Contents

**Foreword** 3

**Key findings**
- Industry and firm outlook 4
- Beyond COVID-19 11
- Perspectives on innovation 16

**Appendix**
- Methodology 22
- Firmographics 23
Foreword

Schwab Advisor Services’ Independent Advisor Outlook Study (IAOS) gauges sentiment on topics and issues that are top-of-mind for independent advisors. Entering its 14th year and reflecting responses from RIAs on both the Schwab and TD Ameritrade Institutional platforms, the current wave provides a snapshot on the outlook for industry and firm growth, a look into the new realities for firms post-COVID, and insight into how advisors view innovation.

In short: advisors are bullish on growth. They expect the industry to continue to grow at a faster rate than the market, firms added more clients in 2020 than in previous years, and most continue to see accelerated growth ahead.

Advisors also expect some of the changes from 2020 to continue to impact their businesses: remote work is shaping new opportunities for connecting with clients and recruiting talent, and firms are becoming more flexible and adaptive to change and establishing new business workflows.

In the COVID-19 environment, innovation played a role in helping the industry grow, and most advisors see opportunities for continued innovation–driven growth coming from within and outside of the industry as we move ahead.

“The independent advice industry has reached a new growth tipping point, driven by investors who appreciate the value of fiduciary advice and advisors who continue to raise the bar in creating the ideal client experience.

As advisors look ahead, continued innovation and operational flexibility will be critical to capturing opportunities for growth, serving evolving client needs, and differentiating in this increasingly competitive market.”

Bernie Clark
Executive Vice President
Head of Schwab Advisor Services
Industry and firm outlook
Industry outlook:
Advisors are very bullish about the industry’s prospects for continued growth, more so than in August 2020

<table>
<thead>
<tr>
<th>Current state of the RIA industry</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIA industry will grow at a slow and steady rate</td>
<td>58%</td>
<td>48%</td>
</tr>
<tr>
<td>RIA industry has not fully matured and will continue to grow at a higher rate than the market</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>RIA industry has hit its peak growth and will now stabilize and remain flat other than market-based fluctuations in assets</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>RIA industry is on the decline</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Q1. Which statement best describes your opinion on the state of the RIA industry? (Base: Total Advisors; Current wave =953)
Industry outlook:
Preference for the independent model continues to drive industry growth, however RIA systems and the increasing number of affluent investors have a growing impact.

Growth drivers:
1. Preference for independent advisor model vs. other models
   - 2020: 64%
   - 2021: 57%

2. Robust RIA systems (platforms and technology) that make it easier to go independent
   - 2020: 20%
   - 2021: 24%

3. Increase in the number of affluent investors
   - 2020: 6%
   - 2021: 13%

Q2. What factor do you think will drive the most growth for the RIA industry in the next 2 years? (Base: Total Advisors; Current wave = 953)
## Industry outlook:
New forms of competition continue to be a leading barrier to growth

### Top barriers to growth

<table>
<thead>
<tr>
<th>Chart</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>New forms of competition</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Cost of doing business</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Difficulty in scaling the current service model to serve more people</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Inability to differentiate from competitors</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Lack of talent</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Slow adoption of new technology/tools among firms</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>COVID-19 impact</td>
<td>19%</td>
<td>4%</td>
</tr>
<tr>
<td>Slow adoption of new technology/tools among investors/clients</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Growing a business in a remote working environment</td>
<td>NA</td>
<td>3%</td>
</tr>
</tbody>
</table>

Q3. What will be the biggest barrier to growth for the RIA industry in the next two years? (Base: Total Advisors; Current wave = 953)
Firm outlook:
Most advisors expect accelerated growth in 2021 after a time of change in 2020

How advisors are thinking about firm in 2021

- Expect accelerating growth after time of change in 2020: 62%
- Expect to keep things consistent as possible after 2020: 31%
- Expect to rebuild after slowed progress in 2020: 7%

Q13. Which best describes how you are thinking about 2021 for your firm?
(Base: Total Advisors; Current wave = 953)
Firm outlook:
Almost all firms expect growth in net new assets this year

94% Firms that expect growth by the end of 2021

18% Average expected growth rate in new assets by end of 2021

Q11. How much do you expect your firm to grow by the end of 2021 in terms of net new assets?
(Base: Total Advisors; Current wave = 953)
Firm outlook:
Organic growth is expected to continue to drive net new asset growth

Percent of organic & inorganic firm growth

- **Existing clients**: 92%
- **New to firm clients**: 51%
- **M&A activity**: 3%
- **New advisor bringing business**: 5%

Q12. Thinking about the growth of your firm by the end of 2021 in terms of net new assets, what percentage do you expect to come from existing and new clients (organic growth), and what percentage do you expect to come from outside investments or transactions (inorganic growth)?

(Base: Advisors who expect growth; Current wave = 891)
Beyond COVID-19
Impact of COVID-19:
Half of advisors acquired more new clients in 2020 than in previous years

Q16. Did your firm acquire more new clients in 2020 than in previous years?
Q17. In what ways, if any, are your new clients different from your existing client base?
(Base: Total Advisors; Current wave = 953)

50% Acquired more new clients in 2020 than previous years

New clients are...

34% Younger
26% Have more wealth
17% Are more diverse
44% Are more tech savvy
Impact of COVID-19: Advisors became more flexible to serve clients during the pandemic

Changes to serving clients due to COVID-19

- **72%**
  - Become more flexible in adapting to change

- **56%**
  - Developed new workflows to meet client needs more effectively

- **33%**
  - Worked more hours than normal to meet client needs

- **28%**
  - Gotten to know clients better

Q.15. As a result of COVID-19, have any of the following been done to serve clients?
(Base: Total Advisors; Current wave = 953)
Beyond COVID-19: Lasting changes in how advisors communicate and where teams work

Top anticipated lasting changes due to COVID-19

- **62%** Regular use of video calls with clients
- **40%** More staff working remotely
- **33%** Less need for office space
- **33%** More online solutions for clients (services, transactions, reporting)
- **32%** More automated and tech-supported operational workflows
- **25%** More virtual events including CE credits and networking

Q4. What top three lasting industry changes do you anticipate as a result of COVID-19? (Base: Total Advisors; Current wave = 953)
Beyond COVID-19
Recruiting is changing at half of all firms

Lasting effects of remote work on recruiting at firm...

49% No lasting impact
51% Impact

Lasting effects on recruiting for those who mention an impact...

- 49% Easier to recruit employees from wider geography
- 45% Harder to assess prospective hire fit with firm culture
- 31% Easier to hire more diverse talent
- 29% Greater awareness of need for more diverse talent
- 8% Harder to hire more diverse talent

Q.14. What will be the lasting effects of remote work on recruiting at your firm?
(Base: Total Advisors; Current wave = 953)
(Base: Advisors who mention an impact = 488)
Perspectives on innovation
Perspectives on innovation

Technology industry growth is the main driver of innovation in the RIA industry; innovation will come from within and from outside of the RIA industry.

Top drivers of innovation in RIA industry today

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of the technology industry</td>
<td>59%</td>
</tr>
<tr>
<td>Need to streamline processes</td>
<td>46%</td>
</tr>
<tr>
<td>Changing client needs</td>
<td>36%</td>
</tr>
<tr>
<td>Changing client demographics</td>
<td>34%</td>
</tr>
<tr>
<td>Security requirements</td>
<td>33%</td>
</tr>
<tr>
<td>New types of competitors</td>
<td>29%</td>
</tr>
</tbody>
</table>

Biggest opportunities for innovation to drive growth in RIA industry

- 65% Innovations within industry and from other industries equally
- 27% Innovation within the industry
- 8% Adopting innovations from other industries

Q.6. What are the three main drivers of innovation in the RIA industry today?
Q.7. What is the biggest opportunity for innovation to drive growth for the RIA industry?
(Base: Total Advisors; Current wave = 953)
Perspectives on innovation:
Most firms don’t see themselves at the cutting edge of innovation, but COVID-19 has been an accelerator of innovation

Describe firm on innovation

- Extremely innovative: 20%
- Somewhat innovative (sometimes leading edge, often a follower): 61%
- Not at all innovative: 19%

57% have become more innovative due to COVID-19

Q.8. How would you describe your firm in terms of innovation?
Q.9. Would you say that your firm...?
(Base: Total Advisors; Current wave = 953)
Perspectives on innovation:
Innovation requires additional firm investments of both time and resources

Q.10. Did the innovations you developed require additional investment of...?
(Base: Advisors who say firm is innovative; Current wave = 845)
Perspectives on innovation:
COVID-19 accelerated technology investment but the pace of investing in new technology is slowing

Investing in new technology this year

2020: 71%
Are investing in new technology in 2020

2021: 57%
Are investing in new technology in 2021

Q.22. Are you investing in new technology in 2021? (Base: Total Advisors; Current wave = 953)
Appendix
Methodology

• 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, The Charles Schwab Corporation or any of their affiliates.

• The study was conducted from April 13 through April 26, 2021.

• 953 independent investment advisors who custody assets with Schwab Advisor Services and TD Ameritrade Institutional participated, representing a total of $400B in assets under management (AUM).
• Participation is voluntary, participants are not incentivized, and the typical (median) survey length was 11 minutes.
Demographic snapshot

<table>
<thead>
<tr>
<th>Advisor gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>71%</td>
<td>26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average advisor age</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53 years</td>
<td>52 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average independent advisor firm tenure</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 years</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employees at firm</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets under management at firm</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AUM</td>
<td>$418M</td>
<td>$175.5M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary role at firm</th>
<th>Principal</th>
<th>Portfolio manager</th>
<th>Ops staff</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61%*</td>
<td>11%</td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

| *77% founding |

<table>
<thead>
<tr>
<th>Number of clients per firm</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>810</td>
<td>196</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average client age</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61 years</td>
<td>62 years</td>
</tr>
</tbody>
</table>