

2018 RIA Benchmarking Study

Charles Schwab
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Advisor Services



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Schwab's RIA Benchmarking Study is the leading study of its kind in the industry—1,261 advisory firms, representing more than a **trillion dollars** in AUM, participated in this year's Study.

This report contains 2018 Study results organized in alignment with Schwab Advisor Services' *Guiding Principles for Advisory Firm Success*, a framework to help advisors address the complexities of growing their firms and creating enduring businesses.

Highlights:

- 2017 showed continued growth for RIAs in key metrics including AUM, revenue, and new clients.
- Average assets per client surpassed \$2M for the first time.
- Top priorities remain acquiring clients, enhancing strategic planning, improving productivity with new technology, and recruiting staff.
- Fastest-growing firms leveraged marketing strategies and business partner referrals to achieve more client growth and saw twice the assets from new clients than others.
- Identifying an ideal client persona and client value proposition are keys to success—and firms that documented these strategies saw 41% more assets from new clients than others.

GUIDING PRINCIPLES FOR ADVISORY FIRM SUCCESS



Effective planning and execution is a leading indicator of success



Value is defined through your clients' eyes



Operational excellence creates greater capacity for clients



Your reputation is your brand



People are your most important asset



Effective planning and execution is a leading indicator of success

Growing your firm requires focus, strategic planning, and an innovative mindset. Establishing a shared vision for the future, creating alignment, and driving effective execution power your growth engine and provide a clear understanding of the future and how you'll get there.



Value is defined through your clients' eyes

Firms thrive when focusing on the client experience from their clients' point of view. When every person, process, service offering and system maintains an extreme focus on your ideal client, you are able to differentiate your firm in an increasingly competitive landscape.



Operational excellence creates greater capacity for clients

Institutionalizing your business through technology and operations provides operational discipline, allowing you to maximize scalability, manage risk, and build a solid infrastructure so that you can reinvest time where it matters most—with your clients protecting the trust that you have built.



Your reputation is your brand

Every aspect of your firm—employees, centers of influence, clients and even your digital presence—should effectively amplify your firm's reputation within the community you serve in a way that increases referrals and generates new business.



People are your most important asset

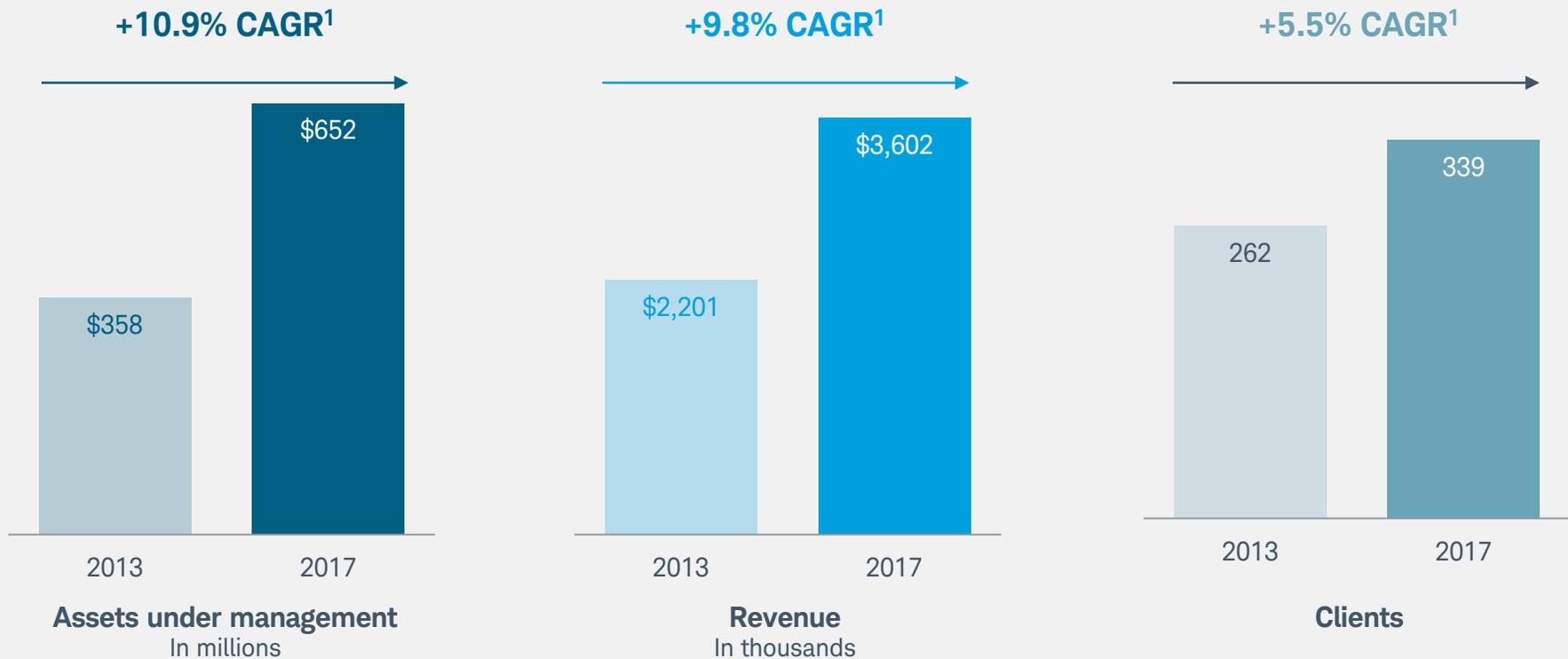
Creating a cycle of opportunity to attract and retain top talent helps ensure continuity of your firm's people, culture, and values as you prepare for the future. That's why having a high-performing and diverse team, unlocking their potential, and rewarding and developing the next generation of leadership is a long-term commitment and critical to building a legacy.

Guiding Principle #1:

Effective planning
and execution is a
leading indicator
of success



Organic growth and investment performance continue to fuel growth in assets under management, revenue, and clients



¹ Median compound annual growth rate (CAGR) over the five-year period from 2013 to 2017 for all firms with \$250 million or more in AUM.

Past performance is not an indicator of future results. Median results for all firms with \$250 million or more in AUM. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March, 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.



Adding new clients and strategic planning top the priority list

1	Acquire new clients through client referrals	(40%)
2	Acquire new clients through business referrals	(30%)
3	Improve productivity with new technology	(27%)
4	Enhance strategic planning and execution	(24%)
5	Recruit staff to increase firm's skill set/capacity	(24%)
6	Improve productivity using process changes	(18%)
7	Bring on principal with existing book of business	(15%)

Results for all firms with \$250 million or more in AUM. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.



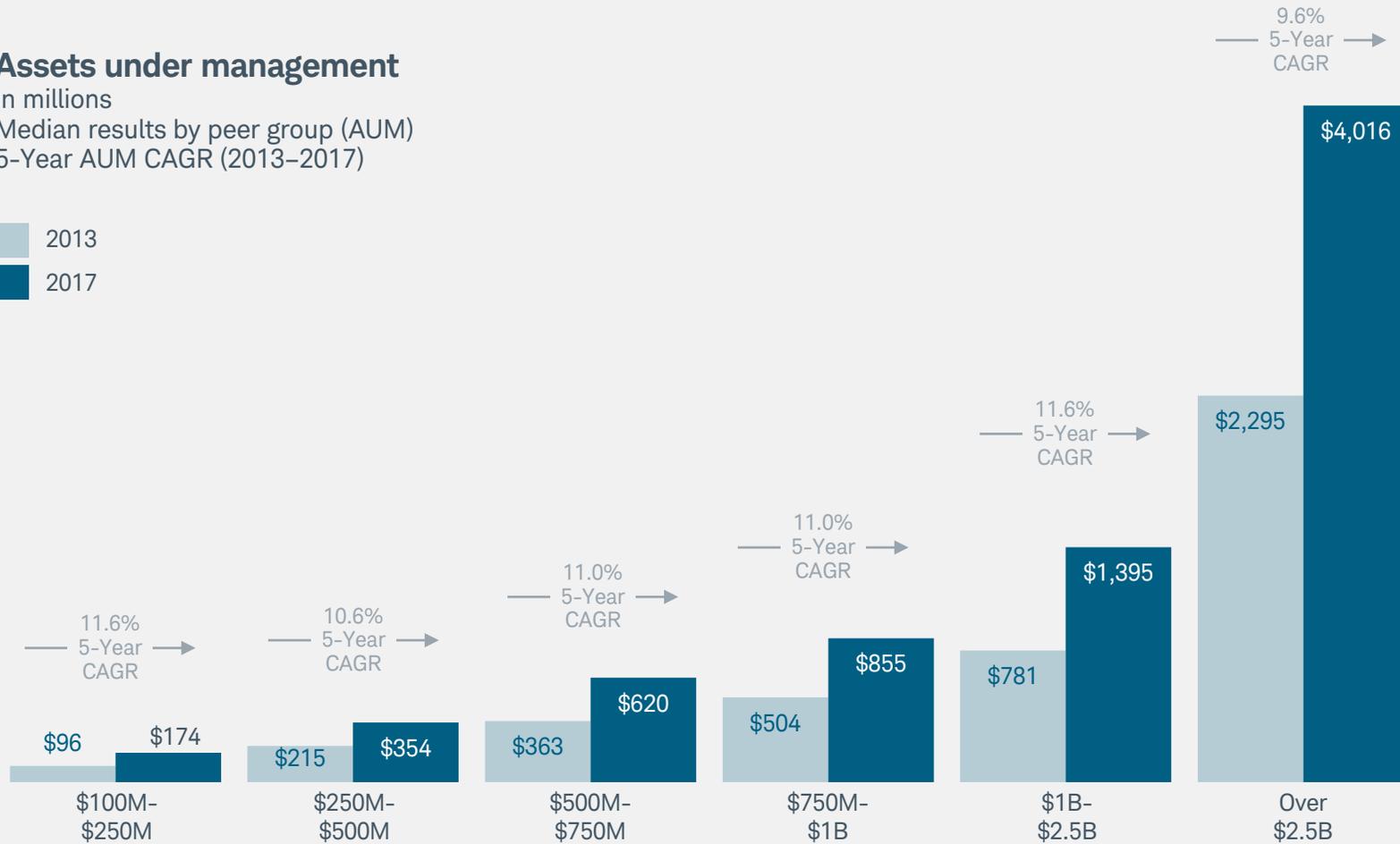
Continuing year over year growth for firms of all sizes

Assets under management

In millions

Median results by peer group (AUM)
5-Year AUM CAGR (2013–2017)

2013
2017



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Revenues increase and 5-year compound annual growth rates remain strong

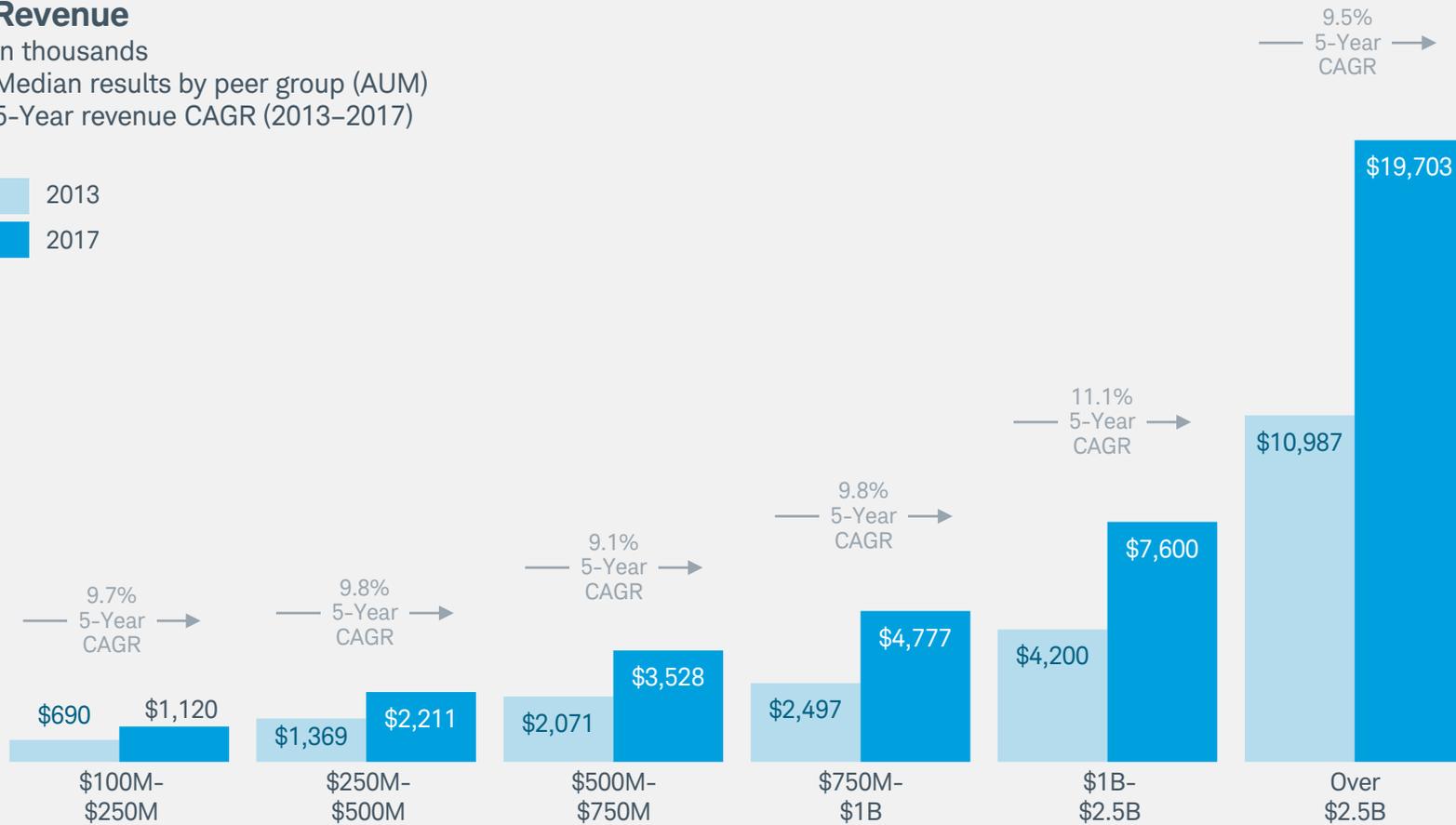
Revenue

In thousands

Median results by peer group (AUM)

5-Year revenue CAGR (2013–2017)

2013
2017



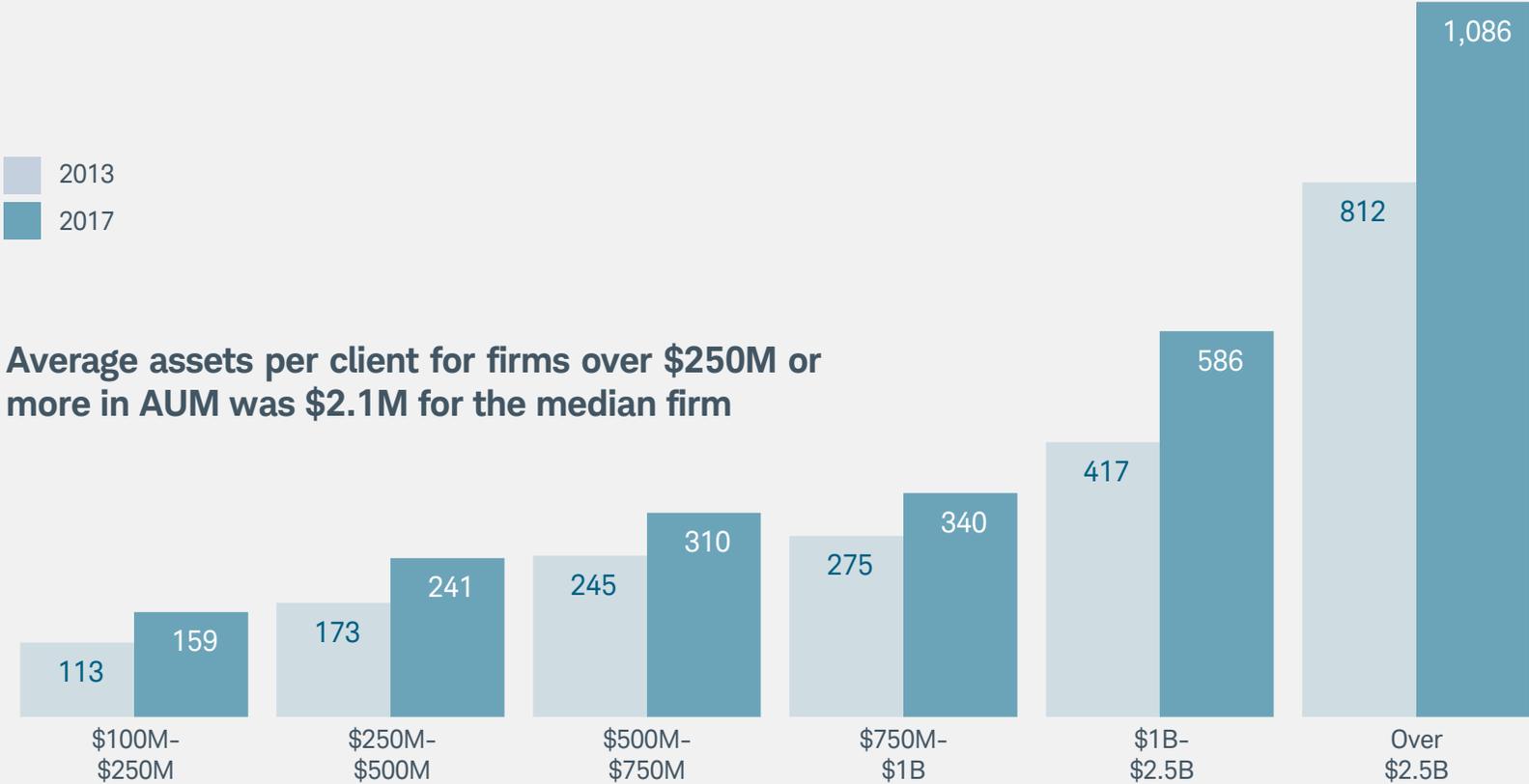
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Average relationship size passes \$2 million for firms over \$250M as advisors win high-net-worth clients

Total clients

Median results by peer group (AUM)

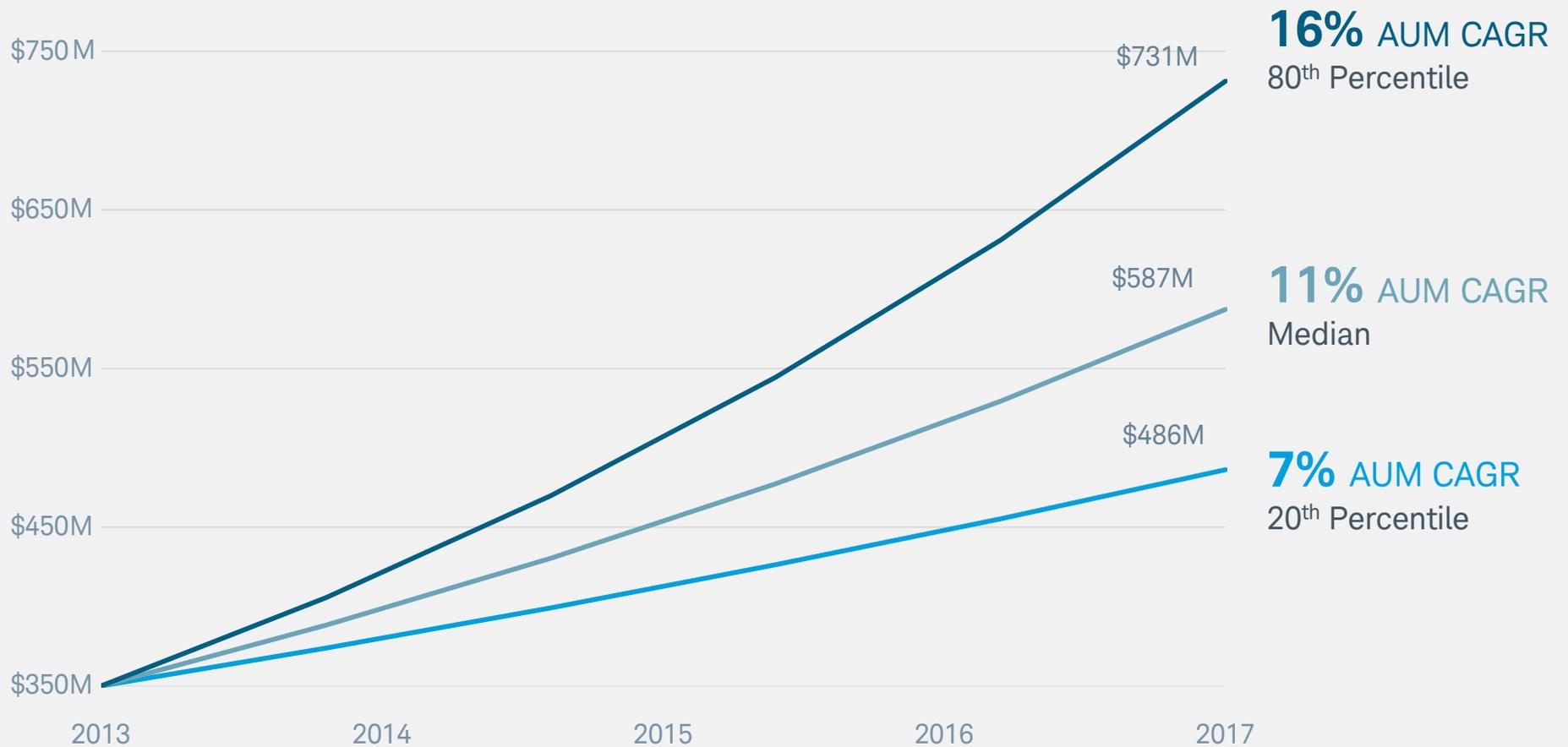


Average assets per client for firms over \$250M or more in AUM was \$2.1M for the median firm

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Organic growth sets the fastest-growing firms apart



Compound annual growth rate (CAGR) over the five-year period from 2013 to 2017 for all firms with \$250 million or more in AUM.

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Long-term strategies drive increased net organic CAGR at the fastest-growing firms

	Fastest-growing firms	All other firms	Multiple
5-year net organic growth CAGR	15.4%	3.9%	3.9x
Net organic growth in 2017	\$67 million	\$25 million	2.7x
Number of new clients in 2017	36	19	1.9x
Assets from new clients in 2017	\$48 million	\$24 million	2.0x
Growth in assets from new clients in 2017	9.1%	4.2%	2.2x

Fastest-growing firms are the top 20% of firms with \$250 million or more in AUM based on five-year net organic CAGR. All other firms represent the remaining 80% of firms.

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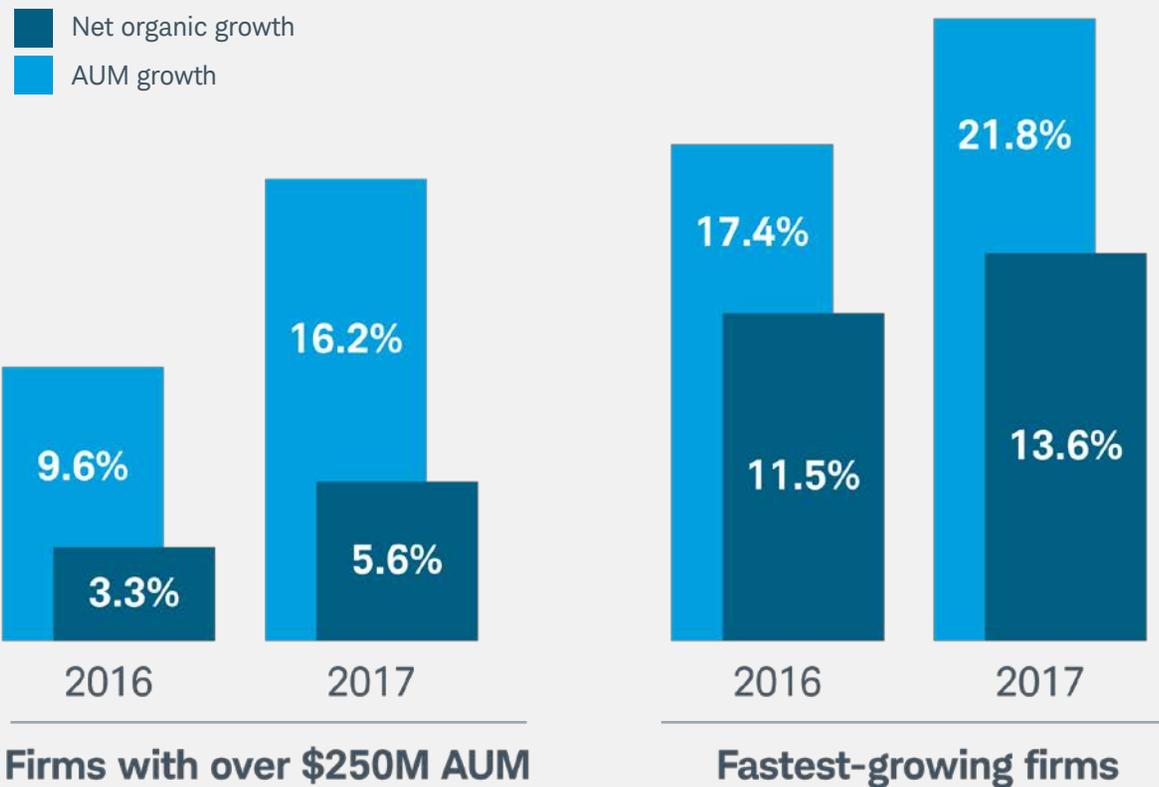
Guiding Principle #2:

Value is
defined
through your
clients' eyes



Net organic growth underpins rise in AUM, preparing firms for changing market environments

Contribution of net organic growth to AUM growth



Median results for all firms with \$250 million or more in AUM. Fastest-growing firms are the top 20% of firms with \$250 million or more in AUM based on five-year net organic CAGR. Net organic growth is the change in assets from existing clients, new clients, and assets lost to client attrition. Past performance is not an indicator of future results. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

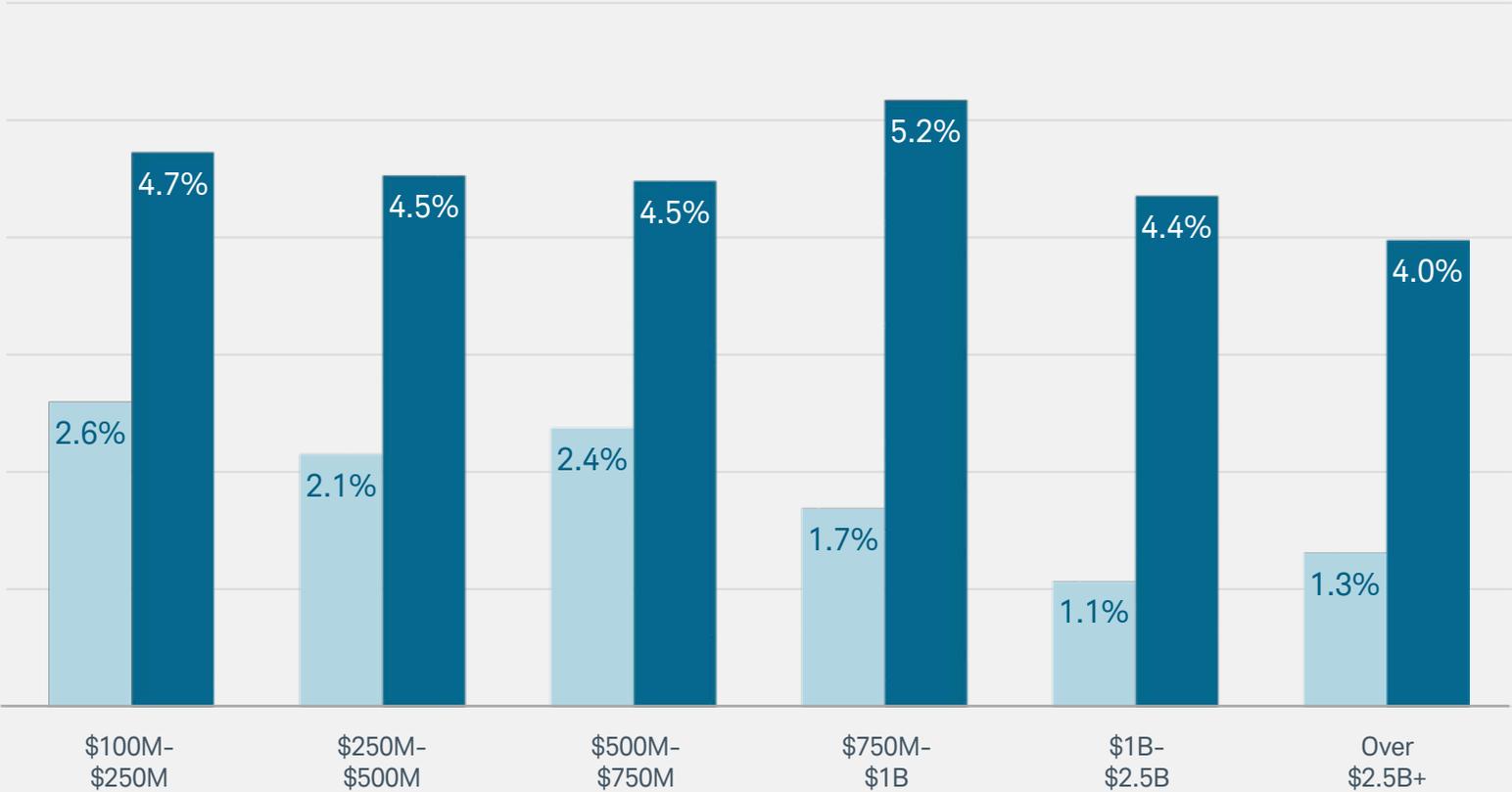


New-client AUM more than double the growth from existing clients for most peer groups

2017 asset growth from existing and new clients

Median results by peer group (AUM)

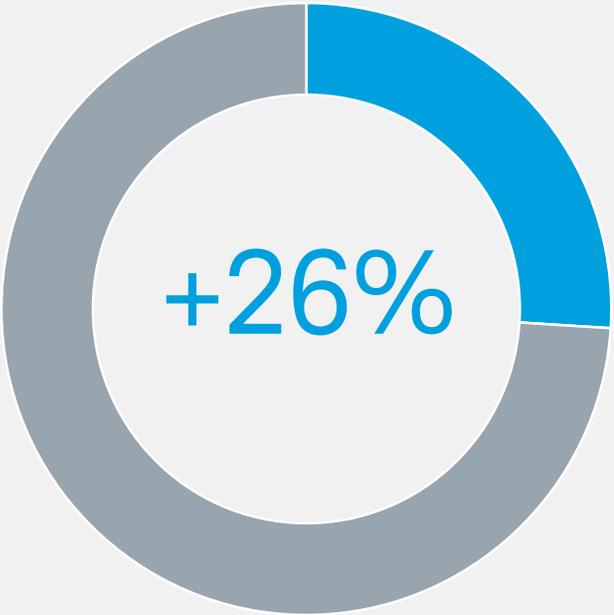
Existing clients
New clients



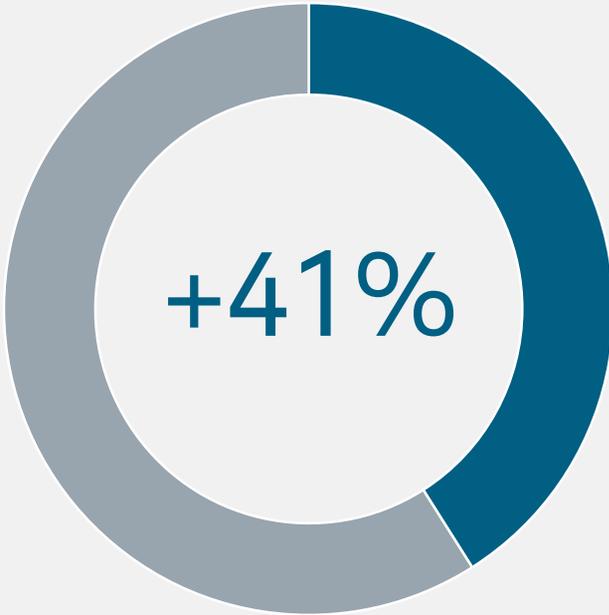
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An ideal client persona and a client value proposition: factors for driving greater results



More new clients

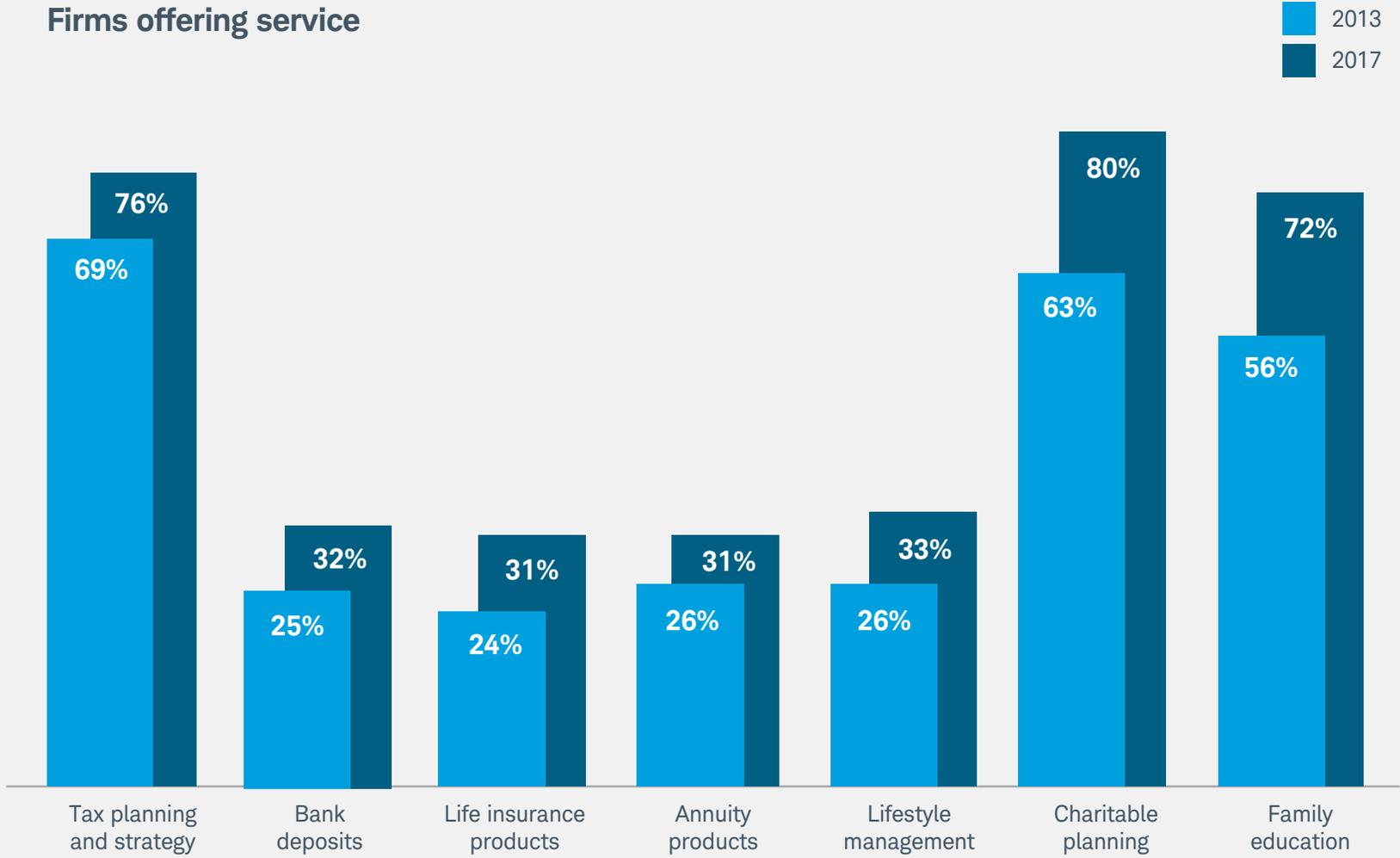


More new client assets

Median results for all firms with \$250 million or more in AUM. Past performance is not an indicator of future results. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.



Value-added services help advisors attract new clients and grow existing relationships



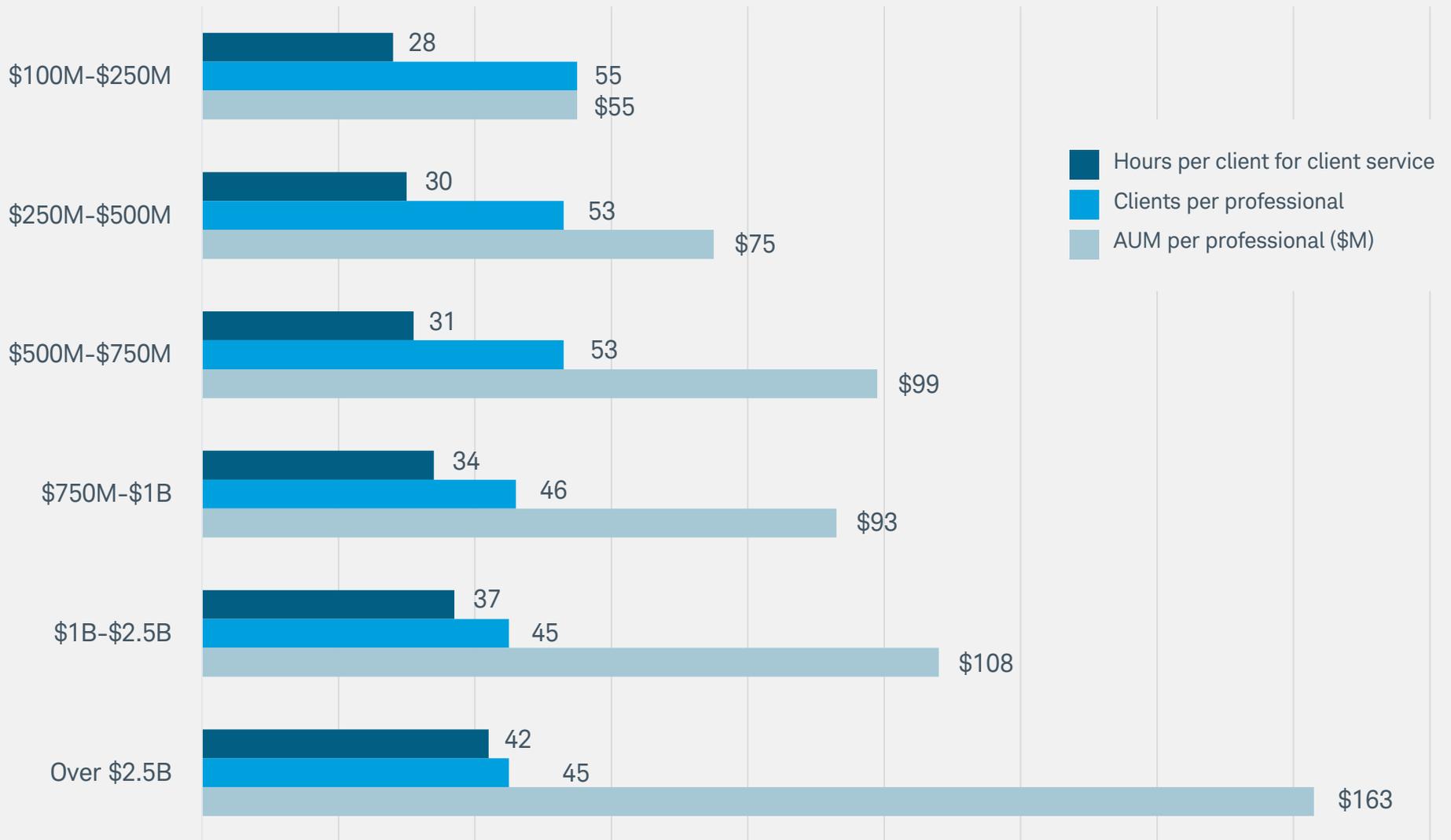
Results from the 2014 and 2018 RIA Benchmarking Study from Charles Schwab. Results for all firms with \$250 million or more in AUM. Past performance is not an indicator of future results. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

Guiding Principle #3:

Operational
excellence
creates greater
capacity for
clients



Operational discipline drives scale, allows more time with clients, and bolsters financial results



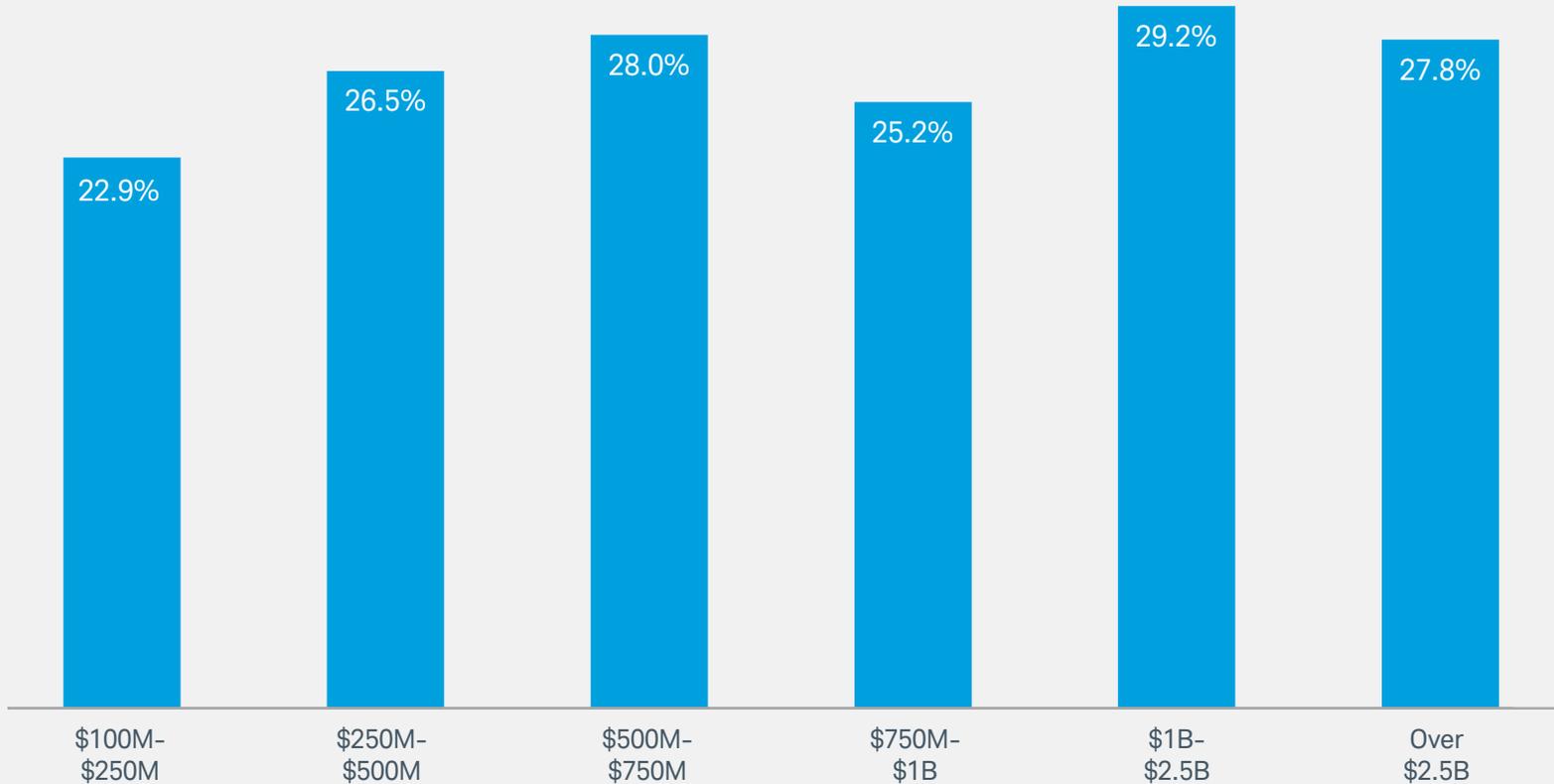
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Efficient operations support robust profits at firms of all sizes

Standardized operating income margin

Median results by peer group (AUM)



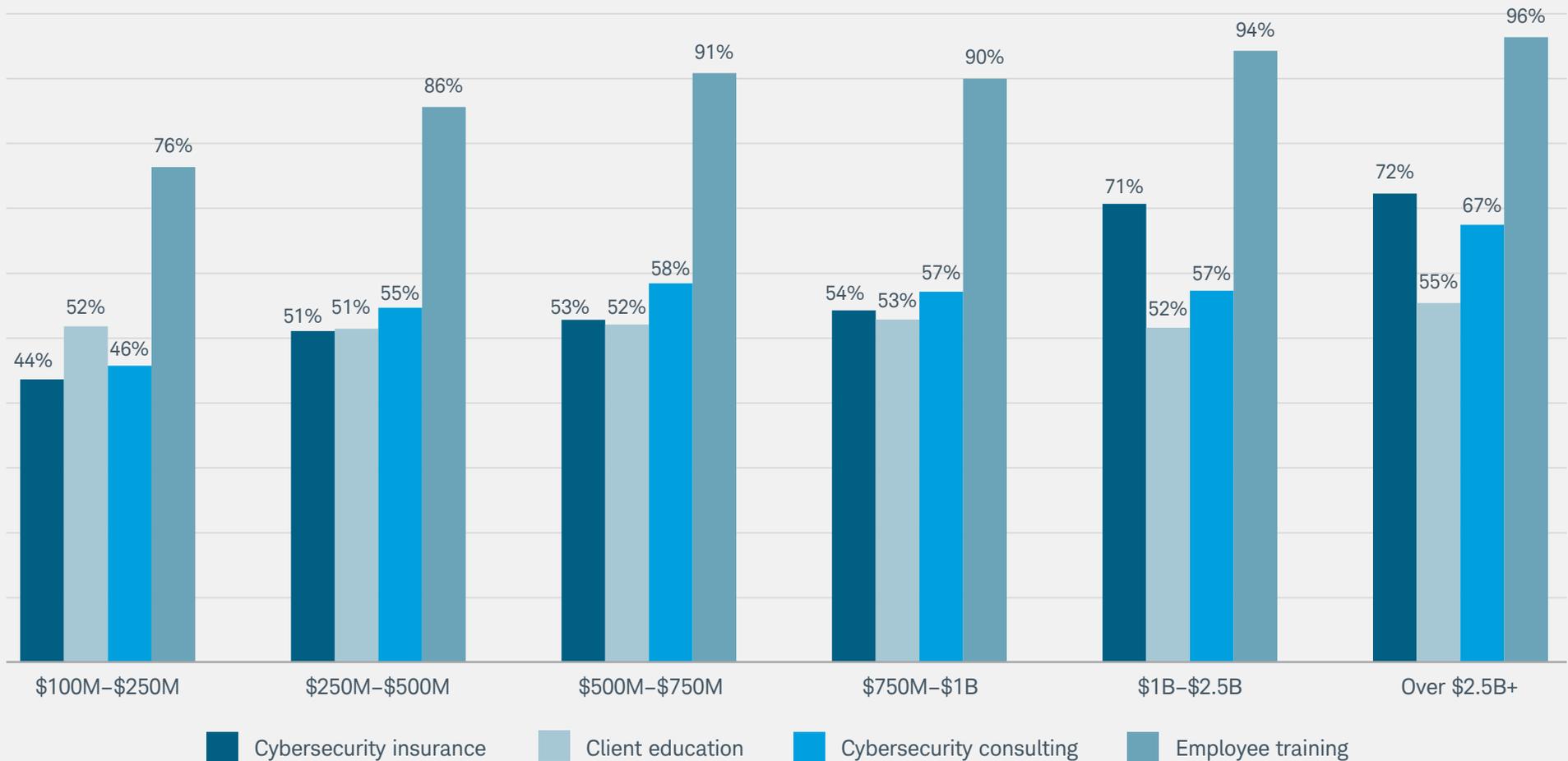
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Cybersecurity is paramount as firms build scale

Activities supporting cybersecurity programs

% of firms by peer group (AUM)



Results by peer group (AUM). 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

Guiding Principle #4:

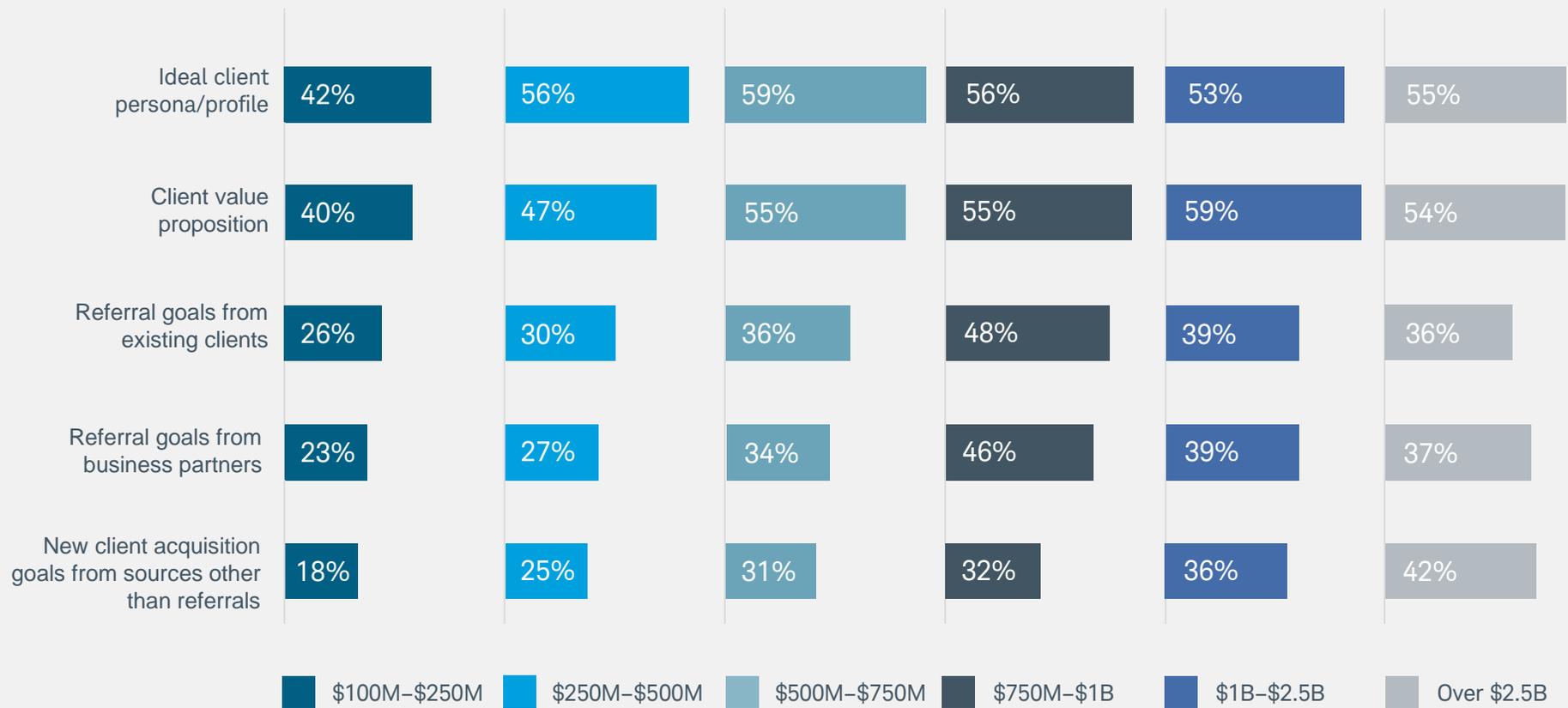
Your
reputation is
your brand



Documenting elements of the marketing strategy enables firms to share with employees so everyone can help drive new business.

Documented elements of brand and marketing strategy

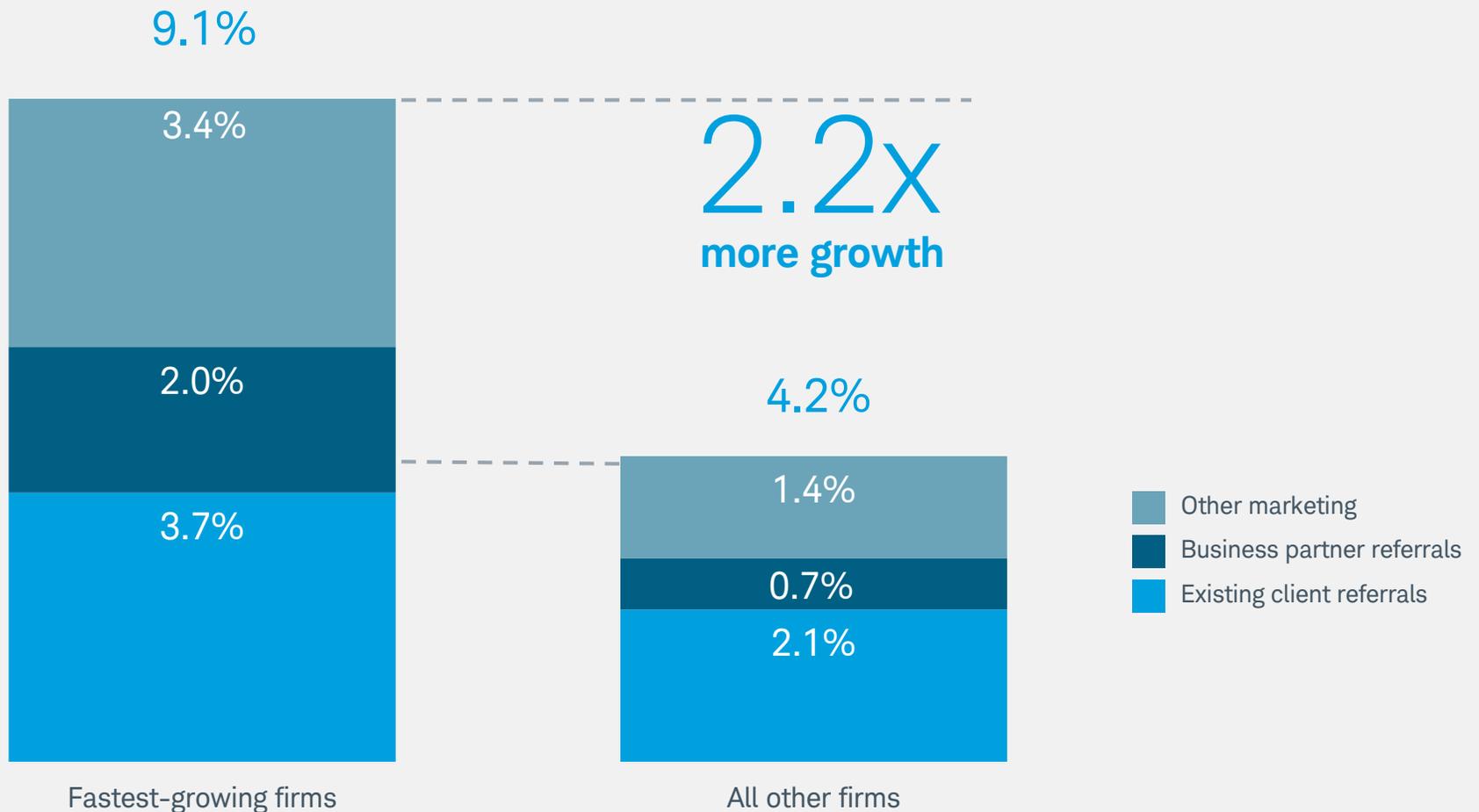
% of firms by peer group (AUM)



Results by peer group (AUM). 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.



Fastest-growing firms achieve outsized results by employing a diverse set of marketing tactics in addition to client referrals



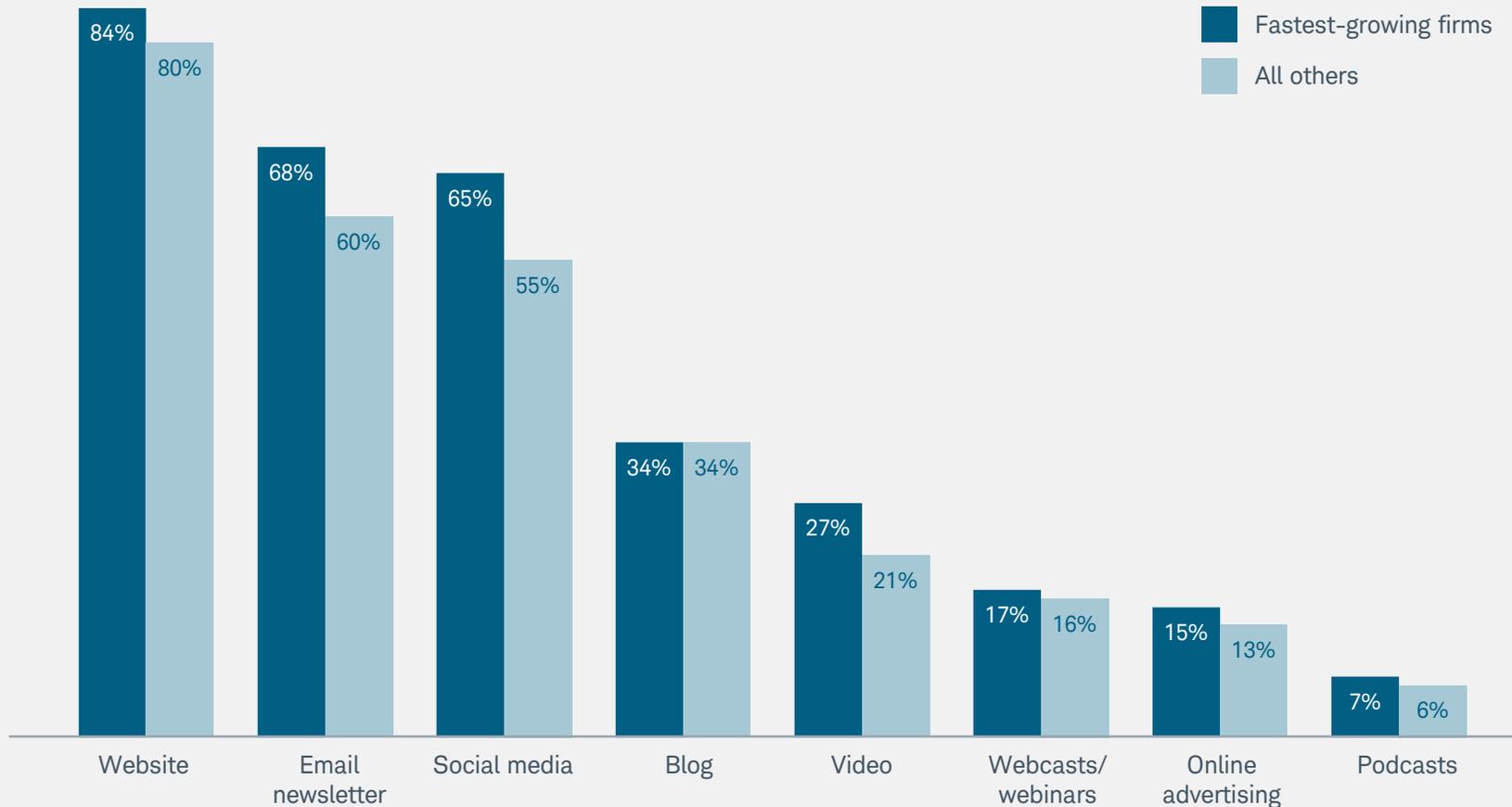
Fastest-growing firms are the top 20% of firms with \$250 million or more in AUM based on five-year net organic CAGR. All other firms represent the remaining 80% of firms.

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Fastest-growing firms also employ digital marketing to attract new clients at higher rates than peers

Digital marketing tools used for growth % of firms



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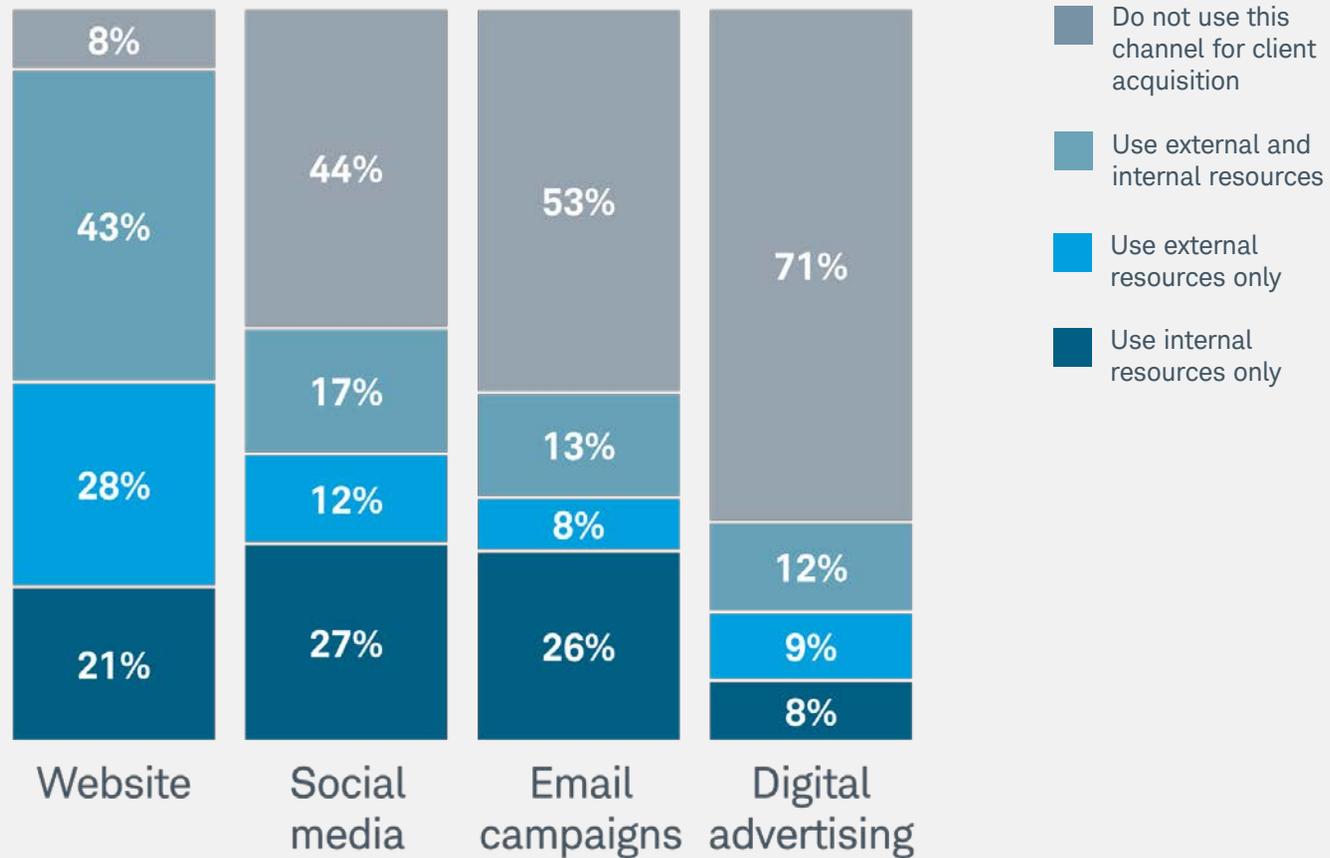
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Firms leverage outside expertise for support with client-acquisition outreach strategies

Resources used in digital marketing for client acquisition

% of firms



Results for all firms with \$250 million or more in AUM when they were asked what resources are they use in creating, maintaining, and implementing their digital marketing strategy for client acquisition. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

Guiding Principle #5:

People are
your most
important
asset



Hiring kicks into gear as firms seek to support new services, increase capacity, and facilitate growth

73% of firms are planning to hire in the next 12 months

80% plan to add either RMs or investment professionals

65% plan to hire admin staff

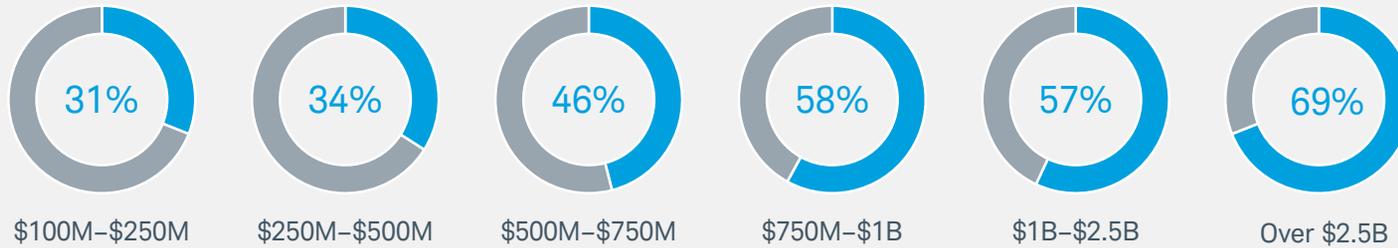
41% recruited from other RIA firms in 2017

Results for all firms with \$250 million or more in AUM. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

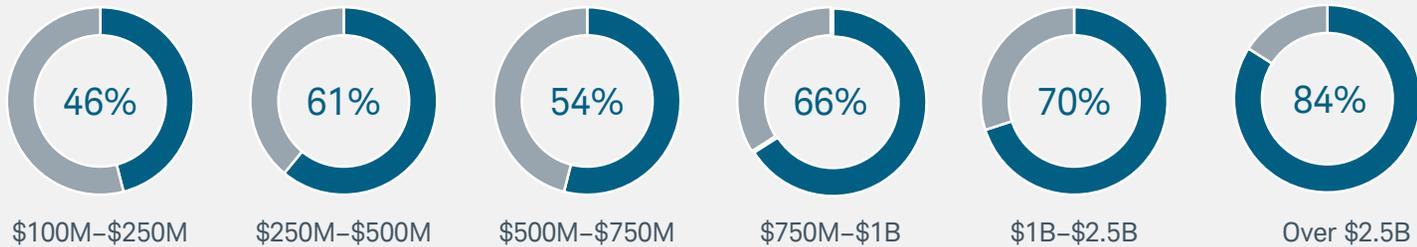


Firms of all sizes add relationship managers and administrative staff to support growth

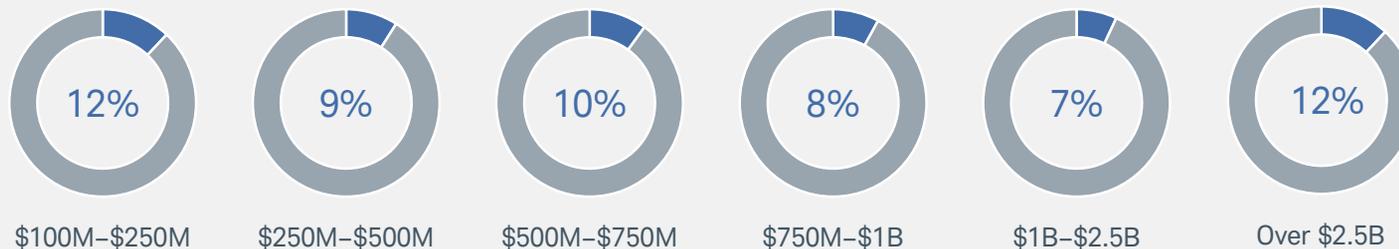
Firms planning to add relationship managers in 2018



Firms planning to add support and administrative staff in 2018



Firms planning to add client-facing senior management in 2018



Results by peer group (AUM). 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.



Methodology

The 1,261 firms participating in the 2018 study represent over \$1 trillion in assets.

Metrics (median)	Peer Groups						
	All firms \$250M+	\$100M- \$250M	\$250M- \$500M	\$500M- \$750M	\$750M- \$1B	\$1B- \$2.5B	Over \$2.5B
2017 ending AUM (\$M)	\$652	\$174	\$354	\$620	\$855	\$1,395	\$4,016
5-year AUM CAGR ¹	10.9%	11.6%	10.6%	11.0%	11.0%	11.6%	9.6%
2017 organic growth ² (\$M)	\$27	\$10	\$16	\$32	\$42	\$50	\$138
5-year organic growth ² CAGR ¹	5.1%	6.4%	4.7%	6.7%	4.9%	6.1%	4.6%
2017 revenues (\$K)	\$3,602	\$1,120	\$2,211	\$3,528	\$4,777	\$7,600	\$19,703
5-year revenue CAGR ¹	9.8%	9.7%	9.8%	9.1%	9.8%	11.1%	9.5%
2017 ending number of clients	339	159	241	310	340	586	1,086
5-year client CAGR ¹	5.5%	5.0%	5.2%	5.7%	6.0%	6.3%	4.1%
Average assets per client (\$M)	\$2.14	\$1.16	\$1.50	\$2.14	\$2.83	\$2.48	\$5.68
Standardized operating margin	27.3%	22.9%	26.5%	28.0%	25.2%	29.2%	27.8%
Age of firm (years)	22	14	19	22	21	25	28

¹ Median compound annual growth rate (CAGR) over the five-year period from 2013 to 2017. Past performance is not an indicator of future results.

² Organic growth from net asset flows is the change in a firm's assets from new, existing, and lost clients before investment performance is taken into account, and it excludes the growth from acquisition or divestiture and from advisors joining or leaving.

Median results by peer group (AUM) unless otherwise noted. 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

Methodology

- Schwab designed the RIA Benchmarking Study to capture insights in the RIA industry based on study responses from individual firms. The 2018 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 2018, the study contains self-reported data from 1,261 firms that custody their assets with Schwab Advisor Services and represent slightly over a trillion dollars in AUM, making this the leading study in the RIA industry. This self-reported information was not independently verified.
- Since the inception of the study in 2006, more than 3,400 firms have participated, with many repeat participants. Participant firms represent various sizes and business models. They are categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size. Unless otherwise noted, study results are for all firms with \$250 million or more in AUM, representing the vast majority of total assets managed by this year’s participants.
- The fastest-growing firms are the top 20% of firms as determined by net organic growth (five-year net organic compound annual growth rate). 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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