Hearts&Wallets
The source for retail investor data & insights

Where the Money Is: Mass Affluent Households Miss Out on Liquidity of Taxable Accounts, as Younger Households Awaken to Opportunity

Taxable Asset Growth Now Exceeds Retirement

(Dec. 22, 2022, Rye, NY) – Most mass affluent[1] households are missing out on taxable accounts and resulting liquidity, unlike households under age 35, according to a new research report by **Hearts & Wallets**, the independent research and benchmarking firm that specializes in saving, investing and financial advice.

The **Portrait™ of U.S. Household Wealth: Sizing Opportunities from Retirement to High Net Worth and Exploring the Role of Real Estate** report finds an emerging 3-year trend of U.S. household taxable assets growing faster than retirement assets, reversing a 10-year trend, with real estate net equity also representing a bigger portion of wealth than retirement assets.

The Portrait report provides insight into growth and concentration trends for U.S. household assets. This research allows sizing of retail investor segments and the demand for solutions, with an expanded visibility into assets by account and households with $5 million to under $10 million in 2022. Offering the most up-to-date, granular view of household wealth, the report synthesizes the latest data from Federal Reserve Financial Accounts of the United States ("Z.1"), U.S. Census Bureau population estimates, Survey of Consumer Finances ("SCF") and the Hearts & Wallets Investor Quantitative™ (IQ) Database, recognized as the largest single dataset with over 120 million data points on saving, investing and advice behaviors from 70,000 U.S. households dating back to 2010. The latest IQ™ Database survey wave consists of 5,993 U.S. households and was fielded Aug. 15 to Sept. 15, 2022.

Mass Affluent Miss Out on Liquidity

The 129 million households in the United States make decisions on $68.6 trillion in investable assets. In 2022, 2 out of 3 of those dollars are in taxable accounts (65%), and the remainder are in retirement accounts (35%). Growth in taxable assets outpaced retirement assets over the past 3 years (8.2% for taxable vs. 5.6% for retirement), in large part because of the market run-up during COVID, which further intensified wealth concentration. Retirement registrations are now over half of investable assets in mid-asset ranges while low- and high-asset ranges favor taxable accounts.

Liquidity is lacking across mass affluent U.S. households. Taxable brokerage is an important holding place for taxable assets. Yet 37% of mass affluent households do not have any assets in taxable brokerage, and 14% hold less than 10% of their assets in taxable brokerage accounts in 2022. In contrast, nearly a fifth (18%) of households with $1 million to $10 million have over half of their investable assets in taxable brokerage accounts in 2022.

-more-

[1] Mass affluent households are defined as having $250,000 to $1 million in investable assets.

Liquidity Awakening of Younger Households

Younger households under age 35 are awakening to the benefits of liquidity offered by taxable accounts, including taxable brokerage. Nearly one third (29%) of younger mass affluent households hold 50% or more of their portfolios in taxable brokerage accounts in contrast to 4% of mass affluent households ages 44 to 54.

"More mass affluent households should look closely at the advantages of liquid taxable brokerage assets, taking a page from the playbook of younger households," Laura Varas, CEO and founder of Hearts & Wallets, said. "The benefits of liquidity and tax deferral need to be balanced. Liquidity may be more important for certain households than the current diversification across tax registrations, and advice should reflect this."

Growing Role of Real Estate and Identifying Business Opportunities

The research also analyzes the growing role real estate net equity plays in household wealth with real estate net equity now representing a bigger portion (23%) of household wealth than retirement assets (19%).

Sizing examples within the report illustrate how the latest Portrait data can identify market opportunities, including for "mass affluent" households under age 55 who are excellent savers ($10,000-plus per year) and wealthy households ($5 million to under $10 million) who are dissatisfied with their current main financial services provider. The sizing draws upon the Portrait Grid™, which allows mutually exclusive and collectively exhaustive (MECE) segmentation of numerous age-asset segments.

Methodology

The *Portrait™ of U.S. Household Wealth: Sizing Opportunities from Retirement to High Net Worth and Exploring the Role of Real Estate* report is drawn from various government sources and the Hearts & Wallets Investor Quantitative™ Database (IQ Database) to provide a comprehensive understanding of household wealth by asset and age. The latest survey wave fielded August 15 – September 15, 2022, with 5,993 participants. The full IQ™ Database is recognized as the largest single dataset with over 120 million data points on consumer buying patterns from over 70,000 U.S. households.

About Hearts & Wallets

Hearts & Wallets is the independent research and benchmarking firm that specializes in saving, investing and financial advice. Leading firms rely upon Hearts & Wallets research reports, software and benchmarking to make strategic decisions that lead to growth by improving products, distribution, pricing, positioning and targeting. For more information visit www.heartsandwallets.com.

Media Contact
Lynn Walters lynn@heartsandwallets.com
800-930-0966 ext. 704

Hearts & Wallets, CEO & Founder
Laura Varas laura@heartsandwallets.com
800-930-0966 ext. 700

###