

Hearts & Wallets

Double-Dipping Consumers Cross Over to Redefine Traditional Industry Delegator/Do-It-Yourself Dichotomy

New Methodology Reveals Hybrid Consumer Segment

(Rye, NY) – The emergence of a hybrid crossover segment of more than 7 million affluent consumers who use both self- and full-service financial services providers redefines traditional **delegator** and **do-it-yourself** investment preference categories in a study by **Hearts & Wallets**, the preeminent financial research platform for consumer savings and investing insights.

Hearts & Wallets' new Platform Choice segmentation is based on firms consumers actually work with rather than the traditional methodology of the consumer's stated preference for investment decision-making. Hearts & Wallets research over the past five years indicates a major disconnect between what consumers say they do for investment advice and their actual behaviors. For example, only half (53%) of self-identified delegators, who say they rely primarily on financial professionals to make investment decisions, worked with a full-service investment provider in 2014, according to Hearts & Wallets data.

The Hearts & Wallets topical brief, ***Neither Delegator Nor DIY: Modernizing Segmentation to Optimize Service Models***, examines four mutually exclusive affluent U.S. household segments by provider type to understand consumer behaviors and preferences and the opportunities for financial advisors and firms. Hearts & Wallets topical briefs provide an economical means for smaller firms and advisors to tap into Hearts & Wallets broad research base, which includes the firm's ongoing qualitative, quantitative, market sizing and competitive intelligence analysis. The Hearts & Wallets Investor Quant (IQ) research platform is the deepest and broadest single dataset on retail investor buying patterns and U.S. family finances. Annual data collection from over 5,500 U.S. households fuels the IQ database while consumer focus groups conducted throughout the year identify emerging investor trends to keep Hearts & Wallets clients on the cutting edge of shifts in consumer opinion.

"The one-dimensional, high-level view of self directed/delegator segmentation is no longer adequate for sizing and understanding how consumers actually seek out investment advice and products. Firms closest to the consumer know it's akin to watching a snail from outer space. You can't see what he's really doing," Chris J. Brown, Hearts & Wallets partner and co-founder, said.

Brown added, "Segmentation has to take into account that consumers have multiple relationships with financial providers. The 7 million hybrid consumers who use both self and full-service providers are on the advice vanguard in combining professional and other sources with an average of 9.4 sources. The race is on to figure out how to serve them."

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Double-dipping Consumers Redefine Delegators/DIY/2

Hybrid Heaven

The topical brief takes an in-depth look at more than 3,000 affluent households – with investable assets of \$100,000 to under \$5 million – drawn from the nationally weighted 2014 Hearts & Wallets IQ Database. Going beyond the traditional preference segmentation, the brief analyzes four mutually exclusive segments –

- **Self only (not Full)** – affluent households who work with at least one self-service provider (broker, etc.) and do not work with a full-service provider (broker, independent planner, RIA, etc.)
- **Self & Full** – affluent households who work with at least one self-service provider and one full-service provider
- **Full only (not Self)** – affluent households who work with at least one full-service provider and do not work with a self-service provider
- **Neither (not Full or Self)** – affluent households who do not work with either a self- or a full-service provider, but work instead with one or more of the following: bank, insurance company or asset manager.

One in three of the 33.4 million households with \$100,000 to \$5 million use 4 or more firms to make decisions on \$35.4 trillion in assets. *Self & Full* consumers make decisions on about \$7 trillion in assets and represent a quarter (25%) of households in the study, up from 19% in 2012. Within the traditional *delegator* category, *Self & Full* make up nearly one-fifth (19%), 17% in the *DIY* category and 30% in the *general contractor* category, where consumers seek input from various sources as well as make some decisions themselves, indicating there's a sizable opportunity when tapping this segment across all general categories.

Attractive and Growing Segment

The growing number of *Self & Full* households are an attractive segment for the financial services industry. Incidents of *Self & Full* households increase with wealth, rising from 18% of households with assets of \$100,000 to under \$500,000 to 29% of households with assets of \$2 million to under \$5 million. Affluent households who work with both self- and full-service firms have more money to invest, an average of \$942,000, 20 percent more than *Self (not Full)* households and 31% more than *Full (not Self)* households.

“Segmentation based on the distributors that people work with provides a window into how consumers really access advice and purchase products and a basis for far more accurate market-sizing,” Laura Varas, Hearts & Wallets partner and co-founder, said. “Both self- and full-service firms have the opportunity to become the primary provider for these consumers.”

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Double-dipping Consumers Redefine Delegators/DIY/3

Self & Full consumers shop around more and are more likely to move money. Nearly half have or are considering a rollover, non-rollover consolidation, or opening a new account. The only segment that comes close to high 40 percentiles rankings for *Self & Full* is *Self (not Full)* at 42% for considering or having done a rollover.

Leading Firms for Hybrid Consumers

A look at the leading financial firms used by the *Self & Full* segment reinforces the mix of self- and full-service providers –

Financial Provider	% of <i>Self & Full</i>
Fidelity	40%
Bank of America	26%
Vanguard	24%
Wells Fargo Advisors	24%
Merrill Lynch	22%
Charles Schwab	20%
Morgan Stanley	19%
Ameriprise Financial	18%
Edward Jones	18%
E*Trade	17%

Benefits for Product and Asset Managers

Self & Full consumers want it all, seeking investment results, lower fees and other value-add programs targeted to their unique pain points. They are especially responsive to provider-driven material, particularly through the employer.

"Product manufacturers have an opportunity to help distributor partners retain leading-edge hybrid customers with targeted programs for *Self & Full* households," Brown said. "After all, this rapidly expanding, wealthy and more engaged – based on their higher interest in shopping providers – segment is sure to be a growing focus among leading brokerages in the years ahead."

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Double-dipping Consumers Redefine Delegators/DIY/4

Asset managers, in particular, could benefit from a Platform Choice approach because of its new insights into a key group of current prospects – consumers who use full-service providers. Enhanced understanding of this segment also offers great value to their distribution partners.

About the Hearts & Wallets Study

Methodology

The Hearts & Wallets topical brief, *Neither Delegator Nor DIY: Modernizing Segmentation to Optimize Service Models*, examines four mutually exclusive affluent U.S. household segments by provider type to understand consumer behaviors and preferences and the opportunities for financial advisors and firms and is drawn from the **Hearts & Wallets Investor Quant (IQ) Database**. This syndicated research platform serves as the engine for Hearts & Wallets' qualitative, quantitative, market sizing and competitive intelligence research. It consists of 10,000 sets of consumer feedback on financial services firms annually from 5,500 U.S. households and over 30,000 U.S. households over five years.

About the Hearts & Wallets®

Hearts & Wallets LLC is the preeminent financial research platform for consumer savings and investing insights that inspire innovation, inform choice and modify behavior. Most 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 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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