

Schwab Advisor Services

Independent Advisor Outlook Study

June 2021

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The Charles Schwab logo consists of a blue square containing the word "charles" in a white, lowercase, serif font, and the word "SCHWAB" in a white, uppercase, sans-serif font below it.

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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

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

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

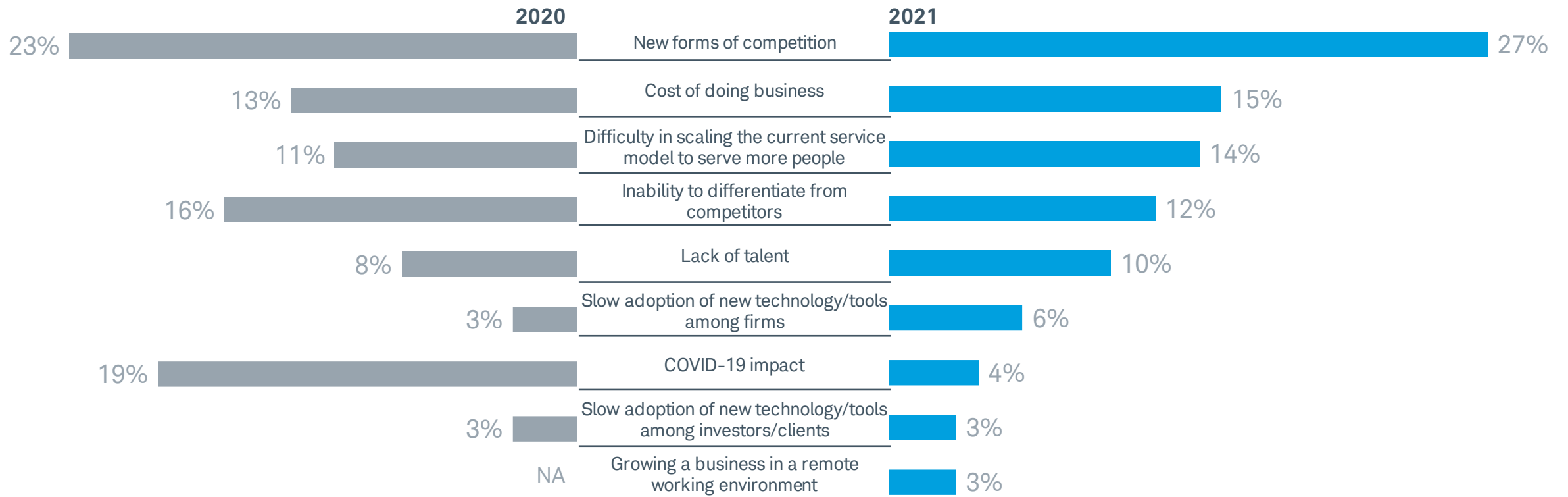
		2020	2021
Growth drivers 	1 Preference for independent advisor model vs. other models	64%	57%
	2 Robust RIA systems (platforms and technology) that make it easier to go independent	20%	24%
	3 Increase in the number of affluent investors	6%	13%

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

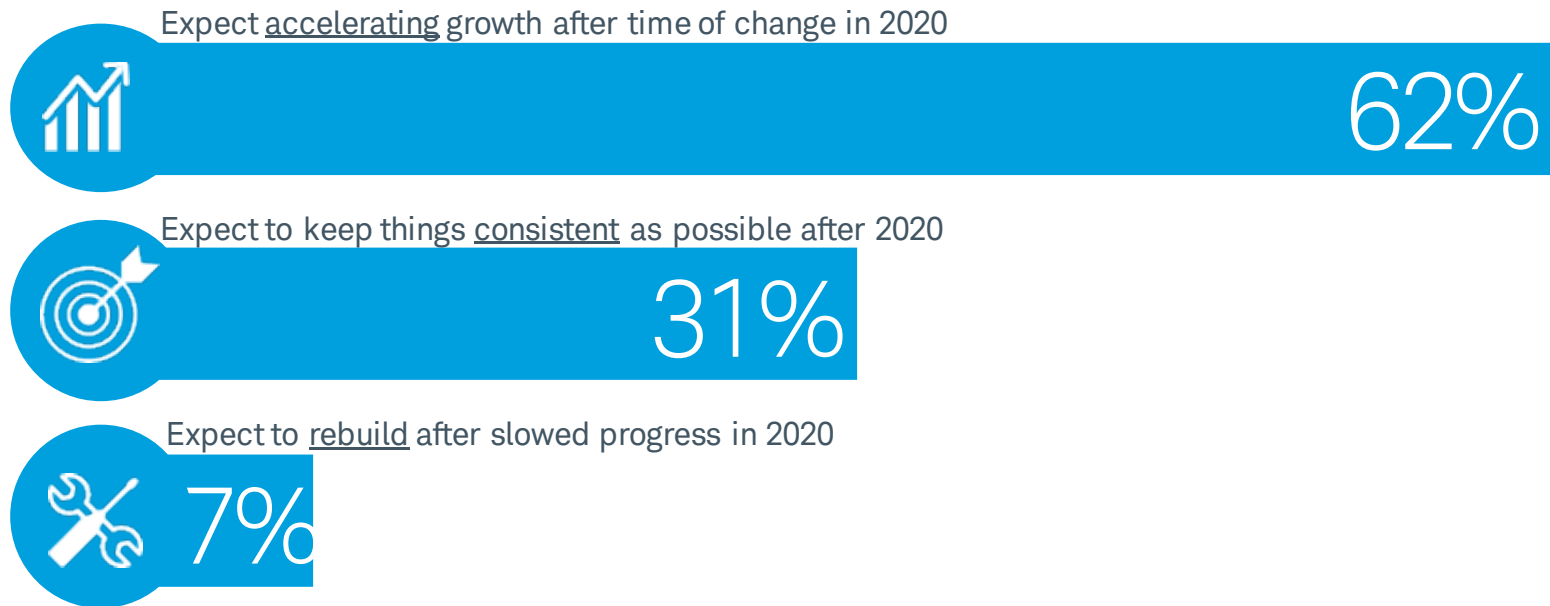


Q3. What will be the biggest barrier to growth for the RIA industry in the next two years?
(Base: Total Advisors; Current wave = 953)

Firm outlook:

Most advisors expect accelerated growth in 2021 after a time of change in 2020

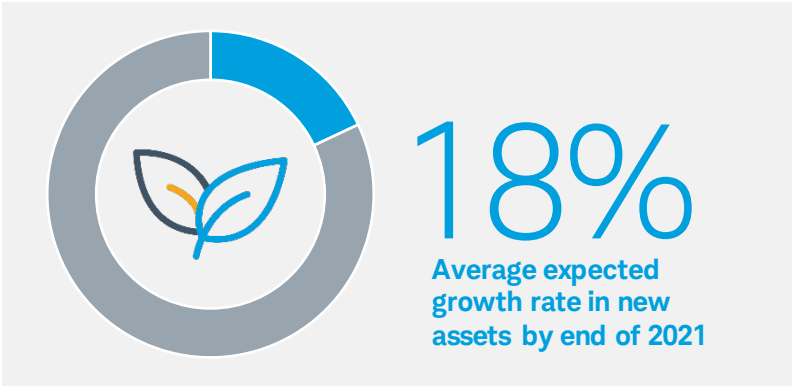
How advisors are thinking about firm in 2021



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

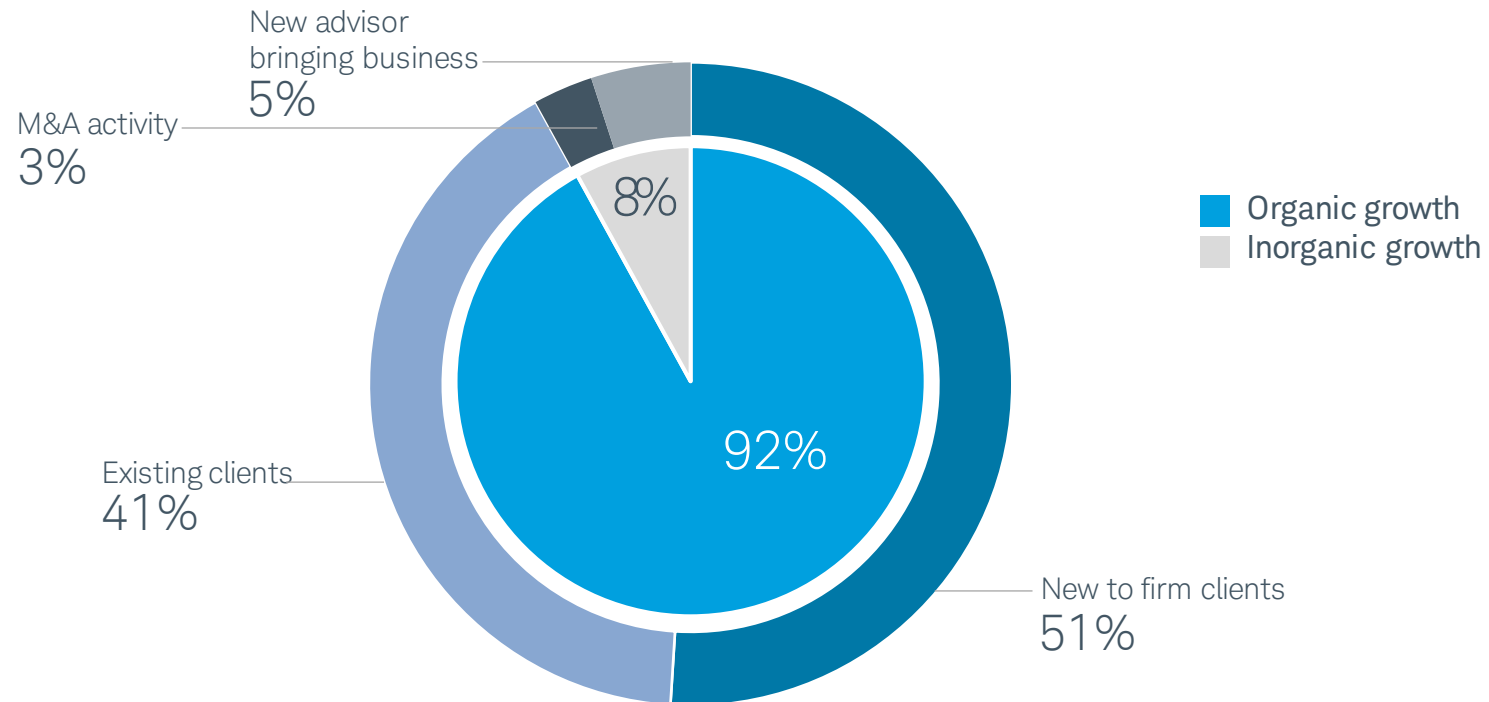


Q11. How much do you expect your firm to grow by the end of 2021 in terms of net new assets?
(Base: Total Advisors; Current wave = 953)

Firm outlook:

Organic growth is expected to continue to drive net new asset growth

Percent of organic & inorganic firm growth

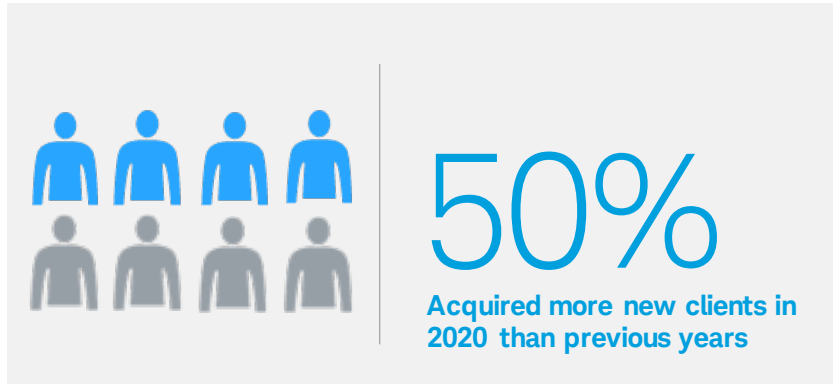


Q12. Thinking about the growth of your firm by the end of 2021 in terms of net new assets, what percentage do you expect to come from existing and new clients (organic growth), and what percentage do you expect to come from outside investments or transactions (inorganic growth)?
(Base: Advisors who expect growth; Current wave = 891)

Beyond COVID-19

Impact of COVID-19:

Half of advisors acquired more new clients in 2020 than in previous years



New clients are...

34%
Younger

26%
Have more wealth

17%
Are more diverse

44%
Are more tech savvy

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)

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%

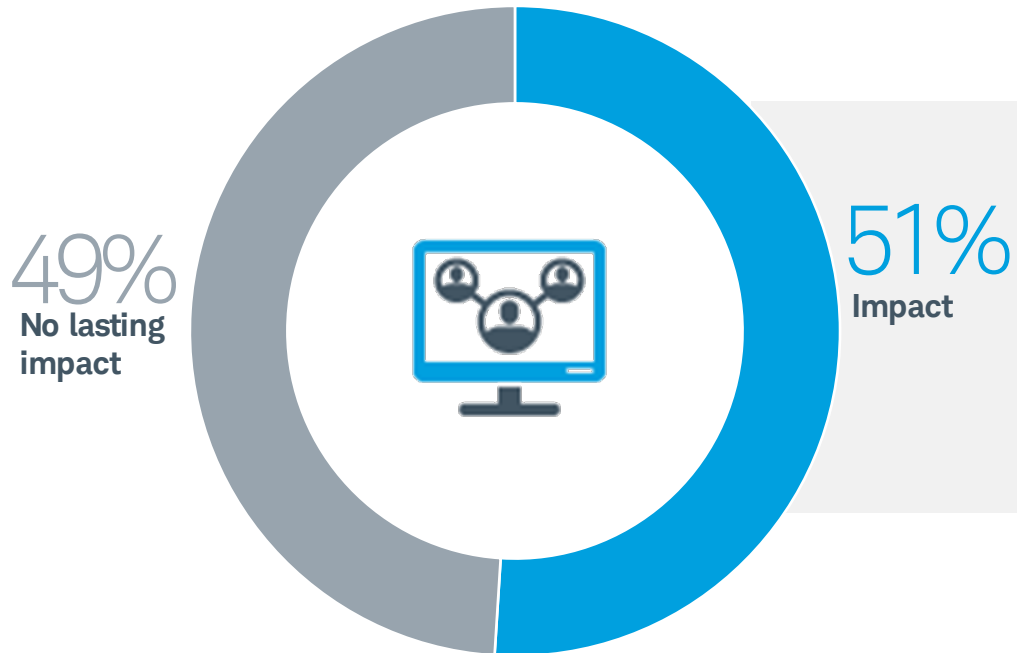
More virtual events including CE credits and networking

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...



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

Growth of the technology industry

59%

Need to streamline processes

46%

Changing client needs

36%

Changing client demographics

34%

Security requirements

33%

New types of competitors

29%

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%

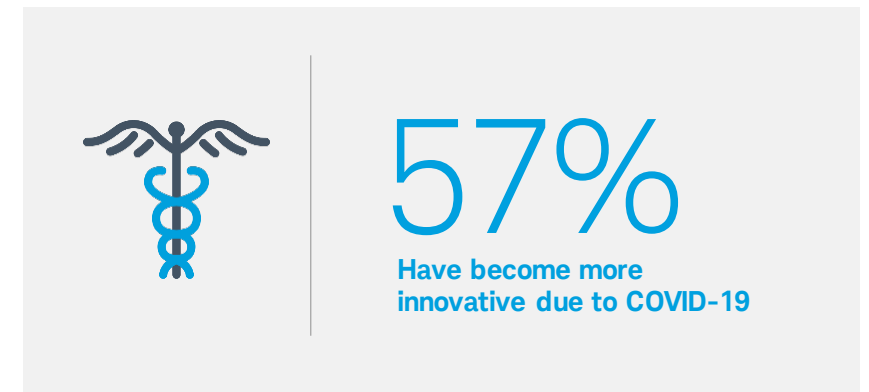
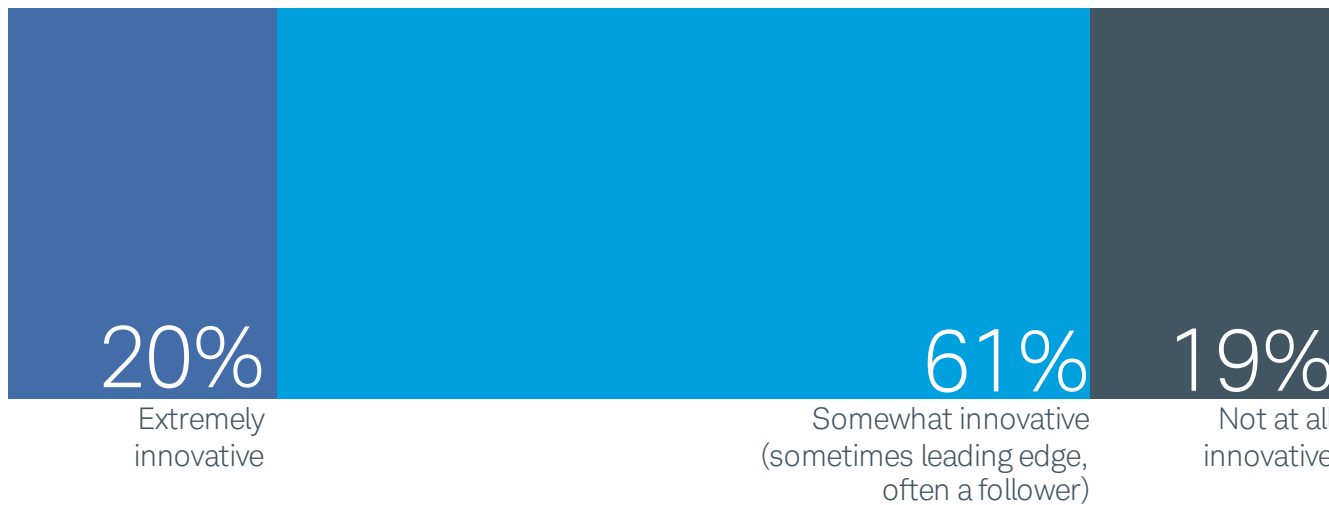
Adopting innovations from other industries

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

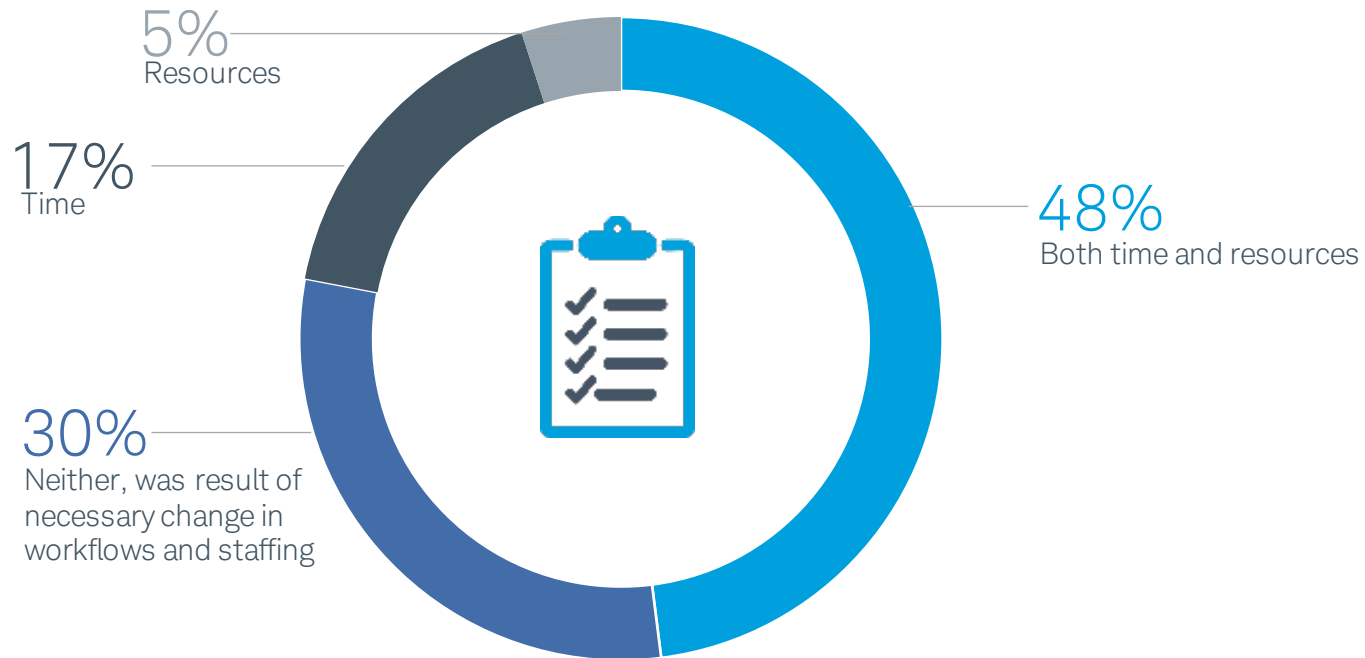


Q.8. How would you describe your firm in terms of innovation?
Q.9. Would you say that your firm...?
(Base: Total Advisors; Current wave = 953)

Perspectives on innovation:

Innovation requires additional firm investments of both time and resources

Innovations developed required...



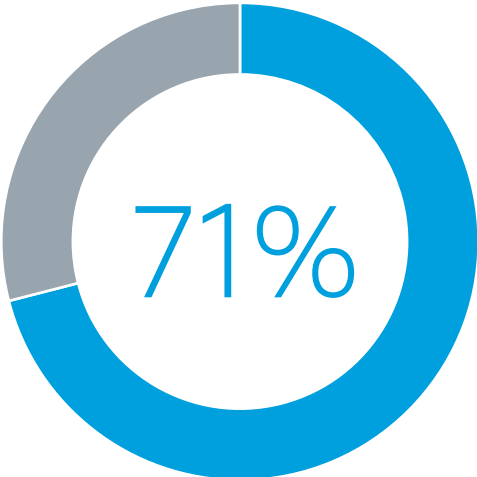
Q.10. Did the innovations you developed require additional investment of...?
(Base: Advisors who say firm is innovative; Current wave = 945)

Perspectives on innovation:

COVID-19 accelerated technology investment but the pace of investing in new technology is slowing

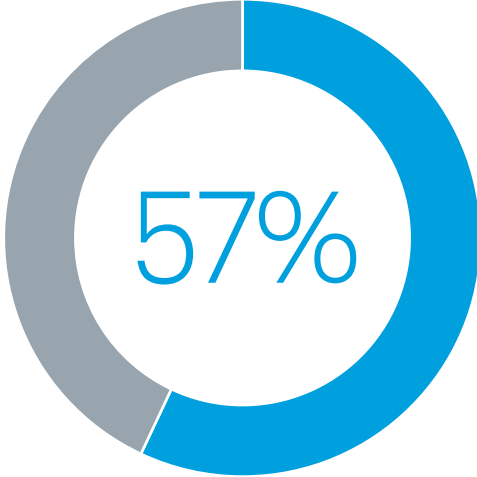
Investing in new technology this year

2020



Are investing in new technology in 2020

2021



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

Advisor gender



Male	Female
71%	26%

Average advisor age



Mean	Median
53 years	52 years

Average independent advisor firm tenure



Mean
12 years

Number of employees at firm



Mean	Median
27	6

Assets under management at firm



Mean	Median
\$418M	\$175.5M

Total AUM
\$512.7B

Number of clients per firm



Mean	Median
810	196

Primary role at firm



Principal
61%*



Portfolio manager
11%



Ops staff
15%



Other
13%

*77% founding

Average client age



Mean	Median
61 years	62 years