



Pioneer Bank & Trust

Trust & Investments

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The IRA turns 40

Once upon a time, there was no such thing as a tax break for individual retirement savings. That was before 1974, before passage of the Employee Retirement Income Security Act (ERISA). The primary purpose of ERISA was make certain that the retirement promises made by private companies to their employees would be kept, and that tax-preferred retirement savings programs would be made available in a nondiscriminatory fashion. But what about those who did not participate in an employer plan? For them, the Individual Retirement Account was created. At that time, up to \$1,500 could be contributed by eligible taxpayers to an IRA, and a corresponding deduction taken. The eligibility rules were loosened in 1981, but the tax deduction was scaled back later for higher-income taxpayers.

Last year the Investment Company Institute released a new study of the important role that IRAs now play in Americans' financial security in retirement. Datapoints of interest:

- 38% of all U.S. households have an IRA.
- Total IRA assets have reached \$5.7 trillion, which is more than one-quarter of all U.S. retirement assets.
- Twenty years ago, IRAs represented just 4% of total household assets. Last year that figure was 9%.
- The growth of IRAs has been fueled in part by rollovers from company retirement plans, accounting for half of the traditional IRAs.
- 15.6% of households have a Roth IRA, which was first made available in 1998.
- IRAs are being used for their intended purpose, making retirement more financially secure. 70% of those making IRA withdrawals are 70 years old or older, while just 8% are under age 59.

How does one decide how much to withdraw from an IRA? According to the report, most people ask their professional financial advisor. If you'd like help with your IRA, or a consultation on managing your retirement investments in general, please give us a call.

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