

Key Elements of the U.S. Tax System

TAXES AND RETIREMENT SAVINGS

Who uses individual retirement accounts?

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A. Almost all taxpayers may establish IRAs, but high-income taxpayers are more likely to have an account. Taxpayers may either contribute to IRAs annually—or roll over balances from employer-sponsored plans.

Over 60 million taxpayers own individual retirement accounts (IRAs), which include traditional IRAs, Roth IRAs, Simplified Employee Pensions (SEP IRAs), and Savings Incentive Match Plans for Employees (SIMPLE IRAs). The average IRA balance for taxpayers with IRAs is about \$157,000. Ownership of IRAs increases with income and with age, as does the average IRA balance. Men and women are about equally likely to own an IRA (table 1).

TABLE 1

Participation in Individual Retirement Arrangements (IRAs) Tax year 2017



	Number of taxpayers with IRAs	Share of taxpayers with IRAs	Average IRA balance
All	60,253,000	29%	\$157,000
Adjusted gross income			
Under \$50,000	16,815,000	16%	\$79,000
\$50,000–\$100,000	17,139,000	33%	\$120,000
\$100,000–\$200,000	16,977,000	48%	\$180,000
\$200,000–\$500,000	7,296,000	63%	\$290,000
Above \$500,000	2,026,000	73%	\$436,000
Age			
Under 30	3,090,000	7%	\$13,000
30–45	11,699,000	21%	\$42,000
45–60	18,561,000	34%	\$122,000
Above 60	26,889,000	50%	\$247,000
Sex			
Men	29,529,000	30%	\$193,000
Women	30,724,000	29%	\$122,000

Source: Internal Revenue Service, *SOI Tax Stats—Accumulation and Distribution of Individual Retirement Arrangements*: Tables 2, 4, and 7, Tax Year 2017, February 2020.

Notes: Details may not add to total due to rounding; data combine accounts for taxpayers with multiple IRAs. Average IRA balance = (end-of-year fair market value of IRAs by taxpayer / total number of taxpayers with IRAs).

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About 23 percent of taxpayers own traditional IRAs, while about 10 percent own Roth IRAs. Taxpayers can own multiple types of IRAs. Only a small percentage of taxpayers own SEP IRAs or SIMPLE IRAs. The average balance in traditional IRAs (\$168,000) is much larger than that in Roth IRAs (\$41,000). Traditional IRA owners with adjusted gross income above \$500,000 have an average balance of \$423,000 (table 2).

TABLE 2

Types of Individual Retirement Arrangements (IRAs)

Share of taxpayers with IRA plans and average balance of IRAs, tax year 2017



	Traditional IRA plans		Roth IRA plans		SEP plans		SIMPLE plans	
	Share of taxpayers	Average balance	Share of taxpayers	Average balance	Share of taxpayers	Average balance	Share of taxpayers	Average balance
All	23%	\$168,000	10%	\$41,000	2%	\$138,000	1%	\$41,000
Adjusted gross income								
Under \$50,000	12%	\$87,000	4%	\$26,000	1%	\$62,000	1%	\$16,000
\$50,000–\$100,000	26%	\$133,000	11%	\$32,000	1%	\$91,000	2%	\$26,000
\$100,000–\$200,000	38%	\$194,000	20%	\$42,000	3%	\$136,000	2%	\$49,000
\$200,000–\$500,000	52%	\$297,000	24%	\$55,000	6%	\$202,000	3%	\$100,000
Above \$500,000	60%	\$423,000	23%	\$140,000	9%	\$274,000	3%	\$151,000

Source: Internal Revenue Service, *SOI Tax Stats—Accumulation and Distribution of Individual Retirement Arrangements*: Table 3, Tax Year 2017, February 2020.

Notes: Details may not add to total due to rounding; data combine accounts for taxpayers with multiple IRAs of same type. Average IRA balance = (end-of-year fair market value of IRAs by taxpayer / total number of taxpayers with IRAs).

Taxpayers in 2020 may contribute in total the lesser of \$6,000 per year (\$7,000 for taxpayers age 50 or older) or the amount of their taxable compensation to traditional or Roth IRAs. There is no age limit in 2020 and later years on making regular contributions to traditional or Roth IRAs. Prior to 2020, taxpayers could not make annual contributions to a traditional IRA once they reached age 70 ½, but they could still contribute to a Roth IRA.

Employees can make contributions of up to \$13,500 to a SIMPLE IRA plan in 2020 and an additional \$3,000 if they are 50 or older. Employers must either match employee contributions dollar for dollar up to 3 percent of compensation or make a nonelective contribution of 2 percent of compensation. SEP IRAs only allow employer contributions. For a self-employed individual, contributions are limited to 25 percent of net earnings from self-employment, up to \$57,000 in 2020.

Taxpayers also may roll over their balances from employer-sponsored contribution plans to an IRA, typically after changing jobs. Rollovers are usually much larger than regular contributions. The average rollover in 2017 was \$102,000. Taxpayers can make rollover contributions to a Roth or traditional IRA regardless of age.

Only a small percentage of taxpayers contributed to traditional or Roth IRAs in tax year 2017 (table 3). The share of taxpayers who contributed increased with income, except for those owning Roth IRAs, which have income limits for eligibility. Traditional IRAs have no income limits on contributions, but income limits and other restrictions affect whether contributions are tax deductible. The average contribution to SEP IRAs was greater than for other types of IRA, reflecting the significantly higher contribution limits.

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TABLE 3

Types of Individual Retirement Arrangements (IRAs)

Share of taxpayers contributing to IRA plans and average contribution to IRAs, tax year 2017



	Traditional IRA plans		Roth IRA plans		SEP plans		SIMPLE plans	
	Share of taxpayers	Average contribution	Share of taxpayers	Average contribution	Share of taxpayers	Average contribution	Share of taxpayers	Average contribution
All	2%	\$4,000	3%	\$3,000	1%	\$15,000	1%	\$5,000
Adjusted gross income								
Under \$50,000	1%	\$3,000	2%	\$3,000	0.1%	\$5,000	0.5%	\$2,000
\$50,000–\$100,000	2%	\$4,000	4%	\$3,000	0.5%	\$8,000	1%	\$4,000
\$100,000–\$200,000	3%	\$4,000	7%	\$4,000	1%	\$12,000	1%	\$7,000
\$200,000–\$500,000	7%	\$5,000	2%	\$4,000	3%	\$22,000	2%	\$12,000
Above \$500,000	12%	\$6,000	0.5%	\$5,000	4%	\$31,000	2%	\$15,000

Source: Internal Revenue Service, *SOI Tax Stats—Accumulation and Distribution of Individual Retirement Arrangements*: Table 3, Tax Year 2017, February 2020.

Notes: Details may not add to total due to rounding; data combine accounts for taxpayers with multiple IRAs of same type. Average contribution = (amount of total contributions / total number of taxpayers making contributions to IRA type). Data are unaudited and may contain amounts in excess of the legal maximum. For SEP and SIMPLE plans, total contributions include contributions made by the taxpayer directly as well as those made by an employer.

Updated May 2020

Data Sources

Internal Revenue Service. [Retirement Topics - IRA Contribution Limits](#). February 2020.

———. [How much can I contribute to my self-employed SEP plan if I participate in my employer's SIMPLE IRA plan?](#). November 2019.

———. 2020. *SOI Tax Stats—Accumulation and Distribution of Individual Retirement Arrangements, Tax Year 2017*. Table 2, 3, 4, and 7.

Further Reading

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Congressional Budget Office. 2011. ["Use of Tax Incentives for Retirement Saving in 2006."](#) Washington, DC: Congressional Budget Office.

Holden, Sarah, and Daniel Schrass. 2017. ["The Role of IRAs in US Households' Saving for Retirement, 2017."](#) Washington, DC: Investment Company Institute.