

Increasing Consumer Engagement With Saving & Investing Products; The Secret to Brand Awareness for Leading Asset Managers

Impact of Online Brokerage on Changing Distribution Dynamics and Revenue Streams

(Oct. 16, 2024, Rye, NY) – Americans are more aware of their saving and investing products than at any other time in the past decade – with online brokerage platforms emerging as an important contributor to brand awareness among shareholders of leading asset managers – according to a new market intelligence report by [Hearts & Wallets](#), the independent data and benchmarking firm that specializes in saving, investing and financial advice.

Investment Products & Asset Managers 2024: How the Brokerage Environment Impacts Product Innovation & Competitive Brand Strength analyzes national trends in ownership of saving and investment products and competitive metrics for leading asset managers. The report draws from Hearts & Wallets Investor Quantitative™ (IQ) Database, the largest single dataset with over 120 million data points on saving, investing and advice behaviors from 80,000 U.S. households over the past 15 years.

Growing Product Awareness

A decade ago, product awareness was in the doldrums with only 45%, or 55 million, U.S. households able to identify the saving and investment products they owned in 2013. Today, 86%, or 113 million, households can identify the products they own. In 2013, awareness of asset class was higher than products, at 60%, but has remained flat at about 77% of households nationally for 3 years. The gap between product and asset class awareness, shrinking for years, has now fully reversed.

“Both product selection and asset allocation are important elements of an investment strategy,” Laura Varas, Hearts & Wallets CEO and founder, said. “But products are the more scalable way to deliver advice to the mass market. For the past decade, consumers have viewed investment products as interchangeable commodities. Today, asset managers have an opportunity to regain relevance by creating multi-asset products that handle asset allocation decisions for shareholders.”

Changing Online Brokerage Revenue Streams

Today, over half of (67 million) U.S. households have online brokerage (OLB) accounts, up 40 million from 27 million in 2011. Most upper-asset households – 79% of \$1M-plus households and 66% of households with \$100,000 to under \$1 million – have OLB. Of the 67 million households with OLB, 48 million make trades with over half (54%), or 26 million households, trading 1 to 5 times per year. About 12 million households trade 12-plus times a year.

Now that stock and ETF trades are free, options trading and margin loans have become important sources of revenue for OLB platforms. 16%, or 21 million households, made 1+ options trades within the past year. Younger households are much more likely to engage in options trading than older households. Margin loans are used by 1 in 4 households. Another 40% are interested.

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Younger households are much more likely to engage in options trading than older households. Over 1 in 3 households under age 35 (37%) made 1 or more options trades in the past year. Of these, about 1 in 3 (30%) made 12 or more. In contrast, only 6% of households age 55-plus made any options trades. Margin loans are used by 1 in 4 households. Another 40% are interested.

“Stock and ETF trades were once important revenue sources for OLB platforms,” Amber Katris, Hearts & Wallets Subject Matter Expert and report co-author, said. “With the race to the bottom for ‘free’ trades, options trading and margin loans now affect competitive industry structure and consumer behavior. But how wise are these offerings for younger consumers? And how wise is it for companies to offer online brokerage as ‘free’ when it has operational costs?”

Asset Manager Brand Pride of Ownership

Many asset managers face high portions of households who are unsure whether they are shareholders. The Hearts & Wallets’ Shareholder Certainty Score (SCS) measures brand pride of ownership, defined as the portion of possible shareholders who are “definitely” sure they own investment products managed by each firm. The industry average for SCS is 45% in 2024, up from 37% in 2022, as consumer interest about the asset managers behind their investments rises with increasing engagement in products that are increasingly visible through online brokerage platforms.

Fidelity sets the SCS competitive bar with 68%. **Vanguard**, **Charles Schwab** and **JPMorgan Chase** (NYSE: JPM) also achieve higher-than-average SCS. The strong proprietary distribution networks of SCS leaders, all of which include online brokerage platforms, positively impact asset manager brand awareness more so today than in the past.

SCS is rising at **Invesco** (NYSE: IVZ), **BlackRock** (NYSE: BLK) and **Morgan Stanley** (NYSE: MS). Other venerable asset managers, however, struggle with an SCS in the 20% to 30% range, meaning the majority of possible shareholders (70% to 80%) are unsure if they own the firm’s investment products.

“There is no one right distribution strategy for asset managers to achieve growth,” Varas said.

“Intermediaries remain a powerful channel, but some degree of direct distribution is associated with stronger brand awareness across all channels, perhaps because of the organizational competencies that develop when needs of end shareholders are a corporate priority.”

Investment Products, Crypto and More

See the full report for breakdowns of saving and investment products held by U.S. households by dollar amount and asset groups for stocks, ETFs, mutual funds, target date funds, separately managed accounts (SMAs), annuities, robos, private equity, etc. The report offers analysis of household holdings of innovative investment options, such as fractional shares, cryptocurrency and peer-to-peer lending.

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Methodology

Investment Products & Asset Managers 2024: How the Brokerage Environment Impacts Product Innovation & Competitive Brand Strength analyzes national trends in ownership of saving and investment products, including brokerage, and competitive metrics for leading asset managers. This report is based on the Hearts & Wallets Investor Quantitative™ Database, recognized as the largest single dataset with over 120 million data points on saving, investing and advice behaviors from 80,000 U.S. households the past 15 years. The latest wave was fielded Jul. 17-Aug. 9, 2024, with 5,989 U.S. households.

About Hearts & Wallets

Hearts & Wallets is the data and benchmarking firm that specializes in powering growth for saving, investing and financial advice businesses. Leading firms rely upon Hearts & Wallets market intelligence 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.

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