ICI INVESTMENT COMPANY INSTITUTE®

2009 Investment Company Fact Book

49TH EDITION

A Review of Trends and Activity in the Investment Company Industry

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SIGNIFICANT EVENTS FOR

Funds in the Financial Crisis

2007	
AUGUST 14, 2007 »	Sentinel Management Group closes a commodity cash fund, mistakenly identified in the media as a money market fund.
AUGUST 2007 »	Investors added $157 billion in new cash to money market funds, the second largest inflow since 1984.
2008	
JANUARY 17, 2008 »	A Securities and Exchange Commission sweep of money market funds for structured investment vehicle holdings is reported.
JANUARY 18, 2008 »	Credit rating agencies start to downgrade bond insurers.
JANUARY 24, 2008 »	Reports surface of failed auctions for auction-rate securities (ARS).
JANUARY 2008 »	Executive Committee of ICI Board of Governors establishes a task force of senior industry executives to monitor the credit crisis impact on money market funds. Investors added $159 billion in new cash to money market funds, the largest inflow since 1984.
FEBRUARY 14, 2008 »	More than 80 percent of ARS auctions fail; major banks declare the market frozen.
MARCH 11, 2008 »	Federal Reserve makes $200 billion available to banks through a newly created securities lending facility.
MARCH 16, 2008 »	The Bear Stearns Company is sold to JPMorgan Chase with $29 billion in federal assistance.
JUNE 2008 »	Securities and Exchange Commission and Department of the Treasury grant relief on liquidity-protected preferred shares to refinance closed-end funds' auction-market preferred shares.
JULY 2008 »	Fannie Mae and Freddie Mac shares fall sharply on estimates of large capital needs.
AUGUST 2008 »	Financial institutions begin entering into agreements to buy back ARS.
SEPTEMBER 7, 2008 »	Fannie Mae and Freddie Mac placed in federal conservatorship.
SEPTEMBER 15, 2008 »	Lehman Brothers Holdings Inc. declares bankruptcy. Bank of America agrees to acquire Merrill Lynch for $50 billion.

(continued inside back cover)

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A LETTER FROM

ICI's Chief Economist

The fires of the global credit crisis have been burning for nearly two years. What at first appeared as a wisp of smoke in a corner of the U.S. mortgage market turned into a global firestorm that has since cut through the housing, bond, and stock markets. U.S. households alone have suffered a $13 trillion drop in their financial and housing assets since the crisis started. As homeowners and investors survey the damage, they are left to wonder when it will end and how the eventual rebuilding of their lives and their savings will begin. The uncertainty is unsettling, especially after nearly two decades during which many Americans shared in general economic prosperity and growing wealth.

The government's efforts to contain the damage called upon the analytic skills of private and public sector experts alike. One of ICI's core missions is to gather and consolidate information on registered investment companies and their investors to help government officials and the general public better understand market developments. During the credit crisis, the ICI Research Department has worked alongside many other Institute staff to provide data, research, and analysis to policymakers and the press.

A key example is the high-frequency estimates of stock and bond fund flows that we provided to policymakers in October and November. As the credit crisis pushed beyond housing and into the broader financial markets, weekly outflows from stock and bond funds began to accelerate, reaching 1 percent of fund assets in mid-October. Policymakers, wanting to stay abreast of these developments, sought out accurate and timely information on investor flows, and ICI provided them with steady updates. Many member firms, along with the press, were also seeking a more contemporaneous measure of fund flows than what ICI provided through our monthly *Trends* report. The desire for higher frequency data led ICI to launch a new weekly public release of stock and bond fund flow estimates in January 2009.

Policymakers continue to watch over and support the financial markets. But they also are beginning to sift through the ashes to see what they can learn as they reexamine the rules and regulations that serve as the financial industry's fire code. The lessons that they draw and the rule changes that they make will shape the financial and regulatory landscape for another generation or more.

The regulatory overview includes how the money market will operate in the future and the role that money market funds will play after the near-freeze in that market last fall.

To participate in the public dialogue, ICI established the Money Market Working Group in November 2008. This panel of fund industry leaders conducted a wide-ranging study of the money market, money market funds, and other participants in that market with the assistance of ICI staff.

SPREAD BETWEEN THREE-MONTH LIBOR AND OVERNIGHT INDEX SWAP RATE*

BASIS POINTS, DAILY, JANUARY 2007–DECEMBER 2008

**Ninety-day LIBOR (London Interbank Offered Rate) less the 90-day Overnight Index Swap (OIS) rate. An OIS is an interest rate swap with the floating rate tied to an index of daily overnight rates, such as the effective federal funds rate. At maturity, two parties exchange, on the basis of the agreed notional amount, the difference between interest accrued at the fixed rate and interest accrued by averaging the floating, or index, rate.*

Source: Bloomberg

The *Report of the Money Market Working Group,* released in March 2009, forms an important part of the public record and discourse about the future regulation of money market funds and their role in the financial markets. It draws on the difficult experience of the last year and develops a series of recommendations designed to make money market funds more resilient in the face of extreme market conditions. The proposals address a variety of issues, but taken together will increase the liquidity of money market funds and reduce the credit and interest rate risk that investors in these funds will experience.

We are in an environment in which investors, regulators, and legislators have a dramatically reduced tolerance for risk. Rules and regulations can provide additional investor protections, but can also reduce market efficiency at a great cost to borrowers and investors alike. Finding the right balance is the challenge, and is one that necessitates a wide-ranging discussion of proposals on the table. Our role as economists and researchers is to engage in this discussion on behalf of funds and their investors. This dialogue fleshes out strengths and weaknesses of proposals before they are enacted.

While these efforts become all the more focused during periods of market stress, our ability to assist draws upon data collection and research that are part of our normal activities. The annual exercise of writing the *Investment Company Fact Book,* for example, hones our understanding of the markets and fund investors. The project is also a collaborative effort across the research, legal, editorial, and design groups within ICI, and this joint experience is what was leveraged during the events of the past two years. I hope that this year's volume is as valuable to the reader as it is to the staff who worked to bring it together.

Brian Reid
Investment Company Institute
May 2009

As Chief Economist, Brian Reid leads the Institute's Research Department and is a member of the Institute's senior management team.

ICI RESEARCH

Staff and Publications

ICI Senior Research Staff

CHIEF ECONOMIST » **Brian Reid** leads the Institute's Research Department. The department serves as a source for statistical data on the investment company industry and conducts public policy research on fund industry trends, shareholder demographics, the industry's role in U.S. and foreign financial markets, and the retirement market. Prior to joining ICI in 1996, Reid served as an economist at the Federal Reserve Board of Governors. He has a PhD in economics from the University of Michigan and a BS in economics from the University of Wisconsin–Madison.

INDUSTRY AND FINANCIAL ANALYSIS » **Sean Collins**, *Senior Director of Industry and Financial Analysis*, heads ICI's research on the structure of the mutual fund industry, industry trends, and the broader financial markets. Collins, who joined ICI in 2000, is responsible for conducting and overseeing research on the flows, assets, and fees of mutual funds, as well as a major recent research initiative to better understand the costs and benefits of laws and regulations governing mutual funds. Prior to joining ICI, Collins was a staff economist at the Federal Reserve Board of Governors and at the Reserve Bank of New Zealand. He has a PhD in economics from the University of California, Santa Barbara, and a BA in economics from Claremont McKenna College.

RETIREMENT AND INVESTOR RESEARCH » **Sarah Holden**, *Senior Director of Retirement and Investor Research*, leads the Institute's research efforts on investor demographics and behavior, retirement and tax policy, and international issues. Holden, who joined ICI in 1999, conducts and oversees research on the U.S. retirement market, retirement and tax policy, and the worldwide mutual fund industry. She leads ICI efforts to track trends in household retirement saving activity and ownership of funds and other investments inside and outside retirement accounts. Prior to joining ICI, Holden served as an economist at the Federal Reserve Board of Governors. She has a PhD in economics from the University of Michigan and a BA in mathematics and economics from Smith College.

STATISTICAL RESEARCH » **Judy Steenstra**, *Senior Director of Statistical Research*, oversees the collection and publication of weekly, monthly, quarterly, and annual data on open-end mutual funds, as well as data on closed-end funds, exchange-traded funds, unit investment trusts, and the worldwide mutual fund industry. Steenstra joined ICI in 1987 and was appointed Director of Statistical Research in 2000. She has a BS in marketing from The Pennsylvania State University.

ICI Research Department Staff

The ICI Research Department consists of 41 staff members, including economists, research assistants, policy analysts, and data assistants. This staff collected and disseminated data for all types of registered investment companies and published 16 public policy reports in 2008 offering detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets.

2008 ICI Statistical and Research Publications

In 2008, the Institute's Research Department released more than 100 statistical reports examining the broader investment company industry as well as specific segments of the industry: money market funds, closed-end funds, exchange-traded funds, and unit investment trusts. ICI also regularly compiles and releases specialized statistical reports that measure mutual funds in the retirement, institutional, and worldwide markets. See Appendix B on page 182 for a more detailed description of ICI's regular statistical releases and about how to obtain copies of these releases.

INDUSTRY AND FINANCIAL ANALYSIS RESEARCH PUBLICATIONS

- "Proxy Voting by Registered Investment Companies: Promoting the Interests of Fund Shareholders," *Perspective*, July 2008
- *Cost-Benefit Analysis of the Summary Prospectus Proposal*, February 2008

INVESTOR RESEARCH PUBLICATIONS

- "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet," *Fundamentals,* December 2008
- *Equity and Bond Ownership in America, 2008*, December 2008
- "Ownership of Mutual Funds Through Professional Financial Advisers, 2007," *Fundamentals,* September 2008
- *Profile of Mutual Fund Shareholders*, April 2008
- "Characteristics of Mutual Fund Investors, 2007," *Fundamentals,* April 2008
- *Investor Views on the U.S. Securities and Exchange Commission's Proposed Summary Prospectus*, March 2008

RETIREMENT AND TAX RESEARCH PUBLICATIONS

- "The U.S. Retirement Market, Second Quarter 2008," *Fundamentals*, December 2008
- *Retirement Saving in Wake of Financial Market Volatility*, December 2008
- "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2007," *Fundamentals*, December 2008
- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2007," *Perspective*, December 2008
- *Defined Contribution Plan Distribution Choices at Retirement*, October 2008
- "Who Gets Retirement Plans and Why," *Perspective,* September 2008
- "The U.S. Retirement Market, 2007," *Fundamentals*, July 2008
- "The Role of IRAs in U.S. Households' Saving for Retirement," *Fundamentals*, January 2008

A complete, updated list of ICI research publications is available on the Institute's website.

Acknowledgements

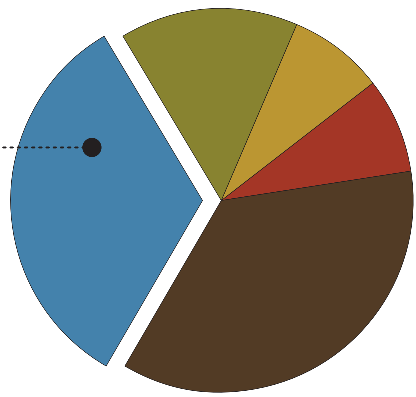
Publication of the *2009 Investment Company Fact Book* was directed by Rochelle Antoniewicz, Senior Economist, working with Miriam Moore, Senior Editor, and Jodi Kessler, Director, Design.

INVESTMENT COMPANIES HELD ONE-THIRD OF

U.S. Municipal Securities in 2008

33%

OF MUNICIPAL SECURITIES HELD BY INVESTMENT COMPANIES



SECTION 1:

Overview of U.S.-Registered Investment Companies

U.S.-registered investment companies play a significant role in the U.S. economy and world financial markets. These funds managed more than $10 trillion in assets at the end of 2008 for 93 million U.S. investors. Funds supplied investment capital in securities markets around the world and were among the largest group of investors in the U.S. stock, commercial paper, and municipal securities markets.

THIS SECTION PROVIDES A BROAD OVERVIEW OF U.S.-REGISTERED INVESTMENT COMPANIES—MUTUAL FUNDS, CLOSED-END FUNDS, EXCHANGE-TRADED FUNDS, AND UNIT INVESTMENT TRUSTS—AND THEIR SPONSORS.

Investment Company Assets in 2008

U.S.-registered investment companies managed $10.3 trillion at year-end 2008 (Figure 1.1), a $2.6 trillion decrease from year-end 2007. Major U.S. stock price indexes declined about 40 percent during the year, significantly lowering total net assets of funds invested in domestic equity markets. Declines in stock prices abroad had a similar effect on funds invested in foreign stocks. U.S. stock and bond funds holding international assets decreased further from the strengthening of the U.S. dollar and the resulting decrease in the dollar value of foreign securities. Including funds offered in foreign countries, worldwide mutual fund assets decreased by $7.2 trillion to $19.0 trillion as of year-end 2008.

The decline in the value of U.S. fund assets was tempered somewhat by new investments. Shareholders added $411 billion in new cash to mutual funds in 2008 and reinvested $214 billion of income dividends that mutual funds distributed during the year. Although investors pulled $234 billion from stock funds as negative stock market returns reduced demand for these funds, these outflows were offset by strong inflows to fixed-income funds as investor concerns about the global economy and inflows from other cash investments boosted flows (into money market funds in particular). Other types of registered investment companies experienced mixed results in investor demand. Flows into exchange-traded funds (ETFs) continued to expand, with net share issuance (including reinvested dividends) reaching a record $177 billion. Unit investment trusts (UITs) had gross issuance of $24 billion, while closed-end funds issued only $329 million in new shares during 2008.

Americans' Continued Reliance on Investment Companies

Households are the largest group of investors in funds, and registered investment companies managed 19 percent of households' financial assets at year-end 2008 (Figure 1.2). This share is down from 2007, reflecting the drop in the value of stocks held in equity and hybrid funds. Nevertheless, the share of household assets held in funds remained above levels seen in the early 1990s. As households have increased their reliance on funds, their demand for directly held stocks and bonds has grown more slowly. For example, over the period 2004 to 2008, households purchased, on net, a total of $2.4 trillion in mutual funds (including through variable annuities), ETFs, and closed-end funds, while they sold $2.5 trillion of directly held stock (Figure 1.3). Much of this shift by households toward funds has been through net purchases of mutual funds.

The growth of 401(k) and other defined contribution (DC) plans and the important role that mutual funds play in these plans explain some of households' heavier reliance on investment companies during

FIGURE 1.1

INVESTMENT COMPANY TOTAL NET ASSETS BY TYPE

BILLIONS OF DOLLARS, YEAR-END, 1995-2008

	Mutual funds[1]	Closed-end funds	ETFs[2]	UITs	Total[3]
1995	$2,811	$143	$1	$73	$3,028
1996	3,526	147	2	72	3,747
1997	4,468	152	7	85	4,712
1998	5,525	156	16	94	5,791
1999	6,846	147	34	92	7,119
2000	6,965	143	66	74	7,248
2001	6,975	141	83	49	7,248
2002	6,390	159	102	36	6,687
2003	7,414	214	151	36	7,815
2004	8,107	254	228	37	8,626
2005	8,905	277	301	41	9,524
2006	10,397	298	423	50	11,167
2007	12,000	313	608	53	12,974
2008	9,601	188	531	29	10,349

[1]Mutual fund data exclude mutual funds that primarily invest in other mutual funds.

[2]ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include investment companies not registered under the Investment Company Act of 1940 and exclude ETFs that primarily invest in other ETFs.

[3]Total investment company assets include mutual fund holdings of closed-end funds and ETFs.

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute and Strategic Insight Simfund

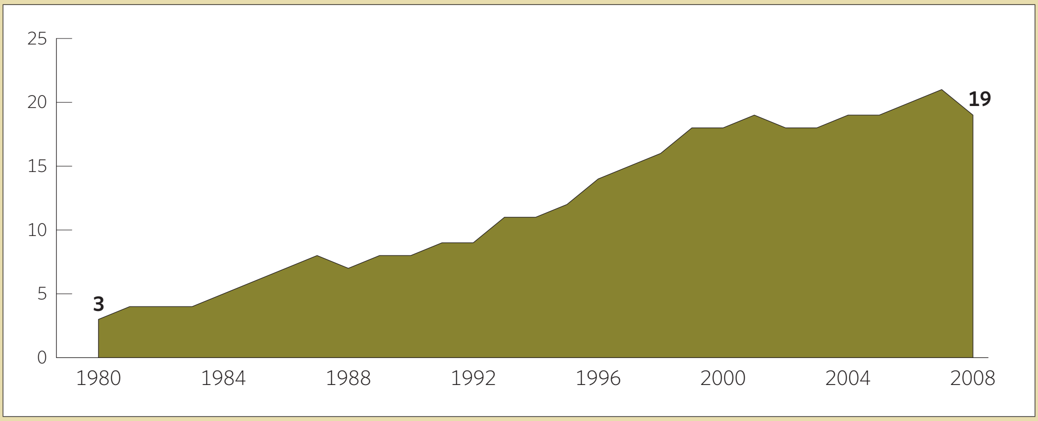
the past two decades. At year-end 2008, 9 percent of household financial assets were invested in 401(k) and other DC retirement plans, up from 6 percent in 1990. Mutual funds managed 44 percent of the assets in these plans. Households also have invested in mutual funds outside of DC plans. Individual retirement accounts (IRAs) made up 9 percent of household financial assets, and mutual funds managed 44 percent of IRA assets in 2008. Mutual funds also managed $3.6 trillion of assets that households held in taxable accounts.

As individuals have increased their reliance on funds, so have nonfinancial businesses and other institutional investors such as life insurance companies and other financial institutions. Many institutions rely on mutual funds to manage a portion of their cash and other short-term assets. Money market funds geared toward institutional investors attracted $525 billion in new cash during 2008. Increased economic uncertainty during the year and ongoing turmoil in the money markets encouraged these investors to increase their holdings of money market funds, especially those funds invested in Treasury and government agency debt. Part of the increased demand came from some investors moving their cash holdings into money market funds and out of unregistered cash pools and direct investments in money market instruments. By the end of the year, for example, nonfinancial businesses held a record 32 percent of their cash in money market funds.

FIGURE 1.2

SHARE OF HOUSEHOLD FINANCIAL ASSETS HELD IN INVESTMENT COMPANIES

PERCENTAGE, YEAR-END, 1980–2008

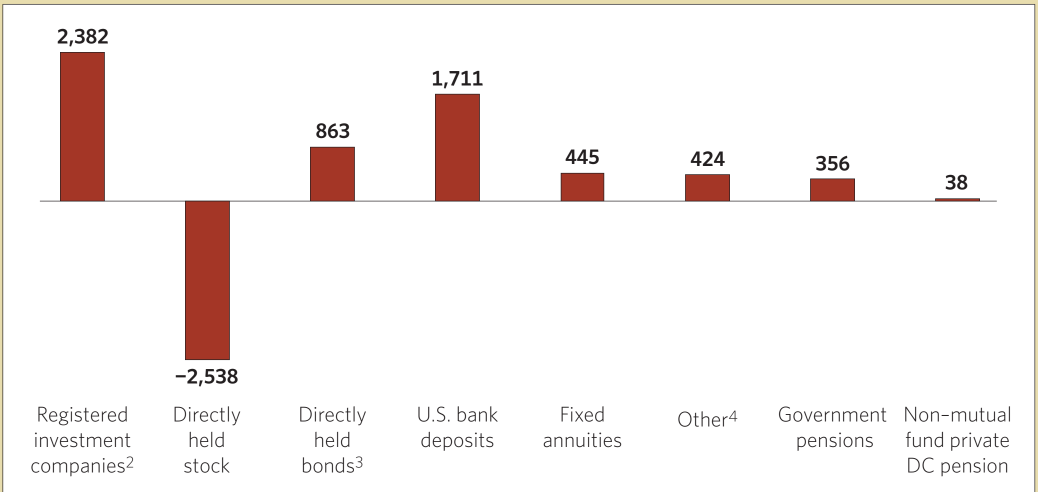


Sources: Investment Company Institute and Federal Reserve Board

FIGURE 1.3

HOUSEHOLD NET PURCHASES OF FINANCIAL ASSETS[1]

BILLIONS OF DOLLARS, 2004–2008



[1] New cash and reinvested dividends are included.
[2] Mutual funds (including variable annuities), closed-end funds, and ETFs are included.
[3] Commercial paper and seller-financed mortgages are included.
[4] Net acquisition of assets in the form of equity in noncorporate business, DB plans, foreign deposits, security credit, reserves for certain life insurance policies, and other miscellaneous assets are included.
Sources: Investment Company Institute and Federal Reserve Board

Institutional investors have also contributed to the growing demand for ETFs. Investment managers, including mutual funds and pension funds, use ETFs to manage liquidity. This strategy allows them to keep fully invested in the market while holding a highly liquid asset to manage their investor flows. Asset managers also use ETFs as part of their investment strategies, including as a hedge for their exposure to equity markets.

For more statistics on investment companies, see the Data Tables listed on pages 106–109.

Role of Investment Companies in Financial Markets

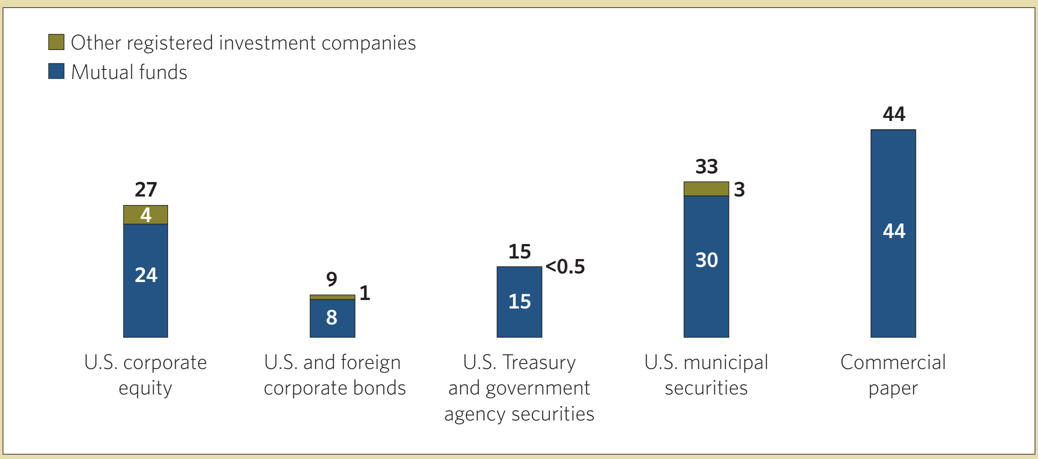
Investment companies have been among the largest investors in the domestic financial markets for much of the past 15 years and held a significant portion of the outstanding shares of U.S.-issued stocks, bonds, and money market securities at year-end 2008. Investment companies as a whole were the largest group of investors in U.S. companies, holding 27 percent of their outstanding stock at year-end 2008 (Figure 1.4).

Investment companies also held the largest share of U.S. commercial paper—an important source of short-term funding for major U.S. and foreign corporations. Money market funds account for the majority of funds' commercial paper holdings, and the share of outstanding commercial paper these funds hold tends to fluctuate with investor demand for money market funds and the overall supply of commercial paper. During the second half of 2007 and early 2008, when money market funds had strong cash inflows, their holdings of commercial paper rose, along with their holdings of Treasury and agency securities, certificates of deposit, and other money market instruments.

FIGURE 1.4

INVESTMENT COMPANIES CHANNEL INVESTMENT TO STOCK, BOND, AND MONEY MARKETS

PERCENTAGE OF TOTAL MARKET SECURITIES HELD BY INVESTMENT COMPANIES, YEAR-END 2008



Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute, Federal Reserve Board, and World Federation of Exchanges

As the financial crisis intensified in 2008, increased uncertainty about firms' credit quality, higher demand for money market funds invested only in Treasury and government agency debt, and a severe lack of liquidity in the commercial paper market prompted many money market funds to reduce their purchases of commercial paper. In addition, some money market funds utilized the Federal Reserve's Asset-Backed Money Market Mutual Fund Liquidity Facility and sold asset-backed commercial paper in September 2008. During the last three months of the year, money market funds increased their holdings of commercial paper considerably, largely in response to government programs seeking to foster liquidity in the commercial paper market and the money market in general. Nevertheless, holdings of commercial paper by money market funds at year-end 2008 were still moderately below those of year-end 2007. Over the same period, total outstanding commercial paper declined by 11 percent as investor demand for asset-backed commercial paper and financial commercial paper dropped sharply. This percentage decline in the overall supply of commercial paper just about offset the percentage reduction in money market funds' holdings of commercial paper. As a result, mutual funds' share of the commercial paper market edged down to 44 percent at year-end 2008, from 45 percent at year-end 2007.

At year-end 2008, investment companies held 33 percent of tax-exempt debt issued by U.S. municipalities, which is on par with direct household ownership. Funds' share of the tax-exempt market has risen only slightly in the past several years despite the strong flows into these funds, as the overall supply of tax-exempt debt has grown. Funds held 15 percent of U.S. Treasury and government agency securities at year-end 2008. Funds played a more modest role in the corporate bond market, but still held approximately 9 percent of the outstanding debt securities in this market.

Number of Investment Companies and Types of Intermediaries

In 2008, there were nearly 700 financial firms from around the world that competed in the U.S. market to provide investment management services to fund investors. Sixty percent of U.S. fund and trust sponsors were independent fund advisers (Figure 1.5), and these sponsors managed more than half of investment company assets. Banks, thrifts, insurance companies, brokerage firms, and non-U.S. fund advisers are other types of fund sponsors in the U.S. marketplace.

Historically, low barriers to entry have attracted a large number of investment company sponsors to the fund marketplace in the United States. These low barriers to entry led to a rapid increase in the number of fund sponsors in the 1980s and 1990s. However, competition among these sponsors and pressure from other financial products have reversed this trend. About 400 fund advisers left the fund business over the period 2000 to 2008; in the same time, about 300 new firms entered (Figure 1.6). The overall effect has been a net reduction of 12 percent in the number of industry firms serving investors. The decrease in the number of advisers has occurred with larger fund sponsors acquiring some smaller fund families and with some fund advisers liquidating funds and leaving the fund business. In addition, several other large sponsors of funds have recently sold their fund advisory businesses. The portion of fund companies that have been able to retain assets in addition to attracting new investments has been lower in this decade than during the 1990s (Figure 1.7). Two bear markets leading to outflows from stock funds and other competitive pressures affected the profitability of fund sponsors and contributed to the decline in their number in the past nine years.

FIGURE 1.5

60 PERCENT OF FUND SPONSORS WERE INDEPENDENT FUND ADVISERS

PERCENTAGE OF INVESTMENT COMPANY COMPLEXES BY TYPE OF INTERMEDIARY, YEAR-END 2008

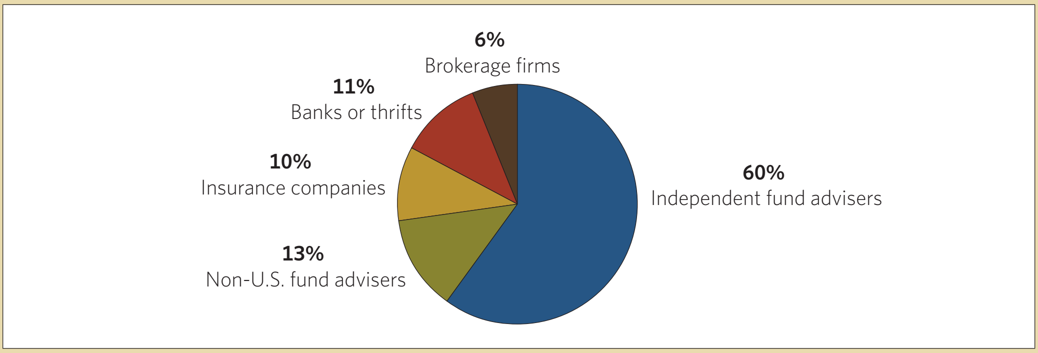


FIGURE 1.6

NUMBER OF FUND SPONSORS

2000–2008

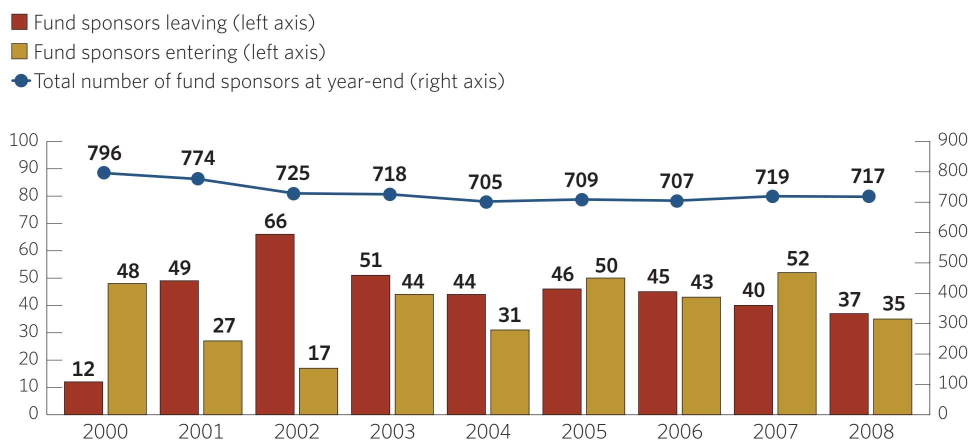
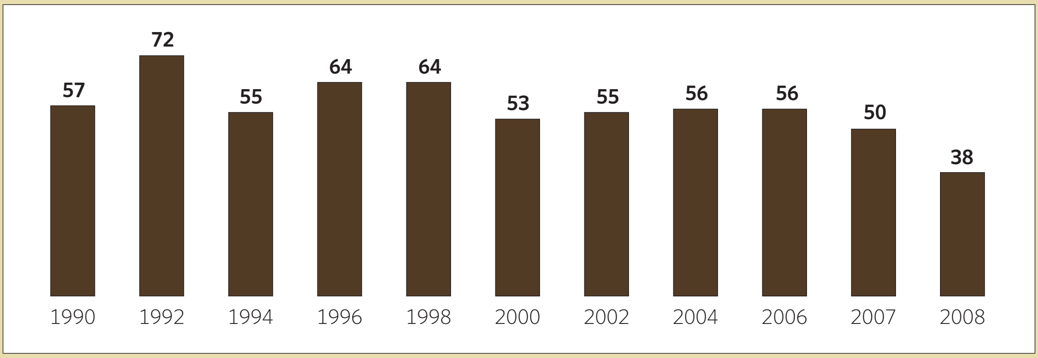


FIGURE 1.7

FUND COMPLEXES WITH POSITIVE NET NEW CASH FLOW TO STOCK, BOND, AND HYBRID FUNDS

PERCENTAGE, SELECTED YEARS

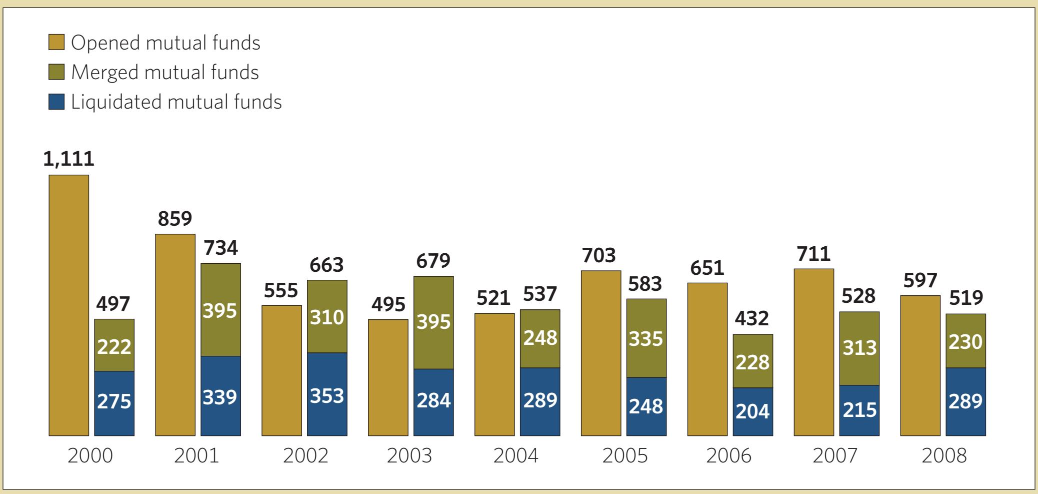


The decline in the number of fund sponsors has been concentrated primarily among those advising mutual funds, and their exit from the industry has caused the growth in the number of mutual funds to slow in recent years. Competitive dynamics also affect the number of funds offered in any given year by the fund advisers that remain. In particular, fund sponsors create new funds to meet investor demand, and they merge or liquidate funds that do not attract sufficient investor interest. Fund sponsors continued this pattern by opening fewer than 80 additional mutual funds, on net, in 2008 (Figure 1.8).

FIGURE 1.8

NUMBER OF MUTUAL FUNDS LEAVING AND ENTERING THE INDUSTRY*

2000–2008



**Data include mutual funds that do not report statistical information to the Investment Company Institute. Data also include mutual funds that invest primarily in other mutual funds.*

The total number of other investment companies has fallen considerably since 2000, as sponsors of UITs have been creating fewer new trusts (Figure 1.9). These investment companies often have preset termination dates, and in conjunction with a slowdown in the creation of new UITs, the total number of UITs has declined substantially. Additionally, closed-end fund sponsors shut down 18 more funds than they opened in 2008. Sponsors of ETFs, however, opened over 100 new funds, on net, in 2008.

FIGURE 1.9

NUMBER OF INVESTMENT COMPANIES BY TYPE

YEAR-END, 1995–2008

	Mutual funds[1]	Closed-end funds	ETFs[2]	UITs	Total
1995	5,761	500	2	12,979	19,242
1996	6,293	498	19	11,764	18,574
1997	6,778	488	19	11,593	18,878
1998	7,489	492	29	10,966	18,976
1999	8,004	512	30	10,414	18,960
2000	8,371	482	80	10,072	19,005
2001	8,519	492	102	9,295	18,408
2002	8,512	545	113	8,303	17,473
2003	8,427	584	119	7,233	16,363
2004	8,419	619	152	6,499	15,689
2005	8,451	635	204	6,019	15,309
2006	8,723	647	359	5,907	15,636
2007	8,749	664	629	6,030	16,072
2008	8,889	646	743	5,984	16,262

[1]Mutual fund data include only mutual funds that report statistical information to the Investment Company Institute. The data also include mutual funds that invest primarily in other mutual funds.

[2]ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include investment companies not registered under the Investment Company Act of 1940 and ETFs that invest primarily in other ETFs.

Sources: Investment Company Institute and Strategic Insight Simfund

Investment Company Employment

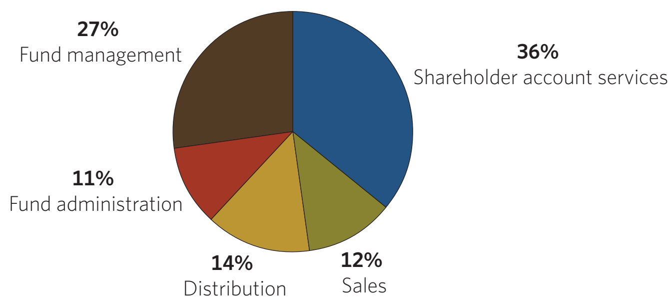
Based on results of a biennial survey, fund sponsors added more than 21,000 workers to their payrolls between 2005 and 2007, reaching a record 168,000 employees (latest data available). Fund sponsors provide advisory, recordkeeping, administrative, custody, and other services to a growing number of funds and their investors.

The largest group of workers provides services to fund investors and their accounts, with 36 percent of fund employees involved in these activities (Figure 1.10). Investor servicing encompasses a wide range of activities to help investors monitor and update their accounts. Employees in these functions work in call centers and help shareholders and their financial advisers with questions about investors' accounts and with processing applications for account openings and closings. They also work in retirement plan transaction processing, retirement plan participant education, participant enrollment, and plan compliance.

FIGURE 1.10

INVESTMENT COMPANY INDUSTRY EMPLOYMENT BY JOB FUNCTION

PERCENTAGE OF JOBS IN REGISTERED INVESTMENT COMPANY OPERATIONS AREAS, MARCH 2007



Total employment: 168,000

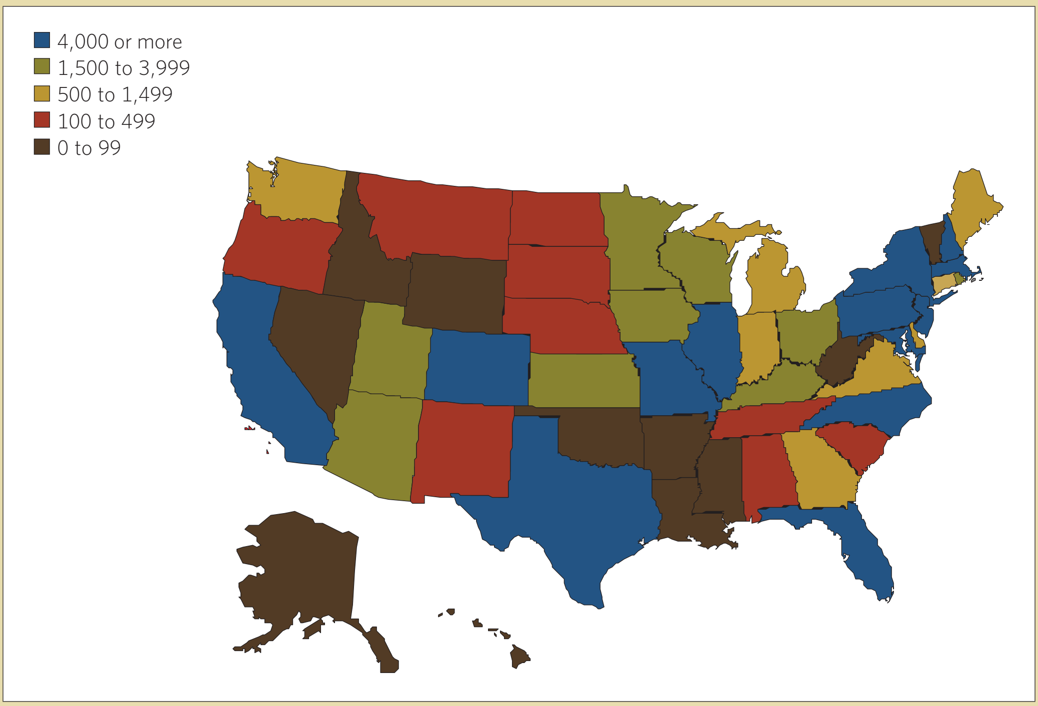
Twenty-seven percent of the industry's workforce was employed by a fund's investment adviser or a third-party service provider in support of portfolio management functions such as investment research, trading and security settlement, information systems and technology, and other corporate management functions. Jobs related to fund administration, including financial and portfolio accounting and regulatory compliance duties, accounted for 11 percent of industry employment. Personnel involved with distribution services, such as marketing, product development and design, and investor communications, accounted for 14 percent of the workforce. Sales-force employees—including registered representatives and sales support staff where at least 50 percent of the employee's revenue is derived from mutual fund sales—and mutual fund supermarket representatives represented 12 percent of fund industry jobs.

For many industries, employment tends to be concentrated in locations of the industry's origins, and investment companies are no exception. Massachusetts and New York served as early hubs of investment company operations, and remained so in 2007, employing nearly one-third of the workers in the fund industry (Figure 1.11). As the industry has grown from its early roots, other states have become significant centers of fund employment. California, Pennsylvania, and Texas also have significant concentrations of fund employees. Fund companies in these states employed about one-quarter of all fund industry employees as of March 2007.

FIGURE 1.11

INDUSTRY EMPLOYMENT BY STATE

ESTIMATED NUMBER OF EMPLOYEES OF REGISTERED INVESTMENT COMPANIES BY STATE, MARCH 2007

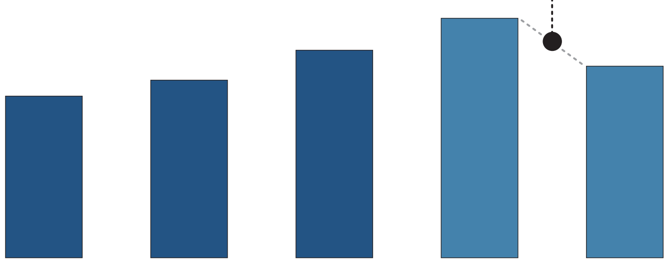


TOTAL NET ASSETS OF MUTUAL FUNDS

Fell by $2.4 Trillion in 2008

20%

DECLINE IN MUTUAL FUND ASSETS



SECTION 2:

Recent Mutual Fund Trends

With $9.6 trillion in assets, the U.S. mutual fund industry remained the largest in the world at year-end 2008. Nevertheless, total net assets fell $2.4 trillion from year-end 2007's level, largely reflecting the sharp drop in equity prices experienced worldwide in 2008. Investor demand for mutual funds slowed in 2008 with net new cash flow to all types of mutual funds amounting to $411 billion, less than half the pace seen in 2007. Investor demand for certain types of mutual funds appeared to be driven in large part by deteriorating financial market conditions, especially in the second half of 2008. Stock mutual funds suffered substantial outflows, while inflows to U.S. government money market funds reached a record high.

THIS SECTION DESCRIBES RECENT U.S. MUTUAL FUND DEVELOPMENTS AND EXAMINES THE MARKET FACTORS THAT AFFECT THE DEMAND FOR STOCK, BOND, HYBRID, AND MONEY MARKET FUNDS.

U.S. Mutual Fund Assets

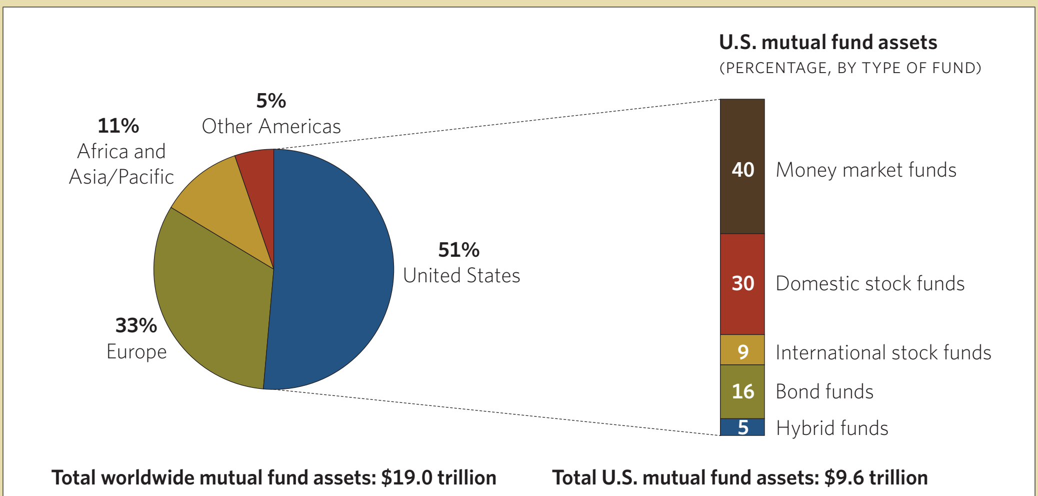
The U.S. mutual fund market, with $9.6 trillion in assets under management as of year-end 2008, remained the largest in the world, accounting for 51 percent of the $19.0 trillion in mutual fund assets worldwide (Figure 2.1).

Investor demand for mutual funds is influenced by a variety of factors, not least of which is funds' ability to assist investors in achieving a wide variety of investment objectives. In particular, U.S. households' reliance on stock, bond, and hybrid mutual funds reflects investor desire to meet long-term personal

FIGURE 2.1

U.S. HAD THE WORLD'S LARGEST MUTUAL FUND MARKET

PERCENTAGE OF TOTAL NET ASSETS, YEAR-END 2008



Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

financial objectives such as preparing for retirement. Furthermore, U.S. households, businesses, and other institutional investors use money market funds as cash management tools because they provide a high degree of liquidity and competitive, short-term yields.

Investors' reactions to U.S. and worldwide economic and financial conditions—from year to year and over longer periods—also play an important role in determining demand for specific types of mutual funds and for mutual funds in general.

Money market funds accounted for 40 percent of U.S. mutual fund assets at year-end 2008 (Figure 2.1). Stock mutual funds made up 39 percent of U.S. mutual fund assets, the smallest share since 1994. In 2008, domestic stock funds—those that invest primarily in shares of U.S. corporations—held 30 percent of total industry assets; international stock funds—those that invest primarily in foreign corporations—accounted for another 9 percent. Bond funds (16 percent) and hybrid funds (5 percent) held the remainder of total U.S. mutual fund assets.

Approximately 600 sponsors managed mutual fund assets in the United States in 2008. Long-run competitive dynamics have prevented any single firm or group of firms from dominating the market. For example, of the largest 25 fund complexes in 1985, only 10 remained in this top group in 2008. Another measure is the Herfindahl-Hirschman index, which weighs both the number and relative size of firms in the industry to measure competition. Index numbers below 1,000 indicate that an industry is unconcentrated. The mutual fund industry has a Herfindahl-Hirschman index number of 433 as of December 2008.

In this past decade, however, the percentage of industry assets at larger fund complexes has increased. This is due in part to the acquisition of smaller fund complexes by larger ones. The share of assets managed by the largest 25 firms increased to 75 percent in 2008 from 68 percent in 2000 (Figure 2.2). In addition, the share of assets managed by the largest 10 firms in 2008 was 53 percent, up from the 44 percent share managed by the largest 10 firms in 2000. Nevertheless, the composition of fund complexes within these groups has changed significantly over the period of 2000 to 2008. Strong inflows to money market funds, which are fewer in number and have fewer fund sponsors than long-term mutual funds, helped push several fund complexes that specialize in money market funds into the largest groups.

FIGURE 2.2

SHARE OF ASSETS AT LARGEST MUTUAL FUND COMPLEXES

PERCENTAGE OF INDUSTRY TOTAL NET ASSETS, YEAR-END, SELECTED YEARS

	1985	1990	1995	2000	2005	2007	2008
Largest 5 complexes	37	34	34	32	37	38	38
Largest 10 complexes	54	53	47	44	48	50	53
Largest 25 complexes	78	75	70	68	70	71	75

Developments in Mutual Fund Flows

Investor demand for mutual funds slowed substantially in 2008. Net new cash flow to all mutual funds—the dollar value of new fund sales minus redemptions, combined with net exchanges—was $411 billion, less than half the frenetic record pace set in 2007, but comparable to that of 2006 (Figure 2.3). Outflows from stock mutual funds and reduced inflows to taxable bond mutual funds accounted for much of the deceleration.

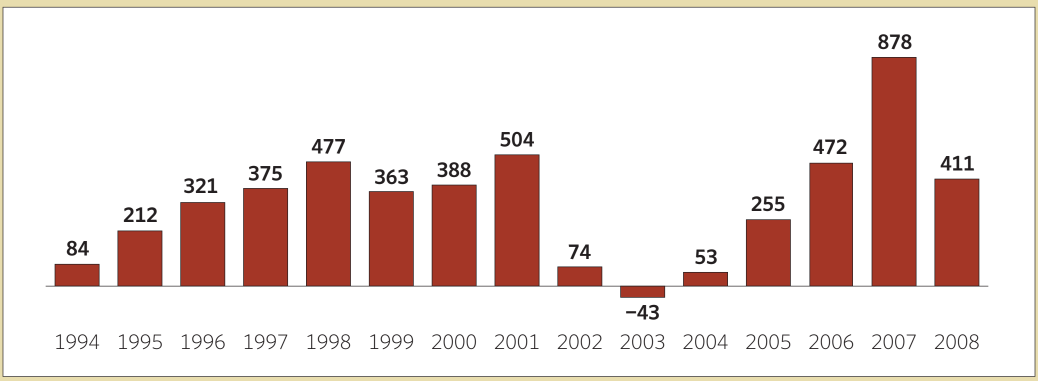
Disruptions in financial markets that began in August 2007 continued and intensified throughout 2008. The more dramatic effects of the crisis in 2008 include the failures of Lehman Brothers Holdings Inc., Washington Mutual, Inc., and a range of other financial institutions; the government-orchestrated rescues of The Bear Stearns Companies and American International Group, Inc.; the government takeovers of Fannie Mae and Freddie Mac; and the "breaking of the dollar" net asset value (NAV) of an institutional money market fund (Reserve Primary Fund) resulting from its holdings of defaulted Lehman Brothers commercial paper. These and other developments prompted the Federal Reserve to lower the target federal funds rate over the course of 2008 from 4.25 percent to a target range of 0 to 0.25 percent. Also, the U.S. Department of the Treasury and the Federal Reserve instituted several programs aimed at shoring up investor confidence and fostering liquidity in the money market.

Abroad, many countries experienced a more pronounced slowdown in economic growth than did the United States in 2008. In addition, most foreign stock markets, especially those in emerging markets, endured even larger losses than in the United States.

FIGURE 2.3

NET NEW CASH FLOWS TO MUTUAL FUNDS

BILLIONS OF DOLLARS, 1994–2008



MUTUAL FUND ASSETS BY TAX STATUS

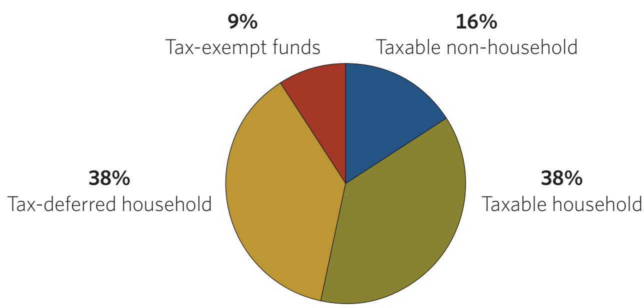
Mutual funds generally distribute all earnings—capital gains and ordinary dividends—each year to shareholders, and are taxed only on amounts retained. Fund investors are ultimately responsible for paying tax on a fund's earnings, whether they receive the distributions in cash or reinvest them in additional fund shares. Investors often attempt to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred retirement accounts. As of year-end 2008, 9 percent of all mutual fund assets were held in tax-exempt funds, and 38 percent were invested in tax-deferred accounts held by households (Figure 2.4).

For more information on tax issues affecting mutual fund shareholders, visit the Institute's website.

FIGURE 2.4

47 PERCENT OF MUTUAL FUND ASSETS WERE HELD IN TAX-DEFERRED ACCOUNTS AND TAX-EXEMPT FUNDS

PERCENTAGE, YEAR-END 2008



Note: Components do not add to 100 percent because of rounding.

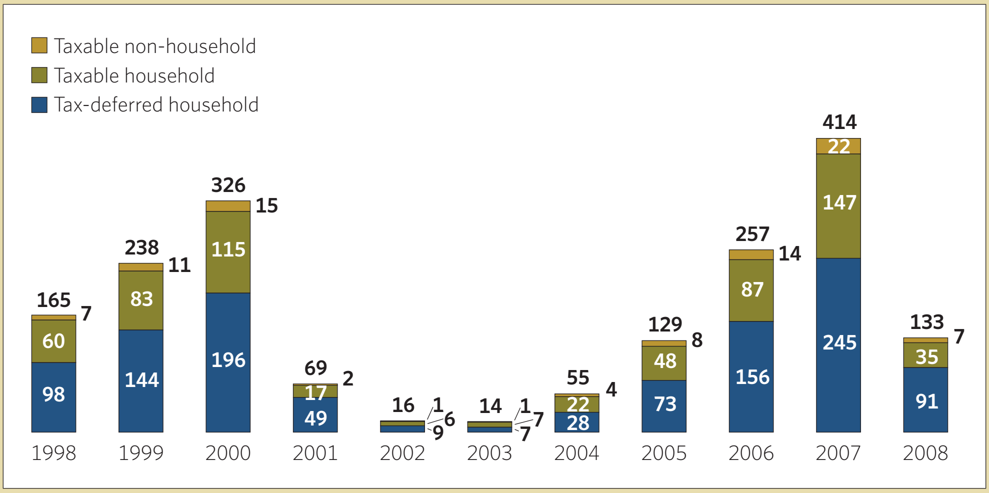
MUTUAL FUND CAPITAL GAIN DISTRIBUTIONS

Capital gain distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio. When gains from these sales exceed losses, they are distributed to fund shareholders. Mutual funds distributed $133 billion in capital gains to shareholders in 2008 (Figure 2.5). Sixty-eight percent of these distributions were paid to tax-deferred household accounts, and another 26 percent were paid to taxable household accounts. Stock, bond, and hybrid funds can distribute capital gains, but stock funds typically account for the bulk of the distributions. In 2008, 30 percent of stock fund share classes made a capital gain distribution, and half of these share classes distributed at least 4 percent of their assets as capital gains.

FIGURE 2.5

CAPITAL GAIN DISTRIBUTIONS*

BILLIONS OF DOLLARS, 1998–2008



**Capital gain distributions include long-term and short-term capital gains.*
Note: Components may not add to the total because of rounding.

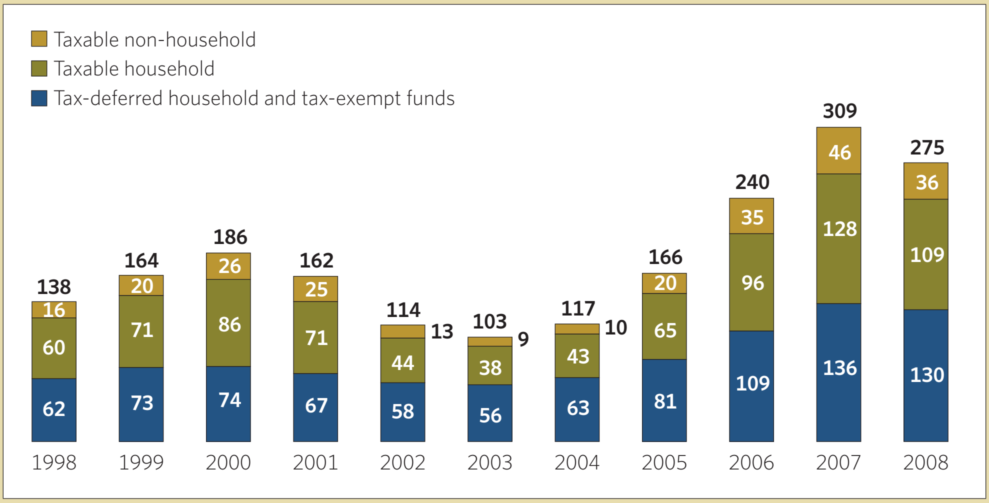
MUTUAL FUND DIVIDEND DISTRIBUTIONS

Dividend distributions represent income—primarily from the interest and dividends earned by the securities in a fund's portfolio—after expenses are paid by the fund. Mutual funds distributed $275 billion in dividends to fund shareholders in 2008 (Figure 2.6). Mutual fund dividends declined in 2008 largely in response to the drop in short-term interest rates and a decrease in dividend payments by domestic corporations. Bond and money market funds accounted for 65 percent of all dividend distributions in 2008. Forty-seven percent of all dividend distributions were paid to tax-exempt fund shareholders and tax-deferred household accounts. Another 40 percent were paid to taxable household accounts.

FIGURE 2.6

DIVIDEND DISTRIBUTIONS

BILLIONS OF DOLLARS, 1998–2008



Note: Components may not add to the total because of rounding.

Demand for Long-Term Mutual Funds

Investors withdrew $226 billion, on net, from stock, bond, and hybrid funds in 2008 (Figure 2.7), the first such annual outflow in long-term mutual funds since 1988. Net outflows from load funds amounted to $146 billion with the bulk withdrawn from front-end-load and back-end-load shares. Back-end-load shares had net outflows for the eighth consecutive year. No-load share classes of stock, bond, and hybrid mutual funds also saw net outflows in 2008, but at a lower rate of $53 billion. Outflows from no-load share classes may have been tempered by mutual fund sales to investors in employer-sponsored retirement plans, which account for a large portion of no-load fund sales, and sales of funds of funds, which often invest in underlying no-load funds.

FIGURE 2.7

NET NEW CASH FLOW TO LONG-TERM FUNDS BY LOAD STRUCTURE

BILLIONS OF DOLLARS, 2002–2008

	2002	2003	2004	2005	2006	2007	2008
All long-term funds	**$121**	**$216**	**$210**	**$192**	**$227**	**$223**	**−$226**
Load	**20**	**48**	**44**	**29**	**33**	**14**	**−146**
Front-end load[1]	13	33	49	47	48	20	−98
Back-end load[2]	−18	−19	−38	−48	−48	−44	−39
Level load[3]	23	27	21	19	21	25	−12
Other load[4]	2	8	13	11	12	13	4
No-load[5]	**102**	**126**	**130**	**145**	**170**	**185**	**−53**
Retail	53	83	94	78	77	59	−102
Institutional	50	43	36	67	93	126	49
Variable annuities	**−2**	**42**	**36**	**18**	**24**	**25**	**−27**

[1] Front-end load > 1 percent. Primarily includes A shares; includes sales where front-end loads are waived.

[2] Front-end load = 0 percent and CDSL > 2 percent. Primarily includes B shares.

[3] Front-end load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 > 0.25 percent. Primarily includes C shares; excludes institutional share classes.

[4] All other load share classes not classified as front-end load, back-end load, or level load. Primarily includes retirement share classes known as R shares.

[5] Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 ≤ 0.25 percent.

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

MUTUAL FUND SHARE CLASSES

Mutual funds are often classified according to the class of shares that fund sponsors offer to investors, primarily load or no-load classes. Load classes generally serve investors who own fund shares purchased through financial advisers; no-load fund classes usually serve investors who purchase shares without the assistance of a financial adviser or who choose to compensate the financial adviser separately. About two-thirds of all mutual funds offer two or more share classes. Funds that typically sell through financial advisers offer more than one share class to provide investors with several ways to pay for the services of financial advisers.

LOAD SHARE CLASSES

Load share classes—front-end-load, back-end-load, and level-load shares—usually include a sales load and/or a 12b-1 fee. The sales load and 12b-1 fees are used to compensate financial advisers and other investment professionals for their services.

Front-end-load shares, which are predominantly Class A shares, represent the traditional means of paying for securities-related assistance. Front-end-load shares generally charge a sales load at the time of the purchase, which is a percentage of the sales price or offering price. Front-end-load shares also often have a 12b-1 fee of about 0.25 percent. Front-end-load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans.

Back-end-load shares, which are primarily Class B shares, typically do not have a front-end load. Investors using back-end-load shares pay for services provided by financial advisers through a combination of an annual 12b-1 fee and a contingent deferred sales load (CDSL). The CDSL is triggered if fund shares are redeemed before a given number of years of ownership. The CDSL decreases the longer the investor owns the shares and reaches zero typically after shares have been held six or seven years. After six to eight years, back-end-load shares usually convert to a share class with a lower 12b-1 fee. For example, Class B shares typically convert to Class A shares after a specified number of years.

Level-load shares, which include Class C shares, generally do not have a front-end load. Investors in this kind of share class compensate financial advisers with a combination of an annual 12b-1 fee (typically 1 percent) and a CDSL (also often 1 percent) that shareholders pay if they sell their shares within the first year after purchase.

NO-LOAD SHARE CLASSES

No-load share classes have no front-end load or CDSL, and have a 12b-1 fee of 0.25 percent or less. Originally, no-load share classes were offered by mutual fund sponsors that sold directly to investors. Now, investors can purchase no-load funds through employer-sponsored retirement plans, mutual fund supermarkets, discount brokerage firms, and bank trust departments as well as directly from mutual fund sponsors. Some financial advisers who charge investors separately for their services rather than through a load or 12b-1 fee also use no-load share classes.

Stock Funds

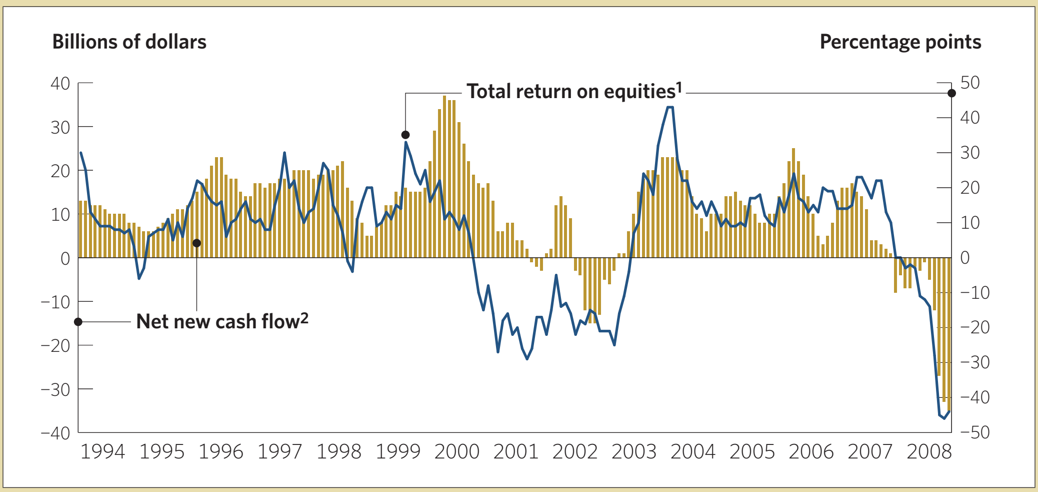
Investors withdrew $234 billion from stock funds in 2008, down substantially from the $91 billion they invested, on net, the previous year. This decline in demand reflected, in part, the sizable drop in stock prices worldwide in 2008 (Figure 2.8). Major U.S. stock price indexes fell 37 percent even after taking into account any dividends that were paid. In 2008, domestic stock funds experienced a net outflow of $151 billion, on top of the $48 billion investors withdrew in 2007. Total returns on stocks traded on many foreign stock markets fared worse than those in the United States. The Morgan Stanley Capital International world total return stock index (excluding U.S. stocks) fell 44 percent in 2008; the emerging markets total return index dropped 53 percent. Consequently, funds investing in foreign companies experienced a sharp reversal of flows in 2008. Investors withdrew $82 billion from these funds in 2008, after investing over $100 billion annually since 2004.

Investors tend to own stock mutual funds with relatively low fees, expenses, and turnover rates. Mutual fund assets are heavily concentrated in funds with below-median expenses and below-average turnover. The turnover rate—the lesser of purchases or sales (excluding those of short-term assets) in a fund's portfolio scaled by average net assets—is a measure of a fund's trading activity. In 2008, the asset-weighted annual turnover rate experienced by stock fund investors moved up to 59 percent, in line with the average experience of the past 35 years (Figure 2.9).

FIGURE 2.8

FLOWS TO EQUITY FUNDS RELATED TO GLOBAL STOCK PRICE PERFORMANCE

1994–2008

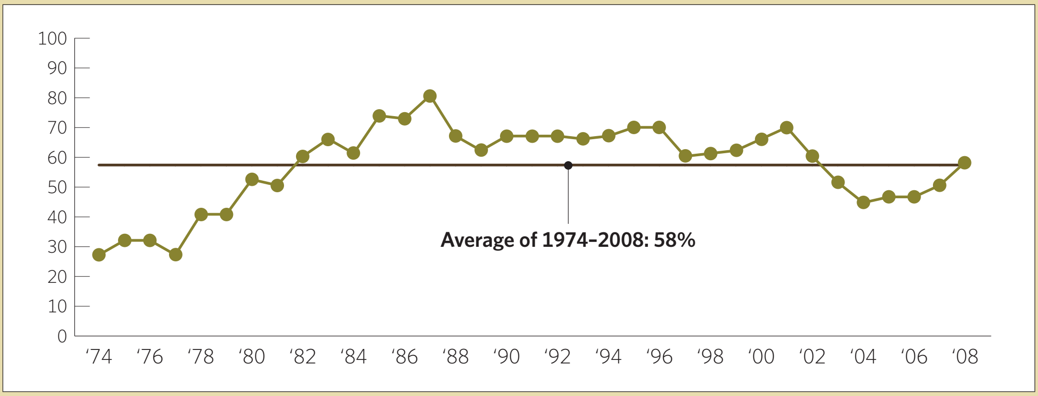


[1]*The total return on equities is measured as the year-over-year change in the MSCI All Country World Total Return Stock Index.*
[2]*Net new cash flow to equity funds is plotted as a six-month moving average.*
Sources: Investment Company Institute and Morgan Stanley Capital International

FIGURE 2.9

TURNOVER RATE[1] EXPERIENCED BY STOCK FUND INVESTORS[2]

PERCENTAGE, 1974–2008



[1]The turnover rate is an asset-weighted average.

[2]Variable annuities are excluded.

Sources: Investment Company Institute; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/ www.crsp.com); and Strategic Insight Simfund

About half of stock fund assets were in funds with portfolio turnover rates under 50 percent. This reflects shareholders' tendency to own stock funds with below-average turnover and the propensity for funds with below-average turnover to attract more shareholder dollars.

ASSET-WEIGHTED TURNOVER RATE

To analyze the turnover rate that shareholders actually experience in their funds, it is important to identify those stock funds in which shareholders are most heavily invested. Neither a simple average nor a median takes into account where stock fund assets are concentrated. An asset-weighted average gives more weight to funds with large amounts of assets and, accordingly, indicates the average portfolio turnover actually experienced by fund shareholders.

Bond and Hybrid Funds

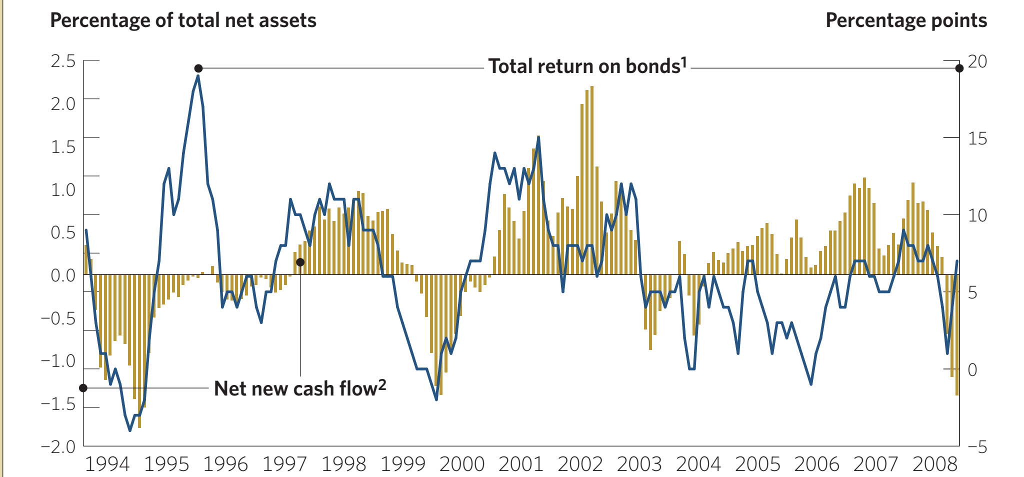
In 2008, investors added $27 billion to their bond fund holdings, down substantially from the $109 billion pace of net investment in the previous year. Through August 2008, net inflows to bond funds were about the same pace as in 2007. During the remainder of the year, investors withdrew $65 billion from bond funds, likely in response to heightened concerns about corporate credit quality following several high-profile company failures and government bailouts.

Traditionally, cash flow into bond funds is highly correlated with the performance of bonds (Figure 2.10). The U.S. interest rate environment typically has played a prominent role in the demand for bond funds. Movements in short- and long-term interest rates can significantly alter the returns offered by these types of funds and, in turn, influence retail and institutional investor demand for bond funds.

FIGURE 2.10

FLOWS TO BOND FUNDS RELATED TO BOND RETURNS

1994-2008



[1] *The total return on bonds is measured as the year-over-year change in the Citigroup Broad Investment Grade Bond Index.*

[2] *Net new cash flow to bond funds is plotted as three-month moving average of net new cash flow as a percentage of previous month-end assets. The data exclude flows to high-yield bond funds.*

Sources: Investment Company Institute and Citigroup

In the first eight months of 2008, the pace of inflows into bond funds remained strong. Some of this strength likely was the result of returns on high-grade bonds that ranged between 7 percent and 9 percent at an annual rate. As interest rates jumped on intermediate- to long-term corporate bonds, bond returns dropped sharply, prompting investors to pull money out of bond funds starting in September 2008.

Since 2004, inflows to bond funds have been stronger than what would have been expected based on the historical relationship between bond returns and demand for bond funds. One factor that may have contributed to this development is the increasing use of funds of funds. Despite the downturns in the equity and bond markets in 2008, funds of funds remained a popular choice with investors. Such funds still garnered net inflows, though down from the previous year, amounting to $63 billion in 2008 (Figure 2.11). Net inflows to funds of funds totaled $370 billion from year-end 2004 to year-end 2008 and a portion of these flows was directed to underlying bond mutual funds. Another factor may be that households became less willing to take risk after stock market turbulence re-emerged in 2000 following a long hiatus.

Investor demand for hybrid funds, which invest in a combination of stocks and bonds, dropped off in 2008, with investors withdrawing $19 billion from these funds, in contrast to an inflow of $23 billion the previous year. Over the five-year period of 2004 to 2008, hybrid funds attracted a total of $79 billion in net new cash.

FUNDS OF FUNDS

Funds of funds are mutual funds that primarily hold and invest in shares of other mutual funds. The most popular type of these funds is hybrid funds—over 80 percent of funds of funds' total net assets are in hybrid funds of funds. Hybrid funds of funds invest their net cash in underlying stock, bond, and hybrid mutual funds.

Assets of funds of funds have grown rapidly over the past decade. By the end of 2008, the number of funds of funds had grown to 865, and total assets were $489 billion (Figure 2.11). Two-thirds of the increase in assets of funds of funds in the past 10 years is attributable to increasing investor interest in lifestyle and lifecycle funds. The growing popularity of these funds, especially for retirement investing, likely reflects the automatic rebalancing features of these products. Lifestyle funds, also known as risk-based funds, maintain a predetermined risk level, and lifecycle funds, also known as target date funds, allow a predetermined reallocation of risk over time. Since year-end 1998, funds of funds received a total of $488 billion in net new cash, of which 69 percent was from lifestyle and lifecycle funds.

For more information on lifestyle and lifecycle funds, see page 102.

FIGURE 2.11

TOTAL NET ASSETS AND NET NEW CASH FLOW TO FUNDS OF FUNDS

1998–2008

	Number of funds *(year-end)*	Total net assets *(billions of dollars, year-end)*	Net new cash flow *(billions of dollars, annual)*
1998	175	$35	$6
1999	212	48	7
2000	215	57	10
2001	213	63	9
2002	268	69	12
2003	301	123	30
2004	375	200	51
2005	475	306	79
2006	604	471	101
2007	723	640	127
2008	865	489	63

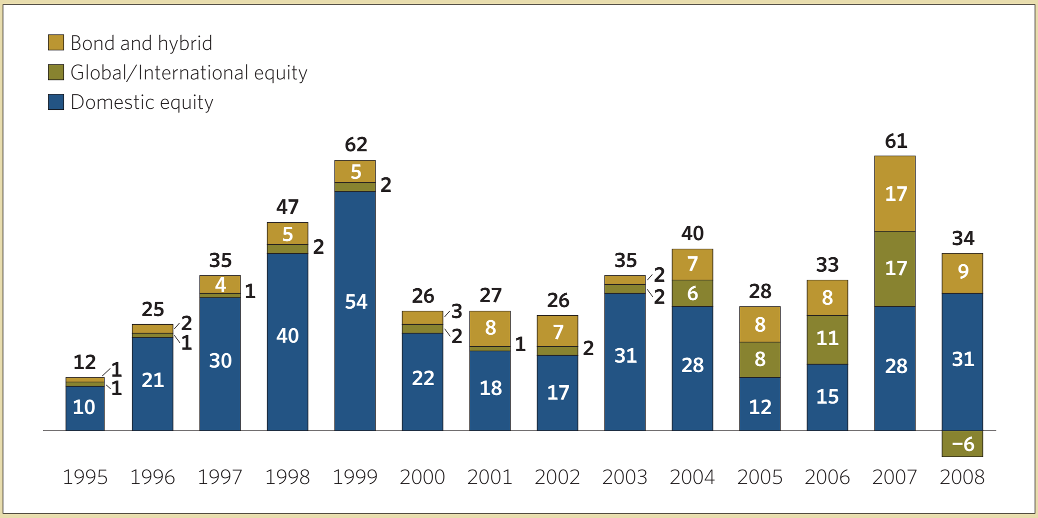
Index Funds

Index mutual funds also are popular with investors. Thirteen percent of U.S. households owned at least one index fund. Of households that owned mutual funds, 30 percent owned at least one index mutual fund. As of year-end 2008, 368 index funds managed total assets of $604 billion. Similar to funds of funds, demand for index funds remained relatively strong in 2008 with investors adding $34 billion in net new cash flow to these funds (Figure 2.12). Over 90 percent of the new money that flowed to index funds was invested in funds indexed to domestic equity indexes. Demand for global and international equity index funds declined substantially in 2008, with these funds experiencing an aggregate outflow for the first time in the past 16 years.

FIGURE 2.12

NET NEW CASH FLOW TO INDEX MUTUAL FUNDS REMAINED POSITIVE IN 2008

BILLIONS OF DOLLARS, 1995–2008



Note: Components may not add to the total because of rounding.

Equity index funds accounted for the bulk of index mutual fund assets at year-end 2008. Eighty percent of index mutual fund assets were invested in index funds that track either the S&P 500 index or other domestic and international equity indexes (Figure 2.13). Funds indexed to the S&P 500 index managed 42 percent of all assets invested in index mutual funds. The share of assets invested in equity index funds relative to all equity mutual funds assets moved up to 13 percent after hovering between 11 percent and 11.5 percent for the previous five years (Figure 2.14).

FIGURE 2.13

OVER 40 PERCENT OF INDEX MUTUAL FUNDS' TOTAL NET ASSETS WERE INVESTED IN S&P 500 INDEX FUNDS

PERCENTAGE, 2008

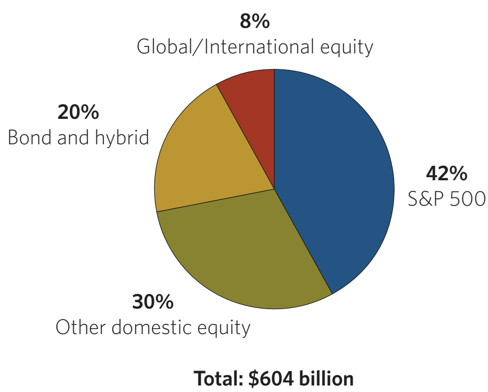
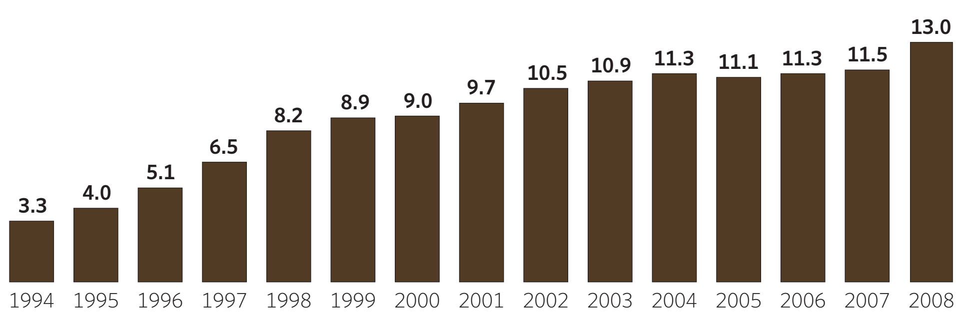


FIGURE 2.14

EQUITY INDEX MUTUAL FUNDS' SHARE CONTINUED TO RISE

PERCENTAGE OF EQUITY MUTUAL FUND TOTAL NET ASSETS, 1994–2008



Demand for Money Market Funds

Net new cash to money market funds, particularly those funds invested only in U.S. government securities, remained strong in 2008, likely reflecting the flight to safety by investors in response to a deepening of the crisis in financial markets.

Retail Money Market Funds

Retail money market funds, which are principally sold to individual investors, received net new cash of $112 billion in 2008, following an inflow of $172 billion the previous year (Figure 2.15). Money fund yields followed the pattern of short-term interest rates, dropping fairly steadily throughout the year. The difference between yields on money market funds and those on bank deposits narrowed significantly from a little over 300 basis points at the start of 2008 to only 16 basis points by the end of the year (Figure 2.16). In general, retail investors tend to withdraw cash from money market funds when the interest rate spread narrows to a low level. Flows to retail money market funds in 2008 likely were boosted by investors' reactions to negative developments in the stock and bond markets.

FIGURE 2.15

FLOWS TO MONEY MARKET FUNDS REMAINED STRONG IN 2008

BILLIONS OF DOLLARS, 1994–2008

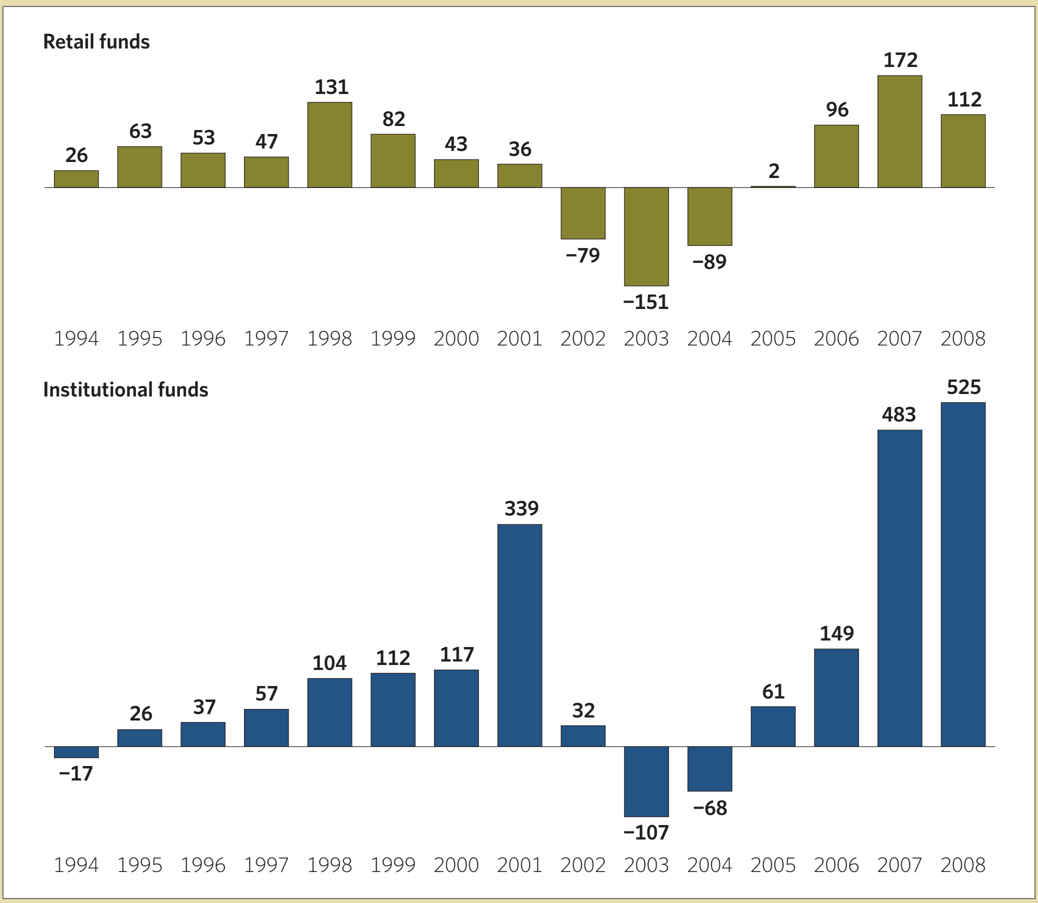
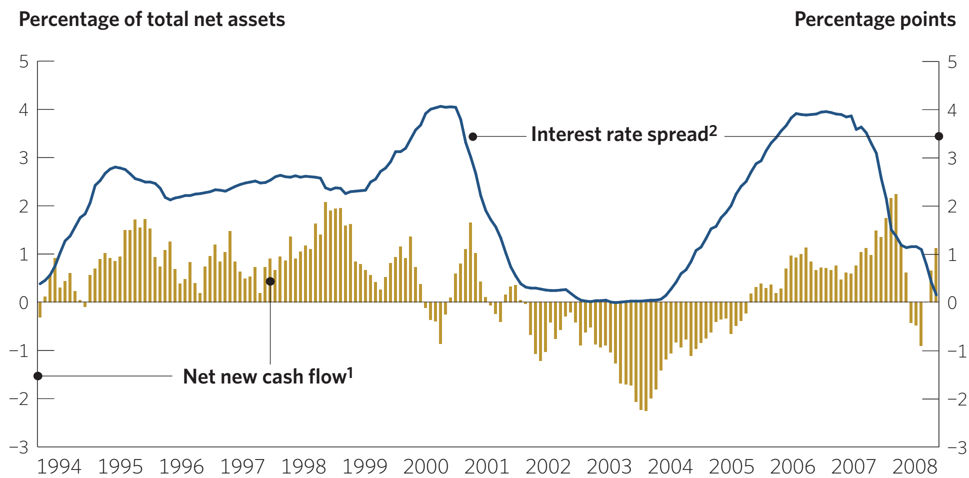


FIGURE 2.16

FLOWS TO TAXABLE RETAIL MONEY MARKET FUNDS RELATED TO INTEREST RATE SPREAD

1994-2008



[1]Net new cash flow is a percentage of previous month-end taxable retail money market fund assets and is shown as a six-month moving average.

[2]The interest rate spread is the difference between the taxable retail money market fund yield and the average interest rate on money market deposit accounts.

Sources: Investment Company Institute, iMoneyNet, and Bank Rate Monitor

Institutional Money Market Funds

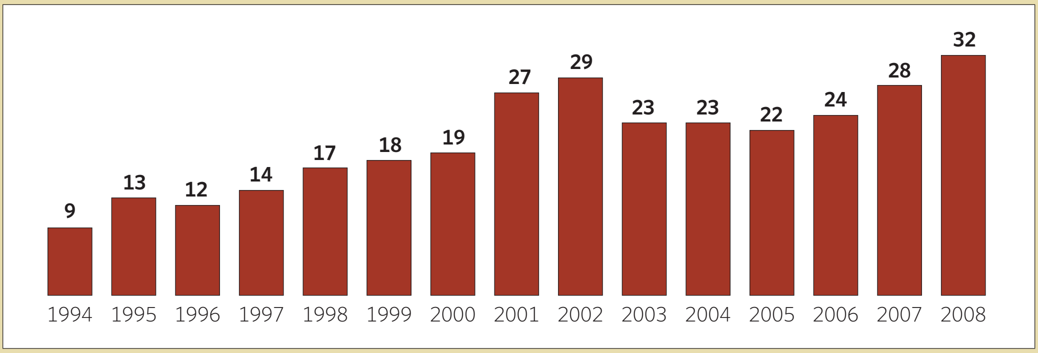
Institutional money market funds—used by businesses, pension funds, state and local governments, and other large investors—had inflows of $525 billion in 2008, following inflows of $483 billion the previous year (Figure 2.15). Inflows to institutional money market funds likely were boosted by several factors. First, short-term interest rates fell considerably during 2008 as the Federal Reserve eased monetary policy. Institutional money market funds tend to receive inflows when short-term interest rates decline because the yields on these funds lag behind and are therefore higher than those available on competing products, such as direct investments in commercial paper and short-term U.S. Treasury instruments.

Second, the turmoil and illiquidity in credit markets that began in August 2007 intensified in 2008 and likely prompted corporate treasurers to make even greater use of institutional money market funds. Some corporate treasurers—cognizant of the lack of liquidity in short-term credit markets and concerned about their ability to adequately monitor and assess credit quality—may have taken the opportunity to redirect some portion of their companies' liquid assets away from direct purchases of short-term instruments and toward institutional money market funds. At year-end 2008, U.S. nonfinancial businesses held a record 32 percent of their short-term assets in money market funds (Figure 2.17). Institutional money market funds also received inflows from investors moving from unregistered cash pools and other cash-like investments during the credit crisis.

FIGURE 2.17

MONEY MARKET FUNDS MANAGED 32 PERCENT OF U.S. BUSINESSES' SHORT-TERM ASSETS* IN 2008

PERCENTAGE, YEAR-END, 1994–2008



**U.S. nonfinancial businesses' short-term assets consist of foreign deposits, checkable deposits, time and savings deposits, money market funds, repurchase agreements, and commercial paper.*
Sources: Investment Company Institute and Federal Reserve Board

Third, deteriorating corporate credit quality in general—and more specifically, the default of Lehman Brothers on its debt, which resulted in the breaking of the dollar NAV by Reserve Primary Fund (an institutional money market fund)—influenced the type of money market funds toward which institutional investors gravitated. Primary Fund's losses in September 2008 led investors in other non-government (prime) money market funds to question whether their funds might also have difficulty maintaining a $1 NAV. This concern—in addition to broader concerns about the stability of U.S. and European financial institutions, the creditworthiness of their debt, and the willingness and wherewithal of the United States and foreign governments to support those institutions—led investors to seek out the liquidity and safety of money market funds that invest primarily in U.S. government securities. These funds, which can invest in U.S. Treasury debt solely or a combination of U.S. Treasury debt and obligations of U.S. government agencies, received a record $594 billion in net new cash flow in 2008 (Figure 2.18). Eighty-two percent of this new cash was invested after August 2008. As of year-end 2008, U.S. government money market funds accounted for 52 percent of total assets of taxable institutional money market funds, up from 34 percent at year-end 2007.

For more complete data on money market funds, see Section 4 in the Data Tables on pages 146–151.

FIGURE 2.18

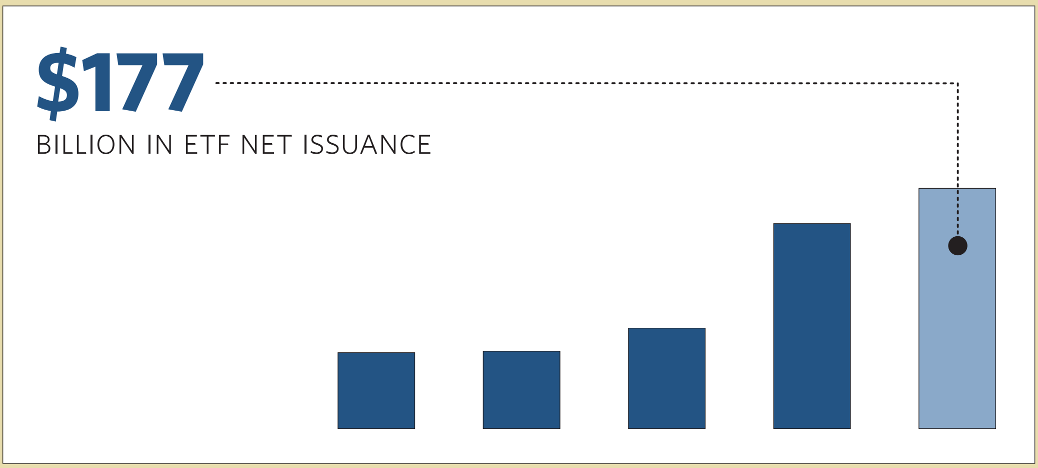
TOTAL NET ASSETS AND NET NEW CASH FLOW TO U.S. GOVERNMENT AND NON-GOVERNMENT TAXABLE INSTITUTIONAL MONEY MARKET FUNDS

BILLIONS OF DOLLARS, 1998–2008

	U.S. GOVERNMENT		NON-GOVERNMENT	
	Total net assets *(year-end)*	Net new cash flow *(annual)*	Total net assets *(year-end)*	Net new cash flow *(annual)*
1998	$184	$27	$286	$69
1999	195	9	405	101
2000	215	16	513	92
2001	282	69	789	254
2002	304	5	822	13
2003	275	−32	743	−90
2004	257	−22	687	−62
2005	270	15	766	37
2006	284	10	908	130
2007	565	275	1,119	174
2008: Jan–Aug	692	105	1,308	165
2008: Sep–Dec	1,189	489	1,098	−234

NET ISSUANCE OF ETF SHARES REACHED A

Record $177 Billion in 2008



SECTION 3:

Exchange-Traded Funds

Over the past decade, demand for ETFs has grown markedly as investors—both institutional and retail—increasingly turn to them as investment options in their portfolios. With the increase in demand, sponsors have offered more ETFs with a greater variety of investment objectives. While ETFs share some basic characteristics with mutual funds, there remain key operational and structural differences between the two types of investment products.

THIS SECTION PROVIDES AN OVERVIEW OF EXCHANGE-TRADED FUNDS (ETFs), HOW THEY ARE CREATED, HOW THEY DIFFER FROM MUTUAL FUNDS, HOW THEY TRADE, AND THE DEMAND BY INVESTORS FOR ETFs.

What Is an ETF?

ETFs are a relatively recent innovation to the investment company concept. The first ETF—a broad-based domestic equity fund tracking the S&P 500 index—was introduced in 1993 after a fund sponsor received U.S. Securities and Exchange Commission (SEC) exemptive relief from various provisions of the Investment Company Act of 1940 that would not otherwise allow the ETF structure. Until 2008, SEC exemptive relief was granted only to ETFs that tracked designated indexes. These ETFs, commonly referred to as index-based ETFs, are designed to track the performance of their specified indexes or, in some cases, a multiple of or an inverse (or multiple inverse) of their indexes.

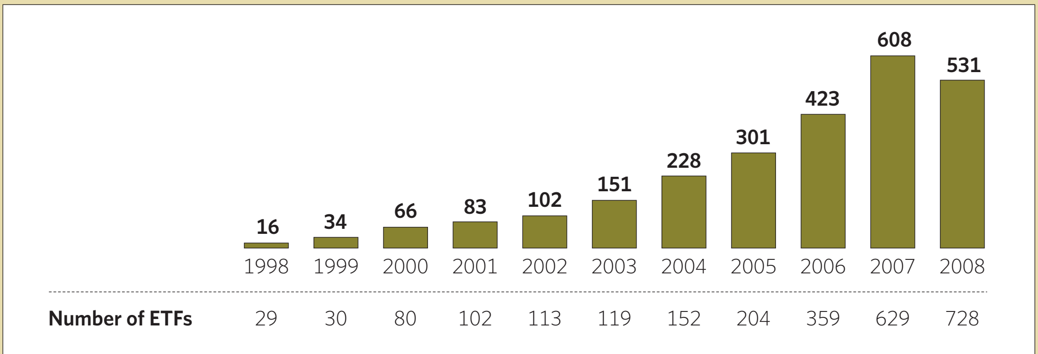
In early 2008, the SEC granted exemptive relief to several fund sponsors to offer fully transparent actively managed ETFs that meet certain requirements. Among other requirements, these actively managed ETFs must disclose each business day on their publicly available websites the identities and weightings of the component securities and other assets held by the ETF. Actively managed ETFs do not seek to track the return of a particular index. Instead, an actively managed ETF's investment adviser, like that of an actively managed mutual fund, creates a unique mix of investments to meet a particular investment objective and policy.

By the end of 2008, the total number of index-based and actively managed ETFs had grown to 728, and total net assets were $531 billion (Figure 3.1). Of these, 12 were actively managed ETFs with less than $250 million in total net assets.

FIGURE 3.1

TOTAL NET ASSETS AND NUMBER OF ETFs*

BILLIONS OF DOLLARS, YEAR-END, 1998-2008



**ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include ETFs not registered under the Investment Company Act of 1940; ETF data exclude ETFs that invest primarily in other ETFs.*

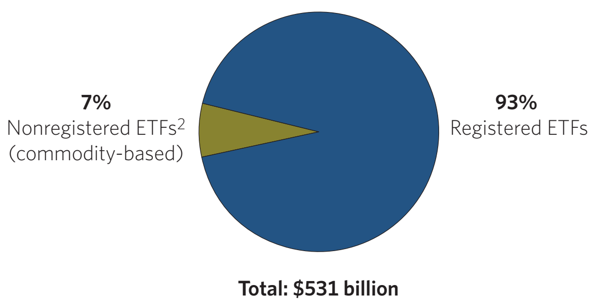
Sources: Investment Company Institute and Strategic Insight Simfund

The vast majority of assets in ETFs are registered with the SEC under the Investment Company Act of 1940 (Figure 3.2). About 7 percent of ETF assets, which are commodity-based, are not registered with or regulated by the SEC under the Investment Company Act of 1940. Those commodity-based ETFs that invest in commodity futures are regulated by the Commodity Futures Trading Commission (CFTC), while those that invest solely in physical commodities are not regulated by the CFTC.

FIGURE 3.2

LEGAL STATUS OF ETFs[1]

PERCENTAGE OF TOTAL NET ASSETS, YEAR-END 2008



[1]ETF data exclude ETFs that invest primarily in other ETFs.

[2]ETFs not registered under the Investment Company Act of 1940.

Creation of an ETF

An ETF originates with a sponsor, who chooses the investment objective of the ETF. In the case of an index-based ETF, the sponsor chooses both an index and a method of tracking its target index. Index-based ETFs track their target index in one of two ways. A replicate index-based ETF holds every security in the target index because it invests 100 percent of its assets proportionately in all the securities in the target index. A sample index-based ETF does not hold every security in the target index; instead the sponsor chooses a representative sample of securities in the target index in which to invest. Representative sampling is a practical solution for an ETF that has a target index with thousands of securities in it.

The sponsor of an actively managed ETF also determines the investment objectives of the fund and may trade securities at its discretion, much like an actively managed mutual fund. In theory, an actively managed ETF could trade its portfolio securities regularly. In practice, however, most existing actively managed ETFs tend to trade only weekly or monthly for a number of reasons, including minimizing the risk of other market participants front-running their trades (submitting trades in advance of the ETF to take advantage of any predictable changes in security prices).

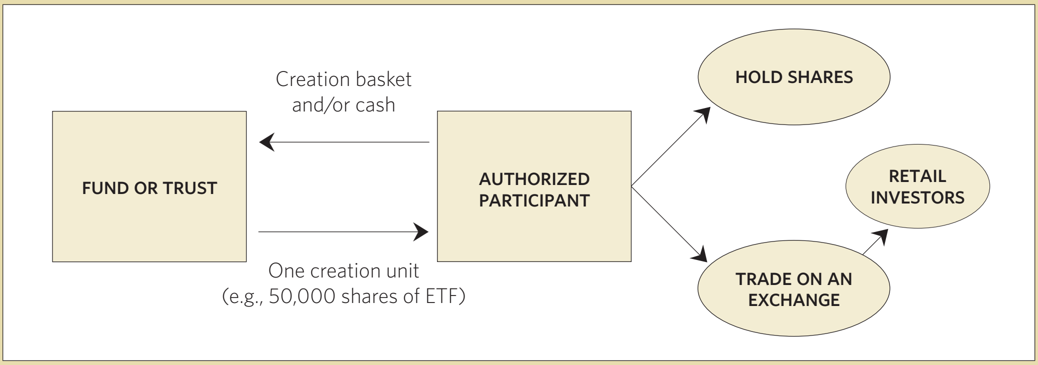
ETFs are required to publish information about their portfolio holdings daily. Each business day, the ETF publishes a "creation basket," a specific list of names and quantities of securities and/or other assets designed to track the performance of the portfolio as a whole. In the case of an index-based ETF, the creation basket is either a replicate or a sample of the ETF's portfolio. Actively managed ETFs and certain types of index-based ETFs are required to publish their complete portfolio holdings in addition to their creation basket.

ETF shares are created when an "authorized participant"—typically an institutional investor—deposits the daily creation basket and/or cash with the ETF (Figure 3.3). The ETF may require or permit an authorized participant to substitute cash for some or all of the securities or assets in the creation basket. For instance, if a security in the creation basket is difficult to obtain or may not be held by certain types of investors (as is the case with certain foreign securities), the ETF may allow the authorized participant to pay that security's portion of the basket in cash. An authorized participant may also be charged a transaction fee to offset any transaction expenses the fund undertakes. In return for the creation basket and/or cash, the ETF issues to the authorized participant a "creation unit" that consists of a specified number of ETF shares. Creation units are large blocks of shares that generally range in size from 25,000 to 200,000 shares. The authorized participant can either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange. ETF shares are listed on a number of stock exchanges where investors can purchase them as they would shares of a publicly traded company.

A creation unit is liquidated when an authorized participant returns the specified number of shares in the creation unit to the ETF. In return, the authorized participant receives the daily "redemption basket," a set of specific securities and/or other assets contained within the ETF's portfolio. The composition of the redemption basket typically mirrors that of the creation basket.

FIGURE 3.3

CREATION OF AN EXCHANGE-TRADED FUND



ETFs and Mutual Funds

An ETF is similar to a mutual fund in that it offers investors a proportionate share in a pool of stocks, bonds, and other assets. It is most commonly structured as an open-end investment company and is governed by the same regulations as mutual funds. Also, like a mutual fund, an ETF is required to post the marked-to-market net asset value (NAV) of its portfolio at the end of each trading day. Despite these similarities, key features differentiate ETFs from mutual funds.

Key Differences

One major difference is that retail investors buy and sell ETF shares on a stock exchange through a broker-dealer, much like they would with any other type of stock. In contrast, mutual fund shares are not listed on stock exchanges. Retail investors buy and sell mutual fund shares through a variety of distribution channels, including through a financial adviser, broker-dealer, or directly from a fund company.

Pricing also differs between mutual funds and ETFs. Mutual funds are "forward priced," which means that although investors can place orders to buy or sell shares throughout the day, all orders received during the day will receive the same price—the NAV—the next time it is computed. Most mutual funds calculate their NAV as of 4:00 p.m. eastern time because that is the time U.S. stock exchanges typically close. In contrast, the price of an ETF share is continuously determined on a stock exchange. Consequently, the price at which investors buy and sell ETF shares may not necessarily equal the NAV of the portfolio of securities in the ETF. In addition, two investors selling the same ETF shares at different times on the same day may receive different prices for their shares, both of which may differ from the ETF's NAV.

How ETFs Trade

The price of an ETF share on a stock exchange is influenced by the forces of supply and demand. While imbalances in supply and demand can cause the price of an ETF share to deviate from its NAV, substantial deviations, for many ETFs, tend to be short-lived. Two primary features of an ETF's structure promote trading of an ETF's shares at a price that approximates the ETF's NAV: portfolio transparency and the ability for authorized participants to create or redeem ETF shares at NAV at the end of each trading day.

ETFs contract with third parties (typically market data vendors) to calculate a real-time estimate of an ETF's current value, often called the Intraday Indicative Value (IIV), using the portfolio information an ETF publishes daily. IIVs are disseminated at regular intervals during the trading day (typically every 15 to 60 seconds). Investors can observe any discrepancies between the ETF's share price and its IIV during the trading day. When a gap exists between the ETF share price and its IIV, investors may decide to trade in either the ETF share or the underlying securities that the ETF holds in its portfolio in order to attempt to capture a profit. This trading can help to narrow that gap either by moving the price of the ETF share closer to its IIV or moving the prices of the underlying securities so that the IIV moves closer to the price of the ETF share.

The ability of authorized participants to create or redeem ETF shares at NAV at the end of each trading day also helps an ETF trade at market prices that approximate the underlying market value of the portfolio. When a deviation between an ETF's market price and its NAV occurs, authorized participants may buy or sell creation units at NAV to capture a profit. For example, when an ETF's share price is above its NAV, authorized participants may find it profitable to deliver the creation basket of securities to the ETF in exchange for ETF shares that they may sell. When an ETF's share price is below its NAV, authorized participants may find it profitable to return ETF shares to the fund in exchange for the ETF's redemption basket of securities that they may sell. These actions by authorized participants help keep the market-determined price of an ETF's shares close to its NAV.

Demand for ETFs

Demand for ETFs has accelerated as institutional investors have found ETFs a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Retail investors and their financial advisers have become increasingly aware of these investment vehicles. An estimated 2 percent of households, or 2.3 million, owned ETFs in 2008. Of households that owned mutual funds, an estimated 4 percent also owned ETFs. Assets in ETFs accounted for 5 percent of total net assets managed by investment companies at year-end 2008. Net issuance of ETF shares continued to rise in 2008, reaching a record $177 billion (Figure 3.4).

FIGURE 3.4

NET ISSUANCE OF ETF SHARES[1]

MILLIONS OF DOLLARS, 1999–2008

		INVESTMENT OBJECTIVE				
		Equity				
		Domestic equity				
Year	Total[2]	Broad-based	Sector	Global/ International	Bond and hybrid	Commodities[3]
1999	$11,929	$10,221	$1,596	$112	–	–
2000	42,508	40,591	1,033	884	–	–
2001	31,012	26,911	2,735	1,366	–	–
2002	45,302	35,477	2,304	3,792	$3,729	–
2003	15,810	5,737	3,587	5,764	721	–
2004	56,375	29,084	6,514	15,645	3,778	$1,353
2005	56,729	16,941	6,719	23,455	6,756	2,859
2006	73,995	21,589	9,780	28,423	5,729	8,475
2007	150,617	61,152	18,122	48,842	13,440	9,062
2008	177,220	88,105	30,296	25,243	23,010	10,567

[1]Data prior to 2001 were provided by Strategic Insight Simfund.
[2]Data for ETFs that invest primarily in other ETFs are excluded from the total.
[3]ETFs not registered under the Investment Company Act of 1940.
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Strategic Insight Simfund

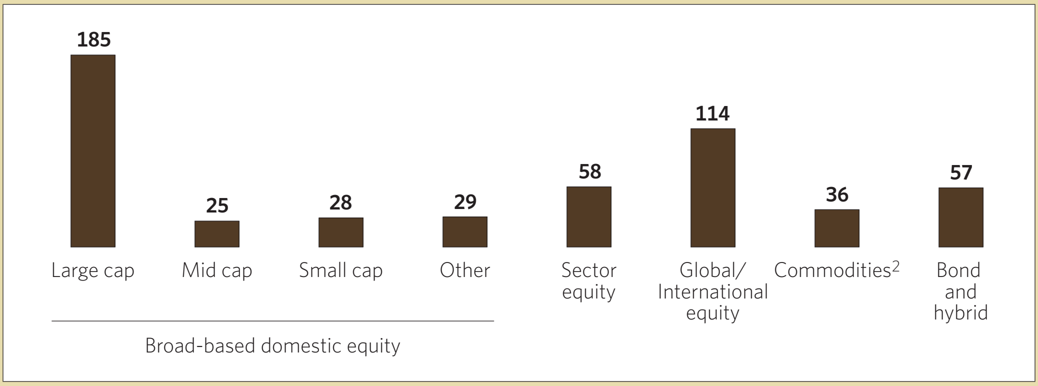
Even with the decline in 2008, assets in ETFs have grown rapidly over the past decade with net issuance of ETF shares contributing to much of this increase. From year-end 1998 through 2008, ETFs issued $661 billion in net new shares, and investor demand for broad-based domestic equity ETFs accounted for about half of this total. These equity ETFs issued $336 billion in net new shares during this 10-year period, and their assets were $266 billion at year-end 2008 (Figure 3.5). Within the broad-based domestic equity category, ETFs that track large cap domestic equity indexes, such as the S&P 500, managed $185 billion or 35 percent of all assets invested in ETFs.

Investor interest in global and international ETFs remained fairly strong in 2008 with net issuance amounting to $25 billion. In contrast, mutual funds that invested in foreign markets experienced substantial outflows in 2008. Over the period of 2004 to 2008, international and global ETFs issued $142 billion in net new shares; assets of these funds were $114 billion at the end of 2008.

FIGURE 3.5

TOTAL NET ASSETS OF ETFs[1] CONCENTRATED IN LARGE CAP DOMESTIC STOCKS

BILLIONS OF DOLLARS, YEAR-END 2008



[1]ETF data exclude ETFs that primarily invest in other ETFs.
[2]ETFs not registered under the Investment Company Act of 1940.

Increased investor demand for ETFs led to a rapid increase in the number of ETFs created by fund sponsors (Figure 3.6). Over the period of 2000 to 2008, there were 758 ETFs created with the majority being offered in the last three years. Until 2008, few ETFs had been liquidated. In 2008, market pressures, however, appeared to start coming into play as ETFs that track virtually identical indexes competed more vigorously against each other to gather assets. Also, some ETFs tied to niche indexes failed to generate enough investor interest. Although 50 ETFs were liquidated during 2008, the number of ETFs increased, on net, by nearly 100 to 728 at year-end 2008.

FIGURE 3.6

NUMBER OF ETFs*

2000–2008

	Created	Liquidated	Total at year-end
2000	50	0	80
2001	22	0	102
2002	14	4	113
2003	10	4	119
2004	35	2	152
2005	52	0	204
2006	156	1	359
2007	270	0	629
2008	149	50	728

**ETF data exclude ETFs that primarily invest in other ETFs and include ETFs not registered under the Investment Company Act of 1940.*

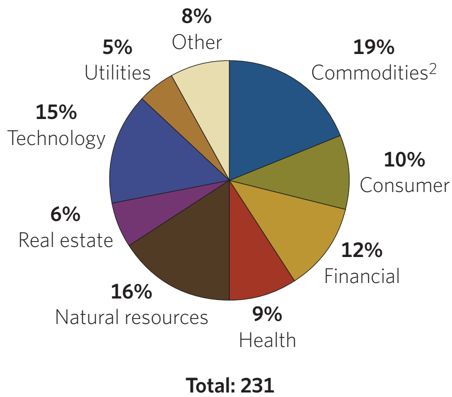
As demand for ETFs has grown, ETF sponsors have offered more funds with a greater variety of investment objectives. In the mid-1990s, ETF sponsors introduced funds that invested in foreign stock markets. More recently, sponsors have introduced ETFs that invest in particular market sectors, industries, or commodities. At year-end 2008, there were 231 sector and commodity ETFs (Figure 3.7) with $94 billion in assets (Figure 3.8). While commodity ETFs made up 19 percent of the number of sector and commodity ETFs, they accounted for 38 percent of total assets. Since their introduction in 2004, these nonregistered ETFs have grown from just over $1 billion to $36 billion by the end of 2008. Approximately three-quarters of commodity ETF assets tracked the price of gold and silver through the spot and futures markets in 2008. Sector ETFs that have proven to be popular with investors, both in terms of the number offered and assets gathered, are those focused on natural resources and financial institutions.

In 2008, ETF sponsors continued to create new products. As mentioned above, one development was the action by the SEC to grant exemptive orders to several fund complexes to allow them to sponsor actively managed ETFs under specific conditions. Another was the introduction of ETFs that are structured as funds of funds. ETF funds of funds are ETFs that hold and invest primarily in shares of other ETFs. At year-end 2008, there were 15 ETF funds of funds with $97 million in assets.

FIGURE 3.7

NUMBER OF COMMODITY AND SECTOR ETFs[1]

PERCENTAGE, YEAR-END 2008

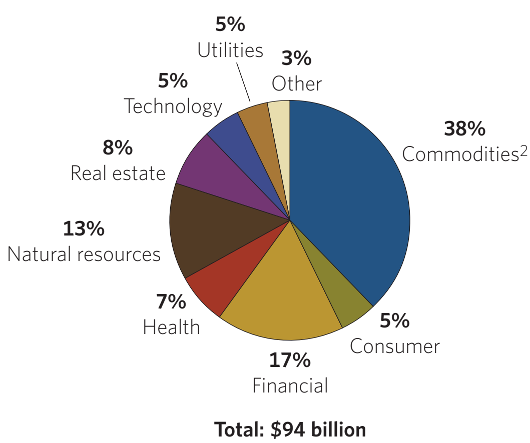


[1]ETF data exclude ETFs that primarily invest in other ETFs.
[2]ETFs not registered under the Investment Company Act of 1940.

FIGURE 3.8

TOTAL NET ASSETS OF COMMODITY AND SECTOR ETFs[1]

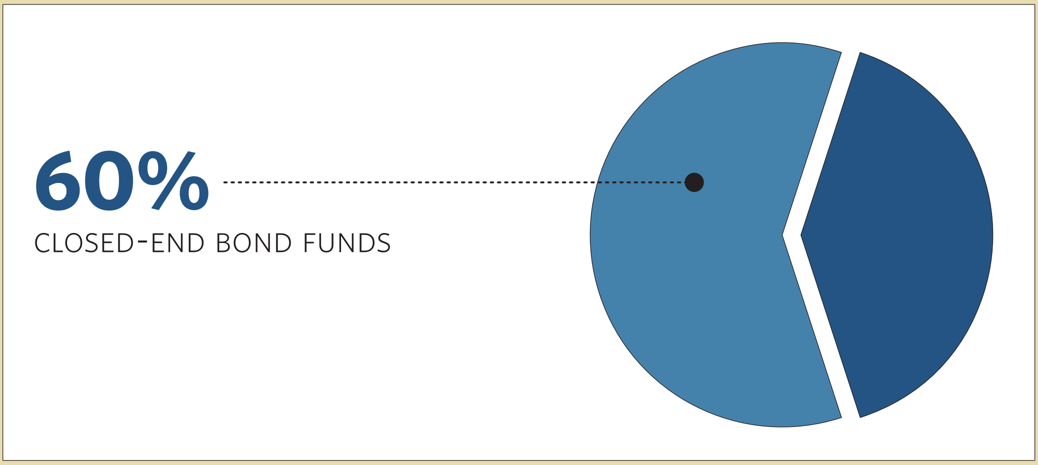
PERCENTAGE, YEAR-END 2008



[1]ETF data exclude ETFs that primarily invest in other ETFs.
[2]ETFs not registered under the Investment Company Act of 1940.
Note: Components do not add to 100 percent because of rounding.

BOND FUNDS ACCOUNTED FOR MORE THAN HALF OF

Closed-End Funds' Total Net Assets in 2008



SECTION 4:

Closed-End Funds

Closed-end funds are one of four types of investment companies, along with mutual (or open-end) funds, exchange-traded funds, and unit investment trusts. Closed-end funds generally issue a fixed number of shares that are listed on a stock exchange or traded in the over-the-counter market. The assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in stocks, bonds, and other securities.

THIS SECTION DESCRIBES RECENT CLOSED-END FUND DEVELOPMENTS IN THE U.S. AND PROVIDES A PROFILE OF THE U.S. HOUSEHOLDS THAT OWN THEM.

Assets in Closed-End Funds

Total closed-end fund portfolio assets decreased by $125 billion in 2008, leaving the combined assets of the nation's closed-end funds at $188 billion (Figure 4.1). The decline in assets in 2008 reflected substantial losses in U.S. and international equity markets, declines in prices on municipal and corporate securities, and a contraction in outstanding auction market preferred stock issued by closed-end funds. Despite this decrease, assets in closed-end funds have increased 31 percent since year-end 2000.

Historically, bond funds have accounted for a large share of assets in closed-end funds. In 2000, 74 percent of all closed-end fund assets were held in bond funds, while 26 percent were held in equity funds. At year-end 2008, assets in bond closed-end funds were $112 billion, or 60 percent of closed-end fund assets (Figure 4.2). Equity closed-end funds totaled $76 billion, or 40 percent of closed-end fund assets. These relative shares have shifted a bit over time, in part because issuance by equity closed-end funds has exceeded that by bond closed-end funds from 2004 through 2008.

FIGURE 4.1

CLOSED-END FUND ASSETS DECREASED TO $188 BILLION

BILLIONS OF DOLLARS, YEAR-END, 2000–2008

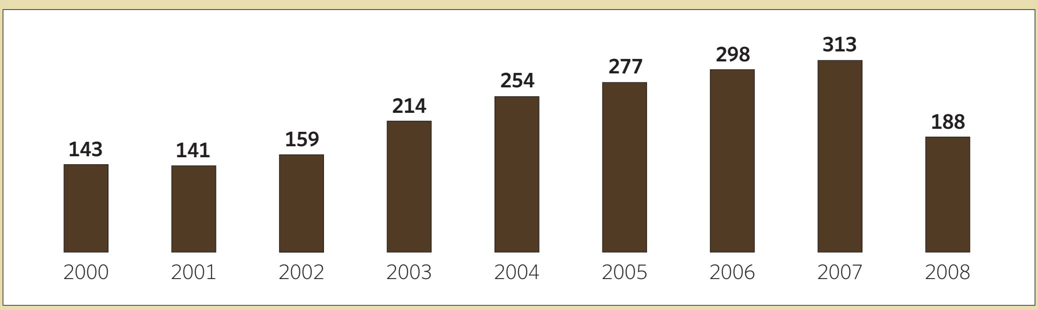
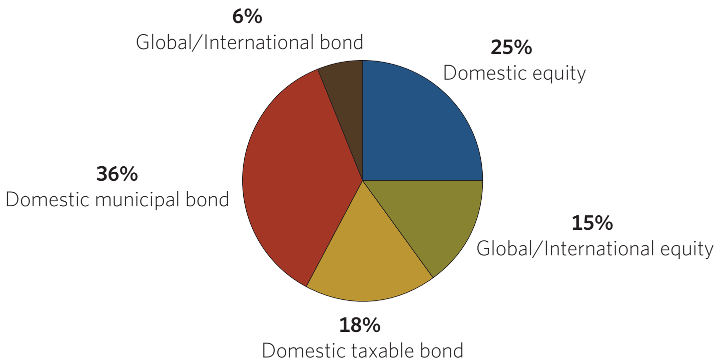


FIGURE 4.2

BOND FUNDS WERE LARGEST SEGMENT OF CLOSED-END FUND MARKET

PERCENTAGE OF CLOSED-END FUND TOTAL NET ASSETS, YEAR-END 2008



Total closed-end fund assets: $188 billion

There was little issuance of new closed-end fund shares in 2008. Proceeds from issuance of closed-end funds totaled only $329 million, of which $121 million went to closed-end bond funds (Figure 4.3). The remaining $208 million in proceeds was from issuance of closed-end equity funds, primarily issuance of global and international equity closed-end funds, which accounted for 96 percent of equity closed-end fund proceeds. Overall, the issuance of global and international equity closed-end funds represented 61 percent of the $329 million in total net proceeds.

For more complete data on closed-end funds, see Section 2 in the Data Tables on pages 120–121.

FIGURE 4.3

CLOSED-END FUND SHARE ISSUANCE

PROCEEDS FROM THE ISSUANCE OF INITIAL AND ADDITIONAL PUBLIC OFFERINGS OF CLOSED-END FUND SHARES, MILLIONS OF DOLLARS, 2002–2008*

		EQUITY		BOND	
	Total	Domestic	Global/ International	Domestic	Global/ International
2002	$24,911	$9,191	$18	$15,701	$0
2003	40,963	11,187	161	28,582	1,032
2004	27,867	15,424	5,801	5,613	1,028
2005	21,266	12,559	6,628	1,955	124
2006	12,332	7,691	2,584	1,724	334
2007	31,192	5,973	19,870	2,654	2,695
2008	329	8	200	121	0

**Data are not available for years prior to 2002.*

Note: Components may not add to the total because of rounding.

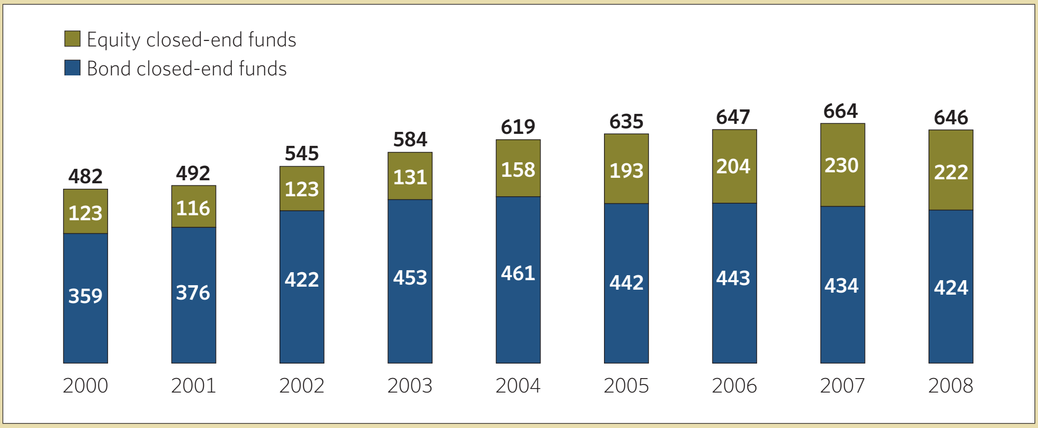
Number of Closed-End Funds

The number of closed-end funds available to investors has increased during the past several years. At the end of 2008, there were 646 closed-end funds, up from 482 at the end of 2000 (Figure 4.4). The increase in the number of equity funds accounted for 60 percent of the increase in the total number of closed-end funds during this eight-year period. Equity funds now make up 34 percent of the total number of closed-end funds, compared with 26 percent at year-end 2000. Bond funds, however, are still the most common type of closed-end fund. For example, municipal bond funds represented 41 percent of all closed-end funds in 2008.

FIGURE 4.4

NUMBER OF CLOSED-END FUNDS

YEAR-END, 2000–2008



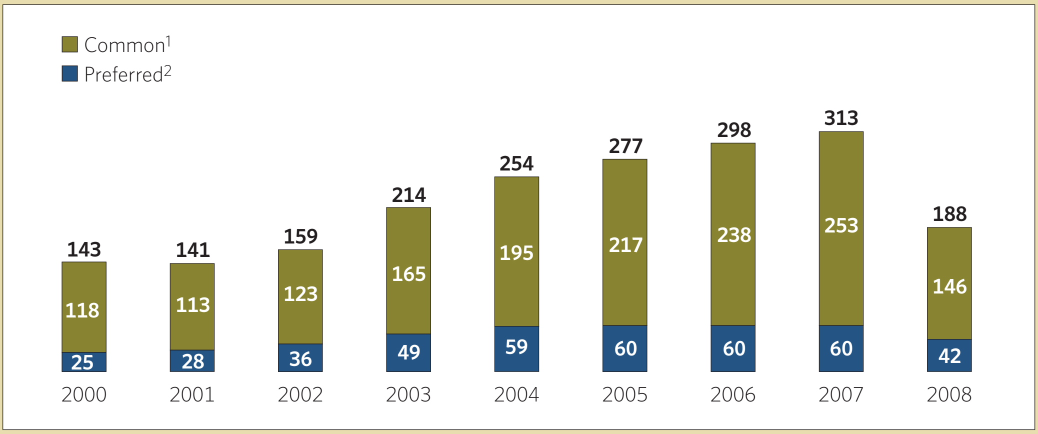
Closed-End Fund Preferred Shares

Closed-end funds are permitted to issue one class of preferred shares in addition to common shares. Preferred shares differ from common shares in that preferred shareholders are paid dividends but do not share in the gains and losses of the fund. Issuing preferred shares allows a closed-end fund to raise additional capital, which it can use to purchase more securities for its portfolio. This strategy, known as leveraging, is intended to allow the fund to produce higher returns for its common shareholders. At year-end 2008, 22 percent of the $188 billion in closed-end fund assets were preferred shares (Figure 4.5).

FIGURE 4.5

BULK OF CLOSED-END FUND TOTAL NET ASSETS WAS IN COMMON SHARE CLASSES

BILLIONS OF DOLLARS, YEAR-END, 2000–2008



[1]All closed-end funds issue common stock, which is also known as common shares.

[2]A closed-end fund may issue preferred shares to raise additional capital, which can be used to purchase more securities for its portfolio. Preferred stock differs from common stock in that preferred shareholders are paid dividends, but do not share in the gains and losses of the fund.

Closed-End Fund Auction Market Preferred Stock

Auction market preferred stock (AMPS) is a type of preferred share that pays dividends at rates set through auctions run by an independent auction agent. Typically, shares trade hands and dividend rates are reset through auctions that are held every seven or 28 days. Investors submit bids and sell orders through a broker-dealer, who, in turn, submits them to an auction agent. Bids are filled to the extent shares are available, and sell orders are filled to the extent there are bids. All filled bids receive dividends at the new set dividend, or market clearing, rate.

Since mid-February 2008, all auctions for closed-end fund AMPS have failed. The failed auctions have not been caused by defaults under the terms of the AMPS or credit quality concerns with fund investments, but rather simply because there were more shares offered for sale in the auction than there were bids to buy shares. Prior to the failures, if more shares were tendered for sale than purchased, broker-dealers typically would enter the auction and purchase any excess shares to prevent the auction from failing. However, broker-dealers are not, and never have been, legally required to bid for their own accounts in an auction.

As a result of a series of pressures on their balance sheets, broker-dealers stopped participating in the auctions. After a few auctions failed, all subsequent auctions for closed-end fund preferred stock failed. Preferred shareholders appeared to become concerned about the liquidity of their AMPS, and many sought to sell their shares. This move by preferred shareholders increased the imbalance between purchases and sales, making it difficult for the auction market to resume functioning.

Puttable Preferred Stock

In light of these events, closed-end funds have taken a number of steps to replace their AMPS with alternative forms of leverage. They have, among other things, obtained bank loans, lines of credit, issued tender option bonds, engaged in reverse repurchase agreements, and issued extendable notes to replace AMPS while maintaining leverage. In addition, the closed-end fund industry is trying to issue a new type of preferred stock known as puttable preferred stock. Industry participants are developing puttable preferred stock to permit redemption of auction market preferred stock while maintaining leverage for the benefit of common shareholders. Puttable preferred stock is similar to AMPS in that it is expected to pay dividends at variable rates, and sell orders will be filled to the extent there are bids. Unlike AMPS, however, rates will be set through remarketings run by one or more financial institutions acting as remarketing agents (rather than through auctions); and if there are more sell orders than bids, a third party, commonly referred to as a liquidity provider, will be contractually obligated to unconditionally purchase all puttable preferred stock.

This new type of preferred stock alternatively has been referred to as Liquidity Protected Preferred (LPP), Variable Rate Demand Preferred (VRDP), or Liquidity Enhanced Adjustable Rate Securities (LEARS). These instruments are similar, but not identical, to each other. It remains to be seen how the market for the new puttable preferred stock will develop.

Characteristics of Closed-End Fund Investors

An estimated 2.0 million U.S. households held closed-end funds in 2008. These households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2008, 93 percent of closed-end fund–owning households also owned stocks, either directly or through stock mutual funds, or variable annuities (Figure 4.6).

FIGURE 4.6

CLOSED-END FUND INVESTORS OWNED A BROAD RANGE OF INVESTMENTS

PERCENTAGE OF CLOSED-END FUND–OWNING HOUSEHOLDS HOLDING EACH TYPE OF INVESTMENT, MAY 2008*

Stock mutual funds, stocks, or variable annuities (total)	**93**
Bond mutual funds, bonds, or fixed annuities (total)	**83**
Mutual funds (total)	**91**
Stock mutual funds	84
Bond mutual funds	69
Hybrid mutual funds	51
Money market funds	69
Stocks	**80**
Bonds	**28**
Fixed or variable annuities	**44**
Investment real estate	**45**

**Multiple responses are included.*

Eighty-three percent of households that owned closed-end funds also held bonds, bond mutual funds, or fixed annuities. In addition, 45 percent of these households owned investment real estate. Because a large number of households that owned closed-end funds also owned stocks and mutual funds, the characteristics of closed-end fund owners are similar in many respects to those of stock and mutual fund owners. For instance, households that owned closed-end funds—like stock- and mutual fund–owning households—tended to be headed by college-educated individuals and had household incomes above the national average (Figure 4.7).

Nonetheless, households that owned closed-end funds exhibit certain characteristics that distinguish them from stock- and mutual fund–owning households. For example, households with closed-end funds tended to have much greater household financial assets than either stock or mutual fund investors. Closed-end fund investors were also more likely to be retired from their lifetime occupations than either stock or mutual fund investors.

FIGURE 4.7

CLOSED-END FUND INVESTORS HAD ABOVE-AVERAGE HOUSEHOLD INCOMES AND FINANCIAL ASSETS

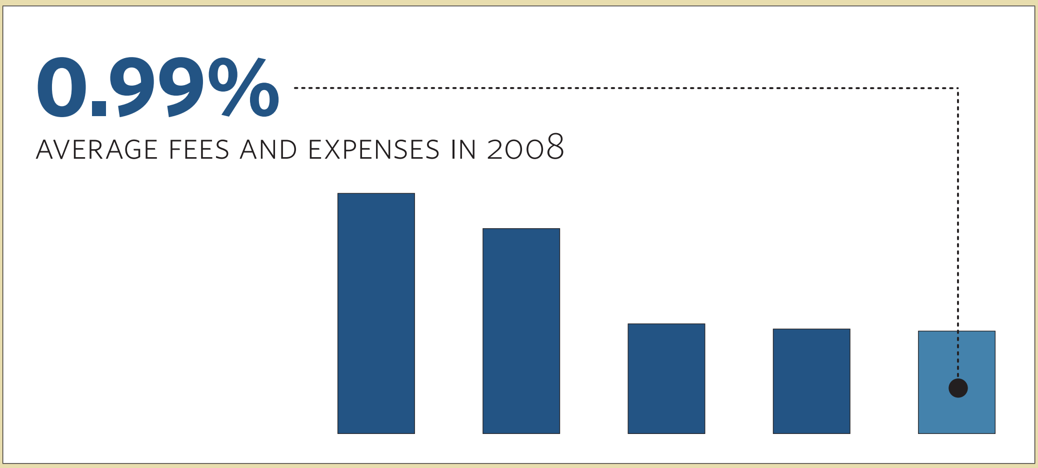
MAY 2008

	All U.S. households	Households owning closed-end funds	Households owning mutual funds	Households owning individual stocks
Median				
Age of head of household	49	53	49	51
Household income[1]	$50,000	$110,000	$80,000	$87,500
Household financial assets[2]	$85,000	$375,000	$200,000	$280,000
Percentage				
Household primary or co-decisionmaker for saving and investing:				
Married or living with a partner	62	78	76	77
Widowed	11	5	6	6
Four-year college degree or more	30	58	46	50
Employed (full- or part-time)	64	64	78	74
Retired from lifetime occupation	26	40	22	26
Household owns:				
IRA(s)	40	84	68	64
DC retirement plan account(s)	52	73	78	74

[1]*Total reported is household income before taxes in 2007.*
[2]*Household financial assets include assets in employer-sponsored retirement plans, but exclude the household's primary residence.*

FEES AND EXPENSES OF STOCK FUNDS

Dropped by More Than Half Since 1980



SECTION 5:

Mutual Fund Fees and Expenses

Mutual fund investing involves two primary kinds of fees and expenses: sales loads and ongoing expenses. Sales loads are one-time fees—paid directly by investors either at the time of share purchase (front-end loads) or, in some cases, when shares are redeemed (back-end loads). Ongoing fund expenses cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services such as call centers and websites, distribution charges known as 12b-1 fees, and other miscellaneous costs of operating the fund. Unlike sales loads, ongoing expenses are paid from fund assets, and thus investors pay them indirectly. A fund's expense ratio is its annual ongoing expenses expressed as a percentage of fund assets.

MUTUAL FUND INVESTORS, LIKE INVESTORS IN ALL FINANCIAL PRODUCTS, PAY FOR SERVICES THEY RECEIVE. THIS SECTION PROVIDES AN OVERVIEW OF MUTUAL FUND FEES AND EXPENSES.

Trends in Mutual Fund Fees and Expenses

To understand trends in mutual fund fees and expenses, it is helpful to combine major fund fees and expenses into a single measure. ICI created such a measure by adding a fund's annual expense ratio to an estimate of the annualized cost that investors pay for one-time sales loads. This measure gives more weight to those funds that have the most assets.

Mutual fund fees and expenses that investors pay have trended downward since 1980. In 1980, investors in stock funds, on average, paid fees and expenses of 2.32 percent of fund assets. By 2008, that figure had fallen by almost 60 percent to 0.99 percent (Figure 5.1). Fees and expenses paid on bond funds have declined by a similar amount.

There are several reasons for the dramatic drop in the fees and expenses incurred by mutual fund investors. First, investors generally pay much less in sales loads than they did in 1980. For example, the maximum front load that an investor might pay for investing in an equity fund has fallen from an average of 7.9 percent of the investment in 1980 to 5.3 percent in 2008. The front-end loads that equity fund shareholders actually paid have fallen even more, from 5.5 percent in 1980 to only 1.1 percent in 2008. A key factor in the steep decline in loads paid has been the growth of mutual fund sales through employer-sponsored retirement plans. Load funds often do not charge loads for purchases of fund shares through such retirement plans.

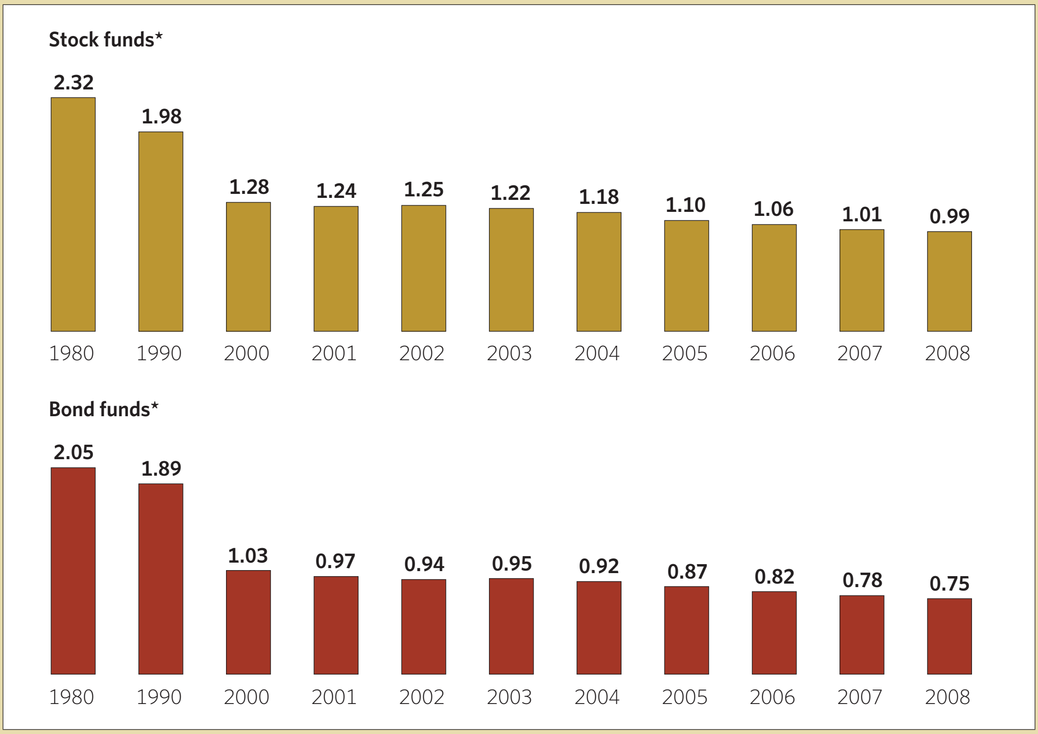
Another reason for the decline in the fees and expenses of investing in mutual funds has been the growth in sales of no-load funds. Much of the increase in sales of no-load funds has occurred through the employer-sponsored retirement plan market. Sales of no-load funds have also expanded through mutual fund supermarkets and discount brokers.

Finally, mutual fund fees have been pushed down by economies of scale and competition within the mutual fund industry. The demand for mutual fund services has increased dramatically since 1980. From 1980 to 2008, the number of households owning mutual funds rose from 4.6 million to 52.5 million, and the number of shareholder accounts rose from just 12 million to about 265 million. Ordinarily, such a sharp increase in the demand for fund services would have tended to limit decreases in fund expense ratios. This effect, however, was more than offset by the downward pressure on fund expense ratios from competition among existing fund sponsors, the entry of new fund sponsors into the industry, economies of scale resulting from the growth in fund assets, and shareholder demand for lower cost funds.

FIGURE 5.1

FEES AND EXPENSES INCURRED BY STOCK AND BOND MUTUAL FUND INVESTORS HAVE DECLINED SINCE 1980

PERCENT, SELECTED YEARS



**Variable annuities and mutual funds that invest primarily in other mutual funds are excluded. Figure reports asset-weighted average of annual expense ratios and annualized loads for individual funds.*

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

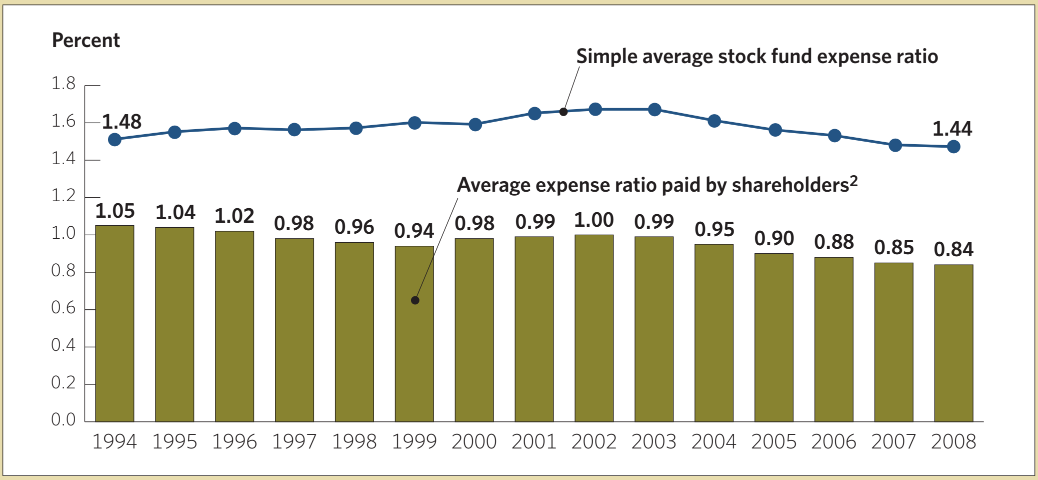
Shareholder Demand for Lower-Cost Funds

Focusing only on fund expense ratios, ICI research still indicates that mutual fund shareholders invest predominantly in low-cost funds. This can be seen by comparing the average expense ratio on mutual funds offered in the marketplace with the average expense ratio mutual fund shareholders actually paid (Figure 5.2). The simple average expense ratio of stock funds (which measures the average expense ratio of all stock funds offered in the market) was 1.44 percent in 2008. The average expense ratio that stock fund shareholders actually paid (the asset-weighted average expense ratio across all stock funds) was considerably lower: just 0.84 percent of stock fund assets. Thus, investors actually paid expense ratios at the lower end of the range of funds available in the market.

FIGURE 5.2

FUND SHAREHOLDERS PAID LOWER-THAN-AVERAGE EXPENSE RATIOS IN STOCK FUNDS[1]

1994–2008



[1]Variable annuities and mutual funds that invest primarily in other mutual funds are excluded.

[2]Figure reports asset-weighted average of annual expense ratios for individual funds.

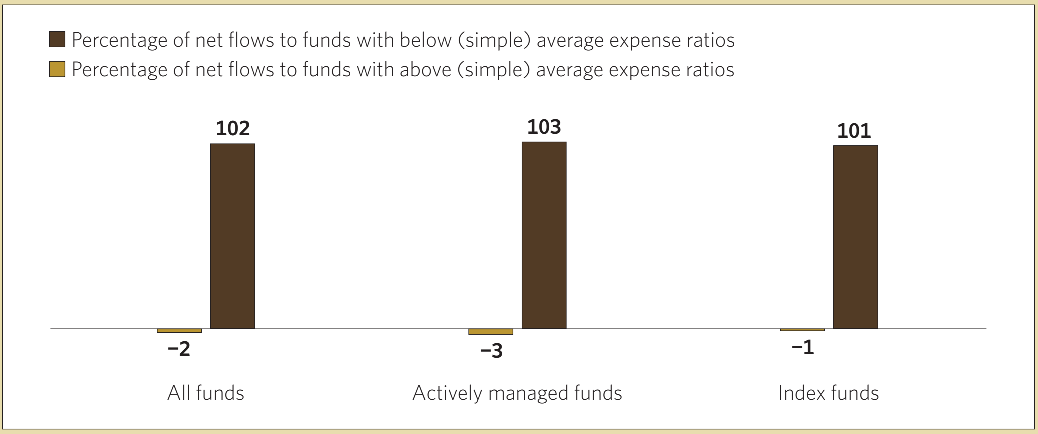
Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

Another way to illustrate that investors demand mutual funds with low expense ratios is to identify how investors allocate their new purchases of mutual fund shares. During the 10-year period from 1999 to 2008, more than 100 percent of the new cash flowing to stock funds went to those funds whose expense ratios were below average, while funds with above average expense ratios as a group experienced outflows (Figure 5.3). This was true for both actively managed funds and index mutual funds.

FIGURE 5.3

STOCK FUNDS WITH BELOW-AVERAGE EXPENSE RATIOS RECEIVED 102 PERCENT OF NET NEW CASH*

PERCENTAGE, 1999–2008



**Variable annuities and mutual funds that invest primarily in other mutual funds are excluded.*

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

Factors Influencing Mutual Fund Fees and Expenses

As is true of the prices of most goods and services, fees differ considerably across the range of mutual funds (Figure 5.4). The level of fund fees depends on the fund investment objective, fund assets, balances in shareholder accounts, the number and kinds of services that a fund offers, and other factors.

FUND INVESTMENT OBJECTIVE. Expenses vary by type of fund; for example, bond and money market funds tend to have lower expense ratios than equity funds. Among equity funds, expense ratios tend to be higher among funds that specialize in particular sectors ("sector" funds), such as healthcare or real estate, or those that invest in international stocks, which tend to be more costly to manage than, for instance, stocks in the S&P 500 index.

Even within a particular type of fund, there can be considerable variation in fund expense ratios. For example, 10 percent of aggressive growth equity funds have expense ratios of 0.89 percent or less, while 10 percent have expense ratios of 2.24 percent or more. Such variation in part reflects the fact that such funds are not all identical. Some aggressive growth funds may choose to focus more on small- or mid-cap stocks while others may focus more on large-cap stocks. This can be significant because small- and mid-cap stocks tend to be more costly to manage.

FIGURE 5.4

EXPENSE RATIOS FOR SELECTED INVESTMENT OBJECTIVES*

PERCENT, 2008

Investment objective	10th percentile	Median	90th percentile	Average *(asset-weighted)*	Average *(simple)*
Equity funds	**0.79**	**1.39**	**2.22**	**0.84**	**1.46**
Aggressive growth	0.89	1.44	2.24	1.02	1.53
Growth	0.76	1.30	2.12	0.90	1.39
Sector funds	0.91	1.54	2.36	0.95	1.61
Growth and income	0.49	1.17	1.97	0.57	1.23
Income equity	0.75	1.20	1.97	0.80	1.30
International equity	0.94	1.55	2.36	1.00	1.61
Hybrid funds	**0.69**	**1.26**	**2.05**	**0.78**	**1.35**
Bond funds	**0.50**	**0.95**	**1.71**	**0.63**	**1.07**
Taxable bond	0.49	0.97	1.78	0.66	1.07
Municipal bond	0.54	0.92	1.62	0.63	1.05
Money market funds	**0.20**	**0.55**	**1.04**	**0.39**	**0.60**

**Variable annuities and mutual funds that invest primarily in other mutual funds are excluded.*

Sources: Investment Company Institute; Lipper; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

FUND AND AVERAGE FUND ACCOUNT SIZE. Other factors—such as fund size and fund account size—also help explain differences in fund expense ratios.

All else equal, large mutual funds tend to have lower-than-average expense ratios because of economies of scale. Fund sizes vary widely across the industry. In 2008, the median long-term mutual fund had assets of $157 million (Figure 5.5). Twenty-five percent of all long-term funds had assets of $45 million or less, while another 25 percent of long-term funds had assets greater than $536 million.

Funds with higher account balances also tend to have lower expense ratios than other funds. This reflects the fact that each account, regardless of how large or small it is, requires a given, relatively fixed level of service. For example, account statements must be mailed periodically to account holders. Funds that cater primarily to institutional investors—who typically invest large amounts of money in fewer accounts—tend to have high average account balances. Many funds primarily serve retail investors, who typically have lower average account balances. In part because of this, account balances, like fund sizes, range considerably across the industry. In 2008, 50 percent of long-term funds had average account balances of less than $40,255. Twenty-five percent of long-term funds had average account balances of less than $16,426. At the other extreme, 25 percent of funds had average account balances of more than $135,245.

PAYMENTS TO INTERMEDIARIES. Another factor that helps explain variation in fund fees is whether funds are sold through intermediaries, such as brokers, or registered financial advisers. These professionals help investors define their investment goals, select appropriate funds, and provide ongoing advice and service. Financial advisers are compensated for these services, in part, through a particular kind of fund fee, known as a 12b-1 fee, which is included in a fund's expense ratio. Funds sold through intermediaries tend to have higher expense ratios than other funds (no-load funds). No-load funds are sold directly to investors or are sold to investors through financial advisers who charge investors separately for investment advice. Thus, no-load funds tend to have lower expense ratios than other funds with similar investment objectives.

FIGURE 5.5

FUND SIZES AND AVERAGE ACCOUNT BALANCES VARIED WIDELY*

LONG-TERM FUNDS, YEAR-END 2008

	Fund assets *(millions of dollars)*	Average account balances *(dollars)*
10th percentile	$13	$8,084
25th percentile	45	16,426
Median	157	40,255
75th percentile	536	135,245
90th percentile	1,554	1,002,021

**Variable annuities and mutual funds that invest primarily in other mutual funds are excluded.*

Note: Number of shareholder accounts includes a mix of individual and omnibus accounts.

A LOOK AT THE FEES AND EXPENSES OF S&P 500 INDEX MUTUAL FUNDS

There are more than 8,000 mutual funds available to investors, and no two are identical. Mutual funds vary in terms of size, investment objective, and the services they provide to shareholders, and, consequently, in the fees and expenses that they charge.

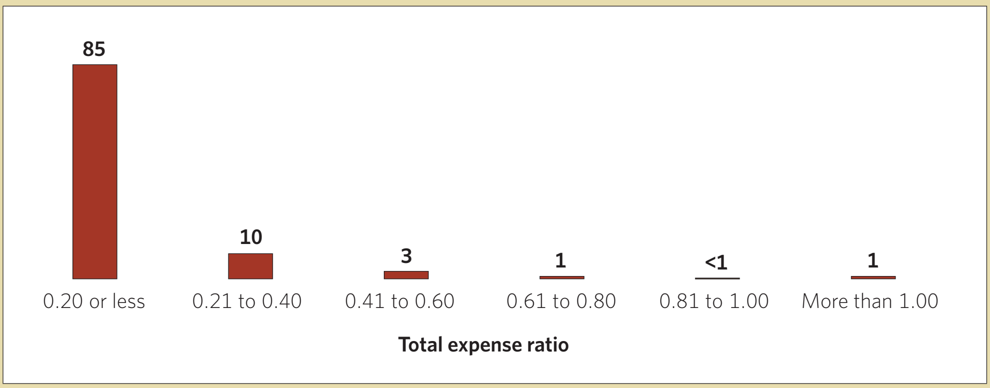
For example, all S&P 500 funds share the goal of mirroring the return on the S&P 500 index, a well-known index of 500 large-cap stocks. As a result, S&P 500 index mutual funds all hold essentially identical portfolios.

Nevertheless, S&P 500 funds differ from one another in important ways. Some S&P 500 funds are very large—among the largest of any mutual funds—while other S&P 500 funds are quite small. Required minimum investments range widely for S&P 500 index funds, from $100 for some retail funds to more than $25 million among S&P 500 funds that cater to institutions. S&P 500 funds also differ in terms of certain fees that investors may pay out-of-pocket, such as account maintenance fees. Finally, some S&P 500 funds are sold through intermediaries (load funds), while others are not (no-load funds).

FIGURE 5.6

INVESTOR ASSETS WERE CONCENTRATED IN S&P 500 INDEX MUTUAL FUNDS WITH THE LOWEST EXPENSE RATIOS

PERCENTAGE OF TOTAL ASSETS OF S&P 500 INDEX MUTUAL FUNDS, YEAR-END 2008



Note: Percentages do not add to 100 percent because of rounding.
Sources: Investment Company Institute and Lipper

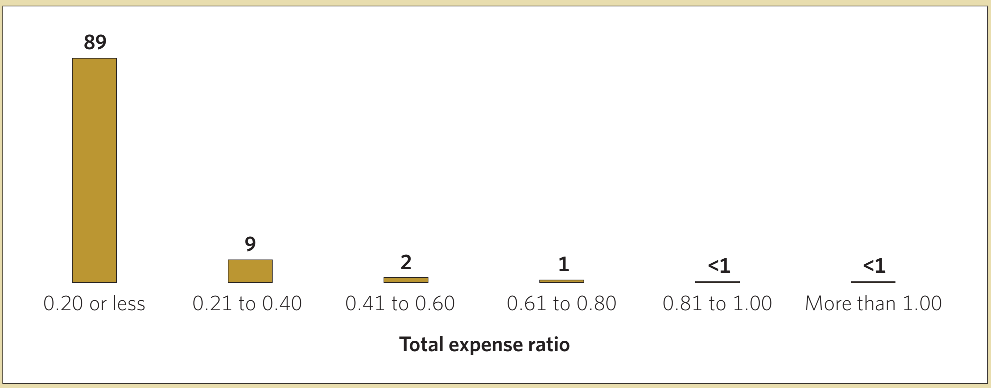
Because S&P 500 index funds are not all identical, their expense ratios differ. Large funds and funds with high average account balances tend to have lower-than-average expense ratios because of economies of scale. Funds sold through intermediaries tend to have higher expense ratios than comparable no-load funds in order to compensate financial advisers for the planning, advice, and ongoing service that they provide to clients. Retail investors who purchase no-load funds either do not use a financial adviser or use a financial adviser but pay the adviser directly.

Investors favor the least costly S&P 500 funds. For example, in 2008, the great majority of assets that investors held in S&P 500 index funds was held in low-cost funds, those with expense ratios of 0.20 percent or less (Figure 5.6). Similarly, low-cost funds have garnered the bulk of investors' net new purchases of shares of S&P 500 index mutual funds. From 1999 to 2008, 89 percent of the total net new cash flow to S&P 500 funds went to those funds with expense ratios of 0.20 percent or less (Figure 5.7).

FIGURE 5.7

INVESTORS' NET PURCHASES OF S&P 500 INDEX MUTUAL FUNDS WERE CONCENTRATED IN LEAST COSTLY FUNDS

PERCENTAGE OF NET NEW CASH FLOW OF S&P 500 INDEX MUTUAL FUNDS, 1999–2008



Note: Percentages do not add to 100 percent because of rounding.
Sources: Investment Company Institute and Lipper

Rule 12b-1 Fees

Many mutual fund investors use and pay for the services of a professional financial adviser. ICI research finds that among investors owning mutual fund shares outside of retirement plans at work, 77 percent own fund shares through professional financial advisers. Financial advisers typically devote time and attention to prospective investors before they make an initial purchase of funds and other securities. The adviser generally meets with the investor, identifies financial goals, analyzes existing financial portfolios, determines an appropriate asset allocation, and recommends funds to help achieve the investor's goals. Advisers also provide ongoing services, such as periodically reviewing investors' portfolios, adjusting asset allocations, and responding to customer inquiries.

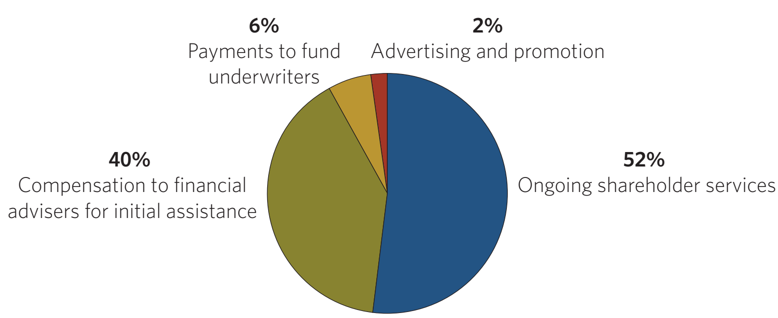
Until about 30 years ago, fund shareholders could only compensate financial advisers for their assistance through a front-end load—a one-time, upfront payment made to financial advisers for both current and future services. After 1980, when the U.S. Securities and Exchange Commission (SEC) adopted Rule 12b-1 under the Investment Company Act of 1940, funds and their shareholders had greater flexibility in compensating financial advisers. The adoption of this rule, and subsequent regulatory action, established a framework under which mutual funds pay for some or all of the services that financial advisers provide to shareholders through so-called 12b-1 fees. This framework also allows mutual funds to use 12b-1 fees to compensate other financial intermediaries, such as retirement plan recordkeepers and discount brokerage firms, for services provided to fund shareholders, and to pay for advertising, marketing, and other sales promotion activities.

Nevertheless, most of the 12b-1 fees collected by funds were used to compensate financial advisers and other financial intermediaries for assisting fund investors before and after purchases of fund shares (Figure 5.8). Furthermore, only a small fraction (2 percent) of the 12b-1 fees that mutual funds collect was used for advertising and promotion.

FIGURE 5.8

MOST 12b-1 FEES USED TO PAY FOR SHAREHOLDER SERVICES

PERCENTAGE OF 12b-1 FEES COLLECTED, 2004



Source: Fundamentals, *"How Mutual Funds Use 12b-1 Fees" (www.ici.org/pdf/fm-v14n2.pdf)*

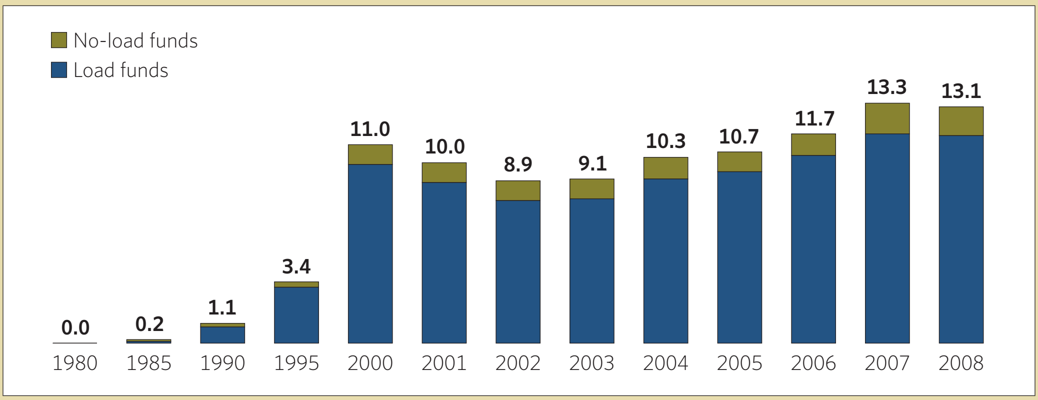
The amount of 12b-1 fees that shareholders pay through mutual funds rose from a few million dollars in the early 1980s to about $13 billion in 2008 (Figure 5.9). This increase reflects, in part, the roughly 70-fold increase in mutual fund assets and the 11-fold increase in the number of households owning funds since 1980. The increase in total 12b-1 fees also reflects a shift by mutual funds and their investors from front loads to 12b-1 fees as a mechanism to compensate financial advisers. For example, as noted earlier, the average maximum front-end load on all stock funds declined from 7.9 percent in 1980 to about 5.3 percent in 2008, the period during which Rule 12b-1 has been in place. Most load funds now also offer classes of shares that have 12b-1 fees but no front loads.

For more information on fund operations and the fees and expenses that funds charge, see Appendix A: How Mutual Funds and Investment Companies Operate on page 170 and *Fundamentals*, "Trends in the Fees and Expenses of Mutual Funds, 2008" at www.ici.org/pdf/fm-v18n3.pdf. ICI also offers an investor education brochure explaining mutual fund fees and expenses at www.ici.org/pdf/bro_mf_fees_faq_p.pdf.

FIGURE 5.9

RISE IN 12b-1 FEES PAID REFLECTS ASSET GROWTH AND SHIFT IN SOURCE OF FINANCIAL ADVISERS' COMPENSATION

BILLIONS OF DOLLARS, SELECTED YEARS

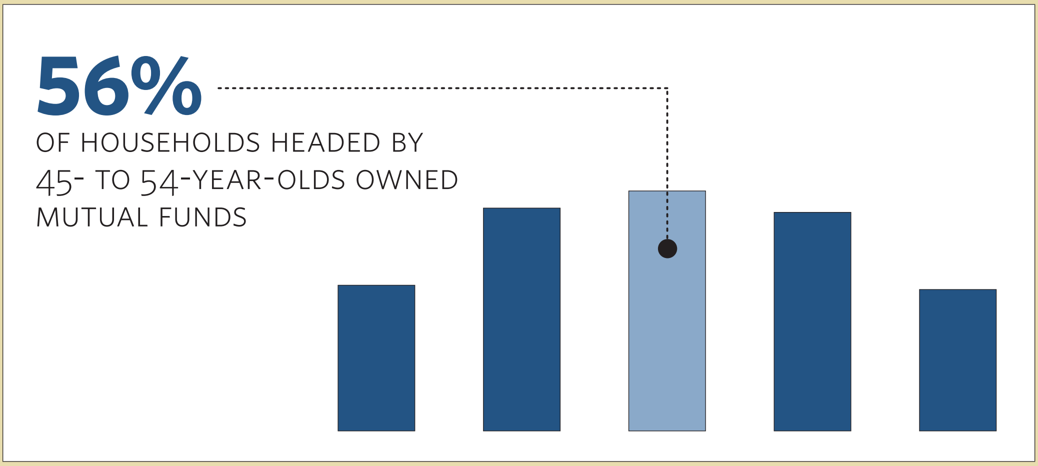


Note: Variable annuities and mutual funds that invest primarily in other mutual funds are excluded.

Sources: Investment Company Institute; Lipper; Data © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

MORE THAN HALF OF U.S. HOUSEHOLDS HEADED BY SOMEONE

Aged 45 to 54 Owned Mutual Funds in 2008



SECTION 6:

Characteristics of Mutual Fund Owners

Ownership of mutual funds has grown significantly in the last 30 years. Forty-five percent of all U.S. households owned mutual funds in 2008, compared with less than 6 percent in 1980. The estimated 92 million individuals who owned mutual funds included many different types of people with a variety of financial goals. Fund investors purchase and sell mutual funds through four principal sources: professional financial advisers (e.g., full-service brokers and independent financial planners), employer-sponsored retirement plans, fund companies directly, and fund supermarkets.

THIS SECTION LOOKS AT INDIVIDUAL AND INSTITUTIONAL OWNERS OF U.S. MUTUAL FUNDS AND EXAMINES HOW THESE INVESTORS PURCHASE FUND SHARES.

Individual and Household Ownership

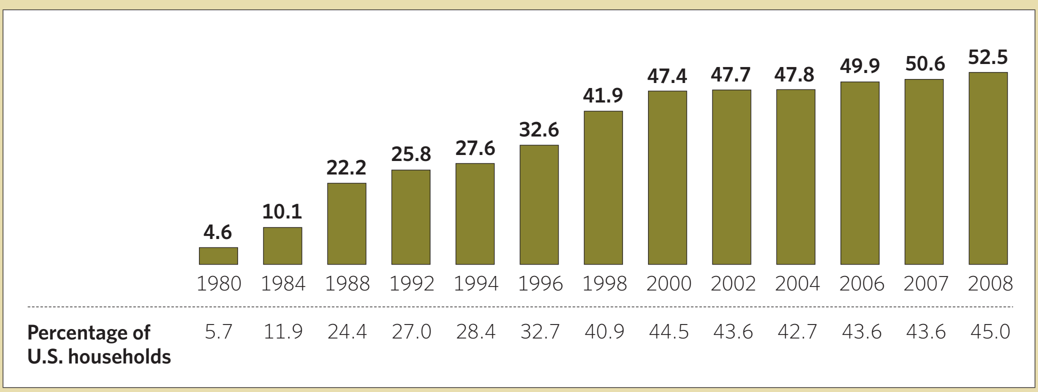
In 2008, an estimated 92 million individual investors owned mutual funds and held 82 percent of total mutual fund assets at year-end. Altogether, 52.5 million households, or 45 percent of all U.S. households, owned funds (Figure 6.1).

Mutual funds represented a significant component of many U.S. households' financial holdings in 2008. Among households owning mutual funds, the median amount invested in mutual funds was $100,000 (Figure 6.2). Seventy-six percent of individuals heading households that owned mutual funds were married or living with a partner, and 46 percent were college graduates. Seventy-eight percent of these individuals worked full- or part-time.

FIGURE 6.1

45 PERCENT OF U.S. HOUSEHOLDS OWNED MUTUAL FUNDS

MILLIONS AND PERCENTAGE OF U.S. HOUSEHOLDS OWNING MUTUAL FUNDS, SELECTED YEARS



Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008" [www.ici.org/pdf/fm-v17n6.pdf]*)

FIGURE 6.2

CHARACTERISTICS OF MUTUAL FUND INVESTORS

MAY 2008

HOW MANY PEOPLE OWN MUTUAL FUNDS?
92 million individuals
52.5 million U.S. households
WHO ARE THEY?
49 years of age (median head of household)
76 percent are married or living with a partner
46 percent are college graduates
78 percent are employed (full- or part-time)
46 percent are Baby Boomers
24 percent are Generation X
$80,000, median household income
WHAT DO THEY OWN?
$200,000, median household financial assets
69 percent hold more than half of their financial assets in mutual funds
68 percent own IRAs
78 percent own DC retirement plan accounts
WHAT IS IN THEIR FUND PORTFOLIOS?
58 percent bought their first fund before 1995
Four mutual funds, median number owned
$100,000, median mutual fund assets
59 percent purchased first mutual fund through an employer-sponsored retirement plan
80 percent own equity funds
WHY DO THEY INVEST?
95 percent are saving for retirement
52 percent hold mutual funds to reduce taxable income
45 percent are saving for emergencies

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008" [www.ici.org/pdf/fm-v17n6.pdf];* Fundamentals, *"Characteristics of Mutual Fund Investors, 2008" [www.ici.org/pdf/fm-v18n2.pdf]; and* Profile of Mutual Fund Shareholders, 2008 *[www.ici.org/pdf/rpt_profile09.pdf])*

Mutual Fund Ownership by Age and Income

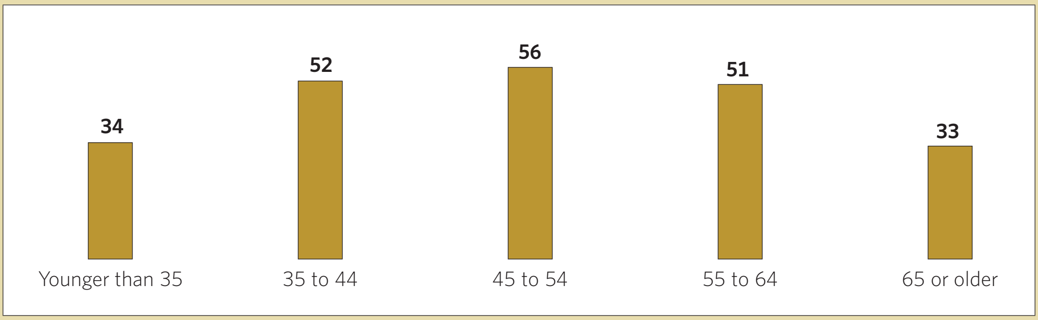
In 2008, the incidence of mutual fund ownership was greatest among households headed by individuals between the ages of 35 and 64—the group considered to be in their peak earning and saving years (Figure 6.3). More than half of all households in this age group owned mutual funds. The median age of individuals heading households owning mutual funds was 49 (Figure 6.2). Eighteen percent of all individuals heading households owning mutual funds were members of the Silent or GI Generations (born in 1945 or earlier), 46 percent were members of the Baby Boom Generation (born between 1946 and 1964), 24 percent were members of Generation X (born between 1965 and 1976), and 12 percent were members of Generation Y (born in 1977 or later).

The incidence of mutual fund ownership increases with household income (Figure 6.4). The incidence of mutual fund ownership was 10 percent for households with income less than $25,000, and rose to 81 percent for households with income of $100,000 or more.

FIGURE 6.3

INCIDENCE OF MUTUAL FUND OWNERSHIP GREATEST AMONG 35- TO 64-YEAR-OLDS

PERCENTAGE OF U.S. HOUSEHOLDS WITHIN EACH AGE GROUP,* MAY 2008



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

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008" [www.ici.org/pdf/fm-v17n6.pdf])*

FIGURE 6.4

INCIDENCE OF MUTUAL FUND OWNERSHIP INCREASES WITH HOUSEHOLD INCOME

PERCENTAGE OF U.S. HOUSEHOLDS WITHIN EACH INCOME GROUP,* MAY 2008

**Total reported is household income before taxes in 2007.*

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008" [www.ici.org/pdf/fm-v17n6.pdf])*

Fifty-eight percent of households owning funds had incomes between $25,000 and $100,000. The median household income of mutual fund–owning households was $80,000 (Figure 6.2).

Where Individuals Purchase and Own Mutual Funds

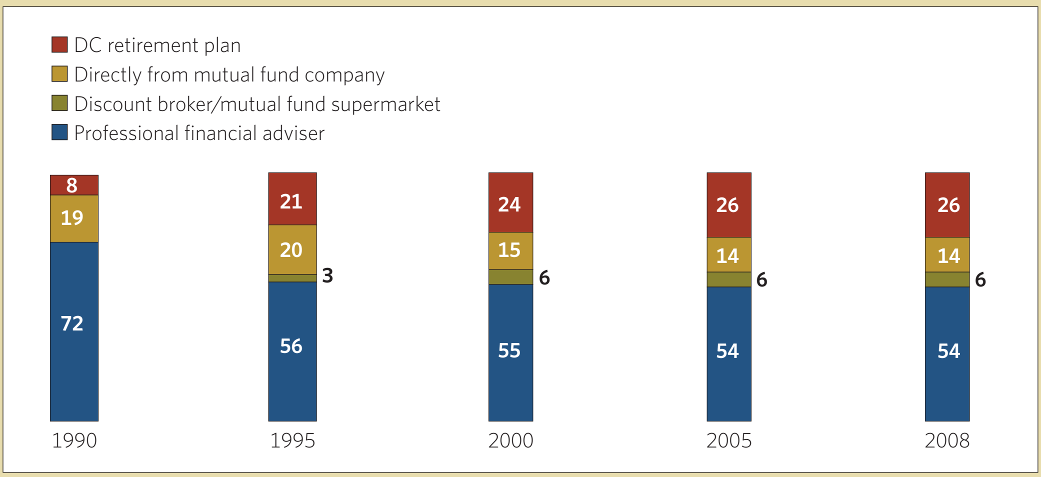
Fund investors purchase and sell mutual funds through four principal sources: employer-sponsored retirement plans, fund companies directly, fund supermarkets, and professional advisers, such as full-service brokers and independent financial planners. Fund shares sold through professional financial advisers have traditionally accounted for a large majority of mutual fund assets, but the increasing role of defined contribution (DC) plans has changed that somewhat in the last two decades. In 1990, for example, 72 percent of households' long-term mutual fund holdings were invested through professional financial advisers (Figure 6.5). By 2008, that share had fallen to 54 percent, largely because of the rapid growth in DC plans, which increased from 8 percent of households' long-term mutual fund holdings in 1990 to 26 percent by 2008.

There were also offsetting changes in the distribution of assets across other channels. For example, holdings directly with mutual fund companies fell from 19 percent to 14 percent over the period of 1990 to 2008, while holdings through discount brokers and mutual fund supermarkets increased (Figure 6.5).

FIGURE 6.5

HOUSEHOLDS' MUTUAL FUND ASSETS BY PURCHASE SOURCE

PERCENTAGE OF LONG-TERM MUTUAL FUND ASSETS HELD BY HOUSEHOLDS, YEAR-END, SELECTED YEARS

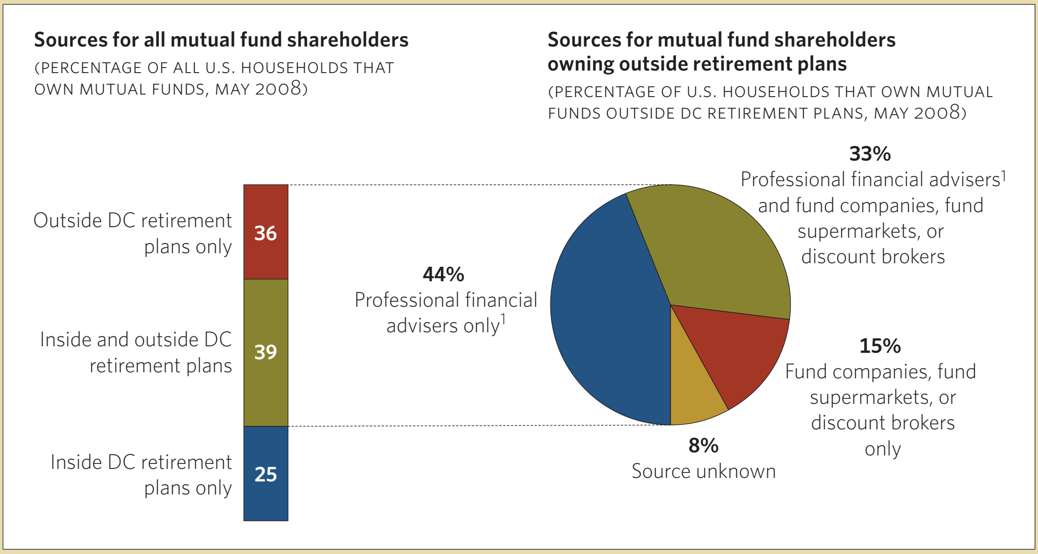


Note: Components may not add to 100 percent because of rounding.
Sources: Investment Company Institute and Cerulli Associates, Inc.

Although mutual funds play a key role in both the long- and short-term savings strategies of many U.S. households, 76 percent of mutual fund–owning households indicated their primary financial goal for their fund investments was saving for retirement. Thus, many households held funds in workplace retirement plans, individual retirement accounts (IRAs), and other tax-deferred accounts. Nearly two-thirds of households that owned mutual funds held shares inside DC retirement plans (25 percent only held shares inside DC retirement plans and 39 percent held shares both inside and outside DC retirement plans). The remaining 36 percent only held shares outside DC retirement plans (Figure 6.6).

FIGURE 6.6

NEARLY TWO-THIRDS OF MUTUAL FUND–OWNING HOUSEHOLDS HELD SHARES INSIDE DEFINED CONTRIBUTION RETIREMENT PLANS



[1]*Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*

Inside Employer-Sponsored Retirement Plans

Since 1990, retirement plans at work have become one of the most common sources through which individuals invest in mutual funds. Indeed, many of today's mutual fund owners were introduced to mutual fund investing through 401(k) and other retirement plans at work. In 2008, 59 percent of mutual fund–owning households indicated that they purchased their first fund through an employer-sponsored retirement plan, and that fraction is much higher for households that purchased mutual funds more recently (Figure 6.7). Fifty-one percent of households that owned mutual funds viewed these plans as their main fund purchase source.

Outside Employer-Sponsored Retirement Plans

Among households that purchased mutual funds prior to 1990, 47 percent made their first purchase outside of an employer-sponsored retirement plan, which means the purchase was directly from the fund company, through a discount broker or mutual fund supermarket, or through a professional financial adviser (Figure 6.7). As 401(k) and other employer-sponsored retirement plans have become increasingly popular in the workplace, the fraction of households that make their first foray into mutual fund investing outside of employer plans has fallen. Among those households that made their first mutual fund purchase in 2000 or later, only 32 percent did so outside of an employer-sponsored plan.

FIGURE 6.7

EMPLOYER-SPONSORED RETIREMENT PLANS ARE INCREASINGLY THE SOURCE OF FIRST FUND PURCHASE

PERCENTAGE OF U.S. HOUSEHOLDS OWNING MUTUAL FUNDS, MAY 2008

	YEAR OF HOUSEHOLD'S FIRST MUTUAL FUND PURCHASE				Memo: all mutual fund-owning households
	Before 1990	Between 1990 and 1994	Between 1995 and 1999	2000 or later	
Source of first mutual fund purchase					
Inside employer-sponsored retirement plan	53	60	61	68	59
Outside employer-sponsored retirement plan	47	40	39	32	41

Note: Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Characteristics of Mutual Fund Investors, 2008" [www.ici.org/pdf/fm-v18n2.pdf]*)

Mutual fund investors often use funds to save for retirement outside workplace retirement plans. Indeed, 55 percent of mutual fund-owning households held funds in their IRAs. In many cases, these IRAs held assets rolled over from 401(k) and other employer-sponsored retirement plans.

Among households owning fund shares outside DC retirement plans, 77 percent owned fund shares through professional financial advisers, including full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants (Figure 6.6). Forty-four percent owned funds solely through advisers, while another 33 percent owned funds purchased from advisers as well as directly from fund companies, fund supermarkets, or discount brokers. Fifteen percent solely owned funds purchased directly from fund companies, fund supermarkets, or discount brokers.

Professional financial advisers offer investors a wide array of services in addition to helping them select and purchase mutual fund shares (Figure 6.8). Altogether, 63 percent of shareholders with ongoing advisory relationships indicated that they received at least five distinct services from their primary advisers. The services that advisers provide may be grouped into two broad categories: investment services and planning services.

FIGURE 6.8

SHAREHOLDERS RECEIVED NUMEROUS INVESTMENT SERVICES FROM PROFESSIONAL FINANCIAL ADVISERS

PERCENTAGE OF RESPONDENTS WITH ONGOING ADVISORY RELATIONSHIPS, 2006

Types of services currently received from primary adviser*	
Investment services	
Regular portfolio review and investment recommendations	85
Review of allocation of investor's employer-sponsored retirement plan assets	61
Planning services	
Periodic discussion of financial goals	83
Planning to achieve specific goals, such as saving for retirement or paying for college	75
Comprehensive financial planning	75
Managing assets in retirement	60
Access to specialists in areas such as tax planning	51
Number of services received	
Five or more services	63
Three or four services	23
One or two services	14

*Multiple responses are included.

Source: Fundamentals, *"Why Do Mutual Fund Investors Use Professional Financial Advisers?" (www.ici.org/pdf/fm-v16n1.pdf)*

USE OF INVESTMENT SERVICES. Investment services provided by advisers include, among other things, portfolio review, investment recommendations, and asset allocation review. Among the fund investors surveyed who had ongoing advisory relationships, 85 percent said their advisers regularly assessed their portfolios and gave them investment recommendations (Figure 6.8). Sixty-one percent indicated that their advisers helped them allocate assets held in workplace retirement accounts.

While fund investors generally receive investment recommendations from their advisers, many also conduct independent research to confirm these recommendations. One-quarter of shareholders with ongoing advisory relationships "always" undertook their own research, and more than four in 10 "sometimes" conducted their own research. Shareholders who take the lead in making investment decisions with their advisers were the group most likely to undertake their own research before accepting advisers' recommendations.

USE OF PLANNING SERVICES. Planning services provided by advisers include, among other things, periodic discussion of financial goals, suggesting strategies to help meet specific goals, and the development of a more comprehensive financial plan.

Eighty-three percent of investors who used financial advisers had periodic discussions of their general financial goals with their advisers, and three-quarters received planning services for specific goals, such as retirement security and education saving (Figure 6.8). Three-quarters of fund investors with ongoing advisory relationships said they received comprehensive financial planning assistance from their primary advisers, and six in 10 received advice on how to manage their money in retirement. Fifty-one percent also indicated that they had access to tax planners or other specialists through their advisers. Shareholders with access to investment specialists tended to have high levels of assets; these investors wanted specialized services in areas such as charitable giving or wealth management.

VIEWS ON THE BENEFITS OF THE INVESTOR/ADVISER RELATIONSHIP. Generally, fund investors who chose to work with advisers indicated that the relationship improved their chances of growing their money and gave them peace of mind about their investments. They cited several tangible benefits of the investor/adviser relationship, expressing the common theme among survey respondents that using professional financial advisers provided a level of expertise that enhanced their investment decisionmaking.

Seventy-one percent of shareholders with ongoing advisory relationships cited the need for guidance in understanding their total financial picture, while 74 percent wanted help with asset allocation (Figure 6.9). Seventy-three percent also required explanations of the wide variety of investment options and 71 percent wanted to make sure they were saving enough to meet their financial goals. Sixty-five percent cited making sure their estate was in order as a major reason for their advisory relationship.

The extent to which investors delegate investment decisionmaking to their advisers appears to shape their perception of the value of the advisory relationship. ICI survey findings indicate that the more shareholders rely on their advisers for investment decisionmaking, the greater the value they place on the advisory relationship. For example, roughly three-quarters of shareholders who delegated or made investment decisions together with their advisers indicated that they used advisers for their financial expertise. Among those shareholders who took the lead in investment decisionmaking, these reasons were less important in their motivation for working with professional financial advisers.

FIGURE 6.9

SHAREHOLDERS LOOK TO ADVISERS FOR THE EXPERTISE THEY PROVIDE

PERCENTAGE OF RESPONDENTS WITH ONGOING ADVISORY RELATIONSHIPS INDICATING EACH IS A "MAJOR" REASON FOR USING ADVISERS,* 2006

		INVESTMENT DECISIONMAKING RELATIONSHIP		
	All respondents with ongoing advisory relationships	Investor delegates all decisions to adviser or adviser takes the lead in decisionmaking	Adviser and investor make decisions together	Investor takes the lead in decisionmaking
Want help with asset allocation	74	80	76	66
Want a financial professional to explain various investment options	73	77	78	65
Want help making sense of my total financial picture	71	79	72	61
Want to make sure I am saving enough to meet my financial goals	71	74	75	65
Want my estate in order in case something happens to me	65	67	70	58
Don't want to make my own investment decisions	38	51	40	20
Don't have time to make my own investment decisions	44	58	45	27
Want advice on how to invest assets in retirement plan at work	43	41	48	39

**Multiple responses are included.*

Source: Fundamentals, *"Why Do Mutual Fund Investors Use Professional Financial Advisers?" (www.ici.org/pdf/fm-v16n1.pdf)*

Shareholders' Use of the Internet

The Internet is another way that some shareholders access fund and other investment information. In 2008, 91 percent of U.S. households owning mutual funds had Internet access, up from 68 percent in 2000, the first year in which ICI measured shareholders' access to the Internet (Figure 6.10). Paralleling the national pattern, the incidence of Internet access traditionally has been greatest among younger mutual fund shareholders. Increases in Internet access among older shareholder segments, however, have narrowed the generational gap considerably.

FIGURE 6.10

INTERNET ACCESS INCREASED SIGNIFICANTLY AMONG MUTUAL FUND-OWNING HOUSEHOLDS

PERCENTAGE OF U.S. HOUSEHOLDS OWNING MUTUAL FUNDS WITH INTERNET ACCESS, SELECTED YEARS

	Had Internet access in 2000	Had Internet access in 2008
Respondent age		
Younger than 35	83	99
35 to 49	75	97
50 to 64	60	93
65 or older	30	67
Respondent education		
High school graduate or less	39	81
Some college or associate's degree	68	92
College or postgraduate degree	81	96
Household income		
Less than $50,000	47	77
$50,000 to $99,999	77	93
$100,000 to $149,999	92	98
$150,000 or more	94	99
Total	68	91

Source: Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008" (www.ici.org/pdf/fm-v17n6.pdf)*

In 2008, 82 percent of shareholders with Internet access went online for financial purposes, most often to obtain investment information or check their bank or investment accounts (Figure 6.11). In addition, mutual fund–owning households were much more likely than non-fund-owning households to engage in common online activities, such as accessing email, obtaining information about products and services other than investments, or purchasing products and services other than investments online.

In early 2008, ICI surveyed more than 500 shareholders who had recently purchased mutual funds about the U.S. Security and Exchange Commission's proposed Summary Prospectus, which was adopted in late 2008. The survey confirmed results from other ICI research in this area, showing that investors were very much in favor of streamlining information that investment companies provide annually, particularly since the more detailed information would be available through the Internet. Approval ratings for the proposal as a whole exceeded 90 percent. To read the results of ICI's survey, visit the Institute's website at www.ici.org/pdf/ppr_08_summary_prospectus.pdf.

FIGURE 6.11

MOST MUTUAL FUND SHAREHOLDERS USED THE INTERNET FOR FINANCIAL-RELATED PURPOSES

PERCENTAGE OF FUND-OWNING AND NON-FUND-OWNING HOUSEHOLDS WITH INTERNET ACCESS[1] BY ONLINE ACTIVITIES,[2] MAY 2008

	Own mutual funds	Do not own mutual funds
Accessed email	91	82
Used Internet for a financial purpose (total)	82	57
Accessed any type of financial account, such as bank or investment accounts	77	53
Obtained investment information	58	20
Bought or sold investments online	21	8
Used Internet for a nonfinancial purpose (total)	92	82
Obtained information about products and services other than investments	86	73
Bought or sold something other than investments online	80	63

[1]*Online activities are based on responding primary or co-decisionmaker for household saving and investing.*
[2]*Tabulations are based on online activity between June 2007 through May 2008.*
Source: Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2008" (www.ici.org/pdf/fm-v17n6.pdf)*

Institutional Ownership

Fund sponsors often create special share classes or funds expressly for institutional investors. Institutional investors often purchase fund shares directly from fund companies. In addition, brokers, banks, and other third parties create "platforms" through which many institutional investors can buy mutual fund shares. These arrangements enable institutional investors, who are often restricted as to the portion of their assets that can be held in any particular mutual fund, to easily diversify their holdings across funds.

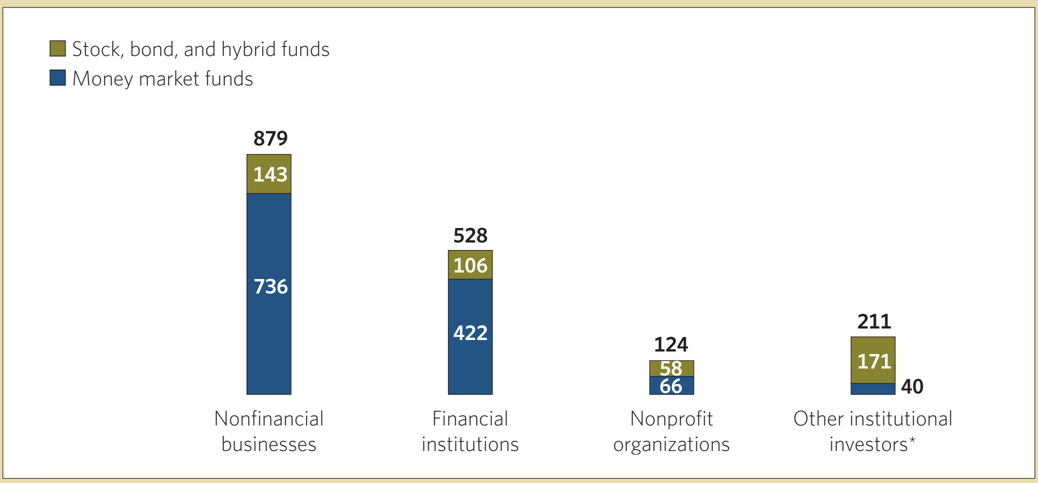
Nonfinancial businesses, financial institutions, nonprofit organizations, and other institutional investors held about 18 percent of mutual fund assets in 2008. Nonfinancial businesses were the largest segment of institutional investors in mutual funds (Figure 6.12). These firms primarily use mutual funds as a tool to manage their cash. At year-end 2008, nonfinancial businesses' mutual fund assets totaled $879 billion, the majority of which was invested in money market funds. Financial institutions were the second-largest component of institutional investors in mutual funds. Their mutual fund assets at year-end 2008 were $528 billion, of which 80 percent was invested in money market funds.

Nonprofit organizations held $124 billion in mutual fund assets at year-end 2008. Unlike businesses and financial institutions, nonprofit organizations' holdings of mutual funds were more evenly split between long-term funds and money market funds. In 2008, other institutional investors, including state and local governments and funds holding mutual fund shares, held $211 billion in mutual funds—most of which was invested in stock, bond, or hybrid funds.

FIGURE 6.12

NONFINANCIAL BUSINESSES WERE THE LARGEST TYPE OF INSTITUTIONAL INVESTOR IN MUTUAL FUNDS

ASSETS IN LONG-TERM AND MONEY MARKET FUNDS BY TYPE OF INSTITUTION, BILLIONS OF DOLLARS, YEAR-END 2008



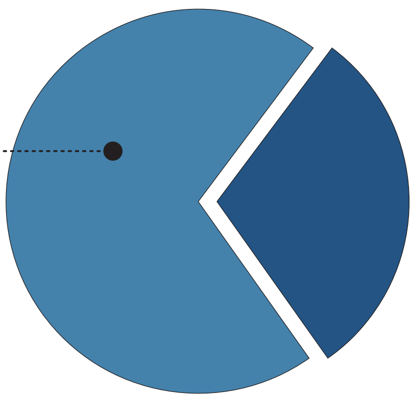
**Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

MAJORITY OF U.S. HOUSEHOLDS HAD EMPLOYER-SPONSORED

Retirement Plans and/or IRAs in 2008

70%

HAD TAX-ADVANTAGED
RETIREMENT SAVINGS



SECTION 7:

The Role of Mutual Funds in Retirement and Education Savings

National policies that have created or enhanced tax-advantaged savings accounts have proved integral to helping Americans prepare for retirement and other long-term savings goals. Because many Americans use mutual funds in tax-advantaged accounts to reach these goals, ICI studies funds' role in the retirement and education savings markets and the investors who use IRAs, 401(k) and 529 plans, and other tax-advantaged savings vehicles.

THIS SECTION ANALYZES MUTUAL FUNDS' ROLE IN U.S. HOUSEHOLDS' EFFORTS TO SAVE FOR RETIREMENT AND EDUCATION, AND PROFILES THE INVESTORS WHO USE IRAS, 401(k) PLANS, 529 PLANS, AND OTHER TAX-ADVANTAGED SAVINGS VEHICLES.

The U.S. Retirement Market

U.S. retirement assets decreased to $14.0 trillion in 2008, down 22 percent from 2007 (Figure 7.1). Retirement market assets are held in a variety of tax-advantaged plan types. Other than federal government pensions (which hold primarily nonmarketable U.S. government securities), all types of retirement assets declined in value in 2008. Private-sector defined benefit (DB) plan assets fell 27 percent; state and local government employee retirement plan assets fell 27 percent; employer-sponsored defined contribution (DC) plan assets fell 22 percent; individual retirement accounts (IRAs) fell 24 percent; and annuity reserves outside of retirement plans fell 15 percent.

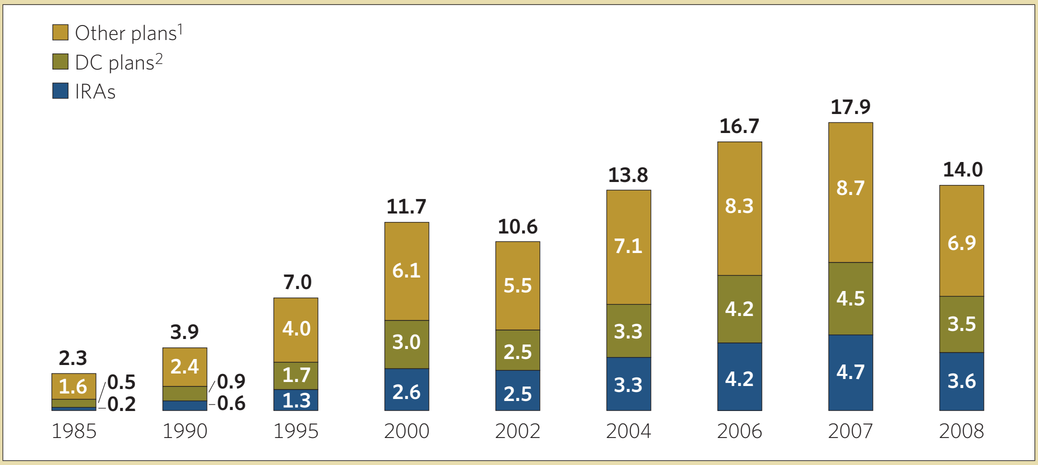
The largest components of retirement savings were IRAs and employer-sponsored DC plans, holding $3.6 trillion and $3.5 trillion, respectively, at year-end 2008. Private-sector DB pension funds held $2.0 trillion in assets, state and local government employee retirement plans held $2.3 trillion in assets, and federal government DB plans and the federal employees' Thrift Savings Plan held $1.2 trillion in assets. In addition, there were $1.4 trillion in annuity reserves outside of retirement plans at year-end 2008.

Eighty-two million, or 70 percent of, U.S. households report that they had employer-sponsored retirement plans, IRAs, or both in May 2008 (Figure 7.2). Sixty-one percent of U.S. households reported that they had assets in DC plan accounts, were receiving or expecting to receive benefits from DB plans, or both. Forty-one percent of households reported having assets in IRAs. Thirty-two percent of households had both IRAs and employer-sponsored retirement plans.

FIGURE 7.1

U.S. RETIREMENT ASSETS DECLINED IN 2008

TRILLIONS OF DOLLARS, YEAR-END, SELECTED YEARS



[1]*Other plans include private-sector DB plans; federal, state, and local pension plans; and all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds. Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust and Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).*

[2]*DC plans include private employer-sponsored DC plans (including 401(k) plans), 403(b) plans, and 457 plan assets.*

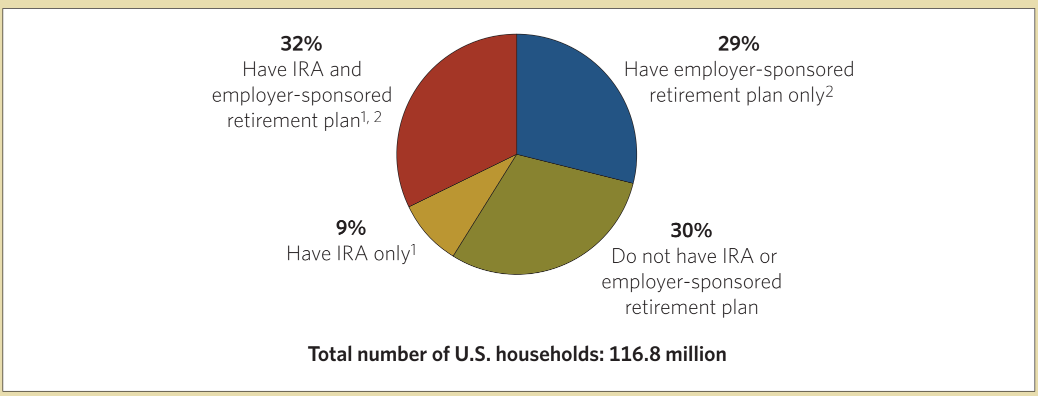
Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE 7.2

MANY U.S. HOUSEHOLDS HAD TAX-ADVANTAGED RETIREMENT SAVINGS

PERCENTAGE OF U.S. HOUSEHOLDS, MAY 2008



[1]*IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, and SAR-SEP IRAs).*

[2]*Employer-sponsored retirement plans include DC and DB retirement plans.*

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, "The Role of IRAs in U.S. Households' Saving for Retirement, 2008" [www.ici.org/pdf/fm-v18n1.pdf])

Individual Retirement Accounts

At year-end 2008, IRA assets totaled $3.6 trillion, down 24 percent from year-end 2007 (Figure 7.3). Mutual fund assets held in IRAs were $1.6 trillion at year-end 2008, a decline of $706 billion, or 31 percent, from 2007. Assets managed by mutual funds were the largest component of IRA assets, followed by securities held directly through brokerage accounts ($1.3 trillion at year-end 2008). The mutual fund industry's share of the IRA market increased from 22 percent in 1990 to 49 percent at year-end 2007, but fell to 44 percent by year-end 2008.

FIGURE 7.3

IRA ASSETS

BILLIONS OF DOLLARS, YEAR-END, 1990–2008

	Mutual funds[1]	Bank and thrift deposits[2]	Life insurance companies[1, 3]	Securities held directly through brokerage accounts[1, 4]	Total IRA assets
1990	$140	$266	$40	$190	$636
1991	188	283	45	260	776
1992	237	275	50	311	873
1993	321	263	62	347	993
1994	348	255	70	383	1,056
1995	474	261	81	472	1,288
1996	595	259	92	521	1,467
1997	780	254	136	558	1,728
1998	981	249	157	763	2,150
1999	1,277	243	203	929	2,651
2000	1,249	250	203	928	2,629
2001	1,176	255	211	978	2,619
2002	1,044	263	268	958	2,533
2003	1,327	268	285	1,114[e]	2,993[e]
2004	1,521	269	282	1,227	3,299
2005	1,700	278	308	1,366[e]	3,652[e]
2006	2,028	313	318	1,562[e]	4,220[e]
2007	2,304	340	325	1,777[e]	4,747[e]
2008	1,598	391	301	1,322[e]	3,613[e]

[1] *Data are preliminary.*
[2] *Bank and thrift deposits include Keogh deposits.*
[3] *Life insurance company IRA assets are annuities held by IRAs, excluding variable annuity mutual fund IRA assets, which are included in mutual funds.*
[4] *Category excludes mutual fund assets held through brokerage accounts, which are included in mutual funds.*
[e] *Data are estimated.*
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute, Federal Reserve Board, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

Since 1990, assets in IRAs have grown primarily due to the investment performance of the securities held in IRA portfolios and rollovers into IRAs from employer-sponsored retirement plans. Various laws enacted since 1996 introduced new types of IRAs. Furthermore, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, increased the amount investors—especially those aged 50 or older—can contribute to IRAs. The Pension Protection Act (PPA), enacted in 2006, made these EGTRRA enhancements permanent. ICI household survey data and Internal Revenue Service Statistics of Income Division tabulations of IRA contributions indicate households responded to these increased opportunities to save.

IRA Investors: Traditional, Roth, and Employer-Sponsored IRAs

Judging by the incidence of IRA ownership among U.S. households, IRAs are an important component in Americans' retirement savings strategy. Created in 1974 under the Employee Retirement Income Security Act (ERISA), IRAs were designed with two goals. First, they provide individuals not covered by workplace retirement plans with an opportunity to save for retirement on their own. They also allow workers changing jobs a means to preserve the tax benefits and growth opportunities that employer-sponsored retirement plans provide.

Four out of 10 U.S. households, or 47.3 million, owned IRAs as of mid-2008 (Figure 7.4). An ICI survey found that these IRA households generally are headed by middle-aged individuals with moderate household incomes. IRA owners are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment.

FIGURE 7.4

47 MILLION U.S. HOUSEHOLDS OWNED IRAs

MAY 2008

	Year created	Number of U.S. households with type of IRA, 2008	Percentage of U.S. households with type of IRA, 2008
Traditional IRA	1974 (Employee Retirement Income Security Act)	37.5 million	32.1%
SEP IRA	1978 (Revenue Act)	10.0 million	8.6%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	18.6 million	15.9%
Any IRA		47.3 million	40.5%

Note: Households may hold more than one type of IRA.

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, "The Role of IRAs in U.S. Households' Saving for Retirement, 2008" [www.ici.org/pdf/fm-v18n1.pdf])

As of mid-2008, 37.5 million U.S. households owned "traditional" IRAs—defined as those IRAs first allowed under ERISA—while 18.6 million U.S. households owned Roth IRAs, first made available in 1998 under the Taxpayer Relief Act of 1997. Ten million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

TRADITIONAL IRAs. Households owning traditional IRAs held a median of $60,000 in these accounts in 2008 and had a median household income of $75,000. Fifty-two percent of these households had traditional IRAs that included assets "rolled over" from employer-sponsored retirement plans. Traditional IRA households with rollovers typically had two accounts; traditional IRA households without rollovers typically had one account. Thirty-four percent of traditional IRA–owning households also owned Roth IRAs and 14 percent also owned employer-sponsored IRAs. Individuals heading households with traditional IRAs had a median age of 53 years, and 68 percent were employed.

ROTH IRAs. The majority of households with Roth IRAs owned one Roth IRA account with a median balance of $20,000 in 2008, and these households had a median income of $87,500. About 28 percent of Roth IRA–owning households opened a Roth IRA as their first IRA. Sixty-eight percent of households with Roth IRAs also owned traditional IRAs, and 15 percent owned employer-sponsored IRAs. Individuals heading households with Roth IRAs had a median age of 47 years, and 81 percent were employed.

EMPLOYER-SPONSORED IRAs. Households with employer-sponsored IRAs had a median of $22,000 in employer-sponsored IRAs and a total of $65,000 invested in all types of IRAs in 2008. Fifty-four percent of these households also owned traditional IRAs and 28 percent owned Roth IRAs. Thirty-nine percent of individuals heading households with employer-sponsored IRAs were self-employed. Individuals heading households with employer-sponsored IRAs had a median age of 45 years, and 82 percent were employed.

Nearly three-quarters of IRA-owning households had IRA assets invested in mutual funds, usually stock mutual funds (Figure 7.5). Far fewer households owned other types of investments in their IRAs: 42 percent held individual stocks, 34 percent held annuities, and about 28 percent held bank deposits.

Defined Contribution Plans

At the end of 2008, employer-sponsored DC plans—which include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans—held an estimated $3.5 trillion in assets (Figure 7.6). With $2.4 trillion in assets at year-end 2008, 401(k) plans held the largest share of employer-sponsored DC plan assets. Two types of plans similar to 401(k) plans—403(b) plans, which allow employees of educational institutions and certain nonprofit organizations to receive deferred compensation, and 457 plans, which allow employees of state and local governments and certain tax-exempt organizations to receive deferred compensation—held another $712 billion in assets. The remaining $455 billion in DC plan assets were held by other DC plans without 401(k) features.

FIGURE 7.5

HOUSEHOLDS INVESTED THEIR IRAs IN MANY TYPES OF ASSETS

PERCENTAGE OF U.S. HOUSEHOLDS OWNING IRAS, MAY 2008*

Mutual funds (total)	73
Stock mutual funds	61
Bond mutual funds	37
Hybrid mutual funds	22
Money market funds	33
Individual stocks	42
Annuities (total)	34
Variable annuities	23
Fixed annuities	21
Bank savings accounts, money market deposit accounts, or certificates of deposit	28
Individual bonds (not including U.S. savings bonds)	13
U.S. savings bonds	10
ETFs	8
Other	7

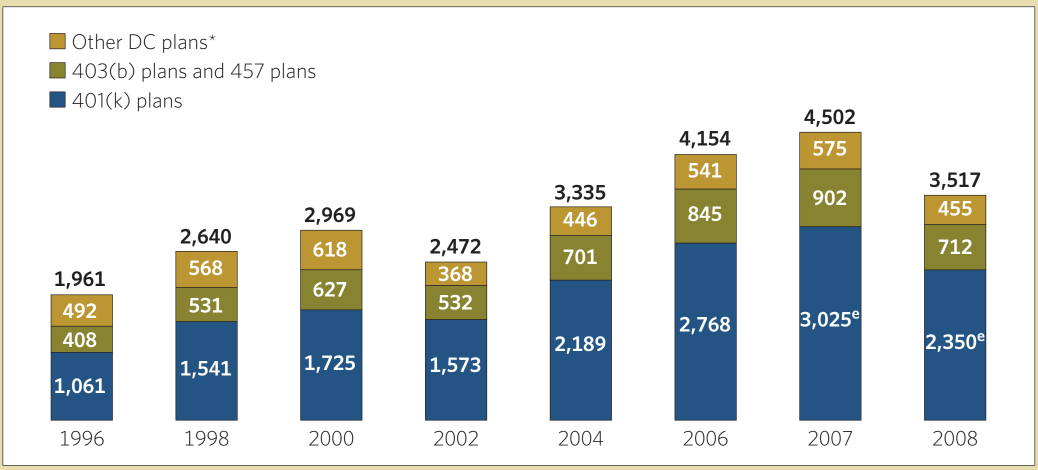
**Multiple responses are included.*

Source: Fundamentals, *"Appendix: Additional Data on IRA Ownership in 2008" (www.ici.org/pdf/fm-v18n1_appendix.pdf)*

FIGURE 7.6

DEFINED CONTRIBUTION PLAN ASSETS BY TYPE OF PLAN

BILLIONS OF DOLLARS, YEAR-END, SELECTED YEARS



[e] Data are estimated.

**Other DC plans include Keoghs and other DC plans (profit-sharing, thrift-savings, stock bonus, and money purchase) without 401(k) features.*

Note: Components may not add to the total because of rounding.

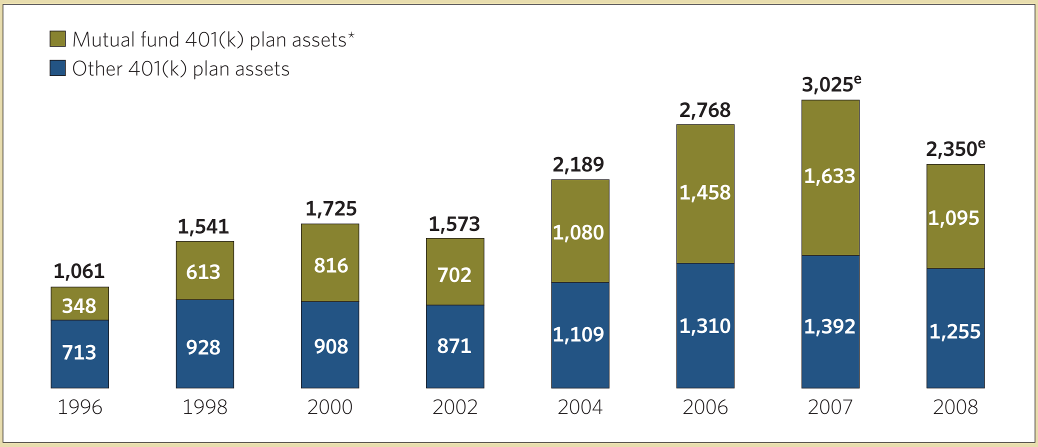
Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, and American Council of Life Insurers

At the end of 2008, $1.1 trillion of 401(k) plan assets were invested in mutual funds (Figure 7.7). Mutual funds' share of the 401(k) market increased from 9 percent in 1990 to an estimated 54 percent at year-end 2007, but fell to an estimated 47 percent at year-end 2008.

FIGURE 7.7

401(k) PLAN ASSETS

BILLIONS OF DOLLARS, YEAR-END, SELECTED YEARS



*Data are preliminary.

eData are estimated.

Note: Components may not add to the total because of rounding.

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

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

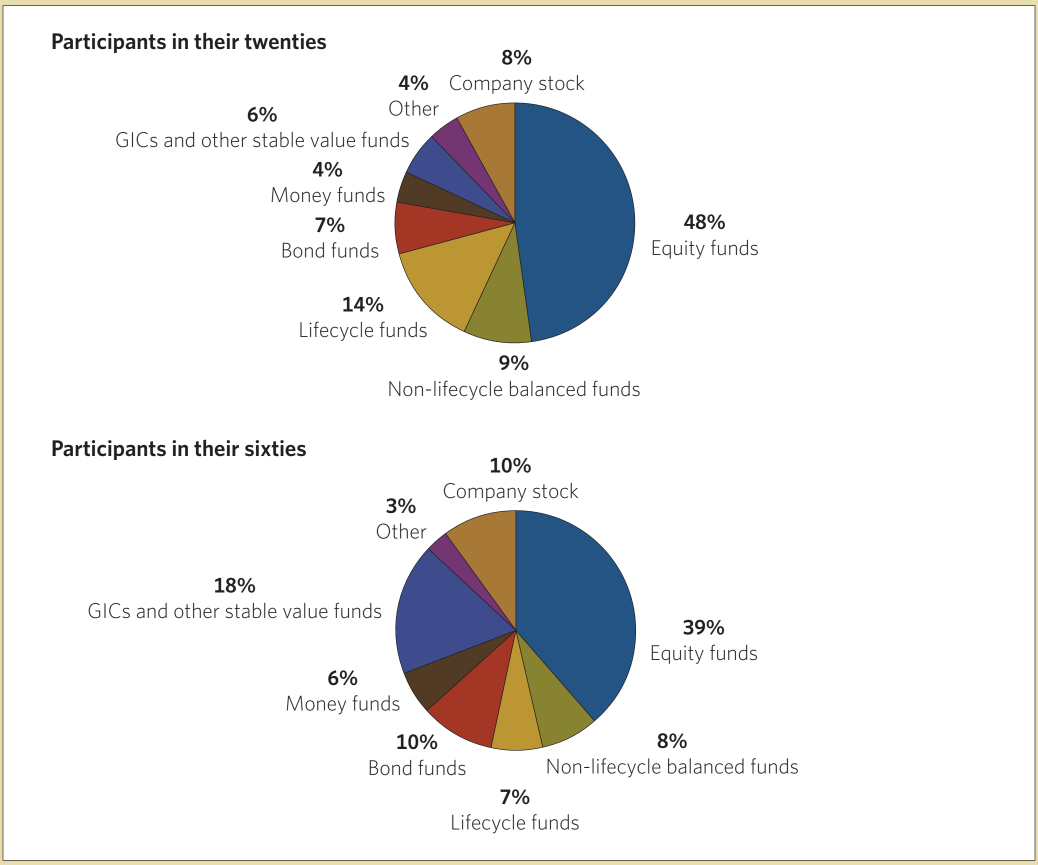
For many American workers, 401(k) plan accounts have become an important part of their retirement planning. The income these accounts provide in retirement depends, in part, on the asset allocation decisions of plan participants.

According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), the asset allocations of 401(k) plan participants vary depending on a variety of factors, including demographics. For example, younger participants tend to allocate a larger portion of their account balances to equity securities (which include equity mutual funds and other pooled equity investments and the company stock of the employer), while older participants are more likely to invest in fixed-income securities such as money funds, bond funds, and guaranteed investment contracts (GICs) and other stable value funds. On average, at year-end 2007, individuals in their twenties invested 56 percent of their assets in equity funds and company stock; 17 percent in GICs, stable value funds, money funds, and bond funds; and 23 percent in lifecycle funds and non-lifecycle balanced funds (Figure 7.8). By comparison, individuals in their sixties invested 49 percent of their assets in equity securities, 34 percent in fixed-income securities, and 15 percent in lifecycle funds and non-lifecycle balanced funds.

FIGURE 7.8

401(k) ASSET ALLOCATION VARIED WITH PARTICIPANT AGE

AVERAGE ASSET ALLOCATION OF 401(k) ACCOUNT BALANCES, PERCENTAGE, YEAR-END 2007



Note: Funds include mutual funds and other pooled investments. Components may not add to 100 percent because of rounding.
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2007," [www.ici.org/pdf/per14-03.pdf])

The median age of 401(k) plan participants was 44 years at year-end 2007, and the average account balance, excluding plan loans, was $65,454. Account balances tended to be higher the longer 401(k) plan participants had been working for their current employers and the older the participant. Workers in their sixties with at least 30 years of tenure at their current employers had an average 401(k) account balance of $210,457 (Figure 7.9).

Most 401(k) participants did not borrow from their plans. At year-end 2007, only 18 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 12 percent of their remaining account balances (net of the unpaid loan balances).

FIGURE 7.9

401(k) BALANCES TEND TO INCREASE WITH AGE AND JOB TENURE

AVERAGE 401(k) PARTICIPANT ACCOUNT BALANCE, YEAR-END, 2007

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, *"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2007," [www.ici.org/pdf/per14-03.pdf])*

Services and Expenses in 401(k) Plans

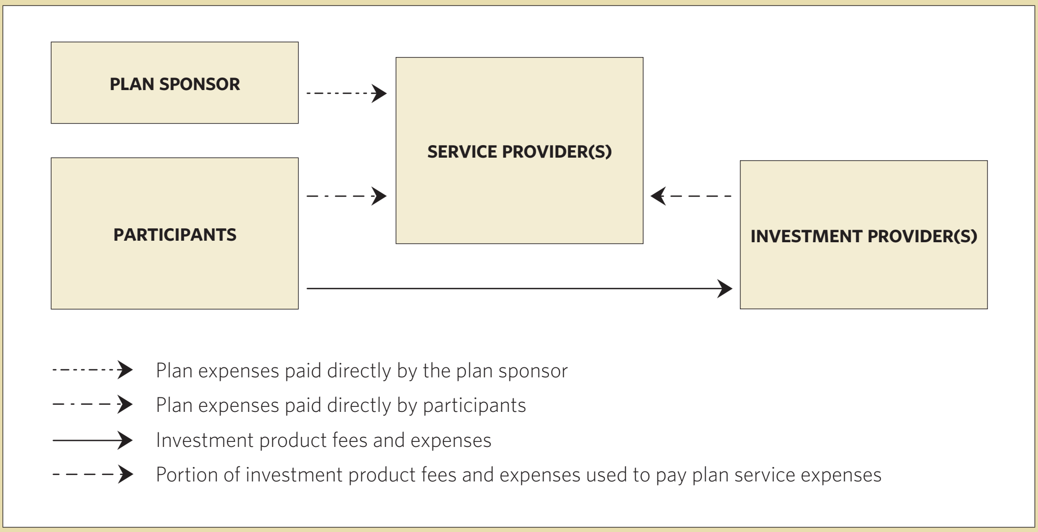
In deciding whether to offer 401(k) plans to their workers, employers must decide if the benefits of offering a plan (in attracting and retaining quality workers) outweigh the costs of providing the plan and plan services (both the compensation paid to the worker and any other costs associated with maintaining the plan and each individual plan participant account).

401(k) plans are complex to maintain and administer, and are subject to an array of rules and regulations that govern their operation. Employers offering 401(k) plans typically hire service providers to operate these plans, and these providers charge fees for their services.

As with any employee benefit, the employer generally determines how the costs will be shared between the employer and employee. Fees can be paid directly by the plan sponsor (i.e., employer), directly by the plan participant (i.e., employee), indirectly by the participant through fees or other reductions in returns paid to the investment provider, or by some combination of these methods (Figure 7.10).

FIGURE 7.10

A VARIETY OF ARRANGEMENTS MAY BE USED TO COMPENSATE 401(k) SERVICE PROVIDERS



Note: In selecting the service provider(s) and deciding the cost-sharing for the 401(k) plan, the employer/plan sponsor will determine which combinations of these fee arrangements will be used in the plan.

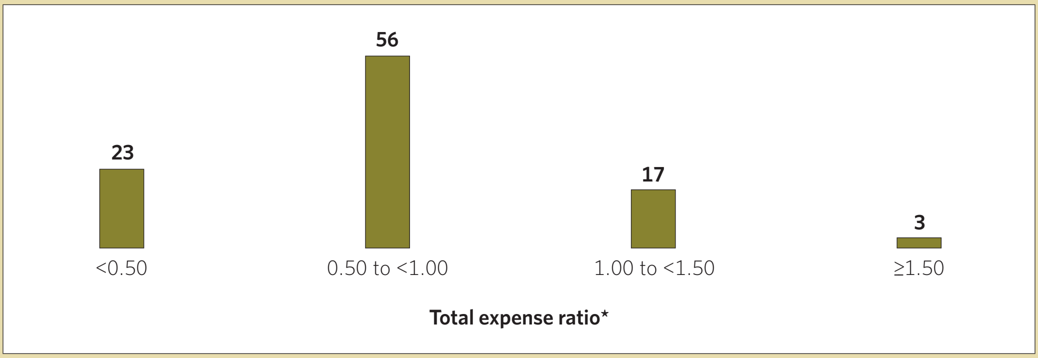
Source: Fundamentals, *"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2007" (www.ici.org/pdf/fm-v17n5.pdf)*

As noted, 47 percent of 401(k) assets at year-end 2008 were invested in mutual funds. 401(k) plan participants holding mutual funds tend to invest in low-cost funds with below-average portfolio turnover. Both characteristics help to keep down the costs of investing in mutual funds through 401(k) plans. For example, at year-end 2007, 23 percent of 401(k) stock mutual fund assets were in funds that had total annual expense ratios below 0.50 percent of fund assets, and another 56 percent had expense ratios between 0.50 percent and 1.00 percent (Figure 7.11). On an asset-weighted basis, the average total expense ratio incurred on 401(k) participants' holdings of stock mutual funds through their 401(k) plans was 0.74 percent in 2007, compared with an average total expense ratio of 0.85 percent for stock mutual funds industrywide.

FIGURE 7.11

401(k) STOCK MUTUAL FUND ASSETS CONCENTRATED IN LOW-COST FUNDS

PERCENTAGE OF 401(k) STOCK MUTUAL FUND ASSETS, YEAR-END 2007



**The total expense ratio, which is reported as a percentage of fund assets, includes fund operating expenses and 12b-1 fees.*
Note: Figures exclude mutual funds available as investment choices in variable annuities.
Sources: Investment Company Institute and Lipper (Fundamentals, "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2007, " [www.ici.org/pdf/fm-v17n5.pdf])

Distributions from Defined Contribution Plans and IRAs

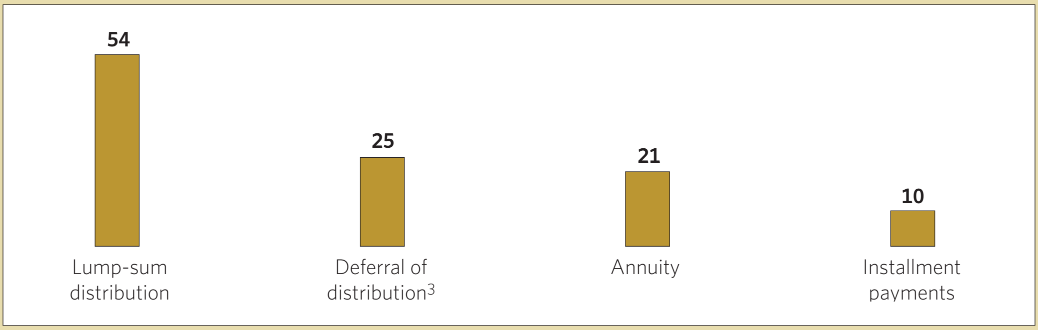
With participant-directed DC plans and IRAs representing an increasing share of household retirement assets, the decisions participants make about distributing those assets in retirement has become an issue of increasing interest to plan sponsors, financial institutions, and policymakers. In late 2007, ICI surveyed recent retirees who had actively participated in DC plans about how they used plan proceeds at retirement.

Seventy percent of respondents reported having more than one option for how their plan assets were distributed at retirement, including the options to take out the entire balance as a lump sum, take installment payments from the plan, purchase an annuity, or leave the assets in the plan and delay taking any distribution. Twenty-five percent of respondents who reported having more than one distribution option chose to delay taking some or all of their balance; 21 percent annuitized some or all of their balance; 10 percent chose to take installment payments from the plan; and 54 percent took some or all of their balance as a lump-sum distribution (Figure 7.12). Of respondents who received a lump-sum distribution, 86 percent of respondents rolled over some or all of the balance to an IRA or otherwise reinvested the assets (Figure 7.13). The remaining 14 percent spent all the proceeds of the distribution.

FIGURE 7.12

DISTRIBUTION OPTIONS SELECTED AT RETIREMENT BY RETIREES HAVING MORE THAN ONE OPTION

PERCENTAGE OF RESPONDENTS WHO HAD MULTIPLE OPTIONS FROM THEIR DC PLANS[1, 2]



[1]Based upon respondents' recall, 70 percent of respondents indicated they had multiple distribution options at retirement. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.

[2]Multiple responses are included; 45 respondents with multiple options chose to receive a partial lump-sum distribution with either a reduced annuity or reduced installment payments, or chose to defer part of the distribution.

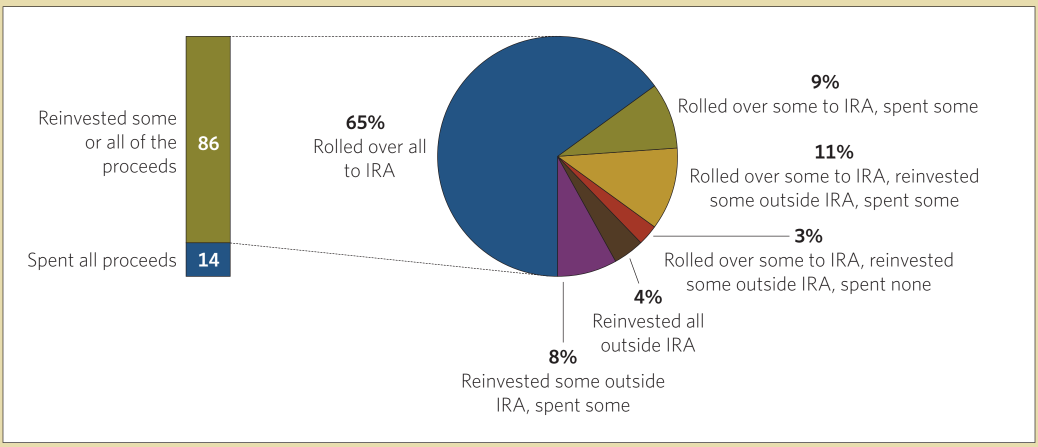
[3]Distributions must begin no later than April 1 of the year following a retired person's attainment of age 70½.

Source: Defined Contribution Plan Distribution Choices at Retirement *(www.ici.org/pdf/rpt_08_dcdd.pdf)*

FIGURE 7.13

USE OF LUMP-SUM DISTRIBUTIONS AT RETIREMENT

PERCENTAGE OF RESPONDENTS*



**Based upon respondents' recall. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.*

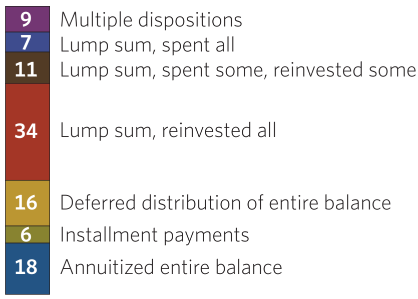
Source: Defined Contribution Plan Distribution Choices at Retirement *(www.ici.org/pdf/rpt_08_dcdd.pdf)*

Among all survey respondents, including those who recalled not having a choice about how to take their DC plan distribution, more than half of the retirees reported taking a lump-sum distribution, and only 7 percent took a lump sum and spent all the proceeds (Figure 7.14). Twenty-four percent either annuitized or took installment payments, while about 16 percent deferred the entire balance. Nine percent reported multiple dispositions with respect to their DC balance. Only 3 percent of DC plan account balances were cashed out and spent at retirement; 31 percent were annuitized; and 66 percent were left in the plan or reinvested (Figure 7.15).

FIGURE 7.14

WHAT HAPPENED TO DEFINED CONTRIBUTION ACCOUNTS AT RETIREMENT?

PERCENTAGE OF RESPONDENTS*



**Based upon respondents' recall. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.*

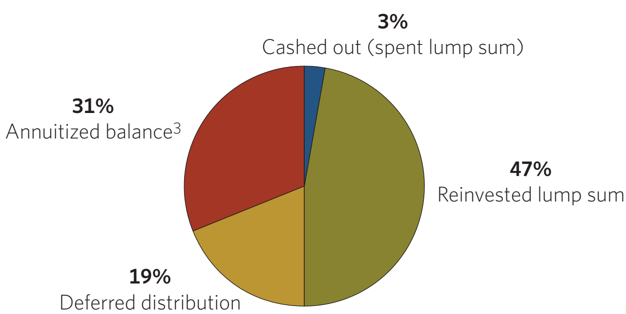
Note: Components do not add to 100 percent because of rounding.

Source: Defined Contribution Plan Distribution Choices at Retirement *(www.ici.org/pdf/rpt_08_dcdd.pdf)*

FIGURE 7.15

DISPOSITION OF ACCUMULATED DEFINED CONTRIBUTION ACCOUNT BALANCES AT RETIREMENT

PERCENTAGE OF TOTAL ACCUMULATED DC ACCOUNT BALANCES[1, 2]



[1]Based upon respondents' recall. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.

[2]The sum of DC balances is based on reported or estimated dollar amount in the DC plan from which the individual retired (between 2002 and 2007). Respondents who chose to receive some or all of their account balance in installments are not included.

[3]Respondents who annuitized some or all of their DC balance reported the amount of their annuity income. Using the respondent's age, gender, marital status, and annual annuity payment, ICI estimated the account balance amount that would be consistent with a market-priced nominal annuity.

Source: Defined Contribution Plan Distribution Choices at Retirement *(www.ici.org/pdf/rpt_08_dcdd.pdf)*

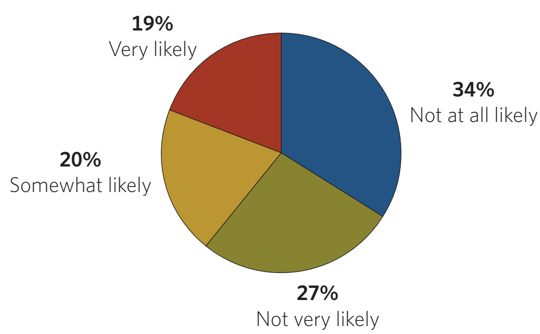
Households that own IRAs tend to preserve their IRA assets as long as possible. In May 2008, ICI surveyed households that owned IRAs and asked a series of questions about withdrawals. Of households with a traditional IRA in 2008, 22 percent reported taking a withdrawal in tax-year 2007. Withdrawals were typically modest: the median withdrawal was $9,000 and nearly 30 percent of withdrawals totaled less than $2,500. The median ratio of withdrawals to account balance was 6 percent. Typically, withdrawals from traditional IRAs were taken to fulfill required minimum distributions (RMDs). The RMD is a percentage of the IRA account balance, with the percentage based on life expectancy. Traditional IRA owners aged 70½ or older must withdraw a minimum amount each year or pay a penalty for failing to do so. Sixty-four percent of individuals who took withdrawals did so to meet RMDs.

Because current withdrawal activity may not be a good indicator of future withdrawal activity, ICI also asked about future plans. Among traditional IRA–owning households in 2008 that did not take a withdrawal in tax-year 2007, 61 percent said that they were unlikely to take a withdrawal before age 70½ (Figure 7.16).

FIGURE 7.16

LIKELIHOOD OF WITHDRAWING FROM TRADITIONAL IRA BEFORE AGE 70½

PERCENTAGE OF TRADITIONAL IRA–OWNING HOUSEHOLDS IN 2008 THAT DID NOT TAKE A WITHDRAWAL IN TAX-YEAR 2007



Source: Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement, 2008" (www.ici.org/pdf/fm-v18n1.pdf)*

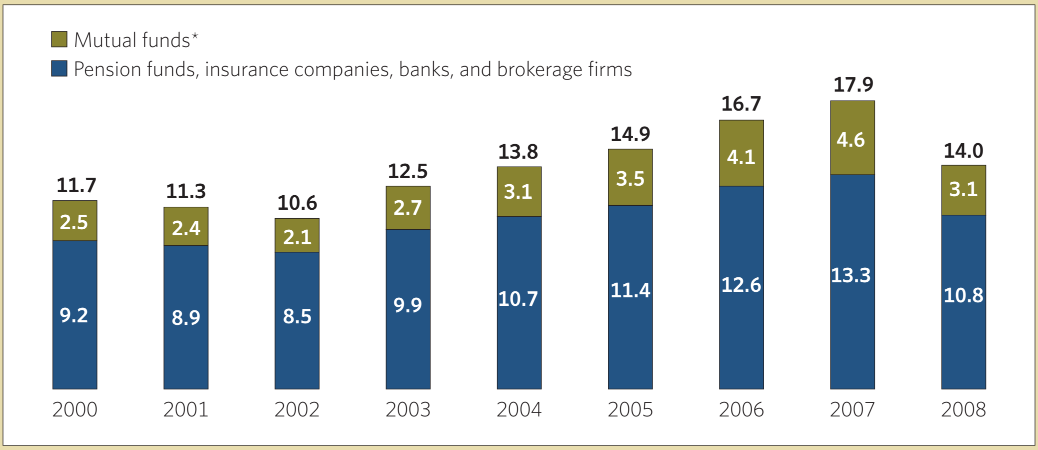
Mutual Funds' Role in Households' Retirement Savings

At year-end 2008, mutual funds accounted for $3.1 trillion, or 22 percent, of the $14.0 trillion U.S. retirement market (Figure 7.17). The remaining $10.8 trillion of year-end 2008 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms.

FIGURE 7.17

MUTUAL FUNDS ACCOUNTED FOR 22 PERCENT OF RETIREMENT MARKET ASSETS

TRILLIONS OF DOLLARS, YEAR-END, 2000–2008



**Data are preliminary.*

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

The $3.1 trillion in mutual fund retirement assets represented 33 percent of all mutual fund assets at year-end 2008. Retirement savings accounts were a significant portion of long-term mutual fund assets (47 percent), but were a relatively minor share of money market fund assets (11 percent).

Mutual fund retirement assets primarily come from two sources: IRAs and employer-sponsored DC plans, such as 401(k) plans. Investors held roughly the same amount of mutual fund assets in IRAs as they did in employer-sponsored DC plans. At year-end 2008, IRAs held $1.6 trillion in mutual fund assets, and employer-sponsored DC plans had $1.5 trillion (Figure 7.18). Among DC plans, 401(k) plans were the largest holder of mutual funds, with $1.1 trillion in assets (Figure 7.19). At year-end 2008, 403(b) plans held $259 billion in mutual fund assets, 457 plans held $51 billion, and other DC plans held $142 billion.

FIGURE 7.18

MUTUAL FUND RETIREMENT ACCOUNT ASSETS

BILLIONS OF DOLLARS, YEAR-END, 1995–2008[1]

	Total mutual fund retirement assets	Employer-sponsored DC plan mutual fund assets[2]	IRA mutual fund assets
1995	$918	$445	$474
1996	1,174	579	595
1997	1,548	768	780
1998	1,959	978	981
1999	2,551	1,274	1,277
2000	2,497	1,249	1,249
2001	2,355	1,179	1,176
2002	2,084	1,040	1,044
2003	2,674	1,347	1,327
2004	3,090	1,569	1,521
2005	3,460	1,760	1,700
2006	4,111	2,083	2,028
2007	4,613	2,309	2,304
2008	3,145	1,547	1,598

[1] *Data are preliminary.*

[2] *DC plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features.*

Note: Components may not add to the total because of rounding.

Types of Mutual Funds Used by Retirement Plan Investors

Of the $3.1 trillion in mutual fund retirement assets held in IRAs, 401(k) plans, and other retirement accounts at year-end 2008, $1.8 trillion, or 57 percent, were invested in domestic or foreign equity funds (Figure 7.19). Domestic equity funds alone constituted about $1.4 trillion, or 44 percent, of mutual fund retirement assets. By comparison, about 39 percent of overall fund industry assets—including retirement and nonretirement accounts—were invested in domestic and foreign equity funds at year-end 2008.

At year-end 2008, approximately $837 billion, or 27 percent, of mutual fund retirement assets were invested in fixed-income funds (bond or money market funds). Bond funds held $415 billion, or 13 percent, of mutual fund retirement assets, and money market funds accounted for $422 billion, or 13 percent. The remaining $527 billion, or approximately 17 percent, of mutual fund retirement assets were held in hybrid funds, which invest in a mix of equity and fixed-income securities.

LIFESTYLE AND LIFECYCLE FUNDS. Lifestyle and lifecycle funds, generally included in the hybrid fund category, have grown in popularity among investors and retirement plan sponsors in recent years. Lifestyle funds maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level. Lifecycle funds follow a predetermined reallocation of risk over time to a specified target date, and typically rebalance their portfolios to become more conservative and income-producing by the target date, which is usually indicated in the fund's name.

Assets in lifestyle and lifecycle funds totaled $340 billion at the end of 2008 (Figure 7.20), down from $421 billion at year-end 2007. Lifestyle funds' assets were down 26 percent in 2008, declining from $238 billion to $176 billion. Assets of lifecycle funds were down 10 percent in 2008, decreasing from $183 billion to $164 billion. The bulk (87 percent) of lifecycle fund assets was held in retirement accounts, compared with 43 percent of lifestyle fund assets.

FIGURE 7.19

BULK OF MUTUAL FUND RETIREMENT ACCOUNT ASSETS INVESTED IN EQUITIES

BILLIONS OF DOLLARS, YEAR-END 2008[1]

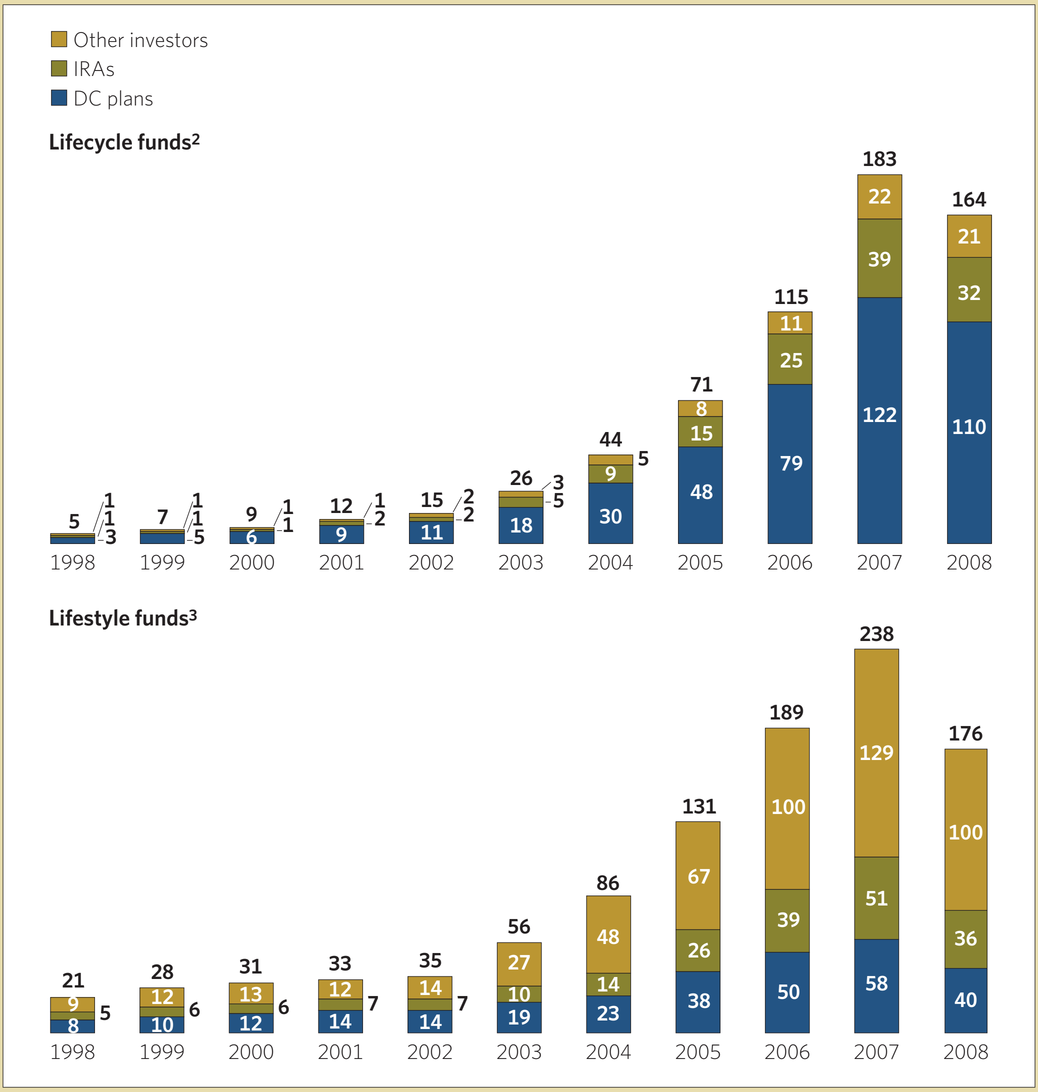
	EQUITY					
	Domestic	Foreign	Hybrid[2]	Bond	Money market	Total
IRAs	**$661**	**$190**	**$242**	**$229**	**$276**	**$1,598**
DC plans	**734**	**196**	**285**	**186**	**146**	**1,547**
401(k) plans	495	151	227	132	89	1,095
403(b) plans	154	22	30	27	26	259
Other DC plans[3]	85	23	28	27	30	194
Total	**1,395**	**386**	**527**	**415**	**422**	**3,145**

[1] *Data are preliminary.*
[2] *Hybrid funds invest in a mix of equities and fixed-income securities. The bulk of lifecycle and lifestyle funds is counted in this category.*
[3] *Other DC plans include 457 plans, Keoghs, and other DC plans without 401(k) features.*
Note: Components may not add to the total because of rounding.

FIGURE 7.20

LIFECYCLE AND LIFESTYLE FUND ASSETS BY ACCOUNT TYPE

BILLIONS OF DOLLARS, YEAR-END, 1998–2008[1]



[1] *Data are preliminary.*

[2] *A lifecycle mutual fund is a hybrid fund that typically rebalances to an increasingly conservative portfolio as the target date of the fund, which is usually included in the fund's name, approaches.*

[3] *A lifestyle mutual fund maintains a predetermined risk level and generally uses words such as "conservative," "aggressive," or "moderate" in the fund's name.*

Note: Components may not add to the total because of rounding.

Mutual Funds' Role in Households' Education Savings

According to the Federal Reserve Board's 2007 Survey of Consumer Finances, about 12 percent of all U.S. households considered future education expenses their most important motivation for saving, compared with 11 percent of households in 2001. In addition, ICI research finds that 25 percent of households that owned mutual funds in 2008 cited education as a financial goal for their fund investments. Nevertheless, the demand for education savings vehicles has been historically modest since their introduction in the 1990s, partly because of their limited availability and investors' lack of familiarity with them. The enactment of EGTRRA in 2001 enhanced the attractiveness of both Section 529 plans and Coverdell Education Savings Accounts (ESAs)—two education savings vehicles—by allowing greater contributions and flexibility in the plans. The enactment of the PPA in 2006 made permanent the EGTRRA enhancements to Section 529 plans.

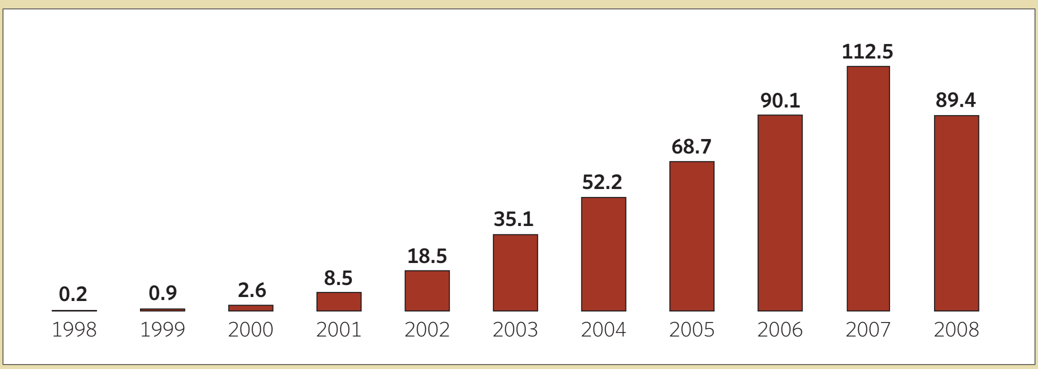
Assets in Section 529 savings plans fell 21 percent in 2008, decreasing from $112.5 billion at year-end 2007 to $89.4 billion by year-end 2008 (Figure 7.21). The number of accounts was 8.9 million, and the average account size was approximately $10,000 at year-end 2008.

In ICI's Annual Mutual Fund Shareholder Tracking Survey, it is possible to identify households saving for college through 529 plans, Coverdell ESAs, or mutual funds (Figure 7.22). As a group, these households saving for college tended to be headed by younger individuals (58 percent were younger than 45). Heads of these households, had a range of educational attainment: 47 percent had not completed college and 53 percent had college degrees or higher education. In addition, they represented a range of household incomes: 41 percent had household income less than $75,000; 18 percent earned between $75,000 and $99,999; and 41 percent had household incomes of $100,000 or more. Almost three-quarters of these households had children (younger than 18) still in the home; nearly half had more than one child.

FIGURE 7.21

SECTION 529 SAVINGS PLAN ASSETS

BILLIONS OF DOLLARS, YEAR-END, 1998-2008



Note: Data were estimated for a few individual state observations in order to construct a continuous time series.
Sources: Investment Company Institute and College Savings Plans Network

FIGURE 7.22

DEMOGRAPHICS OF HOUSEHOLDS SAVING FOR COLLEGE

PERCENTAGE OF U.S. HOUSEHOLDS SAVING FOR COLLEGE,[1] MAY 2008

Age of head of household[2]	
Younger than 35	27
35 to 44	31
45 to 54	26
55 to 64	9
65 or older	7
Education level of head of household[2]	
High school or less	18
Associate's degree or some college	29
Completed college	22
Some graduate school or completed graduate school	31
Household income[3]	
Less than $25,000	5
$25,000 to $34,999	5
$35,000 to $49,999	10
$50,000 to $74,999	21
$75,000 to $99,999	18
$100,000 or more	41
Number of children[4]	
None	28
One	26
Two	29
Three or more	17

[1] *Households saving for college are households that own education savings plans (Coverdell ESAs or 529 plans) or responded that paying for education was one of their financial goals for their mutual funds.*

[2] *Head of household is the sole or co-decisionmaker for household saving and investing.*

[3] *Total reported is household income before taxes in 2007.*

[4] *The number of children reported is children younger than 18 living in the home.*

TABLE OF CONTENTS

Data Tables

ICI's investment company data collection efforts began in 1944, when investment company leaders first formed a committee to monitor industry progress and trends. At that time, the collection included data from 68 mutual funds managing nearly $900 million in assets. At year-end 2008, ICI collected data from 16,262 mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts managing $10.3 trillion in assets.

Section 1: U.S. Mutual Fund Totals

Section 2: Closed-End Funds, Exchange-Traded Funds, and Unit Investment Trusts

Section 3: U.S. Long-Term Mutual Funds

TABLE 1

TOTAL NET ASSETS, NUMBER OF FUNDS, NUMBER OF SHARE CLASSES, AND NUMBER OF SHAREHOLDER ACCOUNTS OF THE U.S. MUTUAL FUND INDUSTRY

YEAR-END

Year	Total net assets *(billions of dollars)*	Number of funds	Number of share classes	Number of shareholder accounts* *(thousands)*
1940	$0.45	68	–	296
1945	1.28	73	–	498
1950	2.53	98	–	939
1955	7.84	125	–	2,085
1960	17.03	161	–	4,898
1965	35.22	170	–	6,709
1970	47.62	361	–	10,690
1971	55.05	392	–	10,901
1972	59.83	410	–	10,635
1973	46.52	421	–	10,331
1974	35.78	431	–	10,074
1975	45.87	426	–	9,876
1976	51.28	452	–	9,060
1977	48.94	477	–	8,693
1978	55.84	505	–	8,658
1979	94.51	526	–	9,790
1980	134.76	564	–	12,088
1981	241.37	665	–	17,499
1982	296.68	857	–	21,448
1983	292.99	1,026	–	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	94,015
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	149,933
1997	4,468.20	6,684	12,002	170,299
1998	5,525.21	7,314	13,720	194,029
1999	6,846.34	7,791	15,262	226,212
2000	6,964.63	8,155	16,738	244,705
2001	6,974.91	8,305	18,023	248,701
2002	6,390.36	8,244	18,984	251,123
2003	7,414.40	8,126	19,318	260,698
2004	8,106.94	8,041	20,029	269,468
2005	8,904.82	7,975	20,549	275,479
2006	10,396.51	8,117	21,256	288,596
2007	11,999.52	8,024	21,618	292,624
2008	9,601.09	8,022	22,239	264,499

**Number of shareholder accounts includes a mix of individual and omnibus accounts.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 2

TOTAL SALES, NEW SALES, EXCHANGE SALES, REDEMPTIONS, AND EXCHANGE REDEMPTIONS OF THE U.S. MUTUAL FUND INDUSTRY

BILLIONS OF DOLLARS, ANNUAL

Year	Total sales[1]	New sales	Exchange sales[2]	Redemptions	Exchange redemptions[3]
1945	$0.29	–	–	$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
1971	5.15	4.40	–	4.75	–
1972	4.89	4.20	–	6.56	–
1973	4.36	3.65	–	5.65	–
1974	5.32	4.43	–	3.94	–
1975	10.06	8.94	–	9.57	–
1976	13.72	11.92	$1.52	16.41	$1.44
1977	17.07	14.75	2.24	16.69	2.31
1978	37.16	35.40	3.97	31.53	3.94
1979	119.32	115.66	5.83	86.74	5.89
1980	247.42	238.96	10.10	216.08	9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.12	661.74	36.66	607.02	37.11
1985	953.85	933.37	46.55	864.88	46.84
1986	1,204.90	1,179.40	107.75	1,015.64	107.96
1987	1,251.19	1,220.27	205.68	1,178.75	207.35
1988	1,176.81	1,143.62	134.28	1,166.67	134.24
1989	1,444.84	1,401.21	130.66	1,327.05	131.95
1990	1,564.81	1,517.41	138.79	1,470.83	140.98
1991	2,037.64	1,990.53	155.75	1,879.69	154.31
1992	2,749.68	2,704.69	197.43	2,548.28	198.15
1993	3,187.49	3,137.76	248.79	2,904.44	253.95
1994	3,075.63	3,019.76	317.55	2,928.62	325.00
1995	3,600.62	3,526.00	351.53	3,314.86	351.08
1996	4,671.44	4,586.71	504.73	4,266.20	503.94
1997	5,801.23	5,704.83	613.44	5,324.29	618.49
1998	7,230.40	7,126.92	742.97	6,649.27	743.37
1999	9,043.58	8,922.96	949.96	8,562.10	947.36
2000	11,109.54	10,970.50	1,149.75	10,586.59	1,145.42
2001	12,866.21	12,747.53	797.34	12,242.32	798.08
2002	13,195.81	13,111.29	747.34	13,038.85	745.65
2003	12,452.59	12,374.31	572.50	12,415.60	573.76
2004	12,270.04	12,179.74	408.99	12,117.54	417.95
2005	14,042.47	13,915.31	420.83	13,648.47	432.43
2006	17,409.58	17,229.02	487.71	16,752.21	492.19
2007	23,471.13	23,236.90	606.46	22,353.67	611.96
2008	26,466.19	26,252.11	733.84	25,846.52	728.80

[1]Total sales are the dollar value of new sales plus sales made through reinvestment of income dividends from existing accounts, but exclude reinvestment of capital gain distributions.

[2]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

[3]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same fund group.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 3

TOTAL NET ASSETS OF THE U.S. MUTUAL FUND INDUSTRY

BILLIONS OF DOLLARS, YEAR-END

		LONG-TERM FUNDS		
Year	Total	Equity funds	Bond and income funds	Money market funds
1960	$17.03	$16.00	$1.02	–
1965	35.22	32.76	2.46	–
1970	47.62	45.13	2.49	–
1971	55.05	51.58	3.47	–
1972	59.83	55.92	3.91	–
1973	46.52	42.99	3.52	–
1974	35.78	30.87	3.19	$1.72
1975	45.87	37.49	4.68	3.70
1976	51.28	39.19	8.39	3.69
1977	48.94	34.07	10.98	3.89
1978	55.84	32.67	12.31	10.86
1979	94.51	35.88	13.10	45.53
1980	134.76	44.42	13.98	76.36
1981	241.37	41.19	14.01	186.16
1982	296.68	53.63	23.21	219.84
1983	292.99	76.97	36.63	179.39

		LONG-TERM FUNDS			
Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
1984	$370.68	$79.73	$11.15	$46.24	$233.55
1985	495.39	111.33	17.61	122.65	243.80
1986	715.67	154.45	25.76	243.31	292.15
1987	769.17	175.45	29.25	248.37	316.10
1988	809.37	189.38	26.35	255.69	337.95
1989	980.67	245.04	35.64	271.90	428.09
1990	1,065.19	239.48	36.12	291.25	498.34
1991	1,393.19	404.73	52.23	393.78	542.44
1992	1,642.54	514.09	78.04	504.21	546.19
1993	2,069.96	740.67	144.50	619.48	565.32
1994	2,155.32	852.76	164.40	527.15	611.00
1995	2,811.29	1,249.08	210.33	598.87	753.02
1996	3,525.80	1,726.01	252.58	645.41	901.81
1997	4,468.20	2,368.02	317.11	724.18	1,058.89
1998	5,525.21	2,977.94	365.00	830.59	1,351.68
1999	6,846.34	4,041.89	378.81	812.49	1,613.15
2000	6,964.63	3,961.92	346.28	811.19	1,845.25
2001	6,974.91	3,418.16	346.32	925.12	2,285.31
2002	6,390.36	2,662.46	325.49	1,130.45	2,271.96
2003	7,414.40	3,684.16	430.47	1,247.77	2,052.00
2004	8,106.94	4,384.05	519.29	1,290.41	1,913.19
2005	8,904.82	4,939.75	567.30	1,357.23	2,040.54
2006	10,396.51	5,910.54	653.15	1,494.37	2,338.45
2007	11,999.52	6,515.92	718.55	1,679.30	3,085.76
2008	9,601.09	3,704.47	498.69	1,565.68	3,832.24

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds. Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 4

TOTAL NET ASSETS OF THE U.S. MUTUAL FUND INDUSTRY BY INVESTMENT CLASSIFICATION

BILLIONS OF DOLLARS, YEAR-END

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	$41.68	$5.19	$32.86	$11.15	$3.30	$7.40	$0.03	$10.63	$4.09	$4.78	$16.01	$209.73	$23.82
1985	56.85	7.94	46.55	17.61	4.98	13.48	0.06	58.32	6.36	11.52	27.92	207.54	36.27
1986	70.53	15.47	68.45	25.76	9.08	24.59	0.52	122.06	11.37	25.81	49.86	228.35	63.81
1987	79.31	17.43	78.71	29.25	9.47	24.16	2.14	123.11	12.53	27.79	49.17	254.68	61.42
1988	83.09	17.98	88.31	26.35	10.46	33.43	3.02	111.40	10.65	32.41	54.32	272.29	65.66
1989	107.23	23.59	114.22	35.64	11.68	28.49	3.06	109.60	13.41	41.21	64.45	358.72	69.37
1990	113.37	28.30	97.81	36.12	25.80	19.15	13.02	104.43	8.61	49.55	70.70	414.73	83.61
1991	178.73	39.52	186.48	52.23	36.60	26.33	27.71	134.24	14.70	65.81	88.39	452.56	89.88
1992	235.06	45.68	233.34	78.04	48.16	34.47	31.02	172.68	21.63	85.48	110.78	451.35	94.84
1993	321.18	114.13	305.36	144.50	68.29	48.97	32.91	188.67	26.05	113.59	141.01	461.90	103.42
1994	361.62	161.19	329.95	164.40	64.78	45.08	23.60	140.44	25.95	104.82	122.49	500.64	110.37
1995	572.34	196.51	480.23	210.33	84.75	59.70	24.83	143.00	33.30	117.30	135.99	629.99	123.03
1996	781.72	285.20	659.10	252.58	100.61	78.90	25.74	130.63	56.47	116.96	136.10	761.99	139.82
1997	1,075.27	346.37	946.39	317.11	119.35	104.91	25.99	128.89	73.15	126.54	145.35	898.08	160.80
1998	1,404.71	391.64	1,181.59	365.00	143.51	117.44	24.64	144.35	102.05	139.96	158.63	1,163.17	188.51
1999	2,115.06	585.25	1,341.58	378.81	157.68	116.90	22.94	138.58	104.90	127.89	143.59	1,408.73	204.41
2000	2,153.72	542.67	1,265.54	346.28	140.64	90.28	19.94	133.34	149.15	132.72	145.12	1,607.22	238.03
2001	1,797.35	428.80	1,192.02	346.32	160.97	94.28	19.07	164.24	191.55	140.99	154.03	2,012.91	272.40
2002	1,340.75	358.00	963.71	325.49	179.42	100.40	21.08	237.91	263.12	154.14	174.38	1,997.17	274.78
2003	1,858.21	516.10	1,309.86	430.47	201.12	153.70	27.56	224.71	306.57	150.94	183.16	1,763.63	288.37
2004	2,158.31	689.67	1,536.07	519.29	224.63	155.62	36.85	210.83	334.76	145.10	182.62	1,602.85	310.35
2005	2,376.38	919.58	1,643.80	567.30	239.79	143.91	45.36	207.16	382.25	148.14	190.61	1,706.54	334.00
2006	2,699.94	1,314.14	1,896.46	653.15	272.17	156.23	59.42	193.04	448.61	154.87	210.03	1,972.05	366.40
2007	2,891.54	1,667.47	1,956.91	718.55	299.78	156.72	84.34	203.16	561.47	155.63	218.21	2,620.69	465.08
2008	1,650.07	866.60	1,187.80	498.69	246.08	111.43	86.16	235.21	549.09	134.87	202.85	3,340.78	491.46

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 5

NUMBER OF FUNDS OF THE U.S. MUTUAL FUND INDUSTRY

YEAR-END

		LONG-TERM FUNDS		
Year	Total	Equity funds	Bond and income funds	Money market funds
1970	361	323	38	–
1971	392	350	42	–
1972	410	364	46	–
1973	421	366	55	–
1974	431	343	73	15
1975	426	314	76	36
1976	452	302	102	48
1977	477	296	131	50
1978	505	294	150	61
1979	526	289	159	78
1980	564	288	170	106
1981	665	306	180	179
1982	857	340	199	318
1983	1,026	396	257	373

		LONG-TERM FUNDS			
Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,079	1,099	193	1,046	741
1991	3,403	1,191	212	1,180	820
1992	3,824	1,325	235	1,400	864
1993	4,534	1,586	282	1,746	920
1994	5,325	1,886	361	2,115	963
1995	5,725	2,139	412	2,177	997
1996	6,248	2,570	466	2,224	988
1997	6,684	2,951	501	2,219	1,013
1998	7,314	3,512	526	2,250	1,026
1999	7,791	3,952	532	2,262	1,045
2000	8,155	4,385	523	2,208	1,039
2001	8,305	4,716	483	2,091	1,015
2002	8,244	4,747	473	2,035	989
2003	8,126	4,599	508	2,045	974
2004	8,041	4,547	510	2,041	943
2005	7,975	4,586	505	2,013	871
2006	8,117	4,769	508	1,993	847
2007	8,024	4,764	488	1,967	805
2008	8,022	4,830	492	1,916	784

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 6

NUMBER OF FUNDS OF THE U.S. MUTUAL FUND INDUSTRY BY INVESTMENT CLASSIFICATION

YEAR-END

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	621	155	323	193	120	106	41	252	64	272	191	506	235
1991	645	206	340	212	144	95	61	281	76	331	192	553	267
1992	717	239	369	235	183	89	89	335	76	414	214	585	279
1993	850	306	430	282	251	90	115	405	89	531	265	628	292
1994	994	423	469	361	304	95	138	457	109	707	305	646	317
1995	1,110	528	501	412	358	104	159	429	116	710	301	674	323
1996	1,325	668	577	466	386	119	173	422	143	686	295	666	322
1997	1,538	768	645	501	372	134	186	407	187	649	284	682	331
1998	1,894	890	728	526	350	183	188	395	234	615	285	685	341
1999	2,208	950	794	532	336	208	175	374	282	605	282	702	343
2000	2,542	1,005	838	523	305	214	144	351	326	594	274	703	336
2001	2,853	1,014	849	483	293	211	131	320	323	556	257	689	326
2002	2,956	946	845	473	298	200	116	315	337	519	250	679	310
2003	2,931	862	806	508	291	198	106	316	356	527	251	662	312
2004	2,936	819	792	510	301	198	107	313	356	516	250	639	304
2005	2,969	838	779	505	294	207	106	307	360	501	238	595	276
2006	3,069	915	785	508	289	207	113	309	364	481	230	574	273
2007	3,018	980	766	488	292	206	123	301	371	449	225	546	259
2008	3,019	1,062	749	492	281	195	131	294	378	417	220	536	248

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 7

NUMBER OF SHARE CLASSES OF THE U.S. MUTUAL FUND INDUSTRY

YEAR-END

Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,177	1,128	200	1,087	762
1991	3,587	1,248	224	1,244	871
1992	4,208	1,452	258	1,584	914
1993	5,562	1,945	349	2,259	1,009
1994	7,697	2,656	517	3,263	1,261
1995	9,007	3,287	637	3,703	1,380
1996	10,352	4,211	753	3,935	1,453
1997	12,002	5,309	877	4,267	1,549
1998	13,720	6,642	968	4,483	1,627
1999	15,262	7,785	1,031	4,716	1,730
2000	16,738	9,079	1,024	4,780	1,855
2001	18,023	10,324	998	4,753	1,948
2002	18,984	11,002	1,046	4,930	2,006
2003	19,318	10,953	1,175	5,159	2,031
2004	20,029	11,398	1,274	5,311	2,046
2005	20,549	11,824	1,374	5,320	2,031
2006	21,256	12,509	1,358	5,377	2,012
2007	21,618	12,827	1,340	5,433	2,018
2008	22,239	13,400	1,381	5,469	1,989

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 8

NUMBER OF SHARE CLASSES OF THE U.S. MUTUAL FUND INDUSTRY BY INVESTMENT CLASSIFICATION

YEAR-END

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	632	166	330	200	121	109	45	258	64	291	199	523	239
1991	666	227	355	224	146	100	70	293	77	352	206	592	279
1992	785	263	404	258	201	100	111	382	82	466	242	616	298
1993	1,033	385	527	349	307	115	152	522	109	708	346	673	336
1994	1,362	630	664	517	434	135	205	679	150	1,187	473	853	408
1995	1,660	845	782	637	557	172	248	697	167	1,341	521	949	431
1996	2,099	1,155	957	753	637	202	289	711	207	1,352	537	1,000	453
1997	2,704	1,449	1,156	877	647	264	335	743	300	1,415	563	1,070	479
1998	3,464	1,770	1,408	968	648	378	348	762	392	1,365	590	1,133	494
1999	4,231	1,969	1,585	1,031	669	452	334	760	503	1,380	618	1,226	504
2000	5,167	2,203	1,709	1,024	655	479	287	731	601	1,407	620	1,324	531
2001	6,159	2,371	1,794	998	682	491	271	698	655	1,342	614	1,397	551
2002	6,761	2,338	1,903	1,046	729	498	270	733	762	1,297	641	1,464	542
2003	6,827	2,195	1,931	1,175	753	502	257	767	843	1,344	693	1,463	568
2004	7,228	2,172	1,998	1,274	801	523	263	795	882	1,340	707	1,471	575
2005	7,512	2,280	2,032	1,374	809	552	271	792	907	1,314	675	1,465	566
2006	7,910	2,549	2,050	1,358	837	562	296	794	953	1,268	667	1,455	557
2007	7,949	2,802	2,076	1,340	871	592	334	781	968	1,223	664	1,450	568
2008	8,122	3,168	2,110	1,381	890	584	387	780	1,002	1,157	669	1,448	541

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 9

NUMBER OF SHAREHOLDER ACCOUNTS* OF THE U.S. MUTUAL FUND INDUSTRY

THOUSANDS, YEAR-END

		LONG-TERM FUNDS			
Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
1984	27,636	9,623	983	3,186	13,845
1985	34,098	11,061	1,323	6,780	14,935
1986	45,374	15,509	2,101	11,450	16,313
1987	53,717	20,371	2,732	12,939	17,675
1988	54,056	19,658	2,575	13,253	18,570
1989	57,560	20,348	2,727	13,170	21,314
1990	61,948	22,157	3,203	13,619	22,969
1991	68,332	25,648	3,620	15,509	23,556
1992	79,931	32,730	4,532	19,023	23,647
1993	94,015	42,554	6,741	21,135	23,585
1994	114,383	57,948	10,251	20,806	25,379
1995	131,219	69,340	10,926	20,816	30,137
1996	149,933	85,301	12,026	20,406	32,200
1997	170,299	101,679	12,856	20,140	35,624
1998	194,029	119,557	14,138	21,486	38,847
1999	226,212	147,391	14,252	20,953	43,616
2000	244,705	163,948	13,066	19,553	48,138
2001	248,701	165,649	14,257	21,560	47,236
2002	251,124	164,295	15,579	25,869	45,380
2003	260,698	174,060	17,672	27,752	41,214
2004	269,468	183,243	20,004	28,585	37,636
2005	275,479	187,992	21,206	29,444	36,837
2006	288,596	200,021	21,967	29,540	37,067
2007	292,624	201,318	22,346	29,830	39,130
2008	264,499	175,533	20,752	30,102	38,112

**Number of shareholder accounts includes a mix of individual and omnibus accounts.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 10

NUMBER OF SHAREHOLDER ACCOUNTS* OF THE U.S. MUTUAL FUND INDUSTRY BY INVESTMENT CLASSIFICATION

THOUSANDS, YEAR-END

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	5,976	713	2,934	983	414	698	4	788	337	198	745	13,556	288
1985	6,736	806	3,519	1,323	485	1,073	6	3,279	418	381	1,139	14,435	499
1986	8,240	1,631	5,638	2,101	659	1,744	47	5,985	603	722	1,691	15,654	660
1987	10,557	2,171	7,644	2,732	708	1,974	156	6,666	694	874	1,866	16,833	842
1988	10,312	2,034	7,312	2,575	772	2,488	255	6,293	508	1,000	1,938	17,631	939
1989	10,172	2,062	8,114	2,727	810	2,409	237	5,847	584	1,147	2,138	20,173	1,141
1990	11,427	3,077	7,653	3,203	1,389	2,204	680	5,394	310	1,323	2,318	21,578	1,391
1991	13,628	3,478	8,542	3,620	1,678	1,992	1,306	5,846	432	1,631	2,624	21,863	1,693
1992	17,842	4,203	10,685	4,532	2,073	2,041	1,725	7,181	799	2,163	3,041	21,771	1,876
1993	22,003	7,122	13,430	6,741	2,463	2,373	1,878	7,226	977	2,579	3,639	21,587	1,998
1994	28,407	12,162	17,379	10,251	2,849	2,440	1,435	6,359	1,010	3,232	3,482	23,340	2,039
1995	35,758	13,195	20,387	10,926	3,160	2,816	1,283	6,395	1,132	2,621	3,409	27,859	2,278
1996	44,731	15,651	24,919	12,026	3,632	3,189	1,214	5,559	1,152	2,473	3,187	29,907	2,292
1997	53,101	17,912	30,666	12,856	3,722	3,756	1,116	4,918	1,344	2,289	2,995	32,961	2,663
1998	63,288	18,515	37,754	14,138	4,333	4,168	844	4,984	1,651	2,487	3,020	36,442	2,405
1999	83,170	21,833	42,388	14,252	4,760	4,110	783	4,871	1,448	2,228	2,754	41,177	2,438
2000	100,065	22,758	41,124	13,066	3,892	3,532	657	4,539	2,240	2,120	2,573	45,480	2,659
2001	99,973	22,036	43,639	14,257	4,813	3,605	632	5,120	2,822	2,044	2,524	44,415	2,821
2002	98,426	21,879	43,991	15,579	5,523	3,818	713	7,050	4,069	2,060	2,636	42,726	2,655
2003	102,534	23,941	47,585	17,672	5,529	4,780	907	7,025	5,111	1,841	2,559	38,412	2,802
2004	104,192	29,227	49,824	20,004	5,966	4,781	1,051	6,785	5,772	1,744	2,487	34,794	2,842
2005	101,886	35,318	50,788	21,206	6,369	4,623	1,371	6,404	6,487	1,713	2,476	34,033	2,805
2006	104,063	44,229	51,729	21,967	6,184	4,696	1,734	5,570	7,189	1,647	2,519	34,006	3,061
2007	101,144	49,561	50,613	22,346	5,937	4,709	2,123	5,154	7,867	1,575	2,466	35,662	3,467
2008	86,142	43,786	45,606	20,752	5,175	4,103	2,556	6,107	8,419	1,372	2,370	34,499	3,613

*Number of shareholder accounts includes a mix of individual and omnibus accounts.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 11

CLOSED-END FUNDS: TOTAL NET ASSETS AND PROCEEDS FROM ISSUANCE BY TYPE OF FUND

MILLIONS OF DOLLARS

		EQUITY FUNDS			BOND FUNDS			
Year	Total	Total equity	Domestic	Global/ International	Total bond	Domestic taxable	Domestic municipal	Global/ International
TOTAL NET ASSETS *(year-end)*								
1990	$59,106	$16,634	$10,791	$5,843	$42,472	$16,820	$16,482	$9,170
1991	76,164	19,296	13,109	6,187	56,868	19,403	29,519	7,947
1992	100,666	21,766	14,581	7,185	78,900	24,632	45,593	8,674
1993	131,520	28,010	15,462	12,548	103,510	30,909	60,100	12,501
1994	130,675	37,611	16,018	21,594	93,063	26,604	56,035	10,425
1995	142,620	41,926	18,078	23,848	100,694	28,678	60,318	11,698
1996	146,991	46,987	19,830	27,157	100,004	28,418	59,540	12,046
1997	151,845	49,625	20,536	29,089	102,220	28,315	61,992	11,912
1998	155,814	47,606	22,529	25,077	108,208	34,127	63,628	10,454
1999	147,016	41,267	24,696	16,571	105,749	30,888	64,513	10,348
2000	143,134	36,611	24,557	12,054	106,523	28,581	68,266	9,676
2001	141,251	31,075	22,261	8,814	110,176	26,606	74,467	9,102
2002	158,805	33,724	26,596	7,128	125,081	25,643	90,024	9,414
2003	214,088	53,019	42,987	10,032	161,069	55,428	94,102	11,539
2004	254,296	82,327	63,762	18,565	171,969	64,230	94,884	12,855
2005	277,017	105,588	77,124	28,464	171,430	64,119	94,606	12,705
2006	298,328	122,477	87,772	34,705	175,851	68,051	94,569	13,231
2007	312,795	146,174	87,569	58,604	166,622	62,281	88,659	15,682
2008	188,420	76,181	47,328	28,853	112,239	33,939	67,710	10,590
PROCEEDS FROM ISSUANCE* *(annual)*								
2002	$24,911	$9,210	$9,191	$18	$15,701	$2,309	$13,392	–
2003	40,963	11,349	11,187	161	29,614	25,587	2,995	$1,032
2004	27,867	21,225	15,424	5,801	6,642	5,608	5	1,028
2005	21,266	19,187	12,559	6,628	2,080	1,924	31	124
2006	12,332	10,275	7,691	2,584	2,057	1,528	196	334
2007	31,192	25,843	5,973	19,870	5,349	2,221	433	2,695
2008	329	208	8	200	121	121	–	–

**Data are not available for years prior to 2002. The data include proceeds from the issuance of initial and additional public offerings of closed-end fund shares.*

Note: Components may not add to the total because of rounding.

TABLE 12

CLOSED-END FUNDS: NUMBER OF FUNDS BY TYPE OF FUND

YEAR-END

		EQUITY FUNDS			BOND FUNDS			
Year	Total	Total equity	Domestic	Global/ International	Total bond	Domestic taxable	Domestic municipal	Global/ International
1990	249	93	41	52	156	85	53	18
1991	281	93	40	53	188	86	87	15
1992	373	105	43	62	268	99	149	20
1993	495	119	48	71	376	120	227	29
1994	512	137	50	87	375	123	220	32
1995	500	141	49	92	359	119	207	33
1996	498	142	50	92	356	118	205	33
1997	488	135	45	90	353	115	205	33
1998	492	128	44	84	364	123	211	30
1999	512	124	49	75	388	117	241	30
2000	482	123	53	70	359	109	220	30
2001	492	116	51	65	376	109	240	27
2002	545	123	63	60	422	105	292	25
2003	584	131	75	56	453	129	297	27
2004	619	158	96	62	461	136	295	30
2005	635	193	121	72	442	131	280	31
2006	647	204	129	75	443	134	276	33
2007	664	230	137	93	434	131	269	34
2008	646	222	128	94	424	130	262	32

TABLE 13

EXCHANGE-TRADED FUNDS: TOTAL NET ASSETS BY TYPE OF FUND

MILLIONS OF DOLLARS, YEAR-END

		INVESTMENT OBJECTIVE						LEGAL STATUS			
		Equity						Registered			
		Domestic equity									Memo
Year	Total	Broad-based	Sector	Global/ International	Commodities[1]	Hybrid	Bond	Index	Actively managed	Nonregistered[1]	Funds of funds[2]
1993	$464	$464	–	–	–	–	–	$464	–	–	–
1994	424	424	–	–	–	–	–	424	–	–	–
1995	1,052	1,052	–	–	–	–	–	1,052	–	–	–
1996	2,411	2,159	–	$252	–	–	–	2,411	–	–	–
1997	6,707	6,200	–	506	–	–	–	6,707	–	–	–
1998	15,568	14,058	$484	1,026	–	–	–	15,568	–	–	–
1999	33,873	29,374	2,507	1,992	–	–	–	33,873	–	–	–
2000	65,585	60,529	3,015	2,041	–	–	–	65,585	–	–	–
2001	82,993	74,752	5,224	3,016	–	–	–	82,993	–	–	–
2002	102,143	86,985	5,919	5,324	–	–	$3,915	102,143	–	–	–
2003	150,983	120,430	11,901	13,984	–	–	4,667	150,983	–	–	–
2004	227,540	163,730	20,315	33,644	$1,335	–	8,516	226,205	–	$1,335	–
2005	300,820	186,832	28,975	65,210	4,798	–	15,004	296,022	–	4,798	–
2006	422,550	232,487	43,655	111,194	14,699	–	20,514	407,850	–	14,699	–
2007	608,422	300,930	64,117	179,702	28,906	$119	34,648	579,517	–	28,906	–
2008	531,287	266,161	58,374	113,684	35,728	132	57,209	495,317	$242	35,728	$97

[1]*ETFs not registered under the Investment Company Act of 1940.*
[2]*Data for ETFs that invest primarily in other ETFs are excluded from the totals.*
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 14

EXCHANGE-TRADED FUNDS: NUMBER OF FUNDS BY TYPE OF FUND

YEAR-END

		INVESTMENT OBJECTIVE						LEGAL STATUS			
		Equity						Registered			Memo
		Domestic equity									
Year	Total	Broad-based	Sector	Global/ International	Commodities[1]	Hybrid	Bond	Index	Actively managed	Nonregistered[1]	Funds of funds[2]
1993	1	1	–	–	–	–	–	1	–	–	–
1994	1	1	–	–	–	–	–	1	–	–	–
1995	2	2	–	–	–	–	–	2	–	–	–
1996	19	2	–	17	–	–	–	19	–	–	–
1997	19	2	–	17	–	–	–	19	–	–	–
1998	29	3	9	17	–	–	–	29	–	–	–
1999	30	4	9	17	–	–	–	30	–	–	–
2000	80	29	26	25	–	–	–	80	–	–	–
2001	102	34	34	34	–	–	–	102	–	–	–
2002	113	34	32	39	–	–	8	113	–	–	–
2003	119	39	33	41	–	–	6	119	–	–	–
2004	152	60	42	43	1	–	6	151	–	1	–
2005	204	81	65	49	3	–	6	201	–	3	–
2006	359	133	119	85	16	–	6	343	–	16	–
2007	629	197	191	159	28	5	49	601	–	28	–
2008	728	204	186	225	45	6	62	671	12	45	15

[1]ETFs not registered under the Investment Company Act of 1940.
[2]Data for ETFs that invest primarily in other ETFs are excluded from the totals.
Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 15

EXCHANGE-TRADED FUNDS: NET ISSUANCE BY TYPE OF FUND

MILLIONS OF DOLLARS, ANNUAL

		INVESTMENT OBJECTIVE						LEGAL STATUS			
		Equity						Registered			
		Domestic equity									Memo
Year	Total	Broad-based	Sector	Global/ International	Commodities[1]	Hybrid	Bond	Index	Actively managed	Nonregistered[1]	Funds of funds[2]
1993	$442	$442	–	–	–	–	–	$442	–	–	–
1994	−28	−28	–	–	–	–	–	−28	–	–	–
1995	443	443	–	–	–	–	–	443	–	–	–
1996	1,108	842	–	$266	–	–	–	1,108	–	–	–
1997	3,466	3,160	–	306	–	–	–	3,466	–	–	–
1998	6,195	5,158	$484	553	–	–	–	6,195	–	–	–
1999	11,929	10,221	1,596	112	–	–	–	11,929	–	–	–
2000	42,508	40,591	1,033	884	–	–	–	42,508	–	–	–
2001	31,012	26,911	2,735	1,366	–	–	–	31,012	–	–	–
2002	45,302	35,477	2,304	3,792	–	–	$3,729	45,302	–	–	–
2003	15,810	5,737	3,587	5,764	–	–	721	15,810	–	–	–
2004	56,375	29,084	6,514	15,645	$1,353	–	3,778	55,021	–	$1,353	–
2005	56,729	16,941	6,719	23,455	2,859	–	6,756	53,871	–	2,859	–
2006	73,995	21,589	9,780	28,423	8,475	–	5,729	65,520	–	8,475	–
2007	150,617	61,152	18,122	48,842	9,062	$122	13,318	141,555	–	9,062	–
2008	177,220	88,105	30,296	25,243	10,567	58	22,952	166,374	$279	10,567	$107

[1] *ETFs not registered under the Investment Company Act of 1940.*

[2] *Data for ETFs that invest primarily in other ETFs are excluded from the totals.*

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 16

UNIT INVESTMENT TRUSTS: TOTAL NET ASSETS, NUMBER OF TRUSTS, AND NEW DEPOSITS BY TYPE OF TRUST

	ASSETS (millions of dollars, year-end)				NUMBER OF TRUSTS (year-end)				NEW DEPOSITS (millions of dollars, annual)			
Year	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt
1990	$105,390	$4,192	$9,456	$91,742	12,131	171	722	11,238	$7,489	$495	$1,349	$5,644
1991	102,828	4,940	9,721	88,167	12,388	168	678	11,542	8,195	900	1,687	5,609
1992	97,925	6,484	9,976	81,465	13,598	230	745	12,623	8,909	1,771	2,385	4,752
1993	87,574	8,494	8,567	70,513	13,740	258	679	12,803	9,359	3,206	1,598	4,555
1994	73,682	9,285	7,252	57,144	13,310	306	568	12,436	8,915	3,265	1,709	3,941
1995	73,125	14,019	8,094	51,013	12,979	301	578	12,100	11,264	6,743	1,154	3,367
1996	72,204	22,922	8,485	40,796	11,764	378	591	10,795	21,662	18,316	800	2,546
1997	84,761	40,747	6,480	37,533	11,593	563	513	10,517	38,546	35,855	771	1,919
1998	93,943	56,413	5,380	32,151	10,966	872	414	9,680	47,675	45,947	562	1,166
1999	91,970	62,128	4,283	25,559	10,414	1,081	409	8,924	52,046	50,629	343	1,074
2000	74,161	48,060	3,502	22,599	10,072	1,554	369	8,149	43,649	42,570	196	883
2001	49,249	26,467	3,784	18,999	9,295	1,500	324	7,471	19,049	16,927	572	1,550
2002	36,016	14,651	4,020	17,345	8,303	1,247	366	6,690	11,600	9,131	862	1,607
2003	35,826	19,024	3,311	13,491	7,233	1,206	320	5,707	12,731	10,071	931	1,729
2004	37,267	23,201	2,635	11,432	6,499	1,166	295	5,038	17,125	14,559	981	1,585
2005	40,894	28,634	2,280	9,980	6,019	1,251	304	4,464	22,598	21,526	289	782
2006	49,662	38,809	2,142	8,711	5,907	1,566	319	4,022	29,057	28,185	294	578
2007	53,040	43,295	2,066	7,680	6,030	1,964	327	3,739	35,836	35,101	298	438
2008	28,543	20,080	2,007	6,456	5,984	2,175	343	3,466	23,590	22,335	557	698

Note: Components may not add to the total because of rounding.

TABLE 17

LIQUID ASSETS AND LIQUIDITY RATIO* OF LONG-TERM MUTUAL FUNDS

YEAR-END

	LIQUID ASSETS (millions of dollars)				LIQUIDITY RATIO (percentage)			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984	$12,181	$7,295	$878	$4,007	8.9%	9.1%	7.9%	8.7%
1985	20,593	10,452	1,413	8,728	8.2	9.4	8.0	7.1
1986	30,611	14,612	2,514	13,485	7.2	9.5	9.8	5.5
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,253	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,516	25,570	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,164	227,961	23,774	25,429	5.4	5.8	6.9	3.1
2001	222,475	172,056	25,927	24,492	4.7	5.0	7.5	2.6
2002	208,939	122,747	23,696	62,495	5.1	4.6	7.3	5.5
2003	259,580	156,953	29,483	73,144	4.8	4.3	6.8	5.9
2004	306,756	186,283	35,072	85,400	5.0	4.2	6.8	6.6
2005	302,922	194,199	40,227	68,496	4.4	3.9	7.1	5.0
2006	345,064	227,642	53,146	64,276	4.3	3.9	8.1	4.3
2007	378,546	275,143	53,942	49,461	4.2	4.2	7.5	2.9
2008	294,652	192,320	44,903	57,429	5.1	5.2	9.0	3.7

**Liquidity ratio is the ratio of liquid assets divided by total net assets at year-end.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 18

LIQUIDITY RATIO* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

PERCENTAGE, YEAR-END

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	9.9%	10.7%	8.0%	7.9%	5.7%	5.8%	10.5%	14.2%	10.1%	3.4%	8.1%
1985	8.2	11.5	10.5	8.0	4.8	5.7	−4.5	10.5	6.7	1.8	3.5
1986	8.7	9.4	10.2	9.8	6.3	5.0	21.1	6.7	10.8	2.5	3.0
1987	10.2	11.5	7.9	9.3	7.9	7.3	22.2	8.2	11.2	4.3	6.5
1988	10.5	7.1	8.8	11.3	13.1	7.0	17.3	11.5	17.8	4.4	7.2
1989	11.0	7.2	10.7	16.1	8.6	6.9	14.8	4.3	13.5	2.4	3.5
1990	12.0	11.7	10.6	11.7	8.6	11.4	43.7	1.3	8.0	2.7	4.7
1991	8.6	8.7	6.3	6.4	7.9	5.4	30.5	5.5	7.0	2.8	3.8
1992	10.3	9.6	5.9	8.5	8.4	5.7	22.8	2.3	6.5	2.8	3.8
1993	8.5	10.6	6.0	11.6	8.8	4.6	17.9	0.9	7.5	2.1	3.5
1994	9.1	10.8	6.2	12.2	10.2	7.9	20.0	2.8	8.6	2.8	4.5
1995	8.5	8.6	6.7	9.3	6.3	7.0	12.3	1.5	7.3	2.1	3.5
1996	6.6	7.0	5.4	7.2	5.3	6.7	9.0	−0.6	11.2	2.4	3.6
1997	6.4	8.0	5.1	7.8	4.8	5.3	8.7	0.8	9.8	2.1	2.8
1998	5.0	5.8	4.3	7.0	3.2	4.6	6.1	−3.0	8.7	1.7	2.4
1999	4.5	5.3	3.6	5.5	5.5	4.3	6.9	−4.6	8.2	2.1	2.5
2000	6.0	7.7	4.5	6.9	4.7	8.4	4.3	−2.6	3.1	3.1	3.5
2001	5.3	6.3	4.3	7.5	5.7	6.9	3.3	−0.3	0.4	2.3	3.1
2002	4.9	5.8	3.8	7.3	4.1	6.8	3.6	0.6	13.3	2.6	4.1
2003	4.1	5.7	3.9	6.8	6.2	5.3	6.0	1.1	12.4	2.2	3.7
2004	4.2	5.4	3.8	6.8	4.7	5.9	10.0	2.5	12.2	2.9	6.5
2005	3.8	5.1	3.5	7.1	3.8	5.1	6.2	0.2	9.0	2.6	5.7
2006	3.7	4.3	3.8	8.1	0.4	5.5	9.5	−4.9	10.3	2.1	4.4
2007	4.1	5.1	3.6	7.5	0.1	4.9	12.0	−4.7	5.0	1.8	4.6
2008	5.2	6.3	4.4	9.0	3.0	11.1	5.6	−0.3	3.9	1.7	4.9

*Liquidity ratio is the ratio of liquid assets divided by total net assets at year-end.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 19

NET NEW CASH FLOW* OF LONG-TERM MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

Year	Total	Equity funds	Hybrid funds	Bond funds
1984	$19,194	$4,336	$1,801	$13,058
1985	73,490	6,643	3,720	63,127
1986	129,991	20,386	6,988	102,618
1987	29,776	19,231	3,748	6,797
1988	−23,119	−14,948	−3,684	−4,488
1989	8,731	6,774	3,183	−1,226
1990	21,211	12,915	1,483	6,813
1991	106,213	39,888	7,089	59,236
1992	171,696	78,983	21,832	70,881
1993	242,049	127,260	44,229	70,559
1994	75,160	114,525	23,105	−62,470
1995	122,208	124,392	3,899	−6,082
1996	231,874	216,937	12,177	2,760
1997	272,030	227,106	16,499	28,424
1998	241,796	156,875	10,311	74,610
1999	169,780	187,565	−13,705	−4,081
2000	228,874	309,367	−30,728	−49,765
2001	129,188	31,966	9,518	87,704
2002	120,583	−27,550	7,520	140,612
2003	215,843	152,316	31,897	31,629
2004	209,826	177,841	42,745	−10,760
2005	192,086	135,633	25,203	31,251
2006	227,092	159,441	7,069	60,581
2007	223,260	91,290	23,433	108,536
2008	−226,201	−233,820	−19,475	27,094

**Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 20

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF EQUITY MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

Year	NET NEW CASH FLOW	SALES: New + exchange	SALES: New[2]	SALES: Exchange[3]	REDEMPTIONS: Regular + exchange	REDEMPTIONS: Regular[4]	REDEMPTIONS: Exchange[5]
1984	$4,336	$28,705	$16,586	$12,119	$24,369	$10,669	$13,700
1985	6,643	40,608	25,046	15,562	33,965	17,558	16,406
1986	20,386	87,997	50,774	37,224	67,612	26,051	41,561
1987	19,231	139,596	65,093	74,502	120,365	38,601	81,764
1988	−14,948	68,827	25,641	43,186	83,774	33,247	50,528
1989	6,774	89,345	46,817	42,527	82,571	37,229	45,342
1990	12,915	104,334	62,872	41,462	91,419	44,487	46,931
1991	39,888	146,618	90,192	56,427	106,730	53,394	53,336
1992	78,983	201,720	134,309	67,411	122,738	61,465	61,272
1993	127,260	307,356	213,639	93,717	180,095	91,944	88,151
1994	114,525	366,659	252,887	113,772	252,134	141,097	111,037
1995	124,392	433,853	282,937	150,915	309,461	170,402	139,059
1996	216,937	674,323	442,372	231,951	457,385	240,531	216,854
1997	227,106	880,286	579,064	301,222	653,180	362,022	291,158
1998	156,875	1,065,197	699,554	365,643	908,322	534,256	374,065
1999	187,565	1,410,845	918,600	492,245	1,223,280	744,144	479,136
2000	309,367	1,975,882	1,321,838	654,044	1,666,515	1,038,572	627,943
2001	31,966	1,330,685	953,197	377,488	1,298,720	892,879	405,841
2002	−27,550	1,220,185	898,417	321,768	1,247,734	878,823	368,911
2003	152,316	1,086,351	847,602	238,749	934,035	710,535	223,500
2004	177,841	1,106,604	935,116	171,488	928,762	762,199	166,563
2005	135,633	1,210,005	1,031,828	178,177	1,074,372	882,510	191,862
2006	159,441	1,437,298	1,231,622	205,676	1,277,857	1,054,207	223,650
2007	91,290	1,758,345	1,531,559	226,786	1,667,055	1,397,800	269,255
2008	−233,820	1,539,717	1,341,447	198,269	1,773,537	1,490,980	282,557

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 21

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF HYBRID MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

		SALES			REDEMPTIONS		
Year	NET NEW CASH FLOW	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$1,801	$4,118	$3,842	$276	$2,318	$2,017	$301
1985	3,720	7,502	6,976	526	3,782	3,161	621
1986	6,988	13,535	12,342	1,194	6,548	5,162	1,386
1987	3,748	14,948	12,419	2,528	11,200	7,848	3,353
1988	−3,684	6,259	4,601	1,658	9,943	7,521	2,422
1989	3,183	11,139	9,334	1,805	7,956	5,780	2,176
1990	1,483	9,721	8,021	1,700	8,238	5,619	2,619
1991	7,089	16,912	13,789	3,122	9,823	7,030	2,792
1992	21,832	32,955	26,586	6,369	11,122	7,265	3,858
1993	44,229	62,391	50,866	11,525	18,162	11,828	6,334
1994	23,105	60,434	50,436	9,998	37,329	25,761	11,568
1995	3,899	43,851	36,038	7,813	39,952	28,241	11,711
1996	12,177	58,089	48,494	9,595	45,912	31,915	13,997
1997	16,499	70,279	56,856	13,423	53,780	38,926	14,854
1998	10,311	84,483	68,853	15,630	74,171	54,649	19,523
1999	−13,705	82,993	68,582	14,411	96,698	71,076	25,622
2000	−30,728	71,823	58,350	13,473	102,551	74,510	28,041
2001	9,518	87,770	70,290	17,480	78,252	61,037	17,215
2002	7,520	94,208	77,089	17,119	86,688	68,977	17,711
2003	31,897	109,363	91,353	18,010	77,466	64,073	13,393
2004	42,745	132,499	116,163	16,336	89,754	77,223	12,531
2005	25,203	122,483	107,409	15,074	97,280	82,631	14,650
2006	7,069	123,437	107,232	16,205	116,367	97,437	18,930
2007	23,433	182,603	162,321	20,282	159,169	138,270	20,900
2008	−19,475	163,264	140,145	23,119	182,739	149,316	33,423

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 22

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF BOND MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

		SALES			REDEMPTIONS		
Year	NET NEW CASH FLOW	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$13,058	$25,554	$20,774	$4,780	$12,497	$7,344	$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,094	7,137
1986	102,618	158,874	138,240	20,634	56,256	35,776	20,480
1987	6,797	123,528	93,725	29,803	116,731	69,627	47,104
1988	−4,488	72,174	47,378	24,796	76,662	51,558	25,103
1989	−1,226	71,770	48,602	23,168	72,996	48,517	24,480
1990	6,813	80,608	57,074	23,534	73,795	47,959	25,836
1991	59,236	141,622	108,059	33,563	82,387	56,158	26,228
1992	70,881	217,680	171,868	45,812	146,799	96,573	50,226
1993	70,559	260,519	207,265	53,254	189,960	127,200	62,759
1994	−62,470	185,015	129,958	55,057	247,485	162,360	85,125
1995	−6,082	165,610	109,797	55,814	171,693	114,252	57,441
1996	2,760	202,037	136,827	65,210	199,277	124,984	74,293
1997	28,424	240,377	174,682	65,695	211,953	140,245	71,708
1998	74,610	312,637	229,375	83,263	238,028	158,775	79,253
1999	−4,081	298,122	216,467	81,655	302,202	205,968	96,234
2000	−49,765	245,866	184,021	61,845	295,631	217,157	78,474
2001	87,704	389,128	297,243	91,885	301,424	222,933	78,491
2002	140,612	508,466	396,225	112,241	367,854	280,355	87,499
2003	31,629	515,201	424,037	91,164	483,572	373,295	110,276
2004	−10,760	396,215	341,545	54,670	406,976	338,396	68,579
2005	31,251	407,099	355,667	51,432	375,849	320,714	55,135
2006	60,581	448,738	394,164	54,574	388,156	331,187	56,969
2007	108,536	587,258	502,948	84,310	478,722	408,227	70,495
2008	27,094	708,797	581,403	127,394	681,703	585,548	96,155

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 23

NET NEW CASH FLOW* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

MILLIONS OF DOLLARS, ANNUAL

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$1,694	$949	$1,694	$1,801	$175	$1,215	−$3	$7,367	−$37	$1,882	$2,460
1985	1,575	770	4,298	3,720	935	4,366	19	42,762	1,200	5,652	8,194
1986	3,071	4,200	13,115	6,988	3,468	9,618	429	57,450	3,416	12,105	16,132
1987	7,432	−568	12,368	3,748	608	610	673	2,892	1,114	1,864	−964
1988	−7,210	−2,402	−5,336	−3,684	−200	3,209	609	−13,655	464	2,878	2,209
1989	−64	1,210	5,628	3,183	774	−2,875	−84	−12,812	1,738	6,484	5,550
1990	4,610	6,812	1,493	1,483	1,269	−5,229	7,615	−7,574	791	6,192	3,749
1991	23,509	3,959	12,421	7,089	6,016	1,682	10,282	17,337	2,685	11,112	10,121
1992	43,171	7,044	28,768	21,832	6,881	4,604	−3,003	29,643	4,389	13,205	15,162
1993	48,247	38,441	40,573	44,229	11,958	8,467	750	6,186	4,867	18,998	19,333
1994	42,854	44,248	27,424	23,105	715	−972	−6,800	−39,862	−102	−6,242	−9,208
1995	72,452	11,512	40,428	3,899	6,366	8,258	−4,248	−13,670	4,101	−2,221	−4,670
1996	99,511	47,516	69,910	12,177	6,368	12,486	−2,202	−13,771	5,772	−1,953	−3,940
1997	94,495	37,846	94,766	16,499	11,077	16,851	−1,287	−9,494	10,405	353	520
1998	82,591	7,527	66,757	10,311	20,121	13,602	−1,166	8,899	17,955	7,999	7,200
1999	160,190	11,224	16,151	−13,705	6,195	−2,546	−2,179	−2,201	8,802	−4,583	−7,568
2000	310,710	49,793	−51,136	−30,728	−7,736	−12,306	−2,208	−16,346	2,968	−5,513	−8,625
2001	17,179	−21,764	36,551	9,518	11,149	7,195	−1,022	27,872	30,919	6,631	4,961
2002	−36,783	−2,819	12,052	7,520	8,808	10,580	167	59,456	45,198	5,720	10,684
2003	66,854	22,573	62,889	31,897	7,902	26,324	3,142	−18,585	19,925	−8,056	977
2004	46,414	66,689	64,738	42,745	11,534	−9,336	5,922	−19,091	13,898	−8,239	−5,448
2005	14,003	104,845	16,785	25,203	6,229	−15,566	7,876	−9,343	37,015	881	4,159
2006	8,215	148,493	2,733	7,069	14,060	−2,816	7,859	−20,283	46,643	3,647	11,472
2007	−31,402	138,961	−16,270	23,433	11,388	−2,675	18,246	−1,808	72,512	3,337	7,536
2008	−104,515	−82,497	−46,808	−19,475	−22,119	−676	6,207	23,421	12,442	−2,239	10,058

**Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 24

NEW SALES* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

MILLIONS OF DOLLARS, ANNUAL

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$9,024	$1,480	$6,083	$3,842	$658	$1,939	$4	$8,571	$759	$2,346	$6,496
1985	13,736	1,698	9,613	6,976	1,357	5,162	24	48,267	1,809	6,433	11,433
1986	21,395	7,076	22,303	12,342	4,066	12,645	432	78,991	4,873	14,505	22,728
1987	30,529	6,829	27,736	12,419	3,224	8,285	1,073	51,019	4,574	9,909	15,642
1988	12,417	2,206	11,018	4,601	1,738	7,856	1,348	15,940	2,923	7,104	10,469
1989	19,943	4,245	22,629	9,334	2,514	7,607	740	10,966	3,679	10,046	13,049
1990	27,234	11,273	24,364	8,021	5,545	3,372	8,639	13,206	2,093	11,430	12,789
1991	44,081	9,860	36,251	13,789	13,242	4,546	14,556	37,187	4,028	16,571	17,931
1992	68,960	13,225	52,124	26,586	24,014	9,362	12,664	70,148	7,167	21,554	26,957
1993	99,309	40,651	73,679	50,866	37,045	14,375	14,193	65,850	9,058	29,828	36,917
1994	112,063	68,396	72,428	50,436	37,167	11,852	8,324	27,386	6,581	16,677	21,971
1995	142,591	53,555	86,792	36,038	28,686	15,415	4,889	21,993	9,477	13,355	15,983
1996	221,530	88,669	132,173	48,494	36,433	22,989	6,441	20,757	15,936	15,588	18,684
1997	275,013	120,065	183,986	56,856	42,472	33,312	7,773	24,106	24,104	19,029	23,886
1998	344,980	132,747	221,827	68,853	53,039	41,872	7,533	38,607	33,863	25,406	29,056
1999	500,938	181,670	235,992	68,582	51,509	32,360	5,620	38,138	38,372	22,931	27,536
2000	769,435	330,280	222,123	58,350	43,763	23,171	5,911	26,450	43,706	17,152	23,868
2001	481,878	247,123	224,196	70,290	60,866	33,747	6,127	63,180	77,281	25,701	30,341
2002	438,471	241,195	218,751	77,089	66,736	40,269	7,566	103,967	110,858	27,578	39,250
2003	423,289	199,315	224,997	91,353	79,333	66,308	13,522	84,028	118,973	21,967	39,906
2004	497,301	174,546	263,269	116,163	76,513	39,564	15,047	53,286	106,623	17,631	32,881
2005	535,202	230,860	265,767	107,409	72,424	33,869	20,498	47,128	121,513	22,259	37,975
2006	610,031	343,719	277,872	107,232	85,305	32,620	23,386	42,304	138,064	25,615	46,871
2007	738,153	464,508	328,898	162,321	98,122	42,395	36,674	49,770	192,091	29,469	54,426
2008	681,633	353,067	306,748	140,145	91,546	42,874	44,011	88,954	213,584	30,483	69,951

**New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 25

EXCHANGE SALES* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

MILLIONS OF DOLLARS, ANNUAL

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$6,878	$245	$4,996	$276	$234	$750	$1	$299	$255	$353	$2,888
1985	8,039	434	7,089	526	435	1,411	4	1,718	588	742	3,975
1986	20,019	3,619	13,585	1,194	1,192	2,792	37	4,096	1,197	2,242	9,079
1987	47,382	4,434	22,686	2,528	1,595	3,398	438	6,001	1,898	3,903	12,569
1988	31,041	1,451	10,693	1,658	1,650	4,364	605	4,979	1,451	3,077	8,670
1989	30,650	1,676	10,201	1,805	1,748	3,396	367	4,575	1,463	3,360	8,259
1990	29,022	3,804	8,635	1,700	2,108	2,279	816	5,370	535	3,429	8,998
1991	39,712	4,357	12,357	3,122	3,874	3,392	1,280	10,356	935	3,814	9,913
1992	45,976	6,327	15,108	6,369	6,008	6,228	2,475	11,784	1,184	5,021	13,113
1993	57,080	18,074	18,563	11,525	6,690	6,694	4,179	9,795	1,435	6,121	18,340
1994	62,488	33,316	17,968	9,998	5,465	7,875	3,355	7,807	2,066	9,424	19,063
1995	95,586	30,313	25,017	7,813	6,776	6,995	2,016	7,279	1,868	10,808	20,071
1996	138,835	52,450	40,666	9,595	6,920	9,773	2,996	7,666	2,507	10,599	24,748
1997	172,140	65,594	63,488	13,423	7,977	12,588	3,323	9,757	3,770	8,309	19,971
1998	217,434	77,380	70,828	15,630	13,106	13,920	2,924	20,792	8,178	7,485	16,858
1999	304,719	111,442	76,084	14,411	13,505	13,000	1,367	23,142	6,602	6,984	17,056
2000	440,123	149,077	64,844	13,473	9,193	10,268	1,333	16,715	8,161	5,309	10,865
2001	242,090	75,707	59,692	17,480	17,686	11,093	1,162	26,694	16,216	5,367	13,666
2002	211,506	57,568	52,693	17,119	16,486	11,262	1,799	40,646	22,820	5,654	13,573
2003	144,106	38,134	56,509	18,010	15,622	16,948	2,856	22,684	18,548	4,312	10,194
2004	101,407	26,993	43,087	16,336	11,227	7,694	1,578	13,185	12,101	2,788	6,096
2005	98,570	37,693	41,914	15,074	8,796	6,463	2,230	12,160	12,384	3,012	6,386
2006	106,450	55,916	43,310	16,205	9,028	6,310	2,172	12,493	14,293	3,456	6,821
2007	102,544	67,786	56,455	20,282	14,921	6,940	3,699	15,278	27,099	5,704	10,669
2008	93,645	46,651	57,973	23,119	19,925	7,251	7,189	36,768	31,462	7,069	17,730

**Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 26

REDEMPTIONS* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

MILLIONS OF DOLLARS, ANNUAL

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$6,804	$589	$3,277	$2,017	$356	$848	$5	$1,243	$635	$517	$3,741
1985	11,396	1,122	5,040	3,161	436	1,179	7	6,479	690	985	3,318
1986	14,004	2,958	9,089	5,162	872	3,128	28	21,045	1,645	2,677	6,381
1987	19,892	5,044	13,665	7,848	2,233	5,900	489	40,407	3,176	5,733	11,689
1988	16,268	3,663	13,316	7,521	1,891	5,527	731	28,056	2,687	4,290	8,377
1989	17,859	2,895	16,476	5,780	2,000	8,133	768	22,889	2,398	4,248	8,080
1990	19,810	4,198	20,480	5,619	4,366	6,798	1,326	20,314	1,288	5,143	8,724
1991	23,982	5,645	23,766	7,030	8,387	3,856	4,476	22,883	1,446	6,030	9,081
1992	29,209	6,730	25,526	7,265	17,633	5,652	12,462	37,589	2,343	8,310	12,583
1993	47,885	10,183	33,876	11,828	24,966	7,255	11,190	52,251	3,487	10,647	17,404
1994	68,498	28,854	43,745	25,761	32,827	10,506	13,016	56,835	5,512	18,399	25,265
1995	81,950	37,830	50,622	28,241	23,342	9,390	7,912	33,731	5,198	15,209	19,470
1996	126,349	44,950	69,233	31,915	29,487	12,096	8,194	29,956	9,326	16,145	19,782
1997	183,157	79,102	99,763	38,926	30,745	18,013	8,220	30,288	13,747	16,965	22,267
1998	261,491	119,842	152,924	54,649	35,368	27,247	8,010	31,552	17,445	17,204	21,949
1999	367,674	171,238	205,233	71,076	44,569	32,125	7,091	36,639	28,068	25,176	32,299
2000	521,452	282,214	234,907	74,510	49,098	30,805	7,536	37,693	38,719	22,077	31,229
2001	446,398	259,106	187,375	61,037	53,531	26,799	6,762	39,908	50,531	18,921	26,482
2002	446,713	238,726	193,384	68,977	60,998	29,877	7,798	58,800	70,775	21,733	30,374
2003	361,946	179,596	168,993	64,073	71,926	43,665	10,781	87,667	95,233	26,861	37,163
2004	444,292	117,321	200,586	77,223	65,891	45,579	9,271	67,291	90,441	23,938	35,986
2005	502,882	141,522	238,106	82,631	66,142	46,009	13,407	54,644	85,970	21,099	33,442
2006	577,915	214,487	261,805	97,437	70,899	35,101	15,832	58,166	93,409	21,957	35,823
2007	736,471	335,638	325,690	138,270	87,940	43,275	19,818	54,644	129,931	25,738	46,881
2008	756,375	407,319	327,287	149,316	115,045	42,340	39,432	84,210	209,372	32,084	63,066

*Redemptions are the dollar value of shareholder liquidation of mutual fund shares.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 27

EXCHANGE REDEMPTIONS* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

MILLIONS OF DOLLARS, ANNUAL

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$7,404	$187	$6,109	$301	$362	$626	$4	$260	$417	$301	$3,184
1985	8,804	240	7,363	621	422	1,027	3	744	507	538	3,896
1986	24,340	3,537	13,684	1,386	918	2,691	13	4,592	1,009	1,964	9,294
1987	50,587	6,787	24,389	3,353	1,979	5,173	349	13,721	2,182	6,215	17,486
1988	34,400	2,396	13,731	2,422	1,697	3,484	614	6,519	1,223	3,013	8,553
1989	32,799	1,817	10,726	2,176	1,488	5,745	424	5,465	1,006	2,673	7,679
1990	31,837	4,068	11,027	2,619	2,018	4,082	515	5,836	549	3,524	9,313
1991	36,301	4,613	12,422	2,792	2,712	2,399	1,078	7,323	831	3,243	8,642
1992	42,556	5,778	12,938	3,858	5,508	5,334	5,680	14,700	1,619	5,060	12,326
1993	60,257	10,101	17,793	6,334	6,810	5,347	6,432	17,208	2,138	6,305	18,520
1994	63,200	28,610	19,227	11,568	9,091	10,193	5,463	18,220	3,238	13,944	24,977
1995	83,775	34,525	20,759	11,711	5,754	4,762	3,241	9,211	2,045	11,174	21,254
1996	134,505	48,653	33,696	13,997	7,498	8,180	3,446	12,238	3,345	11,995	27,590
1997	169,502	68,712	52,944	14,854	8,627	11,036	4,163	13,070	3,722	10,021	21,069
1998	218,332	82,759	72,974	19,523	10,656	14,943	3,613	18,947	6,641	7,688	16,764
1999	277,794	110,650	90,692	25,622	14,250	15,780	2,074	26,842	8,104	9,322	19,861
2000	377,396	147,350	103,197	28,041	11,595	14,939	1,916	21,818	10,181	5,897	12,128
2001	260,390	85,488	59,962	17,215	13,872	10,846	1,550	22,095	12,048	5,517	12,564
2002	240,047	62,856	66,008	17,711	13,416	11,075	1,400	26,358	17,705	5,780	11,766
2003	138,596	35,280	49,624	13,393	15,127	13,267	2,455	37,630	22,363	7,475	11,960
2004	108,002	17,529	41,032	12,531	10,316	11,016	1,433	18,272	14,385	4,720	8,438
2005	116,887	22,185	52,790	14,650	8,849	9,889	1,446	13,987	10,913	3,291	6,761
2006	130,350	36,656	56,644	18,930	9,374	6,644	1,867	16,915	12,304	3,467	6,398
2007	135,628	57,695	75,933	20,900	13,715	8,735	2,308	12,213	16,747	6,098	10,678
2008	123,419	74,895	84,242	33,423	18,546	8,462	5,560	18,092	23,232	7,707	14,557

**Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 28

ANNUAL REDEMPTION RATES OF LONG-TERM MUTUAL FUNDS

PERCENTAGE

	NARROW REDEMPTION RATE[1]				BROAD REDEMPTION RATE[2]			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1985	17.4%	18.4%	22.0%	15.5%	29.8%	35.6%	26.3%	24.0%
1986	19.8	19.6	23.8	19.6	38.6	50.9	30.2	30.7
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.7	17.0	31.0	37.7	23.0	26.2
1991	16.4	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.2	21.5	28.8	26.7	17.1	32.7
1993	17.8	14.7	10.6	22.6	29.9	28.7	16.3	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.2	43.2
1995	17.4	16.2	15.1	20.3	28.9	29.4	21.3	30.5
1996	17.0	16.2	13.8	20.1	30.0	30.7	19.8	32.0
1997	17.9	17.7	13.7	20.5	30.5	31.9	18.9	31.0
1998	19.7	20.0	16.0	20.4	32.2	34.0	21.7	30.6
1999	21.7	21.2	19.1	25.1	34.5	34.9	26.0	36.8
2000	25.7	26.0	20.6	26.7	39.9	41.6	28.3	36.4
2001	24.0	24.2	17.6	25.7	34.2	35.2	22.6	34.7
2002	27.9	28.9	20.5	27.3	38.7	41.0	25.8	35.8
2003	24.2	22.4	17.0	31.4	31.5	29.4	20.5	40.7
2004	20.4	18.9	16.3	26.7	24.7	23.0	18.9	32.1
2005	19.7	18.9	15.2	24.2	23.7	23.0	17.9	28.4
2006	19.9	19.4	16.0	23.2	23.9	23.6	19.1	27.2
2007	22.9	22.5	20.2	25.7	27.2	26.8	23.2	30.2
2008	30.3	29.2	24.5	36.1	35.9	34.7	30.0	42.0

[1]Narrow redemption rate is calculated by taking the sum of regular redemptions for the year as a percentage of average net assets at the beginning and end of the period.

[2]Broad redemption rate is calculated by taking the sum of regular redemptions and redemption exchanges for the year as a percentage of average net assets at the beginning and end of the period.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

DATA SECTION 3

TABLE 29

PORTFOLIO HOLDINGS OF LONG-TERM MUTUAL FUNDS AND SHARE OF TOTAL NET ASSETS

MILLIONS OF DOLLARS, YEAR-END

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other
1990	$566,849	$216,451	$128,153	$45,365	$117,084	$48,440	$11,356
1991	850,744	381,289	163,093	87,571	149,439	60,385	8,967
1992	1,096,342	485,188	225,358	115,389	191,779	73,984	4,645
1993	1,504,644	712,137	272,293	165,387	249,203	99,436	6,187
1994	1,544,320	823,714	223,070	155,157	211,127	120,430	10,822
1995	2,058,275	1,215,210	259,076	190,880	245,330	141,755	6,024
1996	2,623,994	1,718,192	264,965	238,022	245,184	151,988	5,644
1997	3,409,315	2,358,280	282,199	292,804	266,328	198,826	10,878
1998	4,173,531	3,004,275	286,608	389,106	292,395	191,393	9,754
1999	5,233,194	4,059,500	293,565	388,403	267,429	219,098	5,200
2000	5,119,386	3,910,274	309,697	349,074	269,179	277,164	3,998
2001	4,689,603	3,424,386	379,397	371,929	289,656	222,475	1,760
2002	4,118,402	2,687,871	481,281	417,882	320,511	208,939	1,918
2003	5,362,398	3,760,441	506,349	500,867	332,125	259,580	3,037
2004	6,193,746	4,490,161	537,346	532,661	318,337	306,756	8,486
2005	6,864,287	5,055,388	612,825	549,697	330,884	302,922	12,571
2006	8,058,057	6,024,711	645,394	667,707	359,161	345,064	16,019
2007	8,913,762	6,631,518	749,985	782,900	369,042	378,546	1,769
2008	5,768,846	3,752,134	700,497	677,536	339,147	294,651	4,881
SHARE OF TOTAL NET ASSETS *(percentage, year-end)*							
1990	100.0%	38.2%	22.6%	8.0%	20.7%	8.5%	2.0%
1991	100.0	44.8	19.2	10.3	17.6	7.1	1.1
1992	100.0	44.3	20.6	10.5	17.5	6.7	0.4
1993	100.0	47.3	18.1	11.0	16.6	6.6	0.4
1994	100.0	53.3	14.4	10.0	13.7	7.8	0.7
1995	100.0	59.0	12.6	9.3	11.9	6.9	0.3
1996	100.0	65.5	10.1	9.1	9.3	5.8	0.2
1997	100.0	69.2	8.3	8.6	7.8	5.8	0.3
1998	100.0	72.0	6.9	9.3	7.0	4.6	0.2
1999	100.0	77.6	5.6	7.4	5.1	4.2	0.1
2000	100.0	76.4	6.0	6.8	5.3	5.4	0.1
2001	100.0	73.0	8.1	7.9	6.2	4.7	0.0
2002	100.0	65.3	11.7	10.1	7.8	5.1	0.0
2003	100.0	70.1	9.4	9.3	6.2	4.8	0.1
2004	100.0	72.5	8.7	8.6	5.1	5.0	0.1
2005	100.0	73.6	8.9	8.0	4.8	4.4	0.2
2006	100.0	74.8	8.0	8.3	4.5	4.3	0.2
2007	100.0	74.4	8.4	8.8	4.1	4.2	0.2
2008	100.0	65.0	12.1	11.7	5.9	5.1	0.1

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 30

PORTFOLIO HOLDINGS OF LONG-TERM MUTUAL FUNDS AS A SHARE OF TOTAL NET ASSETS BY TYPE OF FUND

YEAR-END

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other	Total net assets *(millions of dollars)*
EQUITY FUNDS								
1996	100.0%	91.3%	1.1%	1.2%	0.0%	6.2%	0.2%	$1,726,010
1997	100.0	91.8	0.9	0.9	0.0	6.1	0.2	2,368,024
1998	100.0	93.6	0.5	1.0	0.0	4.8	0.1	2,977,944
1999	100.0	94.7	0.2	0.7	0.0	4.3	0.0	4,041,890
2000	100.0	93.4	0.2	0.6	0.0	5.8	0.0	3,961,922
2001	100.0	94.0	0.2	0.7	0.0	5.0	0.0	3,418,163
2002	100.0	93.8	0.5	1.0	0.0	4.6	0.0	2,662,461
2003	100.0	94.7	0.2	0.7	0.0	4.3	0.0	3,684,162
2004	100.0	94.8	0.2	0.7	0.0	4.2	0.1	4,384,049
2005	100.0	95.1	0.2	0.7	0.0	3.9	0.1	4,939,754
2006	100.0	95.1	0.3	0.6	0.0	3.9	0.1	5,910,542
2007	100.0	94.8	0.3	0.6	0.0	4.2	0.1	6,515,918
2008	100.0	93.4	0.4	1.0	0.0	5.2	0.0	3,704,474
HYBRID FUNDS								
1996	100.0%	53.0%	18.3%	21.1%	0.2%	7.2%	0.3%	$252,576
1997	100.0	54.2	16.1	20.6	0.4	7.8	0.9	317,111
1998	100.0	55.6	12.8	23.8	0.4	7.0	0.5	364,997
1999	100.0	57.8	13.6	22.6	0.4	5.5	0.1	378,809
2000	100.0	57.7	13.9	21.2	0.3	6.9	0.1	346,276
2001	100.0	58.2	12.4	21.5	0.2	7.5	0.2	346,315
2002	100.0	57.1	12.3	23.0	0.2	7.3	0.1	325,493
2003	100.0	61.1	10.8	20.8	0.3	6.8	0.1	430,467
2004	100.0	62.3	11.5	18.9	0.4	6.8	0.1	519,292
2005	100.0	61.6	10.7	20.0	0.5	7.1	0.1	567,304
2006	100.0	60.2	10.6	20.6	0.4	8.1	0.1	653,146
2007	100.0	59.2	10.6	22.2	0.4	7.5	0.2	718,545
2008	100.0	54.8	10.0	25.0	0.5	9.0	0.8	498,689
BOND FUNDS								
1996	100.0%	1.3%	30.9%	25.5%	37.9%	4.1%	0.3%	$645,407
1997	100.0	1.7	28.9	28.4	36.6	3.9	0.4	724,179
1998	100.0	1.7	27.2	32.8	35.0	2.7	0.6	830,590
1999	100.0	1.7	28.6	33.6	32.7	2.9	0.4	812,494
2000	100.0	1.3	31.3	30.9	33.0	3.1	0.3	811,188
2001	100.0	0.9	35.8	29.4	31.2	2.6	0.0	925,124
2002	100.0	0.5	37.8	27.9	28.3	5.5	0.0	1,130,448
2003	100.0	0.6	36.1	30.8	26.5	5.9	0.1	1,247,770
2004	100.0	0.7	36.4	31.4	24.5	6.6	0.4	1,290,405
2005	100.0	0.7	39.8	29.7	24.2	5.0	0.5	1,357,229
2006	100.0	0.7	37.5	33.1	23.9	4.3	0.5	1,494,369
2007	100.0	1.4	39.1	34.7	21.8	3.0	0.1	1,679,298
2008	100.0	1.2	40.6	33.0	21.5	3.7	0.0	1,565,681

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 31

PAID AND REINVESTED DIVIDENDS OF LONG-TERM MUTUAL FUNDS BY TYPE OF FUND

MILLIONS OF DOLLARS, ANNUAL

	PAID DIVIDENDS				REINVESTED DIVIDENDS			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984	$7,238	$2,613[e]	$583[e]	$4,042[e]	$4,656	$1,882	$432	$2,342
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	18,976	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	17,494	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	20,584	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	21,124	6,721	1,725	12,678
1991	35,145	9,007	2,337	23,801	24,300	7,255	1,907	15,139
1992	58,608	17,023	4,483	37,102	30,393	8,845	2,937	18,611
1993	73,178	20,230	6,810	46,137	38,116	12,174	4,270	21,672
1994	61,261	17,279	6,896	37,086	39,136	12,971	5,043	21,122
1995	67,229	22,567	9,052	35,610	46,636	18,286	6,929	21,421
1996	73,282	25,061	9,844	38,378	53,213	21,345	8,196	23,672
1997	79,522	27,597	11,607	40,318	58,423	23,101	9,602	25,721
1998	81,011	25,495	11,456	44,060	60,041	22,377	9,528	28,136
1999	95,443	32,543	12,821	50,078	69,973	27,332	10,746	31,894
2000	88,215	27,987	10,681	49,546	66,277	24,590	9,276	32,411
2001	82,968	22,325	10,162	50,481	62,306	20,090	8,960	33,256
2002	82,065	21,381	9,228	51,455	62,413	19,362	8,305	34,746
2003	85,926	25,369	9,254	51,304	66,870	22,995	8,242	35,634
2004	98,132	36,133	10,924	51,075	78,253	32,644	9,575	36,035
2005	115,500	44,408	13,216	57,877	94,023	40,202	11,601	42,221
2006	143,496	62,548	16,708	64,240	119,073	56,418	14,777	47,877
2007	181,005	81,491	20,904	78,609	151,773	73,136	18,373	60,263
2008	181,637	74,760	21,308	85,569	152,649	67,424	18,813	66,413

[e] A portion of the breakdown of 1984 data was estimated.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 32

PAID AND REINVESTED CAPITAL GAINS OF LONG-TERM MUTUAL FUNDS BY TYPE OF FUND

MILLIONS OF DOLLARS, ANNUAL

	PAID CAPITAL GAINS				REINVESTED CAPITAL GAINS			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984	$6,019	$5,247[e]	$553[e]	$219[e]	$5,122	$4,655	$338	$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,275	11,851	778	1,646
1987	22,926	18,603	1,605	2,718	17,816	15,449	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,303	8,242	485	576
1992	22,089	17,294	1,488	3,306	14,906	12,234	1,134	1,539
1993	35,905	27,705	3,496	4,704	25,514	19,954	2,697	2,862
1994	29,744	26,351	2,411	981	24,864	22,038	2,093	733
1995	54,271	50,204	3,343	724	46,866	43,550	2,845	471
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,009
1997	182,764	160,744	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	307,586	17,808	447	298,429	281,339	16,719	371
2001	68,626	60,717	5,488	2,421	64,820	57,564	5,198	2,059
2002	16,097	10,795	639	4,663	14,749	10,102	614	4,034
2003	14,397	7,728	813	5,856	12,956	7,142	748	5,065
2004	54,741	42,268	5,999	6,473	49,896	38,722	5,565	5,609
2005	129,042	113,568	11,584	3,890	117,556	103,539	10,686	3,330
2006	256,915	236,333	18,507	2,076	236,466	217,329	17,359	1,778
2007	413,599	379,933	30,214	3,453	380,944	349,628	28,313	3,003
2008	133,324	110,961	8,848	13,514	124,009	103,771	8,375	11,863

[e] A portion of the breakdown of 1984 data was estimated.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

DATA SECTION 3

TABLE 33

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY LONG-TERM MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$119,273	$98,934	$20,338	$56,588	$50,900	$5,688	$62,685	$48,035	$14,650
1985	259,496	186,985	72,511	80,719	72,577	8,142	178,777	114,408	64,369
1986	500,597	365,087	135,509	134,446	118,026	16,421	366,150	247,062	119,089
1987	530,601	485,271	45,330	198,859	176,004	22,855	331,741	309,267	22,474
1988	410,509	421,224	−10,715	112,742	128,815	−16,073	297,767	292,408	5,358
1989	471,744	445,453	26,291	142,771	141,694	1,077	328,973	303,759	25,214
1990	554,720	505,780	48,940	166,398	146,580	19,817	388,322	359,199	29,123
1991	735,674	608,111	127,563	250,289	209,276	41,013	485,386	398,835	86,551
1992	949,366	758,475	190,891	327,518	261,857	65,661	621,848	496,618	125,230
1993	1,335,506	1,060,360	275,145	506,713	380,855	125,858	828,793	679,505	149,288
1994	1,433,739	1,329,324	104,414	628,668	512,346	116,321	805,071	816,978	−11,907
1995	1,550,510	1,400,702	149,809	790,017	686,756	103,260	760,494	713,946	46,548
1996	2,018,253	1,736,884	281,370	1,151,262	927,266	223,996	866,991	809,618	57,373
1997	2,384,639	2,108,981	275,659	1,457,384	1,268,983	188,401	927,255	839,997	87,258
1998	2,861,562	2,560,074	301,487	1,762,565	1,597,311	165,255	1,098,997	962,764	136,233
1999	3,437,180	3,224,301	212,878	2,262,505	2,088,544	173,962	1,174,674	1,135,757	38,917
2000	4,922,927	4,698,192	224,734	3,560,671	3,330,417	230,254	1,362,255	1,367,775	−5,519
2001	4,688,530	4,393,114	295,416	2,736,933	2,609,657	127,275	1,951,597	1,783,456	168,141
2002	4,018,969	3,807,392	211,578	2,176,363	2,141,754	34,609	1,842,606	1,665,638	176,968
2003	4,281,605	3,998,766	282,840	2,054,379	1,884,711	169,667	2,227,227	2,114,054	113,173
2004	4,310,180	4,019,273	290,907	2,390,924	2,198,578	192,346	1,919,256	1,820,695	98,561
2005	4,834,374	4,532,166	302,208	2,765,100	2,610,805	154,296	2,069,274	1,921,362	147,912
2006	5,737,379	5,398,123	339,257	3,330,068	3,172,237	157,832	2,407,311	2,225,886	181,425
2007	7,099,174	6,721,565	377,609	3,836,033	3,733,373	102,660	3,263,141	2,988,192	274,949
2008	7,387,440	7,328,066	59,325	3,688,842	3,747,274	−58,432	3,698,598	3,580,792	117,806

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 34

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY EQUITY MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$54,933	$49,853	$5,080	$49,098	$44,213	$4,885	$5,835	$5,640	$195
1985	77,327	70,685	6,642	66,762	61,599	5,163	10,565	9,086	1,479
1986	129,723	111,233	18,491	110,016	96,512	13,504	19,708	14,721	4,987
1987	196,902	175,292	21,611	170,715	150,705	20,009	26,188	24,586	1,601
1988	119,861	130,822	−10,961	100,888	113,635	−12,747	18,973	17,187	1,787
1989	148,346	144,753	3,593	128,998	127,026	1,973	19,348	17,728	1,621
1990	187,592	169,373	18,218	151,907	133,630	18,277	35,684	35,743	−59
1991	251,775	207,946	43,829	224,117	186,785	37,333	27,658	21,162	6,496
1992	339,002	268,868	70,134	300,712	242,319	58,393	38,290	26,549	11,741
1993	500,197	382,432	117,765	451,485	345,357	106,128	48,712	37,075	11,637
1994	618,004	508,389	109,615	564,380	456,708	107,672	53,623	51,681	1,942
1995	785,867	678,060	107,807	718,298	621,699	96,599	67,569	56,361	11,208
1996	1,116,906	896,644	220,262	1,050,884	832,486	218,397	66,022	64,157	1,865
1997	1,421,211	1,223,463	197,748	1,352,085	1,166,649	185,436	69,126	56,814	12,312
1998	1,723,752	1,557,212	166,540	1,635,842	1,475,384	160,458	87,909	81,827	6,082
1999	2,232,821	2,049,539	183,282	2,126,853	1,941,504	185,349	105,968	108,035	−2,067
2000	3,537,394	3,286,115	251,279	3,396,792	3,152,518	244,274	140,601	133,597	7,005
2001	2,730,970	2,615,592	115,377	2,576,109	2,468,568	107,541	154,861	147,025	7,837
2002	2,155,044	2,124,816	30,228	2,020,835	2,004,534	16,301	134,210	120,282	13,927
2003	1,988,427	1,836,437	151,989	1,909,039	1,758,296	150,743	79,388	78,142	1,246
2004	2,301,400	2,124,299	177,101	2,220,854	2,053,022	167,832	80,547	71,277	9,269
2005	2,700,562	2,542,118	158,445	2,597,754	2,452,843	144,911	102,808	89,275	13,533
2006	3,266,650	3,090,415	176,235	3,142,625	2,973,088	169,538	124,024	117,327	6,697
2007	3,789,338	3,668,194	121,144	3,587,999	3,480,523	107,476	201,339	187,672	13,668
2008	3,650,282	3,717,513	−67,231	3,365,370	3,431,535	−66,165	284,912	285,978	−1,066

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 35

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY HYBRID MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$11,589	$9,258	$2,331	$7,129	$5,822	$1,308	$4,459	$3,436	$1,023
1985	19,647	14,915	4,732	13,378	10,513	2,865	6,269	4,402	1,867
1986	34,746	28,007	6,739	21,894	19,451	2,443	12,853	8,556	4,297
1987	48,335	44,168	4,168	26,282	23,989	2,293	22,053	20,179	1,874
1988	28,070	31,455	−3,384	10,628	13,833	−3,205	17,442	17,622	−179
1989	26,747	24,864	1,883	12,459	13,598	−1,139	14,288	11,266	3,022
1990	31,003	27,042	3,961	13,329	11,849	1,480	17,674	15,192	2,481
1991	42,937	34,656	8,281	18,658	15,435	3,223	24,279	19,221	5,058
1992	64,429	43,855	20,574	23,966	17,200	6,766	40,463	26,655	13,809
1993	116,821	74,135	42,686	49,689	30,490	19,200	67,131	43,645	23,486
1994	141,268	114,962	26,306	54,812	46,429	8,383	86,456	68,533	17,923
1995	189,989	180,066	9,923	67,628	60,612	7,016	122,360	119,454	2,907
1996	233,471	211,094	22,377	92,495	88,487	4,008	140,976	122,607	18,370
1997	266,438	245,278	21,160	98,115	94,990	3,125	168,323	150,288	18,036
1998	290,682	266,334	24,347	115,714	111,414	4,300	174,967	154,920	20,047
1999	303,946	304,642	−696	128,313	138,952	−10,639	175,633	165,690	9,943
2000	317,617	339,135	−21,517	156,082	168,520	−12,438	161,536	170,615	−9,079
2001	360,760	337,882	22,878	152,830	132,608	20,222	207,930	205,274	2,656
2002	342,381	322,890	19,491	144,079	126,045	18,034	198,302	196,844	1,457
2003	363,949	321,989	41,959	132,618	114,947	17,671	231,330	207,042	24,288
2004	417,363	357,969	59,393	160,912	135,119	25,793	256,450	222,850	33,600
2005	393,679	354,063	39,616	160,949	151,106	9,843	232,730	202,957	29,773
2006	394,594	376,305	18,289	180,083	191,767	−11,684	214,511	184,537	29,973
2007	526,860	481,372	45,489	238,098	241,933	−3,835	288,763	239,439	49,324
2008	627,682	609,948	17,734	313,368	302,666	10,702	314,313	307,282	7,032

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 36

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY BOND MUTUAL FUNDS

MILLIONS OF DOLLARS, ANNUAL

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$52,751	$39,823	$12,928	$361	$865	−$504	$52,390	$38,958	$13,432
1985	162,522	101,385	61,137	579	465	114	161,943	100,919	61,024
1986	336,127	225,848	110,279	2,537	2,062	475	333,590	223,785	109,805
1987	285,363	265,812	19,551	1,862	1,310	553	283,501	264,502	18,999
1988	262,577	258,947	3,630	1,226	1,347	−121	261,351	257,600	3,751
1989	296,651	275,836	20,815	1,314	1,071	243	295,337	274,765	20,572
1990	336,125	309,364	26,761	1,161	1,101	60	334,964	308,264	26,700
1991	440,962	365,509	75,453	7,514	7,056	457	433,449	358,453	74,996
1992	545,934	445,752	100,182	2,840	2,338	502	543,095	443,414	99,680
1993	718,488	603,793	114,694	5,538	5,009	529	712,950	598,785	114,165
1994	674,467	705,973	−31,506	9,475	9,209	266	664,991	696,764	−31,773
1995	574,655	542,576	32,079	4,091	4,445	−354	570,564	538,131	32,433
1996	667,876	629,146	38,730	7,884	6,292	1,591	659,992	622,854	37,139
1997	696,990	640,240	56,750	7,184	7,344	−160	689,806	632,896	56,910
1998	847,129	736,529	110,600	11,009	10,512	496	836,120	726,016	110,104
1999	900,413	870,121	30,292	7,339	8,088	−749	893,074	862,033	31,041
2000	1,067,916	1,072,943	−5,027	7,797	9,380	−1,582	1,060,118	1,063,563	−3,445
2001	1,596,800	1,439,640	157,160	7,994	8,482	−488	1,588,806	1,431,158	157,648
2002	1,521,544	1,359,686	161,858	11,449	11,175	274	1,510,095	1,348,512	161,584
2003	1,929,230	1,840,339	88,892	12,722	11,469	1,254	1,916,508	1,828,870	87,638
2004	1,591,417	1,537,005	54,413	9,158	10,437	−1,279	1,582,259	1,526,568	55,692
2005	1,740,132	1,635,985	104,147	6,397	6,856	−459	1,733,736	1,629,130	104,606
2006	2,076,136	1,931,403	144,733	7,360	7,382	−22	2,068,776	1,924,022	144,755
2007	2,782,976	2,571,999	210,977	9,937	10,918	−981	2,773,039	2,561,082	211,957
2008	3,109,476	3,000,605	108,871	10,104	13,072	−2,969	3,099,372	2,987,533	111,840

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 37

TOTAL NET ASSETS, NUMBER OF SHAREHOLDER ACCOUNTS, NUMBER OF FUNDS, AND NUMBER OF SHARE CLASSES OF MONEY MARKET FUNDS BY TYPE OF FUND

YEAR-END

	TOTAL NET ASSETS (millions of dollars)				NUMBER OF SHAREHOLDER ACCOUNTS* (thousands)			
		Taxable				Taxable		
Year	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt
1990	$498,341	$107,592	$307,142	$83,608	22,969	2,273	19,305	1,391
1991	542,442	138,009	314,550	89,882	23,556	2,547	19,316	1,693
1992	546,194	151,286	300,067	94,841	23,647	2,817	18,954	1,876
1993	565,319	148,697	313,207	103,415	23,585	2,806	18,780	1,998
1994	611,005	147,096	353,540	110,369	25,383	3,049	20,295	2,039
1995	753,018	179,176	450,810	123,032	30,144	3,824	24,035	2,285
1996	901,807	217,912	544,077	139,818	32,200	4,147	25,760	2,292
1997	1,058,886	244,978	653,105	160,803	35,624	4,548	28,413	2,663
1998	1,351,678	302,792	860,375	188,512	38,847	4,384	32,058	2,405
1999	1,613,146	325,911	1,082,820	204,415	43,616	4,793	36,385	2,438
2000	1,845,248	352,468	1,254,748	238,033	48,138	4,888	40,592	2,659
2001	2,285,310	437,235	1,575,676	272,399	47,236	5,124	39,290	2,821
2002	2,271,956	447,673	1,549,500	274,784	45,380	5,092	37,634	2,655
2003	2,052,003	403,535	1,360,095	288,373	41,214	4,111	34,301	2,802
2004	1,913,193	372,440	1,230,407	310,346	37,636	3,651	31,143	2,842
2005	2,040,537	382,493	1,324,046	333,998	36,837	3,117	30,916	2,805
2006	2,338,451	405,822	1,566,225	366,404	37,067	3,292	30,714	3,061
2007	3,085,760	726,084	1,894,602	465,075	39,130	3,481	32,181	3,467
2008	3,832,244	1,450,340	1,890,444	491,460	38,112	4,160	30,339	3,613

	NUMBER OF FUNDS				NUMBER OF SHARE CLASSES			
		Taxable				Taxable		
Year	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt
1990	741	174	332	235	762	180	343	239
1991	820	211	342	267	871	228	364	279
1992	864	234	351	279	914	247	369	298
1993	920	260	368	292	1,009	280	393	336
1994	963	271	375	317	1,261	360	493	408
1995	997	279	395	323	1,380	394	555	431
1996	988	271	395	322	1,453	404	596	453
1997	1,013	271	411	331	1,549	428	642	479
1998	1,026	275	410	341	1,627	459	674	494
1999	1,045	284	418	343	1,730	493	733	504
2000	1,039	277	426	336	1,855	531	793	531
2001	1,015	273	416	326	1,948	575	822	551
2002	989	265	414	310	2,006	588	876	542
2003	974	258	404	312	2,031	584	879	568
2004	943	247	392	304	2,046	589	882	575
2005	871	220	375	276	2,031	565	900	566
2006	847	212	362	273	2,012	567	888	557
2007	805	197	349	259	2,018	553	897	568
2008	784	195	341	248	1,989	568	880	541

*Number of shareholder accounts includes a mix of individual and omnibus accounts.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

DATA SECTION 4

TABLE 38

TOTAL NET ASSETS AND NET NEW CASH FLOW OF MONEY MARKET FUNDS BY TYPE OF FUND

	ALL MONEY MARKET FUNDS				RETAIL MONEY MARKET FUNDS				INSTITUTIONAL MONEY MARKET FUNDS			
		Taxable				Taxable				Taxable		
Year	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt
TOTAL NET ASSETS *(millions of dollars, year-end)*												
1999	$1,613,146	$325,911	$1,082,820	$204,415	$964,686	$130,470	$677,908	$156,308	$648,460	$195,441	$404,913	$48,106
2000	1,845,248	352,468	1,254,748	238,033	1,059,187	137,763	741,764	179,661	786,061	214,705	512,984	58,372
2001	2,285,310	437,235	1,575,676	272,399	1,131,804	154,852	786,634	190,318	1,153,506	282,383	789,042	82,081
2002	2,271,956	447,673	1,549,500	274,784	1,062,833	143,621	727,188	192,025	1,209,123	304,052	822,312	82,759
2003	2,052,003	403,535	1,360,095	288,373	936,899	128,935	617,352	190,612	1,115,104	274,600	742,743	97,761
2004	1,913,193	372,440	1,230,407	310,346	850,733	115,156	543,783	191,794	1,062,460	257,285	686,624	118,552
2005	2,040,537	382,493	1,324,046	333,998	873,650	112,277	557,967	203,406	1,166,887	270,216	766,079	130,592
2006	2,338,451	405,822	1,566,225	366,404	1,004,978	122,211	658,723	224,043	1,333,474	283,610	907,502	142,361
2007	3,085,760	726,084	1,894,602	465,075	1,221,501	160,724	775,187	285,590	1,864,259	565,359	1,119,414	179,486
2008	3,832,244	1,450,340	1,890,444	491,460	1,356,757	261,469	792,353	302,935	2,475,487	1,188,871	1,098,092	188,525
NET NEW CASH FLOW *(millions of dollars, annual)*												
1999	$193,681	$8,680	$174,146	$10,855	$82,006	$−686	$72,805	$9,887	$111,675	$9,366	$101,341	$969
2000	159,365	16,510	116,339	26,515	42,779	59	24,020	18,700	116,586	16,451	92,319	7,815
2001	375,291	81,623	267,447	26,221	36,240	12,946	13,084	10,210	339,050	68,676	254,363	16,011
2002	−46,451	−4,586	−57,601	15,735	−78,803	−9,327	−70,805	1,328	32,352	4,741	13,204	14,407
2003	−258,401	−51,508	−216,211	9,318	−151,043	−19,548	−126,587	−4,908	−107,359	−31,961	−89,624	14,226
2004	−156,593	−36,481	−138,429	18,318	−88,918	−14,771	−76,581	2,434	−67,675	−21,711	−61,847	15,883
2005	63,147	10,305	32,607	20,234	2,011	−4,482	−4,295	10,788	61,136	14,787	36,902	9,446
2006	245,236	16,286	203,959	24,990	95,941	5,814	74,102	16,024	149,295	10,472	129,857	8,966
2007	654,476	309,431	261,224	83,821	171,712	34,082	86,937	50,693	482,764	275,348	174,287	33,129
2008	636,832	691,800	−69,046	14,078	111,657	97,753	185	13,719	525,174	594,048	−69,231	358

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 39

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF MONEY MARKET FUNDS

MILLIONS OF DOLLARS, ANNUAL

		SALES			REDEMPTIONS		
Year	NET NEW CASH FLOW	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$35,077	$640,021	$620,536	$19,485	$604,944	$586,990	$17,953
1985	−5,293	848,451	826,858	21,592	853,743	831,067	22,676
1986	33,552	1,026,745	978,041	48,704	993,193	948,656	44,537
1987	10,072	1,147,877	1,049,034	98,843	1,137,805	1,062,671	75,133
1988	106	1,130,639	1,066,003	64,636	1,130,534	1,074,346	56,188
1989	64,132	1,359,616	1,296,458	63,158	1,295,484	1,235,527	59,957
1990	23,179	1,461,537	1,389,439	72,098	1,438,358	1,372,764	65,594
1991	6,068	1,841,131	1,778,491	62,640	1,835,063	1,763,106	71,957
1992	−16,006	2,449,766	2,371,925	77,841	2,465,772	2,382,976	82,796
1993	−13,890	2,756,282	2,665,987	90,295	2,770,172	2,673,464	96,707
1994	8,525	2,725,201	2,586,478	138,722	2,716,675	2,599,400	117,275
1995	89,381	3,234,216	3,097,225	136,990	3,144,834	3,001,968	142,866
1996	89,422	4,156,985	3,959,014	197,971	4,067,563	3,868,772	198,791
1997	103,466	5,127,328	4,894,226	233,102	5,023,863	4,783,096	240,767
1998	235,457	6,407,574	6,129,140	278,434	6,172,116	5,901,590	270,526
1999	193,681	8,080,959	7,719,310	361,649	7,887,278	7,540,912	346,367
2000	159,365	9,826,677	9,406,287	420,391	9,667,312	9,256,350	410,962
2001	375,291	11,737,291	11,426,804	310,487	11,362,000	11,065,468	296,533
2002	−46,451	12,035,774	11,739,560	296,215	12,082,225	11,810,695	271,530
2003	−258,401	11,235,890	11,011,317	224,574	11,494,292	11,267,700	226,592
2004	−156,593	10,953,410	10,786,918	166,492	11,110,003	10,939,725	170,277
2005	63,147	12,596,546	12,420,401	176,145	12,533,399	12,362,620	170,779
2006	245,236	15,707,260	15,496,005	211,256	15,462,024	15,269,381	192,643
2007	654,476	21,315,157	21,040,070	275,087	20,660,681	20,409,373	251,307
2008	636,832	24,574,175	24,189,115	385,059	23,937,343	23,620,680	316,663

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

DATA SECTION 4

TABLE 40

PAID AND REINVESTED DIVIDENDS OF MONEY MARKET FUNDS BY TYPE OF FUND

MILLIONS OF DOLLARS, ANNUAL

	PAID DIVIDENDS			REINVESTED DIVIDENDS		
Year	Total	Taxable money market funds	Tax-exempt money market funds	Total	Taxable money market funds	Tax-exempt money market funds
1984	$16,435	$15,435	$1,000	$13,730	$13,059	$671
1985	15,708	14,108	1,600	12,758	11,758	1,000
1986	14,832	12,432	2,400	11,514	9,981	1,533
1987	15,654	12,833	2,821	11,946	10,136	1,810
1988	21,618	17,976	3,642	15,692	13,355	2,337
1989	28,619	24,683	3,936	23,050	20,302	2,749
1990	30,258	26,448	3,810	26,282	23,237	3,045
1991	28,604	25,121	3,483	22,809	20,006	2,803
1992	20,280	17,197	3,083	14,596	12,569	2,027
1993	18,991	15,690	3,302	11,615	10,007	1,607
1994	23,737	20,500	3,236	16,739	14,624	2,116
1995	37,038	32,822	4,216	27,985	24,855	3,130
1996	42,555	38,364	4,191	31,517	28,404	3,112
1997	48,843	44,110	4,733	37,979	34,366	3,614
1998	57,375	52,072	5,303	43,443	39,510	3,932
1999	69,004	63,107	5,897	50,648	46,516	4,132
2000	98,219	89,956	8,263	72,771	66,780	5,991
2001	79,307	73,117	6,190	56,367	51,829	4,538
2002	32,251	29,419	2,832	22,033	19,954	2,080
2003	17,041	15,140	1,901	11,314	9,924	1,389
2004	18,374	15,915	2,458	11,883	10,097	1,786
2005	50,186	43,610	6,576	32,803	28,003	4,800
2006	96,425	85,072	11,353	61,489	53,315	8,173
2007	127,908	113,316	14,592	82,457	72,041	10,417
2008	93,858	82,809	11,048	61,435	53,809	7,626

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

DATA SECTION 4

TABLE 41

ASSET COMPOSITION OF TAXABLE GOVERNMENT MONEY MARKET FUNDS AS A PERCENTAGE OF TOTAL NET ASSETS

YEAR-END

Year	Total net assets *(millions of dollars)*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *(days)*
1990	$107,592	11.3%	12.1%	20.8%	45.2%	0.0%	0.0%	0.4%	-	-	10.0%	46
1991	138,009	21.4	16.4	20.3	40.1	0.2	0.3	1.1	-	-	0.3	58
1992	151,286	25.6	16.3	21.6	34.2	0.3	0.1	1.1	-	-	0.7	55
1993	148,697	30.0	13.9	20.7	32.0	0.1	0.0	1.0	-	-	2.2	61
1994	147,096	24.0	12.7	26.4	33.4	0.1	0.1	0.6	0.1%	-	2.5	37
1995	179,176	19.7	13.8	28.7	33.5	0.2	0.0	1.0	0.0	-	3.1	48
1996	217,912	17.5	18.0	25.5	35.0	0.2	0.1	1.0	0.0	-	2.6	48
1997	244,978	15.5	17.4	25.4	37.7	0.1	0.0	1.3	0.1	-	2.4	49
1998	302,792	14.1	18.0	31.1	32.9	0.3	0.0	1.7	0.1	0.2%	1.6	52
1999	325,911	16.7	13.1	37.8	27.3	0.3	0.0	1.9	0.1	1.1	1.8	48
2000	352,468	14.2	10.3	31.7	36.6	0.2	0.1	2.7	0.1	1.3	2.8	45
2001	437,235	19.5	9.1	33.8	30.4	0.5	0.1	1.2	0.0	2.1	3.3	56
2002	447,673	20.0	6.4	32.4	34.7	0.6	0.0	1.5	0.1	2.1	2.2	52
2003	403,535	19.9	7.0	33.3	35.3	0.6	0.0	1.6	0.0	2.6	−0.3	52
2004	372,440	21.1	4.9	34.2	34.6	0.4	0.1	1.9	0.1	1.4	1.2	36
2005	382,493	15.9	4.5	27.6	49.8	0.1	0.0	0.4	0.1	1.0	0.5	27
2006	405,822	15.2	4.1	21.9	57.4	0.1	0.0	0.6	0.0	0.3	0.3	32
2007	726,084	16.8	5.3	24.5	52.8	0.3	0.0	0.2	0.0	0.0	0.1	31
2008	1,450,340	30.6	6.4	36.2	26.4	0.0	0.0	0.1	0.1	0.2	0.0	49

[1]Prior to 1994, bank notes are included in other assets.

[2]Prior to 1998, corporate notes are included in other assets.

[3]Other assets include banker's acceptances, municipal securities, and cash reserves.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 42

ASSET COMPOSITION OF TAXABLE NON-GOVERNMENT MONEY MARKET FUNDS AS A PERCENTAGE OF TOTAL NET ASSETS

YEAR-END

Year	Total net assets *(millions of dollars)*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *(days)*
1990	$307,142	4.3%	2.3%	4.7%	3.3%	6.8%	8.8%	65.0%	-	-	4.7%	48
1991	314,550	5.8	3.0	4.3	4.1	10.5	6.9	59.7	-	-	5.8	56
1992	300,067	2.8	2.6	7.5	5.1	10.3	6.7	57.4	-	-	7.4	59
1993	313,207	2.7	2.5	11.9	6.4	7.9	3.2	52.2	-	-	13.2	58
1994	353,540	2.6	1.3	11.3	6.0	6.3	4.5	53.2	2.4%	-	12.4	38
1995	450,810	1.5	1.0	9.2	6.5	8.8	4.4	52.2	3.7	-	12.6	60
1996	544,077	0.7	1.9	8.9	5.4	12.7	4.3	50.5	2.3	-	13.3	56
1997	653,105	0.5	0.8	5.5	5.6	14.6	3.7	51.5	3.2	-	14.8	57
1998	860,375	0.6	0.9	9.5	4.9	12.9	3.6	48.3	3.9	5.8%	9.6	58
1999	1,082,820	0.5	0.3	6.7	5.1	12.7	3.9	48.9	3.1	8.3	10.4	49
2000	1,254,748	0.5	0.1	6.2	4.5	10.2	7.8	50.2	3.6	10.4	6.6	53
2001	1,575,676	0.6	0.3	12.4	6.4	13.2	8.8	41.2	1.5	10.9	4.6	58
2002	1,549,500	1.5	0.3	12.1	8.4	12.4	8.2	39.7	1.3	11.8	4.3	54
2003	1,360,095	1.5	0.4	15.2	8.5	10.5	6.0	35.1	2.0	15.9	4.7	59
2004	1,230,407	0.5	0.1	12.2	9.0	12.7	6.9	33.4	2.6	17.6	5.0	41
2005	1,324,046	0.8	0.1	4.6	12.4	13.3	6.9	37.9	2.3	17.6	4.2	37
2006	1,566,225	0.2	0.2	3.0	10.9	12.5	5.5	39.0	2.2	21.3	5.3	49
2007	1,894,602	0.9	0.2	3.3	12.4	13.4	6.9	36.2	3.9	16.4	6.4	44
2008	1,890,444	2.4	0.5	13.1	9.1	18.6	7.0	33.4	3.0	9.1	3.8	47

[1]Prior to 1994, bank notes are included in other assets.
[2]Prior to 1998, corporate notes are included in other assets.
[3]Other assets include banker's acceptances, municipal securities, and cash reserves.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

DATA SECTION 4

TABLE 43

FUNDS OF FUNDS: TOTAL NET ASSETS, NET NEW CASH FLOW, NUMBER OF FUNDS, AND NUMBER OF SHARE CLASSES

	TOTAL NET ASSETS (millions of dollars, year-end)			NET NEW CASH FLOW* (millions of dollars, annual)			NUMBER OF FUNDS (year-end)			NUMBER OF SHARE CLASSES (year-end)		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1989	$1,284	$204	$1,080	$169	$4	$165	18	11	7	18	11	7
1990	1,426	211	1,215	131	-21	152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	342	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	502	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	16,206	40,704	10,401	5,101	5,300	215	86	129	414	143	271
2001	63,385	15,756	47,629	8,929	1,858	7,072	213	85	128	450	154	296
2002	68,960	14,458	54,502	11,593	2,152	9,441	268	104	164	625	197	428
2003	123,091	28,646	94,445	29,900	4,864	25,036	301	112	189	720	217	503
2004	199,552	41,784	157,768	50,520	7,980	42,539	375	111	264	963	223	740
2005	306,016	58,569	247,447	79,480	8,708	70,772	475	129	346	1,298	273	1,025
2006	471,024	96,366	374,658	101,336	18,473	82,862	604	161	443	1,860	338	1,522
2007	639,786	116,203	523,582	126,964	18,303	108,661	723	174	549	2,361	394	1,967
2008	489,275	76,224	413,050	62,663	7,731	54,932	865	182	683	2,815	416	2,399

**Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*

Note: Components may not add to the total because of rounding.

TABLE 44

FUNDS OF FUNDS: COMPONENTS OF NET NEW CASH FLOW[1]

MILLIONS OF DOLLARS, ANNUAL

	SALES									REDEMPTIONS								
	New + exchange			New[2]			Exchange[3]			Regular + exchange			Regular[4]			Exchange[5]		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1989	$368	$75	$293	$314	$74	$241	$54	$2	$52	$200	$72	$128	$130	$71	$59	$69	$1	$68
1990	416	68	348	351	58	293	65	10	55	285	89	196	186	87	99	100	3	97
1991	772	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,240	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,541	2,225	2,788	850	1,938
1999	16,749	6,861	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,177	3,469	6,708	6,638	2,553	4,084	3,540	916	2,624
2000	24,092	9,346	14,746	18,607	7,539	11,068	5,485	1,806	3,678	13,690	4,245	9,445	9,250	3,199	6,052	4,440	1,046	3,394
2001	22,577	5,735	16,842	17,606	4,893	12,712	4,971	842	4,129	13,647	3,877	9,770	9,546	3,111	6,435	4,101	766	3,335
2002	28,193	6,837	21,356	23,063	5,827	17,235	5,131	1,010	4,121	16,600	4,685	11,915	12,209	3,866	8,343	4,391	819	3,572
2003	46,962	8,908	38,054	38,444	7,415	31,029	8,518	1,493	7,025	17,062	4,044	13,019	12,785	3,338	9,447	4,277	706	3,571
2004	76,821	13,730	63,091	63,136	11,463	51,673	13,685	2,266	11,418	26,301	5,749	20,552	19,845	4,848	14,997	6,456	901	5,555
2005	122,861	16,760	106,102	106,077	13,986	92,091	16,784	2,774	14,010	43,381	8,052	35,329	35,351	7,034	28,317	8,030	1,018	7,012
2006	163,102	30,217	132,885	138,868	24,870	113,998	24,234	5,347	18,888	61,766	11,743	50,023	49,050	10,060	38,990	12,717	1,683	11,033
2007	227,695	37,535	190,159	194,351	30,079	164,273	33,343	7,457	25,887	100,731	19,232	81,498	82,055	15,901	66,154	18,676	3,331	15,345
2008	217,198	33,734	183,464	186,298	28,011	158,287	30,900	5,723	25,177	154,535	26,003	128,532	122,736	21,042	101,693	31,799	4,961	26,838

[1] *Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*

[2] *New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.*

[3] *Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund family.*

[4] *Redemptions are the dollar value of shareholder liquidation of mutual fund shares.*

[5] *Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.*

Note: Components may not add to the total because of rounding.

DATA SECTION 5

TABLE 45

INDEX FUNDS: TOTAL NET ASSETS AND NET NEW CASH FLOW

MILLIONS OF DOLLARS

	TOTAL NET ASSETS (year-end)					NET NEW CASH FLOW* (annual)				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	$27,421	$19,445	$3,300	$1,281	$3,396	$6,344	$3,916	$947	$501	$980
1994	32,038	22,257	3,823	2,095	3,863	3,297	1,821	514	436	525
1995	56,443	40,938	6,387	2,927	6,192	11,630	8,664	1,036	508	1,422
1996	96,843	72,745	11,168	4,213	8,716	24,614	18,291	3,195	1,027	2,100
1997	169,026	128,310	21,115	5,385	14,215	34,803	25,073	5,222	781	3,727
1998	264,086	200,216	35,022	8,028	20,821	46,591	31,116	8,522	1,567	5,385
1999	386,758	283,208	63,210	13,206	27,134	62,076	38,383	16,091	2,234	5,368
2000	383,957	271,374	71,857	12,693	28,032	26,079	11,171	10,630	1,670	2,608
2001	370,903	248,410	73,507	11,161	37,825	27,115	9,144	8,901	1,171	7,899
2002	328,255	200,080	69,438	11,052	47,685	25,539	4,802	12,278	1,668	6,790
2003	456,176	272,495	112,625	18,222	52,834	35,456	14,252	16,654	2,200	2,349
2004	557,234	318,567	148,177	28,244	62,246	40,410	11,621	16,363	5,664	6,762
2005	622,548	335,105	171,869	42,805	72,769	28,315	−177	11,895	8,460	8,136
2006	751,722	381,035	219,124	66,647	84,917	33,021	−5,826	20,421	10,678	7,747
2007	859,254	395,856	258,701	95,734	108,963	61,367	−1,411	29,045	16,953	16,780
2008	604,130	253,517	178,368	50,179	122,066	33,903	7,495	23,276	−5,971	9,103

**Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 46

INDEX FUNDS: NUMBER OF FUNDS AND NUMBER OF SHARE CLASSES

YEAR-END

	NUMBER OF FUNDS					NUMBER OF SHARE CLASSES				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	68	38	14	6	10	72	42	14	6	10
1994	80	42	16	7	15	94	53	16	10	15
1995	89	47	17	8	17	113	62	18	13	20
1996	107	59	21	8	19	146	85	24	13	24
1997	134	71	26	13	24	205	111	37	23	34
1998	159	85	37	16	21	253	144	52	27	30
1999	204	98	61	21	24	328	165	96	33	34
2000	282	121	102	26	33	475	221	164	44	46
2001	295	127	112	26	30	527	238	198	46	45
2002	321	133	126	29	33	586	255	223	54	54
2003	334	130	136	31	37	618	254	245	57	62
2004	343	132	147	29	35	657	271	270	56	60
2005	337	124	148	30	35	671	268	279	63	61
2006	357	130	160	33	34	721	282	305	70	64
2007	367	128	163	37	39	755	282	317	81	75
2008	368	125	166	42	35	766	284	318	96	68

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

DATA SECTION 5

TABLE 47

INDEX FUNDS: NEW SALES AND SALES EXCHANGES

MILLIONS OF DOLLARS, ANNUAL

	NEW + EXCHANGE					NEW[1]					EXCHANGE[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	$13,259	$8,898	$1,552	$746	$2,064	$11,201	$7,826	$1,275	$455	$1,644	$2,059	$1,072	$276	$291	$420
1994	11,843	7,976	1,276	824	1,767	10,167	7,103	1,125	579	1,361	1,675	874	151	245	405
1995	21,631	15,642	2,101	1,026	2,862	17,519	12,896	1,878	803	1,942	4,112	2,746	223	223	920
1996	42,442	31,515	4,884	1,861	4,182	34,737	25,924	4,174	1,468	3,171	7,705	5,591	710	393	1,011
1997	73,056	54,077	10,203	2,184	6,591	54,015	40,890	6,547	1,825	4,752	19,041	13,187	3,656	360	1,839
1998	103,111	74,968	15,525	3,044	9,574	79,677	59,288	11,397	2,186	6,806	23,434	15,680	4,128	858	2,768
1999	146,018	101,573	26,764	4,618	13,062	113,140	81,470	18,990	3,306	9,373	32,878	20,104	7,774	1,312	3,689
2000	136,828	92,009	29,010	6,142	9,667	107,810	76,003	20,110	4,908	6,790	29,018	16,006	8,900	1,235	2,877
2001	122,921	72,678	28,182	4,680	17,381	94,843	58,543	21,097	3,979	11,224	28,078	14,135	7,085	701	6,157
2002	128,664	67,812	34,432	5,216	21,204	100,679	56,929	25,152	4,552	14,045	27,985	10,883	9,280	663	7,159
2003	137,501	67,435	44,753	6,000	19,313	105,512	54,361	31,843	5,178	14,130	31,988	13,074	12,910	822	5,183
2004	160,131	74,699	54,298	9,408	21,725	129,198	63,325	40,975	7,916	16,982	30,932	11,374	13,324	1,492	4,742
2005	164,640	71,160	56,646	13,529	23,306	132,619	59,206	43,675	11,277	18,460	32,021	11,953	12,971	2,252	4,845
2006	191,300	70,063	73,848	19,895	27,494	153,813	59,561	57,898	16,064	20,290	37,487	10,502	15,950	3,831	7,204
2007	260,829	94,066	92,484	30,590	43,690	201,449	76,664	72,363	23,701	28,721	59,380	17,401	20,120	6,889	14,969
2008	250,303	87,251	82,301	26,341	54,411	201,929	74,292	64,888	22,437	40,312	48,374	12,959	17,413	3,903	14,099

[1]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

[2]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund family.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

TABLE 48

INDEX FUNDS: REDEMPTIONS AND REDEMPTION EXCHANGES

MILLIONS OF DOLLARS, ANNUAL

	REGULAR + EXCHANGE					REGULAR[1]					EXCHANGE[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	$6,915	$4,982	$604	$245	$1,084	$5,276	$3,996	$447	$118	$715	$1,639	$986	$157	$127	$369
1994	8,546	6,155	762	387	1,241	7,129	5,383	640	243	863	1,417	772	122	144	379
1995	10,002	6,978	1,065	518	1,440	7,717	5,665	931	344	777	2,285	1,313	134	174	663
1996	17,829	13,224	1,689	834	2,082	13,563	10,234	1,423	576	1,329	4,266	2,990	266	258	753
1997	38,253	29,005	4,981	1,403	2,864	24,690	19,657	2,462	824	1,748	13,563	9,348	2,519	579	1,116
1998	56,520	43,852	7,003	1,477	4,189	39,982	32,359	4,241	997	2,385	16,538	11,492	2,762	480	1,804
1999	83,942	63,190	10,673	2,384	7,694	60,977	48,128	7,065	1,357	4,428	22,965	15,062	3,608	1,028	3,266
2000	110,749	80,838	18,380	4,472	7,058	80,936	61,527	11,967	2,860	4,581	29,813	19,311	6,413	1,612	2,477
2001	95,806	63,534	19,281	3,509	9,482	68,871	47,602	12,824	2,640	5,804	26,936	15,932	6,457	868	3,678
2002	103,125	63,010	22,154	3,547	14,414	75,662	48,435	15,328	2,870	9,029	27,463	14,575	6,826	678	5,384
2003	102,045	53,182	28,099	3,800	16,964	77,292	42,577	20,596	3,407	10,712	24,754	10,605	7,503	393	6,252
2004	119,721	63,078	37,935	3,745	14,963	90,616	50,219	26,960	3,062	10,375	29,105	12,859	10,975	683	4,588
2005	136,325	71,336	44,751	5,069	15,169	102,890	54,848	32,406	4,109	11,527	33,435	16,489	12,344	960	3,642
2006	158,280	75,889	53,427	9,216	19,747	119,857	59,902	39,346	6,775	13,835	38,422	15,988	14,081	2,441	5,912
2007	199,463	95,476	63,439	13,637	26,910	142,216	71,738	43,363	10,094	17,021	57,247	23,739	20,076	3,544	9,889
2008	216,400	79,756	59,025	32,312	45,308	169,559	62,654	43,370	28,114	35,421	46,841	17,102	15,655	4,197	9,887

[1]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[2]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

DATA SECTION 5

TABLE 49

LIFESTYLE AND LIFECYCLE FUNDS:[1] TOTAL NET ASSETS, NET NEW CASH FLOW, NUMBER OF FUNDS, AND NUMBER OF SHARE CLASSES

	TOTAL NET ASSETS (millions of dollars, year-end)			NET NEW CASH FLOW[2] (millions of dollars, annual)			NUMBER OF FUNDS (year-end)			NUMBER OF SHARE CLASSES (year-end)		
Year	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle
1995	$2,777	$2,259	$519	$1,216	$1,009	$207	27	20	7	51	40	11
1996	6,558	5,693	865	2,608	2,367	241	45	35	10	71	61	10
1997	14,385	12,906	1,480	4,138	3,945	193	78	65	13	142	124	18
1998	25,486	20,905	4,581	6,007	4,862	1,144	111	93	18	200	176	24
1999	34,916	27,835	7,081	4,917	3,618	1,300	131	111	20	241	210	31
2000	39,776	30,928	8,848	7,571	3,983	3,588	147	122	25	280	237	43
2001	45,520	33,095	12,425	7,690	3,902	3,789	148	122	26	352	269	83
2002	49,470	34,523	14,947	8,089	4,386	3,702	172	146	26	433	350	83
2003	81,839	55,894	25,944	19,076	11,860	7,216	195	149	46	504	383	121
2004	129,375	85,581	43,794	28,424	15,525	12,899	244	159	85	745	481	264
2005	202,412	130,990	71,422	57,249	34,939	22,310	330	200	130	1,141	669	472
2006	304,022	189,237	114,785	66,786	33,757	33,029	427	241	186	1,570	781	789
2007	421,360	238,160	183,200	91,964	35,712	56,252	501	252	249	1,860	811	1,049
2008	339,319	175,570	163,749	54,168	12,339	41,830	619	272	347	2,241	850	1,391

[1] *Categories include data for funds that invest exclusively in other funds.*

[2] *Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*

Note: Components may not add to the total because of rounding.

TABLE 50

LIFESTYLE AND LIFECYCLE FUNDS:[1] COMPONENTS OF NET NEW CASH FLOW[2]

MILLIONS OF DOLLARS, ANNUAL

	SALES						REDEMPTIONS					
	New[3]			Exchange[4]			Regular[5]			Exchange[6]		
Year	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle
1995	$1,310	$1,008	$302	$366	$355	$10	$304	$203	$100	$156	$151	$5
1996	3,421	2,771	650	567	552	15	994	583	411	386	373	12
1997	5,588	5,067	521	1,068	1,033	35	1,770	1,432	339	747	723	24
1998	8,856	7,549	1,306	2,782	1,428	1,354	3,564	2,916	649	2,067	1,199	868
1999	10,663	8,832	1,831	3,144	1,436	1,707	6,112	5,102	1,010	2,777	1,549	1,228
2000	15,034	10,767	4,267	4,621	1,776	2,845	8,310	6,648	1,662	3,773	1,912	1,862
2001	15,408	10,621	4,787	4,179	1,602	2,576	8,515	6,665	1,850	3,382	1,656	1,725
2002	18,235	12,953	5,282	3,691	1,384	2,307	10,907	8,561	2,346	2,931	1,389	1,542
2003	27,620	19,536	8,084	5,324	1,935	3,390	11,044	8,518	2,526	2,824	1,093	1,731
2004	41,770	25,325	16,445	8,725	3,250	5,475	17,592	11,310	6,281	4,479	1,739	2,739
2005	77,231	50,412	26,820	11,662	3,969	7,692	25,967	17,323	8,644	5,677	2,119	3,558
2006	89,590	49,614	39,976	17,128	5,971	11,157	31,342	18,625	12,718	8,590	3,204	5,386
2007	137,780	61,543	76,238	23,468	6,427	17,041	56,708	28,172	28,537	12,577	4,087	8,490
2008	127,702	48,807	78,895	22,115	5,983	16,132	74,304	35,508	38,796	21,345	6,944	14,402

[1]Categories include data for funds that invest exclusively in other funds.
[2]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[3]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[4]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[5]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[6]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same fund group.
Note: Components may not add to the total because of rounding.

TABLE 51

RETIREMENT FUNDS:[1] TOTAL NET ASSETS, NET NEW CASH FLOW, NUMBER OF FUNDS, AND NUMBER OF SHARE CLASSES

Year	Total	Equity	Hybrid	Bond	Money market	Total	Equity	Hybrid	Bond	Money market
	TOTAL NET ASSETS (millions of dollars, year-end)					NET NEW CASH FLOW[2] (millions of dollars, annual)				
1993	$8,139	$3,377	$920	$304	$3,539	$660	$322	$57	$51	$230
1994	9,123	3,791	1,464	261	3,606	386	496	84	−54	−140
1995	14,808	5,642	3,289	567	5,310	2,620	574	433	126	1,487
1996	17,381	7,081	4,051	585	5,664	1,258	821	309	18	109
1997	20,714	8,768	5,085	819	6,043	689	244	209	155	81
1998	28,435	11,336	8,650	1,102	7,346	2,478	424	839	222	993
1999	46,025	24,807	11,901	1,289	8,028	3,015	1,515	962	119	419
2000	50,751	27,305	13,102	1,418	8,926	7,289	3,667	3,160	19	442
2001	58,078	22,953	16,395	2,023	16,707	5,369	322	3,957	431	658
2002	58,153	19,951	18,668	2,526	17,009	5,416	1,218	3,780	413	5
2003	94,083	42,909	32,179	5,701	13,294	14,185	8,149	8,579	1,024	−3,567
2004	138,049	69,840	53,190	6,519	8,501	26,405	15,289	14,820	488	−4,191
2005	194,446	97,131	82,113	7,501	7,701	40,304	17,355	23,088	818	−957
2006	287,203	140,623	128,132	9,215	9,233	61,792	25,879	33,658	1,182	1,072
2007	418,262	189,158	204,477	12,378	12,249	95,382	31,980	58,787	2,114	2,500
2008	343,888	137,683	178,092	11,789	16,324	80,556	31,609	45,056	880	3,011
	NUMBER OF FUNDS (year-end)					NUMBER OF SHARE CLASSES (year-end)				
1993	29	11	6	7	5	29	11	6	7	5
1994	59	21	17	14	7	63	21	21	14	7
1995	78	31	22	18	7	82	31	26	18	7
1996	85	35	26	17	7	86	35	27	17	7
1997	91	38	27	19	7	97	38	33	19	7
1998	106	45	37	18	6	113	45	44	18	6
1999	126	62	39	20	5	140	62	53	20	5
2000	154	82	46	21	5	172	82	64	21	5
2001	202	115	49	29	9	251	115	97	29	10
2002	302	183	55	49	15	442	236	112	70	24
2003	487	304	91	75	17	719	405	176	112	26
2004	772	468	168	117	19	1,159	612	356	161	30
2005	897	519	228	129	21	1,655	787	618	212	38
2006	1,044	586	299	136	23	2,217	944	999	234	40
2007	1,240	667	392	155	26	2,674	1,042	1,331	256	45
2008	1,429	740	494	170	25	3,098	1,122	1,668	264	44

[1]Retirement category includes share classes and funds that are primarily available to retirement plans or IRAs. The table includes data for funds that invest exclusively in other funds.

[2]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

Note: Components may not add to the total because of rounding.

DATA SECTION 5

TABLE 52

RETIREMENT FUNDS:[1] COMPONENTS OF NET NEW CASH FLOW[2]

MILLIONS OF DOLLARS, ANNUAL

	SALES								REDEMPTIONS							
	New[3]				Exchange[4]				Regular[5]				Exchange[6]			
Year	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market
1993	$668	$96	$90	$13,785	$456	$23	$60	*	$271	$42	$55	$13,554	$532	$20	$44	*
1994	992	186	67	14,659	393	27	26	$1	455	101	67	14,800	434	29	80	*
1995	1,288	894	266	17,142	523	49	36	11	596	430	118	15,656	640	81	58	$10
1996	1,945	1,398	177	18,904	579	68	60	20	855	1,001	125	18,793	847	157	94	22
1997	2,178	1,203	326	21,467	922	151	95	10	1,818	1,028	194	21,369	1,038	118	72	27
1998	2,565	1,953	498	23,690	1,316	1,421	122	36	2,260	1,536	313	22,716	1,197	999	84	17
1999	4,690	2,780	581	29,349	1,460	1,807	101	22	3,359	2,168	449	28,923	1,276	1,456	113	29
2000	8,490	4,806	1,065	31,547	4,853	2,791	113	44	6,240	2,626	804	31,107	3,436	1,811	354	42
2001	6,759	5,695	1,586	40,378	1,600	3,096	221	229	5,874	2,705	1,066	39,942	2,163	2,129	309	8
2002	7,602	6,327	1,647	62,155	1,650	2,459	453	69	6,683	3,284	1,436	62,037	1,351	1,721	251	182
2003	14,621	10,482	2,402	62,227	3,330	3,696	267	181	8,634	3,720	1,418	65,307	1,167	1,878	227	669
2004	28,037	20,361	2,871	43,200	1,736	5,659	165	184	13,495	8,302	2,374	46,919	988	2,899	173	657
2005	35,880	30,321	2,706	45,319	1,818	7,819	186	190	19,163	11,257	1,884	46,013	1,181	3,797	189	452
2006	51,601	43,597	3,247	49,585	4,044	11,527	268	322	28,288	15,740	2,130	48,320	1,478	5,726	204	514
2007	77,022	84,801	5,577	37,470	4,955	17,450	539	808	47,429	34,588	3,633	34,833	2,567	8,876	369	945
2008	79,275	87,913	6,216	46,383	6,544	17,309	732	1,336	48,106	44,711	5,535	43,784	6,104	15,455	533	924

[1] *Retirement category includes share classes and funds that are primarily available to retirement plans or IRAs. The table includes data for funds that invest exclusively in other funds.*

[2] *Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*

[3] *New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.*

[4] *Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund family.*

[5] *Redemptions are the dollar value of shareholder liquidation of mutual fund shares.*

[6] *Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.*

**Components are less than $500,000.*

Note: Components may not add to the total because of rounding.

TABLE 53

VARIABLE ANNUITY FUNDS: TOTAL NET ASSETS, NET NEW CASH FLOW, AND NUMBER OF FUNDS

	TOTAL NET ASSETS (millions of dollars, year-end)				NET NEW CASH FLOW* (millions of dollars, annual)				NUMBER OF FUNDS (year-end)			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1989	$25,009	$14,432	$6,535	$4,043	$202	$243	$−107	$66	323	141	128	54
1990	28,749	14,974	8,355	5,420	3,083	1,866	323	895	331	145	134	52
1991	91,056	69,138	13,734	8,184	6,174	5,097	1,498	−420	354	150	147	57
1992	109,868	80,934	21,046	7,888	12,884	8,708	4,363	−188	366	157	151	58
1993	152,403	104,823	39,740	7,841	26,088	16,423	9,834	−169	428	192	176	60
1994	176,370	121,153	44,339	10,878	22,066	15,998	3,763	2,305	507	245	202	60
1995	259,813	187,702	60,042	12,069	20,824	18,604	2,214	5	665	344	250	71
1996	349,341	260,959	73,189	15,193	40,133	32,699	5,063	2,371	800	435	290	75
1997	473,331	364,286	92,571	16,474	40,470	33,743	6,316	411	937	535	323	79
1998	615,152	474,961	116,337	23,853	44,259	27,857	10,362	6,040	1,162	703	377	82
1999	818,958	656,874	128,352	33,732	38,543	30,736	−461	8,267	1,353	867	405	81
2000	816,800	658,176	125,587	33,037	48,461	56,420	−5,896	−2,063	1,562	1,054	428	80
2001	742,258	563,179	134,324	44,756	21,583	3,280	9,616	8,687	1,750	1,254	407	89
2002	638,949	438,987	151,892	48,070	−1,286	−14,077	12,465	327	1,903	1,392	419	92
2003	837,443	618,521	183,270	35,652	29,827	34,293	7,606	−12,071	1,889	1,368	433	88
2004	973,910	737,294	203,256	33,361	33,505	32,714	3,474	−2,683	1,881	1,353	441	87
2005	1,072,894	820,095	219,100	33,699	16,404	12,557	5,146	−1,299	1,882	1,359	440	83
2006	1,265,507	971,926	251,389	42,192	29,700	17,598	6,601	5,501	1,925	1,394	450	81
2007	1,397,275	1,053,107	291,445	52,723	31,791	3,349	21,191	7,250	1,893	1,375	440	78
2008	927,634	602,251	250,413	74,971	−7,001	−27,445	906	19,538	1,893	1,379	435	79

**Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 54

VARIABLE ANNUITY FUNDS: COMPONENTS OF NET NEW CASH FLOW[1]

MILLIONS OF DOLLARS, ANNUAL

	SALES								REDEMPTIONS							
	New[2]				Exchange[3]				Regular[4]				Exchange[5]			
Year-end	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1989	$6,692	$3,024	$1,366	$2,302	$1,214	$493	$155	$566	$6,564	$2,782	$1,436	$2,346	$1,139	$491	$192	$456
1990	9,994	4,714	1,808	3,473	1,082	450	183	449	6,993	2,941	1,465	2,587	1,000	357	203	440
1991	16,408	9,034	3,368	4,006	838	331	174	333	10,294	3,967	1,920	4,407	778	301	124	352
1992	24,779	13,294	6,634	4,851	1,568	740	350	478	12,014	4,745	2,348	4,921	1,450	581	273	596
1993	42,392	22,738	13,146	6,508	1,131	576	325	230	16,352	6,425	3,410	6,517	1,084	467	227	390
1994	48,010	25,661	10,907	11,443	7,017	4,064	429	2,525	25,933	9,941	6,830	9,161	7,029	3,786	742	2,501
1995	53,101	31,661	9,326	12,114	8,674	4,984	727	2,963	32,283	13,201	7,234	11,849	8,668	4,840	606	3,223
1996	84,933	53,188	13,056	18,689	12,656	7,190	864	4,602	44,729	20,497	8,041	16,191	12,726	7,182	815	4,729
1997	105,222	67,005	15,290	22,926	24,210	13,017	2,348	8,846	65,377	33,408	9,905	22,063	23,586	12,871	1,417	9,298
1998	141,464	83,457	23,227	34,780	37,136	18,967	5,502	12,668	99,141	54,024	14,964	30,153	35,199	20,542	3,403	11,254
1999	212,025	130,900	22,005	59,120	40,818	22,080	2,985	15,753	174,418	100,392	22,276	51,750	39,883	21,853	3,174	14,856
2000	334,936	221,862	21,211	91,863	36,326	22,853	1,821	11,652	287,230	166,996	26,673	93,561	35,571	21,299	2,255	12,017
2001	346,166	196,420	35,118	114,628	31,716	16,184	4,928	10,604	325,676	191,212	27,275	107,189	30,623	18,112	3,155	9,356
2002	342,193	182,572	49,365	110,256	34,170	16,465	7,123	10,583	344,224	194,507	38,775	110,942	33,425	18,607	5,249	9,570
2003	283,007	168,340	55,095	59,572	28,791	15,457	5,794	7,540	253,526	136,083	46,611	70,832	28,445	13,421	6,673	8,351
2004	261,715	169,312	47,362	45,042	26,407	14,451	5,656	6,300	228,278	136,466	44,260	47,552	26,340	14,582	5,285	6,472
2005	246,396	161,730	48,877	35,789	19,598	10,601	3,402	5,595	230,118	148,108	44,431	37,578	19,472	11,666	2,702	5,104
2006	280,231	192,669	50,717	36,846	22,318	10,826	3,422	8,070	250,506	173,519	44,128	32,859	22,344	12,378	3,410	6,555
2007	343,419	219,740	72,345	51,334	37,045	19,701	8,247	9,097	317,123	215,649	55,986	45,488	31,550	20,442	3,414	7,693
2008	378,390	202,180	88,041	88,169	25,445	11,160	5,065	9,220	389,020	228,203	88,673	72,144	21,816	12,583	3,527	5,706

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 55

TOTAL NET ASSETS OF MUTUAL FUNDS HELD IN INDIVIDUAL AND INSTITUTIONAL ACCOUNTS

MILLIONS OF DOLLARS, YEAR-END

Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
TOTAL					
2000	$6,964,634	$3,961,922	$346,276	$811,188	$1,845,248
2001	6,974,913	3,418,163	346,315	925,124	2,285,310
2002	6,383,477	2,662,461	325,493	1,130,448	2,265,075
2003	7,402,420	3,684,162	430,467	1,247,770	2,040,022
2004	8,095,082	4,384,049	519,292	1,290,405	1,901,336
2005	8,891,106	4,939,752	567,304	1,357,229	2,026,822
2006	10,396,508	5,910,542	653,146	1,494,369	2,338,451
2007	11,999,523	6,515,918	718,545	1,679,299	3,085,760
2008	9,601,090	3,704,475	498,689	1,565,682	3,832,244
INDIVIDUAL ACCOUNTS					
2000	$6,236,408	$3,749,630	$333,154	$741,692	$1,411,931
2001	6,095,787	3,236,486	332,088	843,414	1,683,799
2002	5,513,162	2,506,574	312,662	1,036,931	1,656,995
2003	6,519,560	3,466,050	412,582	1,147,809	1,493,118
2004	7,186,074	4,113,944	496,550	1,190,718	1,384,862
2005	7,780,726	4,601,143	542,558	1,226,286	1,410,739
2006	9,068,634	5,477,533	621,057	1,343,813	1,626,231
2007	10,356,252	6,038,754	683,789	1,502,283	2,131,426
2008[p]	7,858,277	3,411,058	474,794	1,404,122	2,568,303
INSTITUTIONAL ACCOUNTS*					
2000	$728,226	$212,292	$13,121	$69,496	$433,317
2001	879,126	181,678	14,227	81,710	601,511
2002	870,315	155,886	12,831	93,517	608,081
2003	882,860	218,111	17,885	99,960	546,903
2004	909,009	270,105	22,742	99,688	516,474
2005	1,110,380	338,608	24,745	130,943	616,083
2006	1,327,875	433,009	32,089	150,556	712,220
2007	1,643,271	477,164	34,756	177,016	954,335
2008[p]	1,742,813	293,417	23,895	161,560	1,263,941

[p] *Preliminary data*

**Institutional accounts include accounts purchased by an institution, such as a business, financial, or nonprofit organization. Institutional accounts do not include primary accounts of individuals issued by a broker-dealer.*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

TABLE 56

TOTAL NET ASSETS OF INSTITUTIONAL INVESTORS IN MUTUAL FUNDS BY TYPE OF INSTITUTION

MILLIONS OF DOLLARS, YEAR-END

Year		Total	Business corporations	Financial institutions[1]	Nonprofit organizations	Other[2]
2000	All funds	$728,226	$336,917	$250,764	$79,100	$61,446
	Equity	212,292	89,117	66,852	32,559	23,764
	Hybrid	13,121	5,937	3,777	1,406	2,001
	Bond	69,496	27,938	12,110	20,925	8,523
	Money market	433,317	213,925	168,024	24,210	27,158
2001	All funds	879,126	427,616	301,401	89,143	60,966
	Equity	181,678	76,244	55,060	30,323	20,052
	Hybrid	14,227	7,118	3,629	1,452	2,028
	Bond	81,710	30,169	13,081	28,216	10,243
	Money market	601,511	314,084	229,631	29,152	28,643
2002	All funds	870,315	415,482	314,798	86,734	53,301
	Equity	155,886	57,208	56,755	23,710	18,213
	Hybrid	12,831	5,417	4,373	1,089	1,952
	Bond	93,517	33,126	16,519	32,323	11,549
	Money market	608,081	319,731	237,152	29,611	21,587
2003	All funds	882,860	415,908	304,365	94,343	68,244
	Equity	218,111	83,807	70,561	33,639	30,104
	Hybrid	17,885	8,473	4,625	2,185	2,602
	Bond	99,960	33,620	18,416	32,479	15,445
	Money market	546,903	290,008	210,763	26,040	20,093
2004	All funds	909,009	452,547	280,814	95,366	80,281
	Equity	270,105	98,808	88,017	38,161	45,118
	Hybrid	22,742	10,756	6,047	2,656	3,283
	Bond	99,688	30,634	19,381	29,043	20,629
	Money market	516,474	312,349	167,368	25,506	11,250
2005	All funds	1,110,380	521,960	336,827	102,123	149,469
	Equity	338,608	115,842	102,403	43,774	76,590
	Hybrid	24,745	9,840	7,644	2,623	4,639
	Bond	130,943	30,121	24,359	26,184	50,279
	Money market	616,083	366,158	202,422	29,542	17,961
2006	All funds	1,327,875	636,427	383,312	115,863	192,272
	Equity	433,009	153,644	118,937	54,077	106,351
	Hybrid	32,089	14,099	10,055	2,737	5,198
	Bond	150,556	36,315	27,210	27,043	59,988
	Money market	712,220	432,368	227,112	32,006	20,734
2007	All funds	1,643,271	781,581	466,568	137,920	257,202
	Equity	477,164	159,708	119,338	59,301	138,818
	Hybrid	34,756	13,774	12,781	2,440	5,762
	Bond	177,016	44,021	28,678	26,447	77,870
	Money market	954,335	564,078	305,773	49,732	34,752
2008[p]	All funds	1,742,813	879,045	528,495	124,047	211,226
	Equity	293,417	92,380	69,669	32,680	98,689
	Hybrid	23,895	10,114	8,295	1,440	4,046
	Bond	161,560	40,855	28,220	23,855	68,629
	Money market	1,263,941	735,696	422,311	66,072	39,862

[1]*Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.*

[2]*Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

[p]*Preliminary data*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

DATA SECTION 6

TABLE 57

TOTAL NET ASSETS OF INSTITUTIONAL INVESTORS IN TAXABLE MONEY MARKET FUNDS BY TYPE OF INSTITUTION AND TYPE OF FUND[1]

MILLIONS OF DOLLARS, YEAR-END

Year		Total	Business corporations	Financial institutions[2]	Nonprofit organizations	Other[3]
2000	All funds	$407,217	$201,255	$157,090	$22,718	$26,154
	Institutional funds	303,326	136,652	133,519	14,701	18,455
	Retail funds	103,890	64,603	23,571	8,017	7,699
2001	All funds	570,484	297,717	217,471	27,700	27,596
	Institutional funds	465,051	233,087	194,352	17,929	19,684
	Retail funds	105,432	64,630	23,119	9,771	7,912
2002	All funds	578,412	303,438	226,650	27,676	20,649
	Institutional funds	485,966	248,059	202,487	20,198	15,222
	Retail funds	92,446	55,378	24,163	7,478	5,427
2003	All funds	510,532	267,965	198,164	24,876	19,526
	Institutional funds	427,045	218,103	176,777	18,525	13,641
	Retail funds	83,487	49,862	21,387	6,352	5,886
2004	All funds	470,505	283,489	152,903	23,751	10,362
	Institutional funds	396,965	237,276	137,102	17,501	5,087
	Retail funds	73,540	46,213	15,801	6,250	5,275
2005	All funds	559,991	330,719	185,179	27,238	16,855
	Institutional funds	472,396	280,922	160,121	21,868	9,485
	Retail funds	87,596	49,798	25,057	5,371	7,369
2006	All funds	652,529	393,971	208,632	30,180	19,745
	Institutional funds	558,121	335,716	185,148	24,202	13,055
	Retail funds	94,408	58,255	23,484	5,978	6,691
2007	All funds	880,102	515,624	284,510	47,045	32,924
	Institutional funds	771,816	452,043	252,989	40,290	26,494
	Retail funds	108,286	63,580	31,522	6,754	6,430
2008[p]	All funds	1,191,408	688,163	400,981	64,210	38,054
	Institutional funds	1,079,559	613,373	377,302	57,104	31,780
	Retail funds	111,848	74,790	23,678	7,106	6,274

[1] *Institutional funds are sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by an institution, such as a business, financial, or nonprofit organization. The institutional categories include holdings of mutual funds through variable annuities.*

[2] *Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.*

[3] *Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

[p] *Preliminary data*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

DATA SECTION 6

TABLE 58

WORLDWIDE TOTAL NET ASSETS OF MUTUAL FUNDS[1]

MILLIONS OF U.S. DOLLARS, YEAR-END

	2001	2002	2003	2004	2005	2006	2007	2008
World	$11,654,868	$11,324,128	$14,048,311	$16,164,795	$17,771,027	$21,807,505	$26,129,564	$18,974,521
Americas	**7,433,106**	**6,776,289**	**7,969,541**	**8,792,450**	**9,763,921**	**11,469,062**	**13,421,149**	**10,579,430**
Argentina	3,751	1,021	1,916	2,355	3,626	6,153	6,789	3,867
Brazil	148,189	96,729	171,596	220,586	302,927	418,771	615,365	479,321
Canada	267,863	248,979	338,369	413,772	490,518	566,298	698,397	416,031
Chile	5,090	6,705	8,552	12,588	13,969	17,700	24,444	17,587
Costa Rica	1,577	1,738	2,754	1,053	804	1,018	1,203	1,098
Mexico	31,723	30,759	31,953	35,157	47,253	62,614	75,428	60,435
United States	6,974,913	6,390,358	7,414,401	8,106,939	8,904,824	10,396,508	11,999,523	9,601,090
Europe	**3,167,965**	**3,462,999**	**4,682,836**	**5,640,452**	**6,002,261**	**7,803,906**	**8,934,864**	**6,288,138**
Austria	55,211	66,877	87,982	103,709	109,002	128,236	138,709	93,269
Belgium	68,661	74,983	98,724	118,373	115,314	137,291	149,842	105,057
Bulgaria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	226
Czech Republic	1,778	3,297	4,083	4,860	5,331	6,490	7,595	5,260
Denmark[2]	33,831	40,153	49,533	64,799	75,199	95,620	104,082	65,182
Finland	12,933	16,516	25,601	37,658	45,415	67,804	81,136	48,750
France	713,378	845,147	1,148,446	1,370,954	1,362,671	1,769,258	1,989,690	1,591,082
Germany	213,662	209,168	276,319	295,997	296,787	340,325	372,072	237,986
Greece	23,888	26,621	38,394	43,106	32,011	27,604	29,807	12,189
Hungary	2,260	3,992	3,936	4,966	6,068	8,523	12,577	9,188
Ireland	191,840	250,116	360,425	467,620	546,242	855,011	951,371	720,486
Italy	359,879	378,259	478,734	511,733	450,514	452,798	419,687	263,588
Liechtenstein	N/A	3,847	8,936	12,543	13,970	17,315	25,103	16,781
Luxembourg	758,720	803,869	1,104,112	1,396,131	1,635,785	2,188,278	2,685,065	1,860,763
Netherlands	79,165	84,211	93,573	102,134	94,357	108,560	113,759	84,568[a]
Norway	14,752	15,471	21,994	29,907	40,122	54,065	74,709	41,157
Poland	2,970	5,468	8,576	12,014	17,652	28,957	45,542	17,782
Portugal	16,618	19,969	26,985	30,514	28,801	31,214	29,732	14,180
Romania	10	27	29	72	109	247	390	326
Russia	297	372	851	1,347	2,417	5,659	7,175	2,026
Slovakia	N/A	N/A	1,061	2,168	3,035	3,171	4,762	3,841
Slovenia	N/A	N/A	N/A	N/A	N/A	2,484	4,219	2,067
Spain	159,899	179,133	255,344	317,538	316,864	367,918	396,534	270,983
Sweden	65,538	57,992	87,746	107,064	119,059	176,943	194,955	113,331
Switzerland	75,973	82,622	90,772	94,407	116,669	159,515	176,282	165,709
Turkey	N/A	6,002	14,157	18,112	21,761	15,463	22,609	15,404
United Kingdom	316,702	288,887	396,523	492,726	547,103	755,156	897,460	526,957
Asia and Pacific	**1,039,236**	**1,063,857**	**1,361,473**	**1,677,887**	**1,939,251**	**2,456,511**	**3,678,330**	**2,037,536**
Australia	334,016	356,304	518,411	635,073	700,068	864,254	1,192,992	841,133
China	N/A	N/A	N/A	N/A	N/A	N/A	434,063	276,303
Hong Kong	170,073	164,322	255,811	343,638	460,517	631,055	818,421	N/A
India	15,284	20,364	29,800	32,846	40,546	58,219	108,582	62,805
Japan	343,907	303,191	349,148	399,462	470,044	578,883	713,998	575,327
Korea, Rep. of	119,439	149,544	121,663	177,417	198,994	251,930	329,979	221,992
New Zealand	6,564	7,505	9,641	11,171	10,332	12,892	14,924	10,612
Pakistan	N/A	N/A	N/A	N/A	N/A	2,164	4,956	1,985
Philippines	211	474	792	952	1,449	1,544	2,090	1,263
Taiwan	49,742	62,153	76,205	77,328	57,301	55,571	58,323	46,116
Africa	**14,561**	**20,983**	**34,460**	**54,006**	**65,594**	**78,026**	**95,221**	**69,417**
South Africa	14,561	20,983	34,460	54,006	65,594	78,026	95,221	69,417

[1]Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.

[2]Before 2003, data include special funds reserved for institutional investors.

[a]Data as of September 2008.

N/A = not available

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

TABLE 59

WORLDWIDE NUMBER OF MUTUAL FUNDS[1]

YEAR-END

	2001	2002	2003	2004	2005	2006	2007	2008
World	**53,371**	**53,996**	**54,569**	**55,524**	**56,868**	**61,854**	**66,345**	**69,032**
Americas	**13,449**	**13,884**	**13,921**	**14,064**	**13,764**	**14,474**	**15,457**	**16,459**
Argentina	219	211	186	186	200	223	241	253
Brazil	2,452	2,755	2,805	2,859	2,685	2,907	3,381	4,169
Canada	1,831	1,956	1,887	1,915	1,695	1,764	2,038	2,015
Chile	177	226	414	537	683	926	1,260	1,484
Costa Rica	115	128	129	115	110	100	93	85
Mexico	350	364	374	411	416	437	420	431
United States	8,305	8,244	8,126	8,041	7,975	8,117	8,024	8,022
Europe	**27,343**	**28,858**	**28,541**	**29,306**	**30,060**	**33,151**	**35,210**	**36,780**
Austria	769	808	833	840	881	948	1,070	1,065
Belgium	1,041	1,141	1,224	1,281	1,391	1,549	1,655	1,828
Bulgaria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	81
Czech Republic	65	76	58	53	51	52	66	76
Denmark[2]	451	485	400	423	471	494	500	489
Finland	275	312	249	280	333	376	379	389
France	7,603	7,773	7,902	7,908	7,758	8,092	8,243	8,301
Germany	1,077	1,092	1,050	1,041	1,076	1,199	1,462	1,675
Greece	269	260	265	262	247	247	230	239
Hungary	89	90	96	97	91	161	212	270
Ireland	1,640	1,905	1,978	2,088	2,127	2,531	2,898	3,097
Italy	1,059	1,073	1,012	1,142	1,035	989	924	742
Liechtenstein	N/A	111	137	171	200	233	391	335
Luxembourg	6,619	6,874	6,578	6,855	7,222	7,919	8,782	9,351
Netherlands	522	566	593	542[a]	515	473	450	458[b]
Norway	400	419	375	406	419	524	511	530
Poland	94	107	112	130	150	157	188	210
Portugal	202	170	160	163	169	175	180	184
Romania	24	20	20	19	23	32	41	52
Russia	51	57	132	210	257	358	533	528
Slovakia	N/A	N/A	37	40	43	43	54	56
Slovenia	N/A	N/A	N/A	N/A	N/A	96	106	125
Spain	2,524	2,466	2,471	2,559	2,672	3,235	2,940	2,944
Sweden	507	512	485	461	464	474	477	508
Switzerland	313	512	441	385	510	609	567	572
Turkey	N/A	242	241	240	275	282	294	304
United Kingdom	1,749	1,787	1,692	1,710	1,680	1,903	2,057	2,371
Asia and Pacific	**12,153**	**10,794**	**11,641**	**11,617**	**12,427**	**13,479**	**14,847**	**14,909**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	N/A	N/A	N/A	341	429
Hong Kong	952	942	963	1,013	1,009	1,099	1,162	N/A
India	297	312	350	394	445	468	555	551
Japan	2,867	2,718	2,617	2,552	2,640	2,753	2,997	3,333
Korea, Rep. of	7,117	5,873	6,726	6,636	7,279	8,030	8,609	9,384
New Zealand	588	577	563	553	563	613	623	643
Pakistan	N/A	N/A	N/A	N/A	N/A	31	64	83
Philippines	20	21	21	24	32	38	40	43
Taiwan	312	351	401	445	459	447	456	443
Africa	**426**	**460**	**466**	**537**	**617**	**750**	**831**	**884**
South Africa	426	460	466	537	617	750	831	884

[1] *Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.*

[2] *Before 2003, data include special funds reserved for institutional investors.*

[a] *Data as of September 2004.*

[b] *Data as of September 2008.*

N/A = not available

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

TABLE 60

WORLDWIDE NET SALES[1] OF MUTUAL FUNDS[2]

MILLIONS OF U.S. DOLLARS, YEAR-END

	2001	2002	2003	2004	2005	2006	2007	2008
World	$904,012	$278,443	$317,453	$457,294	$970,736	$1,296,979	$1,532,873	$274,488
Americas	**646,404**	**140,785**	**65,686**	**167,596**	**425,837**	**725,044**	**1,203,569**	**604,969**
Argentina	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brazil	N/A	−23,697	19,507	1,611	5,293	21,083	16,880	−32,653
Canada	23,252	5,129	3,793	18,453	31,295	36,579	61,288	17,494
Chile	N/A	N/A	1,329	3,235	N/A	3,113	3,282	−1,168
Costa Rica	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mexico	N/A	697	5,333	767	6,850	11,378	10,153	−3,419
United States	623,152	158,655	35,724	143,530	382,400	652,890	1,111,966	624,715
Europe	**245,666**	**166,083**	**258,499**	**235,145**	**459,786**	**427,524**	**101,765**	**−443,031**
Austria	6,568	4,215	4,010	6,874	16,240	3,402	−4,864	−18,146
Belgium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bulgaria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	−150
Czech Republic	−314	591	73	−77	641	59	198	−1,561
Denmark[3]	7,576	5,605	7,655	9,259	12,950	5,647	1,894	−4,000
Finland	2,180	3,048	5,038	6,512	6,371	13,230	3,534	−11,387
France	91,737	85,212	73,314	66,216	76,441	133,843	−49,354	−68,352
Germany	19,144	9,383	6,045	−8,688	10,557	−10,473	−18,531	−32,746
Greece	1,444	14	3,940	51	−7,810	−9,598	−2,644	−11,382
Hungary	N/A	N/A	N/A	N/A	1,760	−39	2,436	−1,755
Ireland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Italy	−18,555	−11,804	6,725	−37,142	−19,215	−59,828	−81,538	−107,691
Liechtenstein	N/A	2	3,844	2,444	1,363	781	3,636	2,318
Luxembourg	108,506	52,190	94,260	142,199	293,331	299,906	255,689	−102,258
Netherlands	N/A	N/A	N/A	802	−9,312	10	−5,732	-6,118[a]
Norway	593	144	2,548	2,967	8,231	4,676	6,871	40
Poland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	−1,423
Portugal	629	712	1,930	534	1,644	−1,843	−5,708	−11,168
Romania	5	16	−11	28	26	97	94	126
Russia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Slovakia	N/A	N/A	N/A	593	1,095	−512	688	−896
Slovenia	N/A	N/A	N/A	N/A	N/A	18	638	−432
Spain	−719	2,207	28,282	30,611	26,961	−3,852	−23,273	−84,148
Sweden	3,896	4,732	6,011	5,400	7,517	7,733	2,228	3,753
Switzerland	4,793	−501	−1,348	−2,185	9,218	11,682	15,074	17,851
Turkey	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
United Kingdom	18,183	10,318	16,183	8,746	21,778	32,588	430	−3,505
Asia and Pacific	**10,060**	**−30,231**	**−12,036**	**48,005**	**76,016**	**135,467**	**217,847**	**105,562**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35,721[b]
Hong Kong	4,136	4,603	3,239	2,639	1,195	3,613	6,834	N/A
India	3,114	4,246	7,917	338	4,914	11,765	27,358	2,754
Japan	−9,627	−52,806	−7,141	22,430	77,458	99,625	120,307	5,429
Korea, Rep. of	12,312	14,780	−24,617	31,541	14,180	25,292	61,080	58,819
New Zealand	N/A	−258	−2	−132	−554	−196	254	227
Pakistan	N/A	N/A	N/A	N/A	N/A	426	2,921	−612
Philippines	125	262	232	119	301	−241	−16	−453
Taiwan	N/A	−1,058	8,336	−8,929	−21,477	−4,817	−892	3,677
Africa	**1,882**	**1,805**	**5,304**	**6,549**	**9,097**	**8,944**	**9,692**	**6,988**
South Africa	1,882	1,805	5,304	6,549	9,097	8,944	9,692	6,988

[1] *Net sales is a calculation of total sales minus total redemptions plus net exchanges.*

[2] *Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.*

[3] *Before 2003, data include special funds reserved for institutional investors.*

[a] *Net sales data only through September 2008.*

[b] *Net sales data only for October through December 2008.*

N/A=not available

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

APPENDIX A:

How Mutual Funds and Investment Companies Operate

THIS SECTION PROVIDES AN OVERVIEW OF HOW INVESTMENT COMPANY OPERATIONS AND FEATURES SERVE INVESTORS, EXAMINES THE TAX TREATMENT OF FUNDS, AND DISCUSSES HOW INVESTORS USE FUNDS FOR PERSONAL TAX PURPOSES.

The Origins of Pooled Investing

The investment company concept dates to Europe in the late 1700s, according to K. Geert Rouwenhorst in *The Origins of Mutual Funds*, when "a Dutch merchant and broker...invited subscriptions from investors to form a trust...to provide an opportunity to diversify for small investors with limited means."

The emergence of "investment pooling" in England in the 1800s brought the concept closer to U.S. shores. The enactment of two British laws, the Joint Stock Companies Acts of 1862 and 1867, permitted investors to share in the profits of an investment enterprise and limited investor liability to the amount of investment capital devoted to the enterprise. Shortly thereafter, in 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled the U.S. fund model in basic structure, providing "the investor of moderate means the same advantages as the large capitalists ... by spreading the investment over a number of different stocks."

Perhaps more importantly, the British fund model established a direct link with U.S. securities markets, helping finance the development of the post–Civil War U.S. economy. The Scottish American Investment Trust, formed on February 1, 1873, by fund pioneer Robert Fleming, invested in the economic potential of the United States, chiefly through American railroad bonds. Many other trusts followed that not only targeted investment in America, but led to the introduction of the fund investing concept on U.S. shores in the late 1800s and early 1900s.

The first mutual, or "open-end," fund was introduced in Boston in March of 1924. The Massachusetts Investors Trust, formed as a common law trust, introduced important innovations to the investment company concept by establishing a simplified capital structure, continuous offering of shares, the ability to redeem shares rather than hold them until dissolution of the fund, and a set of clear investment restrictions and policies.

The stock market crash of 1929 and the Great Depression that followed greatly hampered the growth of pooled investments until a succession of landmark securities laws, beginning with the Securities Act of 1933 and concluding with the Investment Company Act of 1940, reinvigorated investor confidence. Renewed investor confidence and many innovations led to relatively steady growth in industry assets and number of accounts.

FOUR PRINCIPAL SECURITIES LAWS GOVERN INVESTMENT COMPANIES

The Investment Company Act of 1940	Regulates the structure and operations of investment companies through a combination of disclosure requirements and restrictions on day-to-day operations. Among other things, the Act addresses investment company capital structures, custody of assets, investment activities (particularly with respect to transactions with affiliates and other transactions involving potential conflicts of interest), and the duties of fund boards.
The Securities Act of 1933	Regulates public offerings of securities, including investment company shares. The 1933 Act also requires that all investors receive a current prospectus describing the fund.
The Securities Exchange Act of 1934	Regulates the trading, purchase, and sale of securities, including investment company shares. The Act also regulates broker-dealers, including investment company principal underwriters and others that sell investment company shares, and requires them to register with the SEC.
The Investment Advisers Act of 1940	Regulates investment advisers. Requires large advisers and all advisers to mutual funds and other registered investment companies to register with the SEC. The Advisers Act contains provisions requiring fund advisers to meet recordkeeping, custodial, reporting, and other regulatory responsibilities.

The Different Types of U.S. Investment Companies

Fund sponsors in the U.S. offer four types of registered investment companies: open-end investment companies (commonly called "mutual funds"), closed-end investment companies, exchange-traded funds (ETFs), and unit investment trusts (UITs).

The vast majority of investment companies are **mutual funds**, both in terms of number of funds and assets under management. Mutual funds can have actively managed portfolios, in which a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue "redeemable securities," meaning that the fund stands ready to buy back its shares at their current net asset value, or NAV. The NAV is calculated by dividing the total market value of the fund's assets, minus its liabilities, by the number of mutual fund shares outstanding. For more information on mutual funds, see *The Organization of a Mutual Fund* on page 174.

Unlike mutual funds, **closed-end funds** do not issue redeemable shares. Instead, they issue a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company. For more information on closed-end funds, see Section 4 on page 50.

ETFs are described as a hybrid of other types of investment companies. They are structured and legally classified as mutual funds or UITs (discussed below), but trade intraday on stock exchanges like closed-end funds. ETFs only buy and sell fund shares directly to certain "authorized participants" in large blocks, which are often 50,000 shares or more. For more information on ETFs, see Section 3 on page 38.

UITs are also a hybrid, with some characteristics of mutual funds and some of closed-end funds. Like closed-end funds, UITs typically issue only a specific, fixed number of shares, called "units." Like mutual funds, the units are redeemable, but unlike mutual funds, generally the UIT sponsor will maintain a secondary market in the units to avoid depletion of the UIT's assets. A UIT does not actively trade its investment portfolio, instead buying and holding a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

MORE INFORMATION ABOUT OTHER TYPES OF INVESTMENT COMPANIES

With 93 percent of industry assets, mutual funds are the most common type of investment company. The other types of investment companies—closed-end funds, exchange-traded funds, and unit investment trusts—can differ from mutual funds in terms of structure, service providers, the roles and responsibilities of the investment companies' boards, earnings, pricing and listing procedures, and taxation. Visit the Institute's website for more detailed information about each type of investment company.

CLOSED-END FUNDS

- Frequently Asked Questions About Closed-End Funds
- A Guide to Closed-End Funds
  (an overview of the different types of closed-end funds and how they operate)

EXCHANGE-TRADED FUNDS

- Frequently Asked Questions About Exchange-Traded Funds
- A Guide to Exchange-Traded Funds
  (a discussion of how ETFs operate and a general overview of the different types of ETFs)

UNIT INVESTMENT TRUSTS

- Frequently Asked Questions About Unit Investment Trusts
- A Guide to Unit Investment Trusts
  (a discussion of how UITs operate and a general overview of the different types of UITs)

The Organization of a Mutual Fund

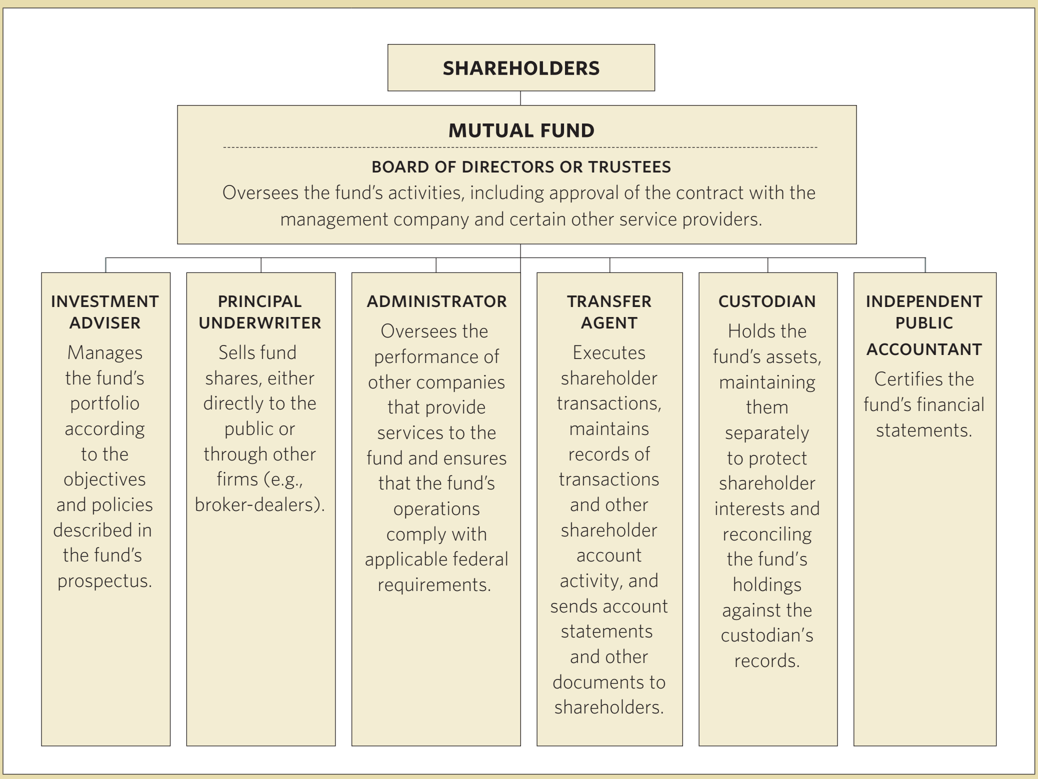
Individuals and institutions invest in a mutual fund by purchasing shares issued by the fund. It is through these sales of shares that a mutual fund raises the cash used to invest in its portfolio of stocks, bonds, and other investments. Each investor owns a pro rata share of the fund's investments and shares in the returns from the fund's portfolio while benefiting from professional investment management, diversification, and liquidity. Mutual funds may offer other benefits and services, such as asset allocation programs or check-writing privileges on money market fund accounts.

A mutual fund is organized under state law either as a corporation or a business trust (sometimes called a "statutory trust"). Mutual funds have officers and directors or trustees. In this way, mutual funds are like any other type of operating company, such as Exxon or Google.

Unlike other companies, however, a mutual fund is typically externally managed; it is not an operating company and it has no employees in the traditional sense. Instead, a fund relies upon third parties or service providers that are either affiliated organizations or independent contractors to invest fund assets and carry out other business activities. The diagram below shows the primary types of service providers usually relied upon by a fund.

Although it typically has no employees, funds are required by law to have their own written compliance programs, overseen by individuals designated as Chief Compliance Officers. These compliance programs establish detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

THE STRUCTURE OF A MUTUAL FUND



How a Fund Is Created

Setting up a mutual fund is a complicated process performed by the fund's sponsor, typically the fund's investment adviser, administrator, or principal underwriter (also known as its distributor).

The fund sponsor has a variety of responsibilities. For example, it must assemble the group of third parties needed to launch the fund, including the persons or entities charged with managing and operating the fund. The sponsor provides officers and affiliated directors to oversee the fund, and recruits unaffiliated persons to serve as independent directors.

Some of the major steps in the process of starting a mutual fund include organizing the fund under state law as either a business trust or corporation, registering the fund with the SEC as an investment company pursuant to the Investment Company Act of 1940, and registering the fund shares for sale to the public pursuant to the Securities Act of 1933. Unless otherwise exempt from doing so, the fund must also make filings and pay fees to each state (except Florida) in which the fund's shares will be offered to the public. The Investment Company Act also requires that each new fund have at least $100,000 of seed capital before distributing its shares to the public; this capital is usually contributed by the adviser or other sponsor in the form of an initial investment.

For more information on the requirements for the initial registration of a mutual fund, see the SEC's Investment Company Registration and Regulation Package, available at www.sec.gov/divisions/investment/invcoreg121504.htm.

Shareholders

Investors are given comprehensive information about the fund to help them make informed decisions. A mutual fund's statutory prospectus describes the fund's investment goals and objectives, fees and expenses, investment strategies and risks, and informs investors how to buy and sell shares. The SEC requires a fund to provide a prospectus either before an investor makes his or her initial investment or together with the confirmation statement of an initial investment. Beginning in 2009, mutual funds and ETFs may elect to provide investors with a short "summary prospectus" containing certain key information instead of the full statutory prospectus. If funds use a summary prospectus, the full statutory prospectus and additional information must be available on the Internet and in paper upon request. In addition, periodic shareholder reports, which are provided to investors at least every six months, discuss the fund's recent performance and include other important information, such as the fund's financial statements. By examining these reports and other publicly available information, an investor can learn if a fund has been effective in meeting the goals and investment strategies described in the fund's prospectus.

Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at meetings called for that purpose (subject to a limited exception for filling vacancies). Shareholders must also approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages the fund's assets. For example, a fund's management fee cannot be increased unless a majority of shareholders vote to approve the increase. Furthermore, funds seeking to change investment objectives or fundamental policies must first obtain the approval of the holders of a majority of the fund's outstanding voting securities.

See Section 6 on page 70 for more information on shareholders.

Fund Entities and Service Providers

Board of Directors

A fund's board of directors is elected by the fund's shareholders to govern the fund, and its role is primarily one of oversight. The board of directors typically is not involved in the day-to-day management of the fund company. Instead, day-to-day management of the fund is handled by the fund's investment adviser or administrator pursuant to a contract with the fund.

Investment company directors must exercise the care that a reasonably prudent person would take with his or her own business. They review and approve major contracts with service providers (including, notably, the fund's investment adviser), approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations.

As part of this duty, a director is expected to obtain adequate information about issues that come before the board in order to exercise his or her "business judgment," a legal concept that involves a good-faith effort by the director.

INDEPENDENT DIRECTORS. Mutual funds are required by law to have independent directors on their boards in order to better enable the board to provide an independent check on the fund's operations. Independent directors cannot have any significant relationship with the fund's adviser or underwriter.

Investment Advisers

The investment adviser has overall responsibility for directing the fund's investments and handling its business affairs. The investment adviser has its own employees, including investment professionals who work on behalf of the fund's shareholders and determine which securities to buy and sell in the fund's portfolio, consistent with the fund's investment objectives and policies.

To protect investors, a fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, including restrictions on transactions that may pose conflicts of interest. Like the mutual fund, investment advisers are required to have their own written compliance programs that are overseen by Chief Compliance Officers and establish detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

In addition to managing the fund's portfolio, the adviser often serves as administrator to the fund, providing various back office services.

As noted above, a fund's investment adviser is often the fund's initial sponsor and its initial shareholder through the "seed money" it invests to create the fund.

Administrators

A fund's administrator handles the many "back office" functions for a fund. For example, administrators often provide office space, clerical and fund accounting services, data processing, bookkeeping and internal auditing, and preparing and filing SEC, tax, shareholder, and other reports. Fund administrators also help maintain compliance procedures and internal controls, subject to oversight by the fund's board and Chief Compliance Officer.

Principal Underwriters

Investors buy and redeem fund shares either directly or indirectly through the principal underwriter, also known as the fund's distributor. Principal underwriters are registered under the Securities Exchange Act of 1934 as broker-dealers, and, as such, are subject to strict rules governing how they offer and sell securities to investors.

The principal underwriter contracts with the fund to purchase and then resell fund shares to the public. A majority of both the fund's independent directors and the entire fund board must approve the contract with the principal underwriter.

Custodians

To protect fund assets, the Investment Company Act requires all mutual funds to maintain strict custody of fund assets, separate from the assets of the adviser. Although the Act permits other arrangements, nearly all funds use a bank custodian for domestic securities. A fund's custody agreement with a bank is typically far more elaborate than that used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange capabilities, paying fund expenses, reporting failed trades, reporting cash transactions, monitoring corporate actions, and tracking loaned securities. Foreign securities are required to be held in the custody of a foreign bank or securities depository.

Transfer Agents

Mutual funds and their shareholders also rely on the services of transfer agents to maintain records of shareholder accounts, calculate and distribute dividends and capital gains, and prepare and mail shareholder account statements, federal income tax information, and other shareholder notices. Some transfer agents also prepare and mail statements confirming shareholder transactions and account balances, and maintain customer service departments, including call centers, to respond to shareholder inquiries.

Fund Pricing: Net Asset Value and the Pricing Process

By law, investors are able to redeem mutual fund shares each business day. As a result, fund shares are very liquid investments. Most mutual funds continually offer new shares to investors. Many fund companies also allow shareholders to transfer money—or make "exchanges"—from one fund to another within the same fund family. Mutual funds process investors' sales, redemptions, and exchanges as a normal part of daily business activity and must ensure that all transactions receive the appropriate price.

The price per share at which shares are redeemed is known as the net asset value (NAV). NAV is the current market value of all the fund's assets, minus liabilities (e.g., fund expenses), divided by the total number of outstanding shares (see illustration below). This calculation ensures that the value of each share in the fund is identical. An investor may determine the value of his or her pro rata share of the mutual fund by multiplying the number of shares owned by the fund's NAV. Federal law requires that a fund's NAV be calculated at least once each trading day.

The price at which a fund's shares may be purchased is its NAV per share plus any applicable front-end sales charge (the offering price of a fund without a sales charge would be the same as its NAV per share). The 1940 Act requires "forward pricing," meaning that shareholders who purchase or redeem shares must receive the next computed share price (NAV) following the fund's receipt of the transaction order. Under forward pricing, orders received prior to 4:00 p.m. receive the price determined that same day at 4:00 p.m.; orders received after 4:00 p.m. receive the price determined at 4:00 p.m. on the next business day.

The NAV must reflect the current value of the fund's securities. The value of these securities is determined either by a market quotation for those securities in which a market quotation is readily available, or if a market quotation is not readily available, at fair value as determined in good faith.

DETERMINING SHARE PRICE

Fund X owns a portfolio of stocks worth $6 million;
its liabilities are $60,000; its shareholders own 500,000 shares.

$$\underset{\mathbf{\$11.88}}{\text{Share price or net asset value (NAV)}} = \frac{\text{Market value in dollars of securities minus liabilities } \mathbf{\$6{,}000{,}000 - \$60{,}000}}{\text{Number of investor shares outstanding } \mathbf{500{,}000}}$$

Share prices can be found on most major financial websites or in the financial pages of most major newspapers.

Most funds price their securities at 4:00 p.m. eastern standard time, when the New York Stock Exchange closes. A mutual fund typically obtains the prices for securities it holds from a market data vendor, which is a company that collects prices on a wide variety of securities. Fund accounting agents internally validate the prices received from a vendor by subjecting them to various control procedures. In many instances, funds may use more than one pricing service either to ensure accuracy or to receive prices for a wide variety of securities held in its portfolio (e.g., stocks or bonds).

Mutual funds release their daily NAVs to investors and others after they complete the pricing process, generally around 6:00 p.m. eastern standard time. Daily fund prices are available through fund toll-free telephone services, websites, and other means.

Tax Features of Funds

Mutual funds are subject to special tax rules set forth in subchapter M of the Internal Revenue Code. Unlike most corporations, mutual funds are not subject to taxation on their income and capital gains at the entity level, provided that they meet certain gross income, asset, and distribution requirements.

To qualify as a "regulated investment company," or a "RIC," under subchapter M, at least 90 percent of a mutual fund's gross income must be derived from certain sources, including dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock or securities or foreign currencies. In addition, at the close of each quarter of the fund's taxable year, at least 50 percent of the value of the fund's total assets must consist of cash, cash items, government securities, securities of other funds, and investments in other securities which, with respect to any one issuer, do not represent more than 5 percent of the assets of the fund nor more than 10 percent of the voting securities of the issuer. Further, no more than 25 percent of the fund's assets may be invested in the securities of any one issuer (other than government securities or the securities of other funds), the securities (other than the securities of other funds) of two or more issuers which the fund controls and are engaged in similar trades or businesses, or the securities of one or more qualified publicly traded partnerships.

If a mutual fund satisfies the gross income and asset tests and thus qualifies as a RIC, the fund is not subject to tax on its income and capital gains, provided that the RIC distributes at least 90 percent of its income (other than net capital gains) each year. A RIC may retain up to 10 percent of its income and all capital gains, but the retained income is taxed at regular corporate tax rates. Therefore, mutual funds generally distribute substantially all of their income and gains each year.

The Internal Revenue Code also imposes a 4 percent excise tax on RICs, unless a RIC distributes by December 31 at least 98 percent of its ordinary income earned during the calendar year, and 98 percent of its net capital gain earned during the 12-month period ending on October 31 of the calendar year. Mutual funds typically seek to avoid this charge by electing to distribute their income each year.

Types of Distributions

Mutual funds make two types of taxable distributions to shareholders: ordinary dividends and capital gains.

Dividend distributions come primarily from the interest and dividends earned by the securities in a fund's portfolio and net short-term gains, if any, after expenses are paid by the fund. These distributions must be reported as dividends on an investor's tax return and are taxed at the investor's ordinary income tax rate. Legislation enacted in 2003 lowered the top tax rate on certain "qualified dividend" income to 15 percent, and legislation enacted in 2006 extended these lower rates through 2010. Some dividends paid by mutual funds may qualify for this lower tax rate.

Long-term capital gain distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. The 2003 legislation also lowered the long-term capital gains tax paid by fund shareholders; in general, these gains are taxed at a 15 percent rate, although a lower rate applies to some taxpayers.

Fund investors ultimately are responsible for paying tax on their share of a fund's earnings, whether they receive the distributions in cash or reinvest them in additional fund shares. To help mutual fund shareholders understand the impact of taxes on the returns generated by their investments, the SEC requires mutual funds to disclose standardized after-tax returns for one-, five-, and 10-year periods. After-tax returns, which accompany before-tax returns in fund prospectuses, are presented in two ways:

- after taxes on fund distributions only (pre-liquidation); and
- after taxes on fund distributions and an assumed redemption of fund shares (post-liquidation).

Types of Taxable Shareholder Transactions

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss.

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold a stock, bond, or other security. Capital losses from mutual fund share sales and exchanges, like capital losses from other investments, may be used to offset other capital gains in the current year and thereafter.

The amount of a shareholder's gain or loss on fund shares is determined by the difference between the "cost basis" of the shares (generally, the purchase price—including sales loads—of the shares, whether acquired with cash or reinvested dividends) and the sale price. Many funds provide cost basis information to shareholders or compute gains and losses for shares sold.

Tax-Exempt Funds

Tax-exempt bond funds pay dividends earned from municipal bond interest. This income is exempt from federal income tax and, in some cases, state and local taxes as well. Tax-exempt money market funds invest in short-term municipal securities or equivalent instruments and also pay exempt-interest dividends. Even though income from these funds generally is tax-exempt, investors must report it on their income tax returns. Tax-exempt funds provide investors with this information in a year-end statement and typically explain how to handle tax-exempt dividends on a state-by-state basis. For some taxpayers, portions of income earned by tax-exempt funds also may be subject to the federal alternative minimum tax.

APPENDIX B:

ICI Statistical Releases and Research Publications

ICI Statistical Releases

The Institute's Research Department releases regular statistical reports that examine the broader investment company industry as well as specific segments of the market and the worldwide fund market. For the most recent ICI statistics and an archive of statistical releases, visit the Institute's website.

TRENDS IN MUTUAL FUND INVESTING

A monthly news release describing mutual fund sales, redemptions, assets, cash positions, exchange activity, and portfolio transactions for the period.

LONG-TERM MUTUAL FUND FLOWS

A weekly report that provides aggregate estimates of net new cash flows to equity, hybrid, and bond funds.

MONEY MARKET MUTUAL FUND ASSETS

A weekly report on money market fund assets, by type of fund.

MUTUAL FUND ASSETS IN RETIREMENT ACCOUNTS

A quarterly report that includes individual retirement account and defined contribution plan assets and estimates of net new cash flows to retirement accounts by type of fund.

CLOSED-END FUND STATISTICS

A quarterly report on closed-end fund assets, number of funds, issuance, and number of shareholders.

EXCHANGE-TRADED FUNDS

A monthly report that includes assets, number of funds, issuance, and redemptions of ETFs.

UNIT INVESTMENT TRUSTS

A monthly report that includes value and number of deposits of new trusts by type and maturity.

WORLDWIDE MUTUAL FUND MARKET

A quarterly report that includes assets, number of funds, and net sales of mutual funds in countries worldwide.

ICI Research

ICI is the primary source of analysis and statistical information on the investment company industry. In addition to the annual *Investment Company Fact Book*, ICI publishes two regular research newsletters and a variety of research and policy reports that examine the industry, its shareholders, and industry issues. To obtain printed copies of ICI research, or to subscribe to receive ICI's regular statistical releases, contact the Institute's Research Department at 202/326-5913.

RESEARCH PERSPECTIVE

401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2007

PERSPECTIVE

A series of occasional papers written by Institute staff, leading scholars, and other contributors on public policy issues of importance to investment companies and their shareholders. Includes analyses by Institute staff on a range of topics (e.g., factors influencing accumulations in retirement savings, a history of the individual retirement account, a study of 401(k) plan asset allocations, account balances, and loan activity). *Perspective* is published several times a year.

Issues of *Perspective* may be accessed through the Institute's website.

RESEARCH FUNDAMENTALS

Characteristics of Mutual Fund Investors, 2008

FUNDAMENTALS

A newsletter summarizing the findings of major Institute research projects. Topics include: sources of fund ownership, funds' use of 12b-1 fees, fund shareholders' use of the Internet, mutual fund fees and expenses, and shareholder sentiment about the fund industry. This periodical is written by ICI research staff, often based on surveys conducted by the Institute.

Issues of *Fundamentals* may be accessed through the Institute's website.

RESEARCH COMMENTARY

Competition in the Mutual Fund Business

RESEARCH COMMENTARY

ICI senior economists author this series of occasional papers that focus on current topics of interest involving mutual funds, often topics receiving media attention. Recent issues of *Research Commentary* have focused on competition in the fund industry and portfolio turnover.

Issues of *Research Commentary* may be accessed through the Institute's website.

PROFILE OF
Mutual Fund Shareholders, 2008

RESEARCH REPORTS

Institute research reports provide a detailed examination of investor demographics and other aspects of households' financial asset ownership.

A full index of research and policy papers may be accessed through the Institute's website.

APPENDIX C:

Significant Events in Fund History

1774 »	Dutch merchant and broker Adriaan van Ketwich invited subscriptions from investors to form a trust, the Eendragt Maakt Magt, with the aim of providing investment diversification opportunities to investors of limited means.
1868 »	The Foreign and Colonial Government Trust, the precursor to the U.S. investment fund model, is formed in London. This trust provides "the investor of moderate means the same advantages as large capitalists..."
1924 »	The first mutual funds are established in Boston.
1933 »	The Securities Act of 1933 regulates the registration and offering of new securities, including mutual fund and closed-end fund shares, to the public.
1934 »	The Securities Exchange Act of 1934 authorizes the U.S. Securities and Exchange Commission (SEC) to provide for fair and equitable securities markets.
1936 »	The Revenue Act of 1936 establishes the tax treatment of mutual funds and their shareholders. Closed-end funds were covered by the Act in 1942.
1940 »	The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for registered investment companies. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will later become the Investment Company Institute.
1944 »	The NAIC begins collecting investment company industry statistics.
1951 »	The total number of mutual funds surpasses 100, and the number of shareholder accounts exceeds one million for the first time.
1954 »	Households' net purchases of fund shares exceed those of corporate stock. NAIC initiates a nationwide public information program emphasizing the role of investors in the U.S. economy and explaining the concept of investment companies.
1955 »	The first U.S.-based international mutual fund is introduced.
1961 »	The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute (ICI) and welcomes fund advisers and underwriters as members.
1962 »	The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.

1971 »	Money market funds are introduced.
1974 »	The Employee Retirement Income Security Act (ERISA) creates the individual retirement account (IRA) for workers not covered by employer retirement plans.
1976 »	The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.
1978 »	The Revenue Act of 1978 creates new Section 401(k) retirement plans and simplified employee pensions (SEPs).
1981 »	The Economic Recovery Tax Act establishes "universal" IRAs for all workers. IRS proposes regulations for Section 401(k).
1986 »	The Tax Reform Act of 1986 reduces IRA deductibility.
1987 »	ICI welcomes closed-end funds as members.
1989 »	Mutual fund assets top $1 trillion.
1993 »	The first exchange-traded fund shares are issued.
1996 »	Enactment of the National Securities Markets Improvement Act of 1996 (NSMIA) provides a more rational system of state and federal regulation, giving the SEC exclusive jurisdiction for registering and regulating mutual funds, exchange listed securities, and larger advisers. States retain their antifraud authority and responsibility for regulating nonexchange listed offerings and smaller advisers. The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.
1997 »	The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.
1998 »	The SEC approves the most significant disclosure reforms in the history of U.S. mutual funds, encompassing "plain English," fund profiles, and improved risk disclosure.
1999 »	The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy. ICI publishes a report on the best practices for fund directors.
2001 »	The enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 significantly expands retirement savings opportunities for millions of working Americans.
2003 »	The Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) provides mutual fund shareholders with the full benefits of lower tax rates on dividends and capital gains.
2004 »	The Independent Directors Council is formed to address the growing complexity of fund governance responsibilities.
2006 »	The enactment of the Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act provide incentive for investors young and old to save more in tax-deferred and taxable investment accounts.
2007 »	Investment company assets top $13 trillion.

For a detailed description of the events of 2008, please see the ***Significant Events for Funds in the Financial Crisis*** timeline beginning on the front inside cover.

Glossary

ADVISER. An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices. Also known as the *investment adviser.*

AFTER-TAX RETURN. The total return of a fund after the effects of taxes on distributions and/or redemptions have been assessed. Funds are required by federal securities law to calculate after-tax returns using standardized formulas based upon the highest tax rates. (Consequently, they are not representative of the after-tax returns of most mutual fund shareholders.) These standardized after-tax returns are not relevant for shareholders in tax-deferred retirement accounts.

ANNUAL REPORT. A report that a fund sends to its shareholders that discusses the fund's performance over the past fiscal year and identifies the securities in the fund's portfolio on the last business day of the fund's fiscal year. The annual report includes audited financial statements. See also **semiannual report.**

APPRECIATION. An increase in an investment's value. Contrast **depreciation.**

ASSETS. Securities, cash, and receivables owned by the fund.

AUTOMATIC REINVESTMENT. A fund service giving shareholders the option to purchase additional shares using dividend and capital gain distributions.

AUTHORIZED PARTICIPANT. An entity, usually an institutional investor, that submits orders to the exchange-traded fund (ETF) for the creation and redemption of ETF "creation units."

AVERAGE PORTFOLIO MATURITY. The average maturity of all the securities in a bond or money market fund's portfolio.

BACK-END LOAD. See **contingent deferred sales load (CDSL).**

BEAR MARKET. A period during which the majority of securities prices in a particular market (such as the stock market) drop substantially. One generally accepted measure is a price decline of 20 percent or more over at least a two-month period. Contrast **bull market.**

BOND. A debt security issued by a company, municipality, or government agency. A bond investor lends money to the issuer and, in exchange, the issuer promises to repay the loan amount on a specified maturity date; the issuer usually pays the bondholder periodic interest payments over the life of the loan.

BREAKPOINTS. The dollar amounts at which many mutual funds offer reduced fees to investors. There are two kinds of breakpoints. One kind is a reduction in sales charges (load fees) to investors when they initially purchase fund shares. The amount of the discount varies, depending upon the amount of the investment: the more invested, the greater the likelihood of surpassing a "breakpoint" and thus receiving a discount. The other kind of breakpoint is a reduction in management fees that fund advisers may charge their associated funds as fund assets surpass a given level.

BROKER-DEALER. A firm that buys and sells mutual fund shares and other securities from and to investors, operating as either a broker or dealer depending on the transaction.

BULL MARKET. A period during which a majority of securities prices in a particular market (such as the stock market) rise substantially. Contrast **bear market.**

CAPITAL GAIN DISTRIBUTIONS. Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

CLOSED-END FUND. A type of investment company that issues a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company.

COMMISSION. A fee paid to a broker or other sales agent for services related to transactions in securities.

COMPOUNDING. The effect of growth on reinvestment of future earnings. Over time, compounding can produce significant growth in the value of an investment.

CONTINGENT DEFERRED SALES LOAD (CDSL). A fee imposed by some funds when shares are redeemed (sold back to the fund) during the first few years of ownership. Also known as *back-end load*.

COVERDELL EDUCATION SAVINGS ACCOUNT (ESA). This type of account, formerly known as an Education IRA, is a tax-advantaged trust or custodial account set up to pay the qualified education expenses of a designated beneficiary.

CREATION UNIT. A specified number of shares issued by an exchange-traded fund (ETF) in large blocks, generally between 25,000 and 200,000 shares. The authorized participants that buy creation units either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange.

CREDIT RISK. The possibility that a bond issuer may not be able to pay interest or repay its debt.

CUSTODIAN. An organization, usually a bank, that safeguards the securities and other assets of a mutual fund.

DEPRECIATION. A decline in an investment's value. Contrast **appreciation.**

DISTRIBUTION. 1) The payment of dividends and capital gains, or 2) a term used to describe a method of selling fund shares to the public.

DIVERSIFICATION. The practice of investing broadly across a number of different securities, industries, or asset classes to reduce risk. Diversification is a key benefit of investing in mutual funds and other investment companies that have diversified portfolios.

DOLLAR-COST AVERAGING. The practice of investing a fixed amount of money at regular intervals, regardless of whether the securities markets are declining or rising, in the hopes of reducing average share cost by acquiring more shares when prices are low and fewer shares when prices are high.

EDUCATION IRA. See Coverdell Education Savings Account (ESA).

EQUITY FUND. See **stock fund.**

EXCHANGE PRIVILEGE. A fund option enabling shareholders to transfer their investments from one fund to another within the same fund family as their needs or objectives change. Typically, fund companies allow exchanges several times a year for a low or no fee.

EXCHANGE-TRADED FUND (ETF). An investment company, typically a mutual fund or unit investment trust, whose shares are traded intraday on stock exchanges at market-determined prices. Investors may buy or sell ETF shares through a broker just as they would the shares of any publicly traded company.

EX-DIVIDEND DATE. With regard to mutual funds, this is the day on which declared distributions (dividends or capital gains) are deducted from the fund's assets before it calculates its net asset value (NAV). The NAV per share will drop by the amount of the distribution per share.

EXPENSE RATIO. A fund's total expenses—disclosed in the prospectus and shareholder reports—expressed as a percentage of its assets.

FACE VALUE. The stated principal or redemption value of a bond; the amount that a bond's issuer must repay at the bond's maturity date.

FAMILY OF FUNDS. A group or "complex" of mutual funds, each typically with its own investment objective, managed and distributed by the same company.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA). A self-regulatory organization with authority over broker-dealer firms that distribute mutual fund shares as well as other securities.

529 PLAN. An investment program, offered by state governments, designed to help pay future qualified higher education expenses. States offer two types of 529 plans: prepaid tuition programs allow contributors to establish an account in the name of a student to cover the cost of a specified number of academic periods or course units in the future at current prices; and college savings plans allow individuals to contribute to an investment account to pay for a student's qualified higher education expenses.

FORWARD PRICING. The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders must receive the *next* computed share price following the fund's receipt of a shareholder transaction order.

457 PLAN. An employer-sponsored retirement plan that enables employees of state and local governments and other tax-exempt employers to make tax-deferred contributions from their salaries to the plan.

401(k) PLAN. An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan.

403(b) PLAN. An employer-sponsored retirement plan that enables employees of universities, public schools, and nonprofit organizations to make tax-deferred contributions from their salaries to the plan.

FRONT-END LOAD. A fee imposed by some funds at the point of purchase.

FUNDS OF FUNDS. Mutual funds that hold and invest in shares of other mutual funds.

FUND SUPERMARKET. A brokerage platform that provides access to funds from a wide range of fund families.

HEALTH SAVINGS ACCOUNT (HSA). A plan that allows workers with high-deductible health insurance coverage to set aside money each year for routine or future health care costs.

HEDGE FUND. A private investment pool for qualified (typically wealthy) investors that, unlike a mutual fund, is exempt from SEC registration.

HYBRID FUND. A mutual fund that invests in a mix of equity and fixed-income securities.

INCOME DISTRIBUTIONS. Dividends, interest, and/or short-term capital gains paid to a mutual fund's shareholders. Operating expenses are deducted from income before it is distributed to shareholders.

INDEPENDENT DIRECTOR. A fund director or trustee who does not have any significant business relationship with a mutual fund's adviser or underwriter. An independent director better enables the fund board to provide an independent check on the fund's management.

INDEX MUTUAL FUND. A fund designed to track the performance of a market index. The fund's portfolio of securities is either a replicate or a representative sample of the designated market index.

INDIVIDUAL RETIREMENT ACCOUNT (IRA). An investor-established, tax-deferred account set up to hold and invest funds until retirement.

INFLATION RISK. The risk that the purchasing power of the future value of assets or income will be lower due to inflation.

INITIAL PUBLIC OFFERING (IPO). A corporation's or closed-end fund's first offering of stock or fund shares to the public.

INSTITUTIONAL INVESTOR. The businesses, nonprofit organizations, and other similar investors who own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

INTEREST RATE RISK. The possibility that a bond's or bond mutual fund's value will decrease due to rising interest rates.

INTRADAY INDICATIVE VALUE (IIV). A real-time estimate of an exchange-traded fund's (ETF) intraday value. Third-party providers calculate and disseminate this measure every 15 to 60 seconds during securities market trading hours.

INVESTMENT ADVISER. See **adviser.**

INVESTMENT COMPANY. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the main types of SEC-registered investment companies.

INVESTMENT OBJECTIVE. The goal (e.g., current income, long-term capital growth) that a mutual fund pursues on behalf of its investors.

ISSUER. The company, municipality, or government agency that issues securities, such as stocks, bonds, or money market instruments.

KEOGH PLAN. A tax-favored retirement plan covering self-employed individuals, partners, and owners of unincorporated businesses; also called an H.R. 10 plan. These plans were first made available by Congress in 1962, but today operate under rules very similar to those for retirement plans for a corporation's employees.

LIFECYCLE FUND. Hybrid funds that follow a predetermined reallocation of risk over a working career and into retirement for a person expecting to retire at the target date. These funds typically rebalance their portfolios over time to become more conservative and income-producing. Also referred to as *target date fund*.

LIFESTYLE FUND. Mutual funds that maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level.

LIQUIDITY. The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for the next computed net asset value on any business day.

LOAD. See **sales charge.**

LOAD FUND. A mutual fund that imposes a sales charge—either when fund shares are purchased (front-end load) or redeemed (contingent deferred sales load)—or a fund that charges a 12b-1 fee greater than 0.25 percent.

LONG-TERM FUNDS. A mutual fund industry designation for all funds other than money market funds. Long-term funds are broadly divided into equity (stock), bond, and hybrid funds.

MANAGEMENT FEE. The amount paid by a mutual fund to the investment adviser for its services.

MATURITY. The date by which an issuer promises to repay a bond's face value.

MONEY MARKET FUND. A mutual fund that invests in short-term, high-grade fixed-income securities, and seeks the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).

MUTUAL FUND. An investment company that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue "redeemable securities," meaning that the fund stands ready to buy back its shares at their current net asset value.

NET ASSET VALUE (NAV). The per-share value of an investment company, calculated by subtracting the fund's liabilities from the current market value of its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily.

NET NEW CASH FLOW. The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

NO-LOAD FUND. A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25 percent per year.

OPEN-END INVESTMENT COMPANY. The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors.

OPERATING EXPENSES. Business costs paid from a fund's assets. These include management fees, 12b-1 fees, and other expenses.

PAYROLL DEDUCTION PLAN. An arrangement that some employers offer employees where employees can authorize their employer to deduct a specified amount from their salaries at stated times to buy mutual fund shares.

POOLED INVESTING. The basic concept behind mutual funds in which a fund aggregates the assets of investors who share common financial goals. A fund uses the pool assets to buy a diversified portfolio of investments, and each mutual fund share purchased represents ownership in all the fund's underlying securities.

PORTFOLIO. A collection of securities owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds, money market instruments, and other securities.

PORTFOLIO MANAGER. A specialist employed by a mutual fund's adviser to invest the fund's assets in accordance with predetermined investment objectives.

PORTFOLIO TURNOVER. A measure of the trading activity in a fund's investment portfolio; how often securities are bought and sold by a fund.

PREPAYMENT RISK. The possibility that a bond owner will receive his or her principal investment back from the issuer prior to the bond's maturity date.

PRINCIPAL. See **face value.**

PROSPECTUS. The official document that describes an investment company to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees.

QUALITY. A term used in portfolio management to describe the creditworthiness of an issuer of fixed-income securities and indicate the likelihood that the issuer will be able to repay its debt.

REDEEM. To sell mutual fund shares back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the next computed share price, called net asset value (NAV), minus any deferred sales charge or redemption fee.

REDEMPTION PRICE. The amount per share that mutual fund shareholders receive when they redeem.

REINVESTMENT PRIVILEGE. An option whereby shareholders may elect to use dividend and capital gain distributions to automatically buy additional fund shares.

RISK/RETURN TRADEOFF. The principle that an investment must offer higher potential returns as compensation for the likelihood of increased volatility.

ROLLOVER. The transfer of an investor's assets from one qualified retirement plan (including an IRA) to another—due to changing jobs, for instance—without a tax penalty.

ROTH IRA. A Roth IRA is an individual retirement plan, first available in 1998, that permits only after-tax contributions; earnings are not taxed, and qualified distributions of earnings and principal are generally tax-free.

SALES CHARGE. An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, mutual fund sales charges are capped. The charge may vary depending on the amount invested and the fund chosen.

SAR-SEP IRA. A SEP IRA with a salary reduction feature (see **SEP IRA**). The Small Business Job Protection Act of 1996, which created SIMPLE IRAs, prohibited the formation of new SAR-SEP IRAs, which were created in 1986.

SECONDARY MARKET. Market in which an investor purchases or sells certain investment company shares (closed-end, UIT, and ETF) from another investor through an intermediary such as a broker-dealer.

SECURITIES AND EXCHANGE COMMISSION. See **U.S. Securities and Exchange Commission (SEC).**

SECURITIZATION. The process of aggregating similar instruments, such as loans or mortgages, into a negotiable security, such as the creation of mortgage-backed securities.

SEMIANNUAL REPORT. A report a fund sends to its shareholders that discusses the fund's performance over the first six months of the fiscal year and identifies the securities in the fund's portfolio on the last business day of the first six months of the fiscal year. See also **annual report.**

SEP IRA. A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which an employer can contribute according to certain rules.

SERIES FUND. A group of different mutual funds, each with its own investment objective and policies, that is structured as a single corporation or business trust.

SHARE CLASSES (e.g., CLASS A, CLASS B). Some mutual funds offer investors different types of shares known as classes. Each class will invest in the same portfolio of securities and will have the same investment objectives and policies, but each class will have different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. A multiclass structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the time that they expect to remain invested in the fund).

SHAREHOLDER. An investor who owns shares of a mutual fund or other company.

SHORT-TERM FUND. See **money market fund.**

SIMPLIFIED EMPLOYEE PENSION PLAN (SEP). A retirement program consisting of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP can be attractive to small businesses and self-employed individuals.

SIMPLE IRA (SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES). A simplified tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

STANDARD & POOR'S 500 INDEX (S&P 500). A daily measure of stock market performance, based on the performance of 500 major companies.

STATEMENT OF ADDITIONAL INFORMATION (SAI). The supplementary document to a prospectus that contains more detailed information about a fund; also known as "Part B" of the prospectus.

STOCK. A share of ownership or equity in a corporation.

STOCK FUND. A fund that concentrates its investments in stocks.

SUMMARY PROSPECTUS. A short-form prospectus that mutual funds and exchange-traded funds (ETFs) may use with investors if the fund meets certain requirements, including making the long-form prospectus and additional information available online or in paper upon request. See also **prospectus.**

TARGET DATE FUND. See **lifecycle fund.**

TOTAL RETURN. A measure of a fund's performance that encompasses all elements of return: dividends, capital gain distributions, and changes in net asset value. Total return is the change in value of an investment over a given period, assuming reinvestment of any dividends and capital gain distributions, expressed as a percentage of the initial investment.

TRADITIONAL IRA. The first type of individual retirement account, created in 1974. Individuals may make deductible or nondeductible (depending on income and other requirements) contributions to these accounts. See also **individual retirement account (IRA).**

TRANSFER AGENT. The internal or external organization that a mutual fund uses to prepare and maintain records relating to shareholder accounts.

12b-1 FEE. A mutual fund fee, named for the SEC rule that permits it, used to pay distribution costs, such as compensation to financial advisers for initial and ongoing assistance. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

UNDERWRITER. The organization that sells a mutual fund's shares to broker-dealers and investors.

UNIT INVESTMENT TRUST (UIT). A type of fund with some characteristics of mutual funds and some of closed-end funds. Like mutual funds, UITs issue redeemable shares. Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. A UIT does not actively trade its investment portfolio, instead buying and holding a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

U.S. SECURITIES AND EXCHANGE COMMISSION (SEC). The primary U.S. government agency responsible for the regulation of the day-to-day operations and disclosure obligations of registered investment companies.

VARIABLE ANNUITY. An investment contract sold by an insurance company; capital is accumulated, often through mutual fund investments, and converted to an income stream later, often at an investor's retirement.

WITHDRAWAL PLAN. A fund service allowing shareholders to receive income or principal payments from their fund account at regular intervals.

YIELD. A measure of income (dividends and interest) earned by the securities in a fund's portfolio less the fund's expenses during a specified period. A fund's yield is expressed as a percentage of the maximum offering price per share on a specified date.

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A page number with an *f* indicates a figure; a *t* indicates a table. Page numbers in **bold** indicate a definition.

D

E

SIGNIFICANT EVENTS *CONTINUED*

2008	
SEPTEMBER 16, 2008 »	Reserve Primary Fund fails to maintain $1.00 NAV, becoming the second money market fund in 25 years to "break a dollar." Federal Reserve announces loan of $85 billion to AIG; government takes 80 percent equity stake in company.
SEPTEMBER 18, 2008 »	Institutional money market fund assets shrank by $119 billion, to $2.16 trillion, in the week ending September 17, according to ICI data. Putnam announces closure and orderly liquidation of its $12.3 billion Prime Money Market Fund, which serves only institutional investors.
SEPTEMBER 19, 2008 »	Treasury announces Temporary Guarantee Program for Money Market Funds. Federal Reserve announces liquidity facility to finance purchases of asset-backed commercial paper from money market funds. Treasury unveils proposal for a $700 billion Troubled Asset Recovery Program (TARP).
SEPTEMBER 25, 2008 »	Federal Deposit Insurance Corporation seizes Washington Mutual, sells assets to JPMorgan Chase.
OCTOBER 3, 2008 »	Congress passes and President Bush signs the Emergency Economic Stabilization Act of 2008, which includes TARP.
OCTOBER 2008 »	Investors added $149 billion in new cash to money market funds, the third largest inflow since 1984. Investors withdrew $128 billion, on net, from stock, bond, and hybrid funds, the largest outflow as a percentage of assets since October 1987.
2009	
JANUARY 14, 2009 »	Money market fund assets hit $3.92 trillion, their highest level to date.
FEBRUARY 17, 2009 »	President Obama signs the Economic Stimulus Act.
MARCH 17, 2009 »	The Money Market Working Group, a task force of senior industry executives, submits its report to the ICI Board. The Board endorses the Working Group's call for immediate implementation of most of the recommendations on new regulatory and oversight standards for money market funds.

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