

Annual State of Advice: What Distinguishes the Best Advice, Wide Variations in Recommendations

Inside Advice® Benchmarking Report Tracks Top Ten Trends and Industry Best Practices

(January 29, 2019, Rye, NY) – The eighth annual report of Inside Advice® benchmarking of personal finance advice offerings identifies factors that distinguish the best advice experiences and also finds wide variations in recommendations, including saving allocation targets, as identified by **Hearts & Wallets**, the source for retail investor data and insights.

State of Advice & Guidance 2018: Actionable and Integrated Advice is the annual in-depth report on advice and guidance, which includes Top Ten Trends and industry Best Practices. The report draws upon data from Inside Advice® Benchmarking, the comprehensive assessment of personal finance advice and guidance conducted by Hearts & Wallets. Inside Advice® Benchmarking makes it possible to compare differences among advice experiences with 300-plus measures.

What Distinguishes Best Advice

The report finds a growing number of advice and guidance experiences strive to address multiple goals beyond retirement (or goal integration across household funds), include topics that appeal to younger consumers, and include data fields that capture non-traditional household diversity, all factors that enhance the quality of advice. More experiences are delivering actionable recommendations, such as providing a retirement age as an output instead of input, how much to save for college with detailed options of public vs. private college costs and even expense breakdowns for living at home.

More experiences are focusing on financial wellness or “smart investing.” Experiences with a value proposition of financial wellness increased from 21% of advice experiences benchmarked in 2017 to 32% in 2018. Experiences with a “smart investing” value proposition rose from 3% to 17%. More actionable outcomes for consumers, such as “improve current path” and “how to succeed,” were in 67% of advice and guidance experiences. Goal integration continues to be mainly the province of full service experiences, which score an average of 4.0 on a scale of 1-5, with 5 being the top for degree of integration.

“The best experiences personalize advice with concrete recommendations on how much to save to meet the client’s goals,” Laura Varas, CEO and founder of Hearts & Wallets said. “Clients can use these insights to balance the tradeoffs between goals to plan their financial future.”

College saving and emergency funds, both topics of importance to younger consumers, were addressed by more experiences in 2018 for this year’s consumer hypothetical couple in their late 40s, Mark and Stacy, with two children. College planning was addressed fully or partially by 20% more experiences in 2018 than in 2017.

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Progress was seen in capturing interesting new data, such as the ability to include state tax rates, with full service performing the best at 100% in comparison to 23% of self-service experiences, which are tools that provide answers without human involvement. Only 14% of advice and guidance experiences provided gender choices for both spouses or partners.

Variations in Quality

The report found wide variations in recommendations in a number of factors. For example, recommendations for how much to save for college varied widely for the hypothetical couple. The average of all experiences, including those that ignore college, was \$7,452 per year for college saving as compared to a maximum of \$67,630 and a minimum of \$2. The \$2 minimum was a good result, which stemmed from a recommendation to open a 529 with money from the grandparents. The average among experiences that address college and have saving allocation capabilities was \$32,737, which is less than half of the highest recommendation.

Quality of advice on total annual saving varied widely with targets ranging from \$24,585 to nearly double that of \$51,273 for the hypothetical couple. The best experiences recommended an achievable increase in annual saving and allocate saving across 5 to 6 different account types, such as 401(k), employer match (if available), taxable brokerage, IRAs, college planning, etc. Where to save is the top consumer pain point, as identified by Hearts & Wallets quantitative research. Retirement planning, including how much to save for retirement (59%), and choosing investments (57%) are the biggest pain points for Americans who are still in the working stage of life.¹

Inside Advice[®] Benchmarking calculates an overall score for each experience based on a rollup of scores from four dimensions, including Quality of Recommendations. Quality of Recommendations includes the breadth and depth of advice, what-if testing and other factors.

“Sorting experiences by the Quality of Recommendations score shows that the least thoughtful experiences tend to keep Mark and Stacy at their current saving,” Betsy Seeley, Hearts & Wallets Inside Advice[®] Subject Matter Expert, said. “The best ones recommend an achievable stretch goal. The ones in the middle recommend more than doubling saving. These wide variations can leave consumers scratching heads about the best action to take.”

Methodology

State of Advice & Guidance 2018: Actionable and Integrated Advice is the annual report on the advice and guidance industry based on Inside Advice[®] Benchmarking assessments. The report includes Top Ten Trends and the latest Best Practices in the advice and guidance industry. Top-ranking experiences in an Inside Advice[®] assessment may receive up to a 5 in a 1-5 scale, rolling up scores in four dimensions: Customer-Centricity, Quality of Recommendations, Format, and Process & Resources.

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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¹ *Pain Points & Actions: Insights to Address Large Advice Gaps by Reaching Consumers With Unmet Needs* report October, 2018 from the Hearts & Wallets Investor Quantitative™ Database