

# Independent Advisor Sophomore Study

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The logo for Charles Schwab, featuring the word "charles" in a lowercase, italicized serif font above the word "SCHWAB" in a bold, uppercase, sans-serif font, all contained within a blue square.

charles  
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# Executive Summary

## Advisors hear the call of independence and take action

- [Two thirds](#) of advisors report taking fewer than three years to make the decision to move to the RIA model
- Once the decision is made, [most advisors transition within a year](#)
- [More than 90% of advisors](#) would make the decision again and are happier now that they are independent
- [7 in 10 advisors have increased their revenue](#) since going independent

## Clients help drive the decision process

- The majority of advisors report choosing the RIA model to gain the [freedom to do what's best for clients](#) (94%) and that as a result of going independent, they are able to build [better, longer-term relationships](#) (73%)
- Nearly half of advisors (48%) say [working with a fiduciary](#) is the most important benefit to their clients
- Clients seem to agree: advisors retain an average of [87% of clients](#) when they move to the independent model

## Stops along the way

- [Most advisors have taken career steps via full service banks or brokerage firms](#), or national or regional broker dealers before transitioning to the independent model
- Of those who began their financial advice career at a national or regional broker/dealer, one in three (33%) report taking this path [to get started and build their experience](#)

## Advice to advisors

- [Make the transition as soon as possible](#) (22%) and [make detailed plans](#) (22%)
- The [three most important steps](#) during the transition are retaining clients, evaluating the economics of the independent model, and transition planning and help with client paperwork



“Independent advisors are the growth story of the advice industry. We will continue to see momentum accelerate as more advisors choose to move to the independent model, confident in the knowledge that it is a better way to serve clients while also offering the opportunity to build and grow something of their own. ”

- **Jonathan Beatty**, senior vice president, head of sales and relationship management, Schwab Advisor Services



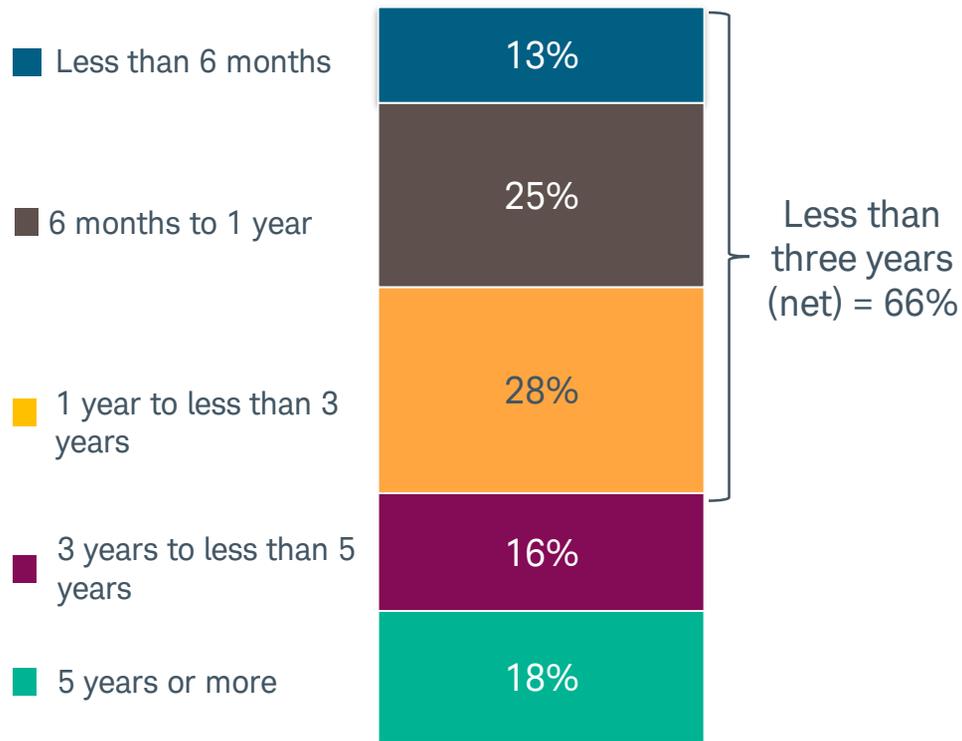
## Sharing Insights

Follow @Schwab4RIAs for more results and Schwab insights on the *Independent Advisor Sophomore Study* and the movement to independence.

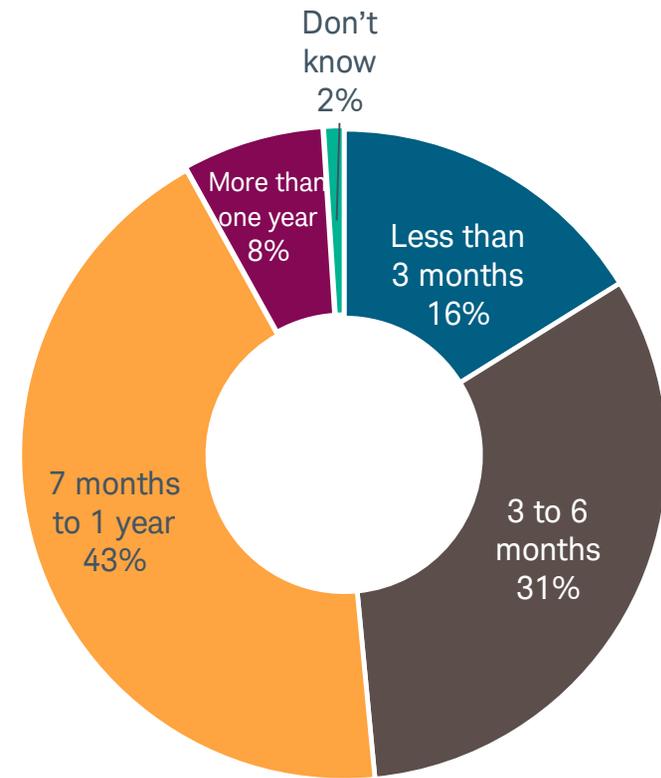
# Detailed Findings

# Quick to decide: Once advisors choose independence, most take less than a year to transition

Length of time it took to decide to become an independent investment advisor



Length of time it took to plan the transition and move clients



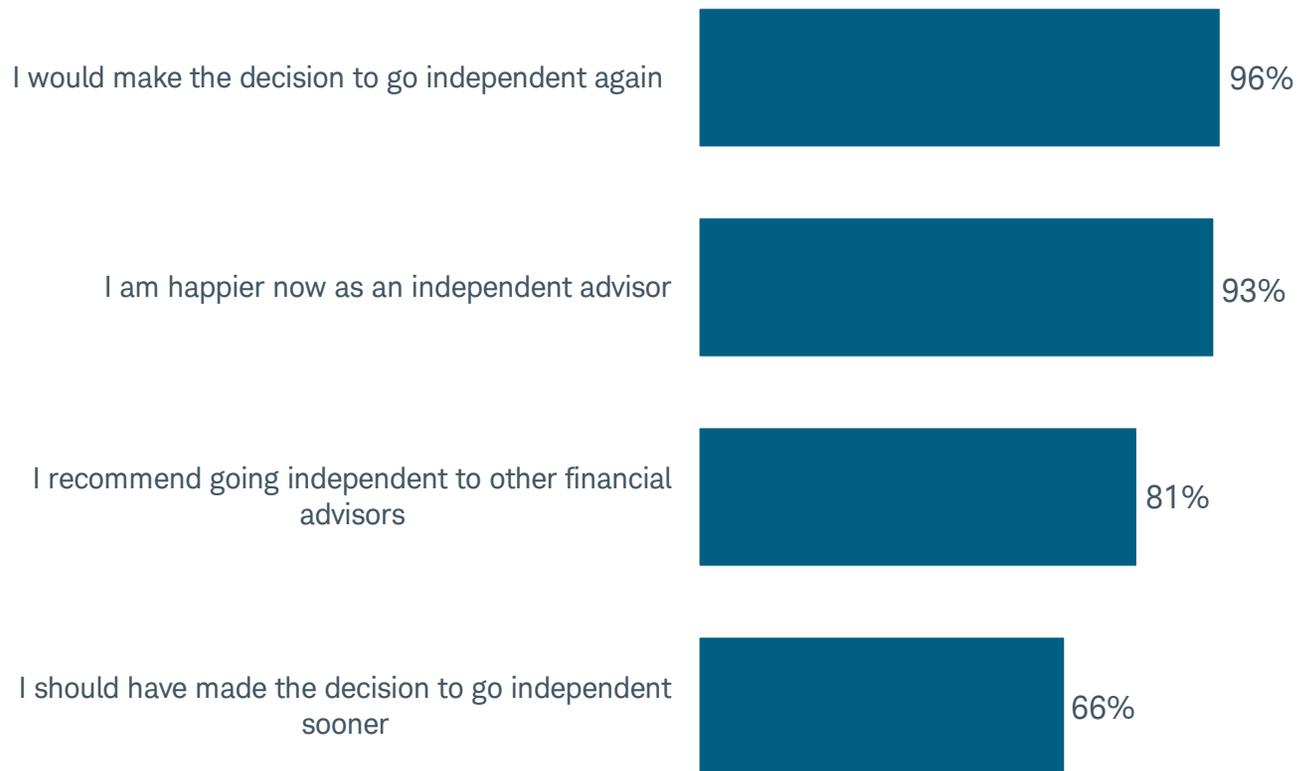
Q2 About how long did it take you to decide to become an independent investment advisor? Please include the time from when you first considered the idea to when you initiated the transition. Your best estimate is fine.

Q3 Once you made the decision to become independent, how long did it take for you to plan your transition and move your clients?

(Base: Total = 67)

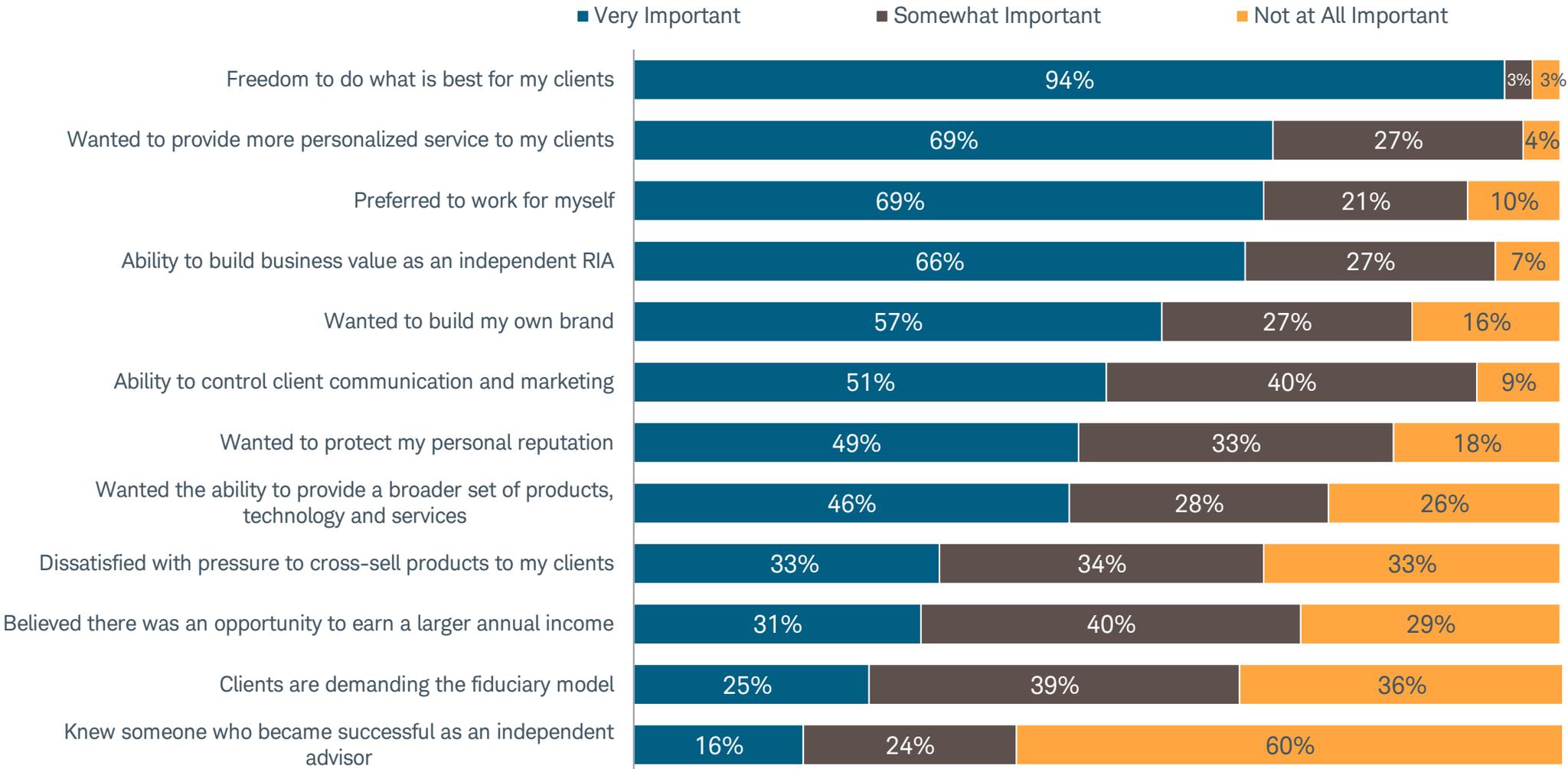
# No regrets: Nearly all advisors would turn independent again and are happier and wish they'd done it sooner

## Statements that apply to advisor



# Clients first: Doing what is best for investors is the most important reason to go independent

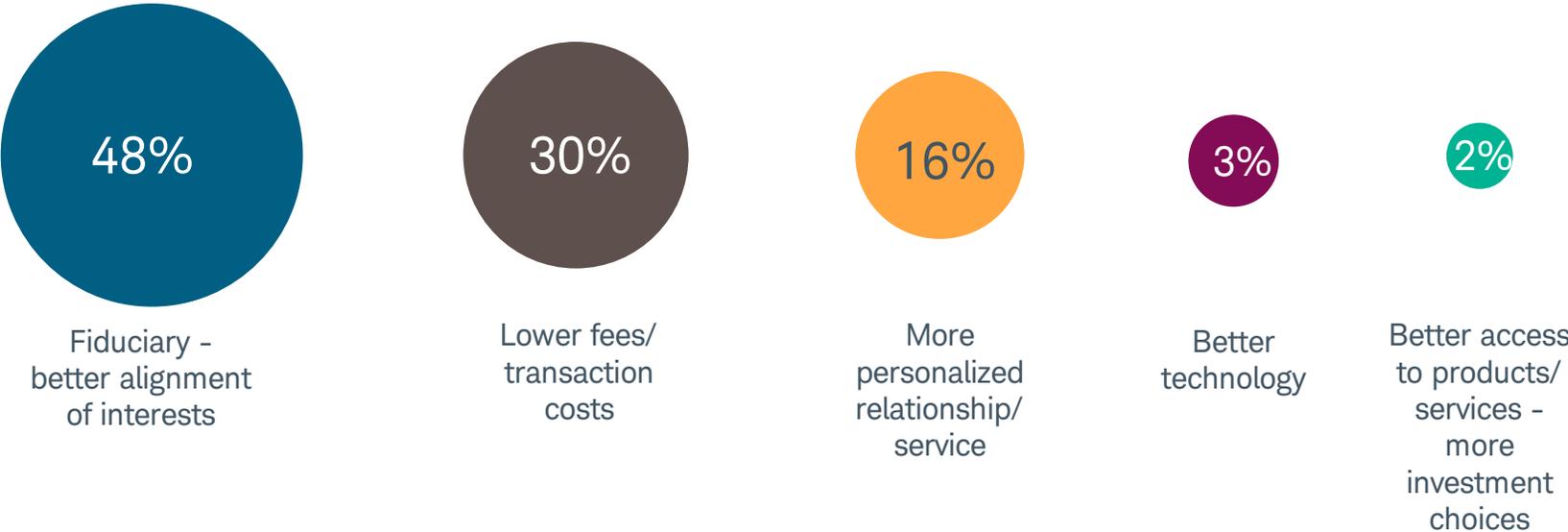
Important reasons for going independent



Q11 How important were each of the following reasons for going independent?  
(Base: Total = 67)

# Fiduciary focus: The most important benefit to clients when becoming an independent advisor

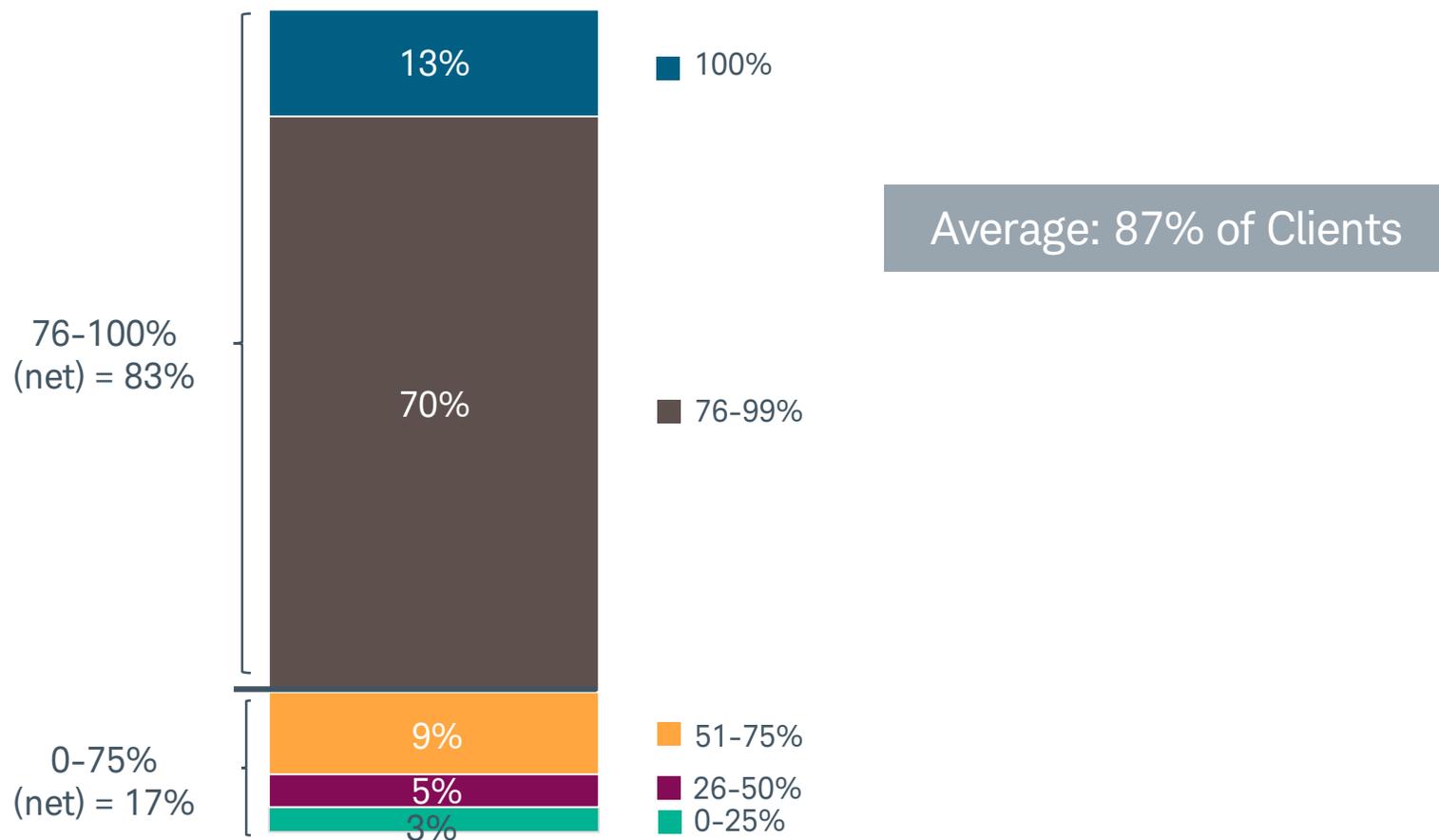
Most important benefits to clients for advisor becoming an RIA



Q18 What have been the benefits to your clients of your becoming an RIA?  
(Base: Total = 67)

# Clients come along: Nearly all clients follow the advisor in the transition to independence

Percent of clients retained in transition to independence

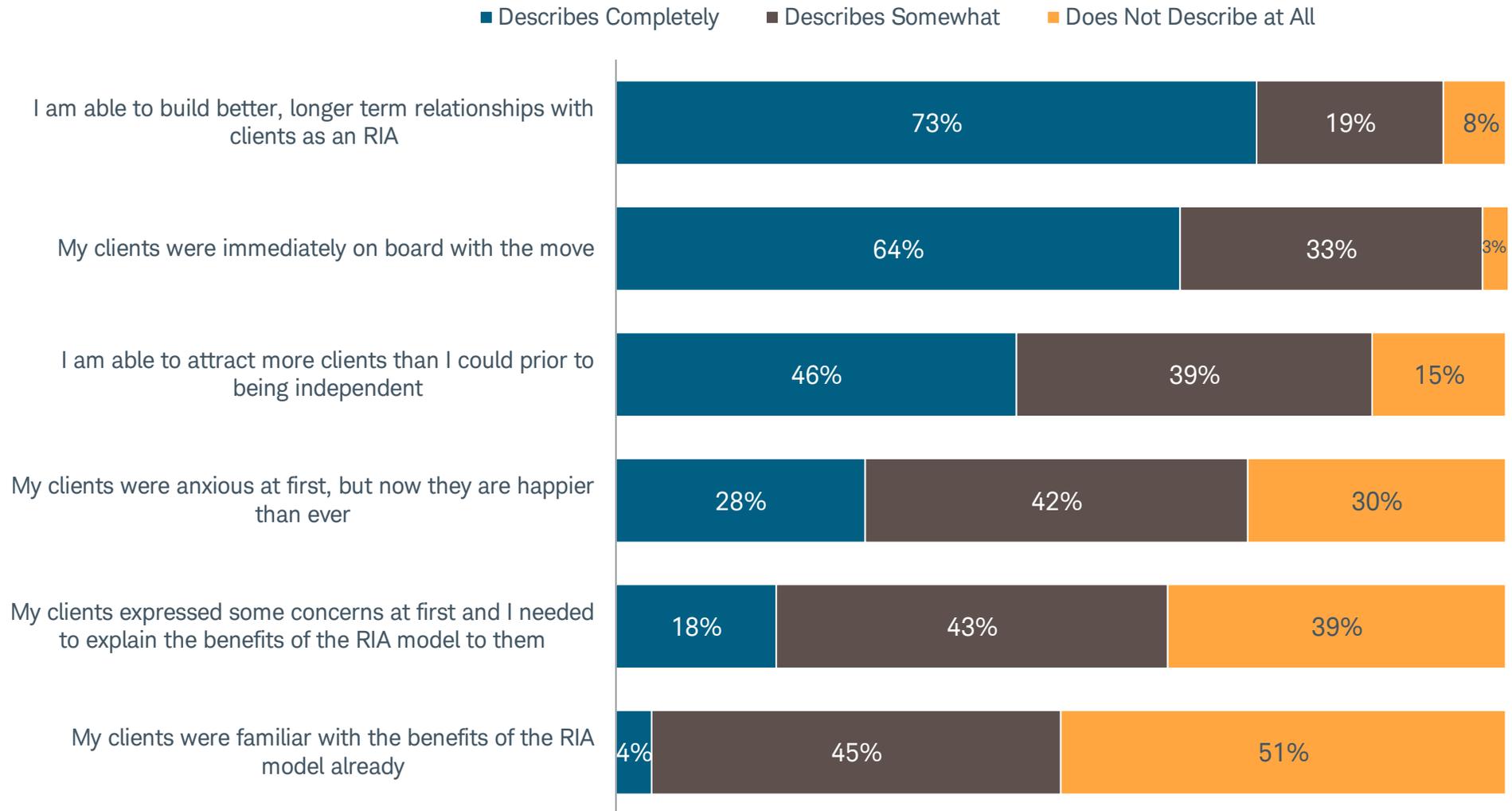


Q13 Approximately what percentage of clients did you retain in the transition to independence?

(Base: Total = 67)

# Working on the relationship: Advisors say they can build stronger bonds with clients as an independent

Statements describe clients



# Free to be me: Autonomy and control are key reported benefits of independence

Primary benefit becoming an RIA

	Total
<b>Freedom/autonomy/flexibility/control</b>	<b>55%</b>
<b>Better (fiduciary) for clients/put their needs first/no conflict of interest</b>	<b>34%</b>
Better economics/more earnings/profits/keep more	15%
Ownership/can build my own business	12%
More/better investment product choices/higher returns	8%
Lower costs/fees	8%
Positive culture/environment/can enjoy myself	8%
Work/life balance	5%
Less regulation/compliance issues	5%
Focus on what's important/no distractions	5%
More efficient/less time spent/wasted	3%
Other mentions	9%
Nothing / N/A	13%

“Complete freedom. Flexibility of time. Practicing our own investment philosophy. Higher return on assets. Significantly less compliance hurdles.”

“Control over all aspects of how I am able to help clients. I feel I can do it better than a broker/dealer!”

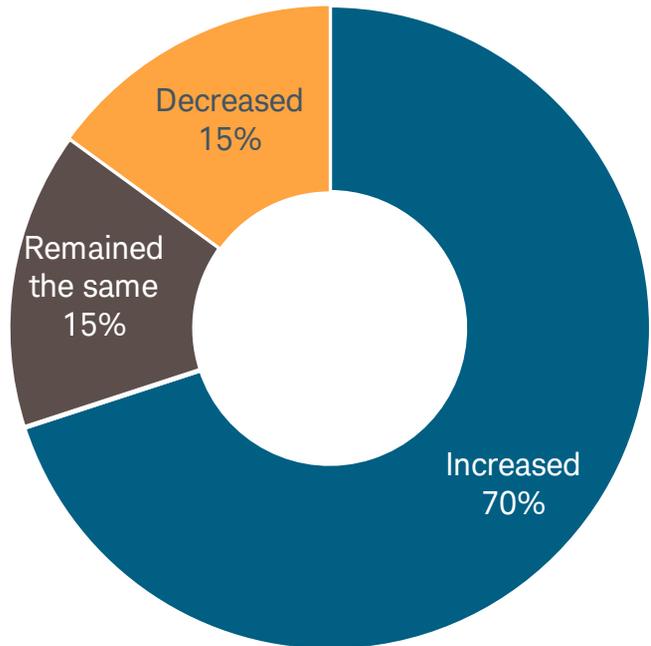
“Independence to be a true fiduciary and not sell commission-based products.”

“The personal benefit is greater autonomy and increased income. The client benefit is lower fees and expenses - they keep more of what they make!”

“Better able to make pricing and service decisions for my clients.”

# Rewing up: Most advisors have increased their revenue since going independent

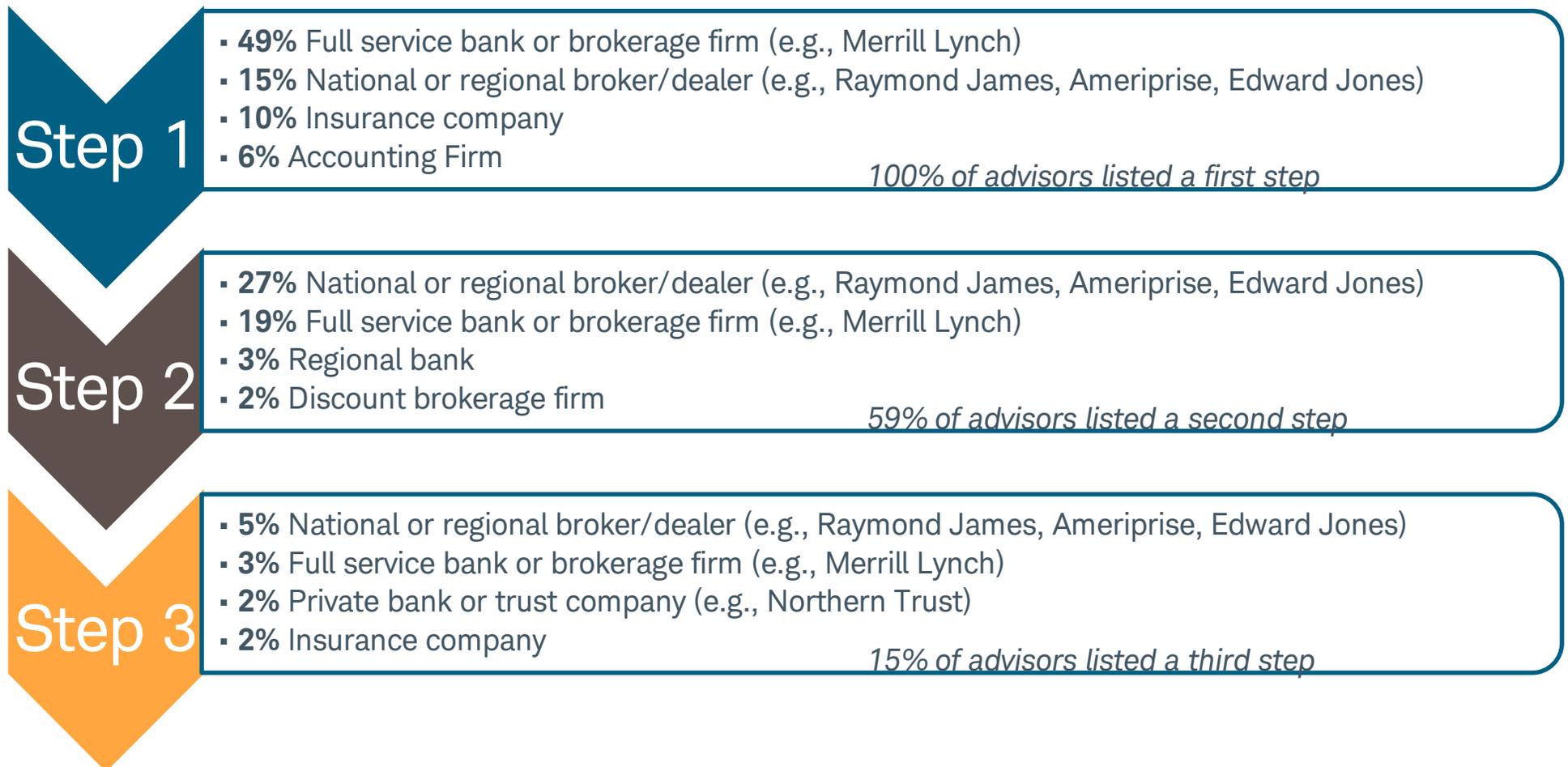
Description of revenue since became independent as an RIA



Q14 How would you describe your revenue since you became independent as an RIA?  
(Base: Total = 67)

# Stops along the way: Banks and brokerages most common first career steps toward independence

Top three career steps taken prior to becoming independent



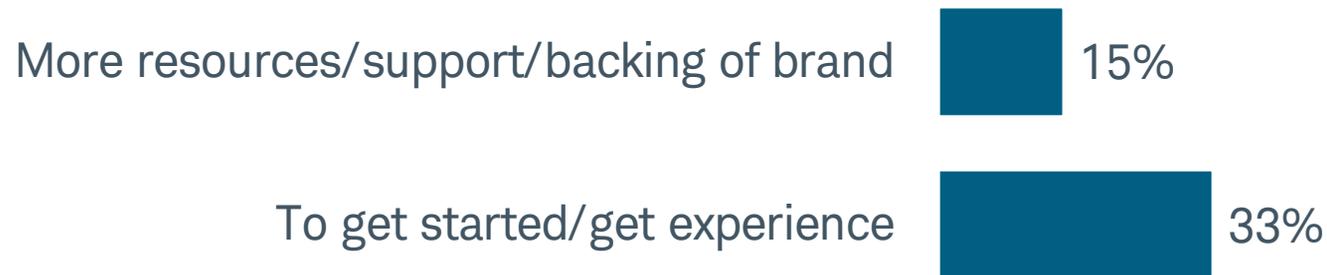
Q7 We would like to understand the career steps you took prior to becoming independent. Please select up to three steps leading up to your becoming an RIA and place them in the spaces on the right  
(Base: Total = 67)

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# Experience required: Some advisors worked at a broker/dealer first to build skills or for brand support

Reasons why initially worked at a national or regional broker/dealer instead of an RIA

Base: Worked at a national or regional broker/dealer

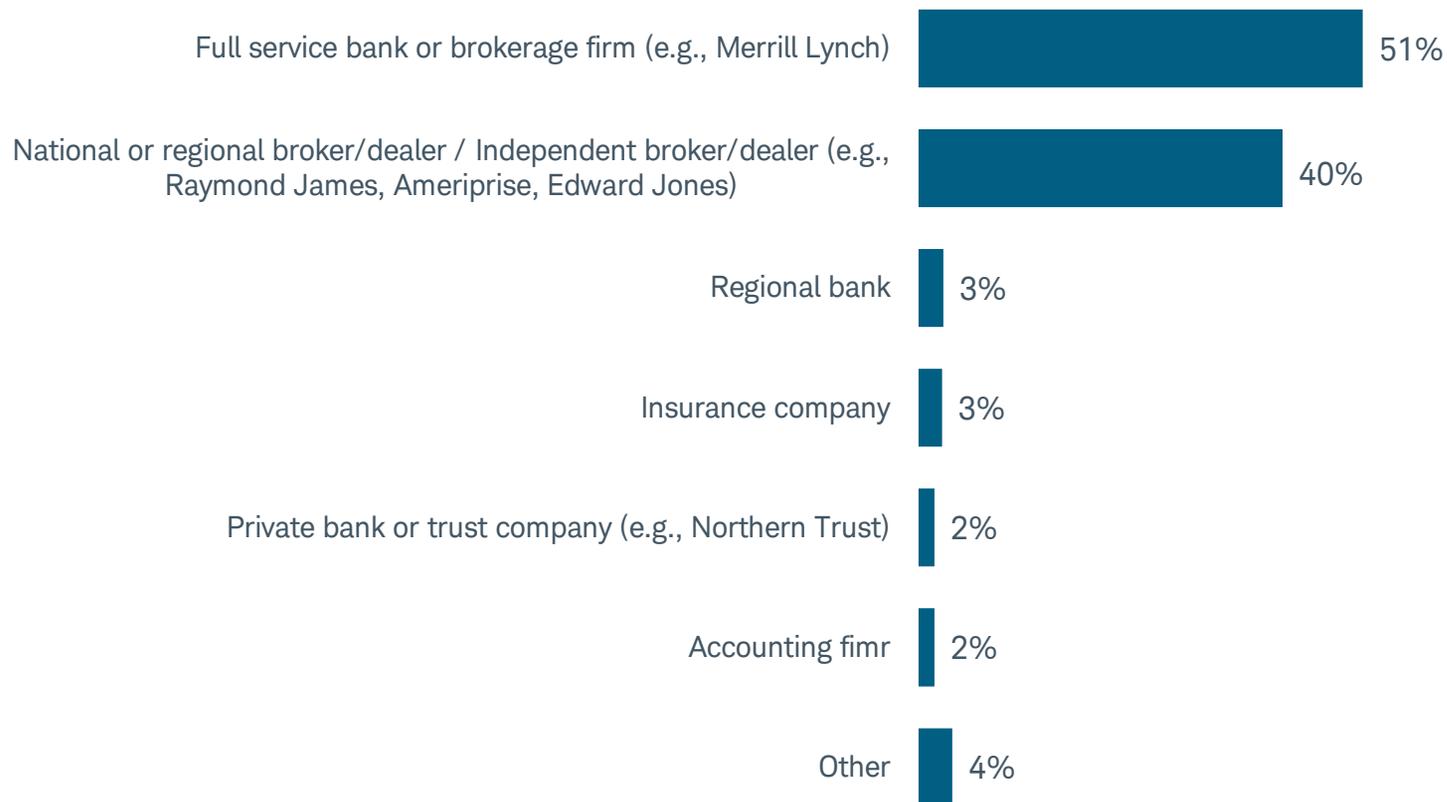


Q5 What were the reasons you initially worked at a national or regional broker/dealer instead of as an RIA?

(Base: Those who worked at a national or regional broker/dealer = 27)

# Springboards to independence: Banks, brokerage firms and broker/dealers

Firm last worked for prior to becoming an RIA



Q4 What type of firm did you last work at prior to becoming an RIA? (Base: Total = 67)

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# Advice to advisors: Be prepared and don't wait

Piece of advice would give another advisor considering the move to becoming independent

	Total
<b>Just do it/do it soon/don't wait too long</b>	<b>22%</b>
<b>Detailed planning/preparation</b>	<b>22%</b>
Process will take time/effort/longer/harder than you think	10%
Do economic/cost-benefit analysis	8%
It will be good for clients/in their best interest	8%
Research/educate yourself	8%
Use consultants/advisors/don't try to do it yourself	8%
Join/partner with established/like-minded RIA	6%
Be clear on what you want/what type of business/services	6%
Consult RIAs who've made the switch	5%
Understand scale needed for success/work towards it	3%
Avoid/use caution with hybrid structure/due diligence on BD	3%
Evaluate/choose technology/platforms before switch	3%
Be sure client base works with RIA model/prune inappropriate clients	3%
Do it if you're entrepreneurial/independent minded/don't if not	3%
Educate clients/make it clear what to expect	3%
Save/download/back up all data/information	3%
Switch from commissions to fees ahead of time	3%
Other mentions	10%
Nothing / N/A	9%

“Do your homework, hire legal consulting and do it now! I wish I would have made the decision to go forward sooner.”

“The process will take longer than you think. The transition involves an incredible amount of bureaucracy over which you have very little control.”

“Write out a business plan. Write out the steps you need to do to go independent.”

“You'll not have it all figured out, just do it.”

# First things first: Get your clients on board and understand the economics

## Important steps in making the transition to independence



Q8 Which of the following were important steps in making the transition to independence?

Q9 Which of these was the most important step?

(Base: Total = 67)

# Methodology

<b>About</b>	<ul style="list-style-type: none"><li>▪ Charles Schwab’s <i>Independent Advisor Sophomore Study</i> aims to understand the motivations, mindset and experiences of financial advisors who have recently made the transition to the independent model (“sophomores”).</li></ul>
<b>What</b>	<ul style="list-style-type: none"><li>▪ An online study was conducted by Koski Research</li><li>▪ Koski Research is neither affiliated with nor employed by Charles Schwab &amp; Co., Inc. Member SIPC</li></ul>
<b>When</b>	<ul style="list-style-type: none"><li>▪ The study was conducted January 17 – February 5, 2018</li></ul>
<b>Who</b>	<ul style="list-style-type: none"><li>▪ Survey invite emails were sent to 696 advisors, drawn from Schwab’s client database</li><li>▪ To qualify for the study, advisors must have started or joined an existing independent investment advisory firm in the past seven years</li><li>▪ 67 completed the study, yielding a 10% response rate</li><li>▪ Advisors were not provided with an incentive for completing the study</li><li>▪ RIA refers to Registered Investment Advisor. RIAs are independent advisors and are not owned by, affiliated with or supervised by Schwab.</li></ul>

# Demographics / Firmographics

	Total
<b>Best Describes You</b>	<b>N=67</b>
You started an independent investment advisory firm in the past seven years	96%
You joined an existing independent investment advisory firm in the past seven years	4%
<b>Age</b>	
Under 40	12%
40-49	22%
50-59	34%
60-69	24%
70+	7%
Prefer not to say	1%
MEAN	54
MEDIAN	57
<b>Gender</b>	
Male	87%
Female	12%
Prefer not to say	1%

	Total
<b>Number of Employees</b>	<b>N=67</b>
MEAN	4
MEDIAN	3
<b>Value of Assets Managed by Firm</b>	
Less than \$25 million	17%
\$25 - \$50 million	10%
\$51 - \$100 million	21%
\$101 - \$250 million	35%
\$251 - \$500 million	13%
\$501 million - \$999 million	2%
\$1B+	2%
MEAN	\$161M
MEDIAN	\$175M
<b>Primary Role in Firm</b>	
Principal	91%
Portfolio manager	6%
Compliance/risk manager	3%
<b>Founding Principal</b>	
Yes	100%