

# Competing in the Next Great Financial Services Battleground

Strategies and Tactics for Winning the Hearts & Wallets of Mid-Career Accumulators

## Overview

With this ground-breaking new study, Hearts & Wallets examines the competitive landscape for investment relationships and assets of Mid-career Accumulators—American investors in their 30s, 40s, and 50s. The report is based largely on a survey of executives with 16 leading financial services firms (with \$13 trillion of assets under management/administration), including asset managers, banks, brokerages, insurers, and retirement plan administrators.

## This Report Will Help You

- Identify and size opportunities to capture the assets and loyalty of Accumulators overall, and by distribution channel
- Revitalize accumulation-oriented product development and marketing efforts
- Benchmark progress in establishing Accumulator relationships, assets, and flows
- Discover the innovative solutions being targeted to, and used by, Accumulators today



## Key Findings

- Investors who are in the Accumulation life-stages control about half of total U.S. household investable assets, or about \$14-15 trillion
- There is strong consensus among financial services executives that accumulation approaches need to be revitalized
- Retirement plan providers and banks spend far more marketing and IT dollars on Accumulator-oriented services than those for Pre- and Post-Retirees—product manufacturers have a tremendous opportunity to support these efforts
- Addressing Accumulator retirement planning needs is a major area of development, as firms broaden scope to include estimating income and assets needed for distant retirements, as well as Social Security, pension, estate planning, lifestyle planning, and taxes

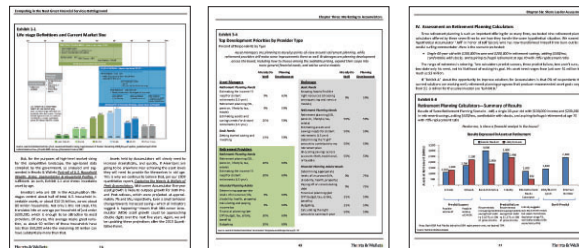
## Report Chapters

1. Sizing and Scoping the Mid-Career Accumulator Opportunity
2. Where do Accumulators Fit? Current Business Metrics and Resource Allocations
3. Marketing to Accumulators—Needs in Scope Today and for the Future, Acquisition, and Communication Tactics
4. Product and Service Solutions for Accumulators
5. Distribution and Service Model—Delivering Personal Touch Through Technology
6. Share Leader Assessment
7. A Look into the Future—Profiling 20 Innovators

## Key Benchmarks/Analysis

- Mid-career Accumulator share of assets, flows, clients
- Top development priorities to address accumulation and retirement income needs
- Organizational approaches to accumulation vs. retirement income
- Marketing and IT budget allocations to accumulation vs. retirement income
- Acquisition lead offers and top marketing tactics by firm type
- Analysis of share leader Web-sites and retirement calculators
- Analysis of 20 innovative accumulator offerings from start-ups and industry leaders

Sample pages.



**Price: \$10,000**, Full table of Contents, Foreword, Methodology, and Order Form attached.

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# Foreword

What should you do when you see something, but aren't sure how to react to it? Humans collectively and individually face this dilemma over and over again, from a prehistoric ancestor contemplating a mushroom in the woods, to a freshman entering college. As financial services professionals in the 21<sup>st</sup> century, we don't face these exact scenarios, but we do experience the same emotions when we become aware of a new situation. What should we do? Pretend it's not there? Run away from it? Attack it? Engage it?

The new situation we face today is that the current approach in the United States to accumulating savings is not working. The evidence is unmistakable. Millions of Americans are unprepared for retirement. Not one of the executives that responded to our Mid-career Accumulator Competitive Landscape survey, representing 16 leading firms with \$13 trillion in assets under management or administration, agrees that current accumulation solutions "work just fine." Optional self-funding, bolstered by a modest employer match, and fueled by the stock market in a "glide path" per the current generation of Target-date funds, hasn't been enough. There is interest from the industry, government and investors in insurance solutions, plain old saving more, and hope for approaches that have yet to be invented. This report aims to be fuel for inspiring the inventive animal spirits that make free-market economies vibrant.

The opportunity for firms to distinguish themselves by doing something different for Accumulators is enormous. There are about 80 million households who currently have about \$14-15 trillion in assets. Accumulators already represent a big chunk of business for the leading firms who participated in this research. Our survey respondents indicate that Accumulators represent 46% of their customers, 43% of assets under management or administration, and 38% of new flows.

We're beginning to see a surge of interest in Accumulators, as evidenced by the June 17, 2010 announcement Bank of America/Merrill Lynch that is launching Merrill Edge—an integrated investing and banking platform targeted to traders, as well as, in the words of Sally Krawcheck, "the next generation of investors." As we've been saying for some time, this is a major trend that is rapidly accelerating and will continue to do so throughout 2010 and beyond. This report presents aggregate industry attitudes and plans about Accumulator focus, products and delivery channels, as well as our reviews and opinions on what works and what doesn't from messaging to retirement planning calculators. We're seeing:

- Widespread industry desire to expand scope into lifetime financial well-being, but concerns about where to draw the line, prioritization of immediate opportunities with older investors, and interest in productizing offerings that help Accumulators while being profitable to deliver
- Growth in firms who are smart about targeting and designing solutions to Accumulator needs
- Innovation—from leading firms, to start-up bundlers of online values, to new tools

Having been a must-have resource on retirement income, thanks to our coverage of that market as it exploded in importance from 2005 to today, we are now pleased to be a leading edge resource for insights into the Accumulator market, which we believe is the next great financial services battleground.

Hearts & Wallets is your resource for analysis of the competitive landscape in the retirement industry, unmet investor needs, and insightful segmentation strategies. Our goal is to provide the inspiration and data to enable you to bring distinctive products and planning solutions to market, so that investors can improve their lifetime financial stability by choosing among an inventive array of intelligent, coherent offerings that only the profit-seeking private sector can design and deliver.

Chris J. Brown and Laura Varas—June 21, 2010

# Methodology

The bulk of the findings in this report are based on the 2010 Hearts & Wallets Mid-career Accumulator Competitive Landscape Survey—a 30 question online survey of financial services executives fielded between January 4 and March 30, 2010. Executives from 16 financial services firms with roughly \$13 trillion of assets under management/administration took the survey. Many of the individuals surveyed, work in large multifaceted firms with more than one of the following services—asset management, brokerage, banking, insurance, and employer-sponsored retirement plan administration. Therefore, the results have been analyzed according to the business unit of the survey respondent, unless otherwise noted, such as in Chapter 2, where we also examine results by parent company type. The following table illustrates the business units of the survey respondents, as well as the other services owned or affiliated with the parent company. The platform/vendor category includes three firms that offer a fairly specific set of services/solutions.

Firm	Respondent's Business Unit	Parent Co. Type	Services Offered					Platform/ Vendor
			Asset Mgmt.	Consumer Banking	incl. Persnl Ret.	Employer- Sponsrd Ret.	Insurance	
A	Asset Management	Asset Mgmt.	X				X	
B	Asset Management	Asset Mgmt.	X		X			
C	Asset Management	Asset Mgmt.	X					
D	Asset Management	Insurance	X		X	X	X	
E	Asset Management	Asset Mgmt.	X					
F	Brokerage incl. Personal Retirement	Distributor/Other			X			
G	Brokerage incl. Personal Retirement	Asset Mgmt.	X		X	X	X	
H	Brokerage incl. Personal Retirement	Bank	X	X	X	X	X	
I	Brokerage incl. Personal Retirement	Asset Mgmt.	X		X	X		
J	Employer-Sponsored Retirement Admin.	Bank	X	X	X	X		
K	Employer-Sponsored Retirement Admin.	Distributor/Other			X	X		
L	Employer-Sponsored Retirement Admin.	Insurance				X	X	
M	Employer-Sponsored Retirement Admin.	Insurance	X			X	X	
N	Platform/Vendor	Distributor/Other						X
O	Platform/Vendor	Distributor/Other						X
P	Platform/Vendor	Distributor/Other						X

In addition to the Mid-career Accumulator Competitive Landscape Survey, the findings of numerous other research studies have been synthesized into this research effort. These include government publications, such as data from the *Federal Reserve Flow of Funds* and the *Survey of Consumer Finance 2007*, data from Hearts & Wallets *Portrait of U.S. Household Investable Wealth 2009*, and Mast Hill Consulting research previously published by Financial Research Corporation and Fuse Research Network and used with permission.

Lastly, many of the insights into current industry practices stem from interviews and conversations with financial services executives, including survey respondents. Chapter 6 is based on a review of publicly available information from market share leaders, such as Web-sites and online tools, while Chapter 7 is based on reviews, and interviews, with executives of 20 firms that offer innovative solutions for Accumulators.

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