

Wealth Segments in the U.S.

At a Glance

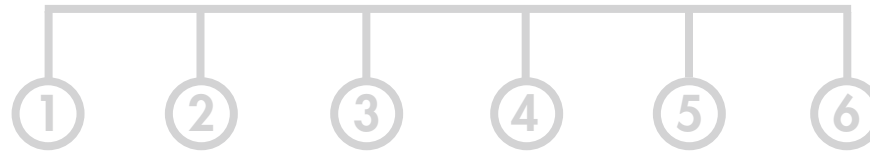


Wealth Segments in the U.S.

At a Glance

Jafor Iqbal
Assistant Vice President
LIMRA Secure Retirement Institute
jiqbal@limra.com

Wealth Segments at a Glance



Summary

LIMRA Secure Retirement Institute, based on Federal Reserve Board's 2016 *Survey of Consumer Finance*, summarizes a view of U.S. wealth segments and their characteristics — the number of households in six different wealth segments, the size of their investable assets by retirement status, and the opportunity they present to financial firms and advisors. Understanding the dynamics of these wealth segments is vital. The goal is to help members — including advisors and distributors — to spot opportunities and grow their retirement business.

Noteworthy

- There are 126 million households in the U.S., and as of 2016, they own personal investable assets totaling to \$42.1 trillion.
- Around 8 million or 6 percent of U.S. households are high-net-worth with investable assets of \$1 million or more. Another 6.4 million households, considered affluent, have investable assets between \$500k and \$999.9k.
- The two wealthiest segments, the high-net-worth and the mega-millionaires, own more than \$30 trillion (out of a total \$42.1 trillion) or nearly three fourths of all financial assets in the United States.
- Retired households own more than \$19 trillion in assets. Pre-retiree households (age 55 or older and still working) own \$13 trillion. Together they own \$32 trillion in investable assets. Getting a fair share of this market is vital for all financial firms and their advisors.

Things to Do

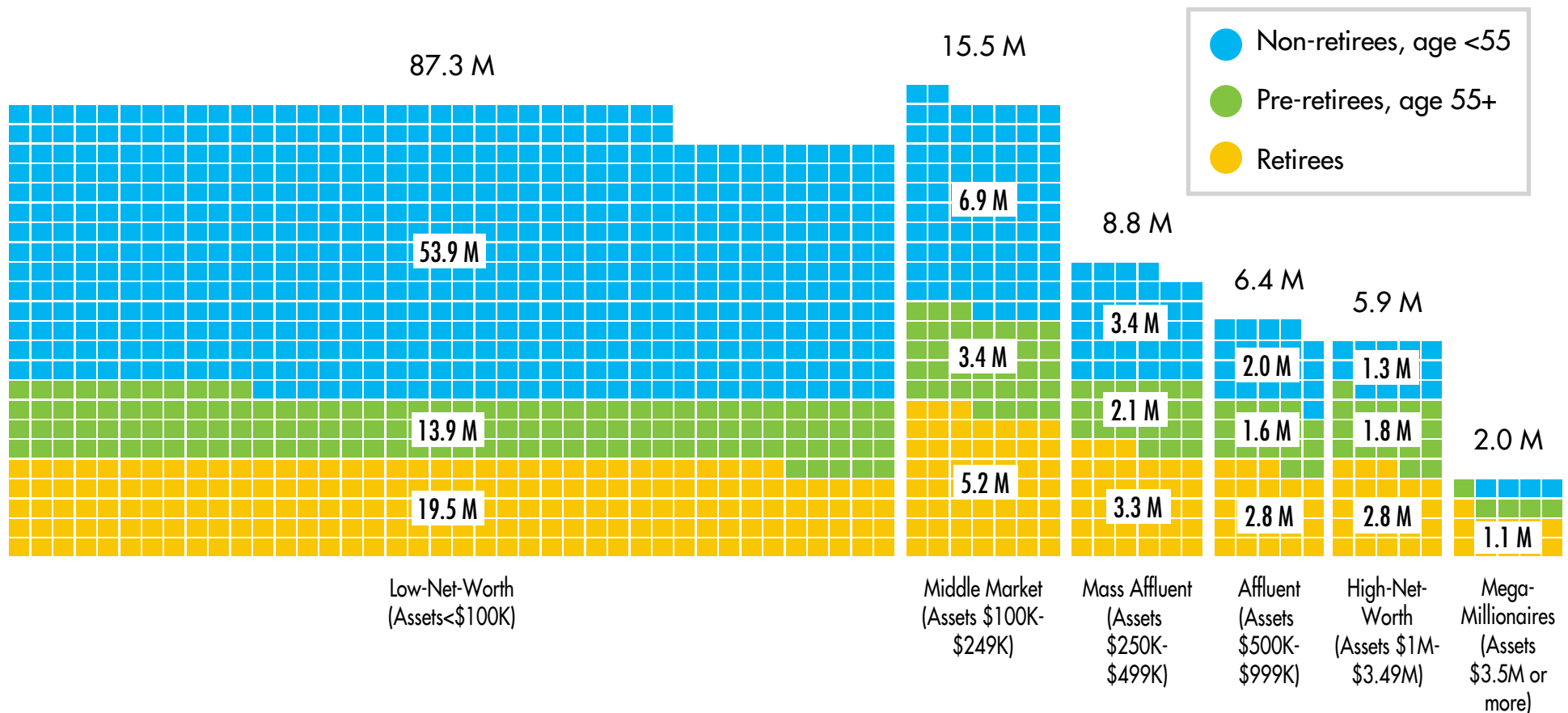
- Follow the money. Firms and their advisors looking to grow their practice will have immense opportunities, given the fact that many households in the mass-affluent and other wealthier segments will be ready to retire in the next few years. In addition, more than 10 million households have already accumulated between \$100k and \$500k in financial assets and are still working. These emerging wealthy households can use guidance and advice to save more and plan for retirement.
- Have a plan to engage. Advisors and firms must consider how their own long-term strategies and product mix should align with the needs of their target segments — based on size, age, assets, and potential growth/retention of assets.
- Develop digital models. Firms should evaluate opportunities in each wealth segments. For example, web-based advice and guidance tools are more appropriate for middle and mass-affluent markets. On the other hand, the wealthier segments will need personalized advice and services on their own terms.

Nearly eight million U.S. households have
\$1 million or more in investable assets.

Number of U.S. Households by Wealth Segments and Retirement Status

Total Households: 126 million

Each square represents 100,000 households

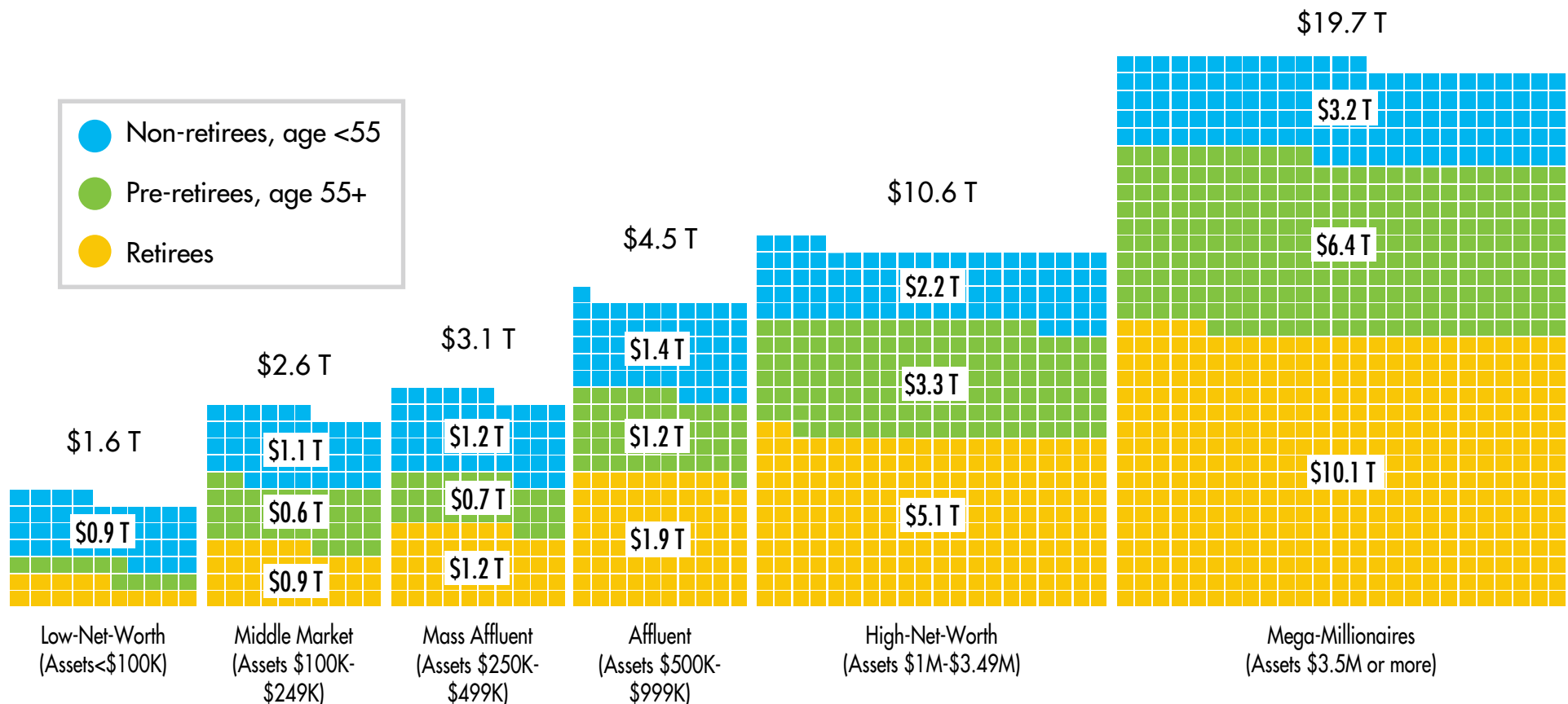


Source: LIMRA Secure Retirement Institute analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017. Each square represents 100,000 households. LIMRA Secure Retirement Institute developed an algorithm to determine individual retirement status based on age and employment status.

High-net-worth households
(assets \$1 million or more) own
\$30 trillion in investable assets.

Investable Assets by Wealth Segments and Retirement Status

Total Investable Assets: \$42.1 Trillion



Source: LIMRA Secure Retirement Institute analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017. Each square represents \$25 billion in investable assets. LIMRA Secure Retirement Institute developed an algorithm to determine individual retirement status based on age and employment status.

Wealth Segments at a Glance

Low-Net-Worth

Investable Assets <\$100k

Segment Size

70% of all households own
4% of all assets



\$1.6 trillion

Profile



78% are working
(**62%** are under age 55)



24% work with an advisor*

Financials

Average Income **\$49,800**

Average Financial Assets **\$18,100**

Average Net Worth **\$117,400**

Average Cash/Equivalents **\$6,800**

Average Debt **\$81,600**

Have Student Loan Debt **18%**

Leverage Ratio** **350%**

Highlights

- 36%** have assets in retirement plans or IRAs
- 6%** own stocks outside plans
- 2%** own mutual funds outside plans
- 14%** own cash-value life insurance

Ownership rates of financial products in this segment are mostly in single digits. Hard to cater this market in a traditional advisor model in a cost-effective way.

Need help with:

- Financial literacy
- Emergency savings
- Debt management
- Delaying Social Security

Opportunity:

- Participate in 401(k), 403(b)
- Invest in IRAs/Roth IRAs
- Participate in HSAs
- Buy term/whole life insurance

Middle Market

Investable Assets \$100k-\$249k

Segment Size

12% of all households own
6% of all assets



\$2.6 trillion

Profile



66% are working
(**44%** are under age 55)



45% work with an advisor*

Financials

Average Income **\$96,700**

Average Financial Assets **\$164,700**

Average Net Worth **\$436,700**

Average Cash/Equivalents **\$34,500**

Average Debt **\$153,500**

Have Student Loan Debt **17%**

Leverage Ratio** **73%**

Highlights

- 84%** have assets in retirement plans or IRAs
- 18%** own stocks outside plans
- 13%** own mutual funds outside plans
- 29%** own cash-value life insurance
- 13%** own CDs

Need help with:

- Savings plan
- Cash flow management
- Low cost advice – online tools
- Social Security claiming strategy

Opportunity:

- Maximize savings in 401(k)/403(b)
- Take full advantage of HSAs
- Invest in IRAs/catch-up IRAs
- Invest in/convert to Roth IRAs
- Buy term/whole life insurance

Source: LIMRA Secure Retirement Institute analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017.

*Percentage of households working with an advisors are from 2018 Consumer Survey, LIMRA Secure Retirement Institute and based on experiences of 6,021 households.

**Leverage ratio is defined as total debt to total financial assets for the segment.

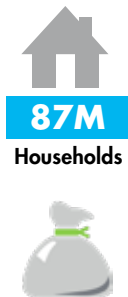
Wealth Segments at a Glance

Mass-Affluent

Investable Assets \$250k-\$499k

Segment Size

7% of all households own
7% of all assets



\$3.1 trillion

Profile

63% are working
(**61%** are age 55 or older)

54% work with an advisor*

Financials

Average Income **\$132,100**

Average Financial Assets **\$369,400**

Average Net Worth **\$854,700**

Average Cash/Equivalents **\$53,600**

Average Debt **\$199,000**

Have Student Loan Debt **15%**

Leverage Ratio** **43%**

Highlights

- 91%** have assets in retirement plans or IRAs
- 29%** own stocks outside plans
- 21%** own mutual funds outside plans
- 15%** own CDs
- 27%** own cash-value life insurance
- 11%** own non-qualified deferred annuity

Need help with:

- Retirement savings strategies
- Advisor relationship
- Formal retirement income planning
- Social Security claiming strategies
- Required minimum distribution

Opportunity:

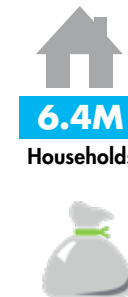
- Maximize catch-up IRAs
- Invest in/convert to Roth IRAs
- Invest in annuities with GLBs, DIA/SPIA, and fixed deferred
- Buy term/whole life insurance
- Buy life policy with CI/LTC rider

Affluent

Investable Assets \$500k-\$999k

Segment Size

5% of all households own
11% of all assets



\$4.5 trillion

Profile

56% are working
(**69%** are age 55 or older)

60% work with an advisor*

Financials

Average Income **\$198,300**

Average Financial Assets **\$702,800**

Average Net Worth **\$1,498,200**

Average Cash/Equivalents **\$87,800**

Average Debt **\$254,400**

Have Student Loan Debt **9%**

Leverage Ratio** **28%**

Highlights

- 90%** have assets in retirement plans or IRAs
- 39%** own stocks outside plans
- 19%** own CDs
- 34%** own cash-value life insurance
- 15%** own non-qualified deferred annuity

Need help with:

- Formal retirement income planning
- Principal protection and growth
- Deep advisor relationship
- Social Security claiming strategies
- Tax planning

Opportunity:

- Maximize catch-up IRAs
- Invest in/convert to Roth IRA
- Invest in annuities with GLBs, DIA/SPIA and fixed deferred
- Buy whole life insurance
- Buy life policy with CI/LTC rider

Source: LIMRA Secure Retirement Institute analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017.

*Percentage of households working with an advisors are from 2018 Consumer Survey, LIMRA Secure Retirement Institute and based on experiences of 6,021 households.

**Leverage ratio is defined as total debt to total financial assets for the segment.

Wealth Segments at a Glance

High-Net-Worth

Investable Assets \$1 million-\$3.49 million

Segment Size

5% of all households own
25% of all assets

\$10.6 trillion



Profile

53% are working
(**77%** are age 55 or older)

62% work with an advisor*

Financials

Average Income **\$323,900**

Average Financial Assets **\$1,778,200**

Average Net Worth **\$3,601,500**

Average Cash/Equivalents **\$195,400**

Average Debt **\$293,100**

Have Student Loan Debt **6%**

Leverage Ratio** **11%**

Highlights

- 95%** have assets in retirement plans or IRAs
- 59%** own stocks outside plans
- 51%** own mutual funds outside plans
- 34%** own cash-value life insurance
- 24%** own individual bonds
- 15%** own non-qualified deferred annuity

Need help with:

- Formal retirement income planning
- Asset preservation and growth
- Deep advisor relationship
- Tax and gift planning
- Estate and trust planning

Opportunity:

- Invest in/convert to Roth IRAs
- Invest in low-cost variable annuity or income annuity like DIA/QLAC/SPIA
- Buy whole life insurance
- Buy life policy with CI/LTC rider

Mega-Millionaires

Investable Assets \$3.5 million or more

Segment Size

1% of all households own
47% of all assets

\$19.7 trillion



Profile

46% are working
(**84%** are age 55 or older)

70% work with an advisor*

Financials

Average Income **\$1,357,700**

Average Financial Assets **\$9,908,300**

Average Net Worth **\$16,830,000**

Average Cash/Equivalents **\$842,900**

Average Debt **\$752,200**

Have Student Loan Debt **1%**

Leverage Ratio** **4%**

Highlights

- 94%** have assets in retirement plans or IRAs
- 63%** own stocks outside plans
- 75%** own mutual funds outside plans
- 42%** own cash-value life insurance
- 14%** own non-qualified deferred annuity

Need help with:

- Concierge advisor relationship
- Managing wealth according to their priorities
- Tax and gift planning
- Estate and trust planning

Opportunity:

- Invest in/convert to Roth IRAs
- Invest in low-cost variable annuity or income annuity like DIA/QLAC
- Buy whole life insurance
- Buy life policy with CI/LTC rider

Source: LIMRA Secure Retirement Institute analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017.

*Percentage of households working with an advisors are from 2018 Consumer Survey, LIMRA Secure Retirement Institute and based on experiences of 6,021 households.

**Leverage ratio is defined as total debt to total financial assets for the segment.



©2019 LL Global, Inc. All rights reserved.

This publication is a benefit of LIMRA membership. No part may be shared with other organizations or reproduced in any form without LL Global's written permission.
The LIMRA Secure Retirement Institute® was established in 2013 with the goal of providing comprehensive, objective research and education to help improve retirement outcomes.
Our research agenda covers all aspects of the industry and examines issues related to saving, investing, and generating retirement income.

LIMRA Secure Retirement Institute® • www.secureretirementinstitute.com