

RECLAIMING  
THE FUTURE

# The Five Financial Personalities White Paper

Allianz Life Insurance Company of North America  
Allianz Life Insurance Company of New York

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# Introduction

The Allianz *Reclaiming the Future* Study was a groundbreaking market research study by Allianz Life Insurance Company of North America (Allianz) on the subject of the baby boomer generation and retirement in the new economy.

The study took a broad and deep view of boomers as they approached and planned for retirement in the new economic environment: what were their attitudes, fears, concerns, goals, and behaviors about retirement planning, retirement preparedness, and retirement income? And just as important, how could the providers who serve this generation better prepare for, and respond to, their changing needs?

## Methodology

Allianz Life Insurance Company of North America contracted Larson Research and Strategy Consulting, Inc. and DSS Research to field a nationwide online survey of 3,257 U.S. adults, aged 44-75. The online survey was conducted in the United States between May 6, 2010 and May 12, 2010.

In addition to polling a representative sample of 1,642 U.S. households, the survey also targeted subsamples of more affluent households and households that own annuities. Results were weighted by age, gender, education, race/ethnicity, and income to account for disproportionate sampling of certain populations. The margin of error for the total sample was approximately +/- 1.7%.

In addition, we also conducted a nationwide qualitative research study with financial professionals who did not currently sell annuities. The research was entirely anonymous as we conducted in-depth, one-on-one interviews to determine general practice strategies and strategies for generating income in retirement, as well as perceptions, beliefs, feelings about, and objections to annuities.

Please note: This document was accurate at the time of release and reflects the responses and interpretation of findings for that period in time. For more information on this and other studies, please visit our website at [www.allianzlife.com](http://www.allianzlife.com) or [www.allianzlife.com/new-york](http://www.allianzlife.com/new-york).

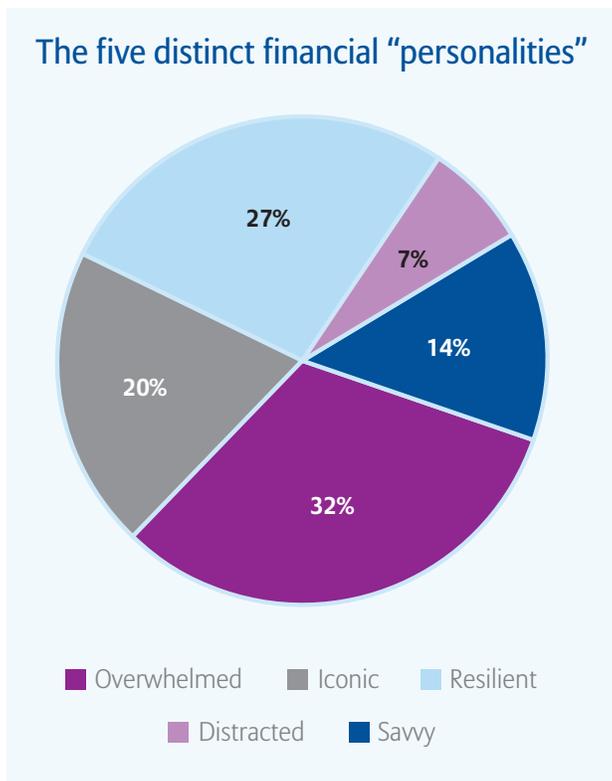
Allianz Life Insurance Company of New York (Allianz Life® of NY) is a wholly owned subsidiary of Allianz Life Insurance Company of North America.

# Overview

As a key component of the study, we identified several distinct groupings of preretirement and retirement age consumers, based on attitudinal, behavioral, psychographic, and demographic characteristics. Quantifying and understanding the key differences between these boomer segments enables specific, tailored, and relevant solutions.

Five distinct financial “personalities” emerged as the respondents’ demographic data were analyzed and correlated with their responses about economic resilience, concerns, attitudes, and financial needs.

## These personalities can be summarized as follows:



**Overwhelmed:** 32% of the respondents said they felt unprepared for retirement. The overwhelmed group responded that they expect to have to reduce their living expenses in retirement, and they’re counting on Social Security for retirement income. The overwhelmed personality is in “survival mode.”

**Iconic:** 20% of the respondents are confident their income will last throughout retirement. The iconic personality said they feel that they have prepared well for the future. They may have reduced some of their spending, but they do have a handle on their retirement expenses. This group believes in the “American Dream.”

**Resilient:** 27% of our respondents exhibited a “take-charge” attitude according to our study; they’ve planned ahead and value their independence, but most are planning on investing, working longer, or supplementing Social Security with some other form of income. The resilient personality is concerned about outliving their income.

**Distracted:** This personality describes 7% of our respondents. This group responded that they have seen their net worth drop significantly. However, they have not changed their retirement plans or reevaluated their overall financial strategy. This group is worried that their savings will not be adequate for retirement, but they don’t have a plan for growing those savings.

**Savvy:** 14% of those surveyed are either living comfortably in retirement or will retire comfortably. The respondents in this segment are financially independent, comfortable taking risks, and confident that their income will last throughout their lives. Savvy personalities tend to have large, diversified portfolios – and, therefore, few financial concerns.

This extensive and rigorous consumer segmentation of the boomer and retirement market is presented here to advance the industry’s collective understanding of this complex, critical consumer, and assist in the effective marketing of products to help meet their needs.

## Segmentation methodology

The respondent pool for this segmentation was comprised of 1,642 Americans, age 44-75, with minimum household incomes of \$30,000. The sample was separated into several distinct groups or segments, following a three-step process.

**Step one** is to identify the characteristics that define or “drive” consumer retirement and financial strategies behavior. A statistical technique called cluster analysis is used to identify clusters or segments of consumers – each cluster being distinct from the others based on consumer behaviors and what drives them. Use of this tool revealed that consumer behavior is being driven by a specific combination of factors that includes values, attitudes, life stage, lifestyle, wealth status (a combination of income and investable assets), risk orientation, and risk tolerance. Based on this cluster analysis, the five distinct consumer segments – or retirement segments – were identified.

**Step two** involves identifying the descriptive characteristics – those attributes that help complete the picture of who these people are. These factors include their demographics, family status, attitudes, values, needs, expectations, behaviors and priorities around retirement, retirement planning, income planning, how the marketplace volatility affects them, as well as dozens of other facts about them that were provided by their responses to our 110-question survey.

**Step three** is the creation of in-depth segment “portraits” that integrate all of this information – detailed profiles of each segment that define, at a deeper and more detailed level, who the consumers are in each segment. For each segment, these portraits include the “key indicators,” such as what percentage of the overall market that segment represents, what their average net worth is, what percent is working vs. retired, how many have dependents, how many have annuities, etc. The in-depth portraits also included key demographics, the impact of the downturn for them, their attitudes toward retirement, their biggest worries or concerns, their financial needs and/or attitudes, their usage of financial professionals, and their attitudes toward annuities. We also included a “defining statement,” which reflects at a core level the worldview of this particular boomer segment.

These in-depth portraits help provide the road map toward understanding what these different segments need and want from their financial providers, and the values and attitudes that shed light on what may be a more effective retirement solution for them.

# Financial personality #1: Overwhelmed

“Financially speaking, I am pretty much in survival mode.”

The largest segment (32%) of respondents, which we refer to as “Overwhelmeds,” feels unprepared for retirement and lack confidence in how they will put together a strategy for retirement security.

They tend to have the lowest income levels and least education of the five segments (though 40% have completed at least some college), are the least knowledgeable about financial concepts, and often feel financially like they are just keeping their heads above water.

Generally in their late 40s or early 50s, Overwhelmeds have a median income of \$56,000, according to our study. They do not have a lot of investable assets (\$80,000 is the average), and their net worth is the lowest of our segments (\$167,000). This segment also has the highest percentage of minorities and women. Often being single and trying to make ends meet with their younger kids, Overwhelmeds are unfortunately carrying the highest level of credit card debt. They typically have a modest-sized mortgage and a lower-value home.

As a group, Overwhelmeds tend to be somewhat pessimistic. One-third of the respondents in this segment have been affected by job loss, either personally or indirectly. Their financial worries tend to focus on the here and now – getting bills paid and getting food on the table. They worry about inflation costs and not having enough money to pay for care if they get sick, and also worry about when – or even if – they’ll be able to retire. They are planning on working longer and many anticipate having to continue working in retirement. While they expect to reduce their living expenses significantly in retirement, Overwhelmeds are also depending heavily on Social Security to help get them by.

Overwhelmeds who responded have not done a lot of financial planning – and unfortunately do not yet see value in working with financial professionals, whom they generally do not trust. Only 27% surveyed have a financial professional, about half the rate of other segments.

However, Overwhelmeds responded that they may have a high need for guidance, and while they may seem on the surface to be “unattractive” to the financial services industry, as noted, this segment represents a third of all Americans. Financial professionals should be reaching out to this vast audience as it appears they may be the segment that needs them the most.

## Key insights about Overwhelmeds

- High credit card debt, low level of assets
- Seek safety, simplicity, and liquidity
- Worry about inflation costs and not having enough money to retire or to pay for care if they get sick
- Want to be free of obligations and in control of their time
- Want to help their grown children with daily expenses and also help with expenses for grandchildren

## Financial personality #2: Resilient

“Deep down, I realized things would never be the same in terms of financial security.”

Our study found that “Resilients” are solid citizens – planners with strong values and an independent streak. The resilient personality is pragmatic and grounded.

They were hit pretty hard psychologically in the recession; though they are generally moderately affluent with a fairly sizable net worth, they have definitely woken up to the need for better planning. They state that they may want to rebuild their portfolio and shore up a good solid strategy for having stability in the future, but they also realize that they may have to work longer.

Our study found that people with this financial personality tend to be in their early to mid-50s and are still working full-time, with a moderate amount of debt. They are highly educated (second only to Savvys) and typically have kids in their teens.

Nearly one-fifth of our respondents have been affected by job loss. About half of the respondents in our Resilient group said that they plan to retire; the other half is unsure of when they’ll be able to afford retirement. Resilient personalities are concerned about outliving their income. To address this concern, most are planning on investing, working longer, or supplementing Social Security with some other form of income. Most resilient personalities expect to make some reduction in their living expenses in retirement.

True to their name, Resilients are generally good planners who are knowledgeable about household finances and, despite setbacks, have managed pretty well, financially speaking. Their average investable assets are \$375,000, so they have a fairly sizable portfolio to work with. They responded that they are more focused on growth than other respondents (perhaps due to losses they are trying to recoup) and may be much more likely to have CDs and savings bonds vs. annuities or municipal bonds.

Resilients tend to understand the value of a financial professional, with 53% using a financial professional. However, 11% are not receptive to working with financial professionals and likely consider themselves the “do it yourself” type that was observed in many focus groups.

### Key insights about Resilients

- Goals are to enjoy their work and restore/rebuild investment portfolio
- Tend to take charge rather than be led
- Value their independence and don’t ever want to depend on others
- Feel they deserve everything they have
- More focused on growth than other respondents

# Financial personality #3: Iconic

“I’ve worked hard and invested wisely for my retirement security and I am enjoying it.”

“Iconics” in our study could be thought of as “true blue,” retired Americans. They generally believe in the American Dream, have worked hard, and lived within their means. They tend to be on top of their financial situation and, as a result, were less affected by the recession. They’ve been proactive about ensuring they have a safe and secure retirement.

Our study found that they are typically older (60+), often live in smaller towns, and have grown children. Iconics are moderately well-educated, have little debt, and have a modest amount of investable assets and net worth – and fully half of them have paid off their house in full (that’s more than double the percentage of all other segments, except Savvys).

They’re middle class, live mostly on a pension, and are extremely disciplined and traditional in their viewpoints and values. Iconic personalities reported that they feel that they have prepared well for the future and that they have a right to a comfortable retirement, even if it means leaving a smaller inheritance for their beneficiaries. They reported that they may have reduced some of their spending, but they do have a clear understanding of their retirement expenses.

Iconics generally have modest incomes (42% have a \$45,000-\$75,000 household income) and are the highest percentage of any segment average in our study (83%) to be receiving a pension. Generally, their average investable assets are \$295,000, and their median net worth is \$419,000 – both of which are moderate levels relative to other segments in our study.

Of all segments studied, they have the highest level of annuity ownership (36%). Interestingly, 53% have a financial professional, but quite a high number (32%) are not open to working with one, possibly because they don’t feel they have enough money or because this seems “an indulgence” to them.

## Key insights about Iconics

- Optimistic about the future
- According to our study, they feel they have a right to a comfortable retirement even if it means leaving less for their kids
- Life is focused on staying healthy/getting in shape, traveling, and spending time with family and friends
- A focus on simplicity and safety more than return, fees, or flexibility
- They responded that their ideal financial product would provide guaranteed income for life and be stable and predictable so they don’t have to think about it

## Financial personality #4: Savvy

“I watch the markets and manage my investments.”

Our study found that “Savvys” are financially sophisticated, confident, well-to-do people who pride themselves on having prepared well for retirement and on being “in the know” about most financial concepts. According to our study, these smart, assertive individuals like information and facts, and want to be treated like a partner in the decision-making process.

Generally, the Savvy personality is older (predominantly over 60), is highly educated, and has been retired or semi-retired for at least five years.

The Savvy group in our study is living comfortably in retirement and appears to be the best-prepared of the five financial personalities. They generally have the highest level of investable assets – in large, diversified portfolios – and the lowest level of debt.

Our study found that they are financially independent, comfortable taking risks, and confident that their income will last throughout their lifetimes. Although the Savvy personality may have suffered some recent market losses, these had little impact on spending habits or daily life. However, as a consequence, some Savvys may have adopted a more conservative approach to investing.

Savvys know and understand the value of working with a financial professional – 67% of them have a financial professional.

### Key insights about Savvys

- Heavily invested in real estate (home and/or other property) and an array of financial products
- Focused on reasonable fees relative to benefit
- Many are willing to trade liquidity and security for a higher potential return
- Tax-deferred growth is very important
- Some focus on simplicity and security more than return, fees, or liquidity

# Financial personality #5: Distracted

“I am happy to live in the moment with a full house and a full life.”

In our study, “Distracted” are the youngest of our segments surveyed. Caught up in the complexity of modern life, they tend to not focus on financial planning, thinking of retirement as being far off and even hard to imagine.

Our study found that they are typically in their late 40s or early 50s. Distracted are most likely to be married with young children and working full-time, struggling with the day-to-day pressures of raising a young family and balancing home, career, and family life.

They have the highest income (by far) of any segment in our study (their average household income is \$175,000), have the second-highest level of investable assets, and are very well-educated. They also tend to live in pricier homes in city or metropolitan settings. They also tend to spend freely (especially on their kids), and family and home expenditures take priority over saving for retirement. Consistent with this “live now/pay later” philosophy, among our five groups, they report that they owe the most on their mortgages and have among the highest in credit card debt.

Though they responded that the recession hit their home values hard and many have seen their net worth drop significantly, Distracted have generally “tried not to think about it.” They may have cut back on some spending, but they have not changed their retirement plans or reevaluated their overall financial strategy.

Those in this group reported that they expect to retire in their early 60s – although they would prefer to retire in their early 50s. They are relying on 401(k)s more than any other group and counting on receiving their full Social Security benefits. They may be worried that their savings will not be adequate for retirement, but they don’t have a plan for growing those savings. Distracted tend to live in the present and externalize big decisions (instead, wanting government to solve the country’s financial problems).

That said, those in our study have the highest percentage of individuals not currently working with a financial professional who nonetheless say they are either “open to it” or “definitely plan on it.” In other words, they recognize the need to invest smarter but have not yet made the commitment to do so.

## Key insights about Distracted

- Their major focus in life is providing for family (spouse, kids)
- Concerned that nest egg may not be big enough
- Want a bigger government to solve country’s financial problems
- Are open to working with a financial professional
- Highest in credit card debt

## Conclusion

At this critical juncture in their lives, with life and career transitioning to a new chapter, according to our study boomers have been hit hard by marketplace volatility. This has resulted in a seismic shift in how they think, behave, and manage their money.

Through our survey it was discovered that safety, protection, and retirement security have become paramount in the boomer mindset as the world around them has shifted and they find themselves facing the reality of the gap between their desired lifestyle and the means to get there.

For this key segment of the population, there is a heightened awareness that the safety nets of yesteryear – defined benefit plans and Social Security – are diminished and disappearing. The net worth of their assets have been eroded by the turmoil in the financial and housing markets. And as average life expectancies continue to increase, the length of time spent in retirement is also increasing. Taken together, these factors are creating one of the dramatic retirement income challenges in history.

Though the mindsets of the five segments identified here run the gamut from overwhelmed to savvy to resilient, each group holds its own potential in terms of investing strategies to provide security in retirement, and what is desired from a financial professional.

The 76-million baby boomers approaching retirement have experienced a major wake-up call. The Allianz *Reclaiming The Future* Study is the first step toward successfully answering that call.

**For more information about  
the *Reclaiming the Future* Study**  
go to [www.allianzlife.com](http://www.allianzlife.com).

The Allianz ***Reclaiming the Future*** Study revealed several key findings:

- Americans believe that there is a retirement crisis and that they are unprepared.
- There are five distinct financial “personalities.”
- Americans fear outliving their money more than they fear death.
- The economic downturn was a big “wake-up call.”
- Annuity-like solutions are gaining relevance and appeal.



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