Dennis Hopper was right, Hearts & Wallets survey finds

By Editor Test *Tue, Aug 9, 2011*

"The financial services industry needs to start executing on the reality that many investors don't plan to retire," said Laura Varas, Hearts & Wallets principal.

"Financial freedom," not "traditional retirement," is the main reason why affluent investors between the ages of 40 and 60 strive to accumulate money, according to a new study by Hearts & Wallets, a Boston-area research firm that specializes in retirement and savings.

The study ratifies the concept that was popularized a few years ago in Ameriprise TV commercials where the late Dennis Hopper—co-star of *Easy Rider*—stood on a beach and declared that Boomers would use retirement to re-connect with their circa-1969 craziness. In the background, the Spencer Davis Group blasted 'Gimme Some Lovin'.

"The financial services industry needs to start executing on the reality that many investors don't plan to retire," said Laura Varas, Hearts & Wallets principal. "Affluent accumulators told us they are saving for 'freedom money.' This is a polite version of the term they used to describe the pot of money that will let them walk off the job if someone treats them unreasonably, or if they simply get sick of that job and want to do something else.

"That day may never come. Knowing they have the option to say 'bug off' if they want to, gives them tremendous peace of mind that is invigorating, reassuring and even energizing."

The study, *Acquiring Mid-Career Accumulators: Positioning Advice and Disclosing Fees with Upshifting and Downshifting Investors,* found that few providers have been able to change the dialogue from "a singular focus on retirement to multi-dimensional freedom money."

'Muddled' advice models and pricing

The new study also found that, going forward, investors will scrutinize the costs and benefits of the investment guidance they're getting. As a result, advice providers won't be able to get away with "muddled value propositions."

"It's critical to address these issues prior to the 401(k) fee disclosure in 2012," said Chris Brown, Hearts & Wallet principal. "By clarifying the value proposition now, the financial services industry can get ahead of questions that will arise when fees are printed on 401(k) statements.

"Investors want to understand what they are getting and paying for, and this will improve trust overall. It may take some time, but seeing what they're paying in their employer-sponsored retirement accounts will give investors the framework to start asking questions about price and value in their own retail relationships, questions that are already very much on their minds."

The study, which is available for a fee, is designed to help providers:

- Understand "pain points" or questions that will motivate investors to seek advice or solutions.
- Assess how key segments of Accumulators want to access and evaluate advice.
- Test concepts that offer service model choices in terms of advice and pricing, including bundled, unbundled, fiduciary, lump sum, hourly rates and more—a key strategic issue in advance of 2012 fee disclosure requirements.
- Obtain insights into attitudes on retirement and retirement messaging by evaluating actual advertisements for retirement advice currently in the marketplace.
- Unlock secrets of trial and acquisition of those investors who are "in play," whether Upshifters or Downshifters.

The findings are based on a series of nationwide focus groups with investors with at least $100,000 in assets (most with $250,000 to $1 million in assets) who were actively thinking about advice service model pricing, breaking down into the following psychographic segments:

- Upshifters – Recently consolidated, switched or seriously evaluating to obtain more advice
- Downshifters **–** Recently increased business or seriously considering doing so with a provider for more empowerment and cost-effectiveness
- Engaged & Staying Put – Actively using services and reasonably satisfied

"If your offering is positioned as a service, be a service," Varas said. "Service companies can describe the services they offer on key dimensions, teach the customer how to evaluate how well those services are delivered, and offer choices in pricing to go up or down depending on the customer's chosen service level.

"Since holding an investment 'product' involves using it for a long period of time, checking in on it occasionally, and hoping for an outcome, this principle of 'being a service' applies to product manufacturers, such as insurers or asset managers who distribute through intermediaries, as well as the more obvious case of brokerage firms, banks and others who offer investment services directly to investors."

The full report includes:

- Five Reasons Accumulators Are Not Saving Enough for Retirement and Five Ways to Engage Them
- What's Working & What's Not: Insight into the Advice Service Models of the Future
- Reactions to Alternative Service/Pricing Concepts
- Attitudes & Experiences of Upshifters
- Attitudes & Experiences of Downshifters
- Appendix: Evaluation of Retirement Advertisements