

## **A Segment of Baby Boomers Use Legacies as Ultimate Insurance to Avoid Running Out of Money in Retirement**

*New Study Examines Roles of Parenthood and Wealth Transfer in Retirement Funding*

(Rye, NY) – Legacies are viewed by a segment of affluent baby boomer parents as the ultimate insurance for not running out of money in retirement in a new study examining the impact of parenthood and wealth transfer on retirement funding by Hearts & Wallets, the preeminent research platform for consumer savings and investing insights.

**Funding Life After Work: Impact of Parenthood & Wealth Transfer on Retirement Solutions for Baby Boomers** explores examines Boomers' attitudes to sources of income in retirement and decisions about whether to tap into capital, as well as to sources of advice, including robo-advisors, most important financial needs, and tests of three new product concepts to help Boomers get a better handle on retirement funding. The qualitative study builds on earlier Hearts & Wallets studies that found many consumers in retirement spend in a "chunk or nothing" pattern, ranging from 0% to 9% or more of principal annually rather than steady drawdowns at sustainable rates. Qualitative reasons for this behavior include shame about spending capital coupled with a desire to do so and parents often working longer than non-parents to provide for their children's education.

### **Big Boomer Market**

The Baby Boomers collectively make decisions about \$21 trillion in savings and investable assets, according to Hearts & Wallets' *Portrait of U.S. Household Wealth*. This newest study focuses on the 5.2 million households between the ages of 53 and 70 who have from \$500K to \$5 million in investable assets, who as a group control about \$10 trillion in assets. To examine motivations of homogenous groups who share similar characteristics, the study is refined into three consumer groups that make up 82% of these households and control 84% of the assets – *Non-Parents*, households with no children, or 1.8 million households who make decisions about \$3.5 trillion, *Parents Spend All*, parents who plan to spend all their assets in retirement, or 1.0 million households who make decisions about \$1.7 trillion, and *Parents Leave Inheritance*, parents who plan to leave a legacy, 1.5 million households, \$3.1 trillion.

"Surprisingly, parents who plan to leave a legacy aren't necessarily more generous than those who plan to spend it all," Laura Varas, Hearts & Wallets co-founder and principal, said. "They are the most terrified by the big retirement fear: running out of money. To them, leaving an inheritance is the ultimate insurance policy. They may plan to leave only a couple \$100,000 or so, but having that goal reins in spending and guides retirement funding decisions, sometimes to their detriment. They could afford to be a little less frugal and risk averse if they had sources of advice or solutions that acknowledged this fear."

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The *Parents Leave Inheritance* concern isn't so much about the heirs. They speak of how much money they have, location of important documents and paperwork. Ironically, *Parents Spend All* express just as much concern for their children. They cite fiscally responsibility and worry an inheritance will make children irresponsible. Non-parents voice concern about caregivers as they age.

"Parents clearly have more burden getting to retirement, but non-parents carry more of a burden in retirement," Varas said. "Non-parents more often say they are unsure who will help them when they become infirm. It's not so much about the money, but having a trusted caretaker to take them to the doctor and help with bill paying. Parents often see children in these roles."

## **Income, Advice and Needs**

All segments prefer steady income in retirement, which can be composed of a variety of sources, including pensions, Social Security, investment income and even work. They are increasingly expressing frustration with the ongoing low-interest rate environment that forces them to take more risk with their investments than they want. Some own annuities to generate income, yet many are unsure when to take annuity income or its impact on Required Minimum Distributions (RMDs).

Boomers look to financial professionals, an advisor, accountant or estate planner, for both funding and tax solutions. Finding the right professional is challenging, especially given that advice is still perceived as being "free." Good advisors continue to bear the burden of peers who did not meet the expectations of consumers. Few participants of this age feel drawn to, or even know about, "robos."

Participants want the most help with investment selection, income and tax optimization, giving/estate planning and long-term care. Wealth transfer goals change needs. *Parents Spend All* and *Non-Parents* have similar interests in income and tax optimization solutions, in part because of their low wealth transfer needs and willingness to at least dip into capital. A clear majority say the services worth paying for are the new service of "amount I can withdraw" and the established service of "giving/estate planning."

## **Concept Tests**

The drawdown fund, one of three concepts tested, is one of the most polarizing concepts ever tested by Hearts & Wallets, meaning some consumers loved it, while others did not like it all. Participants also reacted to the latest goals-based investing concept, highlighting the new feature of motivation, and an income overview service concept.

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## **Legacies: The Ultimate Insurance/3**

“The drawdown concept strikes important issues,” Varas said. “It signals there is room for a direct income distribution product as an alternative to advisor-assembled portfolios for middle-class Americans. The concept tests provide insights on future solutions to boomer retirement funding needs. For example, some day, aggregation will be viewed like check writing for money market accounts or ATM withdrawals, both of which, in hindsight, were great ideas that would have been futile to resist.”

### **About Hearts & Wallets®**

Hearts & Wallets is the consumer and competitive data platform for the investment industry that combines consumer marketing and strategy consulting frameworks with a practical understanding of how the investment, retirement and banking industries function. Leading financial institutions use Hearts & Wallets data and research insights to make decisions, stay informed about trends, and inspire innovations that will ultimately improve customer outcomes. For more information, visit [www.heartsandwallets.com](http://www.heartsandwallets.com).

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