

Money Movement Up, Especially in New Accounts with New Deposits; Half of Transactions Involve New Relationships

360-View Captures Full Life Cycle of Money Movement from Source to Destination; Younger Consumers and Mass Market Fuel Transactions

(August 21, 2018, Rye, NY) – New money and new relationships are at the heart of money movement growth as younger and mass market households up their participation, according to a new report from **Hearts & Wallets**, the source for retail investor data and insights.

Money Movement: Insights to Outsmart the Competition as New Accounts are on the Rise insight module from the annual Hearts & Wallets Investor Quantitative™ Database (IQ™ Database) uses Hearts & Wallets' multidimensional view to help firms go beyond their proprietary data for greater visibility into transaction dynamics to hone in on household transactions – type, frequency and execution status for new and existing relationships. The report identifies transactions sources and destinations, amounts, timing and motivating factors for leading financial services firms.

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.

Small Moves Create a Big Trend

Involvement in money movement transactions (rollover, transfer, new account or cashout) is up. One in 2 U.S. households either executed or is considering a money movement transaction, up 16 percentage points in 2017 from 2015. Younger consumers and the mass market (consumers with under \$100,000 in investable assets) are becoming more active, joining wealthier households, which have traditionally been active money movers.

“Money movement creates opportunities to develop a relationship, especially with younger and high-income mass market consumers,” Laura Varas, CEO and founder of Hearts & Wallets said. “Firms can harness insights into these consumers to serve high-potential beginning savers.”

Big trends in money movement don't always involve big money. Average transaction sizes have declined across all types from 2015 to 2017. Over half (57%) of new accounts are under \$5,000. Nearly two thirds (61%) of cashouts are under \$5,000. Almost 3 out of 4 (over 70%) rollovers and transfers are under \$50,000. More involvement by mass market and opening new accounts at new stores are behind the increase in smaller transactions.

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Money Movers/2

New Deposits Drive Trial

New accounts lead money movement transactions in 2017 at 31%, up 15 percentage points from 2015 with almost one third (31%) of consumers are considering or have opened an investment or savings account funded by a new account. Nearly 1 in 2 younger consumers are considering or have funded a new account with a new deposit, up 24 percentage points from 2015. Nearly one third (32%) of consumers with under \$100,000 in investable assets are involved in new accounts, up 18 percentage points from 2015.

Half of all money movement transactions are with new retail financial services firms, or “stores.” Banks are the leading destination for 44% of new accounts with new deposits. Among banks receiving new accounts funded by new deposits, **Bank of America Corporation** (NYSE:BAC) is the top bank at 25%, followed by **JPMorgan & Chase** (NYSE: JPM) (12%) and **Capital One** (NYSE: COF) (11%). **Citibank** (Citigroup NYSE: C) and **E*Trade** (NASDAQ: ETFC) achieve high trial for consumers where there was no existing relationship.

“Banks continue to attract new accounts, presenting brokerage firms with a challenge in this arena,” Beth Krettecoc, Hearts & Wallets Subject Matter Expert and report author, said. “Firms should be attentive to the high number of new transactions, which signals consumer receptive to change providers. Better insights into motivating factors can provide a competitive edge and help firms connect with consumers.”

Success recipes for money movement differ by firm. Consumers who say they want to “simplify my finances” select as top destinations three firms with different value propositions – Bank of America, **Wells Fargo Advisors** (**Wells Fargo** NYSE: WFC) and **Ameriprise Financial** (NYSE: AMP).

Motivating Movement

“On the surface, consumers say simplicity is the main motivator in moving money,” Varas said.

“This is a deceptive illusion. A deeper dive reveals over half of money movers shop along a service spectrum for different levels of control, advice and pricing. When consumers move money, simplification is about being on the right spot on the spectrum. Identifying the different groups and clearly communicating the distinct offerings can meet the range of consumer needs.”

Methodology

Hearts & Wallets *Money Movement: Insights to Outsmart the Competition as New Accounts are on the Rise* Insight Module report from the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). It provides a holistic view of money movement transactions by type and activity – both completed and being considered – for new and existing relationships. The report analyzes transaction movement sources and destinations, amounts, timing and motivating factors by leading firms.

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.

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