

U.S. Retail Investor Products and Platforms 2021

Redefining Mass Customization

OVERVIEW & METHODOLOGY

This year's annual report explains how the exponential growth of enhancements to technology in the wealth management space has providers at the verge of an historic inflection point. Attracting new clients requires much more than simply making an incremental enhancement or raising awareness of existing offerings. To achieve worthwhile impact, prospects must believe that the platform's capabilities will meaningfully improve their journey toward achieving their financial goals.

Differentiation in the financial services sector will increasingly be defined by customizing the client experience. Investors want to know that the products and services they are receiving are optimized to help them achieve their personal goals. Ultimately, the success of any advice relationship requires not just a strong set of algorithms, but also ongoing collaboration that uses an advisor's expertise to help clients reconcile their preferences and biases into a compelling personalized plan.

USE THIS REPORT TO

- Optimize strategies for 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
- Review annually updated investor market sizing, with age and wealth tier segmentations
- Analyze Cerulli's proprietary sizing of direct-to-investor platforms, including an updated leaderboard and underlying product sizing

QUESTIONS ANSWERED

- What is the addressable market of U.S. retail Investors?
- What products and services are investors seeking to help them reach their financial goals?
- How can providers grow marketshare in a crowded market?
- How would investors prefer to engage with their platforms?
- How are direct platforms evolving into full-service providers?



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Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **Wealth Tier Descriptions:** Assess average investor age, number of households, and amount of financial assets broken out by wealth tier (e.g., mass market, affluent market, high-wealth market).
- **Household Economic Indicators:** Analyze investor risk tolerance and household economic outlook and expected changes to financial investments in the next three months.
- **Attitudes and Sentiments:** Gain insight into investors' assessments of various financial decisions (e.g., need to take more control over my investment decisions, importance of a written financial plan) across provider channels, age groups, investable assets, and advice orientation.
- **Current Product Use:** Understand current investor product use trends with customizable filters by year, product type, primary provider, age group, investable assets, and advice orientation.
- **ESG Preferences:** Learn investors' level of agreement with various environmental, social, and governance (ESG) investment types with filters by advice orientation, head of household age, and household investable assets.
- **Provider Channel 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.
- **Firm Profiles:** Assess investors' satisfaction with their various primary providers, as well as their primary reason for choosing the provider and their percentage of total investments with the institution.
- **Advisor Preferences:** Compare retail investors' advisor preferences across different asset tiers on the most important factors in choosing an advisor and their preferred type of advisor (e.g., advisor employed by a large organization, local organization, online only).

Exhibit 5.07 - Part 1

Investors' Comfort Using Online-Only Investment Advisors by Advice Orientation, 2020

Sources: Phoenix Marketing International, Cerulli Associates

Investable Assets	Advice Orientation				All Respondents
	Self-Directed	Advice for Special Events	Advisor-Assisted	Advisor-Directed	
\$100K-\$250K	78%	69%	53%	46%	67%
\$250K-\$500K	64%	55%	25%	19%	45%
\$500K-\$1m	68%	54%	25%	14%	42%
\$1m-\$2m	65%	45%	26%	15%	40%
\$2m-\$5m	63%	46%	31%	15%	41%
>\$5m	53%	58%	26%	35%	43%
All Respondents	67%	55%	29%	20%	46%

- Comfort with online-only investment advisors rose to 46% in 2020—from 43% in 2019—including two-thirds of respondents with less than \$250,000 in investable assets.
- Fewer than three in 10 advisor-reliant respondents indicate comfort with online-only investment advisors.
- 5.07.a – Nearly seven in 10 respondents under the age of 50 express comfort with online-only investment advisors, compared to less than three in 10 respondents over 60.

Key Implication: Society's sudden and dramatic shift towards a fully online life last year introduced fully remote investment and financial advice to more investors, including those who would otherwise prefer face-to-face contact. While this did make younger investors more comfortable with the idea of online-only investment advice, the response from older, advisor-reliant investors was more subdued. This bifurcation signals the need for providers to be nimble when it comes to their financial advice. Preserving online-centric communications for those who found it to be more beneficial than yearly office visits while also reinforcing hybrid options for those who still want to speak with an actual person will be critical for firms seeking to retain existing clients and deepen relationships with newer ones.

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