

News Release

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INDEPENDENT ADVISORS' CONTINUED GROWTH SUPPORTED BY FOCUS ON NEW-TO-FIRM CLIENTS AND INCREASE IN AVERAGE CLIENT SIZE

SCHWAB'S 2017 RIA BENCHMARKING STUDY UNDERSCORES THE BUSINESS SUCCESS THAT COMES WITH GROWING INTELLIGENTLY AT EVERY STAGE

- **Firms of all sizes experience growth:** 10.0% five-year compound annual growth rate in assets under management (AUM) at the median since 2012¹
- **Independent advisors are winning high-net-worth investors:** Average client relationship size reached \$1.8 million in 2016, up from \$1.6 million in 2015²
- **Fastest-growing firms³ pair referrals with comprehensive marketing strategies:** Attract new client assets at 2.4 times the rate of all other firms

SAN FRANCISCO – July 14, 2017 – Independent financial advisor firms are attracting high-net-worth (HNW) investors and adding more new-to-firm client assets as they continue to report year-over-year growth, according to the [2017 RIA Benchmarking Study from Charles Schwab](#).

The median firm AUM has grown to \$593 million in 2016 from \$358 million in 2012, a 10.0% five-year compound annual growth rate. In addition, profitability remains strong with standard operating margins of 25% in 2016.

“Independent advisors are continuing to succeed for two important reasons,” said Jonathan Beatty, senior vice president, sales and relationship management, Schwab Advisor Services. “First, high-net-worth individuals with the most complex financial needs are increasingly seeking the independent model and secondly, within firms of all sizes, advisors are making the right strategic decisions to help them retain their valued clients, win the trust of new clients, and expand and scale their businesses.”

Focus on new-to-firm assets bears fruit

Across the board, advisors have identified client acquisition via referrals as a top strategic priority and as a result, growth continues to be driven by client referrals and referrals from centers of influence (COI):

¹ Data represents median results for firms with \$250 million or more in AUM unless otherwise noted. Results are from the 2017 RIA Benchmarking Study from Charles Schwab, fielded January to March 2017.

² Data represents median results for firms with \$250 million or more in AUM unless otherwise noted. Results for 2015 are from the 2016 RIA Benchmarking Study from Charles Schwab, fielded January to March 2016.

³ Fastest-growing firms are the top 20% of firms with \$250 million or more in AUM based on five-year net organic compound annual growth rate.

- At the fastest-growing firms, existing client referrals and COI referrals drove 5.8% of new asset growth, and for all other firms, referrals collectively drove 2.7% of new asset growth.

The fastest-growing firms not only excel at winning new assets through these referral sources, they also emphasize new client acquisition with a range of additional marketing activities such as networking, community involvement, website presence, seminars, and events.

These marketing strategies helped drive an additional 3.6% of new asset growth at the fastest-growing firms, translating into more new clients and more new-to-firm assets.

- A median of 31 new clients in 2016 for the fastest-growing firms, more than 1.5 times as many as all other firms.
- A median of \$45 million in AUM from new clients for fastest-growing firms, compared with \$23 million at all other firms.

Investors align with the independent model

Client relationship size grew as advisors increased assets from new clients in 2016 and investment performance was strong.

- At the median, average client relationship size grew to \$1.8 million in 2016, up from \$1.6 million in 2015.
- The largest firms generally work with larger clients. Firms with over \$2.5 billion in AUM had an average client size of more than \$3 million, while firms with \$100 million to \$250 million in AUM had an average relationship size of \$1 million.

Firm growth and success is an individual firm endeavor

The Benchmarking Study underscores that firm success is tied to growing intelligently by making firm-specific strategic decisions.

“Schwab’s Benchmarking Study shows what success looks like at various firm sizes and stages,” said Beatty. “The findings are especially powerful when we work with participating firms to understand their unique situations as they plan and prepare for the opportunities and challenges that come with the next stages of growth and success.”

To view the full report, including selected advisor case studies, visit:

<https://www.aboutschwab.com/press/research>.

About Schwab’s RIA Benchmarking Study

Schwab’s annual RIA Benchmarking Study provides participating advisors with insights on key performance indicators relative to their peers, allowing them to analyze their firms, compare their firms with other similar firms, and plan strategically for growth. The study also generates broad industry insights that enable advisors to observe trends and best practices in the RIA landscape.

The 2017 study provides information on such topics as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance. Fielded from January to March 2017, it contains self-reported data from 1,321 firms that custody their assets with Schwab Advisor Services and represent over three-quarters of a trillion dollars in AUM. Since the inception of the study in 2006, more than 3,300 firms have participated, with many repeat participants.

Data represents median results for firms with \$250 million or more in AUM unless otherwise noted. The fastest-growing firms are the top 20% of firms as determined by net organic growth (5-year net organic compound annual growth rate). This cohort includes 135 firms out of 675, all of which have \$250 million or more in AUM. Net organic growth is the change in assets from existing clients, new clients, and assets lost to client attrition before investment performance is taken into account, and it excludes the growth from acquisitions, divestitures, and advisors joining or leaving a firm with assets.

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