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Consumers More Upbeat on Finances Despite Retirement Nest Egg Concerns as Asset Growth Flattens

First Insights from 2016 Investor Quantitative Database™ Reveal Consumer Attitudes and Sentiments and Provide Portrait of U.S. Household Finances

(Rye, NY) – Americans are feeling better about their financial situation in 2016 despite growing concerns about how they'll build their retirement nest egg, and uncertainty as to whether doing so is even as important as broader financial wellness, according to new research by **Hearts & Wallets**, the source for retail investor data and insights.

Nationally, investors feel better about the U.S. economy, inflation and retirement as compared to 2015. Building an emergency fund has become even more important in a year when total household investable assets and retirement asset growth were flat – after seeing growth in prior years. The stagnant state of household wealth finds consumers, with the exception of retirees, more willing to risk market volatility in pursuit of gains in the low-interest rate environment. In particularly, receptivity of younger investors reached new highs not seen since 2010 with almost one-third being comfortable with volatility.

The findings are the first insights from the 2016 Investor Quantitative Database™, an annual survey of over 5,000 U.S. households revealing the keys to retail investor decision-making through the lenses of demographics, behaviors, attitudes and investor ratings. *Attitudes and Sentiment*, part of the *Mindset and Behaviors* series, and the highly sought-after market sizing in *Portrait of U.S. Household Wealth* are now available.

"Consumers are focusing on the bird in the hand, their emergency fund, but are very aware of the bird in the bush and, with their improving mindset, know they need to do more to build their retirement funds and overall savings," said Laura Varas, Hearts & Wallets founder and CEO. "In general, U.S. households are feeling better, but there is a nagging undercurrent for something more. Few households made money last year. Some are caught between the fear of losing capital and missing growth. It's a great opportunity for financial providers who understand the mindset and challenges of specific target groups to design solutions that meet their needs."

Retirement and Employer-Provided Resources

Less than one-third of accumulators[1] feel their retirement savings are on track, a drop of 7 percentage points from two years ago. The decline was across all lifestages with the largest decrease among those nearing the traditional age of retirement, Late Careers (ages 53 to 64), falling 5 percentage points in one year. One third (31%) saving for retirement are unsure how they will fund their retirement, especially households with less than $100,000 in investable assets.

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[1] Hearts & Wallets defines "accumulators" as households where primary breadwinner is working full- or part-time, or is unemployed, but has no plans to retire.

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Consumers More Upbeat/2

As consumers struggle to identify retirement income, they are becoming more open to using the resources offered by their employer-sponsored retirement savings plans. Mid-Career (ages 40 to 52) are now as receptive as younger consumers with 45% agreeing they would "use retirement planning resources provided through my employer, or would if they were offered."

Young Worry More

National anxiety levels and concern about the future declined in 2016, falling from 17% in 2012 to 12% in 2016. Older consumers feel better than younger people, whose anxiety is rising. Over one-third of younger Americans (35%) now express high or moderate anxiety, up from 27% in 2014. Almost all Americans wish they were saving more. Those who strongly agree that they wished they saved more increased to 34% up from 28% in 2010 with agreement being very high among the young.

More consumers (27%) are comfortable accepting volatility in the hope of getting higher returns, up from 22% in 2015. Consumers are dealing with the new barrier to retirement asset growth, the first since 2008, as retirement assets had grown steadily the last seven years. Likewise, aggregate investable assets were flat in contrast to a big gain among the wealthy in 2014. A bright spot was the 700,000 households with $50,000 to less than $250,000 that built their assets through increased savings.

"The data reveals Americans have a more open mindset. It's a great opportunity for providers to intensify engagement and identify which households are open to advice from financial providers," Varas said. "There is receptivity to paying for financial advice, and there is a clear unmet need for better emergency fund solutions. It's all about understanding the needs of the consumer, what drives the decision-making process, the timing and competitive landscape."

Methodology

Attitudes and Sentiment is drawn from the Hearts & Wallets Investor Quantitative Database™ (IQDB) and captures how retail savers and investors feel about their financial situation, their investing experience and risk tolerance, their top financial goals and concerns and how these have changed from prior years. *Portrait of U.S. Household Wealth* is based on Hearts & Wallets' analysis of the Federal Reserve Flow of Funds, Survey of Consumer Finances, U.S. Census Bureau data and the IQDB to determine asset and household market sizing, segmentation and product ownership.

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