

Managed Products Offer Consumers Emotional Relief from Market Volatility DIY Trading, Individual Stock Ownership Most Common; Managed Product Solutions Ownership Up Year Over Year; Robo-Advisor Use Doubles

(June 16, 2022, Rye, NY) – Mutual funds and other selected managed investment products help Americans handle market volatility emotionally with increasing ownership of managed product solutions year over year, despite the most product ownership growth occurring among individual stocks, according to a new research report by [Hearts & Wallets](#), the market research and benchmarking firm that specializes in consumer saving, investing and financial advice.

Investment Products: Growth in Awareness, Online Trading, Use of Robos and How Managed Solutions Help Investors Cope With Volatility analyzes consumer awareness of investment product types, including trended data by product type and consumer-reported estimates on product type allocations within portfolios, and asset class allocations. The analysis includes online brokerage account ownership and consumer-report trading behaviors and consumer-reported importance of the managers behind their investment products. This report is based on a survey of 5,794 U.S. households in the latest wave of the Hearts & Wallets Investor Quantitative™ Database, recognized as the largest single dataset with over 100 million data points on consumer saving, investing and advice behaviors from 65,000 U.S. households dating back to 2010.

Managed Products and Handling Market Volatility

Mutual funds are a managed product that stands out in helping consumers with “handling market volatility emotionally.” An allocation of over 25% in mutual funds in an investment portfolio appears to be the threshold associated with lower difficulty handling market volatility emotionally. 33% of households with a portfolio allocation of 1% to less than 25% in mutual funds report high difficulty (8-10 on a 1-10-point scale) with handling volatility compared to 17% for households with 26% to 50% allotted to mutual funds in 2021. Nationally, at least 11% of households report having over 25% of their assets in mutual funds.

The calming effect of mutual funds is even more pronounced among households with \$100,000 to under \$1 million in assets, especially for inexperienced investors. In contrast, users of robo-advisor/automated portfolios reported heightened difficulty handling market volatility emotionally vs. mutual fund and ETF owners. Trading frequency by individuals in online brokerage accounts is also a variable that can impact the ability to handle market volatility.

“Consumer perceptions of investing experience, frequency of online trading, and use of managed investment products all affect emotional response to market volatility,” Laura Varas, CEO and founder of Hearts & Wallets, said. “Firms need to understand their clients and explain the roles robos/automated portfolios, mutual funds and ETFs play within a firm’s managed investment product line. Interestingly, robos don’t convey as much of an emotional benefit as mutual funds. This points to consumer volatility concerns being soothed by portfolio managers being in charge and transparent performance reporting.”

Managed Products: Potential Means to Handle Market Volatility/2

Jump in Managed Product Solution Ownership

Consumer awareness of the investment products they own is on the upswing, especially for mass market households (under \$100,000 in assets). Individual stocks are now the most widely owned investment product, up 9 percentage points in one year to 51% for households with assets who know their investment products, even as ownership of managed solutions grew year over year, with a concurrent jump in consumer interest in the managers behind the funds. Mass market households are more likely to report owning individual stocks (41%) than mutual funds (30%). Awareness of owning mutual funds spiked year over year, especially for ages 35-44, reversing a long-term decline.

Reported ownership in managed products besides mutual funds – ETFs, robos, separately managed accounts, and variable and fixed annuities – increased in 2021, especially among ages 35-44. Although awareness of owning managed products rose, awareness is low among the mass market.

Robo Use Doubles, Driven by Xennials

Use of robo-advisors, or automated portfolios, which are part of managed product solutions, has doubled year over year to at least 13 million households, and possibly as many as 18 million. One in 6 households in the \$25,000 to under \$1 million asset range has some money in robos. Most users allocate only 5% to 10% of their portfolios to robos, with the most common account size being \$10,000 to under \$25,000. Robo ownership is associated with more balanced asset allocation, especially in households with under \$100,000. Robo use is highest – and rose fastest – among Millennials and Gen X.

Xennials, a micro-generation between older Gen Xers and younger Millennials, ages 39 to 45, are the demographic with the highest robo use, 35% in 2021 vs. 28% younger Millennials, 24% Gen Z and 17% older Gen X.

Online Brokerage Up to Nearly Half Americans

Online brokerage account penetration jumped to nearly half (47%) of U.S. households, rising 8 percentage points from 2020 to 2021. Trading activity spiked with 67 million households now having these accounts, more than double the 31 million households in 2011. Most (79%) households with \$1 million-plus in assets have an online brokerage account. New growth is fastest – with the greatest future opportunity – in households with under \$100,000 in assets.

Methodology

The *Investment Products: Growth in Awareness, Online Trading, Use of Robos and How Managed Solutions Help Investors Cope With Volatility* report is drawn from the section of the Hearts & Wallets Investor Quantitative™ Database (IQ Database) that analyzes consumer awareness and ownership of investment products and asset allocation, online brokerage and awareness of asset managers. 5,794 survey participants were included in the latest survey fielded in September 2021. The full IQ Database is recognized as the largest single dataset with over 100 million data points on consumer buying patterns from 65,000 U.S. households.

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.

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