

## **Where Did the Mass Affluent Go? Wealth Concentration Accelerates for \$5 Million-Plus and Older Households in COVID Market Runup** **The Need for Product Solutions to Lift Up Lower-Asset Consumers and Support for Aging Consumers and their Families**

(July 15, 2021, Rye, NY) – Households with \$5 million-plus in investable assets grabbed over 80% of the COVID market runup, while mass affluent<sup>1</sup> households with \$100,000 to under \$500,000 declined in number over the same time period, according to a new market sizing report by [Hearts & Wallets](#), the market research and benchmarking firm that specializes in how consumers save, invest and seek financial advice.

The **Portrait™ of U.S. Household Wealth: Essential Facts for Sizing Target Markets in an Era of Growing Wealth Concentration** analyzes data on consumer households and the assets they control by age, wealth groups and lifestage. This year's report features 18-month COVID and 7-year market lookbacks, current status and future age group projections as well as market and design target sizing opportunities. The Portrait report draws from government databases, including the Federal Reserve Financial Accounts of the United States Flow of Funds ("Z.1"), U.S. Census Bureau Population Estimates and Projections and the Survey of Consumer Finances ("SCF"). The analysis also uses the Hearts & Wallets Investor Quantitative™ Database, with over 100 million data points on consumer buying patterns from over 60,000 U.S. households to adjust data from government sources within the report for insights valued by saving, investing and advice executives. The Portrait report is the foundation for Hearts & Wallets' sizing segments of U.S. retail investors and demand for solutions.

### **Rich Get Richer – and Older**

Nearly 80% of wealth (\$53.8 trillion) is held by about 10% of U.S. households with \$1M-plus (11.2 million), as of August 2020. While the \$29 trillion increase in retail investable assets over the past 7 years was spread across households with \$500,000 and up, over 80% of the COVID market runup of \$12.7 trillion, (\$10.3 trillion) went to households with \$5 million-plus. These assets are heavily concentrated among ages 55 to 74 because most households with \$5 million-plus are in this age group. These older, wealthier households control \$40.2 trillion of the \$68.3 trillion, or nearly two thirds (59%) of all U.S. retail investable assets. The 1% of U.S. households who are older (ages 55 to 74) and wealthy (\$5 million-plus) control 32% of all U.S. retail investable assets.

### **Disappearing Mass Affluent**

In 2019, mass affluent wealth groups in the \$100,000 to under \$500,000 range included 25.3 million households who controlled \$7.5 trillion. In 2020, these wealth groups dropped to 21.9 million households with \$5.6 trillion, resulting in a one-year decline of 3.6 million households and \$1.9 trillion fewer investable assets controlled.

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<sup>1</sup> Households with \$100,000 to \$500,000 in investable assets are often included in definitions of mass affluent. Population asset segments are fluid over time with upward and downward mobility.

## Mass Affluent Declines; Wealth Concentrates \$5M-Plus and Older Households/2

Many households in the mass affluent wealth groups in 2019 moved into higher wealth groups with boosts from saving and equity exposure during the extraordinary COVID market runup. But fewer households in asset groups below the mass affluent moved up to replenish the mass affluent than in prior years. This lack of upward mobility was mainly because these households could not save enough or had little or no exposure to equities.

“Wealth groups often referred to as mass affluent took a major hit over the past 18 months as the COVID market runup polarized wealth concentration in America,” Laura Varas, CEO and founder of Hearts & Wallets said. “Simplified investment solutions could encourage the mass affluent to engage with the capital markets.”

### Inheritance Myth and Aging Challenges

Looking ahead, the fastest growing age group is 75-plus. Households in this age group will increase by 40% to 20.8 million in 2030, up from 14.9 million in 2020. By 2030, households age 75-plus will be 15% vs. 12% of all households in 2020.

“A common myth is that inheritances will go from Boomers to Millennials, when the reality is the majority of wealth transition will go from the Silent Generation to their Gen X heirs,” Amber Katris, Hearts & Wallets Subject Matter Expert, said. “Older households and their families can benefit from support to have difficult conversations about finances and from financial solutions to support aging family members.”

### Sizing Opportunities

Portrait and The Portrait Grid™ are the foundation for sizing opportunities for the addressable market for consumer segments or targets, drawing from the Investor Quantitative™ Database. This year’s report includes a market sizing for a packaged investment product with the total addressable market (TAM), serviceable available market (SAM) and serviceable obtainable market (SOM). A second is a design target for asset manager specializing in equity active management, and the third is the design target of younger lower-asset households eager to improve saving with varying levels of debt.

### Methodology

The *Portrait™ of U.S. Household Wealth* market sizing report draws upon government sources, the Hearts & Wallets Investor Quantitative™ Database (IQ Database) and Hearts & Wallets analysis to provide data on consumer households and the assets they control by age, wealth groups and lifestage. The latest IQ™ Database survey wave was fielded in August 2020 and includes 5,920 participants. The full IQ Database is recognized as the largest single dataset with over 100 million data points on consumer buying patterns from 60,000 U.S. households.

### About Hearts & Wallets

Hearts & Wallets is the market research and benchmarking firm that specializes in how consumers save, invest and seek financial advice. Leading firms rely upon Hearts & Wallets thought-leadership reports, software and benchmarking to make their saving, investing and advice solutions more consumer-centric. For more information visit [www.heartsandwallets.com](http://www.heartsandwallets.com).

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