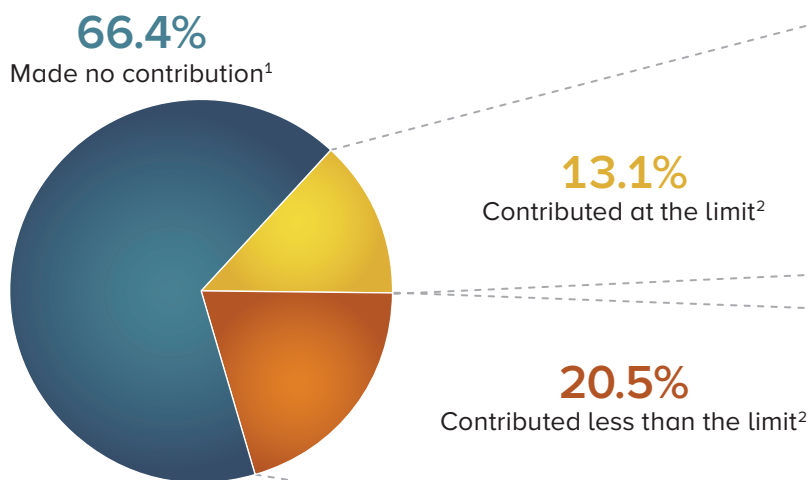
Roth IRA investors display persistence in their contribution activity.

In tax year 2019, 34 percent of Roth IRA investors with account balances at year-end 2019 and year-end 2020 made contributions to their Roth IRAs, and 39 percent of those contributing did so at the limit. Additionally, individuals using Roth IRAs as a contributory savings vehicle tend to contribute from year to year: 78 percent of Roth IRA investors who contributed at the limit in 2019 also did so in 2020.

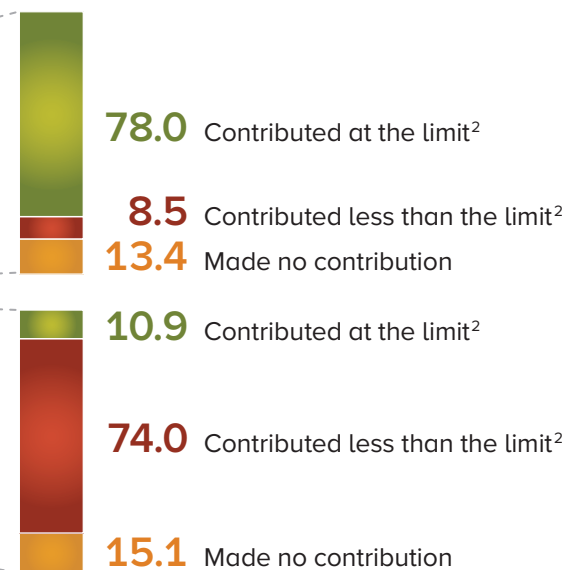
Most Roth IRA Investors at the Limit in Tax Year 2019 Continued to Contribute at the Limit in Tax Year 2020

Percentage of Roth IRA investors present in both 2019 and 2020

2019 CONTRIBUTION ACTIVITY



SUBSEQUENT CONTRIBUTION ACTIVITY IN 2020



¹ Among the 66.4 percent of Roth IRA investors who did not contribute in tax year 2019, 2.6 percent contributed at the limit in tax year 2020 and 2.5 percent contributed less than the limit in tax year 2020.

² The contribution limit in tax years 2019 and 2020 was \$6,000 for Roth IRA investors younger than 50 and \$7,000 for Roth IRA investors aged 50 or older. Income limits may phase these amounts down for some taxpayers. Investors were considered at the limit if they contributed their full age-allowed amount.

Note: The sample is 4.2 million Roth IRA investors aged 19 or older in 2020 with Roth IRA balances in both 2019 and 2020.

Source: The IRA Investor Database™; see Figure A.16 in “The IRA Investor Profile: Roth IRA Investors’ Activity, 2010–2020,” *ICI Research Report* (June 2024)

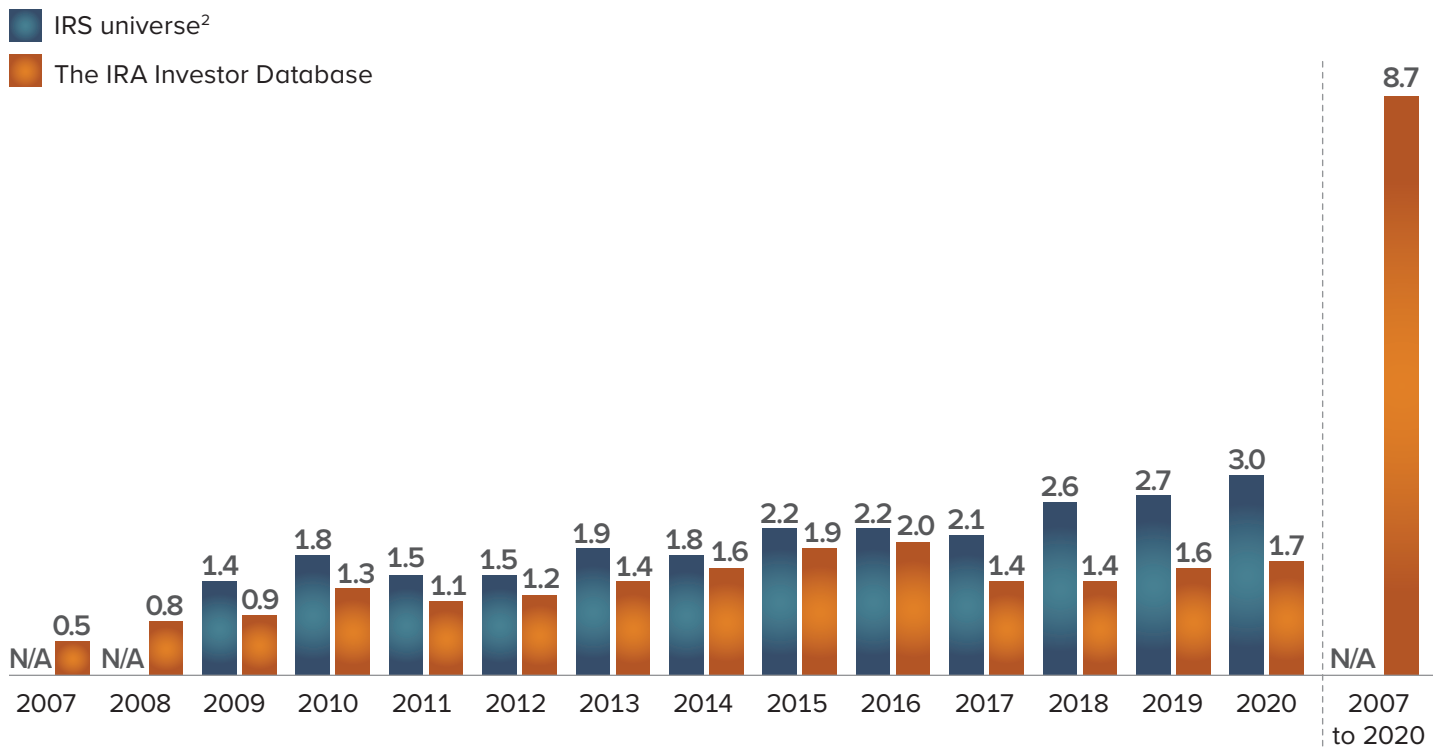
FACT 5

Roth IRA rollover activity is rare.

Unlike with traditional IRAs, rollovers into Roth IRAs are rare. Roth IRAs have been able to accept rollovers directly from designated Roth accounts in employer-sponsored retirement plans since 2006—the first year that such accounts could be established. Direct rollovers of non-Roth qualified retirement plan accumulations into Roth IRAs have been permitted since 2008. In any given year, less than 4 percent of Roth IRA investors had rollovers into their Roth IRAs. This low number could be explained by the fact that rollovers tend not to be repeated from year to year. Yet even when rollover activity from 2007 to 2020 is aggregated, the data show that only 8.7 percent of Roth IRA investors at year-end 2020 had made rollovers into their Roth IRAs.

Very Few Roth IRA Investors Have Rollovers

Percentage of Roth IRA investors aged 18 or older with rollovers¹



¹ This group is Roth IRA investors aged 18 or older who had rollovers into their Roth IRAs in the year or years indicated.

² In the IRS universe, data are for Roth IRA investors of all ages.

Note: Rollovers made prior to 2007, as well as rollovers made prior to a change in financial services provider, cannot be identified in the database.

N/A = not available

Sources: The IRA Investor Database™ and Internal Revenue Service Statistics of Income Division; see Figure 3.2 in “The IRA Investor Profile: Roth IRA Investors’ Activity, 2010–2020,” *ICI Research Report* (June 2024)

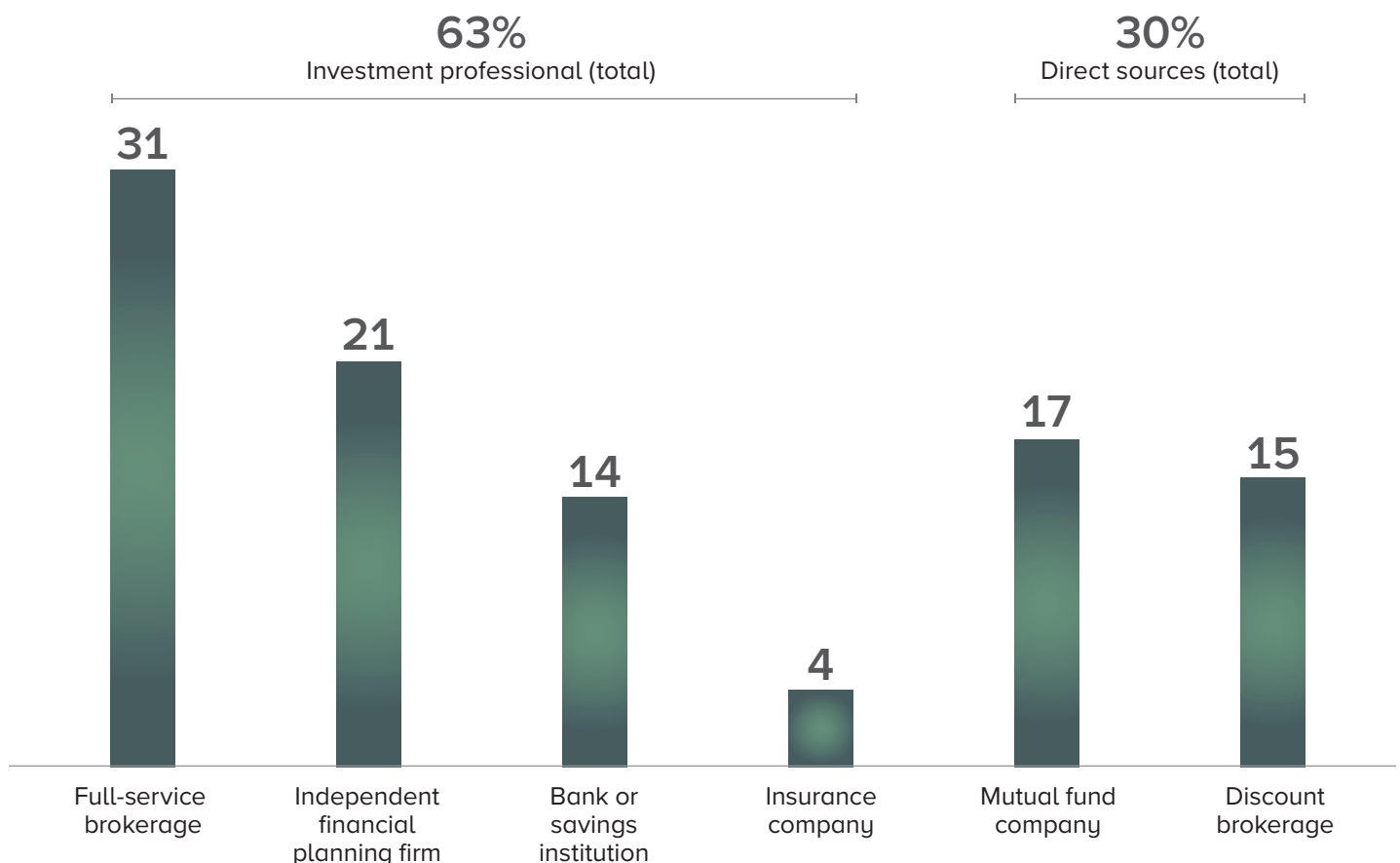
FACT 6

Roth IRAs are held at a variety of financial services firms.

In 2023, 63 percent of Roth IRA–owning households held their Roth IRAs through investment professionals and 30 percent had opened their Roth IRAs directly at a mutual fund company or discount brokerage. The investment professionals most commonly used by Roth IRA–owning households were full-service brokerage firms (31 percent) and independent financial planning firms (21 percent). Mutual fund companies represented the most common direct source, used by 17 percent of Roth IRA–owning households.

Roth IRAs Are Held at a Variety of Financial Services Firms

Percentage of households owning Roth IRAs, 2023



Note: Multiple responses are included.

Source: Investment Company Institute IRA Owners Survey; see Figure A30 in “The Role of IRAs in US Households’ Saving for Retirement, 2023,” *ICI Research Perspective* (February 2024)

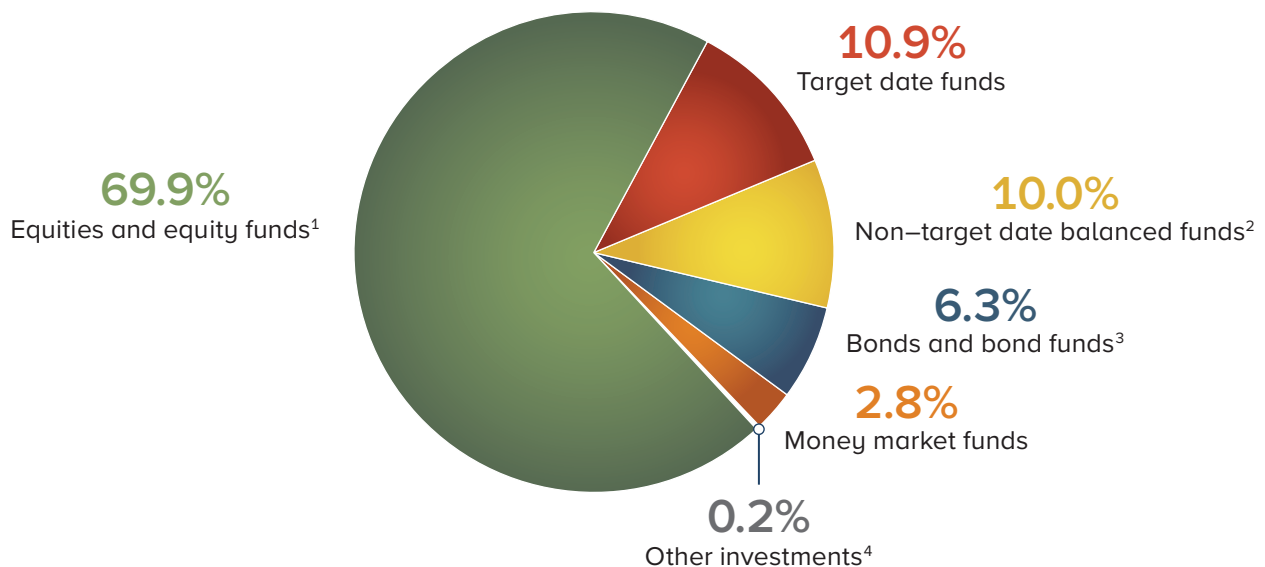
FACT 7

Equity holdings figure prominently in Roth IRA investments.

On average, equities and equity funds were the largest components of Roth IRA investors' accounts at year-end 2020, representing 70 percent of Roth IRA assets. Investors also may hold equities through target date funds and non-target date balanced funds. At year-end 2020, 84 percent of Roth IRA assets were invested in equity holdings (equities, equity funds, and the equity portion of target date funds and non-target date balanced funds). Asset allocation in Roth IRAs varies with investor age, with older investors tending to have lower concentrations of equity holdings.

Equity Holdings Figure Prominently in Roth IRA Investments

Percentage of Roth IRA balances, year-end 2020



¹ Equity funds include equity mutual funds, equity closed-end funds, and equity ETFs.

² Balanced funds invest in a mix of equities and fixed-income securities.

³ Bond funds include bond mutual funds, bond closed-end funds, and bond ETFs.

⁴ Other investments include certificates of deposit and unidentifiable assets.

Note: The sample is 4.6 million Roth IRA investors aged 18 or older at year-end 2020. Percentages are dollar-weighted averages.

Source: The IRA Investor Database™; see Figure 6.1 in “The IRA Investor Profile: Roth IRA Investors’ Activity, 2010–2020,” *ICI Research Report* (June 2024)

FACT 8

Roth IRA–owning households’ retirement planning strategies have many components.

Sixty-five percent of Roth IRA–owning households in 2023 indicated they have a strategy for managing income and assets in retirement. These households often reported that their strategy had multiple components, with majorities setting aside emergency funds, reviewing their asset allocation, or developing a retirement income plan. About half had determined when to take Social Security benefits, with households aged 60 or older more likely to have done so compared with households younger than 60. Among Roth IRA–owning households with a strategy, 68 percent took three or more steps in developing their strategy.

Components of Strategy for Managing Income and Assets in Retirement

Percentage of Roth IRA–owning households that indicated they have a strategy for managing income and assets in retirement, 2023

	All	Age of head of household*		
		Younger than 40	40 to 59	60 or older
Review asset allocation	70	62	67	77
Determine your retirement expenses	63	52	61	72
Develop a retirement income plan	65	56	67	69
Set aside emergency funds	64	76	63	59
Determine when to take Social Security benefits	49	26	48	64
Review your insurance policies	46	35	55	46
Other	3	1	2	4

* Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Note: Multiple responses are included; 68 percent of Roth IRA–owning households that indicated they have a strategy for managing income and assets in retirement took three or more steps in developing their strategy.

Source: Investment Company Institute IRA Owners Survey

FACT 9

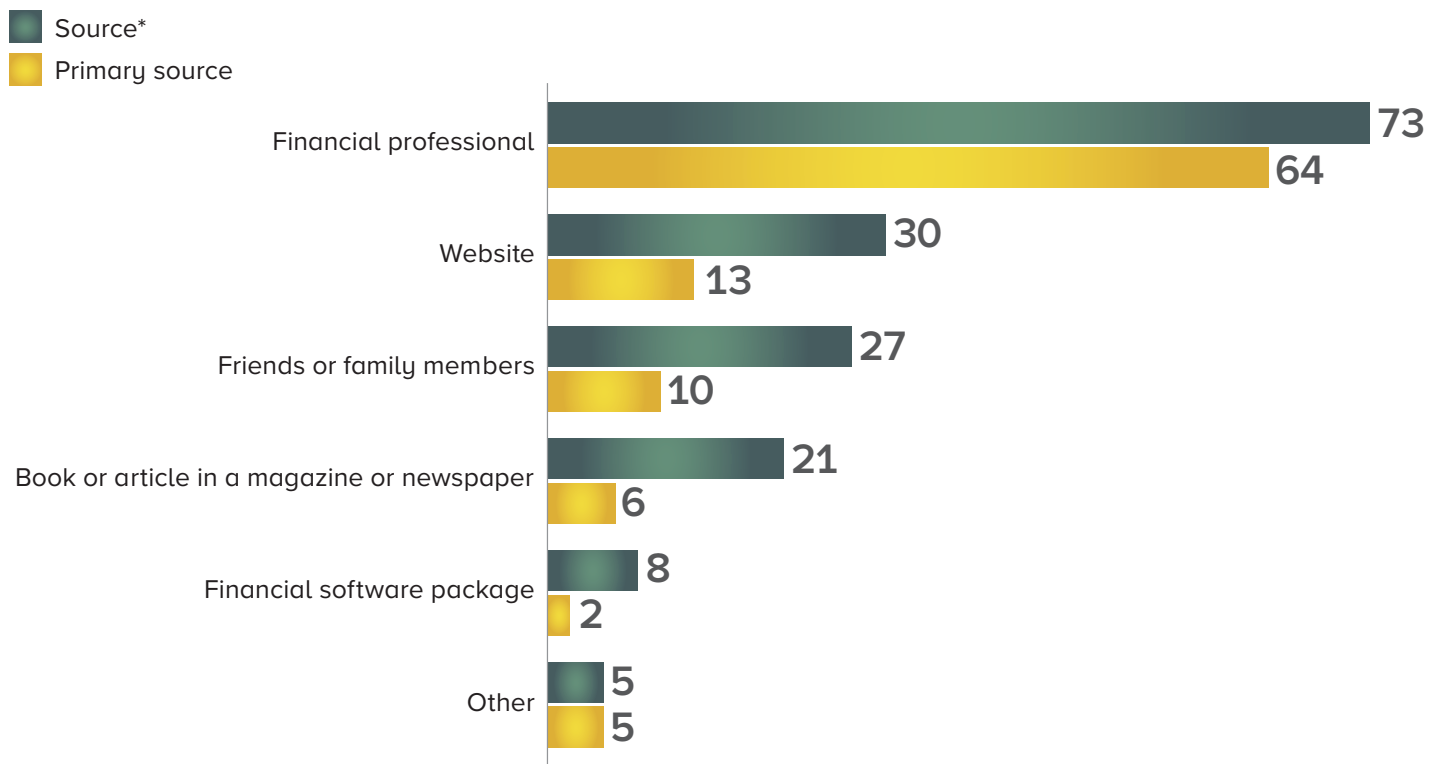
Most Roth IRA owners consult a financial professional when creating a retirement strategy.

Sixty-five percent of Roth IRA–owning households reported that they have a strategy for managing income and assets in retirement, and creating their strategies often involved multiple steps (see Fact 8).

These households typically seek help when building their retirement income and asset management strategy. Specifically, 73 percent of Roth IRA–owning households with a strategy consulted a financial professional when creating the strategy, and 64 percent indicated that a financial professional was the primary source consulted when developing their strategy. Thirty percent consulted a website, 27 percent consulted with friends or family members, and 21 percent consulted a book or article in a magazine or newspaper. Forty-two percent of Roth IRA–owning households with a strategy consulted multiple sources of information to build that strategy.

Roth IRA–Owning Households Often Consult a Financial Professional to Create a Retirement Strategy

Percentage of Roth IRA–owning households that indicated they have a strategy for managing income and assets in retirement, 2023



* Multiple responses are included.

Note: Sixty-five percent of Roth IRA–owning households indicated they have a strategy to manage income and assets in retirement.

Source: Investment Company Institute IRA Owners Survey; see Figure A33 in “The Role of IRAs in US Households’ Saving for Retirement, 2023,” *ICI Research Perspective* (February 2024)

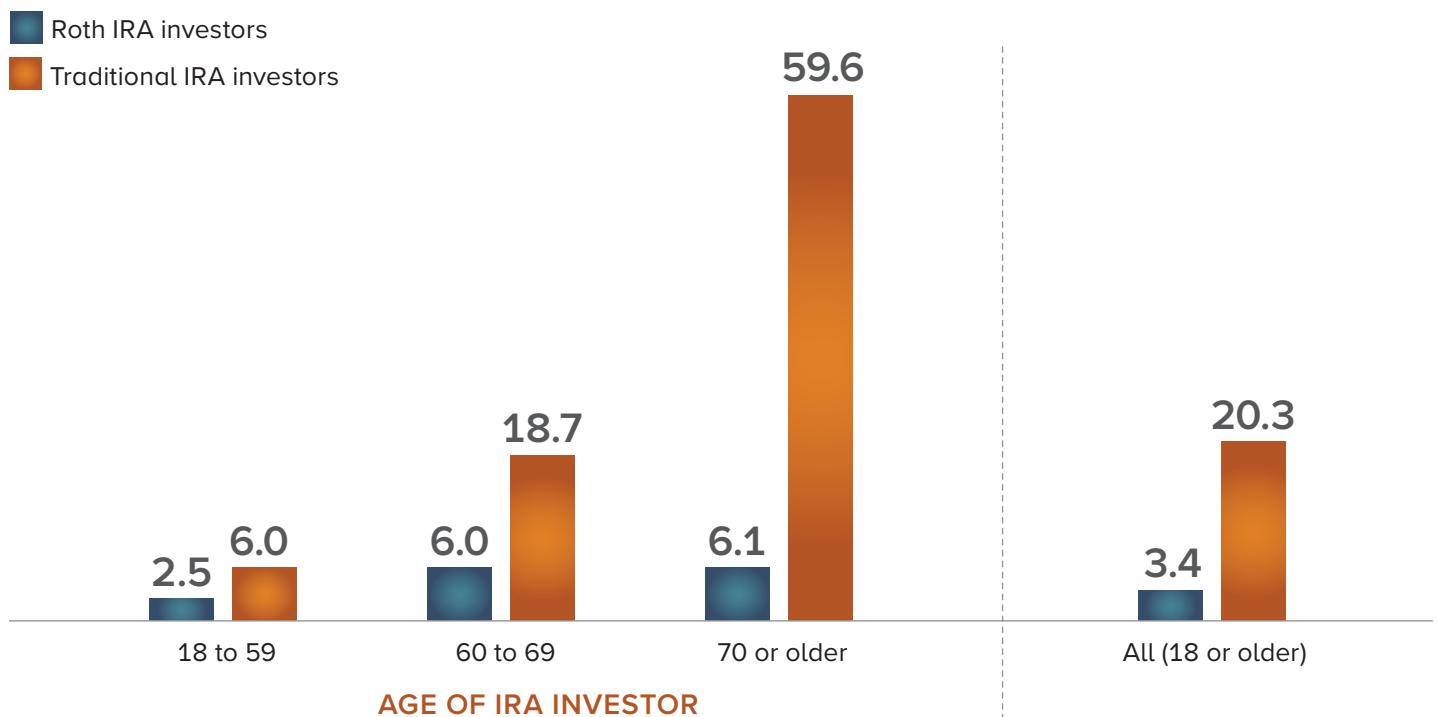
FACT 10

Few Roth IRA investors take withdrawals.

Very few Roth IRA investors take withdrawals from their Roth IRAs in any given year. In contrast to traditional IRAs, which generally make investors take required minimum distributions (RMDs), Roth IRAs do not have RMDs unless they are inherited. As a result, withdrawal activity is much lower among Roth IRA investors. In 2020, while only 3.4 percent of Roth IRA investors aged 18 or older made withdrawals, 20.3 percent of traditional IRA investors did. The 20.3 percent of traditional IRA investors taking withdrawals in 2020 represents a reduced rate of withdrawal activity from the prior year (25.1 percent), reflecting the CARES Act suspension of RMDs in 2020. Early withdrawal penalties can apply to both Roth and traditional IRA investors 59½ or younger, and withdrawal activity is lower among those younger than 60 compared with older investors, although the variation across Roth IRA investors is very small.

Roth IRA Investors Rarely Take Withdrawals; Traditional IRA Investors Are Heavily Affected by RMDs

Percentage of IRA investors with withdrawals by type of IRA and investor age, 2020



Note: The samples are 4.6 million Roth IRA investors aged 18 or older at year-end 2020 and 6.6 million traditional IRA investors aged 18 or older at year-end 2020.

Source: The IRA Investor Database™; see Figure E.3 in “The IRA Investor Profile: Roth IRA Investors’ Activity, 2010–2020,” *ICI Research Report* (June 2024)

Additional Reading

- » The IRA Investor Database™
www.ici.org/research/investors/database
- » The Role of IRAs in US Households' Saving for Retirement, 2023
www.ici.org/files/2024/per30-01.pdf
- » Ten Important Facts About IRAs
www.ici.org/files/2024/ten-facts-iras.pdf
- » The Evolving Role of IRAs in US Retirement Planning
www.ici.org/pdf/per15-03.pdf
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