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**Market Downturn Accelerates Growth in Retirement Income Market Size to
\$4.3 Trillion, up from \$1.3 Trillion in 2006**

More Retirees Taking Higher Levels of Income from Reduced Portfolios,
Even As Young Investors Hardest Hit by Crash

December 2, 2009, Hingham, MA/Newton, NH – Almost half of all financial assets held by households age 65+ can now be considered in retirement income “drawdown” mode, according to a new research report from Hearts & Wallets. The new study, titled *Portrait of U.S. Household Financial Wealth 2009: Sizing, Segmentation, Product Ownership and Household Profiles*, quantifies investable assets and financial product ownership for the entire U.S. market, and segments investor assets into 6 age and 8 wealth categories, and 48 mutually exclusive and collectively exhaustive groups.

The report finds that \$4.3 trillion, or 48% of the \$9.0 trillion held by households age 65+, is being used to draw 4% or more of income, a commonly recognized hurdle above which cautious and deliberate income-taking strategies are warranted to ensure long-term sustainability. This represents a major shift in recent years, as the portion of retiree assets in retirement income “drawdown” was only 20% in 2006. A main driver of the increase comes from an affluent segment of retirees—those with \$1-2 million in assets—who are taking income at a annual rate of 4 to 6% of their investment assets, including returns. Overall, the retirement income market now represents 18% of U.S. household investable assets. Hearts and Wallets defines the market for retirement income products and services as retirees who depend on their personal assets as a primary income source, rather than as a supplement to Social Security and pensions. These investors logically seek to maximize income over their lifetimes.

“The market downturn means that more affluent retirees find themselves interested in retirement income strategies, bringing their assets into what we define as the retirement income market,” notes Laura Varas, one of the authors of the report. For example, a retiree

who had a pre-downturn \$1.2 million dollar portfolio and was comfortably generating \$42,000 of annual income, or 3.5%, now needs to take 4.2% of income from their reduced portfolio of about \$1,000,000 in order to maintain their living standard—pushing into the zone where deliberate income optimization is needed. “A separate but related investor interest is retirement income planning for pre-retiree households that are not yet using their assets to generate income, but the assets of retirees actually engaged in income-generation is the most concrete number to watch,” adds Varas.

The study analyzes trends for investors of all age and wealth groups. In addition to the findings on retirees, the report demonstrates that investable assets are highly correlated to income, reinforcing Hearts & Wallets’ position that mid-career investors are an attractive market due to their earned income and asset accumulation potential.

“Mid-career investors were hard hit by the market downturn, but the earning power of this group means they have tremendous potential for significant wealth accumulation.” says Chris Brown, the other author of the report. “Furthermore, mid-career investors are seeking financial advice and often leveraging technology to acquire information, creating opportunities for financial services firms to cost-effectively meet their needs.”

While the authors recognize that the media and industry are very focused on the needs of pre-retirees and retirees, Mr. Brown and Ms. Varas are passionate about advocating for mid-career savers. “Even though we are pleased that the industry has been improving income services for retirees, we see a huge opportunity for better offerings to help mid-career investors get back on their feet. Certainly the savings rate is showing that Americans are more interested in saving than they have been in years. After all, 82% of U.S. household investable assets are not in the retirement income market!” concludes Varas.

The report draws from the 2007 Survey of Consumer Finance and Federal Reserve Flow of Funds reports, as well as proprietary data, including recent Hearts & Wallets research into overlooked opportunities to profit from serving the financial needs of affluent mid-career investors. “The goal is to provide firms with enough information about the 48 wealth-age segments to create a custom market sizing that fits their business strategies, which for most firms includes offerings for pre-retirees and mid-career savers,” explains Brown.

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About Hearts & Wallets™ Series

Hearts & Wallets™ is a partnership from Chris Brown of Sway Research and Laura Varas of Mast Hill Consulting, whose past collaborations, through their work at Financial Research Corporation and other ventures, led to improvements in investment products, support tools, and communications for investor groups as diverse as Baby Boomers, retirees and small business owners.

The goal of the Hearts & Wallets™ series is to illuminate underserved, yet potentially very profitable customer segments. The first research report, [Capturing the Hearts & Wallets™ of Peak Accumulators™](#), which was published earlier this year, focused on the often overlooked and misunderstood investors of Generation X, as well as Younger Baby Boomers, especially the affluent Peak Accumulators™ whose commitment to regular saving makes them attractive customers and inspirational role models. The authors discuss new insights into attitudes, preferred financial services providers, product choices and the delivery channel needs of this unheralded demographic that is quietly looking for new services and products. Please visit www.heartsandwallets for more information.

About Sway Research LLC

The mission of Sway Research is to provide market data and analysis that empowers financial services executives to make decisions, effect change, and grow revenue. Leading manufacturers and distributors of investment products purchase Sway's research in syndicated reports, custom research projects, and strategy engagements. Sway is the leading provider of research and intelligence on the defined contribution investment-only market. The findings of our most recent in-depth DCIO study—*Best Practices in DCIO Sales and Marketing*—has enhanced the decisions of senior executives at dozens of asset management companies both large and small. Please visit www.swayresearch.com for more information.

About Mast Hill Consulting, Inc.

Mast Hill Consulting, Inc. specializes in research and consulting in the financial services industry, with an emphasis on retirement and investments. Our focus is how Americans – and the firms and professionals who serve them – build wealth and retirement security. MHC is honored to be a trusted resource for dozens of leading firms in the investment industry. Especially known for its expertise in the retirement income marketplace, MHC develops proprietary research of its own, collaborates with other research and consulting firms, and produces custom work for clients.

Since 2004, MHC has developed many white papers and over 8 in-depth research reports, including the March 2009 study published by FUSE Research Network, [Consumer Insights on Retirement Income: The Keys to a Competitive Advantage in Retirement Solutions](#), which together with [Capturing the Hearts & Wallets™ of Peak Accumulators™](#) gives a complete view of investment attitudes and practices across the generations.

President Laura Varas speaks frequently with senior management, sales forces, and at industry conferences on consumer needs, competitive landscape and best practices in the retirement income market and related topics. Please visit www.masthillconsulting.com for more information.