

## ICI VIEWPOINTS

JANUARY 30, 2024

# Celebrating 100 Years of Mutual Funds: Empowering Financial Opportunities for All

By Eric J. Pan

The first mutual fund in the United States was created in 1924, which means that mutual funds and other pooled investment products have been part of our country's economic success story for one hundred years. This anniversary is an opportunity to reflect on the profound impact these investment products have had on achieving the American Dream and making possible the American Century. From making long-term investing accessible to all Americans, regardless of wealth or education, to facilitating distribution of capital to American businesses, investment funds are a cornerstone of the financial landscape, creating a thriving and prosperous American middle class.

## From Privilege to Reality

Investment funds are the original and greatest democratizing force in global financial markets. Today, more than 116 million Americans rely on mutual funds, which is one of the most important investment products, to pursue their financial goals, whether it's saving for education, homeownership, or retirement. For example, having a retirement nest egg was once thought of as a privilege only for the wealthy, but has become a reality for many, thanks to the accessibility and flexibility offered by investment funds.

Access to these funds is also incredibly affordable as expenses have plummeted for decades. According to [ICI research](#), between 1996 and 2022, average expense ratios for equity and bond mutual funds fell by more than half, allowing Americans to keep a greater share of their investment gains.

## Foundation of the American Dream and the American Century

The United States boasts the deepest and most liquid capital markets globally, providing a diverse array of companies with access to capital. This efficiency extends beyond large corporations, helping startups grow and turning entrepreneurial dreams into reality. Supplying more than \$30 trillion to the US financial markets, registered investment funds play a crucial role in directing capital to its highest use, benefiting both businesses and investors. The capital markets continually identify and fund the next American success story, creating endless opportunities for those with great ideas and the determination to see them through.

## Paving the Way for the Next Century

The investment fund industry has consistently been at the forefront of innovation, adapting to meet the evolving needs of investors. From traditional mutual funds to money market funds, ETFs, target date funds, and fund supermarkets, the sector has evolved to provide affordable, diversified, and professionally managed portfolios. Vibrant competition within the industry drives constant advancements, making real-time access to financial services products, including mobile-based investing, a reality.

## Toward a More Inclusive Future

As we celebrate a century of mutual funds and the many other investment vehicles that have been offered to individual American investors since 1924, we must focus on building a future that is inclusive and supportive of progress. Strong regulation remains vital, striking a balance between protecting investors and fostering innovation. Advancements in financial technology offer the potential for personalized risk profiles and tailored investment products, making investing more accessible and relevant.

Supporting increased financial literacy, both in schools and the workforce, is crucial for the continued democratization of investing.

Technology has already made it possible for anyone to open an account and begin investing at any time, and lower fees ensure that investments are more affordable than ever.

## **Paving the Way for the Next Century**

The 100th anniversary of mutual funds is both a celebration of the past and a call to action for the future. By supporting necessary and thoughtful regulation, providing more choices, and expanding access to a broader audience, we can build on this legacy and pave the way for another American century of financial empowerment and opportunity for all.

The Investment Company Institute will be commemorating this important milestone throughout the year alongside policymakers, our members, and the millions of Americans investing to secure their financial future. We're proud to be part of this remarkable journey.

*Eric J. Pan is President and CEO of the Investment Company Institute.*

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.