

## Wealthy Millennials and Experienced Investors: Where Robos Are Gaining Traction and Strategies to Capture the Mass Market

### Hearts & Wallets New Needs Framework Identifies New Consumer Needs and Analyzes What's Behind the Growth of Acorns, Robinhood and Other New Entrants

(Sept. 3, 2020, Rye, NY) – Robos<sup>1</sup> are catching on with wealthy millennials and more experienced investors in a highly competitive marketplace where only robos with distinctive value propositions that meet “new” customer needs will survive, according to a new report by [Hearts & Wallets](#), the data and analytics company that specializes in how consumers save, invest and seek financial advice.

The **New Needs & New Entrants: Strategic Moves for Next Generation Innovation in Robos & Advice** report examines growing consumer demand for digital advice, current consumer use of robos, what's behind current successes, and the consumer needs that will drive future opportunities. Trended 10-, 5-, and 1-year consumer-reported data – with segments by lifestage, generation, household assets and investing experience – is drawn from the Hearts & Wallets Investor Quantitative™ Database. This database is recognized as the largest single dataset with over 80 million data points on consumer buying patterns from over 55,000 U.S. households. Hearts & Wallets subject matter experts, with decades of operating experience in retail finance, consumer packaged goods and technology development, identify consumer needs that resonate for competitive differentiation through a proprietary “New Needs Framework.”

#### The Market for Robos

About 8% of U.S. households report having money in robos as the struggle for the mass market continues. An additional 10% aren't sure. Millennials and Gen X report the most use of robos with 13% and 10% being certain they have money in robos. Half (50%) of millennials with \$500,000 or more in household assets use robos. Use and certainty increase with wealth across generations.

Investment experience positively influences certainty and use. Nearly half (45%) of consumers who are certain they have money in robos consider themselves “very experienced” or “experienced” investors. Over half of these experienced investors (57%) also use financial professionals.

“Robo customers are often stereotyped as young, first-time investors,” Laura Varas, CEO and founder of Hearts & Wallets said. “But, robos are making inroads with wealthy millennials and experienced investors, something that should concern established firms. The challenge for robos is to gain staying power with compelling value propositions that target specific customer groups. Consumer confusion signals many robos aren't doing that yet. Firms have only a few years to achieve critical mass, or they will be sold for parts like Motif and Folio Financial.”

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<sup>1</sup> Hearts & Wallets defines “robos” as automated portfolios, sometimes called ‘robo-advisors,’ that use technology to build, monitor and automatically rebalance your investments, and often offer access to an investment professional. The broader term of “new entrants” are firms that use technology and are not necessarily focused on investments.

## Where Robos Are Gaining Traction/2

### Awareness into Dollars

Over the past 5 years, robos and other new entrants dramatically increased awareness and trial, with over half of U.S. households aware of at least one such firm in 2019, up from 36% in 2015. Brand awareness changes dramatically over time. In 2015, top brands by national awareness were Mint (16%), Acorns (11%), FutureAdvisor (8%) and Personal Capital (6%). In 2019, Mint and Acorns continued to build on national awareness, now tied at the top at 33%, followed by SoFi (21%) and Robinhood (18%).

Trial can include signups for free services or monetary conversions. Acorns and Robinhood have the highest monetary trial conversion in 2019. The other 3 in the top 5 in terms of national awareness in 2019 – Mint, SoFi and Betterment – lag Acorns and Robinhood in motivating people who are aware of them to “deposit money into an account” or “pay for advice.”

Niche customer targets and a differentiated value proposition can also pay off. Ellevest is at single-digit awareness nationally, yet its trial percentage for prospects who are aware of this firm is at 42% in 2019. SoFi has higher awareness (21%) but lower trial conversion (11%).

### New Needs & Opportunities

New entrant market potential is great, especially in a post-COVID world. Growing use of digital advice means more Americans of all generations have the digital aptitude and receptivity to embrace robos. Consumers who blend technology and live sources of financial advice have reached the 50% tipping point to become the predominant behavior.

Most robos focus on “old” needs, such as transactional investing. “New” needs, such as education and support for action taking as identified by Hearts & Wallets New Needs Framework, reveal points of competitive differentiation. Over the past 5 years, Robinhood focused on the new need of learning about investing. Acorns motivated consumers to save more, a new need wanted by fewer people in a competitively uncluttered space. Going forward, the less cluttered competitive spaces are in new needs related to spending and saving and taking action.

### Methodology

*New Needs & New Entrants: Strategic Moves for Next Generation Innovation in Robos & Advice* explores how consumers blend technology and live advice solutions, where the money is going for new entrants and current successes, and which consumer needs will offer future opportunities. This timely topic report is part of the Investor Quantitative™ Database, which contains over 55,000 U.S. households. The latest survey wave was fielded in July 2019 and includes 5,461 households, weighted by age and household assets for a nationally representative sampling.

### About Hearts & Wallets

Hearts & Wallets is a data and analytics firm that specializes in how consumers save, invest and seek financial advice. Leading firms use Hearts & Wallets software-as-a-service subscription and technology-enabled benchmarking to make their saving, investing and advice solutions more consumer-centric. For more information visit [www.heartsandwallets.com](http://www.heartsandwallets.com).

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