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U.S. Savings Rate Jumps to 5.5%, One Fourth Save Nothing; Top 10 Statistics of U.S. Household Finance Throughout Life

Online Planning Tools Boost Savings, Especially for Lower Income

(Rye, NY) – The average household's savings rate jumped to 5.5 percent in 2014, up from 4.6% percent in 2013, but the picture of household wealth isn't all positive. One-fourth of all Americans saved nothing, and younger and less affluent consumers struggle with more non-mortgage debt, according to a new study of household finance throughout life by Hearts & Wallets, the preeminent financial research resource for understanding consumer savings and investing needs and behaviors.

The study provides a current picture of U.S. household assets, income, replacement rates, spending, real estate assets and debt in an analysis of more than 5,500 U.S. households nationwide. Households with the primary breadwinner ages 40 to 52 (Mid-Career) saw the biggest gains in savings rate of any lifestage, going from 4.6 percent in 2013 to 6.0 percent in 2014. Less affluent households, with less than $100,000 in investable assets, put away less than 5 percent in 2014, with higher-net-worth households saving more than 10 percent in the study, *State of Retirement Funding and Household Finances in 2014: Income Sources, Savings, Spending, Debt, Real Estate & Retirement*. An at-a-glance look a key statistics includes –

Top 10 Statistics – H*ousehold Finance Throughout Life*		
Savings		
	5.5%	reported national savings rate in 2014.
	25%	number of Americans who save nothing at all in 2014!
	1/5	percentage of annual household savings allotted to employer sponsored plans, across participating and non-participating households. The rate dropped from 29% in 2013 to 22% in 2014. Participating households put an average of 39% of savings to their employer-sponsored plan, down from 49% in 2013.
Debt		
	65%	of mass market households (less than $100,000 in investable assets) have debt, often troubling levels of non-mortgage debt. Only 35% of Mass Market households have no debt, down from 40% in 2013.
	Nearly 1 in 8	people ages 21 to 52 (Emerging, Early and Mid-Career) have onerous levels of more than $30,000 of debt.
Retirement		
	70	age when most people anticipate stopping work. And the age when anticipated retirements spike for "fully employed seniors" (age 65 and working full-time), jumping from under 20 percent to almost 40 percent.
	$2 million	the wealth threshold for those who plan "early retirement" at age 60 or younger. Most people with less savings intend to keep working.
	66%	average post-retiree household income compared to pre-retirement income (replacement rate). Only 6% of post-retirees have annual incomes over $120,000.
Health		
	1/10	number of older households that spend 25 percent or more on healthcare, potentially making work difficult and forcing retirement.
Real Estate		
	Nearly 1 in 3	affluent households (more than $100,000 in investable assets) own additional real estate besides their primary residence, with an average net equity of about $410,000

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"The increasing savings rate is good news, but averages can be misleading," Laura Varas, Hearts & Wallets partner and co-founder, said. "People with less assets are struggling. It's impossible to 'save for retirement' without first getting out from under debt. The data provide insights into ways people can improve savings rates and how financial services firms can help by, for example, incorporating debt and real estate into the scope of savings advice."

Tools boost savings by 20 to 50 percent

Online planning tools can boost savings rates by 20 to 50 percent with lower income savers benefiting most, according to Hearts & Wallets analysis. Low-income consumers ($48,000 or less) who use calculators are more than 50 percent more likely to save than low-income Americans who don't, and save at higher rates. High-income consumers who use calculators save about 20 percent more than their peers who do not use calculators. Nationally, those who use calculators have a mean savings of nearly $6,700 as compared to a mean savings of not quite $3,800 for those who do not use calculators.

Since online calculators often do not offer the ability to include Social Security, long-term care or other important "what if" planning scenarios, consumers may be most satisfied with a combination of tools and human advisors. More than one-third of households use both technology and financial professionals for advice and information in 2014.

Dip in Savings into Employer-Sponsored Retirement Plans

The Hearts & Wallets study shows households allotting 7 percentage points less of savings to employer sponsored plans in one year, dropping from 29 percent in 2013 to 22 percent in 2014. The recent Vanguard study *How America Saves 2014* also finds eligible employee participation rates dipping from 74 percent in 2012 to 67 percent by year-end 2013. "The dip may because the #1 financial goal in 2014 was to build up an emergency fund, followed by having enough money to work less, not retire per se," explains Varas. "But employer-sponsored retirement plans are a great savings vehicle for millions of Americans, so we are currently analyzing the goals and reasons people use employer plans to find some explanations for the decrease. It may reverse itself next year, too, since more people are planning to use personal assets for income once they stop working, as shown in Retirement Reachability Ratio trends."

Retirement Health

Retirement health metrics, like Hearts & Wallets Retirement Reachability Ratio™ (RRR), offer insight into national level of preparedness toward retirement savings. The RRR measures national progress toward retirement goals as defined by people's individual goals, taking reduced spending and multiple sources of income into account. This past year, the ratio remains similar to 2013 with a weighting increasing on both ends. Slightly more people are in the well-prepared group (80 percent or more of target assets) at 24 percent versus 23 percent in 2013, but also in the unprepared group (less than 20 percent of target assets) at 16 percent as compared to 14 percent in 2013.

The RRR is grim for those in the Late Career lifestage, ages 53 to 64. 47 percent of Late Careers are at less than 40 percent of target assets. The median RRR fell dramatically in 2014 with an increasing portion of this lifestage expecting to use personal assets for income as they age (82 percent in 2014). Many plan to work as long as possible. "It's never made sense to us that a healthy person of average means would spend decades at leisure," adds Varas. "The key is to be prepared for the day when employment slows or stops, and to use investments, real estate and debt wisely throughout life. This dataset makes possible a huge number of calculations about who's doing what and best practices, so we are looking forward to continuing to use it in many creative ways to power all sorts of applications that will ultimately help the American consumer achieve better outcomes."

About the Hearts & Wallets Study Methodology

State of Retirement Funding and Household Finances in 2014: Income Sources, Savings, Spending, Debt, Real Estate & Retirement analyzes attitudes and behaviors of investor lifestages from age 21 through post-retirement and is drawn from the **Hearts & Wallets Investor Quant (IQ) Database.** The IQ database platform serves as the engine for Hearts & Wallets annual reports as well as emerging trend analysis and consists annually of more than 2 million data points from 85 families of savings and investment questions asked during 40-minute interviews of 5,500 U.S. households. The integrated database engine now consists of more than 30,000 U.S. households over five years.

About the Hearts & Wallets®

Hearts & Wallets LLC is the preeminent financial research resource for understanding savings and investing needs and behaviors of American households. More than half of the top 10 retail financial services firms, in terms of assets under management and investors served, subscribe to the Hearts & Wallets Investor Quant (IQ) database engine platform with data on 30,000 U.S. households over five years. The firm's integrated research platform combines consumer marketing and strategy frameworks with a deep, practical understanding of how the investment, retirement and banking industries function. Hearts & Wallets grows financial services client businesses by illuminating new, smart ways to truly help American savers and investors. Clients better understand the unmeet needs of distinct population segments, improve their products and services, gain a powerful competitive edge, and ultimately, enhance consumer lives. The company is headed by two of the leading research experts in retirement market trends for the financial services industry, **Chris J. Brown** and **Laura Varas**. Their studies and conferences are must-have resources for retirement industry strategists, product managers and marketing and sales executives. For more information, visit www.heartsandwallets.com.

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