



WEALTHTECH WEALTH ADVICE

POSITION YOUR WEALTH BUSINESS TO MEET SHIFTING CONSUMER PREFERENCES

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ABOUT PARAMETERINSIGHTS' WEALTHTECH RESEARCH & ADVISORY SERVICE

Innovation in the North American financial services market is fast approaching a point of inflection. Near-ubiquitous mobile access, multi-channel delivery, and technological evolution are rapidly altering consumer attitudes, behaviors, and expectations.

Annual subscription to ParameterInsights' WealthTech Research and Advisory Service comprises two separate reporting series. The first is a three-part series covering the evolving wealth advice category with a focus on modernization of wealth advice. The second is a three-part series covering self-directed investing via online brokerages.

BOTH SERIES PROVIDE TIMELY AND RELEVANT ANALYSES THAT SURFACE UNMET CONSUMER NEEDS, EVALUATE CURRENT MARKET PARTICIPANTS, AND PROVIDE IN-DEPTH DISCUSSION AND IMPLICATIONS OF KEY RESULTS AIMED AT GIVING OUR SUBSCRIBERS AN EDGE.

ABOUT PARAMETERINSIGHTS

PARAMETERINSIGHTS IS WHERE DATA MEETS STRATEGY:
SIMPLY AND RELIABLY.

We combine deep sector expertise with custom research to provide our clients with data-driven and highly consultative solutions.

INTRO / PREFACE

THIS REPORT PRESENTS IMPORTANT CONSUMER-DRIVEN INSIGHTS FOR FIRMS IN THE NORTH AMERICAN WEALTH ADVICE SPACE. CORE TOPICS ARE DIVIDED INTO THREE MAJOR CONTENT AREAS:

- 01** Wealth Management Drivers of Choice: How have consumer evaluations of wealth offers changed on a year-over-year basis? Which digital and traditional advice brands are winning and losing in the battle for consumer preference? How do feature importance ratings and preferences compare between users and non-users of wealth advice?
- 02** Shares of Preference for Digital and Traditional Wealth Advice Offers: Outside of brand, fees, and initial investment requirements, what are the features of wealth advice that have the greatest influence on choice among offers? Which types of offers appeal more to younger and more affluent consumers?
- 03** Financial Planning: How is consumer engagement with financial planning trending over time? Who is creating financial plans and which areas of financial life are being covered during the planning process? Among those without a plan, are intentions high? What are consumer expectations regarding the planning process? How does engagement differ between users of digital vs. traditional advice?

LIST OF TABLES AND FIGURES

Figure 1: Yr/Yr conjoint feature importance: Total sample - Canada	33
Figure 2: Yr/yr conjoint feature importance: Total sample - US	34
Figure 3: Yr/yr conjoint feature importance: Digital advice users - Canada	35
Figure 4: Yr/yr conjoint feature importance: Digital advice users - US	36
Figure 5: Conjoint feature importance: Digital advice users vs. traditional advice users in 2022 - Canada	37
Figure 6: Conjoint feature importance: Digital advice users vs. traditional advice users in 2022 - US	38
Figure 7: Overall cross-channel brand preference yr/yr: Total sample - Canada	39
Figure 8: Overall cross-channel brand preference yr/yr: Total sample - US	40
Figure 9: Digital advice brand preference: Digital advice users vs. non-users in 2022 - Canada	41
Figure 10: Digital advice brand preference: Digital advice users vs. non-users in 2022 - US	42
Figure 11: Traditional advice brand preference: Traditional advice users vs. non-users in 2022 - Canada	43
Figure 12: Traditional advice brand preference: Traditional advice users vs. non-users in 2022 - US	44
Figure 13: Yr/yr shares of preference for digital and traditional wealth advice offers with average features: Total sample - US	45
Figure 14: Yr/yr shares of preference for digital and traditional wealth advice offers with actual features: Total sample - US	46
Figure 15: Yr/yr shares of preference for digital and traditional wealth advice offers with actual features: 18-34 year-olds with \$100K+ household incomes - US	47
Figure 16: Yr/yr shares of preference for digital and traditional wealth advice offers with average features: Total sample - Canada	48
Figure 17: Yr/yr shares of preference for digital and traditional wealth advice offers with actual features: Total sample - Canada	49
Figure 18: Yr/yr shares of preference for digital and traditional wealth advice offers with actual features: 18-34 year-olds with \$100K+ household incomes - Canada	50
Figure 19: Trends in the presence of a financial plan: Overall and among digital advice users vs. non-users - US	51
Figure 20: Trends in the presence of a financial plan: Overall and among digital advice users vs. non-users - Canada	51
Figure 21: Financial plan creation methods: Digital advice users vs. non-users in 2022 - US	52
Figure 22: Financial plan creation methods: Digital advice users vs. non-users in 2022 - Canada	53
Figure 23: Financial planning elements covered in financial plan: Digital advice users vs traditional advice users in 2022 - US	54

LIST OF TABLES AND FIGURES

Figure 24: Financial planning elements covered in financial plan: Digital advice users vs traditional advice users in 2022 - Canada	55
Figure 25: Financial planning intent: Digital advice users vs. traditional advice users in 2022 - US	56
Figure 26: Financial planning intent: Digital advice users vs. traditional advice users in 2022-Canada	57
Figure 27: Reasons for not creating a plan (among non-intending): Digital advice users vs. traditional advice users in 2022 - US	58
Figure 28: Reasons for not creating a plan (among non-intending): Digital advice users vs. traditional advice users in 2022 - Canada	59
Figure 29: Approaches to financial planning: Digital advice users vs. traditional advice users in 2022 - US	60
Figure 30: Approaches to financial planning among digital advice users vs. traditional advice users in 2022 - Canada	61
Figure 31: Expectations for financial planning: Digital advice users vs. traditional advice users in 2022 - US	62
Figure 32: Expectations for financial planning: Digital advice users vs. traditional advice users in 2022 - Canada	63

APPENDIX

One of the most popular and well-validated flavors of conjoint is choice-based conjoint (CBC, a.k.a. discrete choice conjoint). Marketing researchers use CBC to understand the extent to which people value the various features that make up a product or service.

Unlike traditional conjoint methods, which ask respondents to rate or rank a series of products, choice-based conjoint (CBC) captures preferences on the basis of choices. In a CBC study, respondents make selections from carefully constructed sets of products or offers, similar to what consumers actually do in the market. From a research methodology standpoint, choosing a preferred product or offer is a simple task that virtually anyone can comprehend.

Within each CBC choice task, respondents are presented with a small set of offers to choose from along with a “None of these” option in case they find none of the offers appealing. The inclusion of the “None” option not only increases the realism of the choice context but it also allows researchers to assess how changes in demand may occur at the market level, due to general increases or decreases in overall appeal across offers within the category being studied.

Across multiple choice tasks and thousands of respondents, the data captured via CBC encodes individual-level preferences in terms of statistical measures known as utilities (a.k.a. part-worth utilities). The utilities can then be aggregated across respondents to

understand feature preferences overall or for key subgroups of interest.

The features studied in a CBC represent the independent characteristics of an offer, such as brand or price. To convey unambiguous information about an offer, each feature must be expressed concisely and concretely, in terms of “levels” that clearly differentiate meaningful categories (e.g. Brand A vs. Brand B) or extents (e.g. higher or lower prices). To be useful in a CBC context, levels must be mutually exclusive and (as much as possible) cover the full range of offer possibilities in the market. To study potential impacts on consumer choice, features and levels that do not yet exist in the market can also be included in the CBC design.

The general context for the CBC discussed in this report is wealth management. The specific decision context involves choices among different types of wealth management offers: digital wealth advice, self-directed investing via online brokerage, and traditional wealth advice. As such, the area of study provides tremendous insights for both wealth businesses seeking to redefine value propositions and highlight areas of focus to drive interest and uptake in their offers.



The goal of a good CBC design is to ensure adequate coverage of the most relevant considerations within the domain of inquiry. In the North American wealth management market, there are hundreds of firms offering various types of automated investing services, self-directed investing platforms, and traditional advice.

Though impossible to include all firms and all brands, many of the most-popular upstarts and incumbent brands were included in the design.

Given the many different firms at play in Canada and the US, separate brand lists were used in the designs for each country. All other features and levels, however, were identical (see Table 1 for more details). An

alternative-specific design accounted for the fact that some features only apply to some offers but not others. For example, initial investment requirements depend on the type of offer; traditional wealth advisors have a higher minimum investment than digital wealth advisors. Figure 1 shows a typical choice task from the US version of the wealth management CBC.

Example choice task from US wealth management choice-based conjoint (CBC)

OPTION 1	OPTION 2	OPTION 3
 <p>Charles Schwab Wealth Management</p> <ul style="list-style-type: none"> • Business Planning • Financial Planning • Estate Planning • Dedicated advisor available to meet in person or via videoconference, phone, email, or online chat • Regular reports mailed • On-demand reporting via mobile app • Insurance Planning • Retirement planning • Advisor-led financial review once every 3 months • \$100,000 initial investment required • Fee: 0.2% of investment <p style="text-align: center;">SELECT</p>	<p>J.P.Morgan</p> <p>J.P. Morgan Automated Investing</p> <ul style="list-style-type: none"> • Online investment goal-setting tools • Chequing account with debit card • Tax preparation / filing • Track investments against financial goals • Track investments against a financial plan • View investment performance after fees • Automatically invest spare change from debit/credit purchases • Automated portfolio creation and management • Advisor call center available via videoconference, phone, email, or online chat • Halal investing options • Cash/savings account with 0.5% interest • \$5,000 initial investment required • Fee: 1.0% of investments <p style="text-align: center;">SELECT</p>	 <p>Ally Invest Managed Portfolios</p> <ul style="list-style-type: none"> • In-depth financial planning session with an advisor • Buy/sell crypto-based ETFs • Tax consultation, Tax preparation / filling • Track investment against a financial plan • Automatically invest extra funds available in linked bank accounts • Automated portfolio creation and management • Dedicated advisor available to meet in person or via videoconference, phone, email, or online chat • Socially responsible investing options • Impact investing options • Cash/savings account with 2.0% interest • \$500 initial investment required • Fee: 0.7% of investments <p style="text-align: center;">SELECT</p>
<p>NONE: I wouldn't choose any of these</p>		<p style="text-align: center;">SELECT</p>

The complete list of features covered in the CBC is provided in Table 1, with examples of the levels that defined each feature. Table 1 thus outlines how wealth management offers in general can be deconstructed in specific terms for the

purpose of studying consumer preferences. The overall design provided comprehensive coverage of the features and levels currently available in the Canadian and US markets for wealth management.

CBC Features List (Digital Advice, Self-Directed Investing, Traditional Wealth Management)

Feature	Levels
Brand/Offer Type (DA, SD, TWM)	Canada (36): Wealthsimple Invest, Aviso VirtualWealth, ..., Scotia iTrade, TD Direct Investing, ..., Raymond James, ... US (46): Betterment, Acorns, ..., E*TRADE, Interactive Brokers, ..., LPL Financial, US Bank Wealth Management, ...
Advisor Support - DA	(5) Advisor call center, Advisor call center with videoconferencing, Dedicated advisor available, ...
Planning Tools - DA/SD	(7) Online investment goal-setting tools, Online financial planning tools, ...
Reporting Options - DA/SD	(7) Track against financial goals, Track against financial plan, View performance after fees, ...
Reporting Options - TWM	(4) Regular reports mailed, Regular reports & On-demand reporting via mobile app, web portal, mobile app/web portal
Values-Based Investing Options - DA/SD	(8) Not available, SRI investing, Impact investing, Halal investing, SRI and Impact investing, ...
Crypto ETFs - DA	(2) Not available, Available
Crypto Investing Options - SD	(2) Not available, Crypto ETFs, Cryptocurrencies, Crypto ETFs & Cryptocurrencies
Automated Investing Features - DA	(4) None, Automatically invest spare change from debit/credit purchases, ...
Cash (Savings) Account - DA/SD	(4) Not available, Available with 0.5% interest, 1.0% interest, 1.5% interest, 2.0% interest
Chequing Account - DA	(3) Not available, Available with debit card, Available with Visa debit card
Financial Planning - TWM	(2) Not included, Included
Tax Planning/Support - DA/TWM	(6) Not included, Tax preparation and filing, Tax consultation, preparation, and filing
Portfolio Health Check - SD	(2) Not included, Included
Options Trading - SD	(2) Not available, Available
Margin Account - SD	(2) Not available, Available
Fractional Share Trading - SD	(2) Not available, Available
Trading Research Support - SD	(2) Basic, In-depth
Retirement Planning - TWM	(2) Not included, Included
Estate Planning - TWM	(2) Not included, Included
Insurance Planning - TWM	(2) Not included, Included
Business Planning - TWM	(2) Not included, Included
Wealth Review Frequency - TWM	(4) Once every two years, Once every year, Once every 6 months, Once every 3 months
Investment Required - DA	(9) None, \$100, \$500, \$1,000, \$5,000, \$10,000, \$25,000, \$50,000, \$100,000
Investment Required - TWM	(6) \$25,000, \$50,000, \$100,000, \$200,000, \$500,000, \$1,000,000
Annual Fee - DA/TWM	(10) None, 0.1%, 0.2%, 0.3%, 0.4%, 0.5%, 0.6%, 0.7%, 1.0%, 2.0%
Trading Fees - SD	(6) No-Fee ETF Trading & No-Fee Stock Trading, No-Fee ETF Trading & \$1.95/Trade for Stocks, \$2.95/Trade, ...