Hearts & Wallets

One in Three Affluent Americans Adds New Financial Firm Relationship; "Stable Two-Timing" Increases

Fidelity No. 1 in Retail Market Share Followed by Bank of America, Charles Schwab, Vanguard

(Rye, NY) – One in three affluent[1] Americans added a new financial services firm relationship last year as consumers practice "stable two-timing" to combine the strengths of various firms to gain advice or resources – with **Fidelity** coming in No. 1 in the U.S. retail market share at nearly double the investable assets of the next closest firm[2] – according to a new study by **Hearts & Wallets**, the preeminent financial research platform for consumer savings and investing insights.

Multiple relationships are now the norm. Over half (55 percent) of consumers with $500,000 in investable assets or more work with three or more firms, up from 49 percent the year before, as captured in *Market Measures: Reach, Share & Other "Store" Success Measures*. A common pattern is "stable two-timing," or balancing a self-service firm with a full-service firm. Other consumers tap into multiple high-service firms to obtain different advice perspectives, or several low-service firms to gain access to different web tools or other online capabilities. Hearts & Wallets defines "stores" as retail and defined contribution providers that work directly with investors.

Market Share Leaders

The study measures leading "stores" for households with $5 million and less by market share, which is a function of *reach* (an advertising term which Hearts & Wallets uses to refer to the overall percentage of US households having a relationship with the firm) *share of wallet* (the portion of each household's assets managed) and the wealth of the households served –

Top 10 Financial Firms – Retail Market Share of Assets Held by Households with <$5M ($27.4T of $41.2T total US HH Assets)	
1. **Fidelity**	10.9%
2. **Bank of America** (NYSE: BAC) Enterprise Bank of America (bank) Merrill Lynch (full-service brokerage) Merrill EDGE (self-service brokerage)	6.3%[3]
2. **Charles Schwab** (NASDAQ: SCHW)	6.2%[4]
4. **Vanguard**	4.9%
5. **Wells Fargo** (NYSE: WFC) Enterprise Wells Fargo (bank) Wells Fargo Advisors (full-service brokerage)	4.2%
6. **Morgan Stanley** (NYSE: MS)	3.6%
7. **TD Ameritrade** (NASDAQ: AMTD)	2.3%
8. **Morgan Stanley** (NYSE: MS)	2.2%
9. **Edward Jones**	1.9%
10. **TIAA-CREF**	1.6%

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[1] Defined as households with greater than $100,000 in investable assets

[2] Asset share among all assets controlled by U.S. households with less than $5 million, or $27.4 trillion of the $41.2 trillion total held at primary and secondary firms.

[3] Statistical tie.

[4] Statistical tie.

For most firms in the study, 70 to 80 percent of their customers use at least one other "store," and often several. In converting reach of total relationships to primary relationships, full-service firms perform better than employer, self-service, hybrid or banks. Outside the full-service model, Fidelity, Charles Schwab and TIAA-CREF excel. Employer and self-service tend to be the third firm or lower. Winning primary relationships is related to being a primary source of retirement advice.

"A best practice benchmark is for two out of every three customers to consider a firm as their primary," Chris J. Brown, Hearts & Wallets partner and co-founder said. "This ratio is only reached by small shops without national brand names. Among branded national stores, only Fidelity and Wells Fargo Advisors come close, with 60 percent of customers, or 1.8 of every three customers. The Wells Fargo enterprise is unusually successful as a one-stop shop and at developing primary relationships."

Self- and Full-Service Contrarian Trends

Contrary to popular belief, self-service has deeper reach among affluent and high-net-worth customers than full service. Self-service now reaches three-fourths of households with $3 million. Self-service reaches over 70 percent of investors with $500,000-plus, compared to full-service, which reaches just over 40 percent. Self-service reach stabilized in 2014 after a drop in customers the prior year.

"It's astonishing the self-service competitive set has deeper reach into investors with $500,000-plus, engaging more affluent investors than the full-service competitive set. Asset managers should pay attention to the self-service model," Laura Varas, Hearts & Wallets partner and co-founder said. "Just as in retail stores, wealthy customers may trust and frequent a Bloomingdale's, but they will still shop at Costco, too. Smart consumers compare."

Full-service firms are aggressively adding younger customers, with Emerging (ages 21 to 27) consumers jumping from 5 percent in 2012 to 18 percent in 2014. Early Career (ages 28 to 39) increased from 14 percent in 2012 to 21 percent in 2014.

Reach and Share of Wallet

For *reach*, Fidelity and Bank of America (without Merrill Lynch or EDGE) continue to battle it out for No. 1, as the two firms did in 2013, tying with 14.3 percent in 2014. JP Morgan Chase, which comes in third, is also growing, just not as rapidly. Wells Fargo and Vanguard complete the top five. They are flat in terms of growth.

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Share of primary relationships for the top five firms is very stable year over year with Fidelity better at converting reach into primary relationships. Conversion competition heats up in the next group. Capital One, which is sixth, enjoyed the biggest growth of any in the top 10, increasing by 2.1 percentage points. Other firms in the top rankings to also enjoy growth include Charles Schwab, **Citibank** (NYSE: C), **American Funds** and **Edward Jones**. **E*TRADE** (NASDAQ: ETFC) cracks the top 10 for the first time.

Some firms not on the top 10 list in reach do make a splash in asset share through a combination of more affluent customers and higher share of wallet, including **Morgan Stanley** (NYSE: MS), **TD Ameritrade** (NASDAQ: AMTD), **Ameriprise Financial** (NYSE: AMP), TIAA-CREF and **T. Rowe Price**.

Success Metrics

Full-service firms are generally the most trusted with about half of customers rating them a 9 or 10 on a 1-10 measurement scale for trust. Beyond the full-service competitive channel, in which national brands like Edward Jones and Ameriprise scored well, among others, Fidelity, E*Trade, Wells Fargo Bank, Capital One and Citibank improved their trust scores. Few employer-based firms have very strong trust scores.

Investment firms of all service models outperform banks and employer providers on the Hearts & Wallets Score (net intent to recommend and invest more). Edward Jones and USAA again tie for No. 1. Top Hearts & Wallets Scores in self-service include E*Trade, TD Ameritrade, **Scottrade** and Vanguard. In the hybrid channel, T. Rowe Price and Fidelity score well. In full-service, Bank of America's Merrill Lynch and Ameriprise receive the highest marks.

Another important success metric is ability to deepen relationships with multiple accounts. **USAA** performs best overall on this "cross-selling" measure. Although USAA's success is generally in banking and credit account types, 35 percent of USAA customers say they have a contributory or rollover IRA at USAA. Interestingly, full-service firms, led by Edward Jones, have among the highest percentage of customers who have rollover and contributory IRAs together and separately. Self-service firms have the highest percentage of customers with taxable brokerage accounts. In the self-service set, Vanguard is a notable exception, with relatively few customers saying they have taxable brokerage at Vanguard.

About the Hearts & Wallets Study

Methodology

Market Measures: Reach, Share & Other "Store" Success Measures analyzes attitudes and behaviors of investor lifestages from age 21 through post-retirement and is drawn from the **Hearts & Wallets Investor Quant (IQ) Database.** This syndicated research platform serves as the engine for Hearts & Wallets' qualitative, quantitative, market sizing and competitive intelligence research. It consists of 10,000 sets of consumer feedback on financial services firms annually from 5,500 U.S. households and over 30,000 U.S. households over five years.

About the Hearts & Wallets®

Hearts & Wallets LLC is the preeminent financial research platform for consumer savings and investing insights that inspire innovation, inform choice and modify behavior. Most of the top 10 retail financial services firms, in terms of assets under management and investors served, subscribe to the Hearts & Wallets Investor Quant (IQ) database engine platform with data on 30,000 U.S. households over five years. The firm's integrated research platform combines consumer marketing and strategy frameworks with a deep, practical understanding of how the investment, retirement and banking industries function. Hearts & Wallets grows financial services client businesses by illuminating new, smart ways to truly help American savers and investors. Clients better understand the unmeet needs of distinct population segments, improve their products and services, gain a powerful competitive edge, and ultimately, enhance consumer lives. The company is headed by two of the leading research experts in retirement market trends for the financial services industry, **Chris J. Brown** and **Laura Varas**. Their studies and conferences are must-have resources for retirement industry strategists, product managers and marketing and sales executives. For more information, visit **www.heartsandwallets.com.**

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