

Hearts & Wallets

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Investment Industry Focus on Pre-Retirees Leaves Half of all Younger Boomer and Generation X Investors Unsure Where to Turn for Financial Advice

78 Percent Consult Friends and Family on Key Investing Decisions;
Less Than One in Five Works Regularly with a Financial Professional

April 28, 2009, Hingham, MA – Investors aged 28-52 in the prime saving and asset accumulation phase of life are more likely to consider themselves their primary source of investment information and advice than any other source, including financial professionals or their employers, according to a new research report, [Capturing the Hearts & Wallets™ of Peak Accumulators™](#), which addresses investing habits and attitudes of the mid-career workforce.

Despite being the engine of future economic productivity, the report finds that middle-aged investors, or the so-called Core Workforce, are largely being overlooked by the investment industry, including asset managers, insurance companies, banks and brokerage houses. The 57 million households in this population segment currently have \$5.2 trillion in investable assets across bank, taxable brokerage and retirement accounts. Assets are currently concentrated among the 9 million most affluent households, which represent \$4.0 trillion of that asset base.

“This unheralded demographic is quietly looking for new products and services to support their savings goals, but most are not seeking professional advice,” explain Chris Brown and Laura Varas, authors of the landmark report. “Many investment professionals have been so focused on older investors that they are at risk of missing an entire generation.”

In conjunction with the study, the authors conducted a national survey of over 800 investors aged 28-52, the findings of which underpin the conclusions drawn by the Hearts & Wallets report. The survey, which polled Core Workforce households in the fall of 2008, confirms that middle-aged investors feel very much alone:

- 54% find it “difficult” or “very difficult” to “find the right resources for getting help with financial questions”;
- Only 18% work primarily with a financial professional, such as a broker, registered investment advisor, insurance, banking, mutual fund or on-line brokerage representative;
- 78% consult friends and family at least “sometimes”, but only 28% say “my friends seem to know how to invest”;
- 84% are “concerned” or “very concerned” about the “future of Social Security”
- Only 5% “agree strongly” that “my employer is responsible for providing for my retirement”;
- Only 9% “agree strongly” that “I’m on track to accumulating the savings I’ll need to retire.”

“The core financial task of mid-life is to establish stability and accumulate savings, but Core Workforce investors don’t feel they can rely on their employers, the government or the financial services industry to help them, so they are turning to themselves, friends and family for advice . . . even as they recognize the limited value of that advice,” added Brown and Varas. “This level of wariness has profound implications for the financial services industry and will transform the delivery of investments in the future for firms that understand how to recalibrate their approach.”

According to the report, Younger Boomers (age 43-53) have more in common financially with Generation X (age 28-42) than with Older Boomers (age 54-62). Yet a 2007 survey of over 30 firms with \$14 trillion in assets conducted by Mast Hill Consulting found that 60% of industry “effort and investment” is directed to pre- and post-retirees, especially Older Boomers, while only 12% of industry “effort and investment” is dedicated to Generation X.

“Overemphasis on Older Boomers hurts prospects for future growth when it comes at the expense of programs that help the Core Workforce succeed with the mid-life task of achieving solid financial footing,” added Varas. “There is a role for both private-sector and public solutions.”

The report segments middle-aged investors into three behavioral groups. The most attractive segment, Peak Accumulators, engages in six constructive financial behaviors: they spend less than they make, have an emergency fund, contribute something to a retirement plan each year, own their own home, have their insurance needs covered, and have little or no credit card debt. The Hearts & Wallets report recommends that financial

services providers actively build programs for Core Workforce investors that creatively dovetail with these behaviors.

“While others focus on serving Older Boomers, there is a terrific opportunity for nimble, forward-thinking service providers to re-connect with this audience and establish a first-mover advantage. Because the Core Workforce is so large, small changes in behavior could mean asset growth will rival or exceed that of pre-retirees. After all, organic growth is easier and potentially less expensive to achieve than wresting share from competitors, which is required when working with older investors,” concludes Brown.

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About Hearts & Wallets™ Series

Hearts & Wallets™ is a new partnership from Chris Brown of Sway Research and Laura Varas of Mast Hill Consulting, two Core Workforce investors themselves 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. This first research report, [Capturing the Hearts & Wallets™ of Peak Accumulators™](#), is 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.

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.