

Schwab Advisor Services

Supported Independence Study

May 2024

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Foreword

We are bullish on the future of the RIA sector here at Charles Schwab. Though Schwab Advisor Services has been proudly serving independent advisors of all sizes for more than three decades, the space feels as vibrant and entrepreneurial as ever.

Why? Because the paths to independence are multiplying, along with the resources available to advisors to help them make the move – both signs of a flourishing industry. Advisors no longer have to choose between “doing it alone” or joining a larger firm; between these paths now exists a range of additional options – technological, financial, and operational – to enable more advisors to seize the opportunity independence presents.

However, with more flexibility comes more complexity. Advisors must make a laundry list of decisions as they transition to independence: *What types of clients do I want to serve? What services do I want to offer? What technology should I use? What custodians do I want to work with? How will I finance my transition? When and how do I tell my current clients? How will I manage my compliance needs? Who can help me make the right choice?*

To better understand how advisors navigate this journey and these questions, we commissioned the Schwab Advisor Services 2024 *Supported Independence Study*. We spoke to advisors who recently went independent, as well as those still determining if it’s the right move for them, about their attitudes toward, and experiences with, going independent.

One key takeaway? Though the path to independence continues to evolve in new and surprising ways, one thing remains the same: Advisors seek independence because it offers them the freedom to build their business, their way. They are motivated to offer more comprehensive and product-agnostic services – and all with their clients’ best interests at heart.

Another takeaway, however, is that advisors could use more support in both the decision-making and transitioning process.

We know advisors have many sources they can turn to for advice, and with decades of helping advisors of all sizes make the move to independence, we are proud to be one of them. Whether they’re only beginning to explore their options, or they’ve already made up their mind, we have the experience, tools, and resources to be a first port of call for any advisor planning their journey to independence.

We are excited about the continued growth of the RIA industry. In the report that follows, you can see why: It is an industry that attracts creative, entrepreneurial, and service-oriented individuals with the goal of helping their clients achieve financial wellness. That’s certainly a mission we can get behind.

– Jon Beatty, Chief Operating Officer, Advisor Services

Methodology

Schwab's Supported Independence Study is conducted for Charles Schwab by Logica Research.*
The study consists of a quantitative online survey and qualitative interviews.



The **quantitative survey**, conducted from March 11 through April 8, 2024, polled 200 financial advisors: 42 who currently work for an RIA and transitioned to independence within the past four years ("recently independent") and 158 who currently work for an IBD or brokerage firm and are considering transitioning to independence in the next three years ("considering independence"). Participation was voluntary, and the typical (median) survey length was 10 minutes.



Voluntary one-on-one **qualitative interviews** were conducted with 10 survey participants (five of whom are recently independent and five of whom are considering independence) to gather additional insights. Interviewees had not reviewed the quantitative survey results and are not commenting on its findings.



Findings

I

Charting their own course

The path to independence is as unique as the individual advisor taking it – a result of the flourishing ecosystem that has sprung up to support RIAs over the past 30 years.

01 | Paths

The RIA industry has seen significant growth in recent decades, with the number of RIA firms roughly doubling between 2000 and 2022 alone.¹ With this growth has also come greater maturity across the industry, provided by a rapidly expanding universe of vendors, technology, and solutions aimed at supporting independent advisors.

As a result, advisors transitioning to independence have more choices available to them than just to start their own firm or join an existing RIA; they now have a variety of paths they can tailor to their own needs, circumstances, and risk appetites.

Who We Surveyed

- 158 advisors **considering independence** within the next three years
- 42 **recently independent** advisors who transitioned within the past four years

Exploring the Paths to Independence

Advisors have an initial choice to make when it comes to independence: They can start their own RIA firm or join an existing firm. From there, they have additional options for finding a path that best suits their circumstances:

- **Start their own firm**
 - Create their own RIA and bring all operations in-house
 - Create their own RIA and outsource certain tasks (administration, etc.)
 - Share ownership of their RIA firm with an equity partner
- **Join an existing RIA**
 - Join an existing RIA firm as an employee or partner
 - Affiliate with an existing RIA firm and keep their book of business

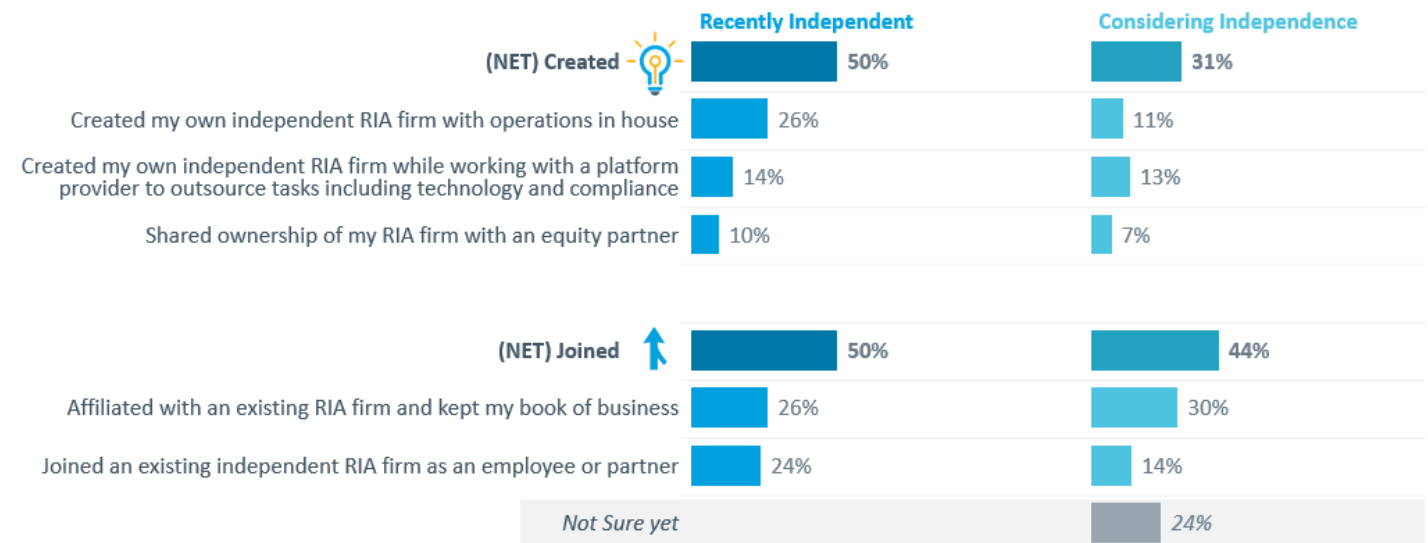
¹Investment Adviser Association. Investment Adviser Industry Snapshot 2023. https://investmentadviser.org/wp-content/uploads/2023/06/Snapshot2023_Final.pdf.

01 | Paths

According to our survey, advisors currently considering independence are more likely to join or affiliate with an existing RIA (44%) than create their own firm (31%). In addition, nearly one-quarter (24%) are unsure of which path they'd take.

In contrast, recently independent advisors were equally as likely to have formed their own RIA firm (50%) as they were to have joined/affiliated with an existing RIA (50%).

Which Path to Independence Did/Will You Take?



01 | Paths

Our one-on-one conversations revealed additional facets to advisors' desire to transition to independence – and what the trade-offs are when evaluating the decision to start or join an RIA.

Among our interviewees, more risk-averse advisors were more likely to lean toward joining a firm, with advisors considering independence expressing worry about the financial impact of starting their own business.

However, it's also notable that the recently independent advisors we interviewed who started their own firms expressed high levels of satisfaction with their decision, with one saying, "Every client is someone I found, someone I get along with, someone I actually want to work with. This isn't a book that's just been assigned to me. That is huge – I cannot tell you how much happier I am having control over the whole process."

The bottom line: Every advisor will have a unique set of considerations that informs their decision-making process. The good news is that the RIA industry provides the runway for a variety of journeys – and advisors needn't be locked into any one route at the beginning of theirs.

"I'd been with enough firms at that point where I thought, 'I can either join another company, and it may or may not work out, or I can try to go out on my own.'"

– *Recently independent advisor who started their own firm*

"I wanted to be in control of my own destiny, be able to build a business and practice based on how I wanted to serve clients. I wanted to have more say over the different tools and technologies. Having more work-life balance was also hugely important."

– *Recently independent advisor who started their own firm*

"I'm looking for someone to hold my hand, so to speak, throughout the transition. Someone to say, 'Here's what it's going to look like,' or 'Here's where you may have problems.' It's not just, 'Come on over, everything is going to be great!' It's like moving to a new house: You think it's going to be great, but moving can be one of the worst experiences when things go wrong."

– *Advisor considering joining an independent firm*

"It's totally on me to generate revenue. I don't have a paycheck every two weeks. There's always that sense of the unknown."

– *Recently independent advisor who started their own firm*



II

Independent, but not alone

Going independent is a big decision for any advisor, requiring substantial support and investment. It's no surprise that advisors turn to those who made the move before them for guidance.

02 | Support

Advisors transitioning to independence have a great deal of choice when it comes to how they complete the transition. But more choice also means more complexity, and advisors turn to each other to help demystify the process.

According to our survey, 60% of advisors considering independence are most likely to look to advisors who previously made the transition for advice; another 45% said they would consult with other advisors considering independence. Forty-seven percent cited advisors who have already gone independent as the most helpful source of information.

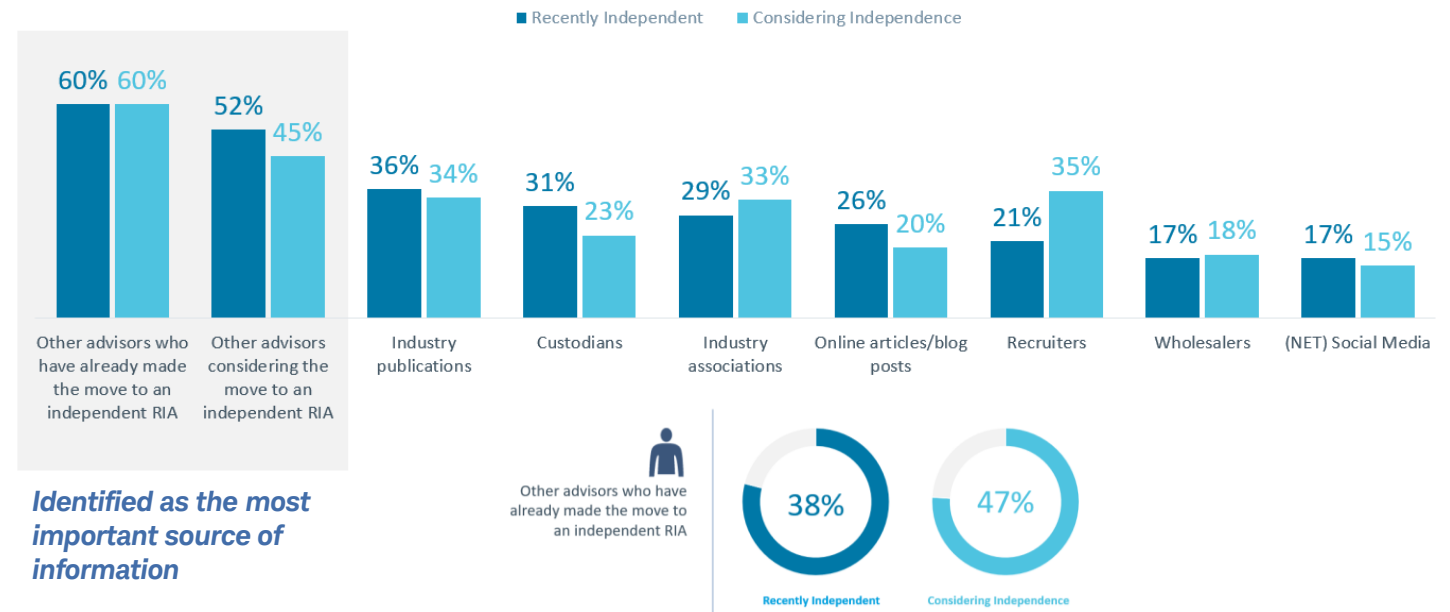
Recently independent advisors feel similarly, with 60% saying they turned to those who had already transitioned for advice, and 38% indicating that these advisors were their best source of information.

"I used to work with someone in this field. They were an individual RIA and had a lot more flexibility than I had. And they were the one that had pushed me to do this over the better part of a decade." – Recently independent advisor

"I've talked to a lot of people within the industry. I've talked to people who used to work with me, that I know and trust, who went completely independent." – Advisor considering independence

"I would need to talk to people who have made the transition already to feel confident that I understand what's really involved." – Advisor considering independence

Where Did/Will You Get Information About Going Independent?



02 | Support

What type of information are advisors looking for as they determine whether independence is right for them?

Among those currently considering independence, when asked what one thing they wish they could know before becoming an RIA, nearly half (46%) referenced some sort of transitional knowledge – how to transition, how to navigate compliance, timeline questions, who to partner with, etc. Another 30% wanted more insight into client retention and growth, and 16% wanted more knowledge about how to establish and grow their business.

However, recently independent advisors told a slightly different story. Asked what they wish they had known before going independent, 41% said they would have liked more knowledge about how to run a business, and 14% wished they'd had a better understanding of compliance and custodial issues.

What is one thing you wish you would have known before going independent?

We asked each of our recently independent interviewees what single piece of knowledge they wish they'd had before going independent. Here's what they had to say:



“One thing I wish I would’ve known before going independent? Honestly, I wish I was more aware of the independent side sooner.”



“I wish I would have known that it’s not as hard or difficult as I thought it was going to be.”



“I wish I would’ve done it earlier.”

02 | Support

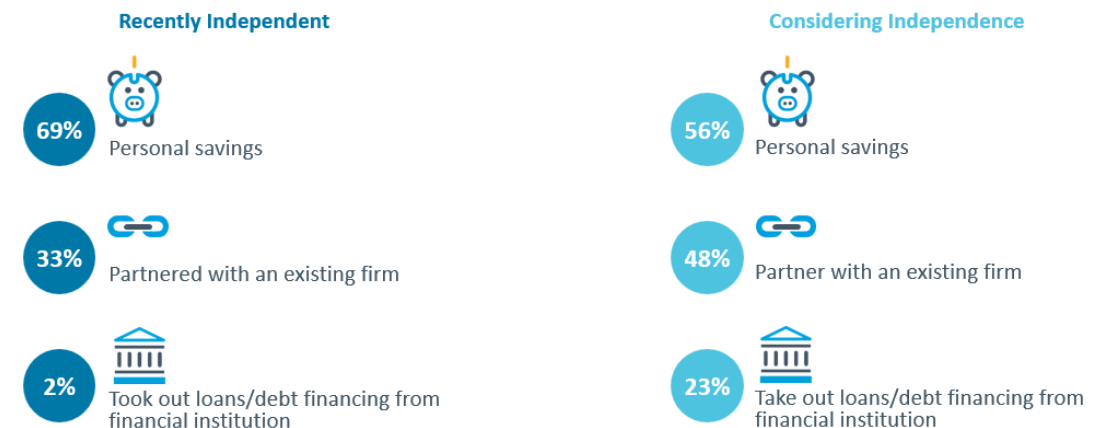
Advisors also need to consider how to finance their move to independence. Whether establishing their own RIA from scratch or moving their book of business over to an existing RIA, there can be significant costs involved in breaking away.

The advisors we polled indicated they were (or are) most likely to use their personal savings to support their transition, with 69% of recently independent and 56% of considering advisors saying this was/is their preferred route.

Partnering with an existing firm (cited by 33% of recently independent and 48% of considering advisors) is the second most-favored option – unsurprising, as this option helps reduce startup costs for those with less financial flexibility. As one considering advisor we interviewed stated, “Starting from scratch is not something I’m able to do at this point, being established, having a family, and having expenses I need to cover.”

“The biggest trade-off is money. In 2022, I probably burned – I don’t even want to admit, but a lot of money. I wasn’t making anything, but you have to pay for your own marketing to find leads – which I know how to do, but they’re not cheap.” – Recently independent advisor who started their own firm

Financing the Transition



02 | Support

Resourcing a transition to independence requires not only advice and capital – it also requires advisors to think about their priorities. What steps should an advisor take before beginning the transition to improve their odds of succeeding?

When asked to identify the most important factors for success in becoming an independent RIA, 47% of all advisors (both recently independent and considering) said access to clients who will drive revenue, and 45% mentioned the size of their existing book of business. In addition, 46% of advisors pointed to their ability to build the right culture for their firm as a leading factor in success, while 35% cited support from custodians. 21% cited networking opportunities and 21% cited talent acquisition and retention.





Navigating the two C's: Clients and compliance

Advisors are deliberate and thoughtful about the decision to go independent – and once they've made up their minds, they move quickly, prioritizing client retention and regulatory compliance.

03 | Clients and Compliance

The process of going independent – from consideration to transition – can be a long one, and our survey found that much of that time is spent in the consideration phase: Two in five (41%) recently independent advisors said they spent between one and three years making the decision to transition to independence. However, once they were ready to make the leap, 83% were able to complete the transition in less than a year.

Considering advisors' expectations for their transition align with the experiences of those who are recently independent. Nearly half (49%) of the considering group said they expect to spend one to three years coming to a decision, and 82% said they would be able to move their clients within the first 12 months of initiating the transition.

*"Having made two career changes, you're never fully ready. You prepare yourself as best you can, you stay in compliance with the broker protocol, and once you make that change, it's full speed ahead. There's no time to waste." – **Recently independent advisor***

*"It's nerve-racking. When you're planning for it, it's exciting because it's out in the future and you don't have to do anything yet. I was nervous the day I started telling my clients – nervous and excited, but at the end of the day, I knew what I was doing was right and was the best move for me. That gave me all the confidence I needed." – **Recently independent advisor***

How Long Did/Will it Take to Complete Your Transition?

Recently Independent

7 months
Average



Considering Independence

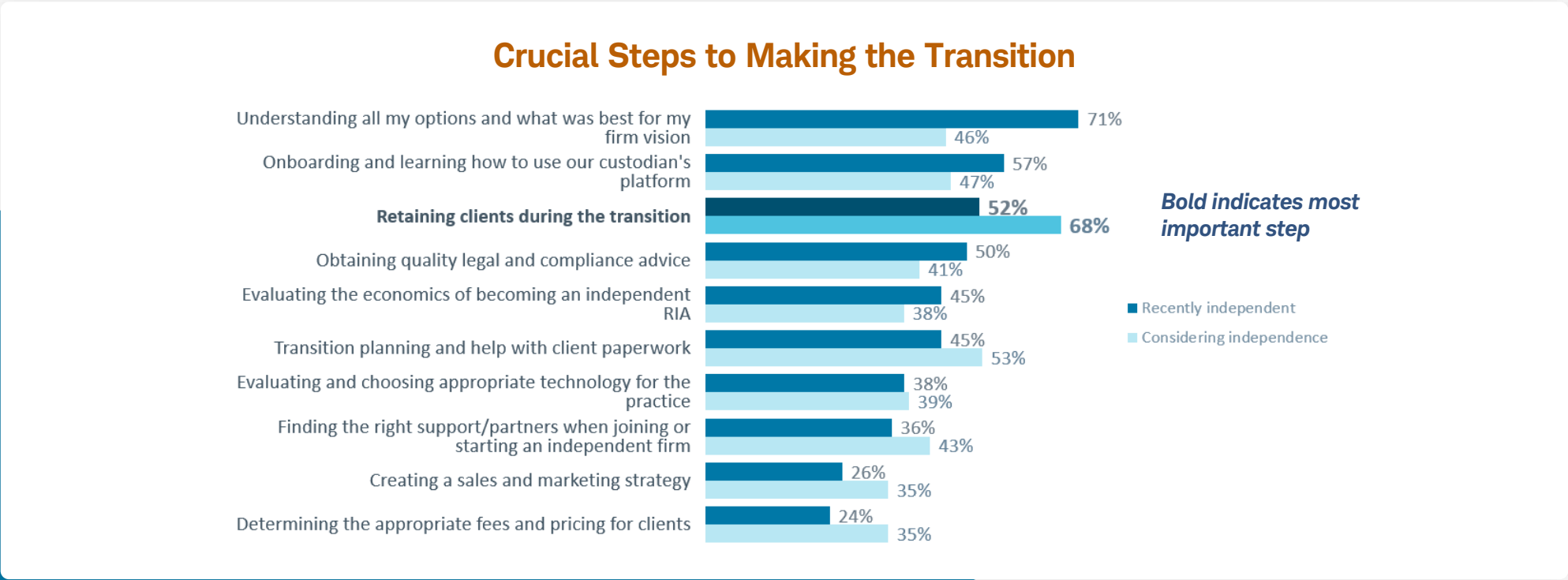
7 months
Average

03 | Clients and Compliance

However, recently independent and considering advisors' priorities diverge when it comes to how they have approached or plan to approach the move to independence.

Advisors currently considering independence cited client retention (68%) and transition planning and client paperwork (53%) as the most likely steps they will take in becoming an independent advisor when they get started on the process. On the other hand, recently independent advisors indicated that understanding all their options for achieving the firm they envision (71%) and familiarizing themselves with their custodian's platform (57%) were the steps they were most likely to have taken as they began their move.

Both sets of advisors, however, agree about the importance of client retention: When asked which step they considered the most important, both considering (30%) and recently independent (24%) advisors pointed to client retention – the most frequently cited option among both groups.



Clients and Compliance

The survey data suggests that this focus on client retention is well-placed: Considering advisors expect to retain about 85% of their clients in the transition, and recently independent advisors reported retaining 86% of their clientele.

Advisors also believe the move to independence is a net good for their clients, with nearly three-quarters (74%) of recently independent advisors saying they can build better, longer-term relationships with their clients, and 49% of considering advisors believing they will be able to do the same if they become an RIA.

Clients are on board with their advisor's vision, as well: 60% of recently independent advisors said their clients were immediately aligned with their plan, while 46% of considering advisors expect their clients to feel similarly.

"At the end of the day, this is very much a relationship business. If someone trusts you and likes working with you, more often than not, they'll end up following you." – Recently independent advisor

"I spent a lot of time building solid relationships with these families. Since they knew me so well, there was already a lot of trust there. I didn't have to overcome a lot of objections." – Recently independent advisor

Client Retention



Clients Retained After Transition
(Average)



Expected Clients Retained After Transition
(Average)

74% - Recently independent
49% - Considering independence
will be able to build better, longer-term relationships with clients as an independent RIA

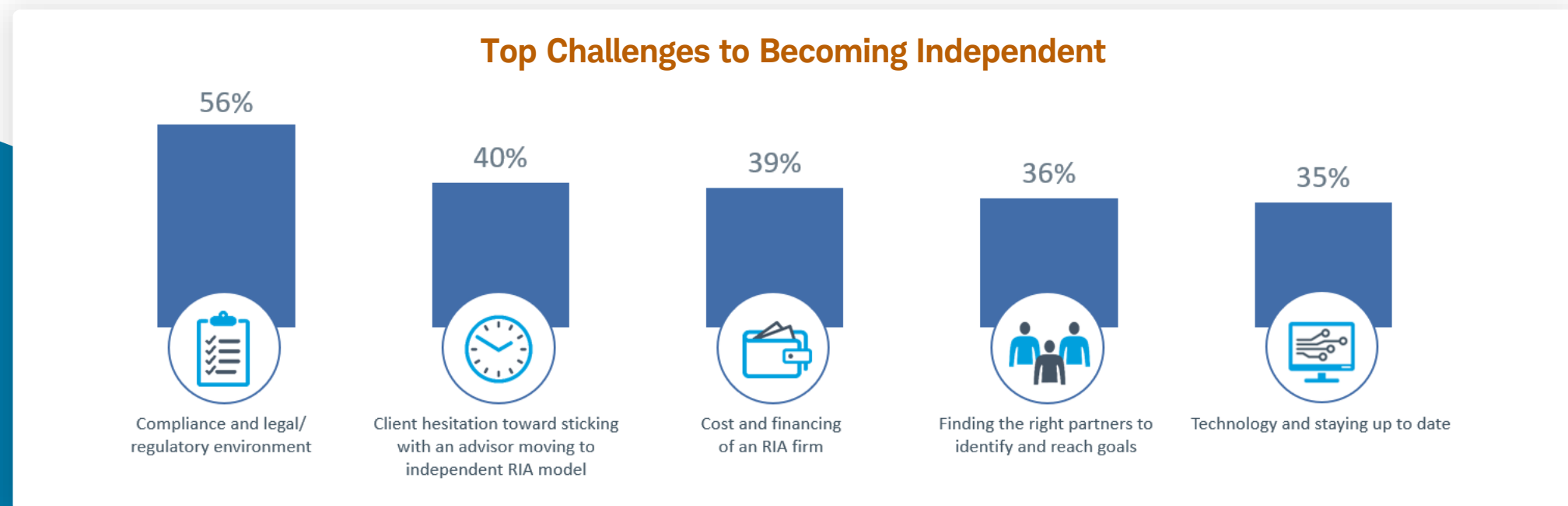
60% - Recently independent
46% - Considering independence
of clients were immediately on board with the move

03 | Clients and Compliance

Regardless of the path an advisor takes to independence, there are some complexities along the way that require careful advance planning.

Both recently independent advisors and those considering independence agreed that regulatory compliance is a leading concern. Over half of all advisors we surveyed (56%) pointed to compliance and the legal/regulatory environment as the top challenge to becoming independent. The advisors we interviewed echoed these sentiments; said one recently independent advisor, “Compliance is a brutal three to four hours every Sunday where I am just making sure contracts are buttoned up.”

Other challenges advisors cited in becoming independent include client hesitations about sticking with an advisor in transition (mentioned by 40%), as well as the cost and ability to finance an RIA firm (mentioned by 39%).



IV

What hasn't changed? The desire for autonomy

Despite the industry's evolution, the core reason for going independent remains the same: Advisors seek the freedom to act in their clients' best interest and build their businesses, their way.

04 | Autonomy

For the vast majority of the advisors we surveyed, the path to independence begins with a desire for freedom – not only to run their business as they see fit, but also to act in their clients’ best interest. The top motivator for going independent for both recently independent advisors and those considering independence is having the ability to do what is best for their clients, cited by 98% of each group.

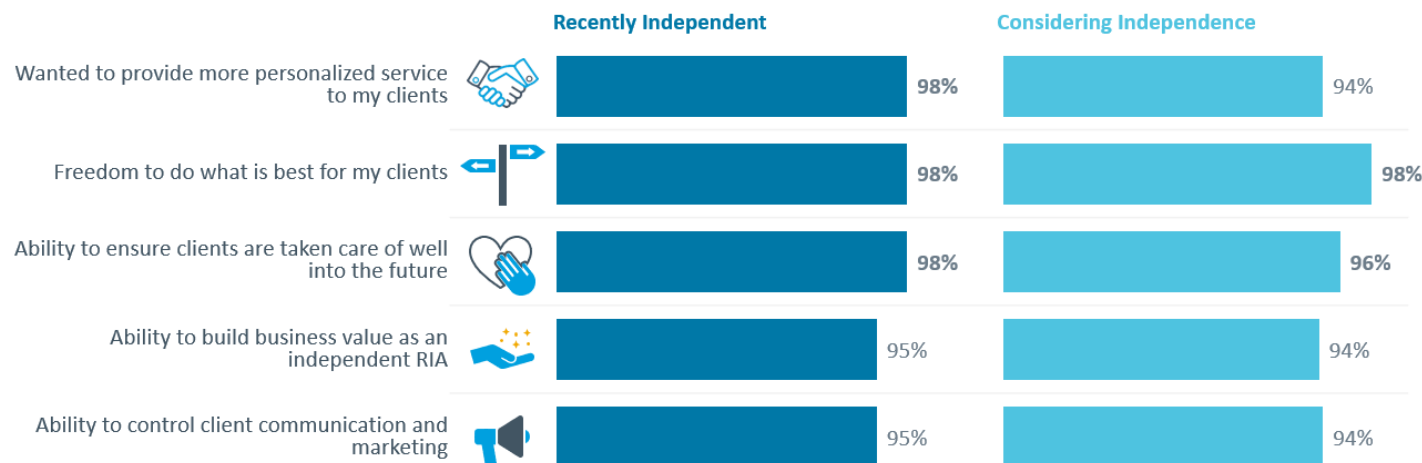
Advisors in both the considering and recently independent groups also value the ability to shape their own businesses. Among those who are recently independent, 98% said having the ability to provide more personalized service was a leading motivator for breaking away. Among those still considering independence, 98% said they are seeking the ability to align their business to their personal values.

“I just want to be independent. I like the fact that no one will be telling me what to do, how to do it. When it comes to picking investments, I want to look my client in the eye and say, ‘Hey, this is the best choice based on your needs.’” – Advisor considering independence

“The problem with my firm’s model is that we’re very limited in opportunities. I’m not really incentivized to build my own book of business. Last year, I exceeded my targets – but I didn’t receive my full bonus, primarily because my firm didn’t do as well. You’re just not as in control of your earning potential.” – Advisor considering independence

“Do I want to chase the next dollar, or do I want to chase a higher degree of freedom in my career? I chose the latter, knowing that if this works, I’ll be happier, I’ll have more freedom, and I’ll probably make more money in the long run.” – Recently independent advisor

Reasons for Pursuing Independence



04 | Autonomy

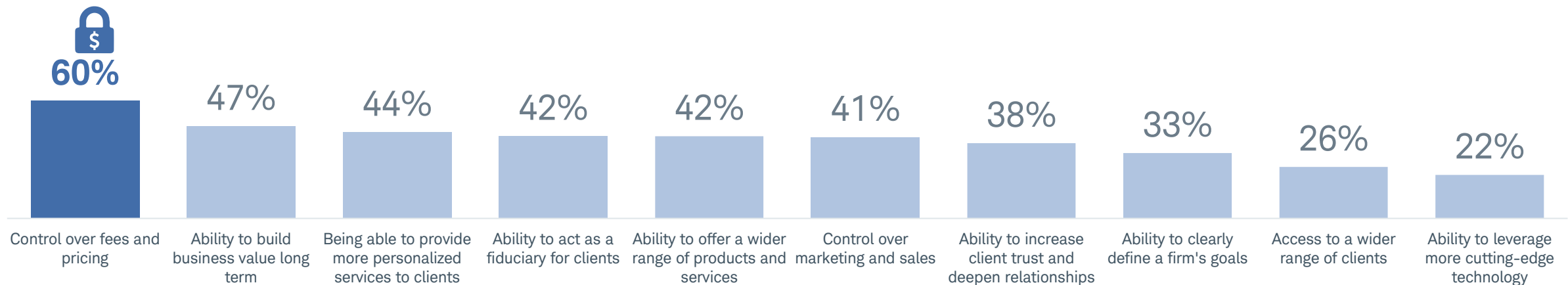
“It’s not like we couldn’t grow our business prior to going independent. But we do have more freedom now. When I say freedom, I mean the ease of how we’re able to operate. We can do whatever we believe is in the client’s best interest. We can use any product or tools we want instead of being bound to a pre-approved list; we can run our practice and operate it however we want to.”

- Recently independent advisor

Advisors are also attracted to the independent model because it unlocks additional avenues for growth and autonomy. When asked what they see as the biggest opportunities for advisors in going independent, 60% of all advisors cited control over fees and pricing, followed by the ability to build business value long term (47%).

These sentiments were echoed throughout our qualitative interviews, with a number of advisors specifically highlighting access to a greater variety of products as one of the key benefits of going independent. Others sought (or are seeking) independence to get away from onerous compliance policies and internal pressure to cross-sell.

Top Opportunities for RIAs



04 | Autonomy

In both our qualitative and quantitative studies, advisors pointed to technology as another consideration in the path to independence – specifically, a desire for greater control over the tools they use to serve their clients. One-third (33%) of recently independent advisors cited the ability to leverage more cutting-edge technology as the biggest opportunity in becoming an RIA, an attitude shared by nearly one-fifth (19%) of those considering independence.

The advisors we interviewed expanded further upon the role technology has played in their decision-making, with both recently independent and considering advisors expressing frustration with the outdated technology they’ve experienced at prior firms. For them, part of the appeal of independence is having access to wider variety of capabilities – and the autonomy to choose what works best for them and their clients.

“Everything I want to do – analysis, marketing, campaigns, whatever it is – I’ve built from scratch. CRM, same thing. All these things I wanted to build for my prior firm, I wasn’t allowed to.”

– *Recently independent advisor*

“My prior firm’s technology looked like something out of the 1990s, maybe the early 2000s. It was just not with the times; you had to have different programs for different things, and nothing could be found in one place.”

– *Recently independent advisor*

“My old firm’s financial planning software was absolutely abysmal; it was embarrassing to show it to clients. Now, as an independent advisor, we’re able to work with different vendors and pick best-in-class financial planning software, and we have more access to research than we ever did before.”

– *Recently independent advisor*

V

Freedom to maximize the opportunity ahead

With the flexibility to run their businesses on their own terms, independent advisors can refine their business strategies, expand their services, and capitalize on the growth opportunities the RIA model provides.

05 | Offers & Growth

Across both the survey and our interviews, advisors time and again pointed to client service as a primary motivator for going independent. They believe clients benefit from access to a wider array of products, secure in the knowledge that their advisor is always acting in their best interest.

But advisors' excitement about the possibilities afforded by independence goes well beyond an expanded suite of investment products. In fact, both considering and recently independent advisors are looking more holistically at their offerings and exploring how planning services can fit into their strategies.

Recently independent advisors already offer an expansive menu of planning and specialized services, with some frequently cited offerings including multi-generational wealth planning, risk management, and charitable giving planning.

Among those not yet providing them, recently independent advisors cited tax planning (29%) and estate planning (17%) as the services they are most likely to offer in the future.

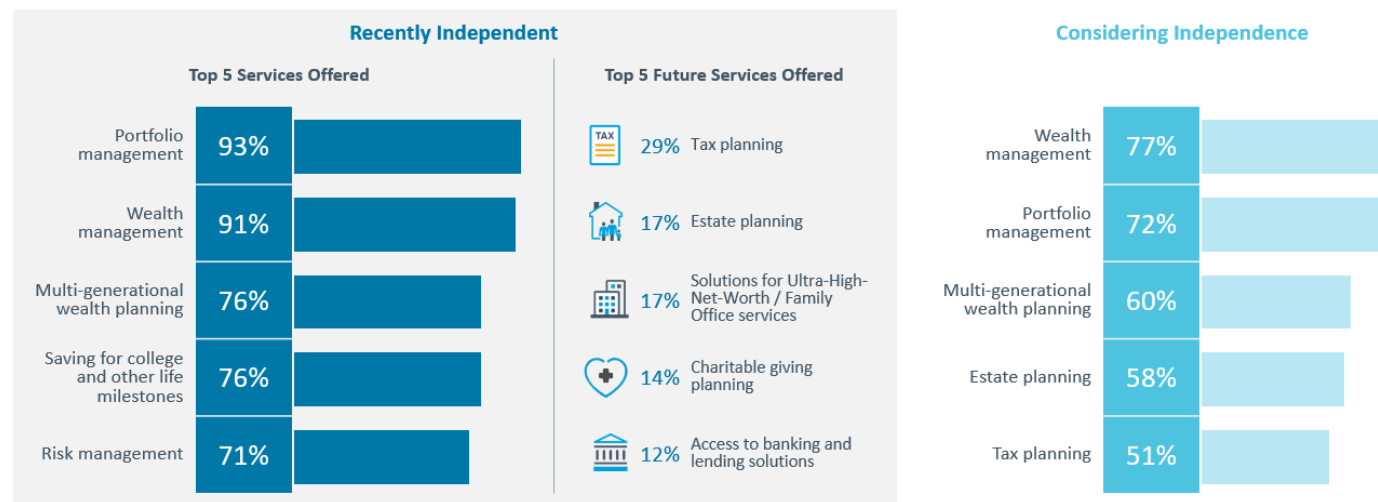
Advisors in the consideration phase also take a broad view of the services they plan to offer their clients as an RIA, including multi-generational wealth planning, estate planning, tax planning, and risk management.

"I like being able to offer more service models. You had to have a certain asset level to work with my last firm. Whereas now, I'm able to offer hourly financial planning and other short-term, one-off projects. I'm able to work with a lot more people. You don't already have to have a bunch of money to work with me. For me, it's a lot of fun being able to help people just starting off." – **Recently independent advisor**

"My decision to go independent boiled down to the direction that my old firm was going. They were more investment-focused, whereas my passion and interest lie in overall financial planning. Investments, that's an important piece of the pie, but that's not the only thing going on." – **Recently independent advisor**

"The biggest opportunity has been offering non-AUM services. I've found a lot of people looking for help from a financial planner that doesn't involve them handing over their life savings. That's been a huge opportunity." – **Recently independent advisor**

Services



Which of the following services does your firm offer currently?
Which of the following services do you expect to offer in the future?
(Base: Recently Independent n = 42)

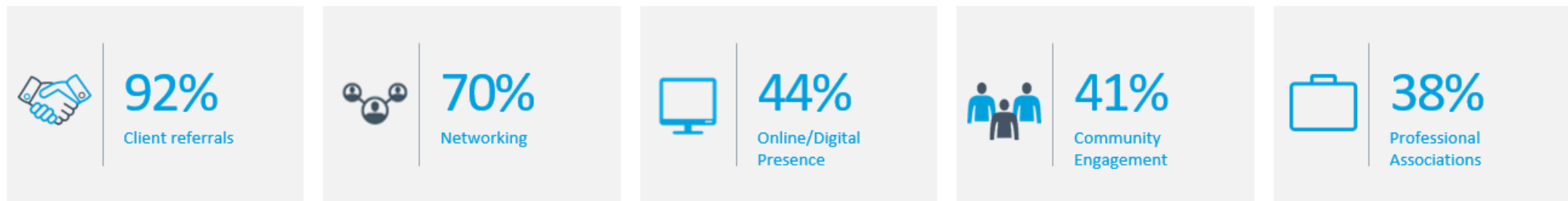
Which of the following services do you expect your firm to offer in the future?
(Base: Considering Independence n = 158)

05 | Offers & Growth

This focus on comprehensive service and planning goes hand-in-hand with advisors' growth strategies; after all, deepening existing client relationships through value-add services can be one of the most effective ways for advisors to secure referral business.

Notably, 92% of advisors considering independence expect to rely heavily on client referrals to grow their book of business – followed somewhat distantly by networking, cited by 70% of considering advisors.

Methods for Growing Business



05 | Offers & Growth

Advisors are optimistic about their growth prospects overall – and if the experience of recently independent advisors is any indication, those considering independence, again, have realistic expectations for their future.

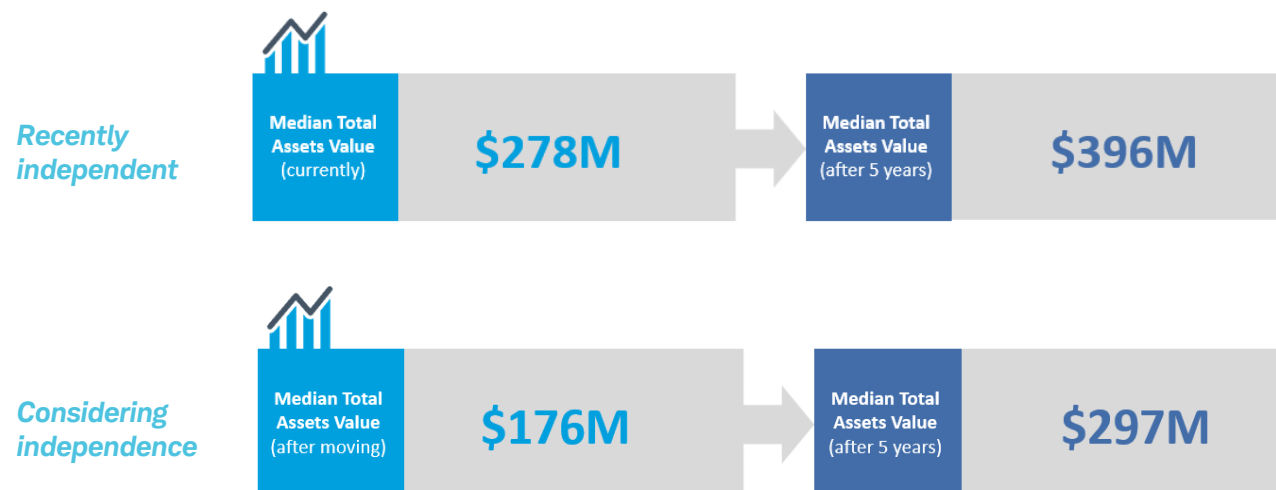
The current median AUM of the recently independent advisors surveyed (i.e., their AUM within four years of going independent) is \$278 million, and in the next five years, they expect to oversee \$396 million – a 42% increase.

In comparison, the median AUM considering advisors expect to oversee after they first transition is \$176 million, and the median AUM they expect to manage five years after independence is \$297 million. This would represent 69% growth over five years, but would also bring their AUM in line with what their recently independent peers have achieved.

“Going independent has gone better than I could have ever imagined a year and a half in. Some clients followed me from my old firm, so I was able to hit the ground running. I’ve grown; I’ve almost doubled in the past year and a half. It’s gone really well.”

– *Recently independent advisor*

Change in AUM

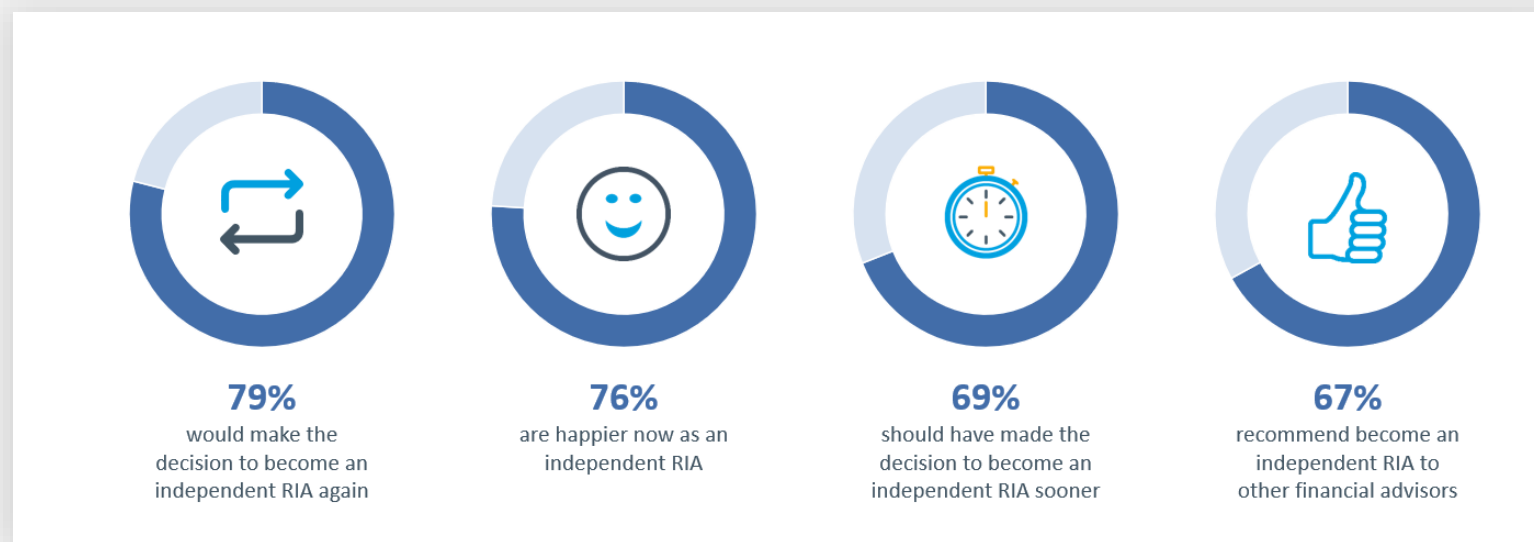


Approximately, what do you expect the total value of assets managed by your firm/team to be 5 years from now?
(Base: Recently Independent n = 42)
Approximately, what do you expect the total value of assets managed in your book of business will be after you first move to an independent RIA?
Approximately, what do you expect the total value of assets managed in your book of business will be after your first 5 years of becoming an independent RIA?
(Base: Considering Independence n = 158)

Conclusion

Conclusion

The future looks promising for the RIA sector, and our survey results represent fresh data in a growing body of evidence that this is the direction the advice industry will continue to move. The findings further demonstrate that RIAs are highly satisfied with their decision to become independent and are advocating for their peers to join them – meaning the transition pipeline is likely to remain robust.



But in order for advisors to truly capitalize on the opportunity ahead of them, they need more support and guidance. Schwab Advisor Services is focused on listening to advisors at all stages of the independence journey to deeply understand their needs, the forces shaping the broader industry, and which path will help them navigate both. Seeing the path to independence through our clients' eyes enables us to help them find the model that works best for them and present solutions that can make a real difference to their businesses – ensuring that more advisors are able to reap the benefits of going independent for years to come.

Disclosures

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The report relies, in part, on information provided to Schwab by the advisory firms named and others that participated in Schwab’s research and interviews. Schwab did not independently verify that information, and Schwab makes no representations about the accuracy of the information in the report. In addition, the experience and practices discussed in the report may not be representative of other firms or the experience or results you might obtain.

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Own your tomorrow.

Appendix

Firmographic snapshot

Based on advisors who responded to the study

Advisor Gender



Male	Female
89%	11%

Average Advisor Age



Mean	Median
51 years	51 years

Average Age Began Advising



Mean	Median
30 years	27 years

Number of Employees at Firm/Team



Mean	Median	
12	6	Independent
7	4	Considering

Assets Under Management at Firm/Team



Mean	Median	
\$1,320.8M	\$277.8M	Independent
\$817.6M	\$262.2M	Considering