February 2019

Media contact:

Rob Farmer
Corporate Public Relations
415-667-0083
rob.farmer@schwab.com
# Contents

## Foreword

| Foreword | 3 |

## Findings

<table>
<thead>
<tr>
<th>Findings</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longer client lifespans</td>
<td>6</td>
</tr>
<tr>
<td>Information privacy/data integrity</td>
<td>9</td>
</tr>
<tr>
<td>Changing workplace dynamics</td>
<td>12</td>
</tr>
<tr>
<td>Artificial intelligence</td>
<td>15</td>
</tr>
<tr>
<td>Climate change</td>
<td>18</td>
</tr>
<tr>
<td>Medical advancements</td>
<td>21</td>
</tr>
</tbody>
</table>

## Appendix

<table>
<thead>
<tr>
<th>Appendix</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methodology</td>
<td>25</td>
</tr>
<tr>
<td>Firmographics</td>
<td>26</td>
</tr>
</tbody>
</table>
Foreword

For the past 12 years, Schwab Advisor Services has asked independent advisors for their perspectives on their industry, their firms and investor clients, and the investment environment overall. Results from these surveys have been released as the Independent Advisor Outlook Study (IAOS) and, beginning in 2018, with an additional periodic version of the study, the Independent Pulse.

In this Pulse study, we sought to understand the dynamics shaping the independent advice industry with the goal of shining a light on the opportunities and challenges facing RIAs. We asked advisors to look beyond the immediate forces influencing the advice and wealth management space, and to consider six larger trends currently being navigated at the individual and societal level. Namely: increased human longevity, changing workplace dynamics (automation, changing job skills), medical advancements, information privacy and data integrity, artificial intelligence (AI), and climate change.

The data in the slides following reflects advisors’ perspectives on these macro forces with respect to anticipated impact and implications on their firms and their clients.

Key findings

- **Most impactful trends:** Longer client lifespans, information privacy/data integrity and changing workplace dynamics were cited as the leading three factors that could impact on advisors’ businesses over the next decade.

- **Not all impact is created equal:** Longer client lifespans and changing workplace dynamics are expected to have a mostly positive impact on firms, while information privacy/data integrity is expected to be mostly negative.

- **Good for business and positive for clients:** Where advisors saw a positive impact for their business (longevity, workplace dynamics, AI and medical advancements), they likewise saw positive implications for clients, and vice versa (negative expectations for firms and clients for information privacy/data integrity and climate change).

- **Implications for firms:** Top trends are expected to have broad ranging impact on firms, including implications for growth and operations, talent strategies, advice/services offered and portfolio management/asset allocation.

- **Influence on clients’ financial lives:** Advisors expect macro forces will impact clients’ risk management, timing and duration of working life/retirement, planning goals and spending patterns/priorities.

“The world in which advisors and their clients live is changing rapidly and the implications of these changes will ultimately manifest in how advisors evolve their firms to serve the changing needs of their clients.”

- Bernie Clark, head of Schwab Advisor Services
Findings
Q2. Please select which of the following you believe will have the greatest impact on your firm/business over the next 10 years. (Base: Total Advisors; Current wave = 778)

Changing workplace dynamics is defined as: increased automation, changing job skills required.
Longer client lifespans
Longer Client Lifespans: Advisors

Impact on Advisors

44% believe longer client lifespans will significantly affect their businesses

Why?

57% cite ensuring clients’ funds last for a lifetime

24% are very concerned about the impact of longer client lifespans

62% believe the impact will be mostly positive

13% believe the impact will be mostly negative

Top areas of firm that will be affected...

74% Portfolio management & asset allocation

67% Advice

47% Firm growth

Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
Q3. Please share your perspective on why you believe LONGER CLIENT LIFESPANS will have the greatest impact on your firm/business in the next 10 years?
Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
Q6. Which aspects of your firm/business do you think will be impacted by the following?
64% believe longer lifespans will have a significant impact on their clients in next 10 years

Impact on clients will be mostly...

Positive 71%  Negative 10%

Top areas of clients financial lives that will be impacted ...

- Planning goals 84%
- Timing & duration of working/retirement 82%
- Spending 81%

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?
Information privacy/
data integrity
59% believe information privacy & data integrity will significantly affect their businesses

Why?

29% cite hackers as a threat
24% cite this trend as the biggest risk factor for this business

48% are very concerned about the impact of information privacy

Top areas of firm that will be affected...

88% Operations
30% Advice
23% Firm growth

Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
Q3. Please share your perspective on why you believe PRIVACY AND DATA INTEGRITY will have the greatest impact on your firm/business in the next 10 years.
Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
Q6. Which aspects of your firm/business do you think will be impacted by the following?
40% believe information privacy & data integrity will have a significant impact on their clients in next 10 years

Impact on clients will be mostly...

Positive 32% 42% Negative

Top areas of clients’ financial lives that will be affected...

- Managing risk: 68%
- Planning goals: 10%
- Wealth accumulation: 10%

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
Q9. Which aspects of your clients’ financial lives do you believe will be impacted by each of the items below?
Changing workplace dynamics
Changing Workplace Dynamics: Advisors

Impact on Advisors

43% believe changing workplace dynamics will significantly affect their businesses

Why?
21% cite increased efficiency / productivity
16% cite the need to adapt to disruption

24% are very concerned about the impact of changing workplace dynamics

63% believe the impact will be mostly positive
10% believe the impact will be mostly negative

Top areas of firm that will be affected...

- Operations: 75%
- Talent: 55%
- Firm growth: 53%

Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
Q3. Please share your perspective on why you believe CHANGING WORKPLACE DYNAMICS will have the greatest impact on your firm/business in the next 10 years. Examples of changing workplace dynamics include increased automation, changing job skills required, etc.
Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
Q6. Which aspects of your firm/business do you think will be impacted by the following?
20% believe changing workplace dynamics will have a significant impact on their clients in the next 10 years.

Impact on clients will be mostly...

Positive: 47%
Negative: 16%

Top areas of clients’ financial lives that will be affected...

- Timing and duration of working / retirement: 52%
- Planning goals: 41%
- Wealth accumulation: 35%

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
Q9. Which aspects of your clients’ financial lives do you believe will be impacted by each of the items below? Examples of changing workplace dynamics include increased automation, changing job skills required, etc.
Artificial intelligence
Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
Q3. Please share your perspective on why you believe ARTIFICIAL INTELLIGENCE will have the greatest impact on your firm/business in the next 10 years.
Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
Q6. Which aspects of your firm/business do you think will be impacted by the following?
23% believe artificial intelligence will have a significant impact on their clients in the next 10 years.

Impact on clients will be mostly...

Positive 55%  
Negative 8%

Top areas of clients’ financial lives that will be affected...

- Managing risk: 50%
- Planning goals: 32%
- Timing and duration of working / retirement: 27%

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?  
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?  
Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?
Climate change
Climate Change: Advisors

Impact on Advisors

8% believe climate change will significantly affect their businesses

Why?

47% cite a high cost of environmental events
32% cite social impact

13% are very concerned about the impact of climate change

6% believe the impact will be mostly positive
22% believe the impact will be mostly negative

Top areas of firm that will be affected...

41% Portfolio management / asset allocation
24% Advice
17% Firm growth

Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
Q3. Please share your perspective on why you believe CLIMATE CHANGE will have the greatest impact on your firm/business in the next 10 years.
Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
Q6. Which aspects of your firm/business do you think will be impacted by the following?
12% believe climate change will have a significant impact on their clients in the next 10 years.

Impact on clients will be mostly...

Positive: 5%
Negative: 64%

Top areas of clients’ financial lives that will be affected...

- Managing risk: 41%
- Planning goals: 26%
- Spending: 25%

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
Q9. Which aspects of your clients’ financial lives do you believe will be impacted by each of the items below?
Medical advancements
Medical Advancements: Advisors

Impact on Advisors

21% believe medical advancements will significantly affect their businesses

7% are very concerned about the impact of medical advancements

67% believe the impact will be mostly positive

3% believe the impact will be mostly negative

Top areas of firm that will be affected...

- Portfolio management / asset allocation (48%)
- Advice (50%)
- Firm growth (22%)

Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?

Q3. Please share your perspective on why you believe MEDICAL ADVANCEMENTS will have the greatest impact on your firm/business in the next 10 years.

Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?

Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?

Q6. Which aspects of your firm/business do you think will be impacted by the following?
52% believe medical advancements will have a significant impact on my clients in next 10 years

Impact on clients will be mostly...

Positive 89% 2% Negative

Top areas that will be impacted for clients financial lives...

Timing and duration of working / retirement 73%
Planning goals 70%
Spending 65%

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?
Methodology

What

• The Independent Advisor Outlook Study (IAOS) is an online study conducted for Charles Schwab by Logica Research.
• Logica Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.
• The sampling error is +/- 3.5 percentage points at the 95% confidence level.

When

• The study was conducted from December 11 to December 21, 2018.

Who

• 778 independent investment advisors who custody assets with Schwab.
• Participation is voluntary, participants are not incentivized, and the typical (median) survey length was nine minutes.
### Firmographics
(Base: Total Advisors Responding)

<table>
<thead>
<tr>
<th>Advisors Responding</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Client Age by Range</strong></td>
<td>(n=778)</td>
</tr>
<tr>
<td>Under 50 years old</td>
<td>2%</td>
</tr>
<tr>
<td>50 to 54 years old</td>
<td>10%</td>
</tr>
<tr>
<td>55 to 59 years old</td>
<td>21%</td>
</tr>
<tr>
<td>60 to 64 years old</td>
<td>26%</td>
</tr>
<tr>
<td>65 or older</td>
<td>31%</td>
</tr>
<tr>
<td>Prefer not to say</td>
<td>10%</td>
</tr>
<tr>
<td><strong>MEAN</strong></td>
<td>61 yrs old</td>
</tr>
<tr>
<td><strong>MEDIAN</strong></td>
<td>59 yrs old</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advisors Responding</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Employees at Firm</strong></td>
<td>(n=687)</td>
</tr>
<tr>
<td>1 to 5</td>
<td>47%</td>
</tr>
<tr>
<td>6 to 15</td>
<td>29%</td>
</tr>
<tr>
<td>16 to 50</td>
<td>15%</td>
</tr>
<tr>
<td>51 or more</td>
<td>9%</td>
</tr>
<tr>
<td><strong>MEAN</strong></td>
<td>31</td>
</tr>
<tr>
<td><strong>MEDIAN</strong></td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advisors Responding</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets Under Management at Firm (AUM)</strong></td>
<td>(n=778)</td>
</tr>
<tr>
<td>Less than $25M</td>
<td>8%</td>
</tr>
<tr>
<td>$25M to $100M</td>
<td>21%</td>
</tr>
<tr>
<td>$101M to $250M</td>
<td>19%</td>
</tr>
<tr>
<td>$251M to $500M</td>
<td>14%</td>
</tr>
<tr>
<td>More than $500M</td>
<td>31%</td>
</tr>
<tr>
<td>Prefer not to answer</td>
<td>7%</td>
</tr>
<tr>
<td><strong>MEAN</strong></td>
<td>$371.3M</td>
</tr>
<tr>
<td><strong>MEDIAN</strong></td>
<td>$234.6M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advisors Responding</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Clients Per Firm</strong></td>
<td>(n=618)</td>
</tr>
<tr>
<td>1 to 50</td>
<td>18%</td>
</tr>
<tr>
<td>51 to 100</td>
<td>17%</td>
</tr>
<tr>
<td>101 to 250</td>
<td>28%</td>
</tr>
<tr>
<td>251 or more</td>
<td>37%</td>
</tr>
<tr>
<td><strong>MEAN</strong></td>
<td>744</td>
</tr>
<tr>
<td><strong>MEDIAN</strong></td>
<td>180</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advisors Responding</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>72%</td>
</tr>
<tr>
<td>Female</td>
<td>28%</td>
</tr>
</tbody>
</table>

Schwab Advisor Services™ serves independent investment advisors and includes the custody, trading and support services of Schwab. Independent investment advisors are not owned by, affiliated with, or supervised by Schwab. © 2019 Charles Schwab & Co., Inc. ("Schwab") All rights reserved. Member SIPC. 0219-9WKB