

Schwab RIA Compensation Report

An addendum to Schwab's 2018 RIA
Benchmarking Study

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Introduction

- Schwab's 2018 RIA Compensation Report reflects responses from Schwab's annual RIA Benchmarking Study and offers a comprehensive look at compensation practices in the independent financial advice industry in 2017. This year, 909 firms participated in the compensation portion, representing nearly three-quarters of those who participated in the overall study (1,261 firms). With detailed compensation data on 10,266 employees across 27 roles typically found at RIA firms, Schwab's RIA Benchmarking Study leads the industry in the breadth and depth of its analysis.
- Successful firms create a cycle of opportunity to attract and retain quality talent—a firm's most important asset. This is critical as finding and keeping the right people is becoming more challenging and competitive. According to the 2018 RIA Benchmarking Study, almost three quarters (73%) of firms plan to hire staff in the next 12 months and in 2017, 41 percent of firms recruited employees from other registered investment advisors (RIAs) to fill open positions.
- Staffing and compensation account for approximately 73 percent – typically the largest share – of a firm's annual expenses.
- The compensation portion of the RIA Benchmarking Study helps firms develop successful strategies for compensating, motivating, and retaining staff – helping to ensure firms are prepared for future growth.
- The data enables firms to evaluate how their approach to employee compensation, incentives, benefits, and firm ownership compares with that of their peers.

Key Findings

Firms understand the need to design attractive compensation plans to draw and keep the best talent.

A compensation plan includes salary, performance-based incentives, benefits, and equity.

Client Account Management, Sales, and Marketing

- Base salaries for client account management, sales, and marketing roles ranged from \$55,000 - \$135,000 at the median.
- Total cash compensation ranged from \$60,000 - \$193,000 at the median. Total cash compensation, including owner profit distributions, ranged from \$60,000 - \$217,000 at the median.
- More client service associates (77%) receive performance-based incentive pay compared with other roles.
- Twenty-seven percent of senior client account managers / relationship managers have compensation tied to revenue and 47% have some degree of firm ownership – more than any other role.

Investments

- Base salaries for investments roles ranged from \$57,000 - \$125,000 at the median.
- Total cash compensation ranged from \$62,000 - \$154,000 at the median. Total cash compensation, including owner profit distributions, ranged from \$62,000 - \$166,000.
- More investment staff receive performance-based incentive pay compared to client-service staff. Eighty percent of traders collect performance-based incentive pay. The same was true for 78 percent of portfolio administrators, 77 percent of paraplanners, 74 percent of research analysts, 71 percent of financial planners, and 58 percent of investment/portfolio managers.
- Thirty-seven percent of investment/portfolio managers and 12 percent of financial planners have some degree of firm ownership. A quarter (25%) of financial planners own 50 percent or more of their firms, while 22 percent of investment/portfolio managers own half or more.

Operations and Administration

- Base salaries for operations and administration roles ranged from \$41,000 - \$101,000 at the median.
- Total cash compensation, both with and without owner profit distributions, ranged from \$44,000 - \$118,000 at the median.
- Eighty-five percent of technology professionals receive performance-based incentive pay, followed by human resource professionals (82%) and compliance associates (76%).
- While operations and administrations staff are less likely to receive firm equity, 12 percent of operations directors/managers and human resources professionals own a portion of their firm.

National compensation results

All dollar amounts are in thousands.

		Client Account Management, Sales, and Marketing																	
		Director of Client Service			Senior Client Account Manager/Relationship Manager			Client Account Manager/Relationship Manager			Client Services Associate			Business Development Professional			Marketing Professional		
		186 responses			1,309 responses			1,049 responses			1,075 responses			200 responses			119 responses		
		PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES		
		20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th
Summary	Base salary	\$62	\$97	\$165	\$70	\$135	\$221	\$55	\$80	\$120	\$45	\$55	\$70	\$50	\$100	\$166	\$50	\$68	\$102
	Total cash compensation	\$68	\$107	\$196	\$120	\$193	\$319	\$70	\$101	\$150	\$48	\$60	\$78	\$72	\$128	\$277	\$53	\$74	\$128
	Total cash compensation (including owner profit distributions)	\$70	\$112	\$300	\$129	\$217	\$422	\$70	\$102	\$153	\$48	\$60	\$78	\$72	\$128	\$302	\$53	\$74	\$128
Performance-based incentive pay	Responses with performance-based incentive pay	66%			58%			72%			77%			59%			73%		
	Discretionary	\$4	\$10	\$32	\$8	\$25	\$68	\$5	\$10	\$25	\$2	\$5	\$10	\$6	\$20	\$100	\$3	\$7	\$20
	Other ¹	\$4	\$8	\$43	\$8	\$28	\$79	\$4	\$10	\$25	\$2	\$6	\$10	\$11	\$37	\$146	\$2	\$6	\$12
Compensation tied to revenue	Responses with compensation tied to revenue	5%			27%			21%			2%			18%			2%		
	Percentage of new client revenue paid	Insufficient data			20%	28%	50%	12%	25%	50%	15%	20%	50%	23%	40%	61%	Insufficient data		
	Percentage of existing client revenue paid	Insufficient data			10%	30%	50%	8%	25%	50%	2%	10%	46%	13%	25%	76%	Insufficient data		
Ownership details	Total responses with ownership	34%			47%			11%			1%			18%			4%		
	Less than 5% ownership	51%			34%			65%			80%			61%			80%		
	5% to 24% ownership	27%			38%			24%			20%			28%			0%		
	25% to 49% ownership	8%			13%			6%			0%			8%			20%		
	50% or more ownership	14%			15%			5%			0%			3%			0%		
Years of experience	Less than 10 years	27%			14%			55%			62%			27%			54%		
	10 to 19 years	35%			41%			31%			26%			39%			32%		
	20 or more years	38%			45%			14%			12%			34%			14%		
Certifications	Chartered Financial Analyst (CFA)	3%			12%			5%			0%			4%			0%		
	Certified Financial Planner (CFP)	24%			59%			50%			5%			20%			2%		
	Certified Public Accountant (CPA)	5%			15%			9%			2%			5%			0%		

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

National compensation results (continued)

All dollar amounts are in thousands.

		Investments																	
		Investment/ Portfolio Manager			Financial Planner			Research Analyst			Paraplanner			Portfolio Administrator			Trader		
		713 responses			462 responses			357 responses			270 responses			389 responses			182 responses		
		PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES		
		20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th
Summary	Base salary	\$70	\$125	\$204	\$54	\$75	\$115	\$55	\$84	\$125	\$45	\$57	\$71	\$47	\$59	\$75	\$50	\$65	\$85
	Total cash compensation	\$93	\$154	\$270	\$61	\$87	\$143	\$61	\$95	\$153	\$48	\$62	\$80	\$50	\$63	\$85	\$54	\$72	\$99
	Total cash compensation (including owner profit distributions)	\$99	\$166	\$322	\$61	\$88	\$152	\$62	\$96	\$154	\$48	\$62	\$80	\$50	\$63	\$85	\$54	\$72	\$99
Performance-based incentive pay	Responses with performance-based incentive pay	58%			71%			74%			77%			78%			80%		
	Discretionary	\$8	\$22	\$70	\$4	\$7	\$20	\$5	\$12	\$26	\$2	\$5	\$8	\$3	\$5	\$10	\$3	\$6	\$15
	Other ¹	\$6	\$18	\$50	\$4	\$9	\$21	\$4	\$10	\$22	\$2	\$4	\$8	\$1	\$4	\$8	\$2	\$6	\$10
Compensation tied to revenue	Responses with compensation tied to revenue	14%			9%			2%			4%			2%			1%		
	Percentage of new client revenue paid	25%	35%	65%	20%	25%	50%	20%	25%	46%	25%	25%	31%	20%	25%	25%	Insufficient data		
	Percentage of existing client revenue paid	10%	45%	71%	11%	25%	50%	Insufficient data			Insufficient data			Insufficient data			Insufficient data		
Ownership details	Total responses with ownership	37%			12%			5%			1%			3%			2%		
	Less than 5% ownership	34%			32%			79%			100%			92%			100%		
	5% to 24% ownership	33%			37%			21%			0%			0%			0%		
	25% to 49% ownership	11%			7%			0%			0%			0%			0%		
	50% or more ownership	22%			25%			0%			0%			8%			0%		
Years of experience	Less than 10 years	25%			59%			66%			82%			57%			55%		
	10 to 19 years	35%			26%			23%			12%			26%			31%		
	20 or more years	40%			15%			11%			6%			17%			14%		
Certifications	Chartered Financial Analyst (CFA)	43%			4%			35%			2%			1%			7%		
	Certified Financial Planner (CFP)	21%			63%			7%			22%			3%			2%		
	Certified Public Accountant (CPA)	7%			12%			3%			5%			1%			1%		

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

National compensation results (continued)

All dollar amounts are in thousands.

		Operations and Administration																													
		Operations Director/Manager			Operations Associate			Compliance Associate			Office Manager/Administrator			Internal Accountant/Bookkeeper			Human Resources Professional			Technology Professional			Executive Assistant			Receptionist					
		384 responses			525 responses			84 responses			325 responses			166 responses			49 responses			101 responses			308 responses			288 responses					
		PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES					
		20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th	20th	50th	80th
Summary	Base salary	\$62	\$83	\$118	\$41	\$55	\$70	\$50	\$65	\$88	\$42	\$57	\$83	\$53	\$70	\$100	\$58	\$101	\$134	\$54	\$92	\$118	\$42	\$55	\$68	\$33	\$41	\$50			
	Total cash compensation	\$68	\$95	\$138	\$44	\$59	\$78	\$53	\$66	\$97	\$44	\$61	\$93	\$56	\$76	\$114	\$63	\$118	\$146	\$57	\$101	\$128	\$45	\$60	\$75	\$34	\$44	\$54			
	Total cash compensation (including owner profit distributions)	\$68	\$96	\$140	\$44	\$59	\$78	\$53	\$66	\$97	\$44	\$61	\$94	\$56	\$76	\$114	\$63	\$118	\$146	\$57	\$101	\$129	\$45	\$60	\$75	\$34	\$44	\$54			
Performance-based incentive pay	Responses with performance-based incentive pay	73%			71%			76%			65%			72%			82%			85%			72%			74%					
	Discretionary	\$4	\$10	\$24	\$2	\$5	\$10	\$2	\$5	\$10	\$2	\$5	\$13	\$2	\$5	\$17	\$9	\$17	\$26	\$5	\$11	\$17	\$1	\$4	\$7	\$1	\$3	\$5			
	Other ¹	\$5	\$10	\$21	\$2	\$4	\$7	\$3	\$5	\$11	\$2	\$5	\$10	\$3	\$6	\$15	\$5	\$10	\$18	\$3	\$9	\$14	\$3	\$4	\$6	\$1	\$3	\$5			
Compensation tied to revenue	Responses with compensation tied to revenue	1%			1%			0%			2%			0%			0%			0%			1%			0%					
	Percentage of new client revenue paid	Insufficient data			Insufficient data			N/A			Insufficient data			N/A			N/A			N/A			Insufficient data			Insufficient data					
	Percentage of existing client revenue paid	Insufficient data			Insufficient data			N/A			Insufficient data			N/A			N/A			N/A			Insufficient data			Insufficient data					
Ownership details	Total responses with ownership	12%			1%			1%			5%			1%			12%			10%			3%			1%					
	Less than 5% ownership	60%			86%			100%			67%			100%			100%			90%			90%			100%					
	5% to 24% ownership	36%			14%			0%			27%			0%			0%			10%			10%			0%					
	25% to 49% ownership	2%			0%			0%			7%			0%			0%			0%			0%			0%					
	50% or more ownership	2%			0%			0%			0%			0%			0%			0%			0%			0%					
Years of experience	Less than 10 years	29%			62%			54%			40%			33%			42%			42%			43%			56%					
	10 to 19 years	43%			26%			34%			32%			30%			16%			31%			30%			27%					
	20 or more years	28%			12%			11%			28%			37%			42%			27%			26%			17%					
Certifications	Chartered Financial Analyst (CFA)	1%			0%			1%			0%			0%			3%			0%			0%			0%					
	Certified Financial Planner (CFP)	6%			0%			4%			0%			0%			0%			1%			0%			0%					
	Certified Public Accountant (CPA)	3%			1%			5%			1%			25%			3%			1%			1%			0%					

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

Methodology

- Compensation data represents all firms that participated in the compensation portion of the 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018.
- The 2018 RIA Benchmarking Study contains self-reported data from 1,261 firms, 909 of which participated in the compensation portion of the study (10,266 total employee responses).
- Hiring data represents firms with \$250 million or more in assets under management (AUM).
- 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 below \$20,000 are not included in the calculations.
- Throughout the report, median values are reported to provide the best indicator of a “typical” firm.

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Definitions

Client Account Management, Sales, and Marketing

Director of Client Service:

- Manages the client service activities for the entire firm or a specific business area.
- Coordinates client service activities with those of sales and marketing staff.
- Supervises client service staff.
- Tracks and reports results of key service measures against firm objectives.
- Leads resolution of problems related to client service.
- May manage relationships with key clients and prospects.

Senior Client Account Manager/Relationship Manager:

- Fills the most experienced advisory position within the firm.
- Serves as primary manager of existing client relationships, particularly more complex relationships.
- Formulates and implements advice, but may rely on technical specialists to develop recommendations within their area of expertise.
- Often works with, trains, and supervises other staff in client service delivery.

Client Account Manager/Relationship Manager:

- Manages existing client relationships, working either with a principal or more experienced advisor or on their own.
- Provides client service management (often to small and midsize accounts).
- Assists senior professionals in conducting client meetings.
- Resolves basic and routine client account issues.

Client Services Associate:

- Provides non-advice-related support to clients, including:
 - Preparing standard client reports
 - Maintaining contact with clients to provide or obtain updated information
 - Scheduling client meetings
 - Responding to administrative client queries

Business Development Professional:

- Develops new business, with relatively little responsibility (less than 10% of time) for managing relationships, providing advice, or serving clients.

Marketing Professional:

- Implements marketing plans and programs, assists in developing new marketing and advertising campaigns, and develops strategic communications deliverables.

Definitions

Investments

Investment/Portfolio Manager:

- Actively manages a client portfolio using individual securities or a combination of securities and third-party managers.
- May participate in or lead development of an investment strategy.

(Note that this position describes an active-style internal manager.)

Financial Planner:

- Provides financial planning to the clients of the lead and service advisors.
- Serves as in-house expert on financial planning issues.
- Does not act as primary relationship manager.

Research Analyst:

- Performs research and analysis and/or manages investment options.
- Provides information and makes recommendations to professional staff on managers, advisory service products, investment selection, suitability guidelines, and reporting.

Paraplanner:

- Provides technical support to the Client Account Manager/Relationship Manager roles in the delivery of advice to clients.
- Responsibilities include data gathering, modeling, case design, plan development, presentation development, etc.
- May participate in client meetings, but not in an advice capacity.
- Has no decision-making authority on client matters.

Portfolio Administrator:

- Sets up and maintains client accounts.
- Compiles and completes client, custodian, and firm paperwork.
- Reviews and maintains client transactions and activity.
- Executes client and firm tasks, such as asset transfers, preparation of reports, and general support of portfolio and investment strategies.

Trader:

- Buys and sells securities as directed by the portfolio managers, advisors, or CIO.

Definitions

Operations and Administration

Operations Director/Manager:

- Manages daily activities within the operations department (e.g., trading and reporting) and serves as an intermediary between the department and executive management.
- Typically supervises operations staff, and may be responsible for establishing or contributing ideas for department processes, procedures, and protocols.

Operations Associate:

- Performs daily activities within the operations department.
- May provide network administration/IT support to staff.

Compliance Associate:

- Assists in implementing the firm's compliance program, under the direction of the designated Chief Compliance Officer.

Office Manager/Administrator:

- Responsible for general office operations, such as internal accounting, office equipment and supplies, benefits administration, and payroll coordination.
- May also coordinate firm website or other marketing tools.

(Note: This can be a catchall role in firms that do not employ multiple staff members for each of these functions.)

Internal Accountant/Bookkeeper:

- Performs internal accounting, and generates the firm's financial statements.

Human Resources Professional:

- Handles employee relations, payroll and benefits, and training. May direct and coordinate administrative functions of an organization.

Technology Professional:

- Generally provides service related to software, hardware, databases, Web resources, network, and enterprise systems. Duties can include network management, software development, and database administration.

Executive Assistant:

- Handles a variety of administrative functions to aid a dedicated manager of the firm.
- May perform secretarial and clerical duties as needed by the dedicated manager.

Receptionist:

- Greets and directs clients and other visitors.
- Screens and routes telephone calls.
- May perform incidental typing or other routine clerical duties.