

# INDEPENDENT ADVISOR OUTLOOK STUDY WAVE 24

October 2018

Media contact:

Rob Farmer  
Corporate Public Relations  
415-920-3816  
rob.farmer@schwab.com

The logo for Charles Schwab, featuring the word "charles" in a white, lowercase, serif font above the word "SCHWAB" in a white, uppercase, sans-serif font, both centered within a blue square background.

*charles*  
SCHWAB

*Own your tomorrow™*

# Table of Contents

<b>Introduction</b>	3
<b>Detailed Findings</b>	
Differentiation & Culture	4
Talent & Technology	9
Markets & Investing	14
<b>Appendix</b>	
Methodology	21
Firmographics	22

# Introduction

The Independent Advisor Outlook Study (IAOS) by Schwab Advisor Services reflects the views of independent advisors on their industry, their businesses and clients, and the general investing environment.

The study is now in its 12th year. The current iteration, Wave 24, was conducted between August 24 and September 12, 2018, and reflects responses from 783 advisors from across the country.

In this wave, advisors told Schwab how they feel their firms differentiate from the competition; how they attract and retain the best talent; and who is driving technology adoption. Advisors also shared insight into the kinds of changes that have been made at their firms over the past ten years due to the impacts of the financial crisis that began a decade ago. Advisors also shared their sentiment related to market volatility, and thoughts about recent trade and tariff policy in Washington, D.C. and the potential impacts on their clients' investment goals.



## Sharing Insights

Follow @Schwab4RIAs for highlights of results as well as Schwab insights on the current wave of the *Independent Advisor Outlook Study*

# Findings

Differentiation & Culture

# One decade later: Impact of the global financial crisis on advisor firms and advice

## What advisor firms changed as a result of the crisis of 2008

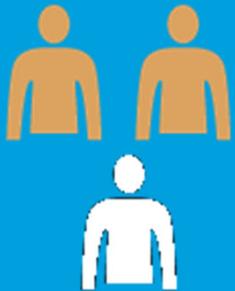


## What they didn't change

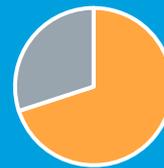


Q7. Which, if any, of the following aspects of financial planning, investment management, and practice management did your firm change as a result of the crisis (Great Recession of 2008). (Base: Total Advisors; Current wave = 783)

# Differentiation & competitive advantage



**Two in three**  
**advisors** say  
differentiation is  
essential to survival



**73%**

Say specializing in a few key  
areas will give their firm an  
advantage over the competition

Q8. Which of the following best describes the need for advisory firms to differentiate themselves from their competition?  
Q11. Which do you believe will give your firm an advantage over the competition? (Base: Total Advisors; Current wave = 783)

# How well do independent advisors differentiate?

## Key ways in which advisors feel they differentiate from traditional/wirehouse advisors

- Acting in client's best interest (95%)
- Understanding clients' specific/unique needs (84%)
- Understanding and supporting a client's entire financial life (83%)

## Key ways in which advisors feel they differentiate from other RIA firms

- Client service (63%)
- Understanding clients' specific/unique needs (63%)
- Understanding and supporting a client's entire financial life (59%)

Q9. How differentiated is your firm from traditional / wirehouse advisors on each of the following items?

Q10. How differentiated is your firm from other RIA firms on each of the following items? (Base: Total Advisors; Current wave = 783)

# Trendspotting with next-generation advisors

Top three areas firms are looking to their next generation advisors for trends:



1. Technology

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2. Marketing

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3. Firm culture



**One in three firms** is not looking to younger advisors for input at all

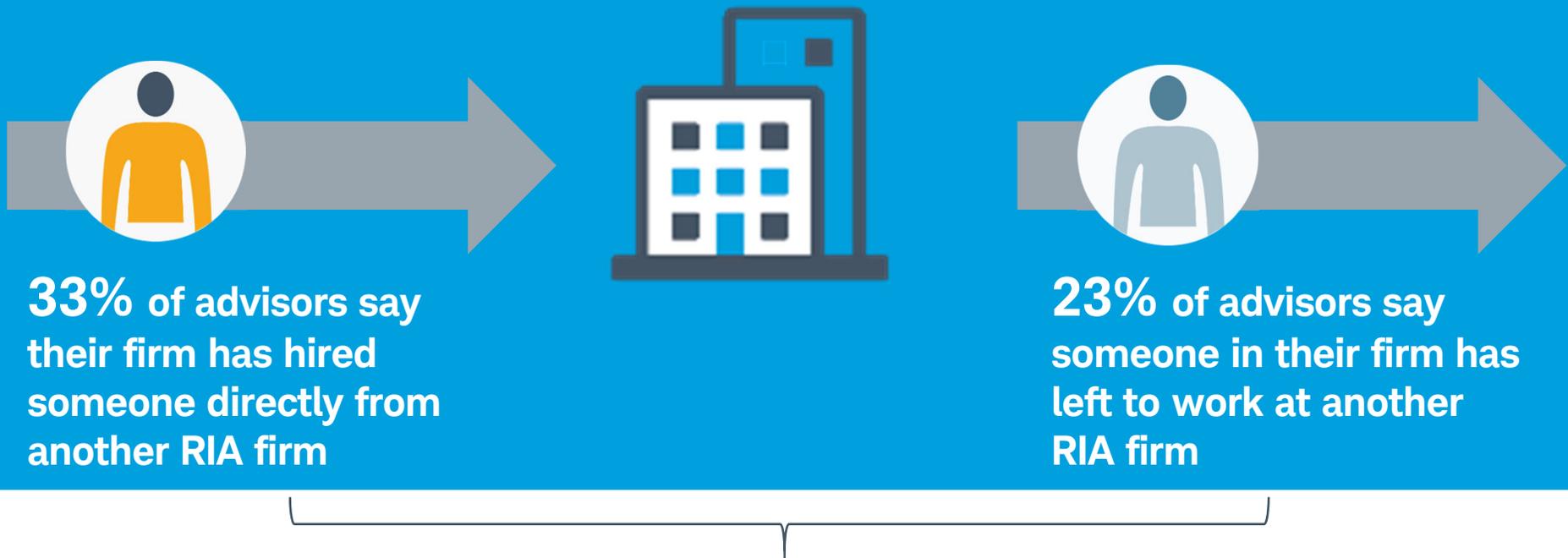
Q19. Does your firm look to the next generation of younger advisors on trends in the following areas? (Base: Total Advisors; Current wave = 783)

# Findings

Talent & Technology

# Competition for talent among RIA firms heats up

In the past five years...



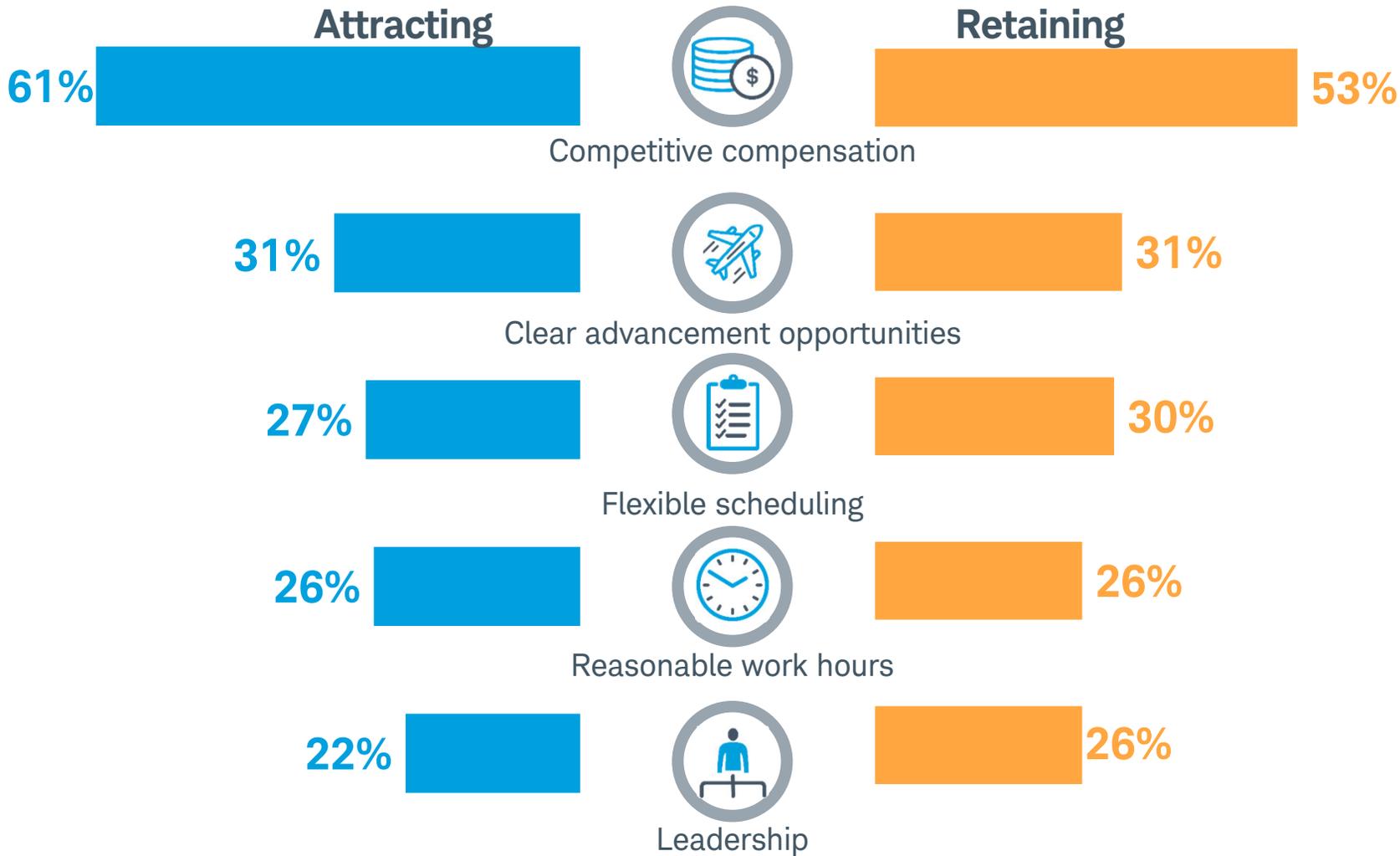
**41%** of advisors say an employee has either left for or joined from another RIA firm in the past five years

Q15. In the past 5 years, approximately what percent of employees have left your firm to work at another RIA firm?

Q16. In the past 5 years, approximately what percent of employees has your firm hired that came directly from another RIA firm? (Base: Total Advisors; Current wave = 783)

# Show me the money? The outsized role of compensation in the battle for talent

Most important for attracting and retaining employees



Q15. Which three of the following do you believe is most important for attracting and/or retaining employees?(Base: Total Advisors; Current wave = 783)

# Ownership opportunities exist, but future of firm leadership not always obvious



**53%**

of advisors say their firm offers principal or ownership opportunities



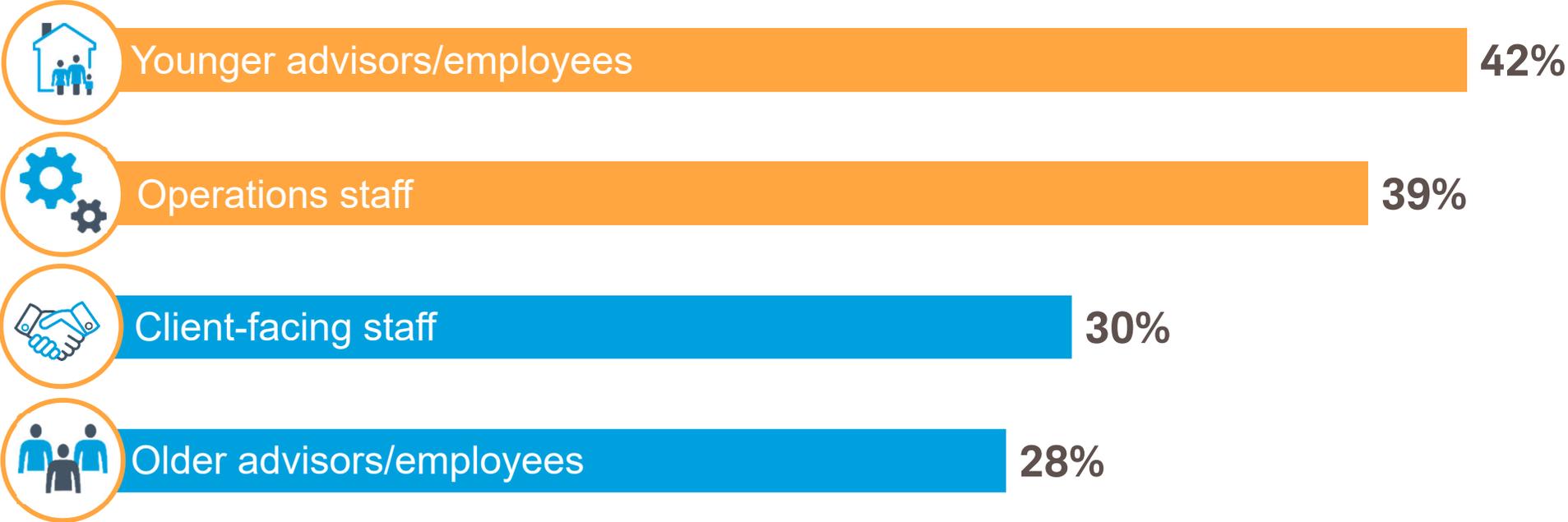
**29%**

Say that there isn't a person in the firm understood to lead the business if principals were no longer there

Q18. Does your firm offer the opportunity for advisors to become a principal or owner? (Base: Total Advisors; Current wave = 783)

Q14. Is there a person in the firm today who is understood by all employees to lead the business if the founder/principals were no longer there? (Base: Total Advisors; Current wave = 783)

# Who champions technology? Younger employees and operations staff

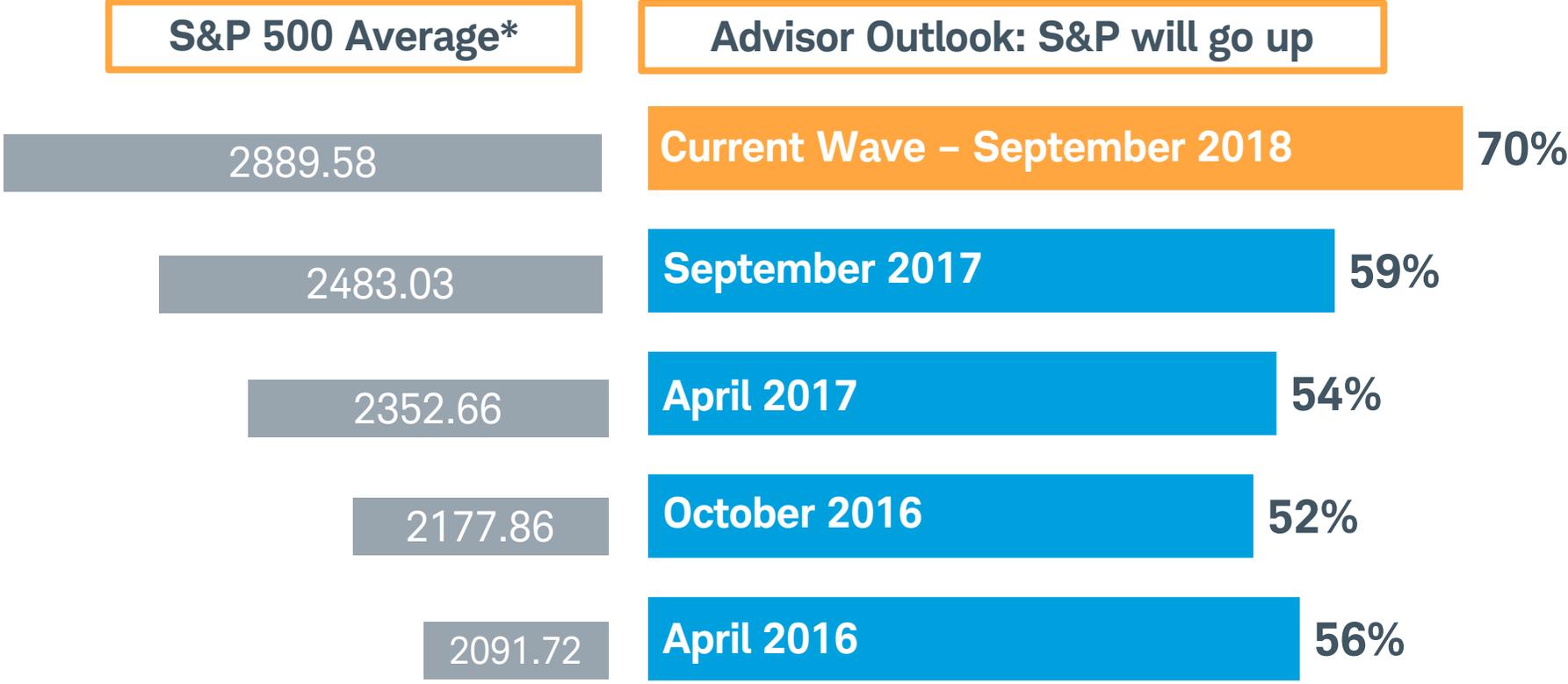


Q17. Who is most likely to advocate for new technologies to be adopted at your firm? (Base: Total Advisors; Current wave = 783)  
Schwab Advisor Services

# Findings

Markets & Investing

# Expectations for markets to continue to rise...



Q1: Which of the following best describes what you think will happen to the S&P 500 in the next six months? (Base: Apr '16=930; October '16=957; April '17=912; September '17=946; Current wave=783)  
 Note: The standard deviation opening values for the S&P 500 during the current fielding period was 16.7  
 \* S&P 500: Average daily opening values per survey fielding period

# ...but concern about a downturn persists

## Clients' concern about market downturn

Top-2-Box

82%

Very Concerned 15%

Somewhat Concerned 67%

Not Very Concerned 17%

Not at all Concerned 1%

## Advisors' concern about market downturn

Top-2-Box

71%

15%

56%

24%

5%

Q4. How concerned are your clients, if at all, about the possibility of a market downturn?

Q5. How concerned are you, if at all, about the possibility of a market downturn? (Base: Total Advisors; Current wave = 783)

# Most advisors have had to reassure their clients during recent volatility

**80%** of advisors have had to reassure some portion of their client base about achieving investment goals in past 6 months

**On average, 16% of clients needed reassurance**

Q2. In the past six months, what percent of your clients have you needed to reassure that they will achieve their investment goals?  
(Base: Total Advisors; Current wave = 783)

# Nearly a third of advisors say reaching clients' goals will be difficult



of advisors say it will be **difficult** to reach clients' goals



of advisors say it will be **neither easy nor difficult** to reach clients' goals

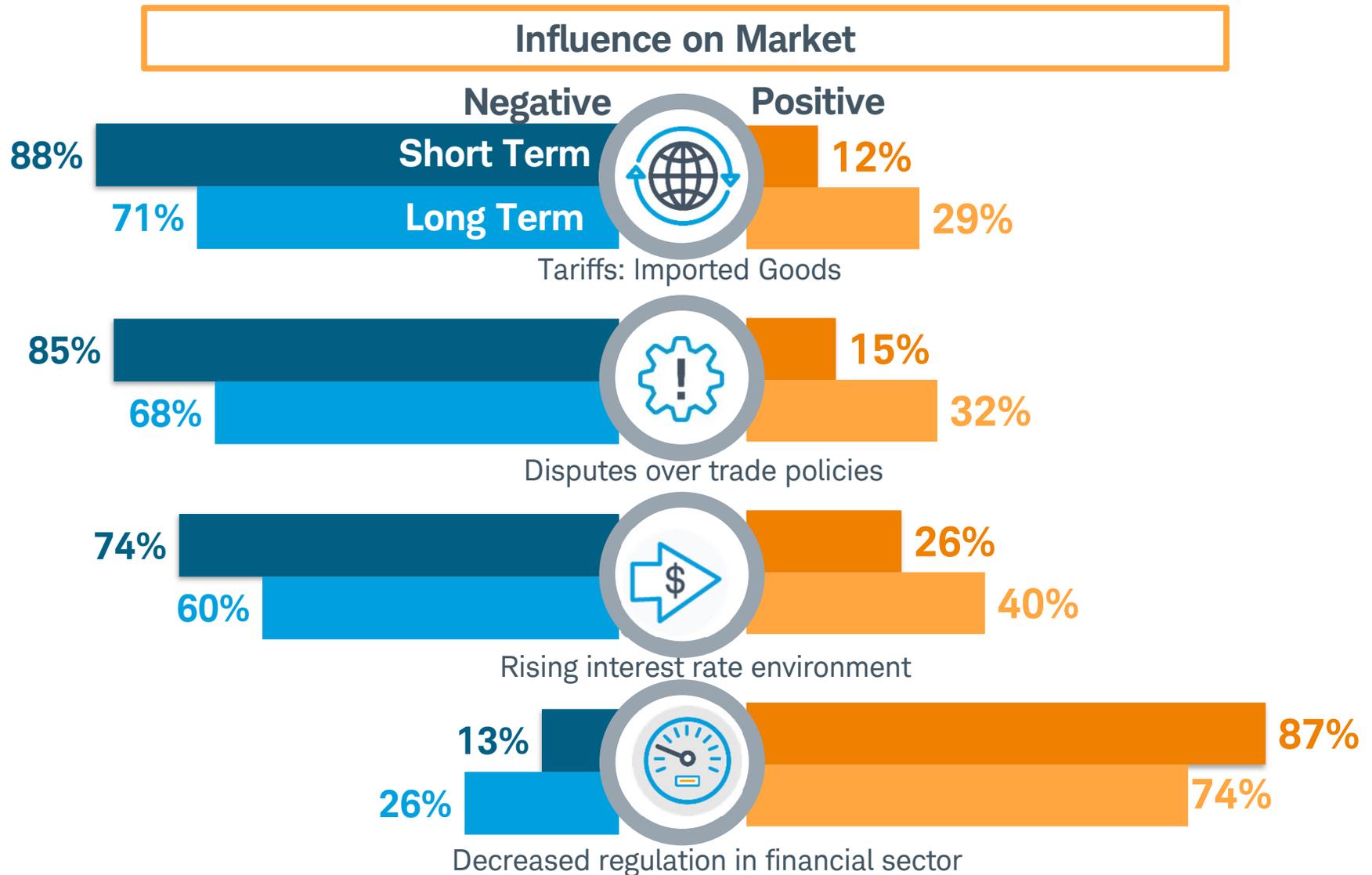


of advisors say it will be **easy** to reach clients' goals

 **Up** from 12% last wave.

Q3. Which of the following best describes how easy or difficult you think it will be to achieve your clients' investment goals in the current market environment? (Base: Total Advisors; Current wave = 783)

# Advisors see tariffs and trade disputes having a negative influence on the market



Q6. How do you think the following will impact the market in the short-term (less than a year from now)? (Base: Total Advisors; Current wave = 783)

# Appendix

## Methodology

### What

- The Independent Advisor Outlook Study (IAOS) is an online study conducted for Charles Schwab by Logica Research (formerly Koski Research).
- Logica Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.
- The sampling error is +/- 3.2 percentage points at the 95% confidence level.

### When

- The study was conducted from August 24 to September 12, 2018.

### Who

- 783 advisors employed by independent investment advisor firms, whose assets are custodied at Schwab.
- Participation is voluntary and the survey length averaged under 10 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.

# Firmographics

(Base: Total Advisors Responding)

Advisors Responding	Base
<b>Average Client Age by Range</b>	(n=783)
Under 50 years old	5%
50 to 54 years old	10%
55 to 59 years old	23%
60 to 64 years old	27%
65 or older	25%
Prefer not to say	10%
MEAN	61 yrs old
MEDIAN	61 yrs old
<b>Age of Advisor Responding</b>	
Under 35 years old	7%
35 to 44 years old	12%
45 to 54 years old	24%
55 to 64 years old	32%
65 and older	20%
Prefer not to say	5%
MEAN	54 yrs old
MEDIAN	53 yrs old
<b>Number of Years Worked for Independent Advisory Firm</b>	
5 years or less	21%
6 to 10 years	14%
11 to 15 years	11%
More than 15 years	53%
Prefer not to say	1%
MEAN	14 yrs
<b>Primary Role at Firm</b>	
Principal	60%
Portfolio Manager	17%
Operations staff	8%
Other	15%

Advisors Responding	Base
<b>Founding Principal (among Principals)</b>	(n=469)
Yes	76%
<b>Number of Employees at Firm</b>	(n=710)
1 to 5	47%
6 to 15	33%
16 to 50	14%
51 or more	6%
MEAN	18
MEDIAN	6
<b>Assets Under Management at Firm (AUM)</b>	(n=783)
Less than \$25M	8%
\$25M to \$100M	21%
\$101M to \$250M	21%
\$251M to \$500M	16%
More than \$500M	28%
Prefer not to answer	6%
MEAN	\$360.7M
MEDIAN	\$233.2M
TOTAL AUM	\$264.8T
<b>Number of Clients Per Firm</b>	(n=783)
1 to 50	12%
51 to 100	15%
101 to 250	25%
251 or more	30%
Prefer not to answer	18%
MEAN	448
MEDIAN	175
<b>Gender</b>	
Male	81%
Female	19%