

## Financial Advice: Consumers Weigh in on Subscription Pricing, Flat Fees and Other Pricing Options

### Consumers Prefer Clear Minimum Requirements and to Pick and Choose

(August 13, 2019, Rye, NY) – Consumers respond favorably to the ability to choose among service model options when shopping for advice and financial services, with greater receptivity to flat fees vs. other ways to pay, according to the latest report by [Hearts & Wallets](#), the source for retail investor data and insights.

The **“Financial Advice Menu” and Pricing** Report, the latest in the Explore Qualitative™ series, examines how older investors want to access and pay for various pieces of financial advice and service. This concept test is part of the Explore Qualitative™ series *Shopping for Advice on Aging Gracefully*, which explores the motivations of older investors who are considering new providers, with a focus on advice and pricing both in and outside the workplace.

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, the report is drawn from the latest national focus groups of the Hearts & Wallets Explore Qualitative™ Database, one of Hearts & Wallets’ three integrated databases on buying patterns, marketplace execution and emerging trends.

#### Advice Options and Price Points

The Explore Qualitative™ Database has a proven track record of providing insights into how to talk to consumers in their own words and anticipating trends in demand years ahead of the market. The national focus groups, segmented by specific customer types to illuminate important nuances, provide insights on pricing receptivity through the use of a financial advice menu of options.

The 75 participants, ages 53 to 70, were all sole or shared financial decision-making responsibility and had \$500,000 or more in investable assets (excluding real estate) with \$250,000 or more outside workplace retirement accounts. All were actively involved in money movement, having either recently made, or actively looking to make or considering a change among financial providers. The Hearts & Wallets Investor Qualitative™ Database shows about half of Americans 53 and older and pre-retirees nationally are involved in money movement with this research target encompassing 3.9 million households who make decisions on about \$6.7 trillion in investable assets.

Participants were shown a financial advice menu that clearly outlined the advice and services would consumer receive and associated fees, including –

- **investment products** – fee in percentage of assets goes to the asset management company choosing the securities in the fund.
- **professional selection of investments** – fee in percentage of assets goes to the professional selecting the products, on top of the prices for investment products.
- **financial planning tools** – basic tools free; better tools at a monthly subscription.
- **financial planning personal advice** – annual fee-based plan with support by Certified Financial Planner®.

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“Consumers have been telling us they want flat fees for seven years, and now the market is starting to respond,” Laura Varas, founder and CEO of Hearts & Wallets said. “Eventually, consumers get what they want. In a competitive marketplace someone will respond. That’s happening with the new entrants, Charles Schwab’s bold and consumer-centric move to a flat fee, and other firms that are considering subscription-based offers.”

### Pricing Preferences

The ability to choose options was popular among respondents. Overall, consumers thought flat fees were reasonable. Responses were mixed for subscription pricing, with respondents voicing several concerns.

“Consumers like clear minimum requirements for all pricing mechanisms,” Varas said. “Periodic pricing for advice is well received. The jury is still out for monthly subscriptions. There is no one right way to pay. It’s really what the consumer wants. In addition, our quantitative analysis has shown that the pricing mechanism doesn’t affect trust. Trust is built on how well the consumer understand what the firm is doing for them and how the firm earns money. As with all qualitative insights, consumer comments are the critical component to spark new ways of thinking about solutions.”

These qualitative findings align with Hearts & Wallets quantitative<sup>1</sup> data, which found a shift in how consumers say they are paying for products and advice over the past year. One in 4 (27%) of consumers now say they pay in flat fee pricing, up 4 percentage points in one year, catching up with consumers who say they pay through percentage of assets (29%), while commission on activities as a payment mechanism continues to lead (37%) despite a sharp drop of 6 percentage points.

### Methodology

The “Financial Advice Menu” and Pricing Report, an Explore Concept Test, provides insights on how older investors want to access and pay for various pieces of financial advice and service. This report is part of a series of reports in the Explore Qualitative™ series, Shopping for Advice on Aging Gracefully, which explores the motivations of older investors who are considering new providers, with a focus on advice and pricing both in and outside the workplace. The focus groups in October 2018 included 75 participants in Boston and St. Louis who were age 53 to 70 and had sole or shared financial decision-making responsibility and had \$500,00 or more in investable assets (excluding real estate) with \$250,000 or more outside workplace retirement accounts. All participants were actively involved in money movement, having either recently made, or actively looking to make or considering a change among financial providers.

### 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](http://www.heartsandwallets.com).

### Media Contact

Lynn Walters [lynn@heartsandwallets.com](mailto:lynn@heartsandwallets.com)  
800-930-0966 ext. 704

### Hearts & Wallets, CEO & Founder

Laura Varas [laura@heartsandwallets.com](mailto:laura@heartsandwallets.com)  
800-930-0966 ext. 700

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<sup>1</sup> Investor Quantitative™ Database – Wants & Pricing: How Top Performers Crack the Code to Get Customer Wants Right. Based on consumers who understand how they pay for saving and investing products 2017 to 2018 comparison.