

Brokerage Accounts in the United States

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ABSTRACT

This document outlines the extent to which American households have brokerage accounts, use advice from brokers, and related issues. The analysis is based on the 2001-2013 Survey of Consumer Finances, a triennial household survey.

We find that 17 million American households owned a brokerage account in 2013, down from 19 million in 2001. Most households with a brokerage account also owned an Individual Retirement Account (IRA). While some households actively traded through their brokerage account, 65% traded at most three times in the year before the survey interview.

In 2013, 27% of households with brokerage accounts reported using the advice of a broker for saving and investment decisions, down from 35% in 2001. Excluding assets in IRAs and defined contribution (DC) plans, on average, households with a brokerage account owned \$248,000 in stocks, \$221,000 in mutual funds, and \$51,000 in bonds. However, most of those holdings were concentrated among relatively few investors; at the median, stock holdings were \$6,200, and most households with a brokerage account did not hold any mutual funds or bonds outside of IRAs and DC plans. In addition, most households with a brokerage account owned an IRA or a DC plan with average balances of about \$237,000 and \$140,000, respectively.

CONTENTS

Abstract	i
Introduction	1
Analysis	1
Trading Activity	3
Advice from Brokers	5
Asset Holdings by Households with a Brokerage Account.....	6

INTRODUCTION

This document outlines the extent to which American households have brokerage accounts, use advice from brokers, and related issues.

The analysis is based on data from the Survey of Consumer Finances (SCF), a household survey. The SCF is normally conducted every three years and gathers information on families' balance sheets, pensions, income, and demographic characteristics. It is sponsored by the Federal Reserve Board (FRB) in cooperation with the Department of the Treasury, and administered by the National Organization for Research at the University of Chicago (NORC).

The unit of observation is a "primary economic unit" (PEU), defined as a single individual or couple (married or living together as partners) and all individuals who are financially dependent on that individual or couple. In most instances, the PEU and the household are identical. This document uses the terms PEU and household interchangeably.

The analysis is based on the 2001, 2004, 2007, 2010, and 2013 SCF waves. The sample size was approximately 4,500 PEUs in 2001, 2004, and 2007, and over 6,000 PEUs in 2010 and 2013.

The SCF oversamples wealthy households. Sampling weights are provided to correct for this oversampling and to extrapolate results to the U.S. population. This document applies sampling weights throughout.

ANALYSIS

Table 1 shows the number of households with a brokerage account in 2013. Among the nation's 123 million households, 17 million owned a brokerage account. Of these, 3 million (15%) owned an individual retirement account (IRA) but no after-tax stocks, bonds, mutual funds, call money accounts, or margin loans; 9 million (55%) owned both an IRA and other assets, and 5 million (29%) did not own an IRA.

Table 1. Ownership of Brokerage Accounts in the United States, by IRA Ownership (2013)

Asset ownership	No brokerage account		Brokerage account		Total	
	Households (millions)	Percent	Households (millions)	Percent	Households (millions)	Percent
IRA only	17.0	16.1%	2.7	15.5%	19.6	16.0%
IRA and other assets*	5.2	4.9%	9.5	55.0%	14.6	12.0%
No IRA	83.2	79.0%	5.1	29.5%	88.2	72.0%
Total	105.3	100.0%	17.2	100.0%	122.5	100.0%

Source: 2013 SCF.

* Other assets include stocks, bonds, mutual funds, call money accounts, and margin loans. They exclude assets held in a DC plan.

Table 2 and Figure 1 show that the number of households with a brokerage account has declined over time, from over 19 million in 2001 to approximately 17 million in 2013. However, the number of households with only an IRA increased from 2 million in 2001 to 3 million in 2013.

Table 2. Ownership of Brokerage Accounts in the United States, by IRA Ownership and Year

Year	Households with brokerage account (millions)			Total	Households w/o brokerage acct (millions)	Total (millions)
	IRA only	IRA and other assets*	No IRA			
2001	1.7	12.2	5.5	19.4	87.1	106.5
2004	1.7	10.0	6.0	17.8	94.4	112.1
2007	2.4	9.7	5.0	17.0	99.1	116.1
2010	2.9	9.4	5.0	17.3	100.3	117.6
2013	2.7	9.5	5.1	17.2	105.3	122.5

Source: 2001, 2004, 2007, 2010, and 2013 SCF.

*Other assets include stocks, bonds, mutual funds, call money accounts, and margin loans. They exclude assets held in a DC plan.

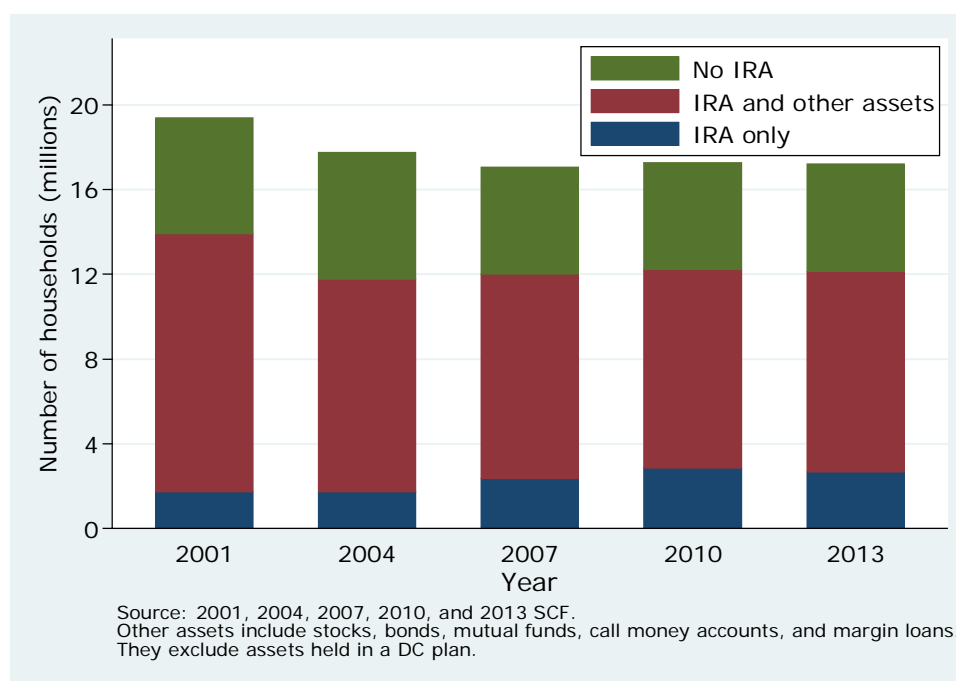


Figure 1. Ownership of Brokerage Accounts in the United States, by IRA Ownership and Year

Brokerage accounts are more common among higher-income households than among lower-income households (Table 3). Only 3% of households in the bottom quartile of the income distribution had a brokerage account, compared with 50% in the top income decile.¹

Table 3. Ownership of Brokerage Accounts in the United States, by Income Category (2013)

Income category	Owns brokerage account		Total
	No	Yes	
Bottom 25%	97.2%	2.8%	100.0%
25% - < 50%	93.3%	6.7%	100.0%
50% - < 75%	86.7%	13.3%	100.0%
75% - < 90%	76.7%	23.3%	100.0%
Top 10%	50.2%	49.8%	100.0%
Total	86.0%	14.0%	100.0%

Source: 2013 SCF.

Trading Activity

Households with brokerage accounts vary widely in the frequency with which they trade. As many as 35% of households did not trade at all in the year preceding the 2013 SCF interview, and 30% traded only one to three times (Table 4 and Figure 2). In contrast, 18% traded at least once a month, and 4% made 100 or more trades over the preceding year. Trading frequencies were roughly consistent across years; also see below.

¹ For this purpose, income categories are based on “normal income,” i.e., income adjusted for unusual fluctuations.

Table 4. Trading Frequency among Holders of Brokerage Accounts, by Year

Annual trades	2001	2004	2007	2010	2013
Households (millions):					
Zero	5.0	6.2	5.8	5.9	6.0
1-3	6.3	5.9	4.8	5.2	5.2
4-11	4.3	3.2	3.1	3.3	2.9
12-49	2.7	1.9	2.6	2.1	2.0
50-99	0.4	0.2	0.3	0.4	0.4
100+	0.6	0.4	0.6	0.5	0.6
Total	19.4	17.8	17.0	17.3	17.2
Fractions of households with a brokerage account:					
Zero	25.7%	34.7%	33.9%	33.9%	35.1%
1-3	32.6%	33.1%	28.1%	30.0%	30.0%
4-11	22.2%	18.1%	18.1%	18.8%	16.8%
12-49	14.0%	10.5%	15.1%	11.9%	11.9%
50-99	2.2%	1.2%	1.5%	2.6%	2.3%
100+	3.3%	2.5%	3.3%	2.7%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2001, 2004, 2007, 2010, and 2013 SCF.

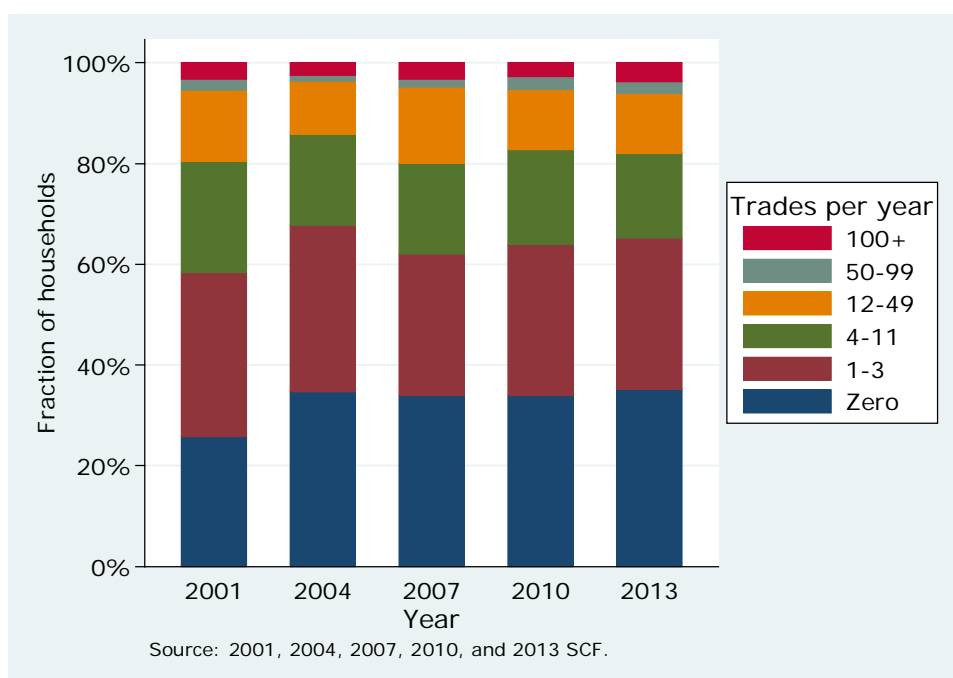

Figure 2. Trading Frequency among Holders of Brokerage Accounts, by Year

Table 5 displays additional summary statistics of trading frequency. At the median, households reported trading twice in the year preceding each survey. The year in which high-frequency trading was most common depends on one's definition of high-frequency trading. For example, the 90th percentile was highest in 2001 and 2013, but the fraction of households that traded at least 12 times per year was highest in 2007.

Table 5. Summary Statistics of Trading Frequency among Holders of Brokerage Accounts, by Year

Year	Median	75th Pctl	90th Pctl	95th Pctl	99th Pctl	Fraction trading at least monthly	Number of trades* (millions)	# Trades excl. high-frequency traders† (millions)
2001	2	8	24	50	250	19.5%	348.7	167.8
2004	2	5	12	26	260	14.1%	252.4	113.6
2007	2	8	20	45	250	19.9%	896.1	143.5
2010	2	6	20	50	156	17.2%	1,509.0	138.8
2013	2	6	24	50	260	18.0%	370.4	138.0

*Lower bound due to top-coding; see text.

†Excludes trades by respondents who traded 250+ times per year.

Source: 2001, 2004, 2007, 2010, and 2013 SCF.

The total number of trades varied widely over time, from 252 million in 2004 to 1.5 billion in 2010. These statistics are subject to two caveats. First, trading frequency is top-coded in the public release version of the SCF at 300 per period. For example, “500 per month” is recorded as “300 per month.” (There are between 12 and 22 top-coded responses in every wave.) The total number of trades in Table 5 is therefore a lower bound. Second, trade frequencies are heavily skewed with a relatively small number of people responsible for the majority of trades. The last column in Table 5 shows the total number of trades excluding trades made by people who reported 250 or more trades per year. This subset of trades numbered 138 million in 2013, which is higher than it was in 2004 (114 million) but lower than in 2001 (168 million).

Advice from Brokers

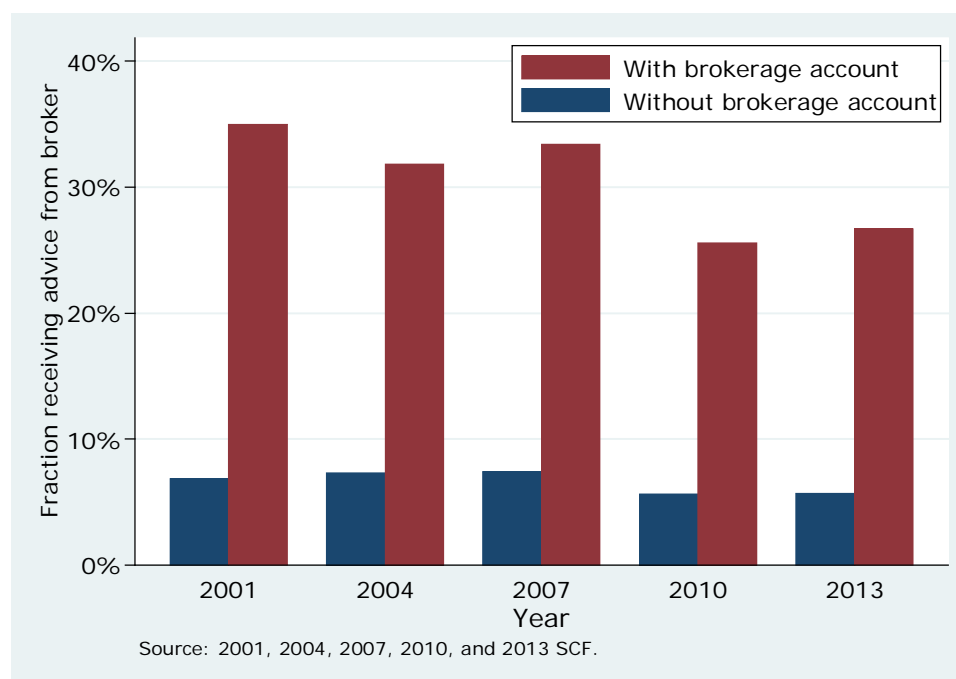
The SCF asks about sources of information used to make decisions about saving and investments, and respondents could give multiple answers.² Not surprisingly, households with a brokerage account were much more likely to use advice from brokers for their saving and investment decisions. In 2013, 4.6 million households with a brokerage account (27%) used brokers’ advice, compared with 6% of households without a brokerage account. However, the role of brokers appears to have diminished over time. While in 2013, 4.6 million households with a brokerage account (27%) used brokers’ advice, that figure was down from 6.8 million (35%) in 2001 (Table 6 and Figure 3). The change may reflect increasing popularity of internet-based brokerage firms.

² The survey question varied by whether the interview was conducted in person or over the telephone. The former question is “What sources of information do you (and your family) use to make decisions about saving and investments?” and the telephone version is “Please tell me which sources of information do you (and your family) use to make decisions about saving and investments?”

Table 6. Number and Fraction of Households Using Saving/Investment Advice from Brokers, by Year

Year	Number of households (millions)			Fraction of households		
	Without brokerage account	With brokerage account	Total	Without brokerage account	With brokerage account	Total
2001	6.0	6.8	12.8	6.9%	35.0%	12.0%
2004	6.9	5.6	12.5	7.3%	31.8%	11.2%
2007	7.3	5.7	13.0	7.4%	33.4%	11.2%
2010	5.7	4.4	10.1	5.6%	25.6%	8.6%
2013	6.0	4.6	10.6	5.7%	26.7%	8.6%

Source: 2001, 2004, 2007, 2010, and 2013 SCF.


Figure 3. Fraction of Households Using Saving/Investment Advice from Brokers, by Year

Asset Holdings by Households with a Brokerage Account

Table 7 shows summary statistics regarding the holdings of select asset categories by households with a brokerage account. The upper panel shows after-tax asset categories: stocks, bonds, and mutual funds, i.e., assets that are commonly held through a brokerage account.³ They further include assets and liabilities directly associated with a brokerage account, namely call money accounts (which hold money received from the sale of securities until the money is reinvested) and margin loans. All amounts are recorded as zero or positive in the SCF, but to indicate that

³ Mutual funds include hedge funds and real estate investment trusts (REITs).

margin loans are a liability, we display margin loans as negative numbers in the table. The lower panel of the table shows tax-sheltered assets in IRA and defined contribution (DC) pension plans. In 2013, the median household owned \$6,200 in stocks and \$0 in the other four after-tax asset types. While less than one-half of households reported owning bonds, mutual funds, or call money accounts, 77% owned at least one type of after-tax asset in the table, and the median amount owned was \$35,100. The average amount held in stocks was about \$248,000, followed by \$221,000 in mutual funds, \$51,000 in bonds, and \$24,000 in call money. The average margin loan was about \$2,000.⁴ In the aggregate, households with a brokerage account owned \$4.3 trillion in stocks, \$3.8 trillion in mutual funds, \$0.9 trillion in bonds, and 0.4 trillion in call money accounts, for an after-tax total of \$9.3 trillion. Most households with a brokerage account owned an IRA or DC pension plan with average balances of \$237,000 and \$140,000, respectively. (In this table and the next, Keogh plan balances are included among IRA balances.) The total combined after-tax and tax-sheltered asset holdings of households with a brokerage account were \$15.8 trillion in 2013.

Table 7. Holdings of Select Asset Types by Households with a Brokerage Account (2013)

Asset category	Fraction non-zero	Median	75th percentile	Mean	Sum (\$ billions)
After-tax assets:					
Stocks	61.6%	6,200	100,000	248,327	4,274.9
Bonds	7.0%	0	0	51,119	880.0
Mutual funds	31.1%	0	25,000	221,024	3,804.9
Call money account	13.3%	0	0	23,805	409.8
Margin loans	1.1%	0	0	-2,055	-35.4
Subtotal	76.6%	35,100	291,000	542,219	9,334.2
Tax-sheltered assets:					
IRA balances	70.8%	44,000	200,000	237,111	4,081.8
DC plan balance	52.5%	2,000	160,000	139,970	2,409.6
Total	95.8%	273,000	772,000	919,301	15,825.6

Source: 2013 SCF.

Note: Mutual funds include hedge funds and REITs. IRA balances include Keogh plans.

Table 8 and Figure 4 show how aggregate asset holdings among households with a brokerage account have evolved over time. All figures are in nominal dollars, i.e., not adjusted for inflation. Assets generally increased, though the 2004 and 2010 after-tax figures were depressed after declines in the equity markets in 2000-2002 and 2008-2009.

⁴ Only about 1% of households with a brokerage account had a margin loan, and their average balance was about \$193,000 (not shown in the table).

Table 8. Aggregate Holdings of Select Asset Types by Households with a Brokerage Account, by Year (\$ billions)

Year	After-tax assets						IRA balances	DC plan balances	Total
	Margin loans	Stocks	Bonds	Mutual funds	Call money accounts	Subtotal			
2001	-61.5	3,945.6	836.5	1,882.1	289.0	6,891.8	2,104.6	1,399.7	10,396.1
2004	-70.7	3,269.0	1,004.0	2,297.6	220.7	6,720.6	2,073.3	1,500.1	10,294.0
2007	-43.9	4,063.8	939.8	3,104.0	202.4	8,266.0	2,468.9	2,135.1	12,870.0
2010	-45.0	3,117.2	997.8	3,305.7	350.3	7,726.0	3,213.4	2,606.0	13,545.4
2013	-35.4	4,274.9	880.0	3,804.9	409.8	9,334.2	4,081.8	2,409.6	15,825.6

Source: 2001, 2004, 2007, 2010, and 2013 SCF.

Note: Mutual funds include hedge funds and REITs, except in 2001. IRA balances include Keogh plans. All amounts in nominal dollars.

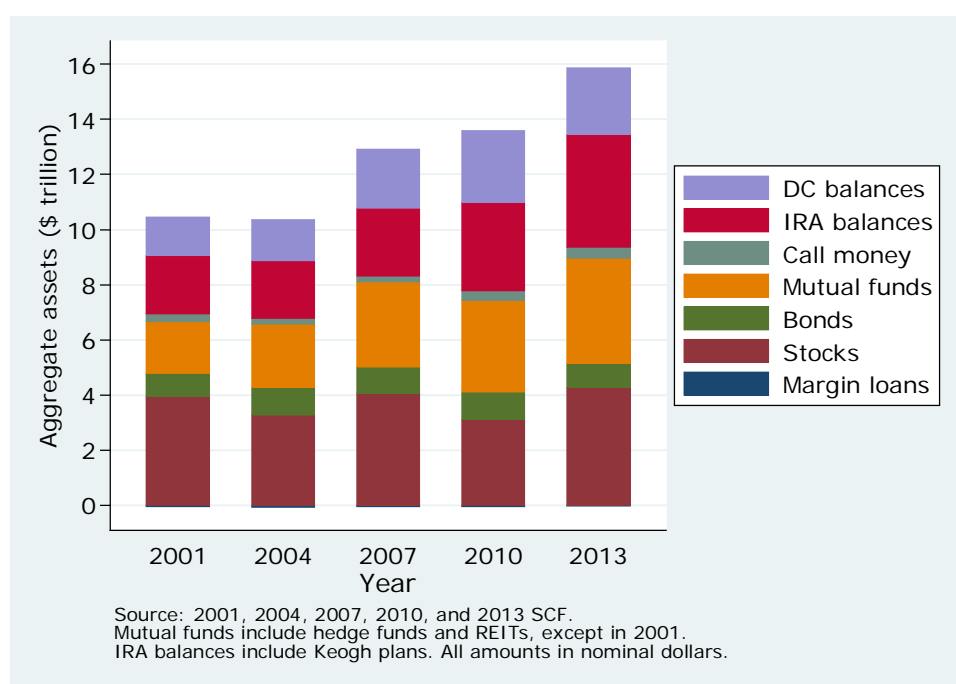


Figure 4. Aggregate Holdings of Select Asset Types by Households with a Brokerage Account, by Year (\$ billions)

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