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## Boomers Aren't The Only Fish in the Sea

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By Editor Test      Mon, Oct 22, 2012

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*"Accumulators" between ages 28 and 64, and not just income seekers from 55 to 64, are the best prospects for advisors and financial services firms, according to a new study by Hearts & Wallets. At left, Laura Varas of Hearts & Wallets.*

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Affluent, high-net wealth younger investors, or "Accumulators," are higher-value targets for the sales efforts of financial services firms and advisors than are traditional bread-and-butter "Pre-Retirees," according to the Boston-area research firm Hearts & Wallets.

As defined by Hearts & Wallets, Accumulators are mid- and late-career investors, ages 28 to 64, who do not yet consider themselves pre-retirees. They control about half of all U.S. household investable assets.

By contrast, Pre-Retirees are those of any age who consider themselves within five years of retirement. Only 4.8 million households, controlling \$3.1 trillion in investable assets, are Pre-Retirees, and only 55% of true Pre-Retirees are 55 to 64 years of age. The rest are younger or older.

"This study reaffirms the importance of including Accumulators in any client acquisition plan," said Laura Varas, principal of Hearts & Wallets. "For too long the industry has focused on pre-retirees as the golden goose.

"Neglecting Accumulators by leaving them unsatisfied in financial advice will result in this segment creating relationships with other options, perhaps even category newcomers or technology solutions, to the long-term detriment of industry stalwarts," Varas added.

### **Accumulators have needs too**

Accumulators face even bigger financial advice gaps than older people, according to Insight Module *"Trended Engagement Model: Reasons for Seeking Help and Taking Action,"* the latest release from Hearts & Wallets' 2012 Investor Quantitative Panel. It is based on a survey of more than 5,400 U.S. households.

Four in 10 Accumulators find retirement planning difficult but aren't getting help. A similar proportion hasn't yet sought help in getting started saving and investing. The biggest advice gaps for all lifestages are "knowing how to find the right resources" and "handling market volatility emotionally."

Only 23% of Affluent/HNW Accumulators sought help for choosing appropriate investments in 2012 versus 30% in 2010. The most common action taken after seeking advice was to increase savings.

"The trend to not seek help with financial tasks continues downward in 2012. This reflects investors' decreased engagement, which is related to the low trust Americans have in financial services providers," said Chris Brown, a Hearts & Wallets principal. "Only one in five Americans places full trust in their primary and secondary providers, down from one in four in 2011. Accumulators are looking for sound

financial advice but they are held back from seeking help with financial tasks because they are unsure of whom they can trust.”

### **Three ‘screaming needs’**

“Our focus groups continue to suggest that until investors’ three screaming unmet needs are satisfied, [investors’ levels of] trust and engagement will remain low,” Brown added. Hearts & Wallets has identified those three unmet needs as questions that service providers aren’t adequately answering: 1) What do you do? (2) How are you paid? and (3) How can I evaluate you?

Accumulators are also at the center of the account consolidation trend. More than four in 10, or 42%, of Affluent/High-Net Worth Accumulators have either consolidated accounts with fewer products or plan to. Accumulator money movement is driven more by what Hearts & Wallets calls the “advice-pricing value propositions” than by pre-retirement simplification.

Overall, investors found financial tasks less difficult in 2012 than in 2011, Hearts & Wallets found. Retirement planning continues to lead as the most difficult task. Getting started saving and investing ranks second.

Though wealthier investors tend to have an easier time with financial activities than their less affluent counterparts, one-third of Affluent/HNW Accumulators said choosing appropriate investments, retirement planning and knowing how to find the right resources are “very difficult.” As with the general population, fewer Affluent/HNW Accumulators sought help with financial tasks in 2012 than in 2011 or 2010.

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