

## Mix It Up: Consumer Blending of Live and Digital Advice Grows as Does Blending of Financial Decision-Making Behaviors

### *Online and Mobile Growth; Spouses/Partners and Financial Professionals Also Increase as Sources of Advice and Information*

Dec. 14, 2017 (Rye, NY) – Consumers are increasingly seeking multiple sources of live advice and technology and blending approaches to financial decision-making to achieve financial goals in a new report by to **Hearts & Wallets**, the source for retail investor data and insights.

*Advice & Technology: Rise of Mobile and New Thinking on the “Hybrid Investor”* analyzes the latest trends in sources of advice and information, including the growth of online, especially mobile with high engagement in social media among younger consumers. The report examines how hybrid, or blending, behaviors in financial decision-making behaviors have implications for financial advisors and the segmentation challenges posed in defining “hybrid investors” with an emerging definition, among multiple meanings, being investors who use both financial and digital advice. This universe is now 41% of all U.S. households. Blending of live and digital advice will soon be the norm for Americans rather than a hybridization with implications for segmentation and strategy.

Written by Hearts & Wallets subject matter experts with decades of operating experience in retail finance, consumer packaged goods and technology development, and acumen honed at the nation’s finest business schools, the report is drawn from the latest fielding of the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). The IQ™ Database is recognized as the largest single dataset on U.S. retail consumer attitudes, behaviors and buying patterns with over 40,000 U.S. households.

### **Advice Receptivity**

Consumers are consulting multiple sources, including professional advisors, and this is especially true among affluent consumers. When examining consumers by three decision-making process preferences at the national level, there has been a warming to advice with the trend toward self-direction showing signs of reversing. Among consumers with \$500,000 or more in investable assets, more are acting as *General Contractors*, defined as “seeking input from various sources as well as making some decision on my own.” One in 3 now prefers to act as a *General Contractor*, up 5 percentage points since 2016. *General Contractors* blend behaviors from the other two general decision-making groups of consumers, as they both consult professionals and maintain some measure of control of their financial decisions. The other two are *Self-Directed*, who “manage money and make decisions on my own,” and *Delegator*, who “rely primarily on financial professionals to make decisions for me.”

“Hearts & Wallets has expecting General Contractors to expand as a group for some time based on consumer insights in our qualitative research,” Laura Varas, CEO and founder of Hearts & Wallets, said. “Consumer behavior is catching up with wants. Americans say they like multiple opinions from various sources. This behavior exposes them to more ideas and allows cross-checking of ideas.”

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## **Advice, Technology and “Hybrid Investors” 2017/2**

### **Thinking and Talking About Investing**

Consumers are having more conversations and thinking more about investing in 2017. The leading source for information and advice about saving and investing is the individual with “myself” coming in at 91%, up from 86% in 2013. In fact, one third of U.S. households think about saving and investing every day. Couples play an increasingly important role in the dynamic, with the spouse/partner coming in as the second-most relied upon source at 85%, up from 76% in 2013, up 9 percentage points. Family and friends are also important sources.

“There are fascinating nuances among the sources that consumers are rely upon and the frequency of their interactions,” Varas said. “Our qualitative research reveals consumers use primary sources to set course and for periodic check-ins, and ironically, those sources may be consulted less frequently than secondary sources.”

### **Reawakening Appreciation Financial Professionals**

All types of financial professionals as a group grew as a source of information and advice overall, increasing 7 percentage points from 2013. Although use of paid investment professional declined by 1 percentage point at the national level since 2013, other types of financial professionals, mostly unpaid, grew by over 9 percentage points. Almost 1 in 2 consumers use a bank representative as a source of information or advice, up 6 percentage points from 2013. Insurance representatives increased to 39% during that same timeframe, up from 35%, coming in second to bank reps, which were at 45%, up from 39%. Nearly half (47%) of consumers with \$500,000 to less than \$2 million in investable assets say they use a financial professional as their primary source of advice.

### **Blending of Tech and Live Advice**

Consumers are increasing use of all sources of information and advice in 2017, and at the same time, are more likely to blend live and digital sources of advice. Using this emerging definition of “hybrid” investors, 41% of households use both digital advice as well as live financial professionals. The biggest blenders of digital and live advice are the more affluent and younger consumers, as it is true with overall trend for technology use to access financial information and advice. Blenders of digital and live advice include over two-thirds (68%) of consumers ages 35 to 44 with investable assets between \$100,000 and \$250,000 and a whopping 85% of the very select group of consumers under age 35 who have over \$1 million in assets. In all, over 75% of consumers under age 45 with assets of over \$250,000 meet this “hybrid” definition.

“If blending live professionals and technology is the definition of the ‘hybrid’ investor, we are talking about 41% of the 126 million households in the U.S., or 50 million households. Although this is an improvement over thinking of all households as a group, 50 million households is about the size of Japan. Nobody would say everyone in Japan is the same. And nobody should think investors who blend live advice and technology are a uniform group,” Varas said. “As blending becomes the norm, it will be important to develop more nuanced definitions to build the right solutions.”

## Advice, Technology and “Hybrid Investors” 2017/3

Over 1 in 2 U.S. households now uses online as a source of information and advice. Computer and mobile growth as a source continues among younger consumers (ages 21 to 39) and pre-retirees. Mobile use as a source of information and advice has tripled over the last six years at the national level. Nearly two thirds (60%) of consumers ages 21 to 27 now use mobile, and consumers ages 40 to 52 are warming to mobile at 31%.

The top three online activities nationally for consumers are checking their accounts, using planning calculators and tools, and visiting finance portals. For mobile, the top two activities are the same, but “using social media” and “watching videos and podcasts” tie for No. 3. The biggest generational difference is that younger consumers tend to be more interested in social media, watching videos and downloading podcasts. Almost 1 in 2 consumers ages 21 to 39 now use social media for investing information.

## Revisiting “Hybrid” Investors

The report finds that even within the *Self-Directed* decision-making preference, a group not seemingly open to professional advice, a closer examination reveals opportunities. A subset, *Self-Directed with Online Brokerage Accounts*, has attitudes and behaviors consistent with expectations of self-directed behavior, but one-third of this group sees value in professional advice.

“More work needs to be done to understand the different groups within the broad definitions of ‘hybrid’ investors,” Varas said. “What’s fascinating is how applying of one filter, online brokerage, can change what is regarded as quintessential self-directed consumers. That has implications for financial advisors and asset managers. Hybrid investors are lurking in many places. The ‘hybrid’ investor may vary for each firm depending on their capabilities.”

## Methodology

*Advice & Technology: Rise of Mobile and New Thinking on the “Hybrid Investor”* is an insight module report that captures the preferences, sources and uses of financial advice and information and their frequency for retail savers and investors in the most recent fielding of the Hearts & Wallets Investor Quantitative Database™ (IQ Database™), which contains over 40,000 households since 2010.

## 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 is 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](http://www.heartsandwallets.com).

## Media Contact

Lynn Walters [lynn@heartsandwallets.com](mailto:lynn@heartsandwallets.com)  
800-930-0966 ext. 704

## Hearts & Wallets, CEO & Founder

Laura Varas [laura@heartsandwallets.com](mailto:laura@heartsandwallets.com)  
800-930-0966 ext. 700

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