

Investors Rank “Clear Pricing” and “Low Fees” No. 1 Edward Jones, USAA, Ameriprise Among Top Performers

Despite Desire for Fee Clarity, Less Than One in Four Understands How Primary Provider Earns Money

(Rye, NY) – Investors rank “clear and understandable pricing” as their *No. 1 Investor Want* for investment providers – yet less than one in four has a good understanding of how their primary provider earns money – in a survey of approximately 5,500 U.S. households nationally by Hearts & Wallets, the preeminent financial research resource for understanding consumer savings and investing needs and behaviors.

Americans grew more demanding for all the *Top 10 Investor Wants* in 2014, with fee clarity shooting up four points from 2013 to share the top spot with low fees in the annual survey:

Top 10 Investor Wants – Percentage Who Rank as Extremely Important in 2014	
1. Fees are clear and understandable	52%
1. Has low fees (tie) ¹	52%
2. Explains things in understandable terms	50%
3. Is unbiased, puts my interests first	49%
4. Has made me money	48%
5. Has well-trained staff	46%
6. Is easily reachable by telephone	44%
7. Provides clear, useful statements	43%
8. Understands me and shares my values	40%
9. Investment ideas are knowledgeable, timely and tactical	39%
10. Is proactive when market changes/when I’m losing money	38%

Top firms

Consumers ranked the two firms they do the most business with in each of the *Top 10 Investor Wants*. **Edward Jones** ranks among the best performers in nine out of the *Top 10 Investor Wants*. **USAA** ranks among the best performers in seven out of *Top 10 Wants*. **Ameriprise** investors rank the firm as a best performer in five of the *Top 10 Wants*. **Merrill Lynch** (excluding Edge) places as a best performer in four of the *Top 10 Wants*. **Charles Schwab, Vanguard** and **Wells Fargo Advisors** investors rank their firms as a best performer in two of the *Top 10 Wants*. **Morgan Stanley Smith Barney, Scottrade** and **TD Ameritrade** all receive a *Top 10 Wants* best performer ranking.

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¹ Perceived value of low fees by consumers differs by firm, depending on category and services desired. Many full-service firm customers value certain service dimensions more than low fees. For example, only 44 percent of Edward Jones customers place relatively importance on “has low fees.” Yet, more than half of Edward Jones’ customers are satisfied the firm has low fees.

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Fee clarity shot up five points to tie for first with “low fees” in the annual competitive assessment of consumer wants. Hearts & Wallets’ *Competitive Intelligence: What Investors Want and How Stores Perform* study examines full-service, in-plan, self-service and hybrid investment platforms, assessing share of wallet and other performance metrics by age/asset segments. Hearts & Wallets tracks competitive position on three levels of pricing strategy – low or premium pricing, pricing clarity, and consumer perception of pricing in how the firm earns money. Some investors seek specific services and are willing to pay. Others are focused on low cost.

Investing as consumer choice

“Investing is becoming a consumer choice,” Laura Varas, Hearts & Wallets partner and co-founder, said. “Before being able to judge whether fees are high or low, investors have to know what the fees are. Many financial services firms don’t make this easy. People have to understand the value of the purchase, just like any other buying decision. The financial services industry has a ways to go to empower choice, but there are some bright spots.”

Overall, Americans are more fee savvy than they used to be. Only 27 percent saying they “don’t know” the price paid for investment products and service, improving from 31 percent in 2013. 41 percent of consumers say they pay nothing since “the firm is paid through products I own.”

For fee clarity, **Ameriprise** and **Edward Jones** are the clear leaders, with the firms in a statistical tie based on sample size². **Merrill Lynch** and **Wells Fargo** ranks among top performers in the full-service firm category. In the employer-sponsored category, **TIA-CREF** ranks among the top performers for “explains things in understandable terms.”

Firms with high percentages of customers who know the price they pay are **E*Trade**, **Scottrade**, **Charles Schwab** and **Morgan Stanley**. Self- and full-service platforms perform best. Hybrid models have mixed results with bank and employer-based platforms performing poorly.

A positive trend is the increasing number of customers who say they pay a “percentage of assets” across all asset segments, doubling from 9 percent in 2013 to 18 percent in 2014. Even here, a common misperception exists that a flat fee is paid for full-service firm services.

“In the future, people will better appreciate the value of what they’re buying at the prices they are paying,” Chris Brown, Hearts & Wallets partner and co-founder, said. “The decision is not just about pricing and returns. Service dimensions factor into choice. If you want a financial provider with a really good website, consider **Fidelity**. If you want a firm that excels at explaining things in understandable terms, consider **Edward Jones**. If you want a provider who is easy to reach on the phone, think about **USAA** or **Ameriprise**.”

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² Survey margin of error is a small +/- 1.3 percent, or 95 percent significance for firms with larger number of customers at the national level for nearly 11,000 data sets on firm-specific data and +/- 3.7 percent, or 80 percent significance for firms with smaller numbers of customers. Statistically, groups of leading firms are cited rather than one firm.

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The research demonstrates the importance of low fees differs by firm. Low fees may be a key attribute for a self-service firm's customers. A full-service firm's customers may be willing to pay more, if offered enhanced or more service dimensions. Hearts & Wallets predicts pure retail investing self- and full-service competitive sets will clarify pricing most quickly since banks and employer based-based retirement providers must deal with additional pricing layers. Hybrids with employer businesses face similar challenges.

High marks to financial pros

Two out of three Americans now use a financial professional. Satisfaction with financial professionals increased from last year in all service dimensions with the biggest jump seen in reliability, going from 55 percent in 2013 to 68 percent in 2014.

"Consumers give financial professionals higher marks all round," Brown said. "This is probably a result of the bull market, their improved portfolios as well as potentially lower expectations."

About the Hearts & Wallets Study Methodology

Competitive Intelligence: What Investors Want and How Stores Perform analyzes attitudes and behaviors of investor lifestages from age 21 through post-retirement and is drawn from the **Hearts & Wallets Investor Quant (IQ) Database**. The IQ database platform serves as the engine for Hearts & Wallets annual reports as well as emerging trend analysis and consists annually of more than 2 million data points from 85 families of savings and investment questions asked during 40-minute interviews of 5,500 U.S. households. The integrated database engine now consists of more than 30,000 U.S. households over five years.

About the Hearts & Wallets®

Hearts & Wallets LLC is the preeminent financial research resource for understanding savings and investing needs and behaviors of American households. More than half of the top 10 retail financial services firms, in terms of assets under management and investors served, subscribe to the Hearts & Wallets Investor Quant (IQ) database engine platform with data on 30,000 U.S. households over five years. The firm's integrated research platform combines consumer marketing and strategy frameworks with a deep, practical understanding of how the investment, retirement and banking industries function. Hearts & Wallets grows financial services client businesses by illuminating new, smart ways to truly help American savers and investors. Clients better understand the unmet needs of distinct population segments, improve their products and services, gain a powerful competitive edge, and ultimately, enhance consumer lives. The company is headed by the two of the leading research experts in retirement market trends for the financial services industry, **Chris J. Brown** and **Laura Varas**. Their studies and conferences are must-have resources for retirement industry strategists, product managers and marketing and sales executives. For more information, visit www.heartsandwallets.com.

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