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## Affluent investors move Fidelity Investments from top of the hill

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POSTED: JANUARY 27, 2010

Fidelity Investment lost its top-dog status as the number one distributor and mutual fund provider to rivals Charles Schwab and Vanguard, according to a new report.

Fidelity Investments suffered from "significant shifts in brand perceptions, household penetration, as well as changes in investor loyalty," according to Cogent Research's 2010 Investor Brandscape report.

"Fidelity is caught in a perfect storm comprised of an aging population, higher unemployment, and lower across the board plan participation," said Meredith Lloyd Rice, an author of the report, in a statement.

The report also found that affluent investors for the first time reported having more dollars allocated to IRAs than to employer-sponsored retirement plans.

The report, started in 2006, surveyed 4,000 affluent and high net-worth investors in the United States. The rankings for distributor firms and mutual fund companies are based on Cogent's proprietary CoRe Score, which combines brand equity, customer loyalty, market penetration, client mix, and share of wallet to produce a composite measure for individual firms and a comparative ranking of all major firms across the industry.

According to Cogent Research, Fidelity, as a distributor, has been hurt by lower awareness and favorability ratings toward the brand, and its household penetration has diminished substantially. In contrast, Schwab did not see a significant drop in investor impressions this year. Meanwhile, it has done a better job attracting affluent clients and holding on to their assets, according to the report's findings.

The top 10 distributor firm rankings were Charles Schwab, Fidelity Investments, Morgan Stanley Smith Barney, Edward Jones, Merrill Lynch, Raymond James, UBS, Vanguard, Wells Fargo Advisors/Wachovia Securities and Ameriprise.

Loyalty appears to have cost its ranking on the mutual fund side, the report found. Whereas Vanguard has actually improved its relationship with investors over the past year as a mutual fund provider, Fidelity has seen a decline in loyalty, the authors said. An analysis by Cogent of the specific drivers of loyalty, including financial stability and range of products, as well as fund performance, shows Vanguard performing better than any of its rivals on these and other key drivers. By contrast, Fidelity no longer ranks among the top five mutual fund companies on performance, a critical factor impacting loyalty. Specifically, ratings for the firm on both mid-term and long-term performance have declined considerably over the past year, the authors said.

The top 10 mutual fund company rankings were Vanguard, Fidelity Investments, American Funds, T. Rowe Price, TIAA-CREF, Franklin Templeton, Fidelity Advisor Funds, Oakmark, Morgan Stanley Investment Advisor Funds and Schwab/Laudus Funds.

**Filed in:** Feature, Life Insurance News

**Tagged:** affluent investors, American Funds, Ameriprise, Charles Schwab, Cogent Research, customer loyalty, Edward Jones, Fidelity Advisor Funds, Fidelity Investments, Franklin Templeton, IRA, Meredith Lloyd Rice, Merrill Lynch, morgan stanley, mutual funds, Raymond James, research, T. Rowe Price, TIAA-CREF, UBS, Vanguard, Wachovia, Wells Fargo Advisors

