

# The Boomer Elite: A Brief Overview of One of Today's Most Coveted Markets

## The Wealthiest Boomers

All Baby Boomers are wealthy, aren't they? The way the media portrays this generation, with headlines such as "*Wealth of Baby Boomers May Prove To Be A Rich Part of Our Future*," you may believe this to be true. While Boomers are "wealthier" than previous generations when comparing median net worth, not all members of this generation are wealthy.<sup>1</sup> Analysis of the Federal Reserve's Survey of Consumer

***While only 9% of the population the Boomer Elite account for 17% of intended spending on select products in the next year.***

Finances indicates that while Boomers account for about half of the nation's net worth in 2004, the lowest 40% of this segment have virtually no net worth outside of home equity, with the lowest 20% having a net worth of only \$2,480.<sup>2</sup> Only a fraction, 9% or 6.5 million consumers, of Boomers are truly affluent. This segment of the Boomer population has significant income and while only 9% of the

population, accounts for 17% of intended spending on select products in the next year, making them attractive to marketers.<sup>4</sup>

To capture this segment, marketers must understand their habits, attitudes and behaviors, and how they differ from the general Boomer population. Areas where there are significant differences are in the way they handle their finances, how they shop and spend, where their brand loyalty lies, and in advertising and media attitudes. So let's take a look at the Boomer Elite, the wealthiest of the Baby Boom generation.

## Quick Look at the Boomer Elite – Who Are They?

The majority of the analysis in this report stems from data from The Focalyst View, the largest, most comprehensive view of Boomers and beyond. With 30,000 respondents between the ages of 42 and 87, the study provides the most comprehensive view of this lucrative market.

Focalyst has defined the Boomer Elite (with a base size of 1,183) as those consumers born between 1946 and 1964 that are either working with a pre-tax annual household income of \$150,000 or more, or are retired with a household income of \$100,000 or more. While income is just one element of wealth, it is a good indicator of financial status overall.

***Median pre-tax income household income:***

***All Boomers - \$65,000***

***Boomer Elite - \$175,000***

***Boomer Non-Elite - \$55,000***

***Average US Overall - \$44,000<sup>3</sup>***

The Boomer Elite on average have a household income of \$192,000 per year, more than 2.5 times that of the average Boomer. Figure 1 offers some other key comparisons for the average Boomer vs. the Boomer Elite.

Figure 1

**Profile of Average Boomers vs. Boomer Elite**

	Average Boomers	Boomer Elite
Percentage Male	49%	64%
Married or Partnered	69%	92%
Children in HH	37%	42%
College Educated	73%	92%
Health Status Rated Very Good/Excellent	55%	75%
Avg. Market Value of Home	\$282,000	\$519,000

Source: Focalyst

The Boomer Elite are:

- About two-thirds male
- Almost all married
- More likely to have children in the home
- Mostly still employed (79% working, 14% retired), likely due to their relatively young age, but perhaps also as a function of identity and self fulfillment
- Most likely to reside along the east and west coasts of the United States

**42% of the Boomer Elite have children in the home vs. 37% in the homes of the average Boomer, but this number jumps to 72% among Elite Boomers in their 40's.**

Overall, the Boomer Elites have positive attitudes, with their life values skewing towards motivated and independent.<sup>5</sup> These consumers are dynamic, motivated and image conscious, but also have a sense of responsibility to make the world a better place. Their actions support these themes when we look at category specific attitudes and behaviors.

**Boomer Elite and Finance**

Since money defines the Boomer Elite, we should first take a look at their financial activities, and how they afford their elite lifestyle.

The majority of Boomer Elites feel that they are always on top of their finances (91%

vs. 80%) and that they have prepared well for retirement (82% vs. 57%). They are fairly conservative investors and consider themselves to be savers rather than spenders.

Interestingly, despite their investable assets, most Boomer Elites prefer to handle their finances and investments themselves. Only one third say they "seldom make a financial move without an expert opinion." This presents an opportunity for online investment sites to target this group with do-it-yourself investing tools, although Boomer Elites would likely do well to consult a professional. Tapping into their

***A 2004 survey of affluent Boomers by Northern Trust found that 45% of those under 54 said that their primary advisor in retirement planning was 'myself'.***

confidence in making financial decisions may attract Boomer Elite as customers, if they feel that you are really listening to them and letting them help to direct their investments. And they do have many investments.

In general, the Boomer Elite are much more inclined to save and invest, with 95% having some sort of investment, versus 75% of the total Boomer population. How are they saving?:

- Over 90% of the Boomer Elite have a retirement planning account, such as an IRA, a 401K or a SEP
- 40% of the Boomer Elite have a real estate investment other than their primary residence, as compared to 18% of the total Boomer population
- The Boomer Elite are less likely than the general Boomer population to own their primary residence outright. These financially savvy investors are likely reaping the tax benefits of a financed home.

So the Boomer Elites are saving money, but how are they spending it?

### **How the Boomer Elite are Spending**

Although 61% of Boomer Elites claim to spend more carefully than they used to (vs. 71% of the total Boomer population), they still spend much more than Boomers on average in dollars.

Spending by the Boomer Elite on everyday items, such as food and groceries, personal care items, drugs and vitamins is higher than Boomers in general, as demonstrated in Figure 2. Considering the greater income of the Boomer Elite, these differences are not as extreme as would be expected.

***62% of the Boomer Elite predict they will be better off financially in 5 years vs. 42% of all Boomers.***

Figure 2

### Average Monthly Household Spending on Everyday Items

	Total Boomers \$	Boomer Elite \$	Difference %
Home Improvement Products	112	162	45
Food and Groceries	299	422	41
Gasoline	209	285	36
Music/Video/Books	40	54	35
Personal Care and Toiletries	64	84	31
Drugs and Vitamins	81	98	21

Source: Focalyst

As Figure 3 demonstrates, spending differences on big ticket items, such as purchases related to the home and travel, are much more evident, at a rate of up to more than twice the spending of total Boomers overall.

Figure 3

### Planned Spend on Big Ticket Items in the Next Year\*

	Total Boomers \$	Boomer Elite \$	Difference %
Household Items	2,198	4,608	110
Technology Products	1,092	1,886	73
Travel – Next Trip	1,593	2,580	62
Home Improvement	6,034	9,632	60

\* Of those consumers that plan to spend in the next 12 months.

Source: Focalyst

### Shopping Habits of the Boomer Elite

While they are spending, the Boomer Elite are smart shoppers. Almost all are online, and are using the Internet for researching products before making online or offline purchases.

General shopping attitudes of the Boomer Elite:

- They are much more willing to pay a premium for quality goods and place brand name in high regard

- They are less enthusiastic about shopping than the general Boomer population, but this may be biased given the prevalence of men among the Boomer Elite
- About half of the Boomer Elite seek out locally produced or environmentally safe products although these numbers are slightly lower than the total Boomer population
- One third agree that it is worth the extra money to buy organic products, slightly more than the total
- They look for the best value when making a purchase, and will research to find the best deal. Value to the Boomer Elite does not only mean price, but their demand for quality at a reasonable price. Comparison shopping sites make this an important tool for this group.

Marketers should emphasize the quality of their products to reach this target segment. High quality products and respected brands at a reasonable price will really hit home with the Boomer Elite.

### Home is Where the Money Is

Elite Boomers place a high level of importance on their homes, not just as a shelter, but as both an investment and as an extension of their own image. They enjoy entertaining in the home and are willing to spend to keep up its appearance, as was illustrated in Figure 3.

**Over one-third of Elite Boomers employ a housecleaner or lawn service. Over 14% pay a handyman to help out around the house.**

Most significant differences in spending relate to the home:

- Average market value of the Boomer Elite home is almost twice the Non Elite Boomers (\$519,000 vs. \$254,000)
- 40% of the Boomer Elite own property other than their primary residence
- While only 9% of the Boomer population, the Boomer Elite are responsible for 20% of the average spending for household items
- Many are spending on regular services for the home, especially cleaning and lawn services, suggesting that these consumers are prime for additional concierge services that will help them save time

### Boomer Elite Brand Habits

Boomer Elites are about as brand loyal as Boomers on average for products, but when it comes to services, particularly related to finance or travel, there is a big difference. While Boomers in general are more likely to say "it doesn't matter which company I use" for certain services, Figure 4 illustrates that among the Boomer Elite, it **does** matter. The Boomer Elite are likely to stick with only one company all the time or to shop around, but only among a few brands that they place in high regard.

The Boomer Elite are very loyal to financial related services, such as banks, brokerages and credit cards. When choosing a financial or brokerage firm, 54% of the Boomer Elite use one company all of the time. Boomer Elites are likely to be very careful with

whom they trust their money, but will continue to keep that relationship going once that trust is established.

Figure 4

**Brand Loyalty Among Service Firms**

"It doesn't matter which company I use"	Total Boomers %	Boomer Elite %
<b>Banks</b>	7	4
<b>Financial/Brokerage Firms</b>	13	7
<b>Credit Cards</b>	15	12
<b>Hotels/Motels</b>	36	22
<b>Airlines</b>	39	23
<b>Cruise Lines</b>	39	28

Source: Focalyst

With travel, however, the issues are value, comfort and convenience as well as past experience and satisfaction. When considering travel companies, the Boomer Elite are likely to choose from a cache of trusted companies, perhaps based on price or convenience with their travel itinerary. Boomer Elites are savvy and will research for the best price for airfare among several airlines that they perceive to offer good service, as price can vary greatly for the same "product" – a short period of time traveling to their final destination. However, in hotels and cruise lines, where consumers will spend a majority of their trip, indulgence will weigh more heavily in their purchasing decisions for these affluent Boomers.

**Advertising and Media Behaviors of the Boomer Elite**

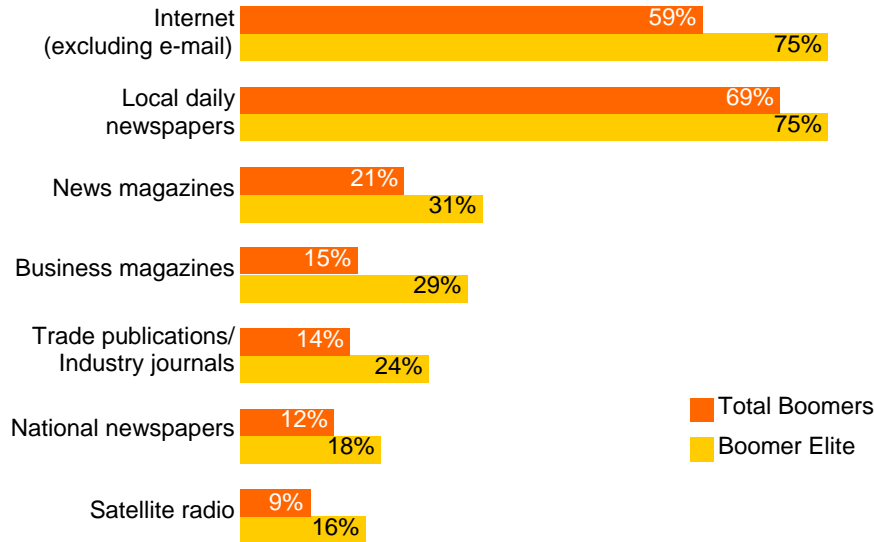
How can this attractive group of consumers be reached? This group is savvy about the intent of advertising, but enjoys the entertainment value of ads. The good news is that the Boomer Elite are avid consumers of media, more so than Boomers in general:

- 87% read any newspaper or magazine yesterday (vs. 79%)
- 76% listened to any radio (vs. 72%)
- 91% watched any TV (similar to Boomers with 90%)

As illustrated in Figure 5, certain media are more effective at reaching the Boomer Elite than Boomers on average. Print media are particularly effective with this group, as they are spending a lot of time with newspapers and magazines, an average of more than 30 minutes every day with each, and over 43% say they read the ads in magazines that they subscribe to.

Figure 5

### Daily Consumption of Select Media



Source: Focalyst

## Conclusions

While the notion that all Boomers are wealthy is a misnomer, the 6.5 million consumers that comprise the wealthiest of this generation, the Boomer Elite, cannot be ignored. Wielding large wallets and a willingness to spend make this segment attractive, but its demand for value, its brand habits and shopping awareness make it a difficult one to capture. Products that help save them time or make them feel good about themselves, whether it be their image, their intelligence or through altruism, have a good chance to connect with this savvy group.

<sup>1</sup> Comparing Boomers' and Their Elders' Wealth at Midlife, John Gist, AARP Public Policy Institute (September 2005).

<sup>2</sup> Based on Focalyst analysis of the Federal Reserve's 2004 Survey of Consumer Finances.

<sup>3</sup> 2004 median, US Census Bureau.

<sup>4</sup> Intended spending in the next 12 months for apparel, beauty, home improvement, household items, technology and travel.

<sup>5</sup> In Focalyst's Life Value Segmentation consumers are segmented according to common inherent values and priorities in life. This segmentation is based on well-established psychological principles documented in *Basic Human Values*, Shalom Schwartz (1992).

Focalyst™ ([www.focalyst.com](http://www.focalyst.com)) is a leading source™ of information and insights about Baby Boomers and Mature consumers. As a Millward Brown specialty practice supported by AARP Services Inc.,<sup>SM</sup> Focalyst offers a broad range of qualitative and quantitative custom research solutions. Focalyst pioneered the largest, most comprehensive study ever conducted about Boomers and Matures and has the unique expertise to help marketers better understand and connect with this important demographic. For more information call 212.548.7270 or email [.Jackie.Bartolotta@focalyst.com](mailto:Jackie.Bartolotta@focalyst.com).