

What Matters in Advice and Guidance 2017: Spouses, Children and “One-Timers”

Annual Benchmarking Reveals Best Practices, Trends and New Mid-Service Category

(Rye, NY) – Financial advice and guidance experiences frequently neglect the non-breadwinner spouse, children and “one-timers,” and in doing so, miss a valuable opportunity to connect with consumers, as revealed in the annual benchmarking by **Hearts & Wallets**, the source for retail investor data and insights.

The *State of Advice and Guidance 2017* Inside Advice™ report encompasses industry benchmarks, best practices and trends and is the culmination of the 2016-2017 reviews. The next cycle runs from 2017 to 2018. Now in its eighth year, the report enables advice and guidance managers to place their experiences within the competitive spectrum and gain actionable insights with an assessment based on over 300 empirical facts, factors and benchmarks.

The “Invisible” Spouse/Partner

The *State of Advice and Guidance 2017* report finds a concerning disconnect with how experiences address the non-breadwinner spouse/partner of a couple in their 50s seeking advice and guidance across digital and live experiences. The non-breadwinner spouse’s financial contributions, financial security and an anticipated significant inheritance were often marginalized.

Only about half (54%) of experiences assessed provided a retirement age recommendation for the non-breadwinner spouse, Ann. Only 26% included an earliest considered retirement date while 23% included a latest retirement date. In contrast, 97% of experiences provided a retirement age for the breadwinner, Bob. Other major advice gaps for the neglected spouse/partner include –

- Only 21% fully or even partially addressed life insurance for the breadwinner spouse
- Only 10% conducted a what-if scenario on one spouse predeceasing the other
- Less than half (49%) acknowledged Ann’s anticipated \$600,000 inheritance from her parents
- Less than a quarter (21%) ran a what-if scenario on the likelihood of Ann’s inheritance

“The ‘invisible spouse/partner’ is often at major financial risk in advice and guidance experiences,” Laura Varas, CEO and founder of Hearts & Wallets, said. “Firms that pay attention to the non-breadwinner spouse and emotionally important ‘one-timer’ financial needs provide higher quality advice and guidance and open the door to a longer-term relationship.”

Financial services firms should be aware of the spouse’s growing influence. Over three-quarters (78%)¹ of couples turn to each other on financial topics. In the past two years, spouses have become more of an inspiration for goals-based planning than financial advisors, going from 17% in 2014 to 29% in 2016 in comparison to financial advisors, who were 21% in 2014 and 25% in 2016.²

-more-

¹ Hearts & Wallets Investor Quantitative Database™ *Advice & Technology* 2016

² Hearts & Wallets Investor Quantitative Database™ *Timely Topic* from Retirement Income to Goals-Based Wealth Management June 2017

What Matters in Advice and Guidance 2017/2

Children and One-Timers

The financial realities of consumers on their way to, and in retirement, are very different, yet only one third (33%) of experiences include children. Only about a quarter (26%) partially or fully address financial questions about children's college. Other common questions on the minds of consumers in Hearts & Wallets research focus on "one-timer" expenses – the joy of paying for a daughter's wedding or helping an aging parent with health care expenses. Sadly, less than a quarter (21%) of experiences include the one-time expenses so emotionally important to consumers.

"One-timers are a fundamental capability that should be built into advice and guidance experiences," Varas said. "Our financial lives, from income, spending to saving, are often episodic. Consumers need help not only with retirement and savings but also important financial tasks like goal integration and execution."

The best advice and guidance experiences can facilitate often uncomfortable discussions about finances for families. Hearts & Wallets quantitative research has shown overall, only one third (36%) of U.S. households are comfortable discussing finances with adult children, and only 10% are comfortable discussing finances with in-laws.³

Market in the Middle

In this cycle, the report focuses on the Late Career market (ages 53 to 64) market, a major segment, of 15.8 million households controlling \$7.1 trillion today and with a projected \$10.6 trillion in 2025⁴. Late Careers are in a transition phase of life. Over 1 in 5 experienced a job change in the last three years. As they are aging, they face the dual demands of caring for older parents and children entering college.

The report identified 20 best practices from goals integration to the simple act of offering both online and hard copy, which should be foundational. Planning at the household level is a best practice that remains elusive for many experiences. Few experiences integrated the couple's goals or addressed their specific questions.

Experiences in the report are broken into four categories, including a rapidly emerging new one:

- *Digital Engagement* – introductory digital games intended to engage
- *Self Service* – online tools intended to provide answers with minimal assistance (800-number)
- *Mid Service* – a new category that pairs periodic interactions with phone-based representatives with shared online tools
- *Full Service* – ongoing relationship with a financial professional

-more-

³ Hearts & Wallets Investor Quantitative Database™ *Family Discussions Exploratory Question* 2015

⁴ Hearts & Wallets Investor Quantitative Database™ *Portrait of U.S. Household Wealth* 2016

What Matters in Advice and Guidance 2017/3

Ratings Dimensions

Overall, most full-service experiences score higher than other experiences and fulfill more foundational customer needs, such as including the spouse and children and allowing a one-time income or expense. Most full-service scores higher than most mid-service, which scores higher than most self. Format is a relative strength of digital engagement and self-service categories. Ratings include how well the firms fulfill their value propositions and how well they score on the following dimensions –

- *Consumer Centricity* – consumer questions at the forefront
- *Quality of Recommendations* – breadth and depth of topics
- *Format* – clarity and ease of use (online and hard copy)
- *Process and Resources* – quality of architecture and navigation, resource availability, including third parties

Category confusion and opportunity

“Consumers should understand the limitations of online and self-service tools, which aren’t designed to deliver the same service as a full-service financial professional,” says Varas. “Having choices are important for consumers who have different needs at different stages of their lives. Unfortunately, today’s marketplace often confuses consumers because of unclear categories. The industry has an opportunity to do more to communicate and explain the different levels of service, their relative value and price, and the tradeoffs.”

Submit Experiences for 2017-2018

Inside Advice™ is beginning its annual cycle for 2017-2018. Interested firms can still [submit experiences](#) by contacting Hearts & Wallets. The focus is on the Mid-Career lifestage (ages 40 to 52), the 29 million U.S. households who control \$8 trillion in investable assets.

Methodology

The *State of Advice and Guidance 2017* report provides a comprehensive overview of the advice and guidance industry. A total of 39 experiences were assessed this year. Experiences are assessed based on over 300 benchmarks, values and scoring factors. The report also draws from Hearts & Wallets Investor Quantitative Database (IQ Database) to analyze the behaviors and attitudes of over 35,000 IQ Database households since 2010. Hearts & Wallets does not mystery shop nor fund investment accounts out of respect for compliance considerations, the time of individual financial professionals and to ensure the comparison of like experiences by home office submissions.

About Hearts & Wallets

Hearts & Wallets is a data and consulting firm focused on understanding the drivers behind retail investor decision making. Combining a consumer marketing framework with financial services operating experience, the company’s mission is to be a catalyst for consumer-driven innovation in retail investing and saving. Hearts & Wallets works with leading financial providers to improve the effectiveness of their marketing communications, solution design and service delivery. For more information visit www.heartsandwallets.com.

Media Contact

Lynn Walters lynn@heartsandwallets.com
800-930-0966 ext. 704

Hearts & Wallets, CEO & Founder

Laura Varas laura@heartsandwallets.com
800-930-0966 ext. 700