

## Research Reveals the Biggest Unmet Need for Consumers in Goals-Based Wealth Management

### *Spouses Grow as Influencer as Retirement Income Planning is Reinvented*

Dec. 5, 2017 (Rye, NY) – A new report reveals the biggest unmet consumer need among nine components in a goals-based wealth management program and the growing role of the spouse in retirement planning, according to **Hearts & Wallets**, the source for retail investor data and insights.

*Retirement Income to Goals-Based Wealth Management* provides a roadmap to transition from retirement income plans to goals-based wealth management using a consumer-oriented mindset. The report assesses the state of retirement income plans, plan status, inspirations and components through the eyes of older affluent consumers (age 53 years and older with 100,000+ with investible assets), grouped by lifestage, wealth group and customers of major firms. The report provides a point-in-time window into the state of goals-based wealth management at different firms and identifies customer demand for plan components within the categories of planning, investment and management.

Written by Hearts & Wallets subject matter experts with decades of operating experience in retail finance, consumer packaged goods and technology development, and acumen honed at the nation's finest business schools, the report is one of the Hearts & Wallets Timely Topics, which cover new research on current industry themes, debates and emerging issues. The ideas and analysis are drawn from the latest fielding of the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). The IQ™ Database is recognized as the largest single dataset on U.S. retail consumer attitudes, behaviors and buying patterns with over 40,000 U.S. households.

### **A Fresh Look at Goals-Based Wealth Management**

Consumer engagement with traditional “retirement income planning” has declined over the past few years as households juggle multiple financial goals and grapple with when to stop full-time work. In 2008, 82% said they had a “written plan” or “solid idea” in comparison to 73% in 2016. As old rhythms of life, from pensions to firm retirement dates, fall by the wayside, goals-based wealth management emerges as a means to accommodate competing life goals, like saving for a new home or a child's college, and new lifestyles.

Of nine plan components, consumer need for a traditionally key component – “recommended selection of investments that will generation income in retirement” – has declined over time even as demand has increased for other program components. The biggest unmet consumer need is “recommendations for minimizing taxes.” Only 21% of consumers cite a need for investment selection in comparison to 44% who say tax advice is an unmet need.

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“The best plans holistically address the goals of the consumer rather than the firm’s goal to grow assets for retirement,” Laura Varas, CEO and founder of Hearts & Wallets, said. “This mind shift creates the opportunity to transition robust retirement framework to goals-based wealth management and address unmet needs.”

Before retirement, other pressing life goals eclipse retirement. In part, this shift is related to the changing nature of work and the growing disconnect between retirement savings programs and the employer. After retirement, consumers focus more on investment goals with consumers of different asset classes having different goals.

### Spouses as Influencers and Growth Opportunities

Although “started thinking more about retiring” remains the most common inspiration for planning towards goals, the most surprising trend is that spouses are becoming more important, while advisors are decreasing in importance. My spouse inspires one out of five conversations and is growing. The advisor is still higher at one out of four but is falling over time. The influence of “my spouse” jumped across all asset levels and across the industry. Spouses remain more influential than employers. The influence of the employer is higher at firms with strong defined contribution businesses.

“Financial firms could engage customers more by focusing on the role of the spouse and the services that consumers want most,” Varas said. “Some firms already are doing a great job, as we are seeing in our quantitative research and our benchmarking of advice and guidance experiences. Success can be achieved by planning at the household level, including spouses and partners, and offering components that recognize the consumer desire to manage various aspects of the retirement income.”

### Firm Insights on Goals Based Wealth Management

The examples where the IQ™ Database strongly suggests spouse are being included more because they are cited as an inspiration by these firm’s customers are **TIAA**, **Wells Fargo Bank** (NYSE: WFC) **Merrill Lynch (Bank of America Corporation)** (NYSE:BAC) and **Charles Schwab** (NASDAQ: SCHW).

**USAA**, **TD Ameritrade** (NASDAQ: AMTD), Charles Schwab, and **Edward Jones** are the firms that have the largest portions of customers who say they have “written/solid plans.” The influence of the employer is higher at the firms with strong defined contribution businesses, notably **T. Rowe Price** (NASDAQ-GS: TROW), Merrill Lynch and **J.P. Morgan Chase** (NYSE: JPM).

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Customers of Edward Jones, Ameriprise and Charles Schwab have on average 5 or more components of goals-based retirement planning. In particular, **Ameriprise Financial** (NYSE: AMP) has the highest percentage of customers that say they have a “service that executes plan.”

“It’s one thing to make a plan and another to execute on it,” Varas said, “Consider the ability to make a plan to lose weight and the likelihood that the person actually succeeds in executing on the plan. The ability to execute is a key difference between retirement plan income and goals-based wealth management. A service that executes on plan is highly relevant to those firms and consumers who value it and are willing to charge or pay for it.”

### Methodology

*Retirement Income to Goals-Based Wealth Management* is a timely topic insight module report that analyzes consumer attitudes and behaviors and analyzes the customer ratings for 19 big banks, brokerages, employer and mutual fund firms cited most often by over 5,000 participants in the most recent fielding of the Hearts & Wallets Investor Quantitative Database™ (IQ Database™), which contains over 40,000 households since 2010.

### 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](http://www.heartsandwallets.com).

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