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### **Adviser Investments Makes *Barron's* Top-100 List**

In its August 26, 2013 edition, *Barron's* recognized Adviser Investments as among the top 100 independent financial advisors in the country, placing our firm at #21 on the list. We believe the top-25 selection reflects our unwavering focus on customer service and the constant efforts we undertake to improve the overall client experience.

[Please click here to read more about our selection.](#)

### **Banking with Fidelity**

People might not think of Fidelity as a bank, but the investment management company is beginning to trumpet its cash management services as an alternative to traditional retail banks. Fidelity has offered consumer banking options since 2007, but has ramped up its marketing efforts of late. The *Boston Globe* reports that the company has about \$3 billion in customers' cash management accounts, up 46% from a year ago, as of July 30.

### **Why Now?**

Two reasons: More cash and a vulnerable commercial banking industry. Encouraging customers to deposit money directly into cash accounts increases the likelihood that the funds will eventually migrate into Fidelity investment accounts. A mere press of a button on Fidelity's mobile app can transfer money from a cash management account to an investment account.

Fidelity is reading the tea leaves about how people are banking now. A recent study by Western Union found that fewer than one-third of bill payments are made via non-electronic methods, with nearly 47% paid online. People are banking remotely and have become less reliant on walk-in branches to perform everyday financial transactions. For example, some banks are now accepting deposits of checks captured on a smart-phone camera and allow transfers via mobile apps. *The Wall Street Journal* reports that nearly 2,300 retail bank branches shuttered their doors in 2012. At the end of the year, there were about 93,000 bank branches in operation in the U.S., a number that is projected to drop to 80,000 by 2020.

As only 14% of financial transactions are made in brick-and-mortar bank locations, Fidelity is banking on the fact that

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people who access their cash when they are out and about may be fed up with paying ATM transaction fees. Fidelity's cash management accounts have no fees or minimum balances, and reimburse any ATM fees, worldwide, by crediting customers' cash accounts on the same day that an ATM fee is assessed. The firm spent \$3.8 million on ATM reimbursements in 2012. Sam McLimans, head of Fidelity's cash management program, told the *Globe* that he expects that cost to rise, but is "comfortable" with the rebate feature. And why not? After all, more ATM reimbursements mean more people are using the product, and represent more assets underneath the Fidelity umbrella.

### **Fidelity's Features**

Similar to a traditional bank debit card, Fidelity offers a no-fee debit card to use for purchases that draws directly from its associated cash account. Customers receive free online bill paying transactions, check writing and transfers. In addition, as mentioned above, the mobile app allows users to pay bills and transfer money to their investment accounts from their smart phones.

While banks only provide FDIC insurance up to \$250,000, Fidelity sweeps assets in its cash accounts into multiple interest-bearing, FDIC-insured banks, protecting balances up to \$750,000. The company automatically performs all transfers between participating banks and Fidelity cash management accounts, though there is no access to funds directly from the program banks. As an example, if you made a \$500,000 deposit into a cash management account, the company will spread \$245,000 into two banks and \$10,000 into a third. By staying under the \$250,000 coverage limit at individual banks, any accrued interest is protected. Continuing this example, the next \$50,000 you deposit would also go into the third bank. Customers are able to monitor the cash amount at each program bank on Fidelity's website to make sure it does not exceed \$250,000. Interest on cash balances accrues daily and pays on the last business day of every month, and is not affected by rates at any of the program banks.

That said, brokerage banking services aren't ideal for everyone, and the average banking customer doesn't need that much FDIC coverage. When it comes to loans, businesses and consumers will likely need to deal with a traditional bank (Fidelity does not offer personal loans through its cash management program). In addition, while Fidelity currently operates about 180 walk-in centers, there will be those who prefer the option and convenience of a retail bank with a local branch for face-to-face customer service.

### **The Future of Banking?**

Keeping banking and investment accounts under the same roof might make sense for customers who want to simplify their financial lives. For others, avoiding irksome ATM fees might be reason enough to bail on a bank. In a world where more and more individuals and institutions are relying upon online and mobile

transactions for shopping, business and the management of finances and investments, cash management accounts like Fidelity's could very well continue to gain influence.

But with any emerging financial trend, there is the possibility that regulation and oversight have yet to catch up, which could have an impact on how cash management accounts like Fidelity's operate (Schwab and E\*Trade offer similar services). In the meantime, the appeal of keeping some separation between the accounts relied upon for day-to-day expenses and those purposed for the future may give greater peace of mind to those accustomed to and comfortable with traditional banking.

### **About Adviser Investments**

Adviser Investments and its subsidiaries operate as an independent, professional money management firm with particular expertise in Fidelity and Vanguard mutual funds. With 2,400 clients and more than \$2.5 billion under management, Adviser Investments is one of the nation's largest mutual fund research and money management firms. Our investment professionals focus on helping individual investors, trusts, foundations and institutions meet their investment goals. Our minimum account size is \$350,000. Adviser Investments was recently named to *Barron's* list of the top 100 independent financial advisors nationwide.

For more information, please visit [www.adviserinvestments.com](http://www.adviserinvestments.com) or call 800-492-6868.

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