Financial service firms neglect ‘accumulators’: Hearts & Wallets

By Editor Test *Mon, Aug 26, 2013*

Only 16% of resources (budgets, headcount and management) are devoted to young investors, and only eight percent of firms offer a dedicated young investor focus similar to retirement income, according to the Boston area research firm.

At their peril, traditional financial services firms continue to neglect the 77 million U.S. households that are still in the accumulation stage, a group that has $15.4 trillion and includes the 29 million mid-career households ages 40 to 53 with $7.2 trillion, according to Hearts & Wallets, LLC, the retirement and investment trends research firm.

“New entrants will force incumbents to respond in the coming months to the under-served ‘Accumulator’ market. LearnVest, NestWise and other new competitors [will] enable younger investors to break free from asset-based pricing, which hampers access to desired services,” said Chris J. Brown, Hearts & Wallets LLC principal.

His firm defines Accumulators as those younger than age 64 and not within five years of retirement. Retirees, a separate group, account for 34 million households with $13.8 trillion invested.

The findings come from the Hearts & Wallets annual competitive study, *Inside Retirement Advice 2013: Accumulator Focus. Acquiring and Growing Relationships in the Workplace, Online and with Advice & Guidance.* It highlights findings from the firm’s annual confidential management survey, Inside Advice Competitive Landscape Survey Q2 2013.

The survey of nearly two dozen leading distributors, employer-sponsored plans, insurers, asset managers and intermediary platform solution providers reveals future strategic priorities for retirement, segment focus, offering scope, social media and technology and sizes the Accumulator market. Participating firms had more than $12 trillion in AUA and more than $10 trillion in AUM, serve more than 50 million retail customers and support more than 60,000 registered reps.

Large firms are uncertain whether to focus on retirement income (55%) or young investors, the survey showed. Encouragingly, 55% of firms think considering the lifetime value of a customer could be useful, up from 43% in 2010.

Participating firms are under pressure to maintain older investor focus. Only 16% of resources (budgets, headcount and management) are devoted to young investors, and only eight percent of firms offer a dedicated young investor focus similar to retirement income. Signs of change are emerging, however, as firms emphasize tools and social media resources that appeal to younger investors and shift strategies.

Social media’s role

Firms primarily use social media for branding and to grow and acquire customers. Only one-quarter cite social media as a service delivery advantage. Online ads, email, Twitter and similar messaging capabilities and communities outrank formerly popular communication vehicles except for seminars and TV ads. Ninety percent agree younger investors demand more immediate and varied ways to communicate, access and validate, and the industry will have to adapt.

“Few Accumulators are explicitly planning for, or intensely interested in, retirement, so speak the language of younger investors,” Brown said. “Three-quarters of firms agree they need to do something different for younger investors. The growing wallets of these future mainstream customers will go to firms that adapt or new entrants.”