

Opportunities for Highly Personal Retirement Income Recipes New Formulas to Blend Part-Time Work, Creative Approaches Real Estate and More

(June 25, 2019, Rye, NY) – Sharp contrasts between the expectations of the yet-to-be retired with the realities of current retirees suggest retirement income recipes will mix multiple sources, incorporating work, where possible, and creative use of real estate, according to the latest report by [Hearts & Wallets](#), the source for retail investor data and insights.

The **Retirement & Funding: Mix It Up! Calling for Personalized Recipes Blending Part-time Work, Creative Approaches to Real Estate, and New Progress Measures** Report provides a comprehensive look on stopping work (vision and reality), income replacement and spending in retirement, sources of retirement income, workplace retirement plans and funding metrics.

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 drawn from the latest fielding of the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). The IQ™ Database is recognized as the largest single dataset with 72,000 million data points on consumer buying patterns from over 45,000 U.S. households.

Saving Up, Less to Workplace Retirement Plans

At the national level, consumers are saving more, but sending less to employer-sponsored retirement plans. The average percent of saving devoted to employer-sponsored retirement plans continues to drop, going from an average of 39% in 2014 to 30% in 2018, even while eligibility and participation rates at the national level remain relatively stable.

“Consumers seek investing options along a range of timeframes with varying options for accessibility and tax deferral,” Laura Varas, founder and CEO of Hearts & Wallets said. “Payroll deduction applied to different account types with different time horizons can be a powerful tool to help consumers achieve a variety of goals, including retirement.”

Changing Ingredients in Retirement Income Mix

The retirement income mix is varied and changing. Some consumers aren't sure where they will find the funding. Around 1 in 6 households ages 53 to 64 (17%) “have no idea” what sources of income they will rely on in retirement.

Yet-to-retire households say their retirement income ingredients and proportions will differ from current retirees. Future retirees plan to rely more on personal assets that may include dividends, withdrawals from retirement accounts and taxable accounts, as well as changing – and increasingly important – ingredients of employment and real estate income where possible.

Fewer older households have robust pensions. Pensions provide around on average one fourth (26%) of current retiree income but will furnish only 13% of income for future retirees, who will rely more than twice as much as current retirees on investable assets.

New Recipes for Retirement Income/2

Income levels are also a concern for future retirees. Four in 10 (37%) current retirees report having income the same or higher than prior to retirement. Among yet-to-retire households, only 2 in 10 (19%) expect to have the same level of income in retirement, which is related to the decreasing number of households with significant pensions, increasing need to draw down investable assets, and the struggle to manage expenses as they age.

The Housing Factor

When income can't be boosted by work or other avenues, older households look to manage expenses to balance budgets. Nationally, four spending categories account for 74% of the household budget, with housing being the top category at 41%. Nearly half (46%) of households ages 53 to 64 plan to save money on housing when retired. Yet, only 30% current retirees spend less.

Housing also represents a major asset for many U.S. households. Whether consumers plan to age in place, downsize, or generate income from rental property, real estate figures into many of their retirement income formulas. Real estate is an anticipated income stream for 11% for yet-to-retire households in contrast to 6% of current retirees.

"Real estate is an often-neglected aspect of financial advice," said Amber Katris, subject matter expert and co-author of the report. "Our research shows that consumers who have difficulty determining the income that can be safely withdrawn from personal assets in retirement have higher anxiety about their financial future. Providers can help aging consumers recognize their human capital potential and creatively use real estate to provide a personalized plan that delivers peace of mind."

Methodology

Retirement & Funding: Mix It Up! Calling for Personalized Recipes Blending Part-time Work, Creative Approaches to Real Estate, and New Progress Measures is drawn from the section of the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database) that analyzes when consumers stop work (vision and reality), income replacement and spending in retirement, sources of retirement income, workplace retirement plans and funding metrics.

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.

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