

GAO Highlights

Highlights of [GAO-14-878T](#), a statement for the record to the Committee on Finance, U.S. Senate

Why GAO Did This Study

In 2014, the federal government will forgo an estimated \$17.5 billion in tax revenue from IRAs. Congress limited annual contributions to IRAs to prevent the tax-favored accumulation of unduly large balances, but concerns have been raised that tax benefits accrue primarily for higher-income individuals.

This statement provides preliminary observations based on ongoing work on information on IRA balances in terms of reported fair market value aggregated by taxpayers. GAO analyzed 2011 IRS statistical data. The unit of analysis was the taxpaying unit, and a tax return, such as a married couple filing jointly, may include more than one IRA owner. Aggregate balances include inherited IRAs that are not readily identified in the IRS data. GAO developed two scenarios to illustrate how much a person could have contributed given statutory limits on contributions from 1975 to 2011. GAO calculated hypothetical accumulations using historical stock and bond market returns as well as what return rates would be necessary to accumulate balances of \$1 million or \$5 million under each contribution scenario. GAO also calculated the IRA accumulation assuming the nominal historical interest rates as reported in the Social Security Trustees reports.

What GAO Recommends

GAO is not making recommendations in this statement. GAO will release a separate report with its final results on individual retirement accounts later this fall. GAO discussed the information in this statement with Department of the Treasury and IRS officials and they agreed with the information as presented.

View [GAO-14-878T](#). For more information, contact Charles A. Jeszeck at (202) 512-7125 or jeszeckj@gao.gov or James R. McTigue, Jr. at (202) 512-9110 or mctiguej@gao.gov.

September 2014

INDIVIDUAL RETIREMENT ACCOUNTS

Preliminary Information on IRA Balances Accumulated as of 2011

What GAO Found

For tax year 2011 (the most recent year available), an estimated 43 million taxpayers had individual retirement accounts (IRA) with total reported fair market value of \$5.2 trillion. About 99 percent of those taxpayers had aggregate IRA balances (including inherited IRAs) of \$1 million or less. As shown in the table below, few taxpayers had aggregated balances exceeding \$5 million as of 2011. Generally, taxpayers with IRA balances of \$5 million or more tend to have higher adjusted gross incomes, be joint filers, and 65 or more years old. The Internal Revenue Service (IRS) statistical data GAO analyzed may not provide a precise estimate of the number of taxpayers or other quantities when the number of taxpayers in a particular reporting group is very small. Large employee and employer contributions sustained over decades and rolled over from an employer plan would be necessary to accumulate an IRA balance over \$5 million. There is no total statutory limit on IRA accumulations or rollovers from employer defined contribution plans. An individual who made the maximum contributions every year since 1975 to a traditional IRA could have accumulated about \$303,000 achieving investment returns equal to the average annual Social Security interest rates.

Estimated Taxpayers with IRA by Size of IRA Balance, Tax Year 2011

IRA Balance	Number of taxpayers			Total IRA fair market value balances (\$ billions)		
	Estimate	95% confidence interval		Estimate	95% confidence interval	
\$1 million or less	42,382,192	42,094,009	42,670,375	\$4,092	\$4,038	\$4,147
> \$1 million to \$2 million	502,392	470,897	533,887	674	632	717
> \$2 million to \$3 million	83,529	72,632	94,426	198	173	224
> \$3 million to \$5 million	36,171	30,811	41,531	133	114	153
> \$5 million to \$10 million	7,952	6,120	9,783	52	40	64
> \$10 million to \$25 million	791	596	985	11	8	13
> \$25 million	314	115	650	81	8	225

Source: GAO analysis of IRS data. | [GAO-14-878T](#).

Notes: The taxpayer reflects a taxpaying unit including individuals as well as couples filing jointly which may have more than one IRA owner. The IRA balance aggregates the value of all IRAs owned, including inherited IRAs.