

U.S. Retail Investor Products and Platforms 2020

Optimizing Platform Opportunity

OVERVIEW & METHODOLOGY

In a period marked by ongoing volatility and uncertainty, it has never been more important for financial services providers to use their technology platforms to strengthen their client relationships. However, this does not usually translate into an increased fully self-directed engagement. Making a task easier with additional technology does not differentiate a product, if consumers are not interested in taking on a responsibility in the first place.

The more important evolution in this space is the growth in complexity of individual clients' financial lives and maintaining path-of-least-resistance access at key inflection points. For financial providers, this means having the optimal products available to key prospects as they recognize their need for additional solutions. By offering robust platforms with customization options at each key inflection point, firms can balance their need for scalable solutions with clients' preference for personalized advice.

USE THIS REPORT TO

- Learn how financial advice provider firms can optimize their strategies in designing and addressing retail investment platforms
- Understand retail investors' preferences with regard to direct investing platforms and the products they wish to use on them
- Analyze annually updated investor market sizing, with age and wealth tier segmentations
- Explore proprietary sizing of direct-to-investor platforms, including an updated leaderboard and underlying product sizing
- Gain insight into the value of brands in investors' decision making

QUESTIONS ANSWERED

- What is the preference of investors for single institutions to handle all their assets?
- How has the COVID-19 pandemic altered investor optimism?
- How can firms improve their brand recognition amidst industry consolidation?
- What does the push to zero-fee trades mean for the direct platform sector?
- What do most people think of when they think of the term "wealth management"?



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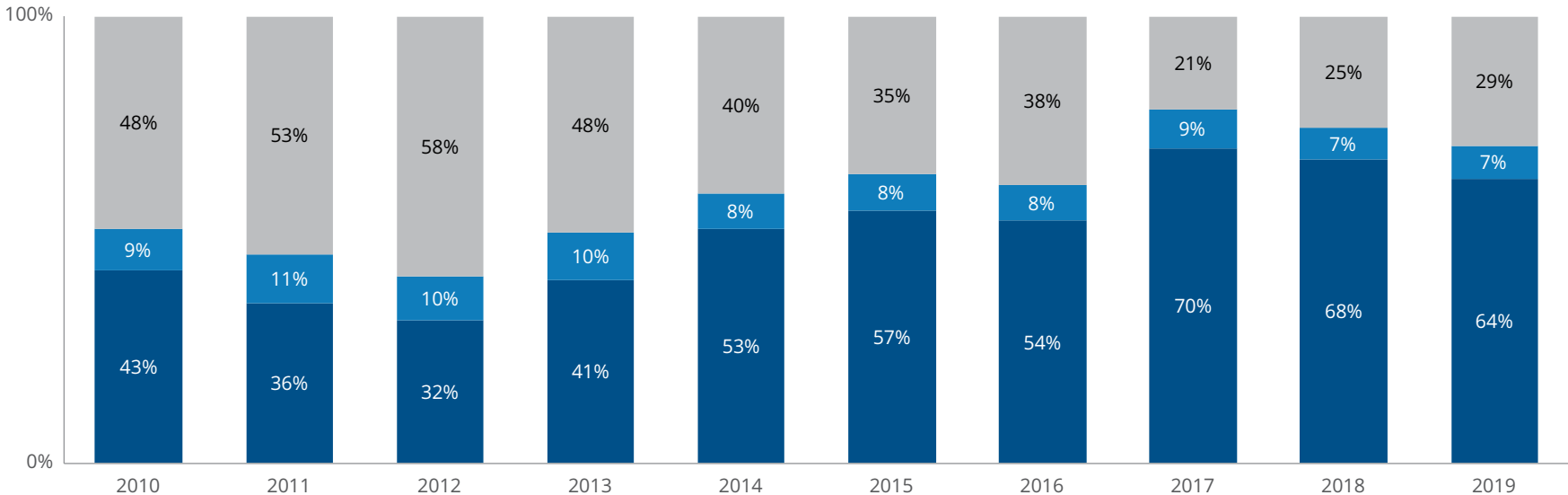
- **Cerulli Wealth Tier Breakdown:** Explore total and average household financial assets, average age, and number of households across several wealth tiers, from mass market to the ultra-high-wealth market.
- **Attitudes and Sentiments:** Gain insight into investors' assessments of various financial decisions (e.g., having a written financial plan, control over investment decisions, environmental, social, and governance (ESG) investing, across provider channels, age groups, investable assets, and advice orientation.
- **Online Trading Accounts:** Analyze historical trading account size and features used across households, segmented by channel, age group, investable assets, and advice orientation.
- **Current Product Use:** Understand the household levels of product use over the past eight years, with filters by year, product group, household primary provider, age group, investable assets, and advice orientation.
- **Brand Awareness:** Compare the degrees of brand familiarity across nearly 20 major financial advice providers and review the traits that investors associate with each firm.
- **Primary Provider Profile:** Review the distribution of core retail investor assets by primary provider channel and understand the distribution of investor attributes for each channel, including advice orientation, investable assets, and age range.
- **Household Economic Indicators:** Analyze year-over-year data of household economic indicators by buy-and-hold assets, economic outlook, and risk tolerance.

Exhibit 3.01 - Part 1

Households' Economic Outlook in the Next Three Months, 2010-2019

Sources: Phoenix Marketing International, Cerulli Associates

Optimistic Neutral Pessimistic



- Economic optimism was 64% overall for 2019—the second straight year of decline after the 2017 high of 70%.
- 3.01.b – One-third of Millennials surveyed expressed general pessimism in the economy for 2019, the highest among any generation.

Key Implication: Although financial markets recovered quickly from the late-2018 downturn to rocket to new heights in 2019, economic optimism continued to decline across all generations and investable asset levels below \$5 million. At the time, the lingering question of when the bull market would end was still on the minds of many, as well as the beginnings of the 2020 presidential campaign cycle raising questions of how strong the economy really was. Due to the coronavirus pandemic of 2020, Cerulli expects optimism to plummet for at least the first six months of the year, and providers will need to be cognizant of this shift when dealing with concerned clients. Particularly with younger clients, like Millennials, who would not likely have been active investors during the last recession, understanding client risk tolerances and appetites becomes more crucial than ever. Providers must also emphasize long-time horizons to meet client goals in order to overcome understandable feelings of loss-aversion after volatile short-term events.

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