
Unbundle advice and product sales, older investors say

By Editor Test Tue, May 31, 2011

Chris Brown and Laura Varas (left) of Hearts & Wallets, a Boston-area research firm, find that many pre-retirees and retirees want financial advice that's not simply the prelude to a product sale.

Instead of paying transaction fees and getting advice as a “freebie”—as they do with most advisors—many older investors would simply rather pay for personalized advice. So says a new study by Hearts & Wallets, a Hingham, Mass.-based research firm.

“Addressing the Elephant in Financial Services: Insights into How Older Investors Really Want to Receive, and Pay for, Investment and Personal Financial Advice,” is the name of the study. It reveals a mismatch, noticed by Hearts & Wallets several years ago, between what Americans want in terms of financial and investment advice and what they’re getting.

“If someone offered you free advice, how much trust would you have in that advice? Today, the industry has a very confusing fee structure,” said Chris Brown, Hearts & Wallets principal. “Investors want to know what they are paying for, and fee clarity is a major trust driver as our prior research has shown.”

Hearts & Wallets found unmet consumer needs in two areas:

- **Personal finance advice.** People value information about retirement and income planning for its own sake, not just as a prelude to a sale.
- **Investment advice.** Investors question the motives of brokers who receive commissions from product manufacturers.

“Investors said they like the idea of separating investment and personal finance advice,” said Laura Varas, Hearts & Wallets principal. “They also want to have more choice in terms of a la carte service and flexible fees. This desire was most marked among the mass affluent who might not have enough assets to qualify for more personalized service, but would like the option to pay for more consistent, higher-touch support.”

Investors also favor fiduciary status for advisors, even if it meant higher fees.

The full report includes:

- The array of personal finance needs of older investors and their words to describe these needs.
- Concept test to determine ways in which older investors prefer to receive, and pay for, investment and personal finance advice.
- Key attributes of “go-to” resources for financial and investment advice
- The myriad sources and rank of information—media, friends/family and financial professionals—that investors use to build consensus and make buy/sell decisions.

Conducted in April 2011, the survey's nine focus groups included pre-retirees (those within five years of retirement), late career investors (those ages 50 to 65 who are not yet retired and not considering retirement within the next five years) and retirees. Hearts & Wallets will use its annual quantitative study of 4,000 households this summer to find out how much investors are willing to pay for advice.

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