

Top Trends in Consumer Attitudes in 2018: The Link Between Understanding What Advice Is and Seeing Value in Paying for Professional Help; Renewed Focus on Retirement, Money Goals

Legacy Motivation at 5-Year High; Receptivity to Banking and Investing Together

(November 14, 2018, Rye, NY) – The strong link between consumer understanding of what personal financial advice is and seeing value in paying for professional help is one of the top trends in consumer attitudes in 2018, as identified in the latest report by experts of **Hearts & Wallets**, the source for retail investor data and insights.

The report, *Attitudes & Sentiment: Goal-Centric Consumers, the Advisory Relationship and Dreams of Retirement*, is an insight module drawn from the latest nationwide survey in the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). The research provides a window into the American consumer mindset into saving and investing goals, top concerns and attitudes on advisory relationship, legacies, the connection between banking and investing, and knowing investment managers behind funds. The report is written by Hearts & Wallets subject matter experts, who have decades of operating experience in retail finance, consumer packaged goods and technology development, and acumen honed at the nation's finest business schools. The IQ™ Database is recognized as the largest single dataset on U.S. retail consumer attitudes, behaviors and buying patterns with over 45,000 U.S. households.

Understanding Unlocks the Consumer Wallet

Understanding what a financial advisor does is so closely linked to seeing value in paying for professional advice that it is almost a prerequisite. Of consumers who strongly agree that they see value, 87% also agree they understand what a financial advisor does. It is only once a consumer understand what a financial advisor does that the consumer can make an informed choice. Nationally, of consumers who strongly agree “I understand what a financial advisor does,” 53% agree/strongly agree that they “see value in paying” vs. 17% agreement for consumers who strongly disagree that “I do not understand what a financial advisor does.”

“Firms and financial advisors must explain to consumers more about what advisors do on their behalf so that they can make informed choices,” Laura Varas, CEO and founder of Hearts & Wallets said. “When consumers make informed choices, they trust more, and as a result, they are more likely to take the actions that advisors recommend, which can lead to better outcomes.”

Leading Firms in Understanding

Top financial firms with 7 out of 10 customers saying they agreed with “I understand what a financial advisor does” include **Morgan Stanley** (NYSE: MS), **E*Trade** (NASDAQ: ETFC), **Charles Schwab** (NASDAQ: SCHW), **Ameriprise Financial** (NYSE: AMP), **Edward Jones** and **Merrill Lynch** (Bank of America Corporation NYSE:BAC). As a category, bank customers have the lowest understanding.

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Understanding Sees Value & Goals/2

Multiple Goals and Key Focuses

In 2018, more consumers have multiple financial goals. Over two thirds (70%) of consumers have two or more savings and investing goals as Americans have renewed their focus on retirement and making money over the past year. Build up an emergency fund continues to be the No. 1 goal nationally, up 6 percentage points from 2015, cited by 48% of all U.S. households. Two retirement-focused goals are in the top five goals, both increasing since 2015. At No. 2 is “work less when older,” up 4 percentage points at 38%. At No. 4 is “stop work /retire when older,” which increased 6 percentage points at 35%.

Rounding out the top five was No. 3 “take a vacation,” at 37% and No. 5 “buy a new car” at 23%. Among the 12 goals measured, the only other goal to increase since 2015 at the national level was an investing goal, “gain capital appreciation,” up 4 percentage points to 16%. Looking at specific consumer groups, more affluent consumers with \$500,000 or more in investable income, and especially \$2 million-plus, cite “generate investment income” as an investing goal.

“Goals give consumers concrete saving and investing metrics,” Beth Krettecoc, Hearts & Wallets subject matter expert and report co-author. “Firms can help consumers define success and track progress with a goals-based wealth management approach. Consider celebrating important milestones, such as reaching \$100,000 in investable assets, which has been shown to be an important hurdle to building household wealth. In the arena of advice and guidance, experiences are just beginning to expand to address multiple goals in addition to retirement.”

Legacies, Banking & Investing Together

Legacy motivation is at a five-year high. Today, 1 in 4 consumers disagree or strongly disagree that they will spend most of their money themselves. For consumers with \$2-million-plus in investable assets, over half (53%), expect to pass their money on to heirs or charity.

The ability to bank and invest at the same firm is important to almost half of consumers (43%), especially younger consumers. “Strong opinions on specific attitudes provide insights to design products, advice and messaging for specific consumer groups,” Varas said. “Identify what is close to the hearts of specific consumers, from legacy motives to the bundling of services, to tailor solutions.”

Methodology

Attitudes & Sentiment: Goal-Centric Consumers, the Advisor Relationship and Dreams of Retirement is a report drawn from the insight module in the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). The report provides a comprehensive overview of U.S. consumer general sentiment, key concerns, financial goals, investing experience and general investing and savings attitudes. Consumers identified primary and secondary financial firm relationships.

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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