

Getting Right Mix for Retirement Funding; Flexibility to Take Funding Chunks; Include Work-span and Real Estate

87% Experience Surprises in Retirement; 3 to 5 Times Income-to-Assets Ratio Enough to Avoid Bad Surprises

Expanded definitions for “retirement income” market solutions could result in addressable markets of \$15 trillion-plus; over 3 times the size of traditional definitions

(Apr. 24, 2024, Rye, NY) – The right mix for retirement funding doesn’t mean million-dollar portfolios for most Americans but should include advice that allows chunky spending, addresses employment outlook, avoids unpleasant retirement surprises, and analyzes living arrangements, according to a new market intelligence report by [Hearts & Wallets](#), the independent data and benchmarking firm that specializes in saving, investing and financial advice.

Getting Real About Retirement: Breaking Through with Better Solutions for “Chunk or Nothing”

Spending, Work & Real Estate examines important retirement topics, such as realities vs. expectations for retirement age, funding and spending, work-span, real estate and advice. This fusion report draws from all three Hearts & Wallets proprietary databases, which track what U.S. households do with their money, what they want in the future and how the financial services industry is responding. The Investor Quantitative™ (IQ) database contains nationally representative statistics on the financial situations, attitudes and behaviors of 76,000 households back to 2010. The Explore Qualitative™ (EQ) database contains 8,000 qualitative consumer reactions to emerging themes, and the Inside Advice® database benchmarks the advice and capabilities of customer experiences.

Retirement Surprises

Most retiree households (84%) have experienced surprises in retirement vs. their expectations. Top surprises in retirement realities vs. expectations are –

1. retirement being more enjoyable than anticipated (good)
2. having to live more frugally than expected (bad)
3. having had to stop work sooner than expected (bad)

Households who are professionally advised are just as likely to experience surprises as households who are not. Advice can have a positive impact with the good surprise of “enjoy having more time and less stress” being higher for professionally advised than unadvised households in the \$100,000 to under \$3 million investable asset ranges.

Funding Floor Metrics

The level of financial wellness to stave off the worst controllable surprises in retirement is fairly minimal at 3 to 5 times assets-to-income. Incidence of being “forced to live more frugally than expected” is flat until retirement income replacement rates fall below 50% or less. Most customer advice experiences today overstate needs by using target retirement income replacement rates within a narrow band around 80% for income replacement rates, according to Hearts & Wallets Inside Advice® database.

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Sizing Opportunities

Certain often-neglected advice areas of “retirement income” are each about \$15 trillion, or 3 times traditional “retirement income” market definitions, according to Hearts & Wallets market sizing. The first area, more personalized human capital planning, would help the 88.1 million households 65 years of age and older with \$19.7 trillion. The second, adding living arrangements to advice, would help 23.3 million of the 65-plus-year households with \$14.1 trillion. The third, solving for the needs driving “chunk or nothing” spending behavior – which involves either large one-time expenditures or take nothing or very little – would help 18.9 million 65-plus-year households with \$15.4 trillion.

“Saving one or two million dollars for retirement is an unattainable goal for most Americans,” said Laura Varas, Hearts & Wallets CEO and founder, said. “The most important goal is avoiding poverty as an older adult. In addition to income replacement, financial advice should help consumers to consider retirement surprises, work capacity, living situations and ‘chunk-or-nothing’ spending. A high priority should be on inspiring saving, so the 70.5 million households of all ages with less than \$50,000 in assets have a minimum safety net as they age. Firms that can understand, size and build for these consumer behaviors will carve out niche products and advice experiences in the large and growing U.S. retirement market.”

Chunk or Nothing Spending

Most retirees engage in “chunk or nothing” behavior, which Hearts & Wallets first began tracking in 2010. Some retirees take no or very little income. Others take chunks for necessity or fulfillment. The behavior of taking “chunk or nothing” in retirement is prevalent, especially for households age 65-plus with under \$500,000 but also occurs among wealthier households.

“Tapping into capital elicits the strongest emotional reaction from consumers of any qualitative topic Hearts & Wallets has examined,” Amber Katris, Hearts & Wallets Subject Matter Expert, said. “The financial services industry can do more to empower consumers who want or need to take these one-time funding chunks, which can often be at odds with annuitization.”

Factoring in Work-Span and Real Estate

Future retirees anticipate drawing from more funding sources than today’s retirees with only 28% of current retirees who receive 4-plus sources, compared to 48% of future retirees who expect 4-plus. Work is a funding source where expectations of future retirees are at odds with reality. Too many future retirees anticipate having work as an income source, and those who will be able to work often underestimate the role work can play, based on data from current retirees. Since tracking began in 2010, employment has been part of the income mix for 1 in 5 retired households.

Many households have equity in homes and other real estate equal to or greater than their investable assets. Yet, 8 out of 10 advice experiences today do not address real estate. Over three quarters (79%) of households age 65-plus own their primary homes, with rising valuations and low or paid-off mortgages. Hearts & Wallets estimates 47% (17.3 million) of households age 65-plus have at least as much net equity in real estate as investable assets. Housing is also the #1 expense faced by households.

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Methodology

The fusion report *Getting Real About Retirement: Breaking Through with Better Solutions for "Chunk or Nothing" Spending, Work & Real Estate* examines important retirement topics, such as realities vs. expectations for retirement age, funding and spending, work-span, real estate and advice. This report is based on the Hearts & Wallets Investor Quantitative™ Database, recognized as the largest single dataset with over 120 million data points on saving, investing and advice behaviors from 76,000 U.S. households dating back to 2010. The latest wave was fielded Sept. 11 – Oct. 6, 2023, with 5,846 U.S. households. The report also draws from the Hearts & Wallets Explore Qualitative™ (EQ) database with 118 topics studied since 2010, and the Inside Advice® database, collaborative benchmarking of advice experiences.

About Hearts & Wallets

Hearts & Wallets is the data and benchmarking firm that specializes in powering growth for saving, investing and financial advice businesses. Leading firms rely upon Hearts & Wallets market intelligence reports, software and benchmarking to make strategic decisions that lead to growth by improving products, distribution, pricing, positioning and targeting. The power of 2.5x: over 70% of Hearts & Wallets subscribers experienced positive net flows in 2022 as compared to just 30% of non-subscribers. 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

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