

# A View of Independence: Perspectives from Financial Advisors Outside the RIA Channel

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# Background & Objectives

## Background:

- ***There is discussion in the financial services industry regarding the potential for continued movement of investment advisors to the independent channel.***
- ***Schwab undertook a study of more than 200 advisors employed by major firms as a way to help assess what the current sentiments were towards independence.***

## Objectives:

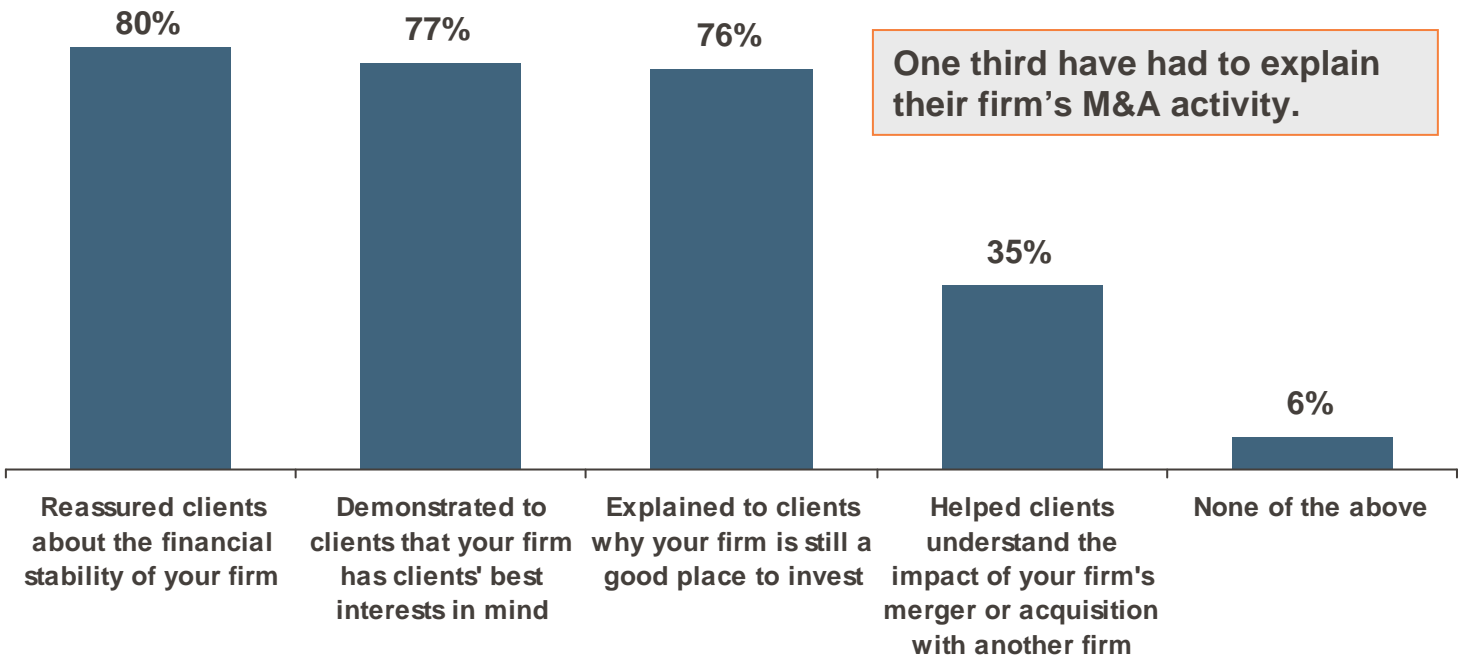
- ***Gather insights from advisors regarding the current environment at their firms***
- ***Uncover perceptions and misperceptions that may exist regarding the process of becoming or serving as an independent investment advisor***
- ***Assess general interest in becoming an independent investment advisor at some point in the future***

# Findings

# Environment Since Financial Upheaval

# Eighty percent have had to reassure their clients about their firm's financial stability since the market upheaval

## Steps Taken Since the Upheaval...

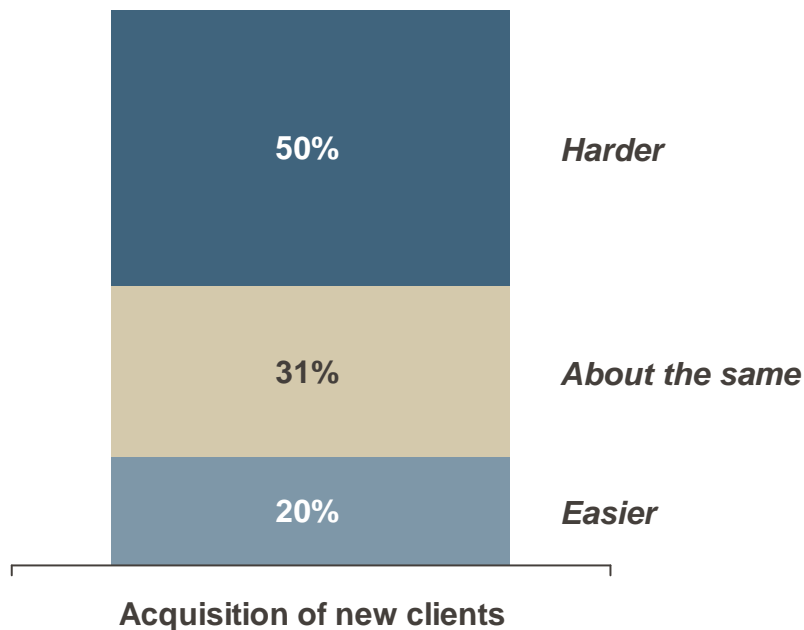


Base: Total (n = 200)  
Q16. Which of the following, if any, have you done since the upheaval in the financial services industry?

# Half say that new client acquisition is harder since the financial upheaval

Compared to Before the Upheaval...

## Acquisition of New Clients



Base: Total (n = 200)

Q14. Since the upheaval in the financial services industry, has the acquisition of new clients been...?

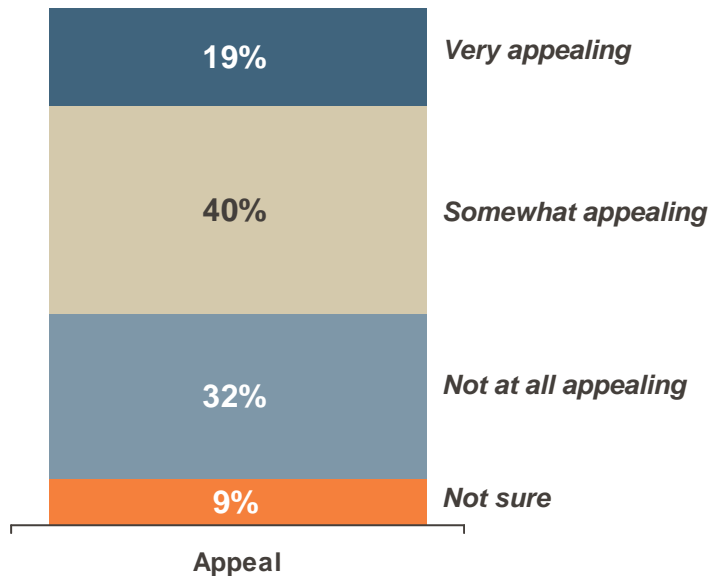
# RIA Appeal & Consideration

# Nearly 60 percent say becoming an RIA is appealing and close to half would consider it

## RIA Appeal & Consideration

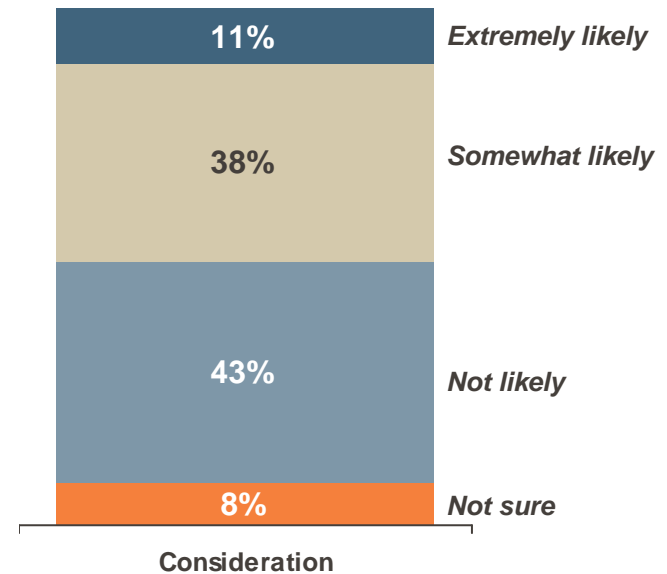
### RIA Appeal

*Appealing: 59%*



### RIA Consideration

*Consider: 49%*



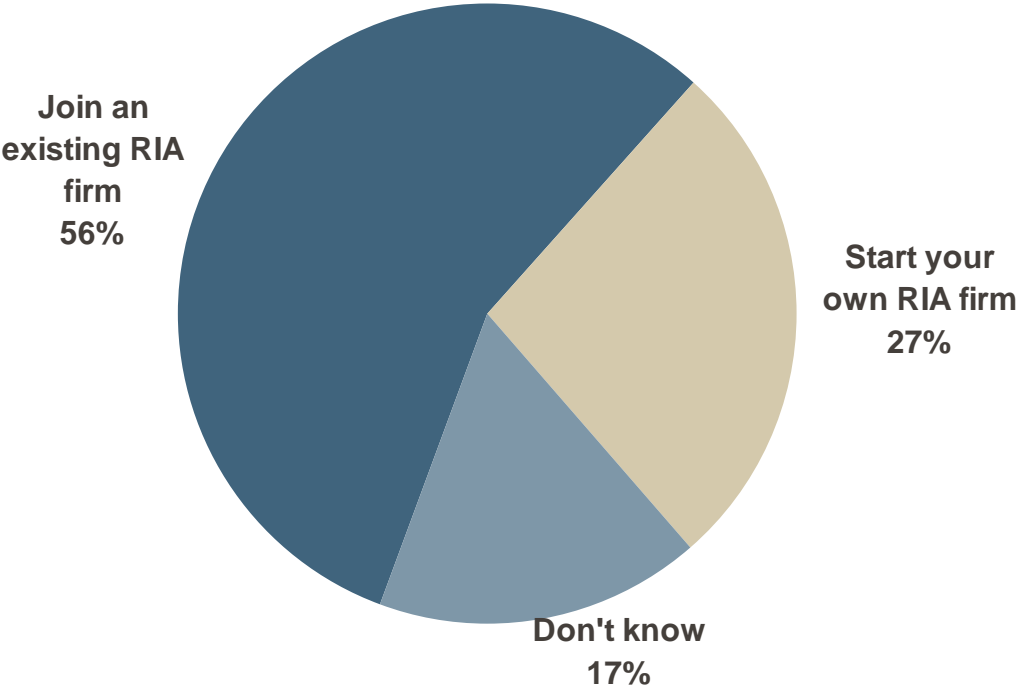
*For respondents who know someone who is considering or has become an RIA, consideration and appeal for themselves are higher. (Please see slide 12.)*

Base: Total (n = 200)

Q18. How appealing is the idea of becoming an independent investment advisor (RIA) at some point in the future?; Q19. How likely are you to consider becoming an independent investment advisor (RIA) in the future?

# Over half would prefer to join an existing RIA firm while one-quarter would start their own

### RIA Firm Preference

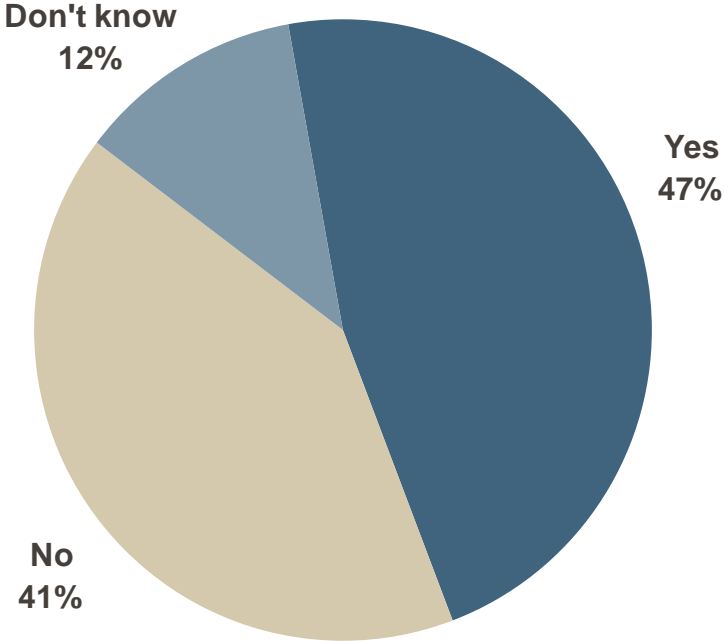


Base: Total (n = 200)

Q21. Assume you were going to join or start an independent registered investment advisor (RIA) firm, which of the following would you prefer?

# Close to half know someone who has become or is considering becoming an RIA

## Have Friends/Colleagues Who Are/Have Considered Becoming an Independent RIA

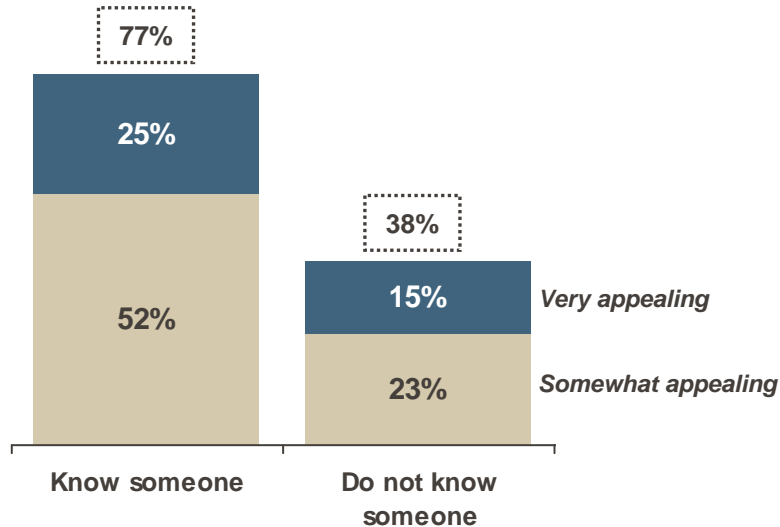


Base: Total (n = 200)  
Q27. Do you have any friends or colleagues who are or who have been considering becoming an independent RIA?

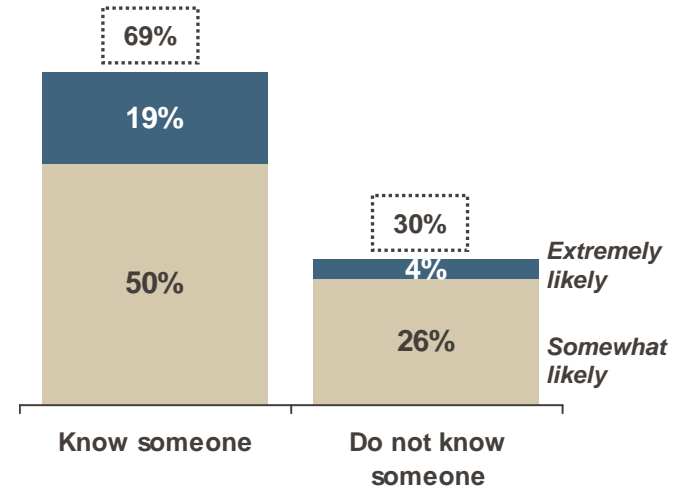
# Those who know someone who is or is considering becoming an RIA are more likely to consider it themselves

## RIA Appeal & Consideration When Knowing Someone

### Find the Idea Appealing



### Would Consider Becoming RIA



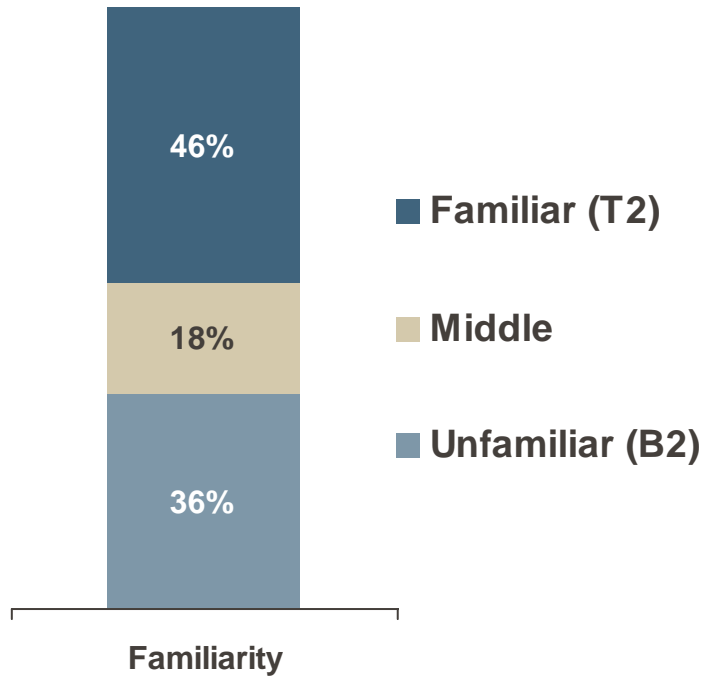
Base: RIA friend / No RIA friend (n = 93 / 82)

Q18. How appealing is the idea of becoming an independent investment advisor (RIA) at some point in the future?; Q19. How likely are you to consider becoming an independent investment advisor (RIA) in the future?

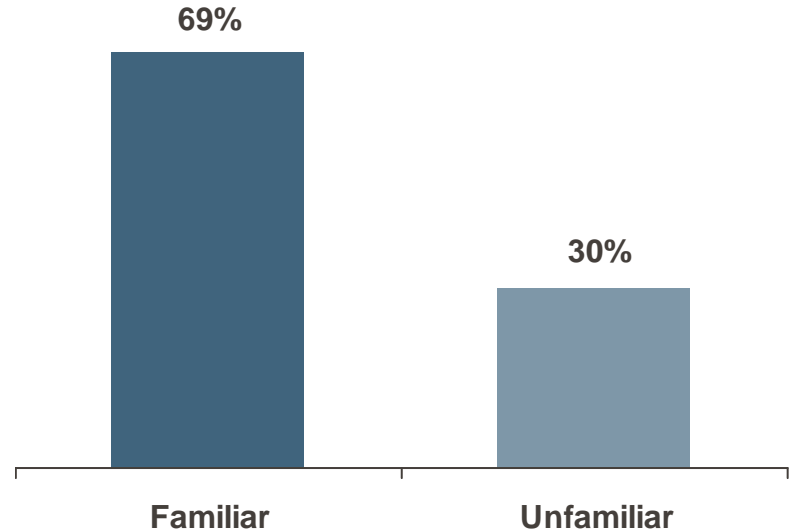
# RIA Familiarity: Benefits & Challenges

Almost half are familiar with the process of joining or starting an RIA firm; those who are familiar with the process are more likely to consider becoming an RIA

### Familiarity with Process of Joining or Starting an RIA Firm



### Consideration of Becoming an RIA By Familiarity With Process of Joining/Starting an RIA Firm



Base: Total (n = 200)

Q22. Please rate your familiarity with the process of joining or starting an independent registered investment advisor (RIA) firm.

# Potential for greater independence, income, and long-term success are considered greatest benefits

## Greatest Benefits of Joining or Starting an Independent RIA Firm

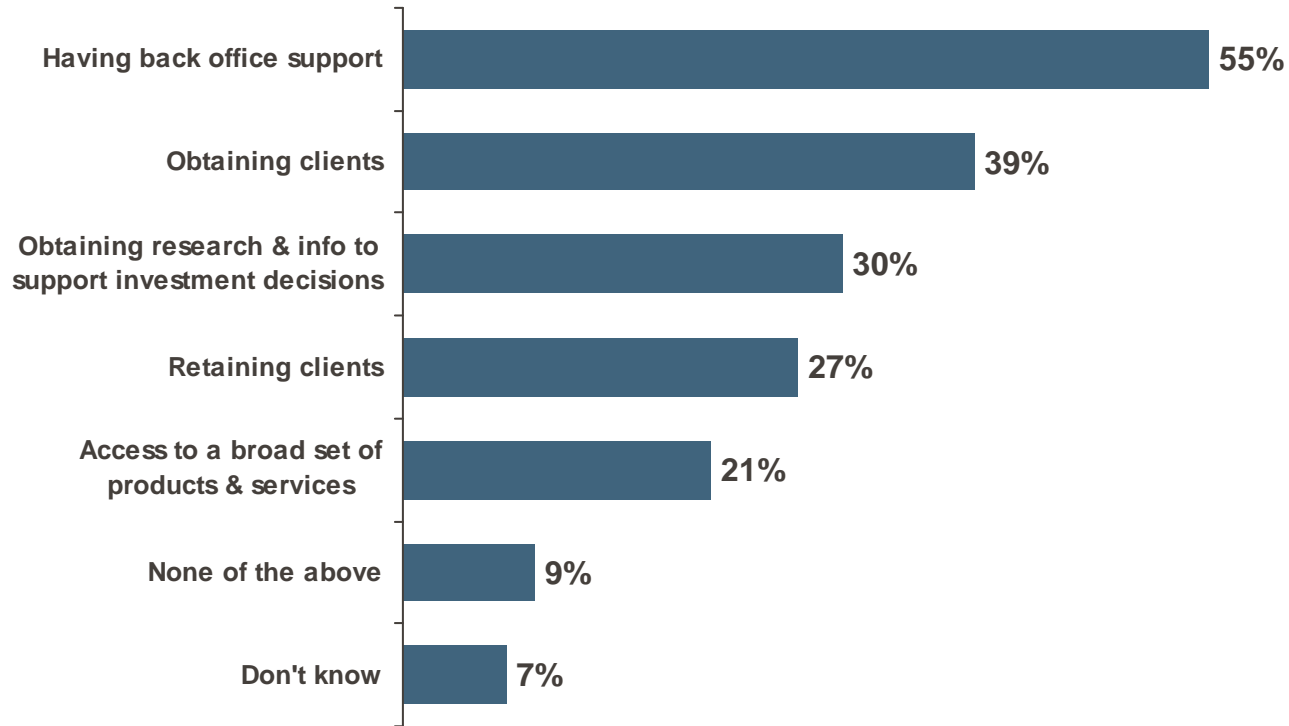


Base: Total (n = 200)

Q23. If you decided to join or start an independent registered investment advisor (RIA) firm, which of the following do you think would be the greatest benefits?

# Back office support and obtaining clients are seen as the greatest challenges

## Greatest Perceived Challenges of Joining or Starting an Independent RIA Firm



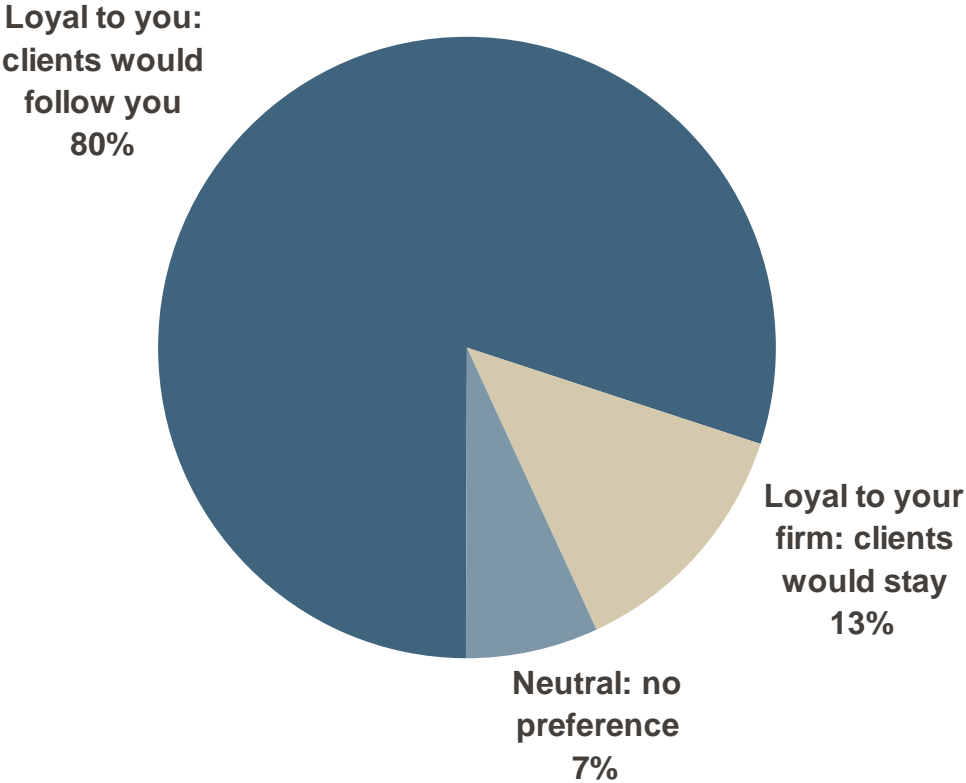
Base: Total (n = 200)

Q24. If you were going to join or start an independent registered investment advisor (RIA) firm, which of the following do you think would be the greatest challenges?

# Loyalty and Firm Brand

# The majority believe that their clients would follow them if they went independent

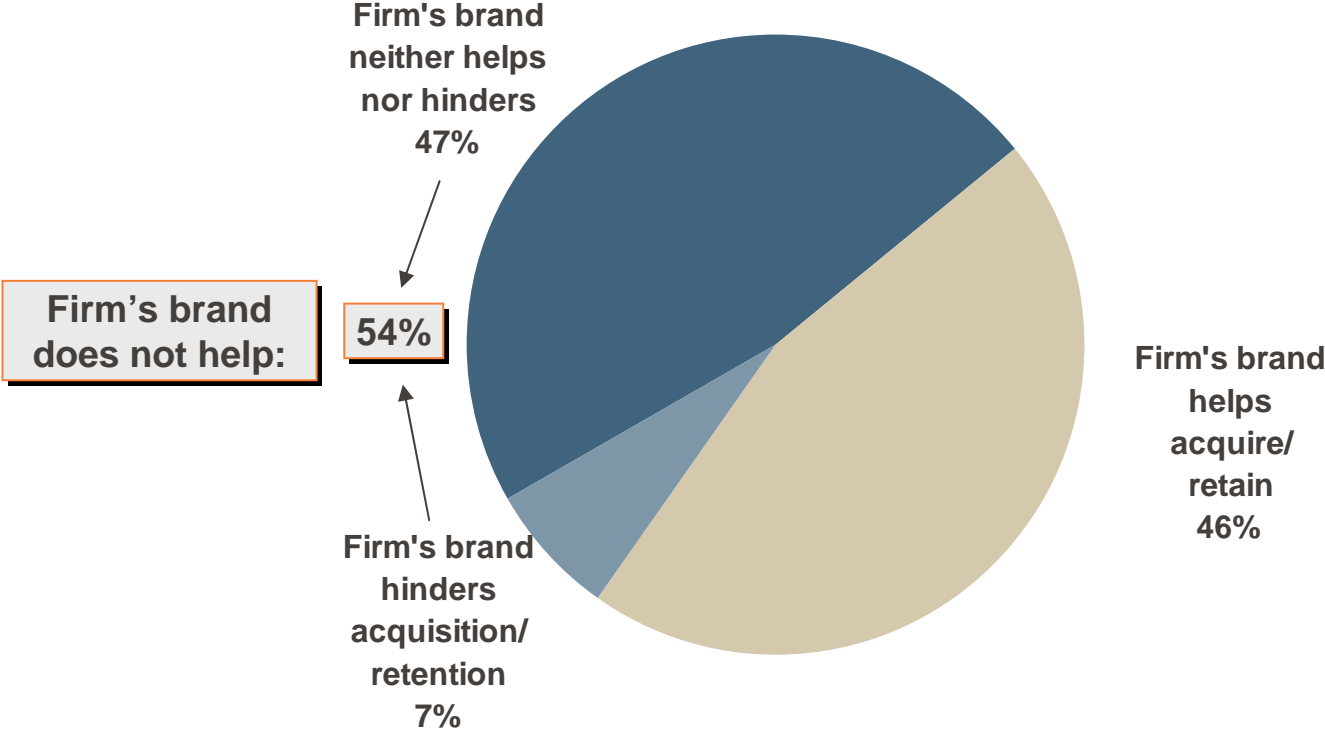
## Client Loyalty



Base: Total (n = 200)  
Q12. Thinking about your clients and what they might do if you left your firm and went to another financial services firm, would you say your clients are...?

# More than half indicate their firm's brand does not help them acquire or retain clients

## Role of Firm's Brand in Client Acquisition and Retention



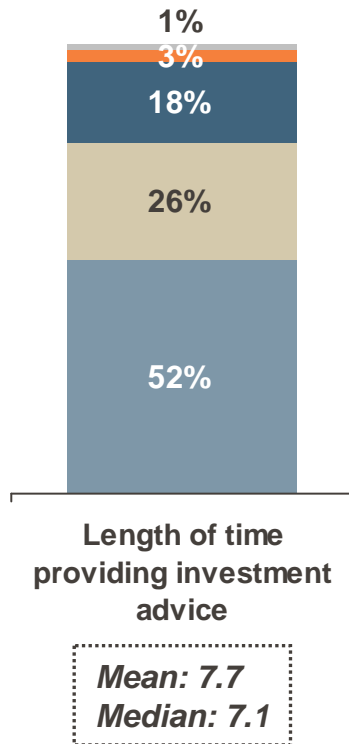
Base: Total (n = 200)  
Q17. Which of the following best describes the role your firm's brand currently plays?

# Profile

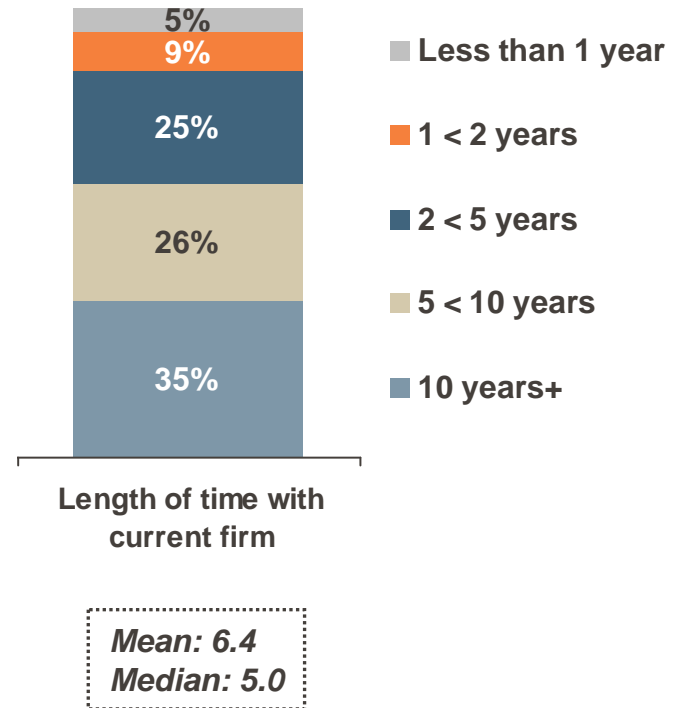
Over half have provided investment advice for ten years or more; over one-third have been with their firm for ten years or more

## Length of Time in Position

### Providing Investment Advice



### With Current Firm



Base: Total (n = 200)

Q29. How long have you worked in a position providing investment advice to clients?

Q30. How long have you been with your current firm?

# Demographics

## Demographics

<b>Role:</b>	
Investment advice	60%
Investment management	25%
Client service	16%
<b>Advice &amp; Management:</b>	
Provide investment advice to clients	98%
Manage clients' investment assets	81%
<b>Title/Position:</b>	
Financial advisor	62%
Financial consultant	18%
Financial planner	15%
Stockbroker	6%
<b>Assets managed:</b>	
Mean	\$183MM
Median	\$84MM
<b>Clients managed:</b>	
Mean	250
Median	134
<b>Percent of assets billed based on...</b>	
<b>Fees:</b>	
Mean	42%
Median	40%
<b>Commissions:</b>	
Mean	58%
Median	60%

Base: Total (n = 200)

Q2. Which of the following best describes your role?; Q3. Do you...?; Q5. Which of the following best describes your title or position?; Q6. Which of the following best describes the total amount of assets you manage for clients?; Q7. How many clients do you currently advise or manage assets for?; Q8. What percent of the assets you manage for clients are billed based on...?

## Demographics

<b>Age:</b>	
Under 45	48%
45-54	28%
55-64	20%
65+	3%
Prefer not to say	1%
MEAN	45.2
MEDIAN	42.2
<b>Gender:</b>	
Male	77%
Female	23%

Base: Total (n = 200)

Q31. Into which of the following ranges does your age fall?

Q33. Are you...?

# Methodology

## What

- 10-minute online study conducted by Koski Research.

## Who

- 200 financial advisors.

## When

- October 7 to October 13, 2009.

Koski Research is not affiliated with nor employed by Charles Schwab & Co., Inc. Those surveyed work at more than 15 major full-service firms, and 52 percent of the advisors in the survey have more than 10 years of investment advisory experience. The median assets under management of the respondents was \$84 million.