Retirement Income
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What Boomers want, and when they want it: Hearts & Wallets

By Kerry Pechter *Wed, Feb 19, 2014*

"Advice source consolidation begins three to four years ahead of retirement, heats up during the retirement event and continues the first three to four years of retirement," said the Boston-area firm's latest study. (Photo: H&W's Laura Varas).

"Responsiveness," "certifications or credentials," and being "proactive" are all attributes that consumers who are on a "Retirement Learning Curve" look for in advisers, according to a report on new research by Boston-area consulting firm, Hearts & Wallets, LLC.

The Retirement Learning Curve, as defined by H&W principals Chris Brown and Laura Varas, is much bigger than the so-called retirement "red zone." It starts seven to 10 years before full-time work ends and lasts for 11 or more years after retirement, they said.

"Some [adviser] attributes, or service dimensions, like being 'proactive,' peak in importance before work stops and remain somewhat high after retirement. Others, like being 'easily reachable by telephone,' also peak but increase even more after retirement," Brown said in a recent press release.

The latest announcement from Hearts & Wallets highlights two of its proprietary studies, "Insight Module 9: *Approaching Retirement & the Retirement Learning Curve*"and "Insight Module 8: *State of Retirement Funding & Household Finances in 2013*." Module 9 is a guide for providers and advisors to understand changes in consumer income, attitudes, and the desired products, services and provider attributes during the pre- to post-retirement transition.

Module 8 includes these topics*: Income Sources, Savings, Spending, Debt, Real Estate & Retirement*, and Explore: *Surprises of Modern Retirement: How Pension Status and Timing is Key to Approaching the Biggest Segment of U.S. Investors* as well as the bonus: *Retirement Market Income Marketing-Sizing Data, including 2020 Projection*.

Module 8 is part of Hearts & Wallets' annual Quant Panel of more than 5,000 U.S. households, a representative cross-section of the American population, which tracks specific segments and product trends and forms a flexible and inquisitive proprietary database of insights into investor needs and wants as the source for a series of syndicated reports and customized client analyses.

H&W's research adds some documentation to what advisers may already know from experience. "Advice source consolidation begins three to four years ahead of retirement, heats up during the retirement event and continues the first three to four years of retirement," according to the firm's release. "Well before stopping full-time work, most Americans also shift to more conservative portfolios and have a growing risk aversion."

They've identified a window in which they think consumers will be receptive to a pitch from an adviser. "Acquisition opportunity is greatest three to seven years before the retirement event. That's when households are most likely to try a new provider," the release said.

Income generation capacity seems to fall two years before people leave the last full-time job, H&W found. Gross household income drops 16% on average ($93,000 to $78,000) during the last two to four years before retirement. To offset the decline, some near-retirees tap into their nest egg prematurely.

Anxiety about finance, especially inflation, mirrors this two-year pre-retirement pattern. Anxiety peaks at 29% within two years of stopping full-time work and declines sharply after retirement. As people become accustomed to their new retirement lifestyle, the share of households with little or no anxiety rises.

Only about half of those within 10 years of stopping full-time work are ages 55 to 64. Many are younger. Seventeen million households believe they are within 10 years of the breadwinner stopping full-time work, although only six million households self-identify as pre-retirees.

American households that are transitioning out of full-time work have about $350,000 of investable assets, on average. Median savings is less than $100,000, however, and 12% of households retire with no savings at all. The study also found, oddly, that 58% of households are still "saving something" even 10 years after retirement.

The Hearts & Wallets study also found that near-retirees start to shift money away from self-service investment firms and toward shift banks and full-service providers during the years directly before and after retirement.