

Consumers Share Six Top Reasons for Keeping a Cash Stash and What Would Motivate Them to Invest

Hearts & Wallets Explore Qualitative™ Research Uncovers The “Why” Behind Consumer Trends and Attitudes

(Mar. 26, 2019, Rye, NY) – Consumers share the six top reasons why they keep stashes of cash and what might motivate them to invest their piggybanks in a report by [Hearts & Wallets](#), the source for retail investor data and insights.

The Explore Qualitative™ Report – Exercise: “Motivations to Move Cash into Investments” – is from the Explore Qualitative™ series Shopping for Advice While Aging Gracefully, which explores the increase in older consumers who hold high levels of cash. “Motivations to Move Cash into Investments” includes recommendations for financial services firm on how to lay out options on a liquidity range between the two extremes of cash and retirement accounts help consumers with their decision-making and enhance accessibility. The consumer verbatim also illuminate how to talk about this important issue with consumers. Other reports in this series examine moving money, the changing needs of an aging population, and industry-level questions about pricing of advice.

This national research includes participants ages 53 to 70 who have sole or shared responsibility for investment decisions with \$500,000 or more in investable assets, excluding real estate, and \$250,000 outside their workplace retirement accounts, who are actively involved in money movement. The groups were segmented based on their interest and involvement in managing their finances and the depth of personal financial advice they sought.

High Cash and Confusion

Older consumers have been increasing their allocation of cash in their portfolios over the past few years. Consumers 55 to 74 years of age with \$500,000 or more in investable assets held 18% of their investable assets in cash in 2017 and upped the percentage to 22% in 2018. Women hold more than men, having over a quarter (26%) in 2018 vs. 19% in 2017 while men were 20% in 2018 vs. 17 in 2017. There are 8 million households in this demographic, but the trend applies beyond this consumer group. The trend also holds for younger consumers who also hold high concentrations of cash.

Part of the reason behind increasing cash stashes is that older consumer are confused about the nature of “cash.” They say they aren’t sure if cash is folding money, liquid accounts like saving accounts and CDs, cash in a brokerage account, or cash as an asset class.

Reasons to Keep Cash

Consumers named six top reasons why they keep large amounts of cash in the qualitative research. These reasons broke down into two categories – one based on personal finance motivations and the other on investing. The most-often cited rationale was funding emergencies without having to dip into investments and incur taxes.

Top Cash Stash Reasons/2

From natural disasters to job loss to health concerns, consumers say it pays to be prepared. Another reason is to have funding on hand for large one-time transactions from vacations to cars rather than running up a credit card debt, or incurring taxes and fees in withdrawing funds from the market. Consumers also say they are waiting for the right investment opportunity. Some cite the “burden” of decision-making as keeping them from acting.

“Any cash alternative must trade off safety, accessibility and liquidity for the consumer,” Laura Varas, founder and CEO of Hearts & Wallets, said. “The alternative should also solve for the emotional reasons that consumers hold cash. There is also an opportunity to clarify what cash is and how to get the most out of all of their assets. Consumers have forgotten about the options between cash and retirement accounts, like money market funds that were once so popular.”

Benchmark Barrier

A common benchmark remains a cash “emergency fund” that equals six or more months of expenses, consumers say. Hearts & Wallets Investor Quantitative™ Database finds less wealthier Americans are even more likely to keep higher concentrations of cash.

“The logic of a six-month cash emergency fund can be prohibitive for some consumers, especially those with less assets,” Varas said. “It makes no sense to hold significant portions of their assets in cash for a contingency that may never happen when there are a variety of safe ways to at least partially invest their emergency fund.”

Motivations to Move

In addition to the reasons for holding cash, the report identifies specific solutions for firms to help consumers get reinvested. One important step is to develop more reasonable definitions of emergency funds vs. contingency funds to help consumers understand their range of options.

Methodology

The Hearts & Wallets Explore Qualitative™ Report Exercise: “Motivations to Move Cash into Investments” is from the Explore Qualitative™ series Shopping for Advice While Aging Gracefully. The research is based on two national focus groups conducted last fall in Boston and St. Louis with consumers ages 53 to 70 who have sole or shared responsibility for investment decisions with \$500,000 or more in investable assets, excluding real estate, and \$250,000 outside their workplace retirement accounts, and who are actively involved in money movement. The groups were segmented based on their interest and involvement in managing their finances and the depth of personal financial advice they sought.

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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