Schwab Advisor Services

Independent Advisor Outlook Study

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In the past 15 years of conducting this study, we have consistently seen independent advisors look to the future through the lens of growth opportunities ahead. Despite the challenges of this current moment, they continue to embrace a growth mindset. They are operating their firms not just for the success they are experiencing today, but with an eye towards how the industry and clients will change in the future. This is what will enable the independent advice model to continue to gain ground as a destination for both advisors and their high-net-worth investor clients.

- Jon Beatty
Managing Director
Chief Operating Officer, Schwab Advisor Services

The following report outlines key findings from Schwab Advisor Services’ 30th Independent Advisor Outlook Study (IAOS). For 15 years, this study has sought to gauge sentiment on key topics and issues of the moment for independent advisors. The latest findings reflect advisors’ outlook for growth and insights into perceived opportunities and barriers to growth in the current environment.

Key findings include:

- **RIAs of all sizes continue to expect strong business growth over the next five years.** Acquiring new clients is the leading expected driver of growth, and it is considered best supported by a combination of a strategy to meet clients’ needs and having (and keeping) the right people in place to deliver against this strategy. In prioritizing firm investments in continued growth, marketing and client acquisition, talent, and client experience are considered the best drivers.

- **Investment personalization will continue to increase in importance.** Over half of RIAs in the study expect more personalization of investment portfolios, and the majority consider the ability to provide these personalized investment solutions is going to be scalable. They will be looking to new ways of building relationships with next generation clients, and better tools and approaches to assess clients’ needs and values as part of delivering more personalization.

- **A forward-looking perspective on talent.** Advisors are confident that their firms’ talent strategy reflects the needs of their future client base, and they are hiring today to ensure they have the skills to meet the challenges of tomorrow.

- **Growth levers differ across firms.** While most firms are expecting to grow, a closer look reveals firms lean into different levers to drive this growth. Some are more likely to prioritize talent as a key driver of this growth, others lead with sales and marketing efforts, and some focus first on the client service experience.
Firm outlook and growth
Firm outlook:
Majority of advisors have a strategy in place to grow at current rate or faster

Q.2: Which of the following best describes your approach to your firm’s growth?
(Base: Total Advisors; Current wave = 723)

- 43% We have a strategy in place to continue to grow at our current rate
- 26% We have a strategy in place to grow at a faster rate than we are now
- 19% We would like to grow but do not have a growth strategy in place
- 10% We intend to stay about the size we are now
- 2% We are currently planning to exit/sell the firm
Firm outlook:
Nearly all firms expect growth in net new assets

Q.3: Looking at the next five years, how much do you expect your firm to grow on average each year in terms of net new assets?
(Base: Total Advisors; Current wave = 723)
Firm growth:
Acquiring new clients and growing existing clients are primary drivers of growth

Top Drivers of Growth
(Top 3)

- Acquiring new clients: 64%
- Building relationships with centers of influence and driving referrals: 36%
- Increasing assets from existing clients: 34%
- Investing in technology to improve your productivity and digital client experience: 25%
- Implementing digital marketing strategies: 20%
- Allocating resources (people, budget) to proactive marketing activities: 18%
- Having advisors join the firm and bring their book of business: 13%
- Expanding geographically in terms of markets served: 13%
- Merging with or acquiring another firm: 10%
- Affiliating with another firm: 4%

Q.4 The following are things that advisors may do to grow their business. Using the sliders below, please tell us how much each will drive growth at your firm. (Summary of means)
(Base: Advisors who expect to grow; Current wave = 675)
Firm growth:
Balancing priorities, finding and retaining talent, and creating operational efficiencies among top three barriers to growth

**Top Barriers to Growth**
(Top 3)

- Balancing time and priorities: 26%
- Finding, developing, and retaining talent: 23%
- Creating operational efficiency: 20%
- Maintaining service quality: 18%
- Identifying new client prospects: 17%
- Maintaining regulatory compliance: 15%
- Differentiating from competitors: 14%
- Integrating new technology and optimizing workflows: 13%
- Increased size and complexity of our operations: 10%
- Successfully identifying ways to outsource non-core business functions: 8%

Q.8 The following are things that advisors may experience that impede growth. Using the sliders below, please tell us how much of a barrier for growth each is for you at your current firm. <Summary of means>
(Base: Advisors who expect to grow; Current wave = 675)
Firm growth:
Client needs and talent bench strength lead growth potential; Marketing, client acquisition, and talent management will garner biggest investment

**Important Factors to Support Growth (Strongly/Somewhat Important)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly Important</th>
<th>Somewhat Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a strategy to meet target client needs</td>
<td>84%</td>
<td></td>
</tr>
<tr>
<td>Evaluating the skills we have among our current staff relative to what we anticipate will be necessary in the future</td>
<td></td>
<td>76%</td>
</tr>
<tr>
<td>Attracting and retaining talent and ensuring they have a path for individual growth</td>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>Having clear growth targets and benchmarks to measure our performance</td>
<td></td>
<td>72%</td>
</tr>
<tr>
<td>Determining target client personas</td>
<td></td>
<td>71%</td>
</tr>
<tr>
<td>Examining our organizational structure to ensure it offers maximum growth opportunities for the firm</td>
<td></td>
<td>68%</td>
</tr>
<tr>
<td>Having dedicated team members who are responsible for developing and managing our growth strategy</td>
<td></td>
<td>64%</td>
</tr>
<tr>
<td>Identifying new client segments/market opportunities for expansion</td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Leveraging data analytics to better understand client preferences/needs</td>
<td></td>
<td>58%</td>
</tr>
<tr>
<td>Providing new products and services</td>
<td></td>
<td>48%</td>
</tr>
</tbody>
</table>

**Areas Would Invest in to Have Biggest Impact on Growth**

- **Sales and marketing / client acquisition**: 30%
- **Talent (hiring, development, and retention)**: 29%
- **Client service / experience**: 25%

Q.5 How important are each of the following to support your growth strategy? *(Summary of Very/ somewhat important)*

Q.6 If you had to choose the one area that would have the biggest impact on the growth of your firm over the next five years, which one would you invest in?

(Base: Advisors who expect to grow; Current wave = 675)
Client outlook and growth
Client outlook:
Personalized investment solutions will increase in importance; Most firms believe personalization is scalable

View on Personalization of Investment Portfolios in Next 5 Years

- 2% Less personalization, but more standard choices
- 46% Same amount of personalization as we have today
- 52% More personalization of investment portfolios

Scalability of Providing Personalization

- Very scalable: 28%
- Somewhat scalable: 53%
- Not very scalable: 13%
- Not at all scalable: 3%

Q.10 In the next five years, what do you think investors will want from their portfolios? (Base: Total Advisors; Current wave = 723)

Q.13 How scalable do you think it is to provide personalized investing solutions across your firm? ©2022 Charles Schwab & Co., Inc. (“Schwab”). All rights reserved. Member SIPC.
Client outlook:
Millennials expected to lead personalization wave; Advisors will build stronger relationships, use new tools to meet needs

Generations' Needs for Personalization

<table>
<thead>
<tr>
<th>Generation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matures</td>
<td>4%</td>
</tr>
<tr>
<td>Gen X</td>
<td>22%</td>
</tr>
<tr>
<td>Gen Z</td>
<td>10%</td>
</tr>
<tr>
<td>Boomers</td>
<td>26%</td>
</tr>
<tr>
<td>Millennials</td>
<td>38%</td>
</tr>
</tbody>
</table>

Ways for Advisors to Provide More Personalization

- New ways of building and maintaining relationships with clients: 59%
- Better tools or approaches to assess clients' needs and values: 56%
- Educating the whole family on investing: 51%
- New reporting approaches that encompass a broader range of goals: 43%
- Soft skills training: 34%
- Deeper expertise in ESG investing: 30%
- Additional staff with a different skill set, such as life coaches or psychologists: 19%
- Other: 6%

Q.11 Which generation wants more personalization of their investment portfolio?
Q.12 In which ways will advisors need to adapt in order to deliver more personalized investing solutions to their clients?
(Base: Total Advisors; Current wave = 723)
Client growth:
Over half of advisors are seeking first-time investors as clients;
Speaking with current clients, using technology will help attract them to the firm

Firms Looking to Attract New Investors

- **57%**
  - Firm is looking to attract new investors as clients
    - (43% on a case-by-case basis)

Actions Taken by Firm to Attract New Investors

- Speaking to current clients about their children's needs to gain access to this demographic: 70%
- Using technology more: 58%
- Offering new solutions and services to serve this demographic: 35%
- Recruiting younger advisors to appeal to this demographic: 35%
- Changing our communications channel mix to appeal to this demographic: 32%
- Offering different pricing or fee structure: 22%
- Changing our marketing messages to appeal to this demographic: 22%
- Dedicating operational resources to focus on this demographic: 13%
- Other: 6%

Q.14 In the past 18 months we have seen a growing number of first-time investors. Is your firm looking at attracting these investors as clients? (Base: Total Advisors; Current wave = 723)
Q.15: Which of the following is your firm doing to attract first-time investors as new clients? (Base: Advisors who are looking to attract new investors; Current wave = 409)
Managing talent & workplace outlook
Managing talent:
Finding talent ranks as the top challenge of talent management

**Top Challenges of Talent Management**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Finding talent</td>
<td>37%</td>
</tr>
<tr>
<td>2</td>
<td>Managing people</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>Ongoing training and professional growth/development</td>
<td>9%</td>
</tr>
<tr>
<td>4</td>
<td>Building a cohesive culture</td>
<td>9%</td>
</tr>
<tr>
<td>5</td>
<td>Knowing how to compensate and reward talent</td>
<td>9%</td>
</tr>
</tbody>
</table>

Q.17: What is the most challenging part of talent management? (Base: Advisors at firms with 2+ employees; Current wave = 557)
Managing talent: Advisors are confident they can meet their clients’ current and future needs

<table>
<thead>
<tr>
<th>Attitudes Towards Managing Talent (Strongly/Somewhat Agree)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm's talent strategy reflects the needs of our client base</td>
<td>92%</td>
</tr>
<tr>
<td>Our firm is hiring today to ensure we have the skills to meet the challenges of tomorrow</td>
<td>74%</td>
</tr>
<tr>
<td>Our firm has a clear talent strategy to help us grow</td>
<td>66%</td>
</tr>
<tr>
<td>Offering remote/hybrid work is a differentiator for attracting and retaining talent</td>
<td>66%</td>
</tr>
<tr>
<td>Remote/hybrid work is changing our company’s hiring practices</td>
<td>42%</td>
</tr>
</tbody>
</table>

Q.16: How much do you agree or disagree with each of the following statements: < Summary of strongly/somewhat agree >
(Base: Advisors at firms with 2+ employees; Current wave = 557)
Managing talent:
Work ethic, attention to detail and team player among most sought-after attributes; Gaps will be addressed through training, industry recruitment

Top 5 Sought After Skills

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work ethic</td>
<td>75%</td>
</tr>
<tr>
<td>Attention to detail</td>
<td>69%</td>
</tr>
<tr>
<td>Team player mentality</td>
<td>68%</td>
</tr>
<tr>
<td>Ability to communicate with clients in person</td>
<td>63%</td>
</tr>
<tr>
<td>Commitment to the firm</td>
<td>56%</td>
</tr>
<tr>
<td>Sense of curiosity/appetite for continuous learning</td>
<td>55%</td>
</tr>
<tr>
<td>Ability to engage with clients when not meeting in person</td>
<td>49%</td>
</tr>
<tr>
<td>Networking/Relationship-building</td>
<td>48%</td>
</tr>
<tr>
<td>Technical skills</td>
<td>48%</td>
</tr>
<tr>
<td>Ability to explain complex topics to clients</td>
<td>46%</td>
</tr>
<tr>
<td>Empathy</td>
<td>46%</td>
</tr>
<tr>
<td>Entrepreneurial spirit</td>
<td>42%</td>
</tr>
<tr>
<td>Willingness to embrace change</td>
<td>40%</td>
</tr>
</tbody>
</table>

Plans to Fill Skill Gaps

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training existing staff</td>
<td>54%</td>
</tr>
<tr>
<td>Recruiting talent from within the RIA industry</td>
<td>38%</td>
</tr>
<tr>
<td>Recruiting talent from other areas in financial services</td>
<td>30%</td>
</tr>
<tr>
<td>Increasing entry level staff</td>
<td>27%</td>
</tr>
<tr>
<td>Creating better career pathways to attract talent</td>
<td>24%</td>
</tr>
</tbody>
</table>

Q.19 Which of the following characteristics or skills is your company most looking for?
Q.20: How do you plan on filling these skill gaps?
(Base: Advisors at firms with 2+ employees; Current wave = 557)
Managing talent:
Half of firms recruit outside of finance industry

Recruitment from Other Industries

Q.21 In the past 5 years, has your firm recruited from any of the following professional backgrounds, other than finance?
(Base: Advisors at firms with 2+ employees; Current wave = 557)

Recruit from other industries: 51%
Do not recruit from other industries: 49%

From the Following Top 5 Industries:

- Sales: 15%
- Communications (marketing, PR, advertising): 14%
- Technology: 11%
- Law: 9%
- Education: 8%
Workplace outlook:
Majority of advisors feel that a hybrid workplace will be the new normal; Biggest concern related to remote teams is maintaining company culture

<table>
<thead>
<tr>
<th>Working Arrangement</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely on-site/in person</td>
<td>21%</td>
</tr>
<tr>
<td>Hybrid</td>
<td>73%</td>
</tr>
<tr>
<td>Completely remote</td>
<td>6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Onsite Arrangement</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onsite 4 days a week</td>
<td>24%</td>
</tr>
<tr>
<td>Onsite 3 days a week</td>
<td>33%</td>
</tr>
<tr>
<td>Onsite 2 days a week</td>
<td>13%</td>
</tr>
<tr>
<td>Onsite 1 day a week</td>
<td>4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Biggest Challenge of Remote Teams</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining company culture</td>
<td>55%</td>
</tr>
<tr>
<td>Connecting with employees</td>
<td>46%</td>
</tr>
<tr>
<td>Productivity of employees</td>
<td>35%</td>
</tr>
<tr>
<td>Onboarding/developing/retaining employees</td>
<td>24%</td>
</tr>
<tr>
<td>Maintaining a work/life balance</td>
<td>20%</td>
</tr>
<tr>
<td>Using technology</td>
<td>12%</td>
</tr>
<tr>
<td>Internet reliability</td>
<td>10%</td>
</tr>
<tr>
<td>Team members juggling childcare</td>
<td>10%</td>
</tr>
<tr>
<td>Background noise</td>
<td>5%</td>
</tr>
<tr>
<td>Hiring employees</td>
<td>5%</td>
</tr>
<tr>
<td>Scheduling</td>
<td>5%</td>
</tr>
<tr>
<td>Space to work</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q22 In the next five years, do you anticipate that you and your team will be...? (Base: Advisors at firms with 2+ employees; Current wave = 557)
### Workplace Outlook:
Offering remote work is keeping firms ahead of the competition

#### Firm's Approach to Remote Work

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage Offering Remote Work</th>
<th>Percentage Not Offering Remote Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not offering remote work to our employees is letting our competitors</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>get ahead of my firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remote work results in employees being less productive</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Remote work will have no impact on our firm's growth in the decade</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>ahead</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remote work is a threat to client service quality</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Remote work negatively impacts our company's culture</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>Remote work will support our firm's growth in the decade ahead</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remote work is an opportunity to improve client service quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remote work benefits our company's culture</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q.25 Select which choice best describes your firm's approach to remote work.
(Base: Advisors at firms with 2+ employees; Current wave = 557)
Growth levers across firms
Growth levers:
When it comes to growth, advisors emphasize different levers across firms

Lever I: Primarily focused on talent to achieve growth.
Typically, larger firms that have a documented strategy to grow, and comparatively higher growth targets.

Lever II: Primarily focused on sales and marketing to achieve growth.
Mostly, mid-size firms that have a documented strategy to grow, although not always, and have high growth targets.

Lever III: Primarily focused on client service to achieve growth.
Likely to be smaller firms looking to maintain size or, if they want to grow, don’t have a formal strategy.

(Base: Total Advisors; Current wave = 723)
Growth levers: Talent focus

GROWTH ORIENTATION

46% have a strategy to grow faster
46% have a strategy to grow at same pace
+21% Expected growth per year (avg)

MOST IMPORTANT TO SUPPORT GROWTH

97% Examining their organizational structure to ensure it offers maximum growth opportunities for the firm
97% Attracting and retaining talent and ensuring they have a path for individual growth
96% Evaluating the skills we have among our current staff relative to what we anticipate will be necessary in the future

FIRMOGRAPHICS

Number of employees
- Average: 62
- Median: 9

Number of clients
- Average: 1,332
- Median: 300

AUM
- Average: $552M
- Median: $376M

TOP FIRM PRIORITY

38% Talent

(Base: Advisors identified as Persona 3; Current wave = 280)
Growth levers: Sales & marketing focus

**Growth Orientation**
- 49% have a strategy to grow at the same pace
- 27% want to grow but don't have a strategy
- Expected growth per year (avg.): +14%

**Firmographics**
- Number of employees: average 11, median 4
- Number of clients: average 587, median 150
- AUM: average $320M, median $176M

**Most Important to Support Growth**
- 84% Creating a strategy to meet target client needs
- 70% Evaluating the skills we have among our current staff relative to what we anticipate will be necessary in the future
- 67% Attracting and retaining talent and ensuring they have a path for individual growth

**Top Firm Priority**
- 30% Sales and marketing

(Base: Advisors identified as Persona 2; Current wave = 346)
Growth levers: Client service focus

**GROWTH ORIENTATION**

- 53% intend to stay the size they are now
- 22% want to grow but don't have a strategy

**MOST IMPORTANT TO SUPPORT GROWTH**

- 49% Determining target client personas
- 46% Creating a strategy to meet target client needs
- 29% Identifying new client segments/ market opportunities for expansion

**FIRMOGRAPHICS**

- Number of employees: Average = 6, Median = 2
- Number of clients: Average = 231, Median = 78
- AUM: Average = $269M, Median = $176M

**TOP FIRM PRIORITY**

- 41% Client service

(Base: Advisors identified as Persona 3; Current wave = 97)
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, Charles Schwab & Co., Inc.

- The study was conducted from October 12 through October 28, 2021.

- 723 independent investment advisors who custody assets with Schwab Advisor Services and TD Ameritrade Institutional participated, representing a total of $291B in assets under management (AUM).
- Participation is voluntary, participants are not incentivized, and the typical (median) survey length was 11 minutes.
### Firmographic snapshot
Based on advisors who responded to the study

#### Advisor gender
- Male: 74%
- Female: 21%

#### Average advisor age
- Mean: 55 years
- Median: 55 years

#### Average independent advisor firm tenure
- Mean: 11 years

#### Number of employees at firm
- Mean: 30
- Median: 5

#### Assets under management at firm
- Total AUM: $291.4B
- Mean: $403M
- Median: $175.5M

#### Number of clients per firm
- Mean: 827
- Median: 175

#### Primary role at firm
- Principal: 73%*
- Portfolio manager: 8%
- Ops staff: 8%
- Other: 10% *78% founding

#### Clients by generation
- Gen Z: 2%
- Millennials: 10%
- Gen X: 22%
- Boomers: 47%
- Matures: 19%

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