Mercatus/FRC Study: Retirement Money in Motion – Capitalizing on IRA, Rollover & Taxable Money Movement

Financial Research Corporation (FRC) and its parent company, Mercatus LLC, recently completed a major, in-depth study on the movement of retirement and taxable assets by mass affluent investors during the past year. Based on a comprehensive national survey of more than 2,000 mass affluent consumers, the study examined these individuals' recent retirement asset transfers and the reasons for changing providers, as well as purchase pathway behaviors and engagement preferences.

The analysis of the data shows that contrary to popular opinion, mass affluent consumers were not passive during the difficult financial environment of 2008-2009. Rather, they moved significant amounts of retirement money, including taxable assets, over the past year in search of better value, personalized advice and guidance, and a financially sound provider. The study also shows that these investors moved money in patterns strongly related to their age, wealth, investment experience and certain other factors.

Study Snapshot

Average Mass-Affluent Investor in the Study

- **54 years old**
- **$614,000 in investable assets**
- **$129,540 moved over prior 12 months, including $83,443 in retirement assets**
- **$100,000 to $124,999 household income**
- **$580,000 investment portfolio**

Findings Highlight Overlooked Opportunities

The study's data and analysis also show that most of the mass-affluent respondents recognize that they still need professional investment advice. This unmet need presents multiple new business opportunities for financial services companies, especially investment firms and large banks.

One of the study's surprising findings is that many mass-affluent investors ultimately intend to use their taxable assets as retirement funds. This investor intention makes those assets targetable for firms that may have previously considered them beyond their focus areas. It presents significant new business potential in several areas, including long-term asset allocation and tax management, as well as moving those assets over to traditional retirement vehicles.

Detailed Data, Insightful Analysis

Topics covered in the study include an overview of investors' money actions relative to their taxable and retirement assets, age, income and investing experience. The study also explores investors' preferences regarding reliance on financial professionals, their investment firm selection criteria, and their perceptions of the financial soundness of institutions. Some of the key findings include:

- The desire to consolidate accounts was the number one driver of Retirement Money in Motion decisions – but a minimum, pre-existing 20% wallet-share capture was required to win this business.
- Financial soundness perceptions (and realities) drove a third of retirement money movement decisions
- Prior to age 65, the frequency and size of money movements generally increased with experience and income
- A large percentage of Mass Affluent self-identify as "beginners," recognizing the fact that they need professional financial advice
- Despite stated desires to rely on professional advice sparingly or not at all, only a small fraction of respondents had no plans to seek help
- Effective and differentiated investment guidance provided in in-person settings was a critical driver of retirement money movement decisions.

Firm Assets

Institution	Number of Respondents	Avg. Investable Assets	Avg. Assets Transferred
Investment Firms	1387	$637,599	$129,737
Top 12 Banks	367	$742,507	$152,834
Insurance Companies	152	$467,105	$115,625
Credit Unions	71	$276,761	$78,556
Mid-Size Banks	60	$333,333	$94,375
Regional Banks	49	$386,735	$92,245
Local Banks	29	$258,621	$123,621
None	11	$1,515,909	$252,500
Government	3	$108,333	$19,167

The study identifies respondents' primary financial institutions. The Investment Firm category has the largest sample size by far. This group was led by Fidelity, Vanguard, Edward Jones, Ameriprise, Merrill Lynch and Charles Schwab. The Top 12 Banks category has the second-largest sample size. Leaders of this category include Wachovia Bank, Bank of America, Wells Fargo, JPMorgan Chase and Citibank.

Study Methodology

This study was conducted by Mercatus and FRC in May of 2009 and covered the prior 12-month period. Respondents were from most U.S. states, ranged in age from 35 to 70, and had an average of $614,000 in investable assets. In addition, participants had to have completed at least one of the following transactions within the past year: rolled assets from employer-sponsored retirement plans to an IRA account, transferred assets from an IRA account with one firm to an IRA at another firm, or transferred taxable assets designated for retirement from one firm to another.

Summary

The compelling data and insightful analysis in this study will enable investment firms, large banks and other financial services firms to sharpen their focus on gaining market share and wallet share with this valuable group of investors. It provides actionable ideas and proactive steps firms can take to pursue and win new business with mass-affluent investors.

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