

Self-Directed Investors Seek More Guidance from Investment Firms, Says J.D. Power StudyScottrade Ranks Highest in Self-Directed Investor Satisfaction

CHICAGO: 19 May 2016 — Self-directed investors are increasingly looking for their investment firm to provide advice and guidance, according to the J.D. Power 2016 U.S. Self-Directed Investor Study,SM released today.

Only 61% of self-directed investors in 2016 follow the traditional self-serve, or do-it-yourself (DIY), approach to managing their investments, down from 66% in 2015. At the same time, a subset of self-directed investors called “validators”—those who want to make their own decisions but still have access to an advisor for support and as a sounding board—jumps to 25% in 2016 from 21% in 2015, while another subset called “collaborators”—those who interact with an advisor and depend on that guidance and advice for investment decisions—increases to 14% from 13%.

The growth in validators mirrors a similar trend among full service investors, of which an increasing number are using dedicated advisors as sounding boards but not as final decision-makers. The growing number of investors seeking a middle ground between the traditional full service and self-directed models is forcing investment firms to develop a hybrid service model that seamlessly combines human interaction and technology.

“The convergence of self-directed and full service models produces both significant opportunities and threats to established firms in this space,” said **Mike Foy, director of the wealth management practice at J.D. Power**. “A perfect storm of new technology, such as robo-advisors; new regulations, such as the Department of Labor’s (DOL) Fiduciary Standard; and demographic changes, such as the rise of the Millennial generation, is dramatically changing the value proposition traditional firms provide.”

Following are additional findings of the 2016 study:

- **Investors Crave Hybrid Investment Advisory Model:** Self-directed investors are increasingly seeking a hybrid service model that provides a combination of control and guidance. This is evident in the 25% of self-directed investors who indicate they want access to an advisor as a sounding board, and the performance of Scottrade, which has the highest overall customer satisfaction in 2016, following a strategic change in its business model to offer more investment advice to its clients.
- **Millennials Help Fuel Rise of the Robots:** Nearly half (47%) of investors are interested in robo-advice when their firm offers it. Interest varies widely by demographic group (72% of Millennials—those born 1982-1994—and just 25% of Pre-Boomers—those born prior to 1946). Among investors not interested, top reasons include a preference to manage their own investments; desire for personal interaction; lack of trust; and personal potential for bias.
- **Fiduciary Standard Rule Creates Opportunity for Investment Firms:** The DOL rule presents an opportunity for self-directed firms to capture share from full service firms, with 46% of full service Millennials and 33% of Boomers (those born 1946-1964) who are dissatisfied with fees express a willingness to switch to self-directed accounts.

• **Onboarding Process Critical “Moment of Truth”:** Delivering on key aspects of the onboarding experience is especially critical, as the percentage of at-risk clients—those indicating they either “probably will” or “definitely will” leave the firm within 12 months—drops from 19% for clients with tenure of three years or less to just 9% among those with four-to-10 years and 3% for those with 11 or more years. Helping clients set goals and understand fees and providing effective support to quickly get them up to speed on trading platforms and mobile are critical during onboarding.

• **Mobile Usage Drives Satisfaction and Increased Trading:** While the percentage of investors using mobile has increased just 4 percentage points during the past four years (18% in 2016 vs. 14% in 2013), both satisfaction and trade activity among these users has increased significantly. Mobile users make an average of 23.2 trades from their mobile platform and 58.9 trades overall in 2016, compared with 0.5 mobile trades and 18.3 trades overall in 2013. Overall satisfaction among mobile users has increased to 828 (on a 1,000-point scale) from 816 during that period vs. to 796 from 789 among non-mobile users.

“Self-directed firms are often focused on highly active traders who are critical because their transactions generate significant revenue, but these firms all have a large segment of less active clients who are looking for guidance and may currently lack the wealth or desire for a full service advisor,” said Foy. “Technology makes it possible for self-directed firms to meet the needs of these clients and retain them as their wealth grows.”

The study, now in its 15th year, measures self-directed investors’ satisfaction with their investment firm based on performance in six factors (in order of importance): interaction; account information; trading charges and fees; product offerings; information resources; and problem resolution. Overall satisfaction in 2016 averages 775, up 12 points from 2015.

Study Rankings

Scottrade ranks highest in self-directed investor satisfaction with a score of 811. Charles Schwab & Co., Inc. ranks second with a score of 808, followed by Vanguard at 798.

The 2016 U.S. Self-Directed Investor Satisfaction Study is based on responses from more than 4,200 investors who make all of their investment decisions without the counsel of a personal investment advisor. The study was fielded in January 2016.

For more information about the J.D. Power U.S. Self-Directed Investor StudySM visit <http://www.jdpower.com/resource/us-self-directed-investor-satisfaction-study>

See the online press release at <http://www.jdpower.com/press-releases/2016-us-self-directed-investor-satisfaction-study>

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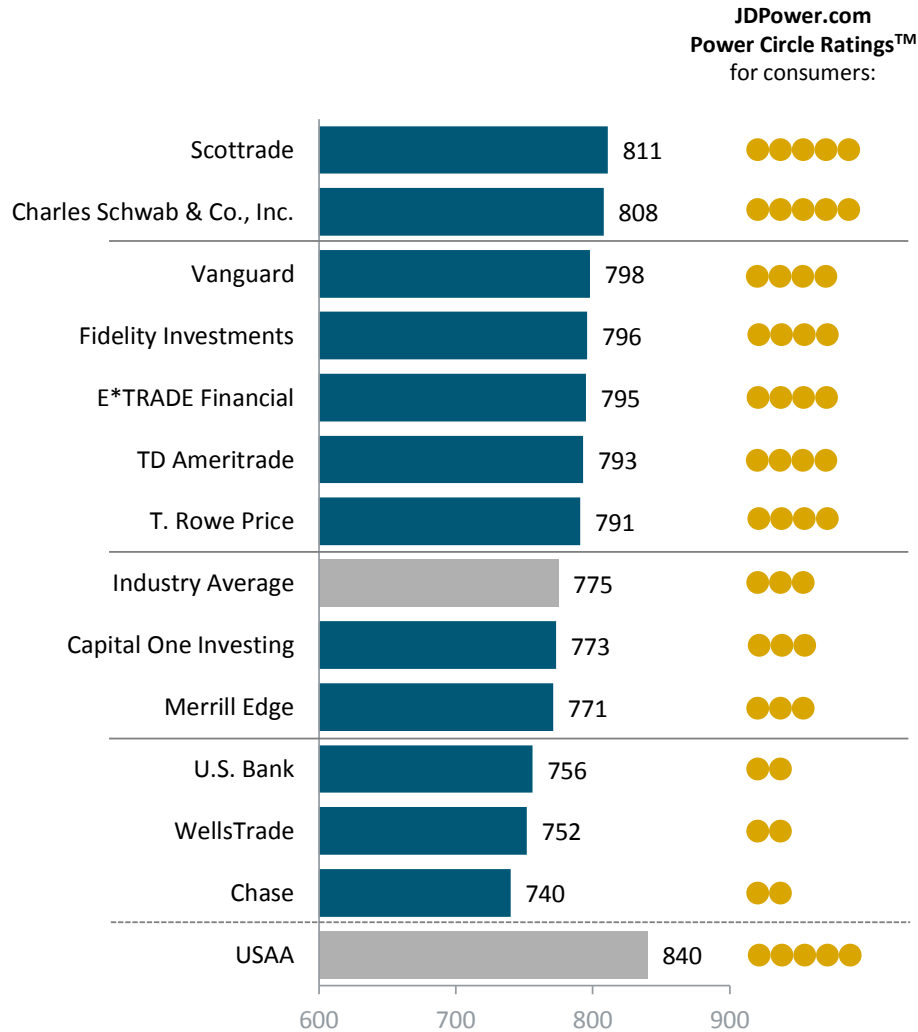
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Note: Two charts follow.

J.D. Power 2016 U.S. Self-Directed Investor Satisfaction StudySM

Overall Investor Satisfaction Index Ranking

(Based on a 1,000-point scale)



Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

Note: USAA is open only to U.S. military personnel and their families and, therefore, is not included in the rankings.

Source: J.D. Power 2016 U.S. Self-Directed Investor Satisfaction StudySM

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2016 U.S. Self-Directed Investor Satisfaction StudySM

Award-Eligible Wealth Management Companies Included in the Study

<u>Company</u>	<u>Executive Name</u>	<u>Company Address</u>
CAPITAL ONE INVESTING	Richard Fairbank	Mc Lean, Va.
CHARLES SCHWAB & CO., INC.	Walter Bettinger II	San Francisco, Calif.
CHASE	James Dimon	New York, N.Y.
E*TRADE FINANCIAL	Paul Idzik	New York, N.Y.
FIDELITY INVESTMENTS	Abigail Johnson	Boston, Mass.
MERRILL EDGE	Brian Moynihan	Charlotte, N.C.
SCOTTRADE	Rodger Riney	St. Louis, Mo.
T. ROWE PRICE	Bill Stromberg	Baltimore, Md.
TD AMERITRADE	Fredric Tomczyk	Omaha, Neb.
U.S. BANK	Richard Davis	Minneapolis, Minn.
VANGUARD	F. William McNabb III	Malvern, Penn.
WELLSTRADE	John Stumpf	San Francisco, Calif.

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