



# Independent Advisor Outlook Study

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# Contents

<b>Background</b>	<b>2</b>
<b>Methodology</b>	<b>3</b>
<b>Key Results</b>	<b>4</b>
<b>Profile of Sample</b>	<b>18</b>

# Background

- Charles Schwab Advisor Services is a leading provider of custodial, operational and trading support to nearly 7,000 independent registered investment advisors (RIAs) with \$1 trillion in assets under management (as of 3/31/14).
- For twenty-five years, Schwab Advisor Services has been championing RIAs – advocating on their behalf, delivering forward-looking insights to help them navigate the future, and providing services and technology that support the continued growth and success of their businesses so that they can help their clients reach their financial goals.
- This semi-annual study has been designed to measure independent investment advisors' views on a variety of timely subjects.
- The current wave of this survey set out to better understand RIAs' perspectives about the opportunities and challenges they see with respect the next generation of clients, including the ways in which independent advisors are planning to augment their strategies for business growth and their client service models.

# Methodology

## What

- The Independent Advisor Outlook Study (IAOS) is an online study conducted for Charles Schwab by Koski Research.
- Koski Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.
- The sampling error is +/-3 percentage points at the 95% confidence level.

## When

- The study was conducted from April 15 to May 6, 2014

## Who

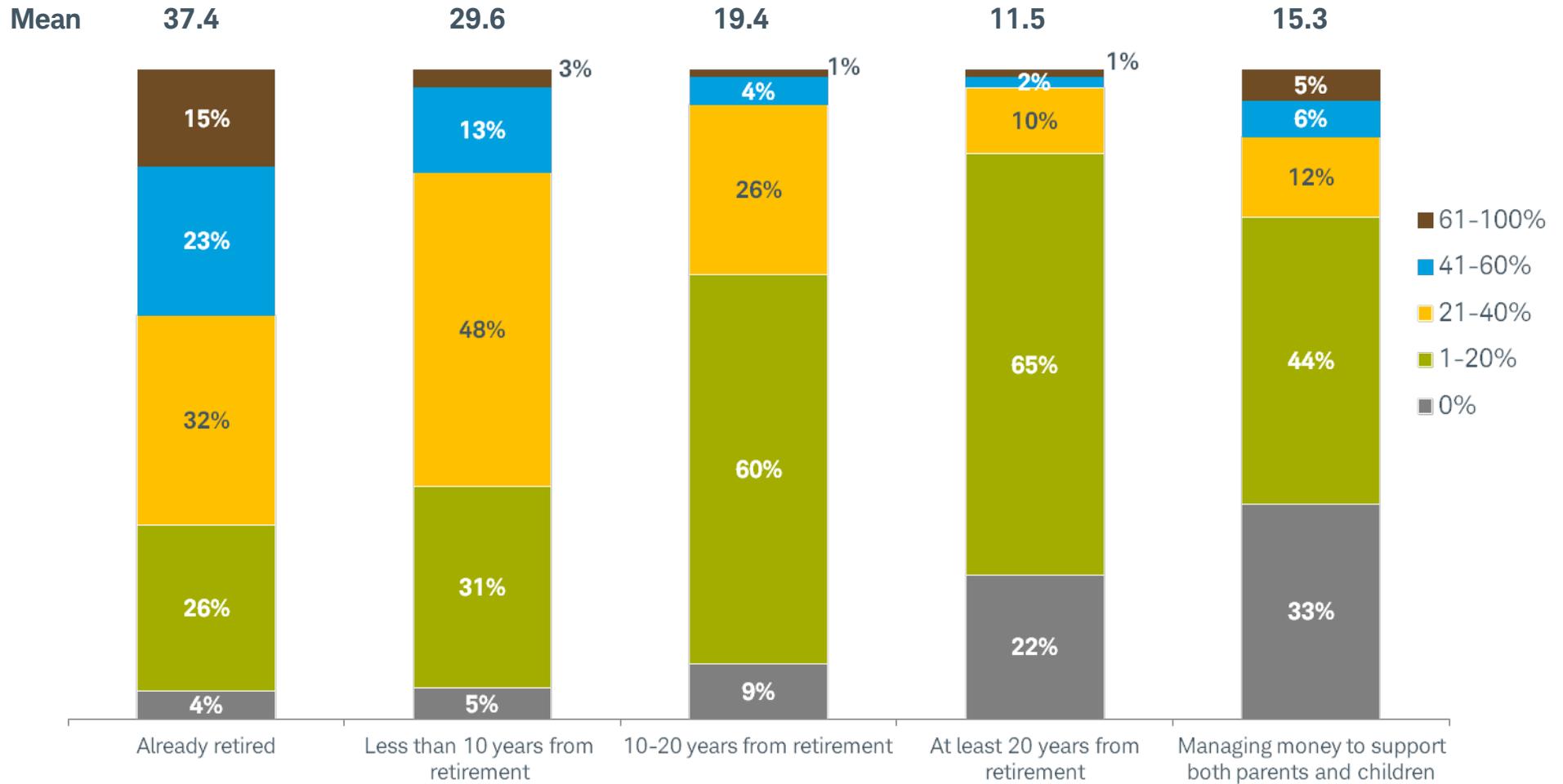
- 720 advisors employed by independent registered investment advisor firms, whose assets are custodied at Schwab.
- Representing a combined total of \$180 billion in assets under management
- Participation is voluntary. The survey length averages around 15 minutes.
- For this report, the majority of data is reported at the total sample level. When applicable, comparisons with prior waves of the study are made.

# Key Results

# The next generation imperative

Clients who are retired/close to retirement are majority of advisors' businesses

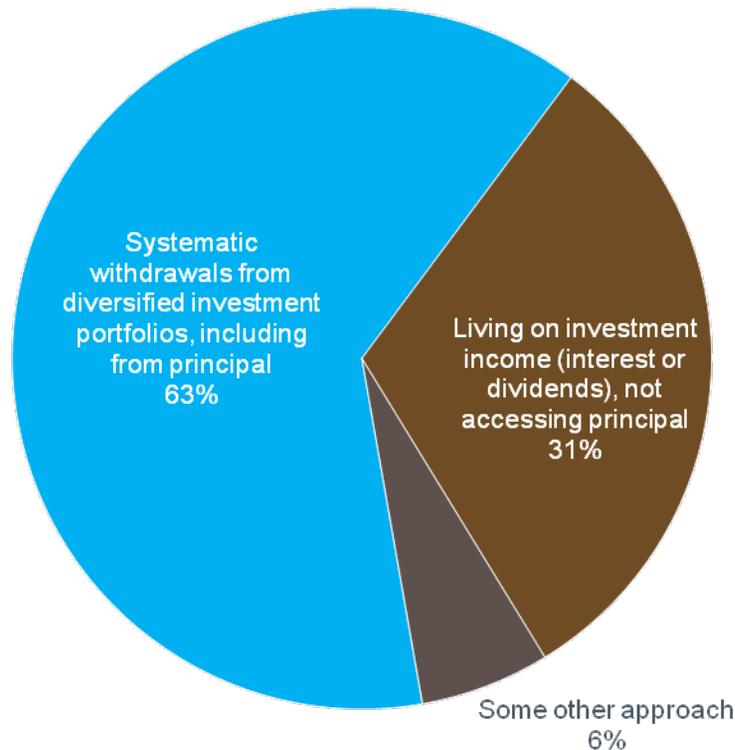
Percentage of clients who are...



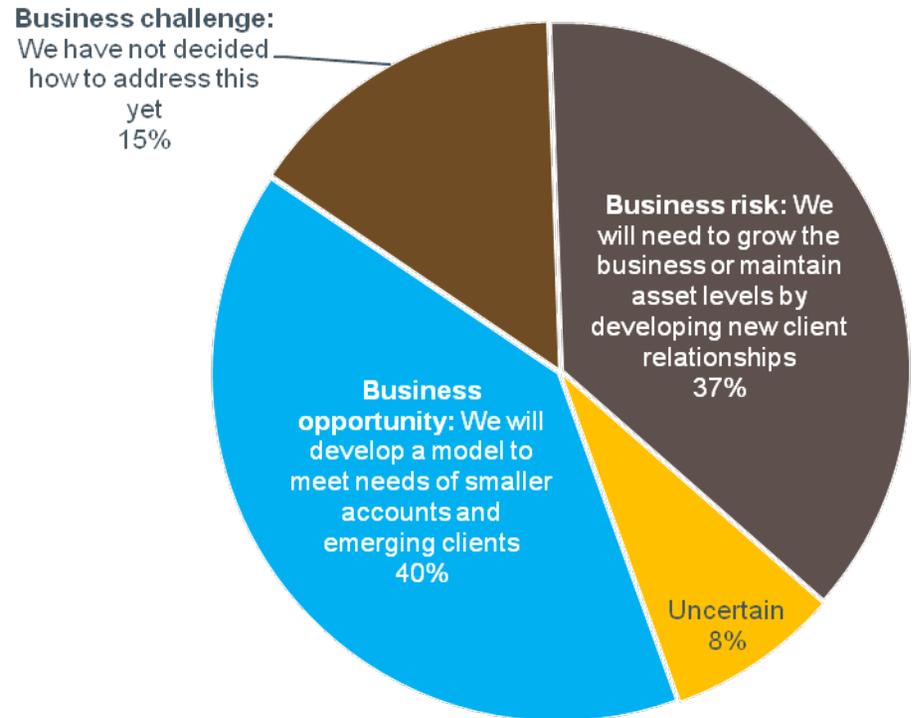
Q16: As far as you know, about what percent of your clients are....?. Your best guess is fine.  
(Base = Total Advisors; Current wave = 720)

# The next generation imperative

## Retired clients are drawing down assets, including principal



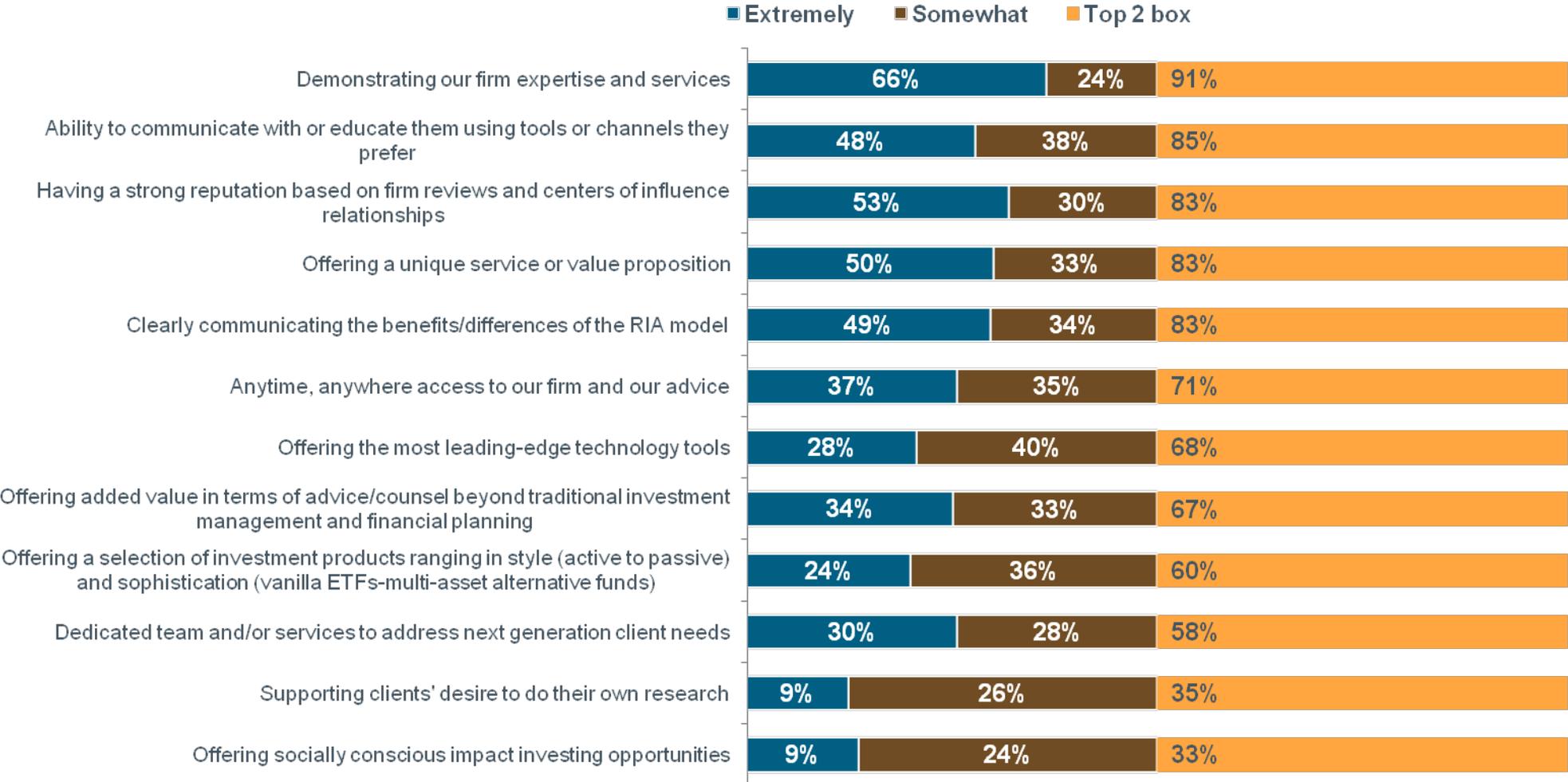
## Next generation assets: Business challenge, opportunity or risk?



Q17: Among your clients who are already retired, what approach are the majority of them using as a source of retirement income or for de-cumulating their assets?  
(Base = Total Advisors Who Have Clients Who are Retired; Current wave = 637)

Q19: Thinking about the implications of money moving to the next generation and being spread out across more people or children, which best expresses your opinion?  
Base = Total Advisors; Current wave = 720

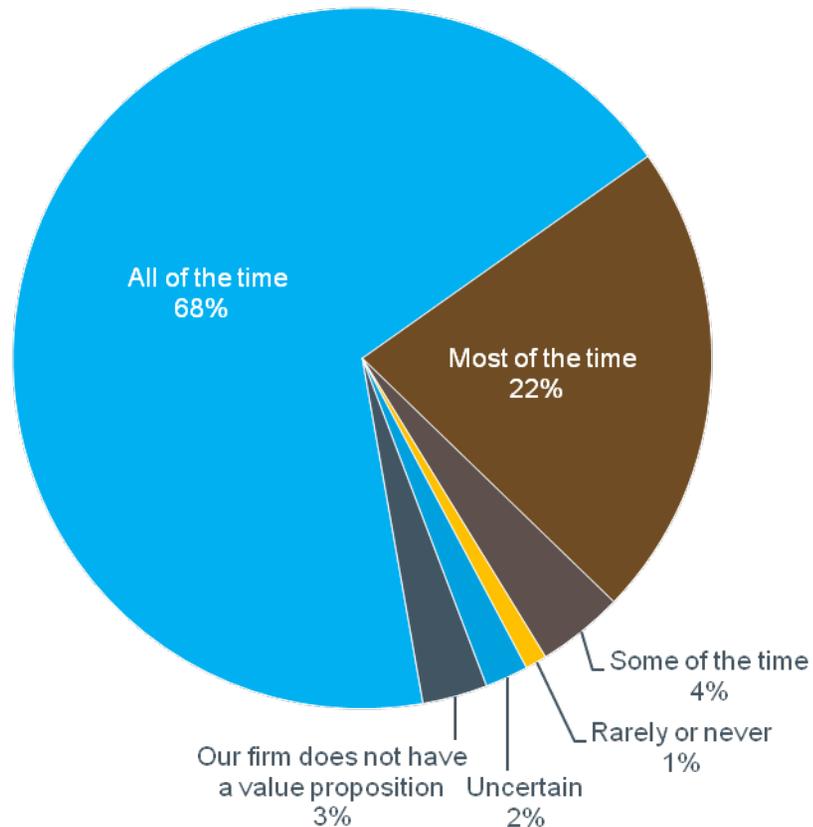
# Firm expertise, reputation, a unique value proposition and differentiating the RIA model among most important for attracting next generation clients



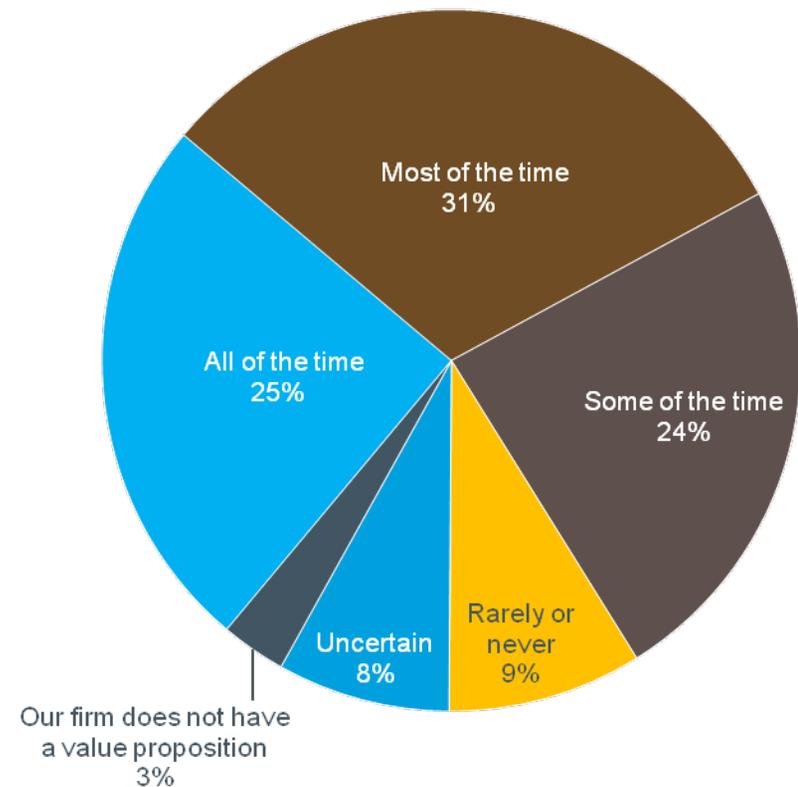
Q12: How important are each of the following for attracting the next generation of clients? By next generation, we mean those under the age of 40. (Base = Total Advisors; Current wave = 720)

# Most advisors can articulate firm's value proposition but not all operational/office staff

*Client Facing Advisors*



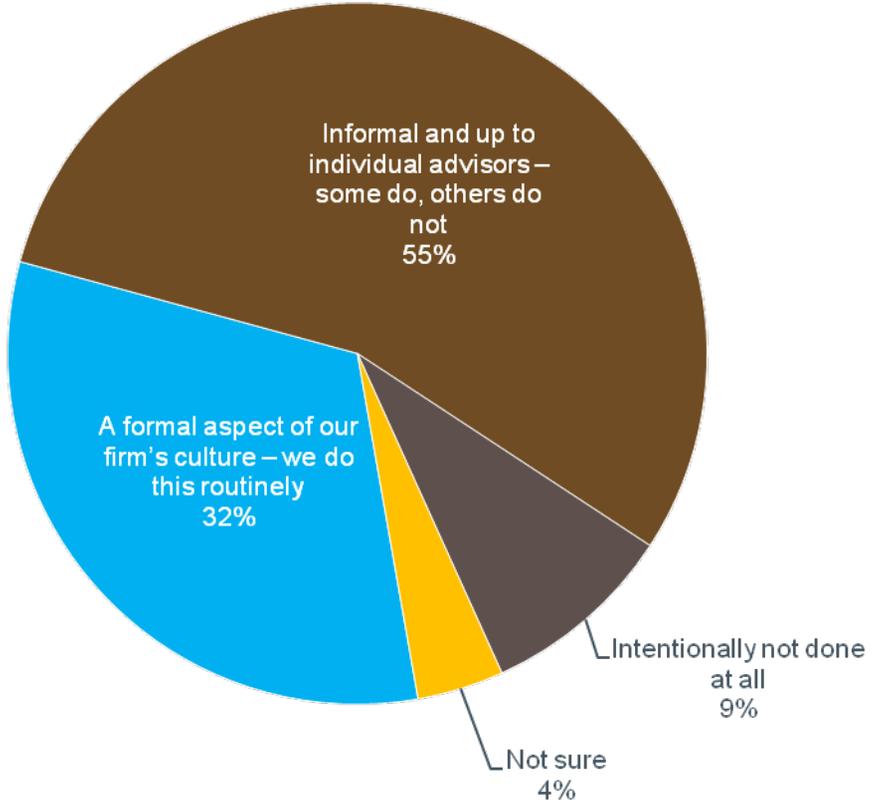
*Operational/Office Staff*



Q10: To what extent can members of your firm effectively articulate your firm's value proposition when speaking with prospects, clients and influencers?  
(Base = Total Advisors; Current wave = 720)

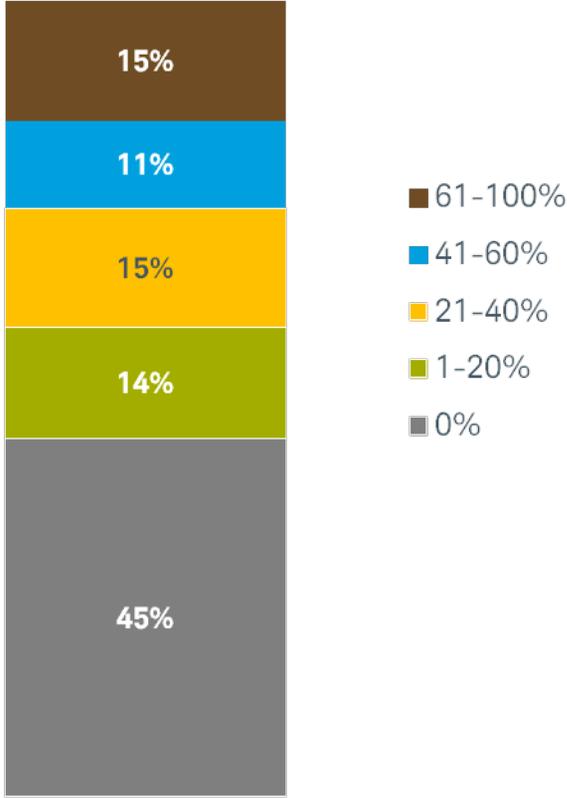
# Asking for referrals is an informal rather than formal process at most firms; asset growth is not a firm-wide responsibility

Role referrals play in firm



Q15: What role does asking for referrals play as in your firm?  
 (Base = Total Advisors; Current wave = 720)

Percent of staff measured by amount of new assets brought to firm



Q23: Thinking now about the responsibility of your staff for overall firm growth, what percent of your staff are measured by the amount of new assets they bring to the firm – either in their reviews or directly in their compensation?  
 (Base = Total Advisors; Current wave = 720)

# Advisors routinely have contact with clients' spouses; contact with clients' children (or other relatives) occurs on a more casual basis

## Frequency of Contact with People Related to Immediate Client(s)

Total Advisors

	Routinely (n=720)	Occasional / Casual (n=720)	Rarely/Never Contact (n=720)
Your clients' spouses or partners	54%	38%	6%
Children of your clients	16%	63%	19%
Friends and work associates of your clients	9%	48%	39%
Parents of your clients	8%	45%	44%
Other adult relatives of your clients, including siblings	8%	48%	40%

Q14: How frequently do you or does your firm have contact either directly or indirectly with people who are related to your immediate client?  
(Base = Total Advisors; Current wave = 720)

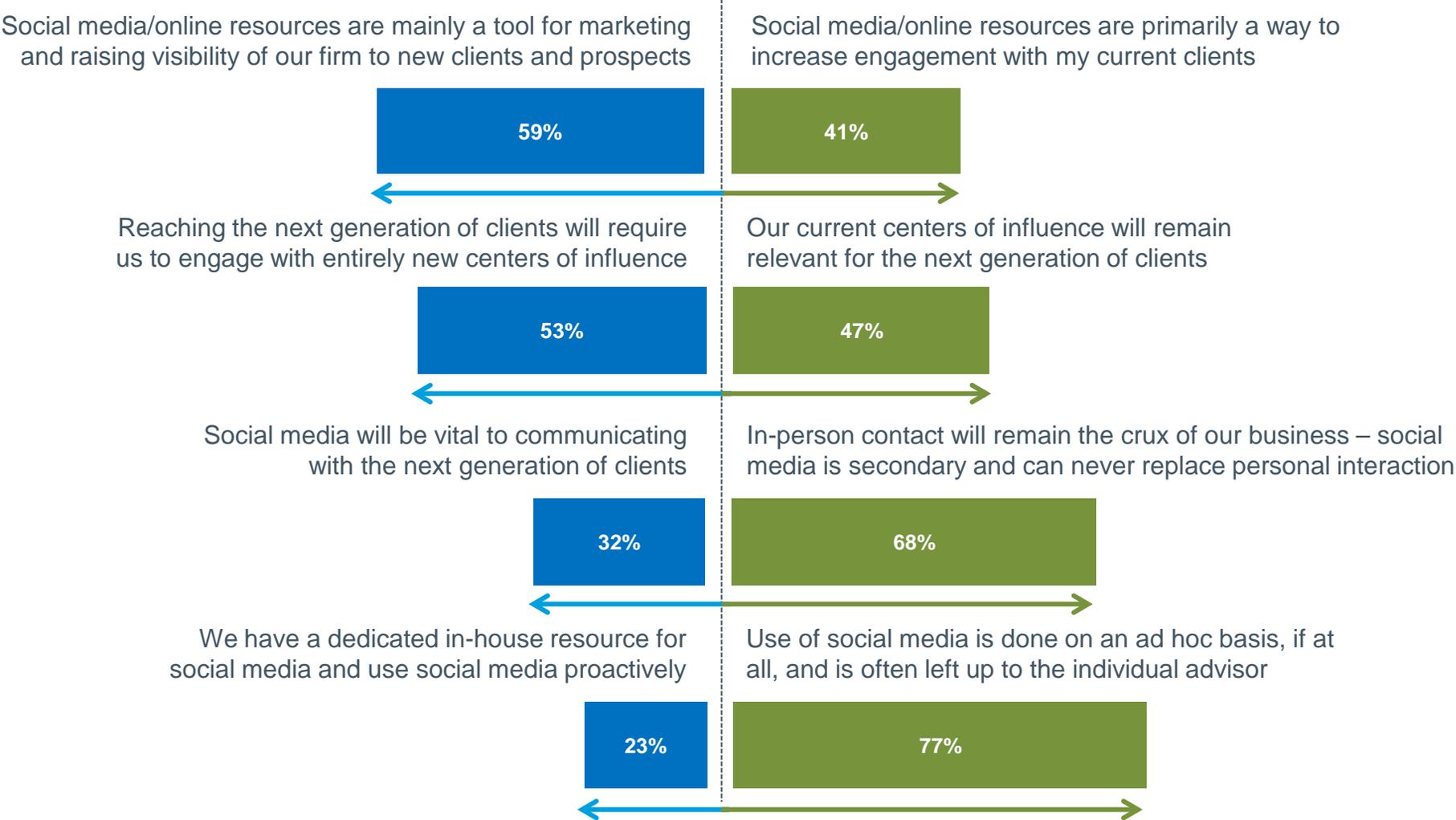
# Activities advisors are doing to differentiate their firms



Q9: Which of the following activities are you doing to a) increase awareness of the RIA model in your community and/or b) differentiate your firm?  
(Base = Total Advisors; Current wave = 720)

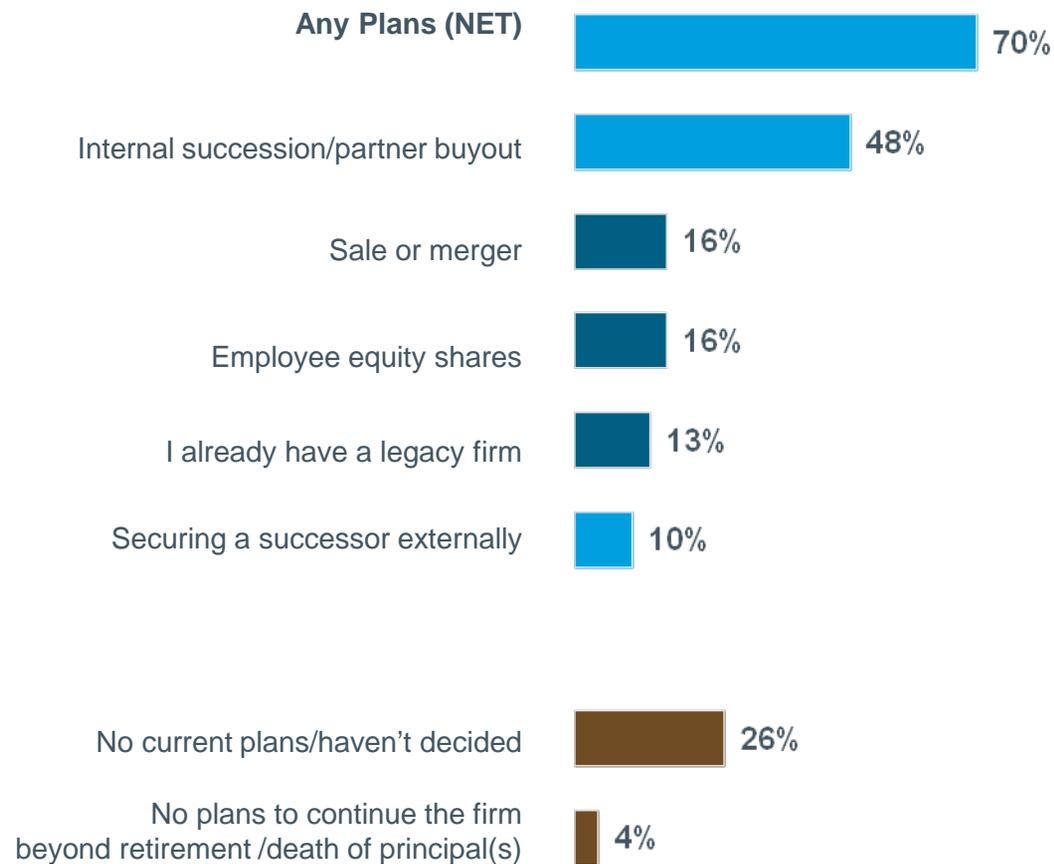
# Social media is being used for marketing and firm visibility not client relationship building or communication

## Statement best describing feelings about impact of social media



Q13: Below are pairs of statements. Please read each pair and choose a point on the scale that best describes your feelings about the impact of social media when it comes to meeting client needs. (Base = Total Advisors; Current wave = 720)

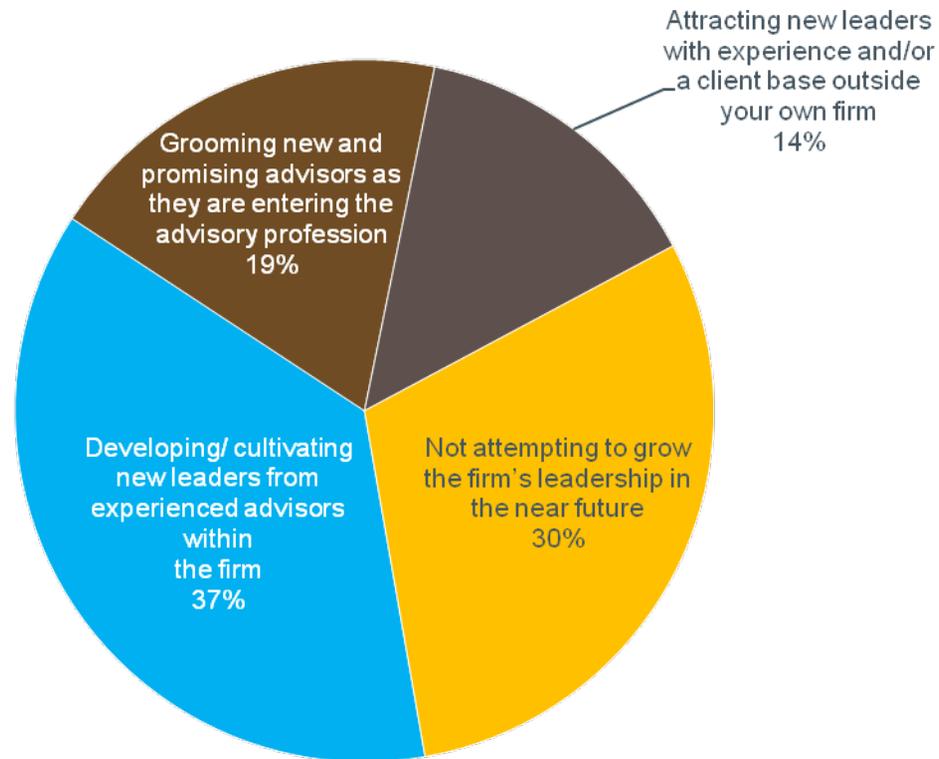
# Majority of advisors are planning a legacy firm – one that lives on beyond its founders; internal succession favored



Q21: What are your plans for creating a legacy firm – one that lives on beyond its founders?  
(Base = Total Advisors; Current wave = 720)

# Firms are looking within for the next generation of leadership

## Primary focus of efforts with respect to next generation of firm leadership



Q22: When it comes to the next generation of leadership within your firm, are you focusing efforts primarily on ...?  
(Base = Total Advisors; Current wave = 720)

# Most RIAs think “robo” advisors could supplement their current offerings and help drive growth

Our firm feels that online investment advisory services (“robo advisors”) are an increasing threat to our business

Online advisory solutions (“robo advisors”) could supplement our current offer/help grow our business

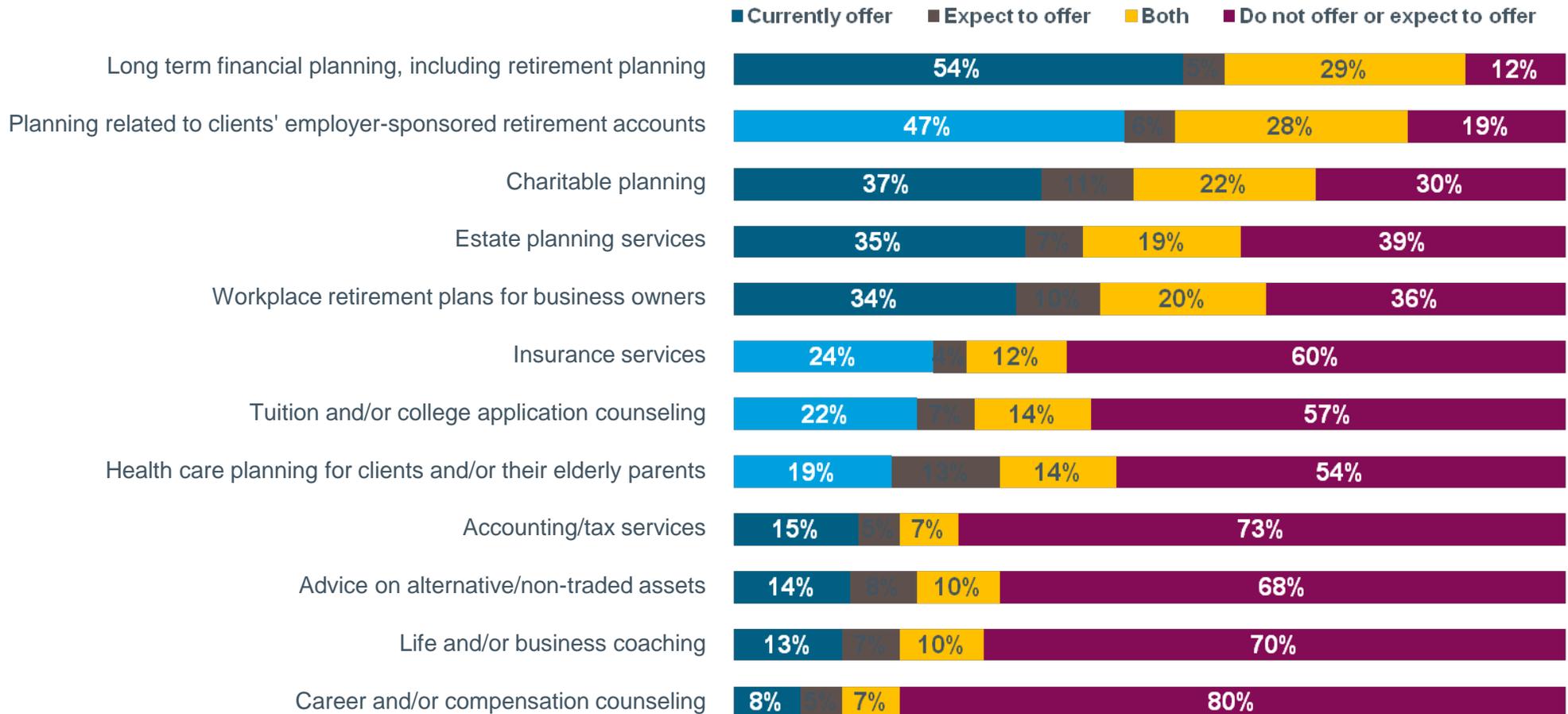


Q20: Below are pairs of statements. Please read each pair and choose a point on the scale that best describes your feelings about your firm’s resources, including technology. (Base = Total Advisors; Current wave = 720)

# Most advisors are staying with their core investment advisory business

## Additional (Non-Investment-Related) Service Offerings...

Total Advisors



Q8: For each of the following, please select the box that describes whether you currently offer or expect to offer this to your clients over the next 5 years.  
(Base = Total Advisors; Current wave = 720)

# APPENDIX

# Profile of Sample

Advisors Responding	Base
Average Client Age by Range	(n=716)
Less than 50 years old	8%
50 to 54 years old	16%
55 to 59 years old	22%
60 to 64 years old	25%
65 or older	22%
MEAN	59 years old
Number of Years Worked for Independent Advisory Firm	(n=718)
5 years or less	29%
More than 5 to 10 years	18%
More than 10 to 15 years	13%
More than 15 years	38%
MEAN	12 years
Primary Role at Firm	(n=717)
Principal	62%
Portfolio Manager	15%
Operations staff	10%
Other	13%
Founding Principal (among Principals)	(n=441)
Yes	76%
No	24%

Advisors Responding on Behalf of their Firms	Base
Number of Employees at Firm	(n=720)
1 to 5	52%
6 to 15	31%
16 to 50	15%
51 or more	4%
MEAN	14 employees
Assets Under Management at Firm (AUM)	(n=712)
Less than \$25M	13%
\$25M to \$100M	24%
\$100.1M to \$250M	20%
\$250.1M to \$500M	15%
More than \$500M	24%
MEAN	\$310M
MEDIAN	\$181M
Number of Clients Per Firm	(n=718)
1 to 50	17%
51 to 100	15%
101 to 250	26%
251 or more	26%
MEAN	354 clients
MEDIAN	150 clients
Gender	(n=711)
Male	78%
Female	22%

**About the *Independent Advisor Outlook Study***

The *Independent Advisor Outlook Study*, conducted for Schwab Advisor Services by Koski Research, has a 3.65% margin of error. Koski Research is not affiliated with nor employed by Charles Schwab & Co. Inc. Detailed findings can be found at [www.aboutschwab.com/press/research/advisor\\_research](http://www.aboutschwab.com/press/research/advisor_research). All data are self-reported by study participants and are not verified or validated. Independent investment advisors participated in the study between April 15 and May 6, 2014.



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