

## Separately Managed Accounts Grow, Mutual Funds Stagnate, and the Board-Level Competitive Imperative for Asset Managers

Target Date Retirement Funds Held by 1 in 5 of U.S. Households;  
FOMO Still Big Driver for Crypto

(Oct. 26, 2023, Rye, NY) – Separately managed accounts (SMAs) are achieving more growth than other investment product types in the past two years, while mutual funds are stagnant, and many venerable asset manager firms struggle to create certainty of ownership among shareholders, according to [Hearts & Wallets](#), the independent research and benchmarking firm that specializes in saving, investing and financial advice.

**Investment Products & Asset Managers 2023: New Wrappers, Multi-asset Solutions & Reaching More Shareholders to Power Growth** analyzes individual investor holdings of investment products, household allocation of investable assets, and asset managers leaders across the industry. The report draws from the Hearts & Wallets Investor Quantitative™ (IQ) Database, recognized as the largest single dataset with over 120 million data points on saving, investing and advice behaviors from over 70,000 U.S. households dating back to 2010.

### Greater Awareness of Investment Products

Of the 123M U.S. households with assets (at least \$100), 77% of households, or 95 million, are now aware of how their portfolios are allocated across saving and investment product types, up from 55% in 2013. A decade ago, individual investors were more aware of asset allocation than products. Today, the product awareness gap has almost disappeared, shrinking from 18% in 2013 to 2% in 2022.

### Where Growth Is in Investment Products

U.S. households report individual stocks as their most commonly owned investment product,<sup>1</sup> held by 43% of households. SMAs showed the most growth among the top 10 products as follows over the two-year period from 2020 to 2022: as follows:

Investment Product	% increase/decrease	2022 HH % Owned	2020 HH % Owned
SMAs	+9ppts	22%	13%
High-yield savings	+4ppts	38%	34%
Exchange-traded funds (ETFs)	+2ppts	18%	16%
Individual stocks	+1ppt	43%	42%
Individual bonds	+1ppt	22%	21%
Fixed annuities	+1ppt	19%	18%
Robo advisors	+1ppt	10%	9%
Certificates of deposit	no change	27%	27%
Variable annuities	no change	12%	12%
Mutual funds	-1ppt	38%	39%

Among the 95 million U.S. households who know their investment products, 59 million report not owning mutual funds. Half of 59 million households who are sure they don't own mutual funds get equity exposure from other products.

-more-

---

<sup>1</sup>Excluding cash: checking accounts or cash/money market funds in brokerage accounts.

## SMA Growth, Mutual Funds Stagnant, Competitive Imperative for Asset Managers/2

SMA adoption is increasing significantly, particularly among wealthier households. Use of SMAs has nearly doubled in two years among households with \$3M-plus in investable assets, going from 22% in 2020 to 41% in 2022. These wealthier households with SMAs are also allocating more to SMAs with a 29% portfolio allocation in 2022, up from 22% in 2020.

“SMAs, direct indexing and other new wrappers hold great promise for individual investors and the industry,” Laura Varas, Hearts & Wallets CEO and founder, said. “More individual investors are putting money into SMAs, and those who already own them are increasing their allocation to this product type. Conversely, the stagnation of mutual funds requires board-level attention.”

## Target Dates Linger in the Wings

Target date retirement funds (TDRFs) hold potential as a “retirement income” solution, but currently TDRFs have decent penetration but low balances. Only 18% of households with assets report they own target date retirement funds (TDRFs), and 13% are unsure. 77% of households who own TDRFs report balances of less than \$100,000.

“Much work remains to be done to demonstrate whether TDRFs with income streams can be an effective solution to our national retirement security issues,” said Amber Katris, Hearts & Wallets Subject Matter Expert and report co-author.

## FOMO for Crypto

Cryptocurrency use has more than doubled going from 9.4 million households in 2020 to 19.4 million in 2022. Crypto use is more sensitive to age than assets, and 3 out of 4 crypto users are under age 45. Today’s crypto users are likely to strongly agree that missing out on a possible growth opportunity is a bigger worry than losing money in the short term.

## Breaking Through Anonymity for Asset Managers

**Fidelity** and **Vanguard** have the highest definite reach, or shareholder relationships, touching at least 9% to 10% of all U.S. households.<sup>2</sup> Other fund families definitely reach only single-digit percentages of households.

The Hearts & Wallets Shareholder Certainty Score (SCS), which measures the portion of total possible shareholders who they say they are definitely shareholders, finds improvement at some fund families. Notably, **American Century** has achieved the most SCS improvement over 5 years, up 20 percentage points from 2018 to 2022 within the universe of shareholders who say they definitely own funds of the asset manager as percentage of all respondents who definitely own funds or may own but are unsure.

-more-

---

<sup>2</sup>The denominator of reach among all households includes those who do not hold mutual fund/ETF fund families.

## SMA Growth, Mutual Funds Stagnant, Competitive Imperative for Asset Managers/3

### Asset Manager Firms Leading in Shareholder Satisfaction

Satisfaction with investment products is another important competitive measure. 14 fund families exceed the industry average of 55% for high shareholder satisfaction with their investment products (high satisfaction, top-two box in 10-point scale). **Harbor Funds** (71%) and American Century (66%) lead the way, followed by **Charles Schwab** and **Nuveen** (both at 61%), **Matthews Asia** (60%), **MFS Investment Management** (58%), Vanguard, **UBS** (NYSE: UBS), **American Funds**, **Allspring** (formerly Wells Fargo Advantage) and **Janus** (NYSE: JHG) (all at 57%), and **Morgan Stanley** (NYSE: MS) and **JP Morgan** (NYSE: JPM) (both at 56%).

“Improving shareholder certainty of ownership and satisfaction with investment products are critical, especially with the potential for merger and acquisitions among smaller asset managers,” Laura Varas, Hearts & Wallets CEO and founder, said. “Communications can go beyond required shareholder notices, prospectuses and proxies. Certainty scores can be achieved with any distribution mix.”

The full report includes an analysis of online brokerage accounts as well as much more on trends in asset allocation and investment products, cryptocurrency and asset manager brands.

#### Methodology

The *Investment Products & Asset Managers 2023: New Wrappers, Multi-asset Solutions & Reaching More Shareholders to Power Growth* report is drawn from the section of the Hearts & Wallets Investor Quantitative™ Database (IQ Database) and analyzes individual investor holdings of investment products, household allocation of investable assets, and asset managers leaders across the industry. The latest survey wave fielded August 15 – September 15, 2022, with 5,993 participants. The full IQ™ Database is recognized as the largest single dataset with over 120 million data points on consumer buying patterns from over 70,000 U.S. households.

#### About Hearts & Wallets

Hearts & Wallets is the independent research and benchmarking firm that specializes in saving, investing and financial advice. Leading firms rely upon Hearts & Wallets research reports, software and benchmarking to make strategic decisions that lead to growth by improving products, distribution, pricing, positioning and targeting. The power of 2.5x: over 70% of Hearts & Wallets subscribers experienced positive net flows in 2022 as compared to just 30% of non-subscribers. 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

###