

2023 RIA Compensation Insights

An addendum to
Schwab's 2023 RIA
Benchmarking Study



The 2023 RIA Benchmarking Study and Compensation Report



Schwab's RIA Benchmarking Study is the leading study in the industry—1,044 advisory firms participated in the compensation portion of the 2023 study, representing 80% of those who participated overall (1,300 firms).

Data was collected from January to March 2023 on over 14,500 employees across 27 roles typically found at RIAs and reflects results from the 2022 calendar year.

Schwab's RIA Compensation Report reflects responses from Schwab's 2023 RIA Benchmarking Study, the largest study of its kind, and offers a comprehensive look at compensation practices in the independent RIA industry.

The compensation findings help firms develop, adjust, and evolve their compensation structure to support their talent strategy and evaluate how they compare with peers.

"Competitive compensation is central to a strong employee value proposition and is a key factor to attract and retain talent in today's market. Investing in and developing staff is equally critical so that talent can move into new roles and rise in the ranks. Providing these career path and progression opportunities can help alleviate some of the talent shortage firms may be facing."



Lisa Salvi
Managing Director, Business Consulting and Education
Charles Schwab Advisor Services

Key Highlights

Talent is a differentiator, helping to drive growth and long-term success. As people are a firm's most important asset and largest investment, it's vital to unlock employees' potential, reward staff, and develop the next generation of leaders.

Talent—recruiting new and developing existing staff—is top of mind for RIAs

- Recruiting new staff ranked as the second-highest strategic priority and three-quarters of firms reported they planned to hire in 2023. (slides 5 and 6)
- Developing existing staff ranked as the sixth-highest strategic priority, up four spots in the last two years. Providing learning and development opportunities, which Top Performing Firms do more often, is an imperative. Nearly 80% of Top Performing Firms offer career path/progression opportunities and spent \$2200 per professional staff in 2022 on training, education, and professional dues. (slides 5, 15, and 27)
- Having an effective organizational structure can serve as a roadmap for growth by establishing the foundation for roles and responsibilities, ensuring that team members are placed in the best position to leverage their strengths and helping to identify which roles to add as the firm grows. (slide 7)
- Generally, firms add a new role for every \$300K in revenue, bringing on dedicated client service teams, specialized operational and investment roles, and executive management positions as they grow. (slides 9 and 10)
- Firms are casting a wide net to attract candidates. More than 1 in 3 firms are recruiting directly from colleges and universities, the highest seen in the study's tenure. (slide 11)

An impactful employee value proposition is essential to attract new talent and keep existing staff growing and thriving

- Forty percent of all firms in the study have a documented employee value proposition (EVP). An EVP is the Give/Get pact between employee–employer and explains what a firm offers its employees in return for the skills, capabilities, and experiences they bring. It includes elements that appeal to both the head and the heart. Over half of Top Performing Firms have an EVP. (slides 14 and 15)
 - **Compensation** is often the benefit candidates most value. Across the 27 roles in the study, total cash compensation has increased 17% at the median from 2018 to 2022 (slide 16). Compensation packages that link the firm's interest with those of the employee can help drive performance. This can be done through incentive pay, compensation tied to revenue generation, and equity. (slides 17, 18, 22, and 23)
 - **Employee benefits—traditional and nontraditional**—are an important part of a total rewards package. Traditional benefits such as health insurance are table stakes; whereas nontraditional benefits, offered by 57% of all firms, can strengthen and differentiate the offer. Other benefits such as a remote/hybrid workplace (75% of all firms) and unlimited PTO (nearly 20% of all firms) can enhance the rewards package. (slides 25 and 26)
 - **A firm's culture and values** are integral to an EVP. Understanding the type of employee who best aligns with the purpose and values of a firm and communicating that well can help attract and retain the right talent. Over 80% of Top Performing Firms include a defined mission statement, culture, and values in their EVP and at the median saw lower staff attrition last year. (slides 15 and 28)

Building an inclusive workplace is smart for business

- Cultivating an inclusive workplace that values different backgrounds, ideas, perspectives, and experiences is important to attracting talent—especially younger generations—and can help drive firm impact, innovation, and performance. A more diverse workplace can also help firms appeal to a broader range of potential clients as investor demographics shift with the makeup of the U.S. population.
- Across the study, staffing is generationally diversified with 46% of employees under 40 and a nearly balanced gender split across all reported roles. (slides 12 and 13)

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.

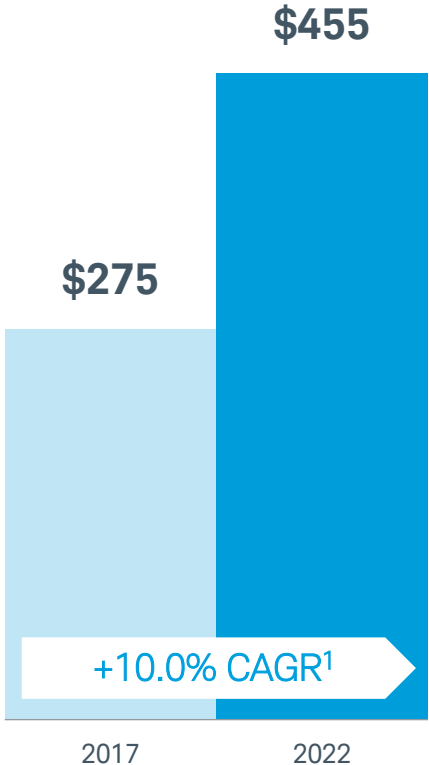


People are your most important asset

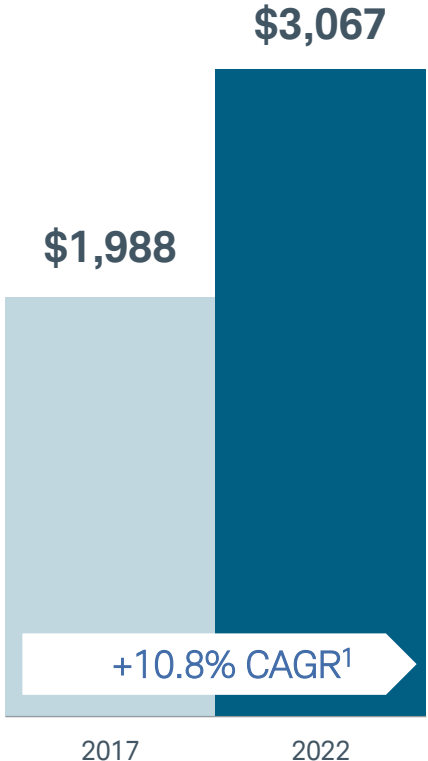
Creating a cycle of opportunity to attract and retain top talent helps ensure continuity of your firm's people, culture, and values as you prepare for the future. That's why having a high-performing and diverse team, unlocking their potential, and rewarding and developing the next generation of leadership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

The RIA industry continues to demonstrate strong long-term results.

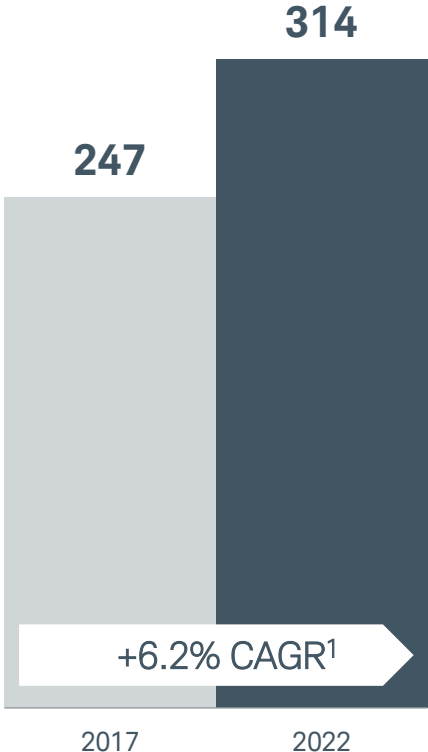
AUM (\$M)



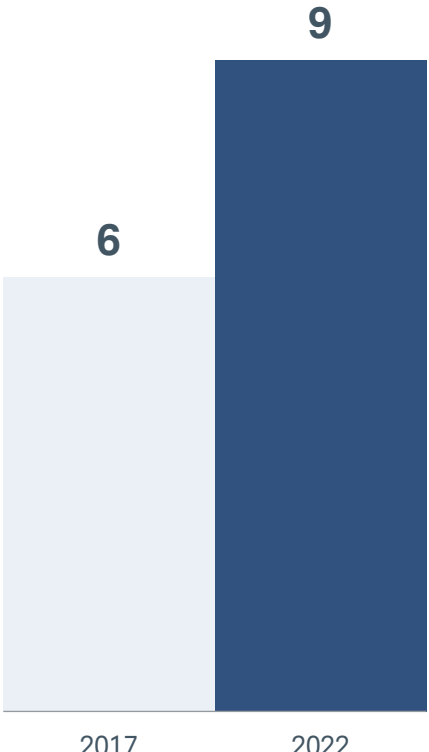
Revenue (\$K)



Clients



Staff²



¹ Median 5-year compound annual growth rate (CAGR) over the period from year-end 2017 through 2022 for all firms with \$25 million or more in AUM.
² Staff in 2017 based on average of median results for the \$100M-\$250M and \$250M-\$500M AUM peer groups. Staff in 2022 based on average of median results for the \$250M-\$500M and \$500M-\$750M AUM peer groups. Median results for all firms with \$25 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

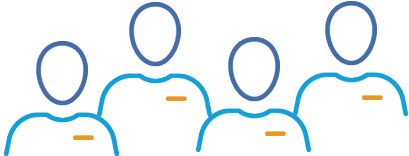
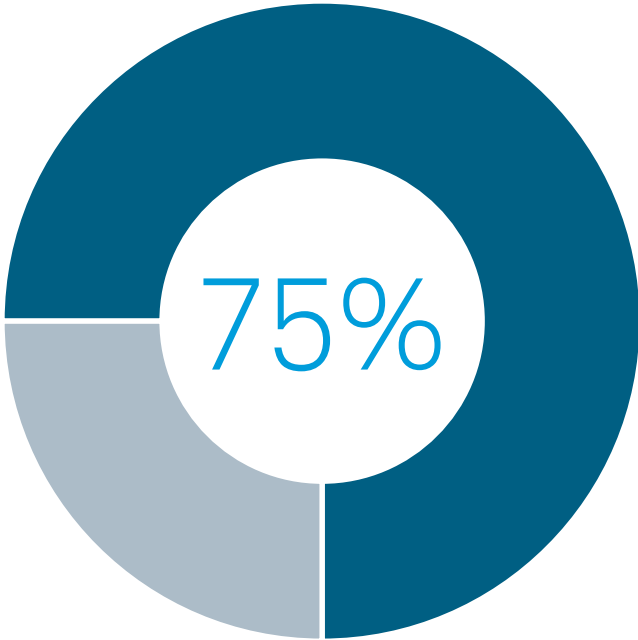
To support growth and meet client needs, recruiting and developing talent is top of mind for firms.

Top strategic initiatives	Rank		
	2023	2022	2021
Acquire new clients through client referrals	1	2	1
Recruit staff to increase firm's skill set/capacity	2	1	2
Acquire new clients through business referrals	3	3	4
Enhance strategic planning and execution	4	4	3
Improve productivity using process changes	5	5	7
Develop skills and capabilities of staff	6	8	10

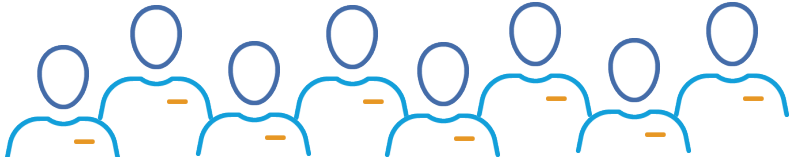
Results for all firms with \$250 million or more in AUM that selected initiative as a top 3 priority. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

In 2022, 77% of firms hired staff and that pace was expected to continue in 2023.

Firms that planned to hire in 2023



Median firm will need to hire **4 new roles** over the next five years.



Median Top Performing Firm will need to hire **8 new roles** over the next five years.

Results for all firms with \$250 million or more in AUM. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

An effective organizational structure can establish the foundation to support growth and the desired client experience.

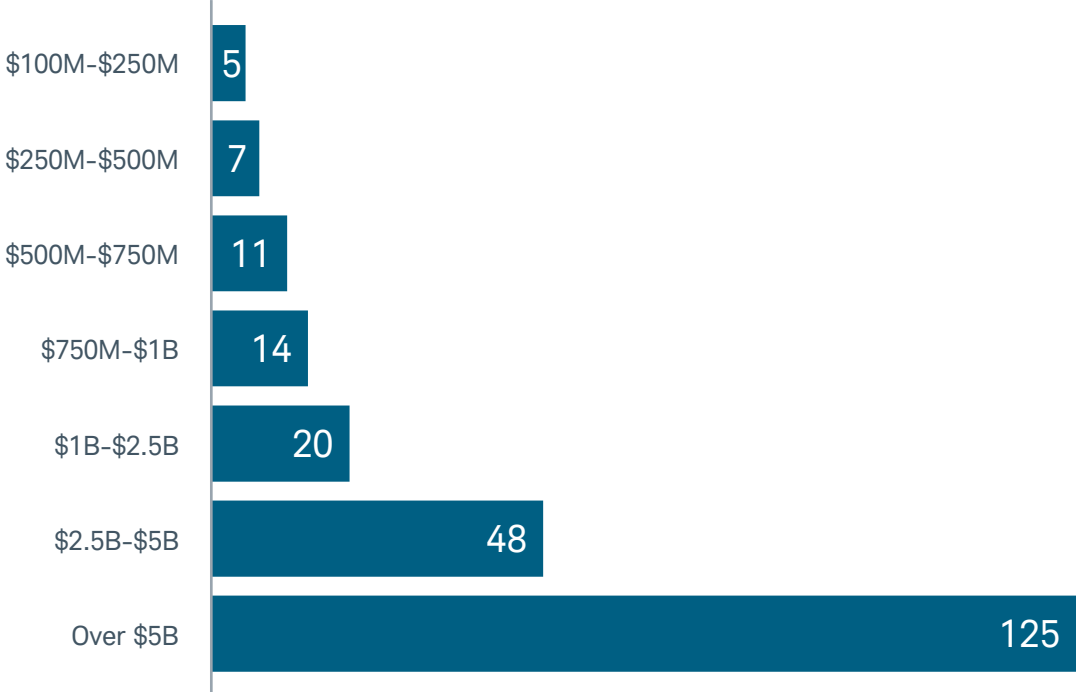
Model	Definition	Age of firm	2022 AUM	Total staff
Solo	Firm with one advisor, possibly with administrative support.	11	\$104M	2
Silo	Firm with two or more advisors—advisors retain their own clients, are compensated on their own book of business, and share overhead costs.	12	\$234M	5
Ensemble	Firm with multiple advisors—clients belong to the firm and are served by a team from a relationship-management perspective. Operational processes and systems may be fully standardized.	20	\$476M	9
Enterprise	Large firm with multiple locations and advisors—clients belong to the firm. Well-defined functional teams/departments and multiple layers of leadership. Operations may be fully standardized across locations.	26	\$3,561M	52

Median results by organizational structure. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms.

Having an intentional human capital strategy that includes a focus on culture is critical as talent is the largest investment for firms.

Compensation costs accounted for **69%** of a firm's expenses in 2022

Median total staff by AUM



Compensation costs include salaries, bonuses, benefits, payroll taxes, and profit distributions in 2022 for all firms with \$25 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms.

Staffing ratios can help provide directional guidance as firms consider when to grow their team.

\$300K

in revenue translates to
1 additional FTE¹

1 to 1.3

1 revenue role is supported
by 1.3 non-revenue roles³

Client account/relationship
managers² account for
1 in 5 staff

Executive management
positions represent
1 in 6 staff

¹ Based on median change in revenue for firms with 1 to 20 staff.

² Includes both Senior Client Account/Relationship Managers and Client Account/Relationship Managers.

³ Includes Executive Management roles.

Median results. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Dedicated client service teams, specialized roles, and executive management positions are more often seen as firms grow.

Roles found at ~45% or more of firms (by AUM)

		Under \$250M ¹	\$250M-\$500M	\$500M-\$1B	Over \$1B
Client service team roles	Chief Executive Officer	✓	✓	✓	✓
	Senior Client Account/Relationship Manager		✓	✓	✓
	Client Account/Relationship Manager		✓	✓	✓
	Client Services Associate		✓	✓	✓
Specialized roles	Investment/Portfolio Manager			✓	✓
	Operations Director/Manager			✓	✓
	Operations Associate			✓	✓
	Research Analyst				✓
	Financial Planner				✓
	Trader				✓
Executive management roles	Chief Compliance Officer ²				✓
	Chief Investment Officer/Director of Research				✓
	Chief Operating Officer				✓
	Managing Partner				✓

¹ Represents firms with \$100 million to \$250 million in AUM

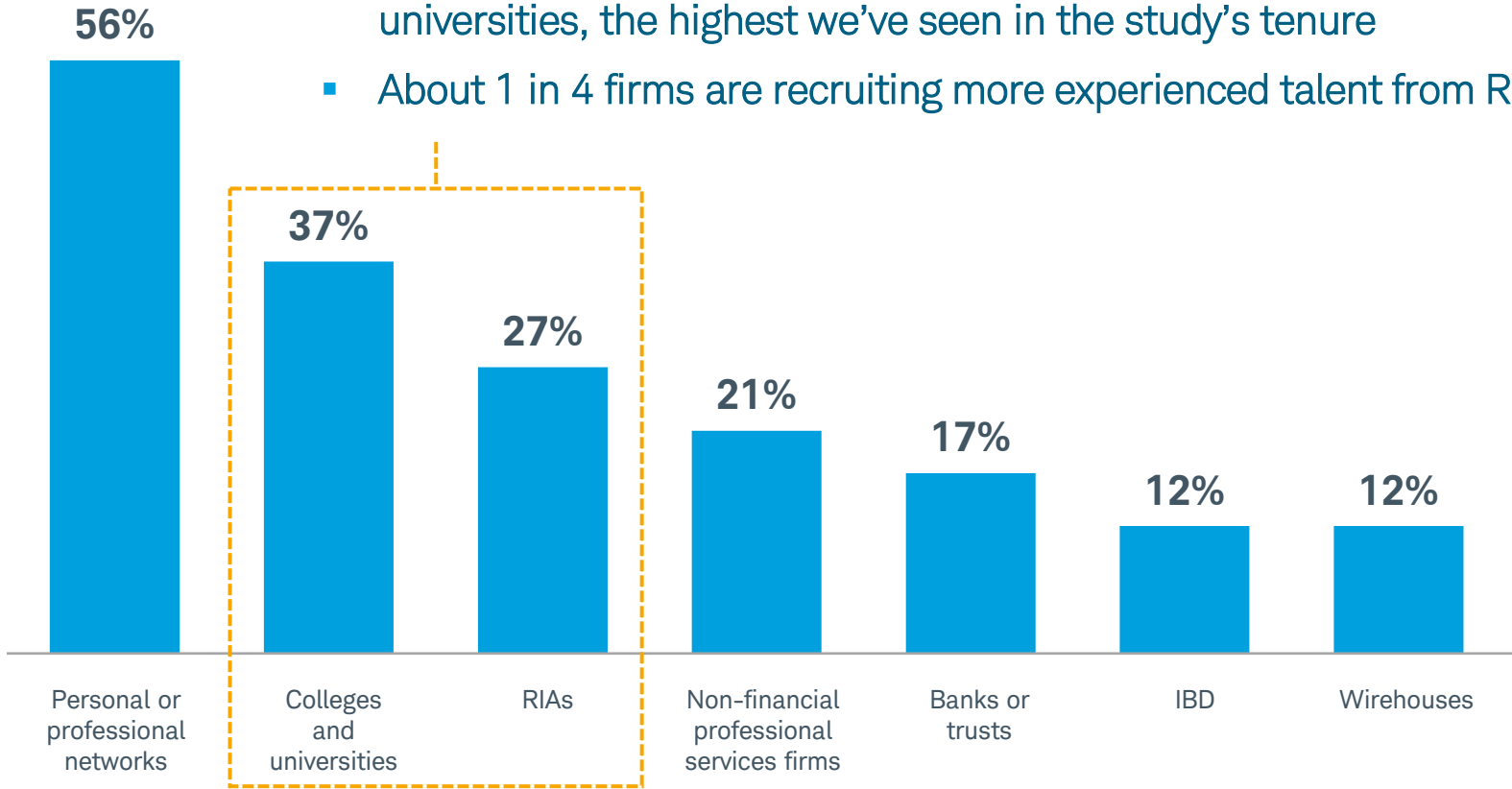
² Role where staff is dedicated as Chief Compliance Officer.

Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Firms are casting a broad net to recruit candidates.

- About 1 in 3 firms are recruiting new talent from colleges and universities, the highest we've seen in the study's tenure
- About 1 in 4 firms are recruiting more experienced talent from RIAs

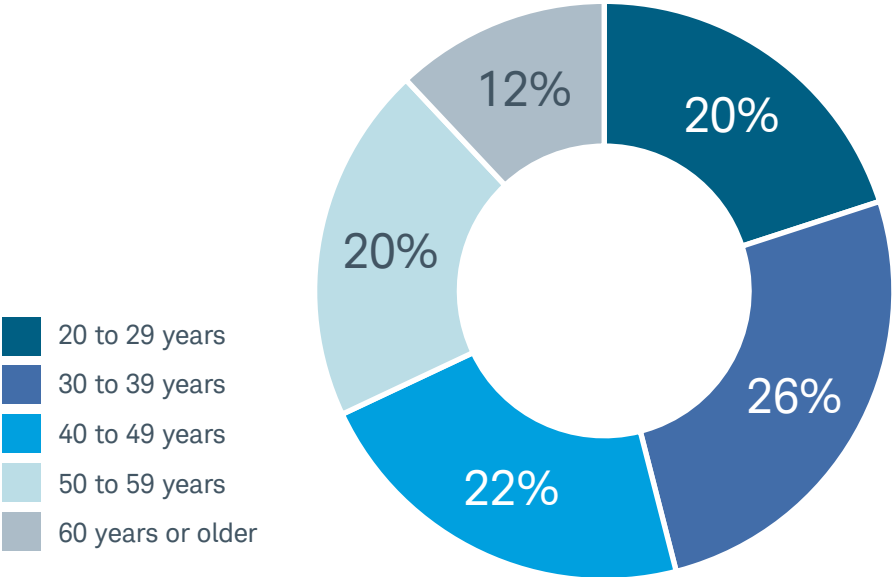
Recruitment channels used in 2022



Results for all firms with \$250 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms.

Overall staffing is generationally diversified at RIAs.

Generational diversity across all roles

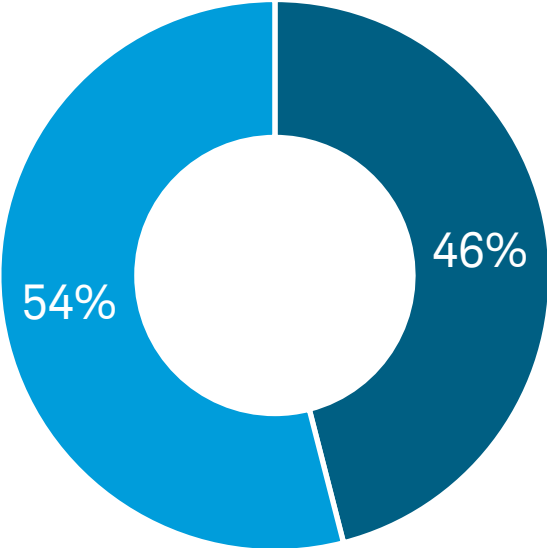


46% of employees **under 40**
22% of employees **40 to 49**
32% of employees **50 and older**

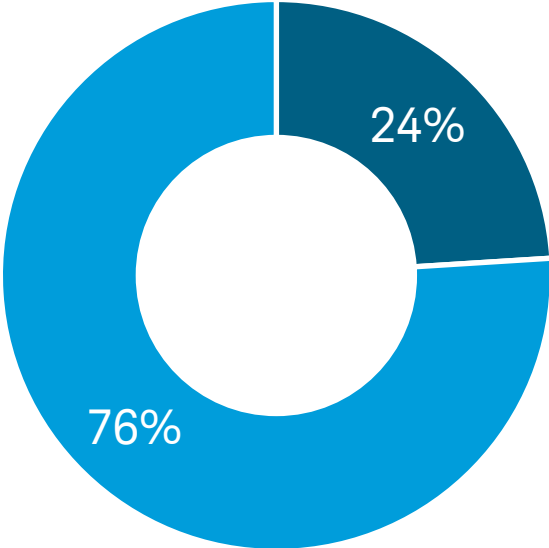
Results exclude responses where demographic information was not shared or not available. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Fostering inclusive and equitable employee experiences can optimize a firm's talent pipeline.

Gender across all roles



Gender of all working owners¹



Female
Male

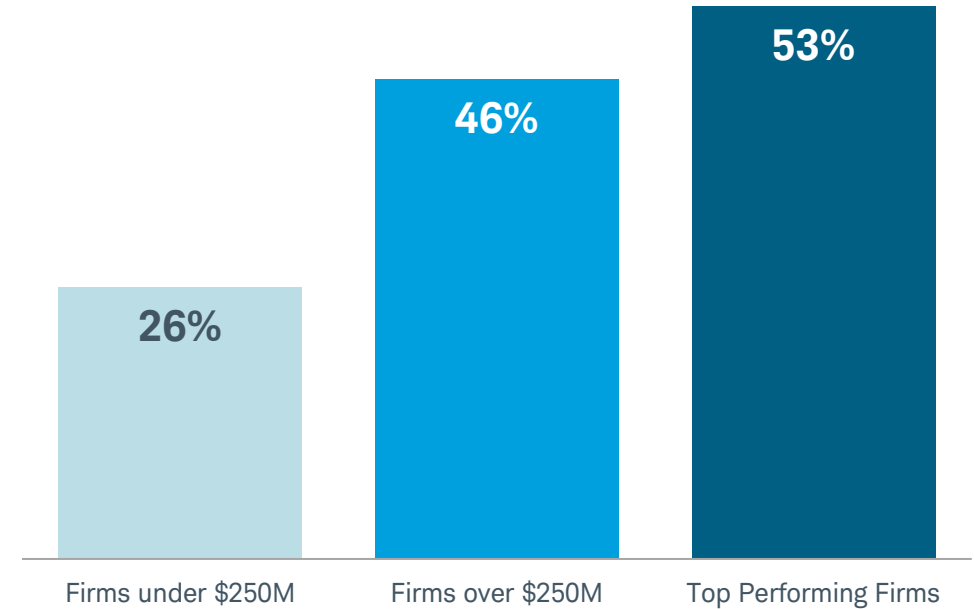
¹ Staff members holding equity. Results exclude responses where demographic information was not shared or not available. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

An employee value proposition (EVP) is essential to attract, motivate, and retain talent.



Firms with a documented employee value proposition

An EVP is a set of offerings the firm provides to staff in return for the skills and experiences employees bring to the firm.

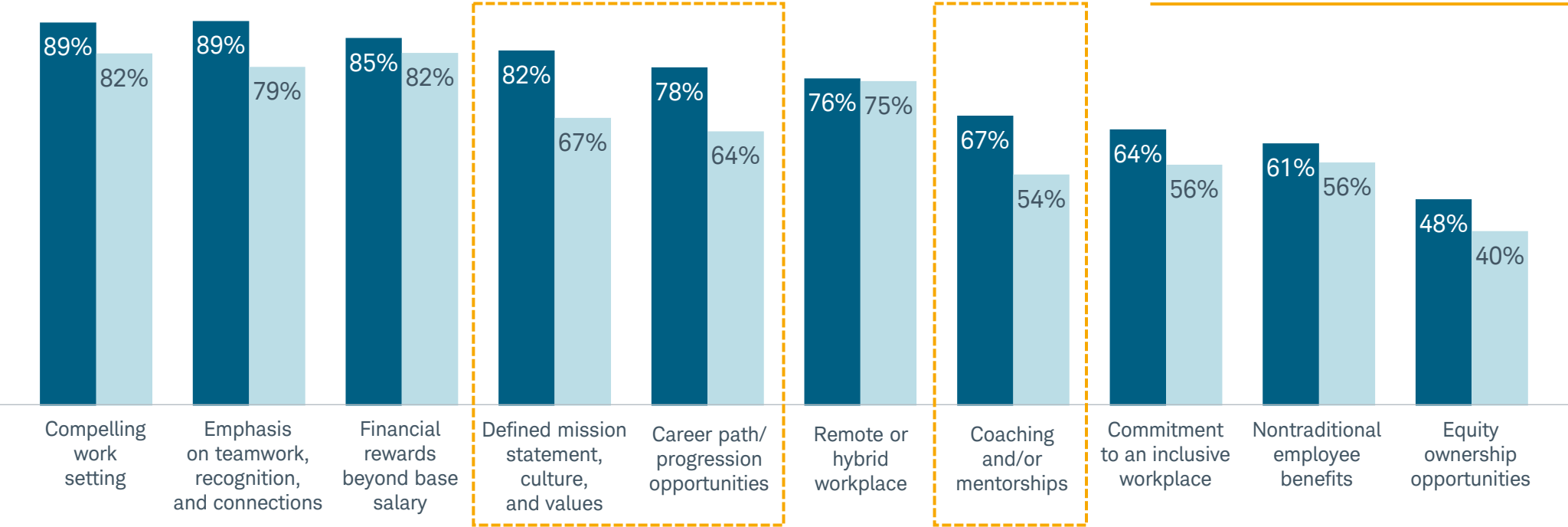


Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

A compelling EVP includes elements that appeal to both the head and the heart.

Elements firms include in their employee value proposition

■ Top Performing Firms
■ All other firms



Number of elements included in EVP (at the median):

Top Performing Firms: 8
 Firms over \$250M: 7

Results for Top Performing Firms and all other firms. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Compensation is a critical component of an EVP.



Across all roles, total cash compensation¹
increased 17% from 2018 to 2022



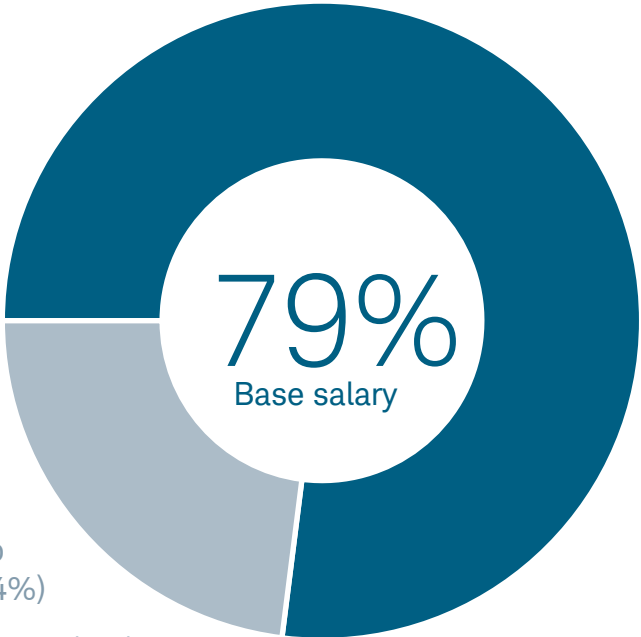
2018

2022

¹ Median percent change for the 27 roles in the compensation portion of the RIA Benchmarking Study from Charles Schwab. Total cash compensation includes owner profit distributions. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Compensation packages that include more than base salary help align staff with firm goals.

Components of total cash compensation¹ across all roles



Performance-based incentive pay (10%)

Compensation tied to revenue generation (4%)

Owner profit distributions (7%)

Base salary as a percent of total cash compensation¹ by role type²

REVENUE ROLES

70%

NON-REVENUE ROLES

89%

¹ In 2022. Total cash compensation includes base salary, performance-based incentive pay, compensation tied to revenue generation, and owner profit distributions.

² Role types exclude Executive Management roles.

Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Incentive compensation can help motivate staff and engage employees.

79% of firms compensated staff with **performance-based incentive pay** in 2022¹

3 of 4 reported roles received **performance-based incentive pay** in 2022²

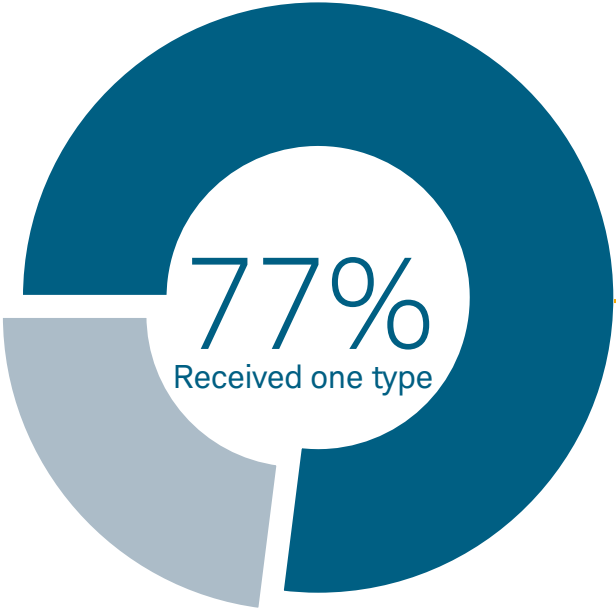
¹ Performance-based incentive pay includes discretionary bonus and compensation resulting from firm goals, department or team goals, and business development results.

² Median result based on reported roles of firms that compensated staff with performance-based incentive pay in 2022.

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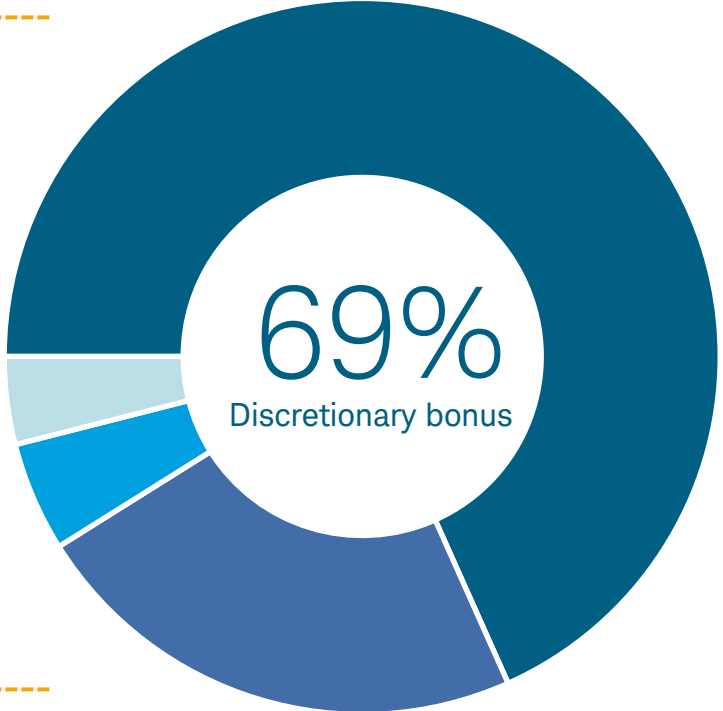
The majority of roles received one type of incentive pay; a discretionary bonus is most commonly used.

Number of incentive pay types received¹



Two types of incentive pay (18%)
Three types of incentive pay (4%)
Four types of incentive pay (0.2%)

Frequency of incentive pay types used

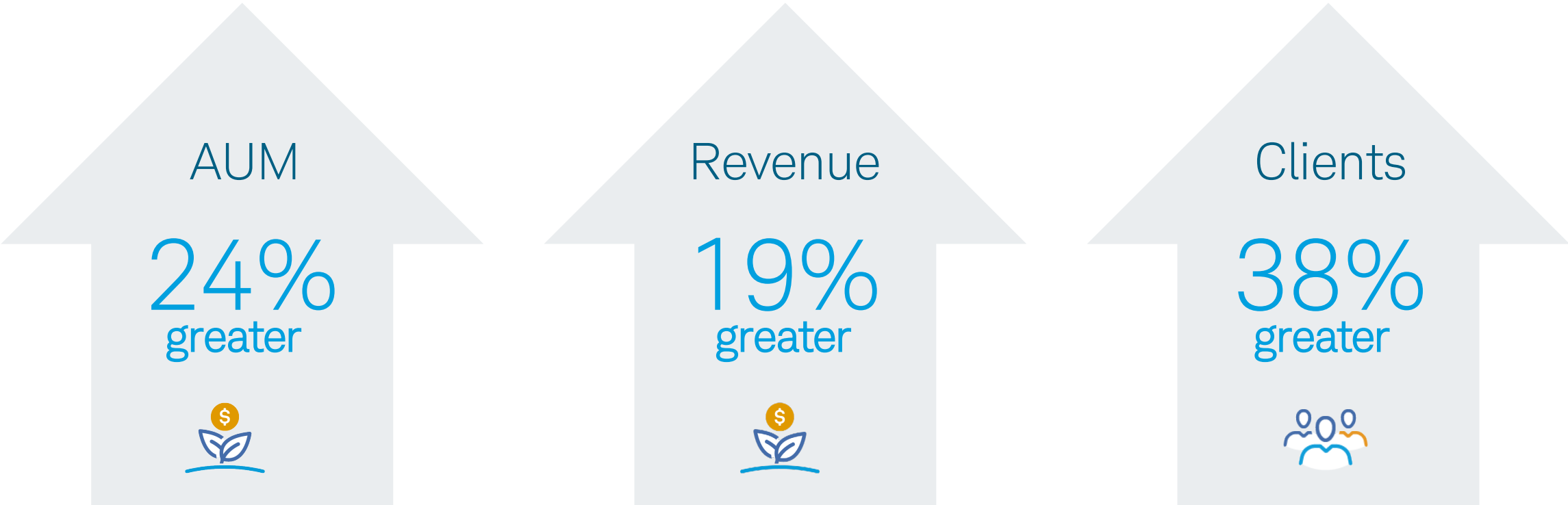


- Discretionary bonus
- Based on firm goals (23%)
- Based on department or team goals (5%)
- Based on business development results (4%)

¹ Based on reported roles that received performance-based incentive pay in 2022. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.





Firms leveraging performance-based incentive pay saw stronger long-term performance.

5-year CAGRs of firms using performance-based incentive pay



Percent change in median compound annual growth rates for all firms that reported using performance-based incentive pay compared with all firms that reported not using performance-based incentive pay. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Firms using performance-based incentive pay more often have documented foundational business strategies.

	Firms using incentive pay that have a...	Firms not using incentive pay that have a...	Difference
 Strategic plan	66%	45%	21%
 Ideal client persona/profile	71%	51%	20%
 Client value proposition	67%	49%	18%
 Marketing plan	45%	30%	15%

Performance-based incentive pay includes discretionary bonus and compensation resulting from firm goals, department or team goals, and business development results. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Compensation tied to revenue from new and existing clients can help ensure staff are aligned with the firm's growth objectives.

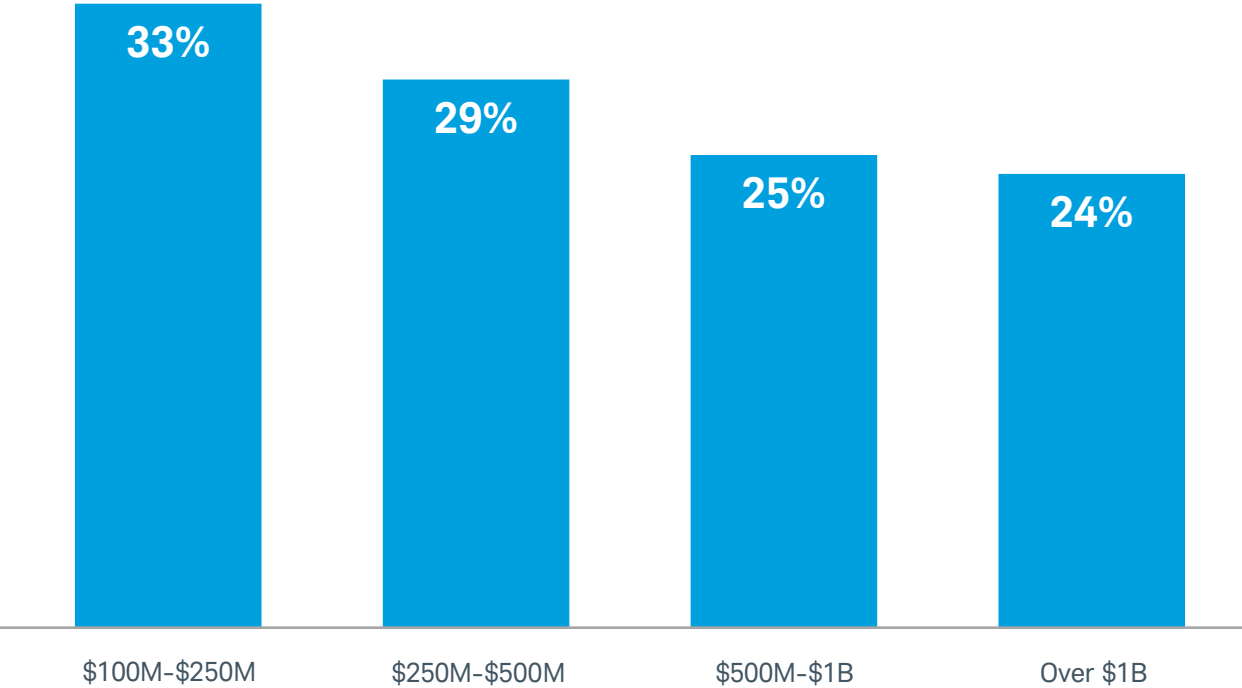
27% of firms
tied compensation to revenue generation
in 2022

1 of 3 roles
tied compensation to revenue generation
in 2022¹

¹ Median result based on reported roles of firms that tied compensation to revenue generation in 2022. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Equity is a key currency firms are using to help retain talent and support their succession strategies.

Working owners¹ as a percent of total staff (by firm size)



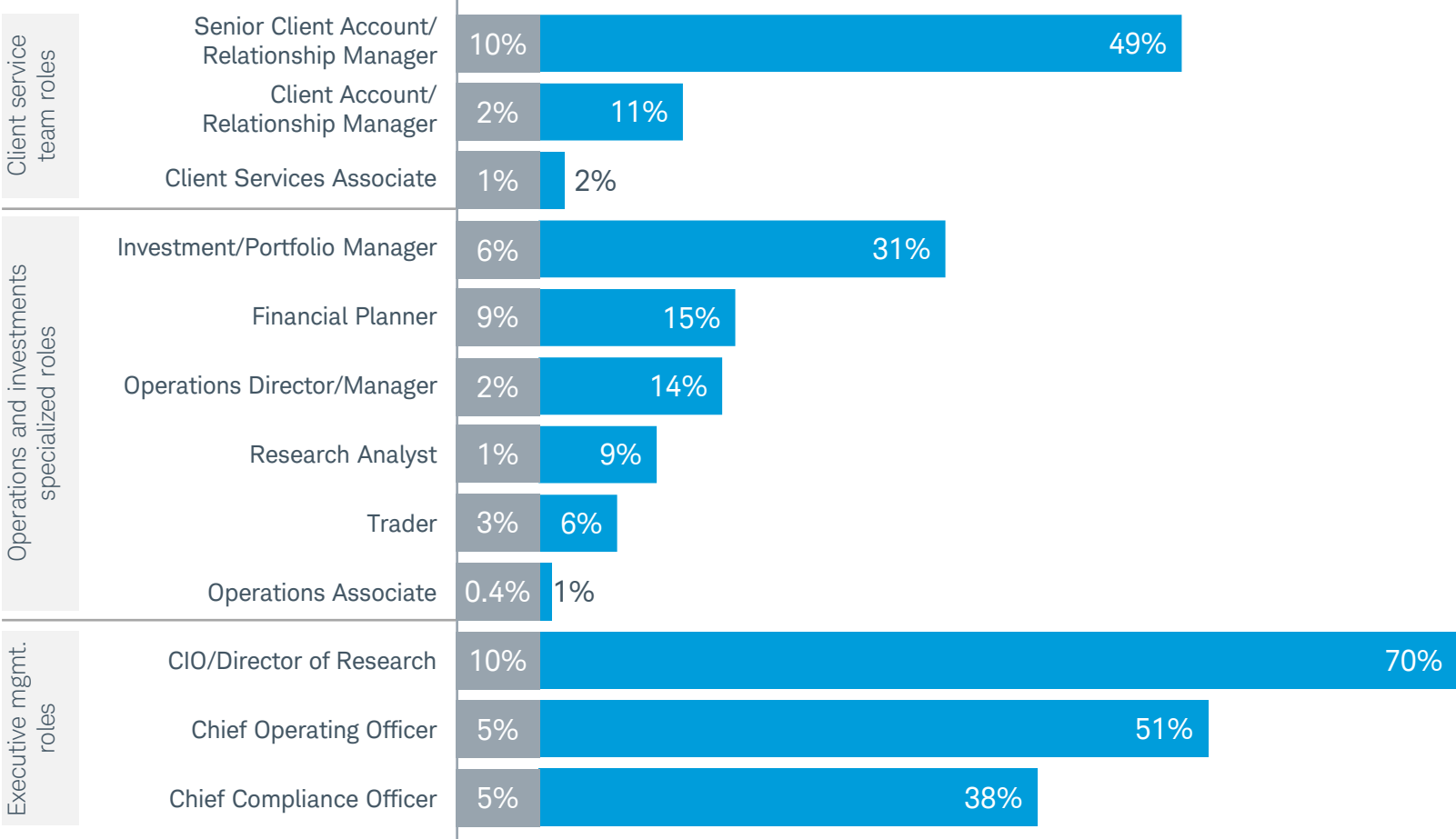
At the median firm,
1 in 3 staff
are equity owners

¹ Working owners are staff that hold equity in the firm.
Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Equity ownership is more common with certain roles.

Responses with equity ownership for roles most prevalent as firms grow

■ Responses with equity
■ Median equity position¹

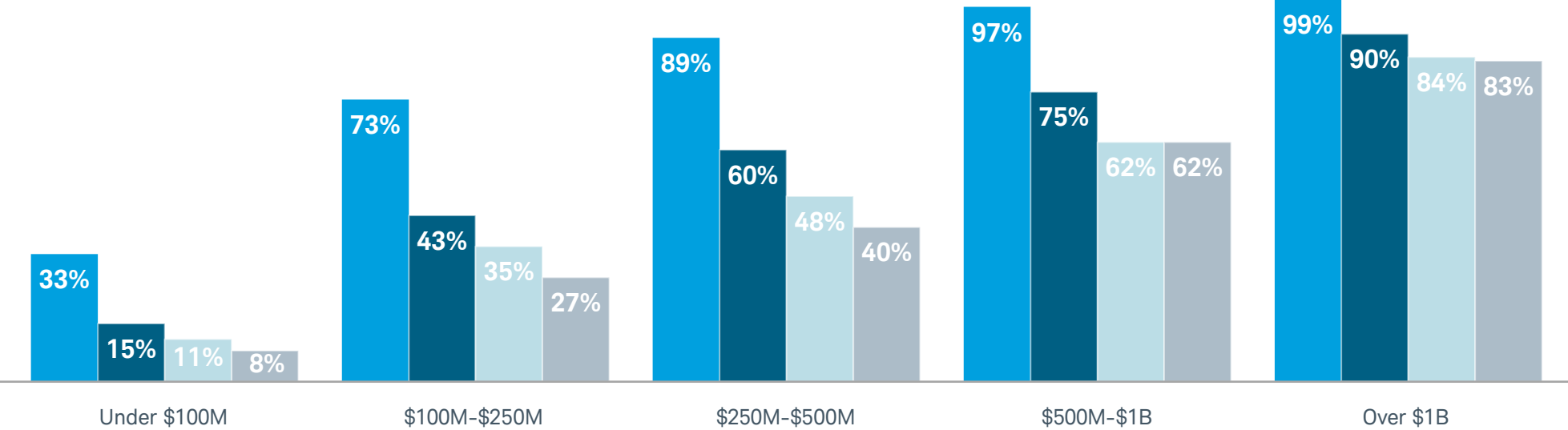


¹ Includes only those responses with ownership. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Benefits are an important part of a total rewards package.

Firms providing traditional benefits

- Medical insurance
- Dental insurance
- Vision insurance
- Life insurance



Firms contributing to premiums¹

Medical: 98% of firms
 Dental: 79% of firms
 Vision: 69% of firms

¹ Contributing to premiums either with a percentage of premium paid by firm or a fixed amount paid by firm to employee annually. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms for the main study and 1,044 firms for the compensation section.

Other benefits can help enhance the rewards package.

PTO

Nearly 20% of all firms offer unlimited PTO; About 40% offer a traditional package with vacation, sick time, and paid holidays

Parental Leave¹

More than two-thirds of all firms offer fully-paid leave

401k

80% of all firms offer a 401k with the median firm matching or funding 4%

Career path

75% of firms offer career path/progression opportunities; 40% promoted staff in 2022²

Remote/ hybrid work

75% of all firms offer remote/hybrid work

Nontraditional benefits

57% of all firms offer nontraditional benefits

¹ Represents maternity and/or paternity leave.

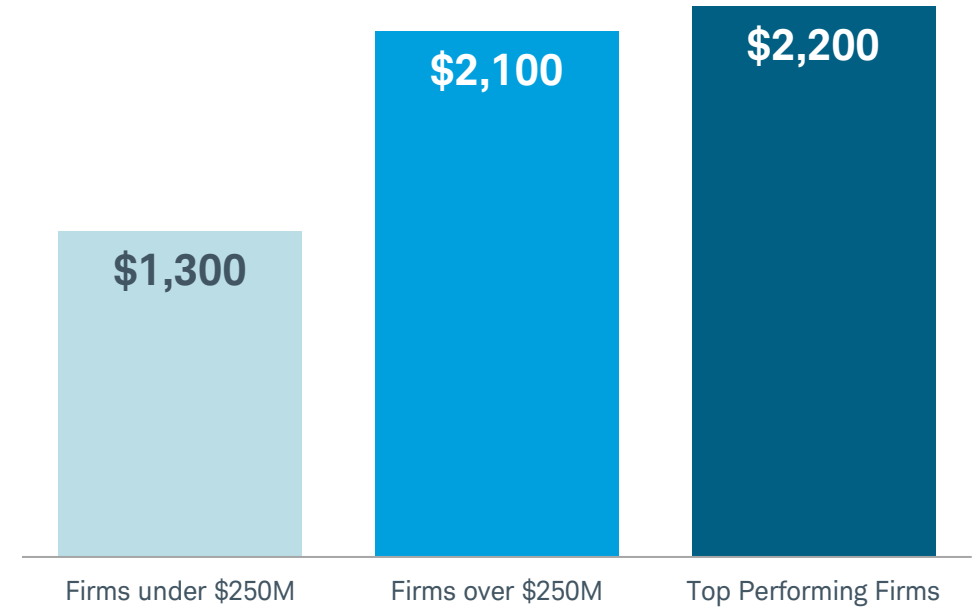
² Results for firms with \$250 million or more in AUM

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Investments in staff can help the team be better equipped to meet the evolving needs of clients.



Median spend per professional staff on training, education, and professional dues



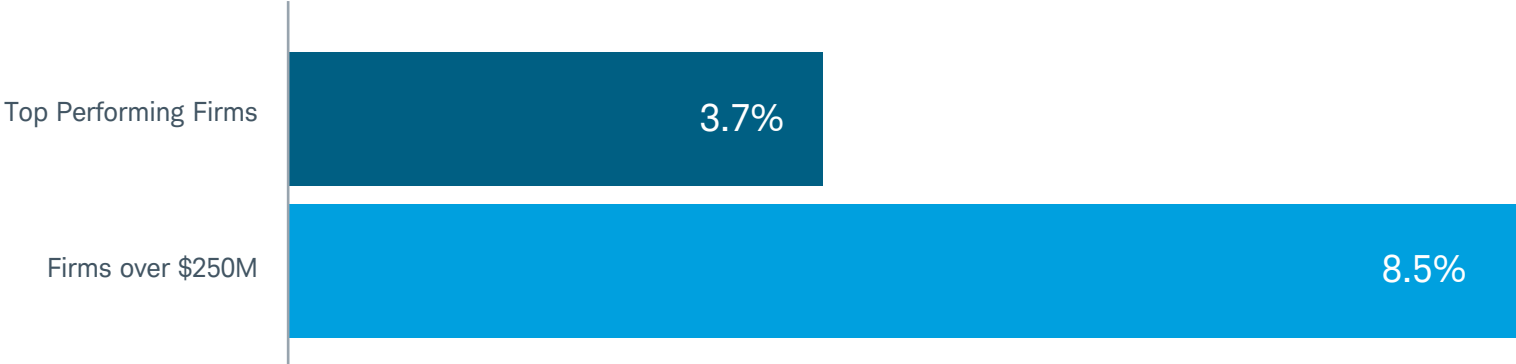
Median results rounded to the nearest 100 and includes only those firms investing in training, education, and professional dues for staff. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Minimizing staff attrition helps ensure a firm's stability.

Firms with staff departures



Median staff attrition rate



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Appendix

The Firm Performance Index identifies Top Performing Firms and helps advisors pinpoint strengths and opportunities.

The Firm Performance Index ranks all firms on 15 metrics that align with the Guiding Principles for Advisory Firm Success.

The index is a holistic assessment of RIA performance across key areas.

Top Performing Firms are those that rank in the top 20% of the index.

Firm performance

- 5-year client CAGR
- 5-year net asset flows CAGR
- 5-year revenue CAGR
- 2022 AUM growth rate from new client assets
- 2022 AUM growth rate from existing client assets
- Client attrition
- Staff attrition
- Operating margin (reported)
- Time spent on client service
- Time spent on operations

Activities implemented

- Standardized workflows in CRM for over 50% of tasks
- Written strategic plan
- Written succession plan
- Ideal client persona/profile
- Client value proposition

Methodology and disclosures

The content presented is intended for informational purposes only.

Third-party firms and their employees are not affiliated with or employed by Schwab. Their mention should not be construed as a recommendation, endorsement, or sponsorship by Schwab. The views expressed are those of the third-parties and are provided for informational purposes only. The experiences shared are no guarantee of future performance or success and may not be representative of you or your experience.

Schwab does not provide legal, tax, regulatory or compliance advice. Consult professionals in these fields to address your specific circumstances.

Schwab designed the RIA Benchmarking Study to capture insights in the RIA industry based on survey responses from individual firms. The 2023 study provides information on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance. Since the inception of the study in 2006, more than 4,500 firms have participated, with many repeat participants. Fielded from January to March 2023, the study contains self-reported data from 1,300 firms that custody their assets with Schwab and represents over \$1.7 trillion in assets under management, making this the leading study in the RIA industry. Schwab did not independently verify or validate the self-reported information. Participant firms represent various sizes and business models. They are categorized into peer groups by AUM size. The study is part of Schwab Business Consulting and Education, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting and Education provides insight, guidance, tools, and resources to help RIAs strategically manage and grow their firms.

Past performance is not an indicator of future results.

The Firm Performance Index evaluates firms in the study according to 15 metrics that align with the Guiding Principles for Advisory Firm Success, to arrive at a holistic assessment of each firm's performance across key business areas. It provides comprehensive comparisons for all firms participating in the study, not just within a peer group. The metrics in the Firm Performance Index measure growth in clients, assets and revenue; client attrition; staff attrition; operating margin; time spent on client service; time spent on operations; standardized workflows; written strategic plan and succession plan; and ideal client persona and client value proposition. The Firm Performance Index is calculated among all firms in the study without regard to assets under management or firm type. Firms that rank in the top 20% of the index are included in the Top Performing Firms.

One thousand and forty-four advisory firms participated in the compensation section of the 2023 study. Data was collected on over 14,500 employees across 27 roles typically found at RIAs.

Base salary represents a 40-hour work week. Where study responses specify work of less than 40 hours, base salary has been grossed up to reflect the equivalent salary of a 40-hour work week. Any responses with total cash compensation (including owner profit distributions) below \$20,000 are not included in the calculations.

Throughout the report, median values are provided, unless otherwise noted, to provide the best indicator of a “typical” firm.

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(1223-3PBP)