

## Retirement Resurgence: Americans Who “Aspire to Retire by 55;” Anticipation of Increasing Number of Income Sources Workplace Retirement Plan Participation Up; Key Motivations to Save

(Mar. 16, 2021, Rye, NY) – Full-time retirement is making a resurgence at an earlier age with one third (38%) of current U.S. pre-retirees<sup>1</sup> currently under age 54, and an estimated 11.5M households with breadwinners under age 55 saying they “Aspire to Retire by 55,” according to a new report by [Hearts & Wallets](#), the research and benchmarking firm that specializes in how consumers save, invest and seek financial advice.

The **Retirement & Funding: Ideas for Enhancing Advice as Income Sources Evolve and Target Dates Move Younger** report examines consumers expectations and realities about retirement age, replacement rates, income sources as well as employer-sponsored retirement plan participation rates, saving rates and motivations. Consumer segments are examined by pensioner vs. non-pensioner and breadwinners who “Aspire to Retire by 55.” The research draws from the Hearts & Wallets database on consumer quantitative buying pattern database, the Investor Quantitative™ Database, which is recognized as the largest single dataset with over 100 million data points on consumer buying patterns from 60,000 U.S. households.

### Who’s Really a “Pre-Retiree”

Consumers ages 55 to 64, commonly considered “pre-retirees,” are surprisingly diverse. Although this age group makes up the largest percentage of pre-retirees of all age groups, only 24% of those 55 to 64 consider themselves pre-retirees, 32% do not anticipate stopping full-time work within 5 years, and 44% are already retired.

A new trend is an increasing portion of younger consumers who consider themselves as retirees. In 2020, more consumers (39%) anticipate retiring before age 65 than in any other year since in 2010 with 18% of those saying they plan to retire by age 59.

The desire for younger retirement ages coincides with the trend of more Americans wanting to work as long as possible. At the same time, interest in part-time work declined. In 2020, more Americans want to stop full-time work at a certain age, now at 34%, up 2 percentage points from 2019. Conversely, a large segment of Americans wants to “work full time as long as health permits,” at 53%, up 3 percentage points from 2019. Americans who want to work part-time as they age declined, now at 13%, dropping 4 percentage points from the prior year.

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<sup>1</sup> Historical primary breadwinner is likely to retire (stop full-time work in the primary occupation) or may retire (voluntarily or due to job loss) within 5 years.

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“The pandemic has disrupted many lives and jobs,” Laura Varas, CEO and founder of Hearts & Wallets said. “One repercussion is a renewed appreciation for building financial security and planning for possible end of work. Firms should assist consumers in understanding their personal work viability and provide support to achieve retirement goals without making assumptions about target dates, either earlier or later than the traditional mid-60s.”

### Aspire to Retire by 55

An interesting segment is households with breadwinners under 55 who say they want to stop full-time work by age 55. “Aspire to Retire by 55” households are well positioned in some ways but may need an assist to achieve their early retirement goal. These households are more likely to use various investment products, have lower student debt, spend less on housing, and are more open to personal financial advice. Only 1 in 5 (18%) Aspire to Retire by 55 is saving 15%-plus of income. Their saving rate and other financial behaviors, such as carrying credit card debt, suggest an early retirement goal may be unrealistic without behavioral change.

### Funding Retirement Realities

Future retirees anticipate a higher number of income sources than current retirees. Nearly half of future retirees anticipate 4-plus sources of income with even more sources for wealthier future retirees. The average retiree household has 2.4 sources of income. The more income sources consumers anticipate, the more value they see in paying for financial advice.

Employment declined as a source of income for current retirees and an anticipated income source for future retirees while income expectations increased for real estate and taxable account withdrawals. Although income from real estate is not a very common source of income among current retirees, this funding source is important to those who have it.

“More income sources allow retirees to weather inflation, stock market volatility and other nest egg pressures,” Amber Katris, Hearts & Wallets Subject Matter Expert, said. “Firms should understand which sources matter most to individual consumers. Consumers with a higher number of income sources are more receptive to paying for financial advice. Consider assets-to-income ratios, which are more concrete and easier to understand than replacement rate projections.”

### Workplace Plan Growth

Participation and saving into employer-sponsored retirement plans are up in 2020. “To save for retirement” and “to get the company” match are the main reasons for participating. Having “reliable choices screened by my employer” is less important nationally but relatively more motivating to Black participants in comparison to Asian or white participants.

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More generous plan matches increase overall household saving rate, especially at lower income levels. This finding indicates matches should be differentiated by income with myriad implications for those who work with employer-sponsored retirement plans and public policy.

### Methodology

*Retirement & Funding: Ideas for Enhancing Advice as Income Sources Evolve and Target Dates Move Younger* examines consumers expectations and realities about retirement age, replacement rates and income sources. The research draws from the Hearts & Wallets Investor Quantitative™ Database, recognized as the largest single dataset with over 100 million data points on consumer buying patterns from 60,000 U.S. households. The latest IQ™ Database survey wave was fielded in August 2020 and includes 5,920 U.S. households.

### About Hearts & Wallets

Hearts & Wallets is the research and benchmarking firm that specializes in how consumers save, invest and seek financial advice. Leading firms use 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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