

Get Consumers Investing Again: \$10T Sitting in Cash; Break Through “Double Confusion” Simple Products Can Encourage Average Americans to Increase Equity Exposure

(October 16, 2019, Rye, NY) – The power to break the link between consumer confusion about investing and high cash allocations – totaling at least \$10T sitting in U.S. household wallets – lies in products that are easy to understand and use, according to a new report by [Hearts & Wallets](#), the source for retail investor solutions powered by data and insights.

The **Investment Products & Asset Managers: How a Mutual Fund Revival Can Overcome Confusion to Get Consumers Investing Again** Report analyzes consumer awareness and behaviors for both asset class allocations and ownership of investment product types. This report includes trended data on penetration rates of different product types, consumer-reported estimates for how much of their portfolios are in each product type, online brokerage ownership, and consumer-report trading behaviors. The final third of this report analyzes consumer-reported ownership by asset managers, including consumers who are sure they are shareholders of each manager's products as well as consumers who think they might be.

Written by Hearts & Wallets subject matter experts with decades of operating experience in retail finance, consumer packaged goods and technology development, and acumen honed at the nation's finest business schools, this report is drawn from the Hearts & Wallets Investor Quantitative™ Database, recognized as the largest single dataset with 80 million data points on consumer buying patterns from over 50,000 U.S. households.

High Cash Hoards

Over \$10 trillion of U.S. household assets is sitting in cash. Cash allocations are especially high, and increasing, for the 112M households with under \$500K in investable assets. The average household with under \$100,000 in investable assets has two-thirds of its money in cash. The average household with \$100,000 to \$500,000 holds nearly 4 in 10 dollars in cash.

“Double Confusion”

Consumers who are confused about investing hold the highest amounts of cash. Six in 10 (63%) of the most confused consumers hold 80%-plus of their assets in cash. These consumers say they are “confused by all the investment information out there.” In addition, many households don't know which investment products they own, especially the middle class where “double confusion” is high. “Double confusion” – neither knowing the products they own nor their asset allocation – afflicts 1 in 4 households with under \$100,000, and recently spiked among young consumers.

“Consumers deserve simple, safe products that provide access to capital markets,” Laura Varas, founder and CEO of Hearts & Wallets, said. “They don't have that right now. In part, this is a result of all the innovation over the past decade, which has caused consumers to retreat under a shell. Next-generation products need to be as easy to buy, understand and use as mutual funds have been.”

Get Consumers Investing Again/2

Products & Asset Managers

Mutual fund ownership continues to decline, with consumers who know the products they own saying that their ownership rate dipped from 64% in 2013 to 37% in 2018. At the same time, newer products, such as ETFs and “robos,” have low penetration, with ownership rates of 16% and 6%, respectively, in 2018. One bright spot: consumers who own mutual funds tend to be less “confused by all the investment information out there” than those who don’t own mutual funds. Online brokerage accounts are much more common for wealthy households. Private equity is making in-roads with the wealthiest households (\$2M-plus).

The decline of mutual fund ownership is impacting influence of asset managers. This report tracks 30 asset managers who manufacture and distribute mutual funds and ETFs branded for individual investors in the U.S. Multiple metrics include consumer-reported distribution mix, reach into all U.S. households with investable assets (shareholders who “definitely own”), and Shareholder Certainty Score, which measures the percentage of consumers who “definitely own” out of total possible shareholders (“definitely own” and “may own”).

Top Performing Asset Managers

Shareholder Certainty Score Top Performer firms for this report are **Fidelity** and **Vanguard**, both of whom had 70%-plus of consumers who say they “definitely own” out of total possible shareholders (“definitely own” and “may own”). **TIAA**, **iShares** (NYSE: BLK) and **Charles Schwab Investment Management** (NASDAQ: SCHW) are Top Performers in Shareholder Certainty Score 1-Year Improvement, with a +6 percentage point improvement for each firm. iShares, **Wells Fargo Funds** (NYSE: WFC), Vanguard and **Invesco** (NYSE: IVZ) are Top Performers in Shareholder Certainty Score 4-Year Improvement.

“Direct distribution isn’t required for asset managers who seek to improve their consumer awareness,” Amber Katris, subject matter expert and co-author of the report, said. “We find that firms with similar reach and Shareholder Certainty Scores have different distribution mixes, which reinforces that there are different paths leading to the same objective.”

Methodology

Investment Products & Asset Managers: How a Mutual Fund Revival Can Overcome Confusion to Get Consumers Investing Again is an annual report drawn from the Hearts & Wallets Investor Quantitative™ Database (IQ™ Database). This report analyzes asset allocation, investment product types, online brokerage and asset managers. Shareholder Certainty Score includes only households with \$100,000+ in investable assets. 30 asset managers tracked include those that manufacture and distribute mutual funds and ETFs branded for individual investors in the U.S.

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 product 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.

Media Contact

Lynn Walters lynn@heartsandwallets.com
800-930-0966 ext. 704

Hearts & Wallets, CEO & Founder

Laura Varas laura@heartsandwallets.com
800-930-0966 ext. 700