

RESPECT for Younger U.S. Households Whose Power Saving Represents over Half Their Total Asset Gains in Past Year

The Portrait Grid™ Reveals Savings as Main Path to Asset Growth for Americans Age 45 and under; Investments Propel Older Consumer Asset Gains

(February 26, 2019, Rye, NY) – The Portrait Grid™ market sizing reveals new saving provided the most significant boost to the assets of younger Americans under age 45, representing over half of their total investable asset gains this past year, in a comprehensive look at U.S. household wealth and market sizing from **Hearts & Wallets**, the source for retail investor data and insights.

Portrait of U.S. Household Wealth: Market Volatility and the Enduring Value of Consumer Households is the annual market sizing report that delivers actionable estimates of households and investable assets for the addressable U.S. retail investor market. Consumer households and their investable assets can be sized by lifestage and/or age and generation, or with fact-based sizing exercises on personal advice shoppers from detailed Hearts & Wallets analyses that connect proprietary data on consumer behavior with top-down government data derived from Federal Reserve Flow of Funds, the Survey of Consumer Finances and U.S. Census Bureau.

Saving vs. Investing

The Hearts & Wallets Portrait Grid™ delivers a comprehensive view of consumer groups by age and investable assets to understand asset growth easily and size markets over a certain time period. The youngest consumers, under age 35, increased investable assets from mid-2017 to mid-2018 by \$180 billion with 61% of the gain (\$109 billion) coming from new saving. For households ages 35 to 44, almost half (49%), or \$119 billion, of their total \$244 billion gain was from new saving.

Consumers with the least amount of assets, under \$50,000 in investable assets enjoyed nearly all of their gains – \$204 billion out of \$224 billion – from new saving over the past year. Older and more affluent households made most of their gains through capital markets.

“Applause to the power-saving younger households who are doing the hard work of building their nest eggs dollar by dollar,” Laura Varas, CEO and founder of Hearts & Wallets said. “Consumers have no control over the markets, but the young and less affluent have made great strides in saving over the past year. Financial firms can support these often-overlooked consumer groups with products that are priced to meet their needs to help them eventually gain more access to capital markets.”

Growth in Households

The total number of U.S. households has grown by over 10 million households since 2007, increasing from 116 million to 127 million in mid-2018. These 127M households controlled about \$53.2T of investable assets as of mid-2018. Even with recent market volatility, U.S. household assets have more than doubled in the past 10 years.

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The consumer group with the least amount of investable assets is the largest group in number of households. Consumers with less than \$50,000 in investable assets are 74.6 million strong. Consumers with \$100,000 to \$250,000 in investable assets come in a distant second with 16 million households.

From mid-2017 to mid-2018, investable assets rose \$4.8 trillion for U.S. households nationally. Income, saving and asset allocation behaviors from the Hearts & Wallets Investor Quantitative™ Database indicate \$2.9 trillion of that growth is from capital markets, \$0.7T from new saving and \$1.2T from one-time events, such as real estate sales, employer bonuses, ESRP matches, etc., and also includes unknown occurrences.

“Assets are volatile as markets change, but customer relationships endure and can be retained with cultivation,” Amber Katris, Hearts & Wallets Subject Matter Expert, said. “Firms can address needs beyond retirement as taxable assets are a big part of household wealth and understanding the dynamics of alternatives to investable assets is important. Market sizing of particular groups of consumers helps identify which consumers are most open to particular solutions and the relative sizes of these opportunities.”

Sizing Personal Finance Advice Market

Portrait and The Portrait Grid™ are the foundation for sizing opportunities for the addressable market for any consumer segment or target, drawing from the Investor Quantitative™ Database. The report contains sizing exercises for consumer groups in the personal financial advice market. The exercises include consumers who have more complex financial situations and seek advisor-guided solutions, consumers who have lower complexity financial situations at all services levels (self, mid and full service), and independent decision-makers who have complex situations.

Portrait sizing exercises find that the personal finance advice market for consumers with less complex financial situations, no matter the level of service they seek, is larger in number of households than the market for consumers with more complex situations of self or full service.

“Traditionally, less complex personal finance advice offerings have been less fully developed,” Varas said. “These exercises demonstrate the opportunities that exist within this market.”

Methodology

Portrait of U.S. Household Wealth: Market Volatility and the Enduring Value of Consumer Households is the annual report on U.S. household wealth and market sizing. The report is developed through extensive analyses by Hearts & Wallets subject matter experts of proprietary data as well as data from the Federal Reserve Flow of Funds, the Survey of Consumer Finances and U.S. Census Bureau.

Investable assets are defined as consumer-controlled retirement accounts (annuities, defined contribution plans and IRAs), bank deposits and taxable brokerage accounts, corporate equities, mutual funds, bonds and other instruments. Pensions, equity in non-corporate businesses and real estate net equity are tracked separately in the expanded definition of wealth and are not included in investable assets.

About Hearts & Wallets

Hearts & Wallets is a data and consulting firm focused on understanding the drivers behind retail investor decision making. Combining a consumer marketing framework with financial services operating experience, the company is a catalyst for consumer-driven innovation in retail investing and saving. Hearts & Wallets works with leading financial providers to improve the effectiveness of their marketing communications, solution design and service delivery. For more information visit www.heartsandwallets.com.

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