

New Study Reveals How to Unlock Investor Inertia for Money Movement ***Are “Loyal” Customers Only Staying Because of Inertia?***

(Rye, NY) – A new study finds many “loyal” financial services customers are really dissatisfied investors sitting on the sidelines because of inertia, offering financial services providers an opportunity for new customer acquisition, according to [Hearts & Wallets](#), the source for retail investor data and insights.

Hearts & Wallets’ latest study, *Unlocking Investor Inertia*, in their multi-sponsor, cross-country qualitative series, looks at affluent “accumulators” (consumers in the workforce ages 21 to 52), who are actively moving money or considering a move, segmented by attitude towards paying for professional advice. In providing a “voice of the consumer” for firms who service investors directly, asset managers who sell through third-parties and their agencies to tailor affluent investor marketing and engagement, the qualitative study reviews directional reactions to a sampling of 25 current advertising messages, assesses the appeal of cash incentives and fee rebates, and gathers reactions to three new product concepts and DOL fiduciary regulation. Its findings are complemented by the Hearts & Wallets Investor Quantitative Database™.

In all, 11 million households with \$8.4 trillion in assets are represented within the three research segments by attitude towards paying for professional advice:

- See Value – 5.4 million households with \$4.6 trillion in assets
- Middle – 3.2 million households with \$2.5 trillion in assets
- Don’t See Value – 2.2 million households with \$1.3 trillion in assets

Active “Shoppers” Potential Market

Focus groups were conducted to provide context to quantitative findings of the Hearts & Wallets *Money Movement* study, which revealed the large latent potential of households who exhibit dissatisfaction with current providers yet have not acted. The latent potential is of an estimated market of 47 million households with \$15 trillion – in addition to the actively shopping segment of Americans considering money movement, which comprises an additional 26 million consumer households with \$13 trillion. More than 1 in 5 households is actively considering moving money now.

“The money movement market opportunity is much larger than at first glance and nuanced. These findings are directly relevant to business-to-consumer financial services providers and equally important to intermediary-sold product providers’ support of distribution partners because of the way the distribution landscape is changing,” Laura Varas, Hearts & Wallets founder and CEO, said.

Job changes are an ideal time to capitalize on inertia opportunities. Most consumers (53%) do not want to leave money in a former employer plan (Hearts & Wallets *Mindset* study).

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“The key to winning new clients now is developing a better understanding of consumer journeys in provider consideration, including related money movement triggers, as opposed to the use of broadly defined investor segments and assumptions,” Varas added.

Ending Inertia / Engagement & Messaging Effectiveness

Hearts & Wallets advocates for an increasing client-centric, “through their eyes” approach to end investor inertia. “For retail investors, there’s a craving for the tangible suggested by feedback on engagement incentives,” Todd Hiller, Hearts & Wallets Vice President, said. “Concerns with uncertainty still weigh on retail investor minds. Cash incentives to establish new accounts were received positively as they correspond to something tangible. In contrast, offering fee rebates in the event of negative performance returns was not well received,” Hiller said.

Hiller also cautioned financial service providers who have become overly dependent on the creative side of marketing at the expense of strategic fundamentals. “For mutual fund managers challenged with prioritizing their content agendas and seeking to better support their intermediary partners, they need to focus greater attention on retail investors. We don’t need more content, we need more relevant content and this can only be achieved by developing a broader understanding of the issues advice intermediaries confront,” Hiller added.

Product Concept Tests / DOL Fiduciary Rule Reactions

Focus group participants also reacted to proposed concepts on Financial Wellness, an Invested Emergency Fund, and Investments and Insurance Packaging. Overall Financial Wellness approaches were well received by consumers, a primary focus of some robo-advisor entrants. The promotion of investment and insurance products together appealed to a majority of respondents, particularly when considering the future of the workplace. The final concept tested was the proposed Department of Labor fiduciary rule, which generated a number of passionate questions.

Methodology

Unlocking Investor Inertia analyzes attitudes and behaviors of investors who moved money to a new provider in the past year and/or intend to move money to a new provider or are willing to consider moving money, and have either a minimum of \$100,000 in investable assets or at least \$100,000 annual household income and were between the ages of 21 to 52 (skewed to those in 30s and 40s). Six focus groups of about 50 participants in Boston and San Francisco conducted from Feb. 23 to Mar. 1, 2016. Attitudinal segments included *See Value* in paying for professional advice, *Don’t See Value* who are price averse and *Middle*.

About Hearts & Wallets

Hearts & Wallets is the source for retail investor data and insights for the financial services industry. Hearts & Wallets supports leading financial providers in aligning their marketing strategy, product offerings and service delivery with the emotional and functional drivers of retail investor decision making. At the centerpiece of the company’s capabilities is the Hearts & Wallets’ Investor Quantitative Database™, which contains over 1,500 reportable fields on retail investor demographics, behaviors, attitudes and competitive ratings with over 30,000 U.S. households surveyed since 2010. The company also conducts multi-sponsor qualitative research on emerging investor trends, benchmarks advice and guidance experiences, and sizes the addressable U.S. market by investable assets and households. These capabilities allow Hearts & Wallets to help clients size and profile target markets, design solutions, determine delivery strategies and measure results. For more information visit www.heartsandwallets.com

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