

The Robo Effect on Investor Portfolios and the Competitive Landscape

Growing Robo Use by Pre-Retirees; New Entrants Lead Established Firms in Converting Awareness to Monied Trial

(September 21, 2021, Rye, NY) – Robo ownership is associated with a more balanced, sophisticated investment portfolio, even among less wealthy households, as smaller robos outpace larger firms in converting consumer awareness into trial for money, according to a new research report by [Hearts & Wallets](#), the market research and benchmarking firm that specializes in consumer saving, investing and financial advice.

Robo Usage, Awareness and Trial: Market & Competitive Data to Inspire Innovation, Improve Portfolios and Increase Conversion analyzes fintech solution awareness and ownership by age, generation, wealth groups and lifestyles. The report examines conversion from awareness into trial and identifies the fastest growing offerings. Hearts & Wallets defines robo-advisors as investment solutions, specifically “automated portfolios that use technology to build, monitor and automatically rebalance investments, and often offer access to an investment professional.” This definition permits a more sophisticated understanding of competitive dynamics with respect to service level, and depth and breadth of advice.

The competitive analysis of 18 robos and fintech offerings compares awareness and trial of new entrants with new offerings from established firms, drawing on the Hearts & Wallets Investor Quantitative™ Database with over 100 million data points on consumer buying patterns and 5,920 U.S. households in the 2020 survey wave. Hearts & Wallets has tracked new entrants since 2015 and in 2020 added coverage of new offerings of established firms. New entrants include fintech offerings, such as [Robinhood](#), [Mint](#) and [Acorns](#), as well as robos, such as [Betterment](#) and [Wealthfront](#), among others. New offerings from established firms include [Charles Schwab Intelligent Portfolios](#) (NYSE: SCHW) and [Vanguard Personal Advisor Services](#), among others.

Robo Effect on Investment Portfolios

U.S. households who have some money in robos increased to nearly 12 million in 2020, up from 10 million households in 2019.¹ Robo owners tend to be heavier user of managed products than non-owners, with 47% of robo-owner portfolios allocated to managed products vs. 25% for non-owner portfolios. Robo ownership is associated with more moderate equity allocations across their entire portfolios vs. non-owners who exhibit extremes of low or high allocations. Robo owners with less than \$100,000 in assets own more investment product types than non-owners. In upper-asset groups, robos appear to be displacing mutual funds. Robo ownership is also associated with more balanced portfolios among consumers with less than \$100,000.

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¹This number includes the number of households who know they have some money in robo-advisors/automated portfolios. Only two thirds of U.S. retail households know the investment products they own.

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“Robos can engage lower-asset households in better portfolio behavior,” Laura Varas, CEO and founder of Hearts & Wallets said. “The first step for all consumers to know which investment products they own. For those who do, the robo-investment product appears to have a positive impact on making portfolios more diversified than mutual funds and more accessible than managed products.”

Who’s Using Robos

Robo ownership is most common among households with \$50,000 to \$500,000 and younger generations. Nearly 7 in 10 Millennial millionaires have some money in robos/automated portfolios. Pre-retirees also report high usage of robos with 16% saying they have some money in robos, almost as high as the 18% use reported by the youngest lifestage, 21 to 27 years old. Most households with money in robos allocate 10-15% of their portfolio to robos, resulting in a wide range of account sizes with many wealthy households investing over \$250,000, while households with fewer assets might invest only \$500.

“Robos tailored to fit the needs of pre-retirees could fill an important niche within the marketplace,” John Towle, Chief Client Officer, said. “Advice could include tax optimization across account registrations and other later life considerations, drawing upon an understanding of advice offerings within the Hearts & Wallets Inside Advice® Grid.”

Firms Winning Consumer Awareness Battle

The top 10 firms overall in national awareness in 2020 include more new offerings from established firms than new entrants include: Robinhood, **E*TRADE Core Portfolios** (NYSE: MS), Acorns, Mint, **TD Ameritrade Essential Portfolios** (NYSE: SCHW), Vanguard Personal Advisor Services, **SoFi** (NASDAQ: SOFI), **Fidelity Go**, Charles Schwab Intelligent Portfolios and **Marcus by Goldman** (NYSE: GS). Robinhood is the only new entrant to increase awareness by a large margin from 2019 to 2020.

New entrants are winning in awareness among younger consumers. Robinhood is the best-known new entrant over time, having awareness with nearly half (45%) of Gen Z and 37% of Millennials, New offerings from established firms are top of mind for older and wealthier consumers. Among older consumers, Baby Boomers and beyond, top robo/fintech firms for awareness are TD Ameritrade Essential Portfolios, Vanguard Personal Advisor Services, Charles Schwab Intelligent Portfolios and E*TRADE Core Portfolios.

Vanguard Personal Advisor Services is the best-known new offering among households with \$1M+ in assets. The highest awareness achieved by firms of their proprietary new offerings among their own customers is 50% to 40%, which includes customers of E*TRADE, Charles Schwab, **Merrill Edge** and **Merrill Lynch** (NYSE: BAC), Vanguard and **Morgan Stanley** (NYSE: MS).

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Converting Awareness to Monied Trial

Smaller new entrants can't compete on national awareness with bigger new offerings, but they do achieve high interest/trial among consumers who are aware of them. **Facet Wealth**, **M1**, **Ellevest**, **Zachs Advantage**, **Personal Capital**, **SmartAsset**, **Wealthsimple** and **bloom** lead when interest² and trial are netted. Facet Wealth has only 1% awareness among all U.S. household, but for households who are aware of Facet Wealth, the firm has 55% interest with 33% engaging in a trial that involved money (NET). Smaller new entrants that saw monied trial in the 20% range were Zachs Advantage, M1, bloom and Ellevest, and those same firms getting customers to pay for premium service.

Methodology

The *Robo Usage, Awareness and Trial: Market & Competitive Data to Inspire Innovation, Improve Portfolios and Increase Conversion* report analyzes robo awareness, conversion from trial, and ownership. The research draws upon the Hearts & Wallets Investor Quantitative™ Database (IQ Database), recognized as the largest single dataset with over 100 million data points on consumer buying patterns from 60,000 U.S. households. The latest survey wave was fielded in August 2020 and includes 5,920 participants.

About Hearts & Wallets

Hearts & Wallets is the market research and benchmarking firm that specializes in how consumers save, invest and seek financial advice. Leading firms rely upon Hearts & Wallets thought-leadership reports, software and benchmarking to make their saving, investing and advice solutions more consumer-centric. 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

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² Interest includes "signed up for free service or email" or "opened a savings or investing account but didn't deposit money." Trial involved money includes doing something that involves money (trial), specifically "opened a savings account and deposited money into it," "opened an investing account and deposited money into it" or "paid for a premium service such as advice or the ability to trade options."