

2020 RIA Benchmarking Study

Insights for firms with \$1B or more
in assets

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Schwab's RIA Benchmarking Study is the leading study in the industry—1,010 advisory firms, representing \$1.1 trillion in AUM, participated this year.

This report spotlights results for firms with \$1 billion or more in assets under management.

The results are organized according to Schwab's [Guiding Principles for Advisory Firm Success](#), a framework to help advisors address the complexities of growing their firms and creating enduring businesses.

New in 2020: Firm Performance Index

This index evaluates firms in the study according to 15 metrics that align with Schwab's [Guiding Principles for Advisory Firm Success](#). The index evaluates all firms participating in the study, encompassing all sizes and lifecycle stages. [More details on the Index](#) can be found in the Appendix.

The Top Performing Firms referred to throughout this report are firms that rank in the top 20% of the index.

Highlights:

- RIA firms entered 2020 from a position of strength. Firms with \$1 billion or more in assets under management (AUM) reported robust five-year compound annual growth rates (CAGR) across AUM (9.2%), revenue (7.4%), and number of clients (4.4%).
- Top strategic priorities for firms with \$1 billion or more in AUM have remained consistent year over year: acquiring new clients and improving productivity with technology.
- Firms with \$1 billion or more in AUM are more likely than their peers to leverage technology to improve the client experience.
- Firms with \$1 billion or more in AUM are also more likely than their peers to have written strategic and succession plans in place.
- In 2019, firms with \$1 billion or more in AUM reported their new-to-firm client assets were 4.1 times higher than new assets from existing clients.
- Firms with \$1 billion or more in AUM identify marketing strategy and growth strategy as the top areas of their businesses that could benefit from outside help.
- **2020 Special Focus Area: Client Experience**
This year's study includes additional data related to helping firms understand the key elements of designing a client experience to better serve clients in the future.

This includes not only service offerings, but also considerations about people, processes, and systems that ultimately make up the client journey.

GUIDING PRINCIPLES FOR ADVISORY FIRM SUCCESS



Effective planning and execution is a leading indicator of success



Value is defined through your clients' eyes



Operational excellence creates greater capacity for clients



Your reputation is your brand



People are your most important asset



Effective planning and execution is a leading indicator of success

Growing your firm requires focus, strategic planning, and an innovative mindset. Establishing a shared vision for the future, creating alignment, and driving effective execution power your growth engine and provide a clear understanding of the future and how you'll get there.



Value is defined through your clients' eyes

Firms thrive when focusing on the client experience from their clients' point of view. When every person, process, service offering and system maintains an extreme focus on your ideal client, you are able to differentiate your firm in an increasingly competitive landscape.



Operational excellence creates greater capacity for clients

Institutionalizing your business through technology and operations provides operational discipline, allowing you to maximize scalability, manage risk, and build a solid infrastructure so that you can reinvest time where it matters most—with your clients protecting the trust that you have built.



Your reputation is your brand

Every aspect of your firm—employees, centers of influence, clients and even your digital presence—should effectively amplify your firm's reputation within the community you serve in a way that increases referrals and generates new business.



People are your most important asset

Creating a cycle of opportunity to attract and retain top talent helps ensure continuity of your firm's people, culture, and values as you prepare for the future. That's why having a high-performing and diverse team, unlocking their potential, and rewarding and developing the next generation of leadership is a long-term commitment and critical to building a legacy.

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Firms with over \$1 billion in AUM are focused on acquiring new clients.

2020 Rank		2020 % of firms	2019 Rank
1	Acquire new clients through client referrals	41%	1
2	Acquire new clients through business referrals	24%	3
3	Improve productivity with new technology	22%	2
4	Enhance strategic planning and execution	21%	4
5	Recruit staff to increase firm's skill set/capacity	19%	5
6	Improve productivity using process changes	17%	7

Results for all firms with \$1 billion or more in AUM. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size. 2019 RIA Benchmarking Study from Charles Schwab, fielded January to March 2019. Study contains self-reported data from 1,310 firms.



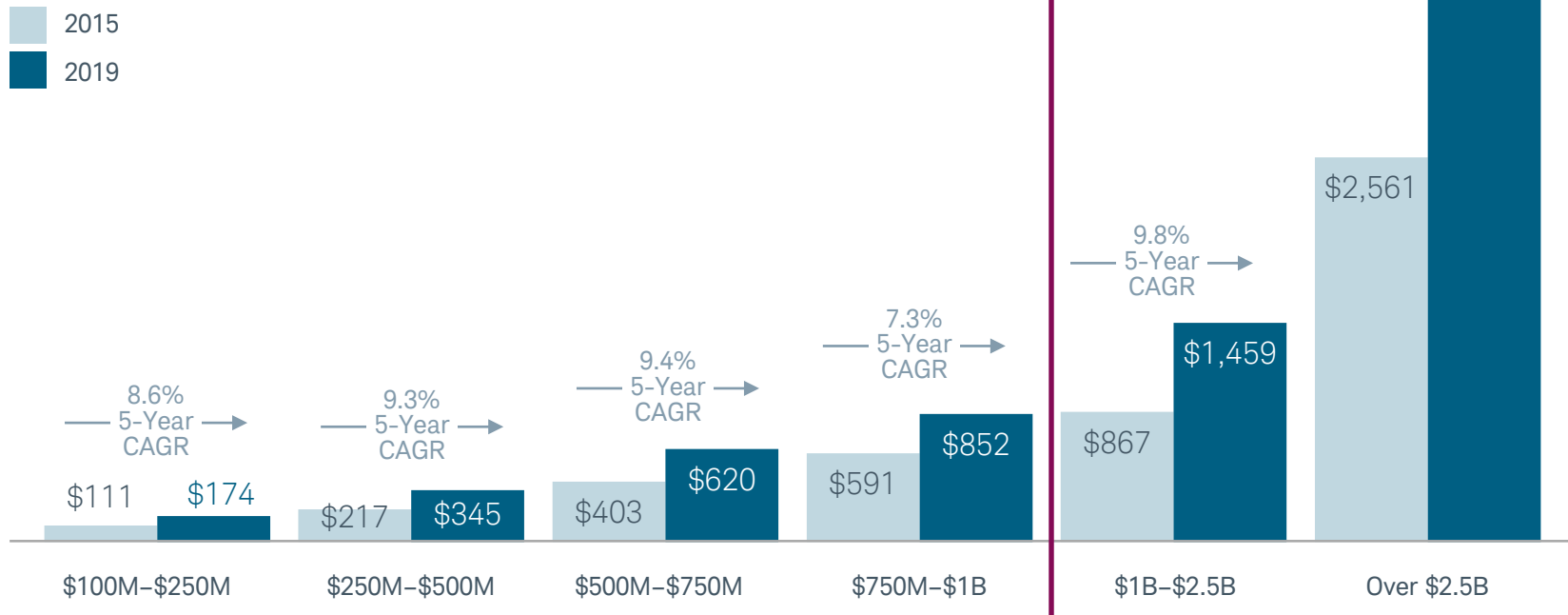
Over the past five years, AUM growth was strong for all firm sizes.

Assets under management

In millions

Median results by peer group (AUM)

5-Year AUM CAGR (2015–2019)



Past performance is not an indicator of future results. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.



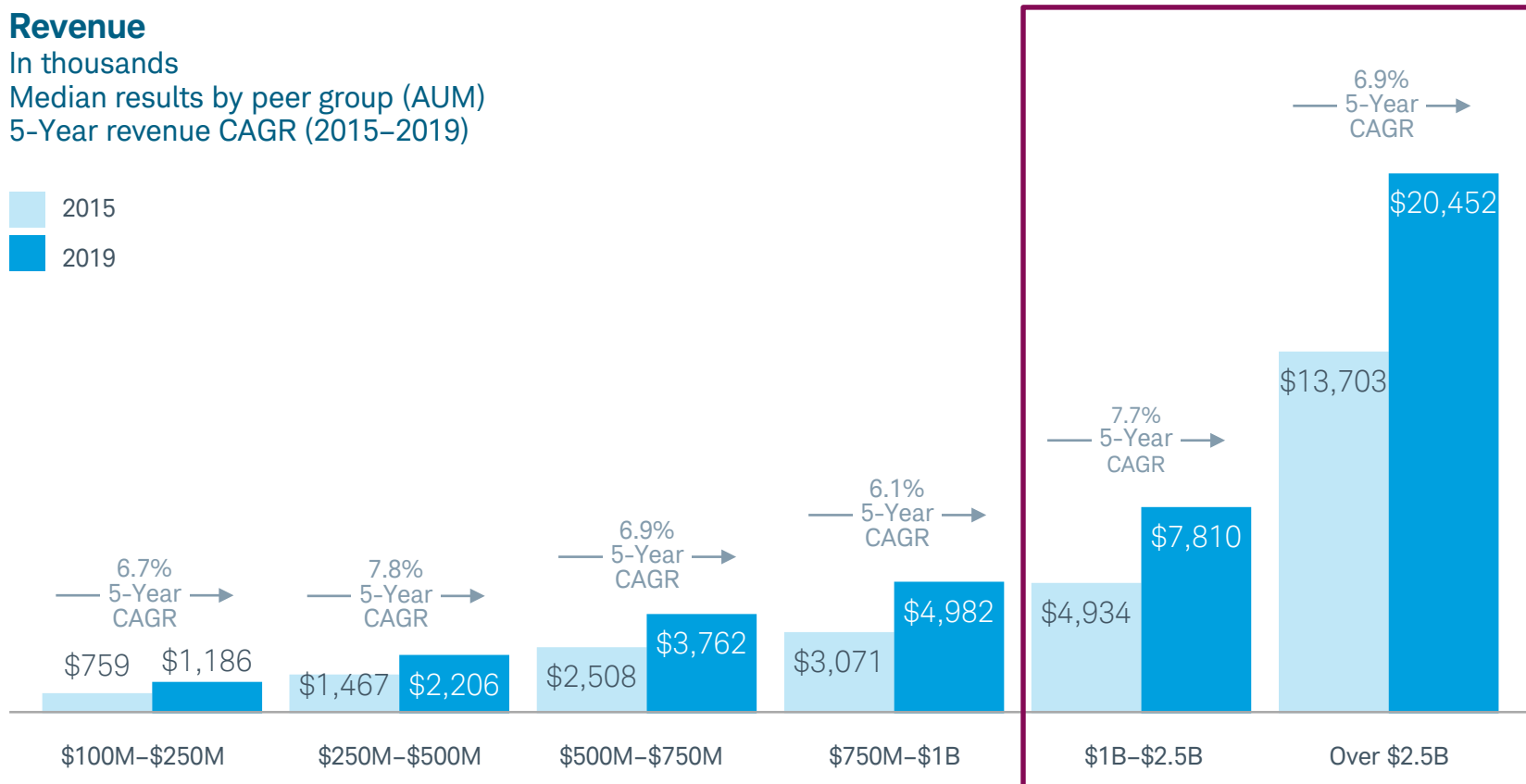
Revenue growth also remained positive for the 5-year period.

Revenue

In thousands

Median results by peer group (AUM)
5-Year revenue CAGR (2015–2019)

2015
2019



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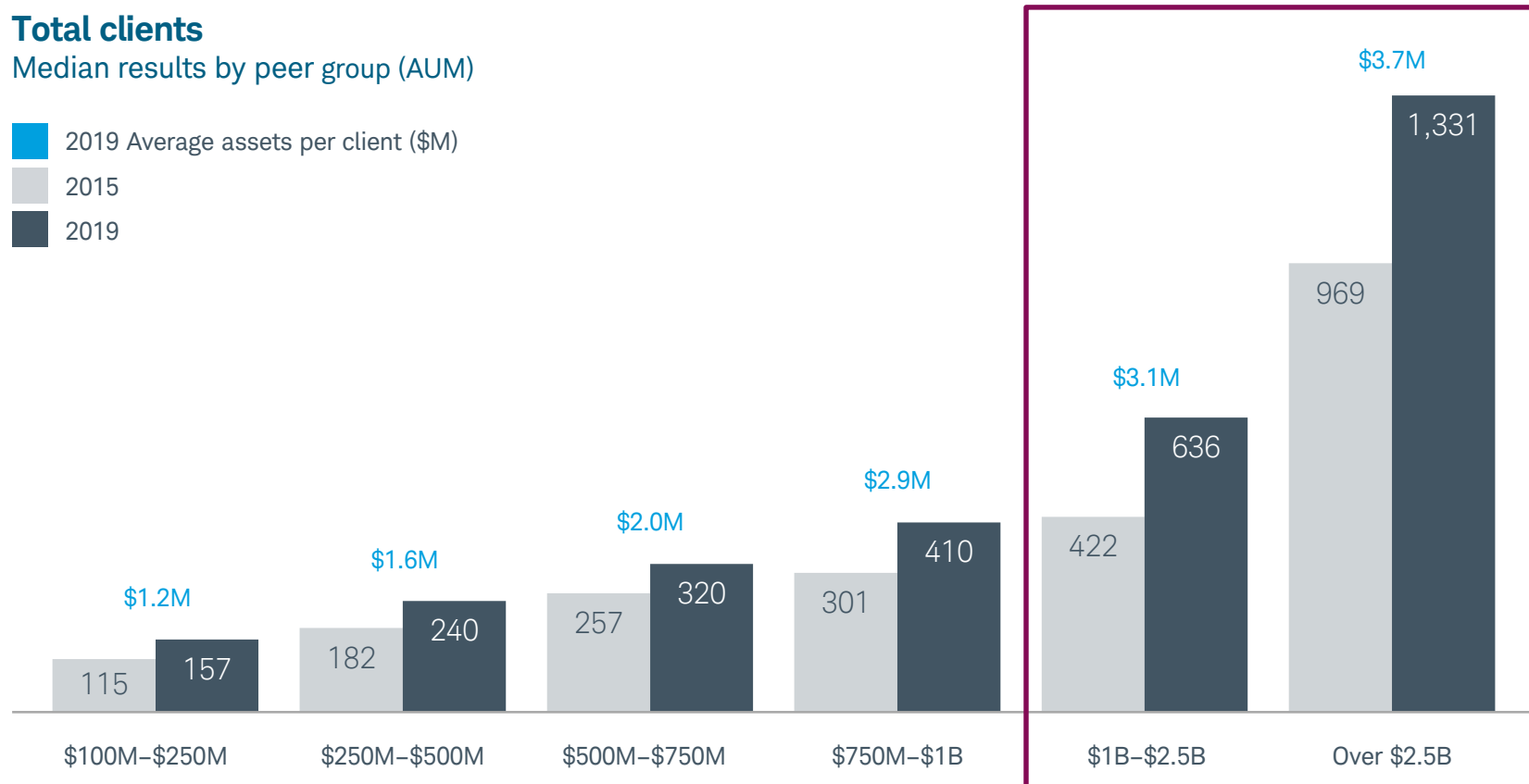


Independent model appeals to high-net-worth clients.

Total clients

Median results by peer group (AUM)

- 2019 Average assets per client (\$M)
- 2015
- 2019

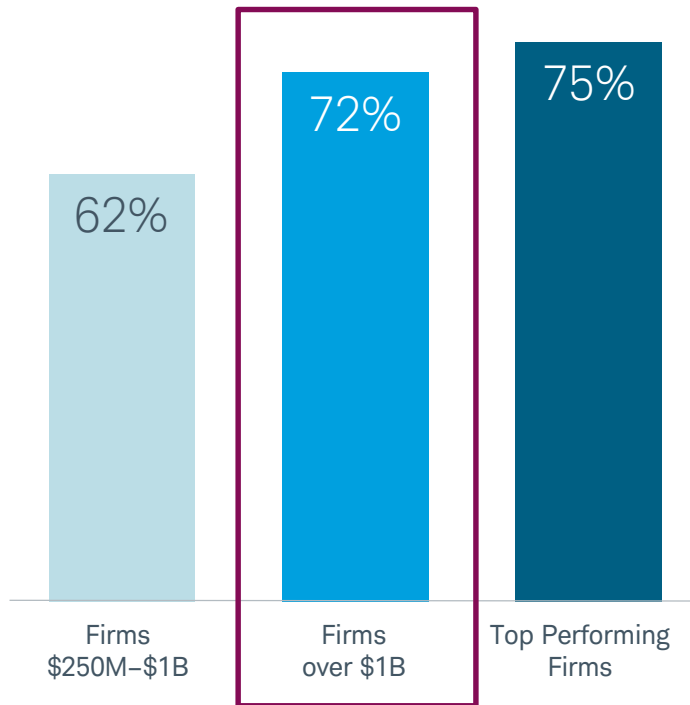


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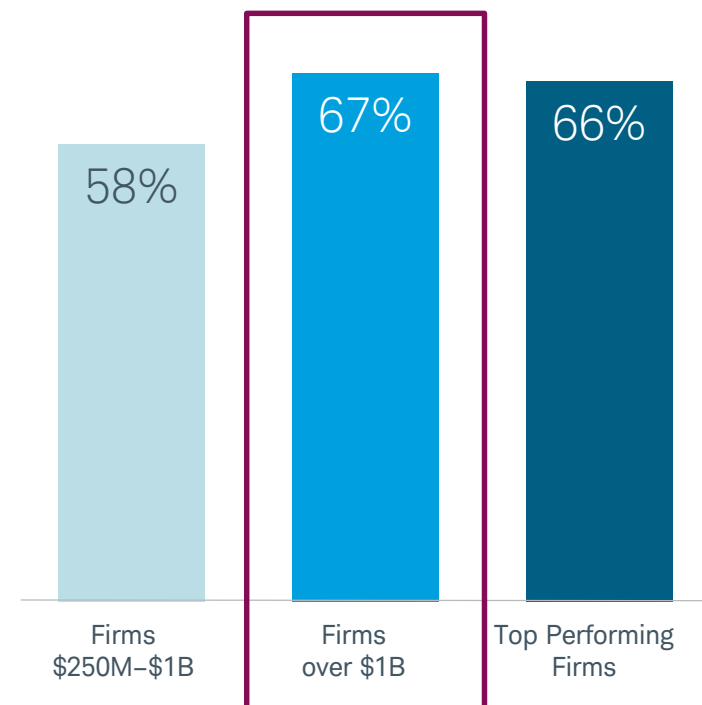


Strategic and succession plans support firm performance and endurance, helping firms adapt to change.

Firms with written strategic plan



Firms with written succession plan



Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas.

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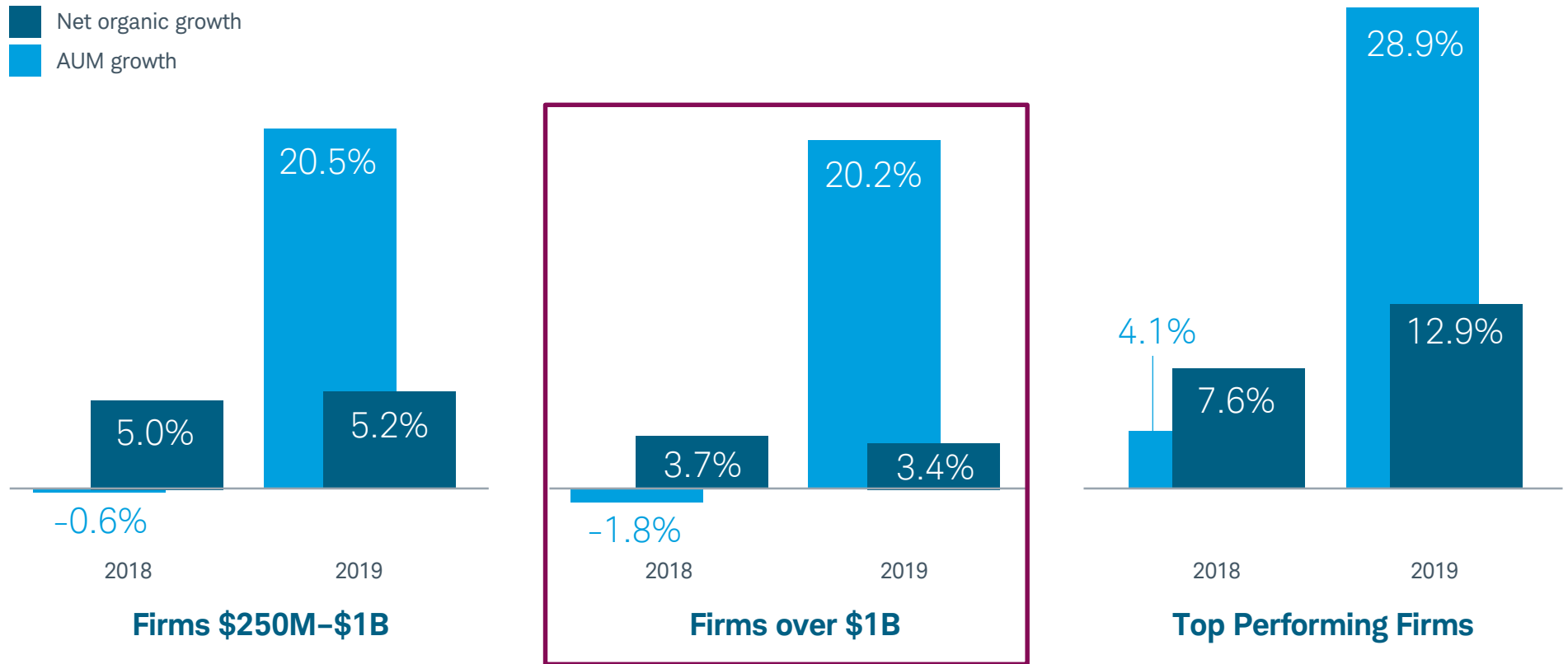
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A continued focus on net organic growth helps to smooth the impact of volatile market conditions.

Contribution of net organic asset growth to AUM growth

■ Net organic growth
 ■ AUM growth



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Documenting an ideal client persona and client value proposition helps firms craft a meaningful client experience.

Firms with a documented ideal client persona/profile (ICP)



Firms with a documented client value proposition (CVP)

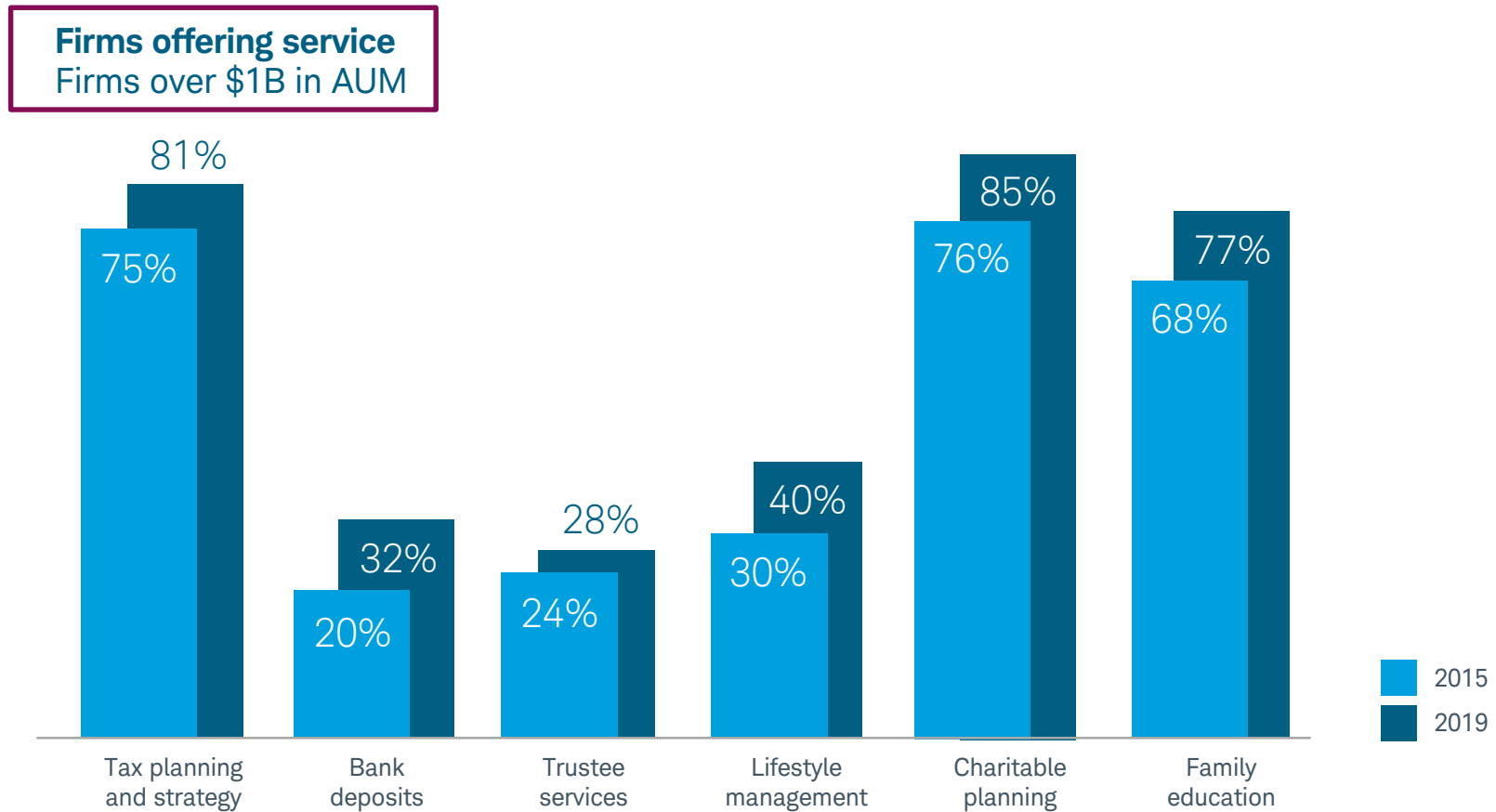


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Most firms with over \$1 billion in AUM offer tax planning and strategy, charitable planning, and family education as value-added services.



Results from the 2016 and 2020 RIA Benchmarking Study from Charles Schwab. Results for all firms with \$1 billion or more in AUM.

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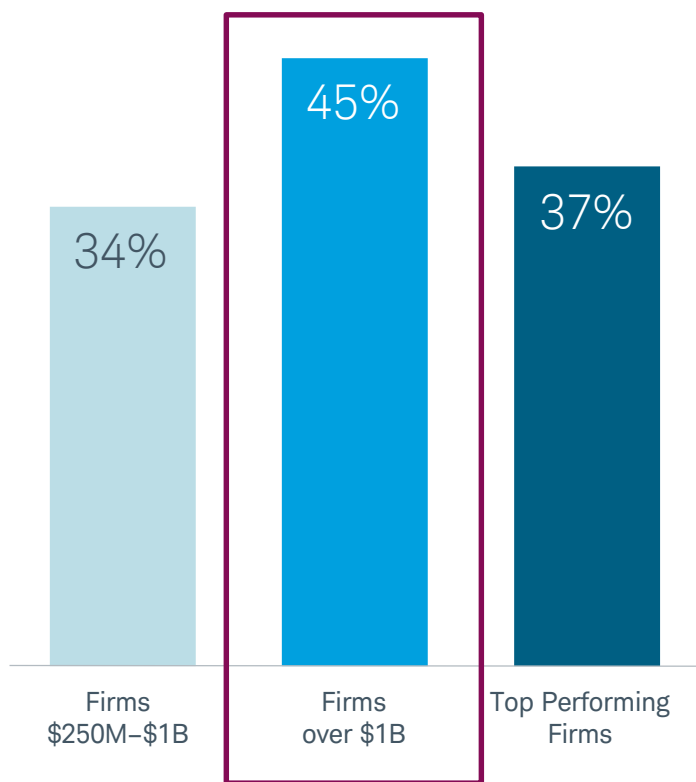


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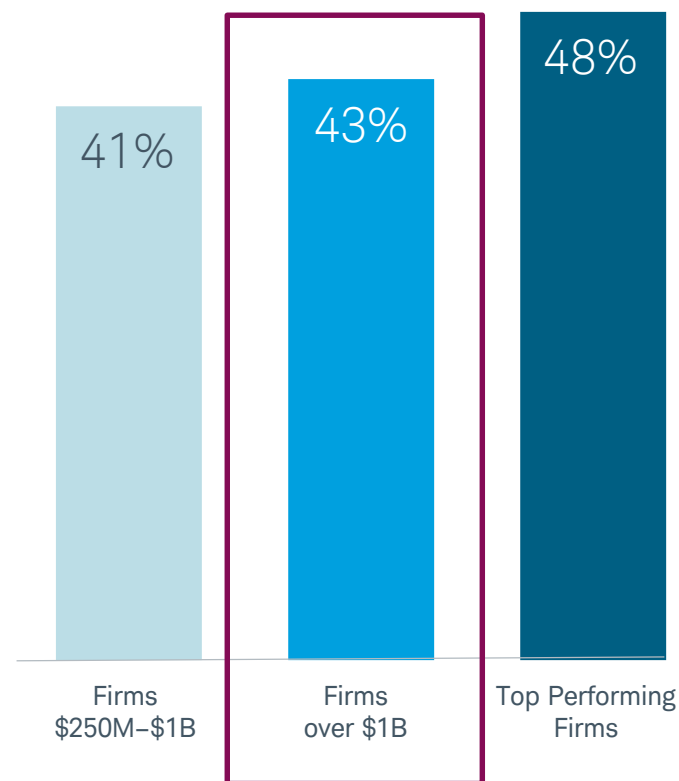


Leveraging CRM systems can help serve clients more consistently and streamline communications.

Firms with three or more data sources or systems integrated with CRM



Firms with standardized workflows within CRM for over 50% of tasks



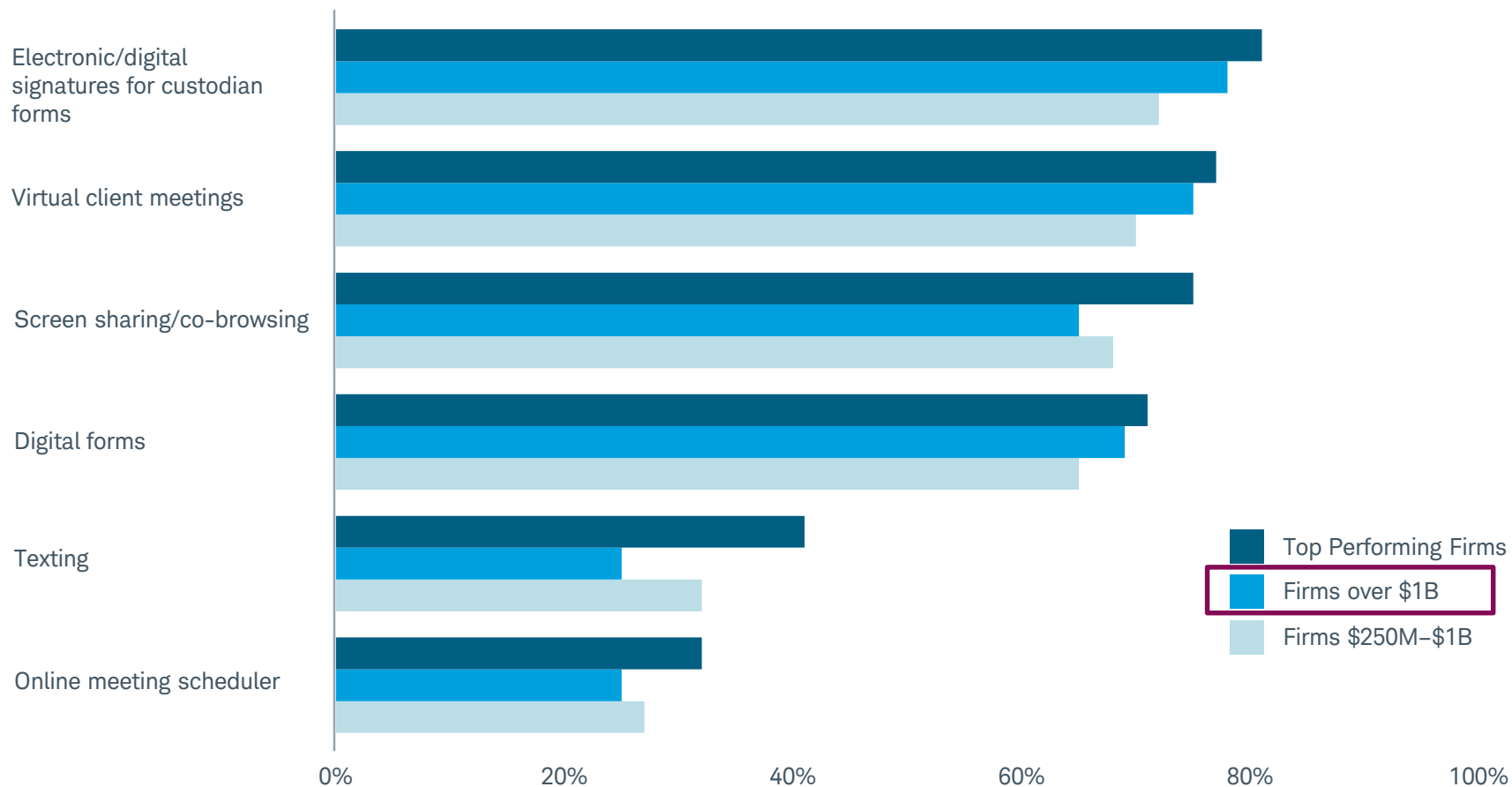
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Top Performing Firms are more likely to leverage digital touchpoints to enhance the client experience.

Firms with strategy implemented



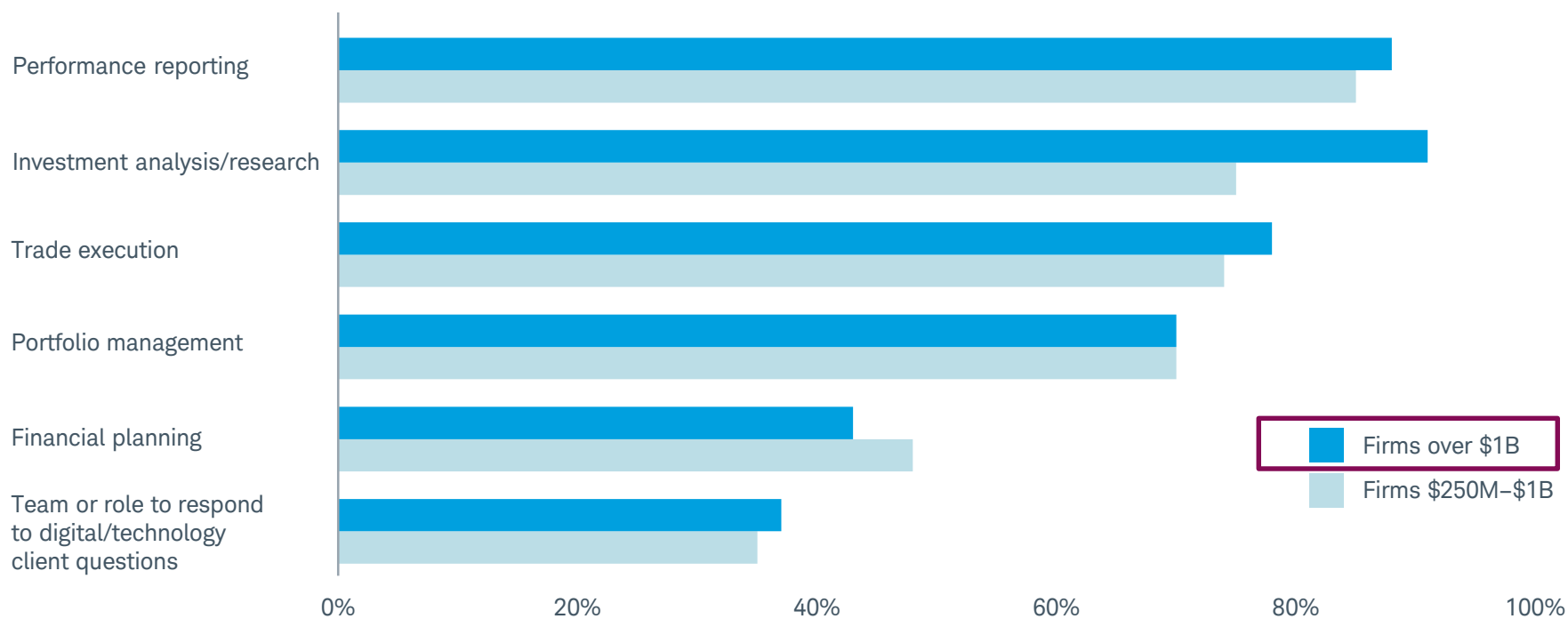
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Centralizing business functions can create efficiencies and capacity to spend more time with clients.

Firms using centralized function to achieve scale

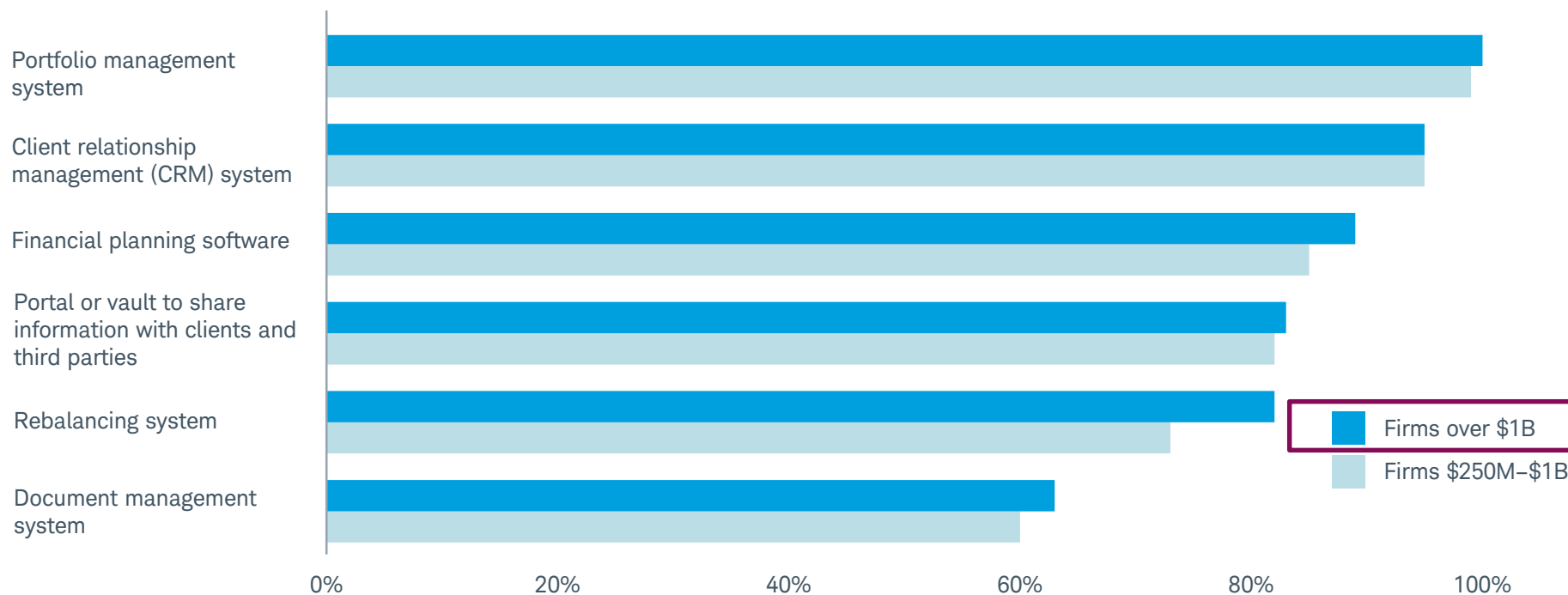


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Firms use a range of technologies to provide services to clients efficiently.

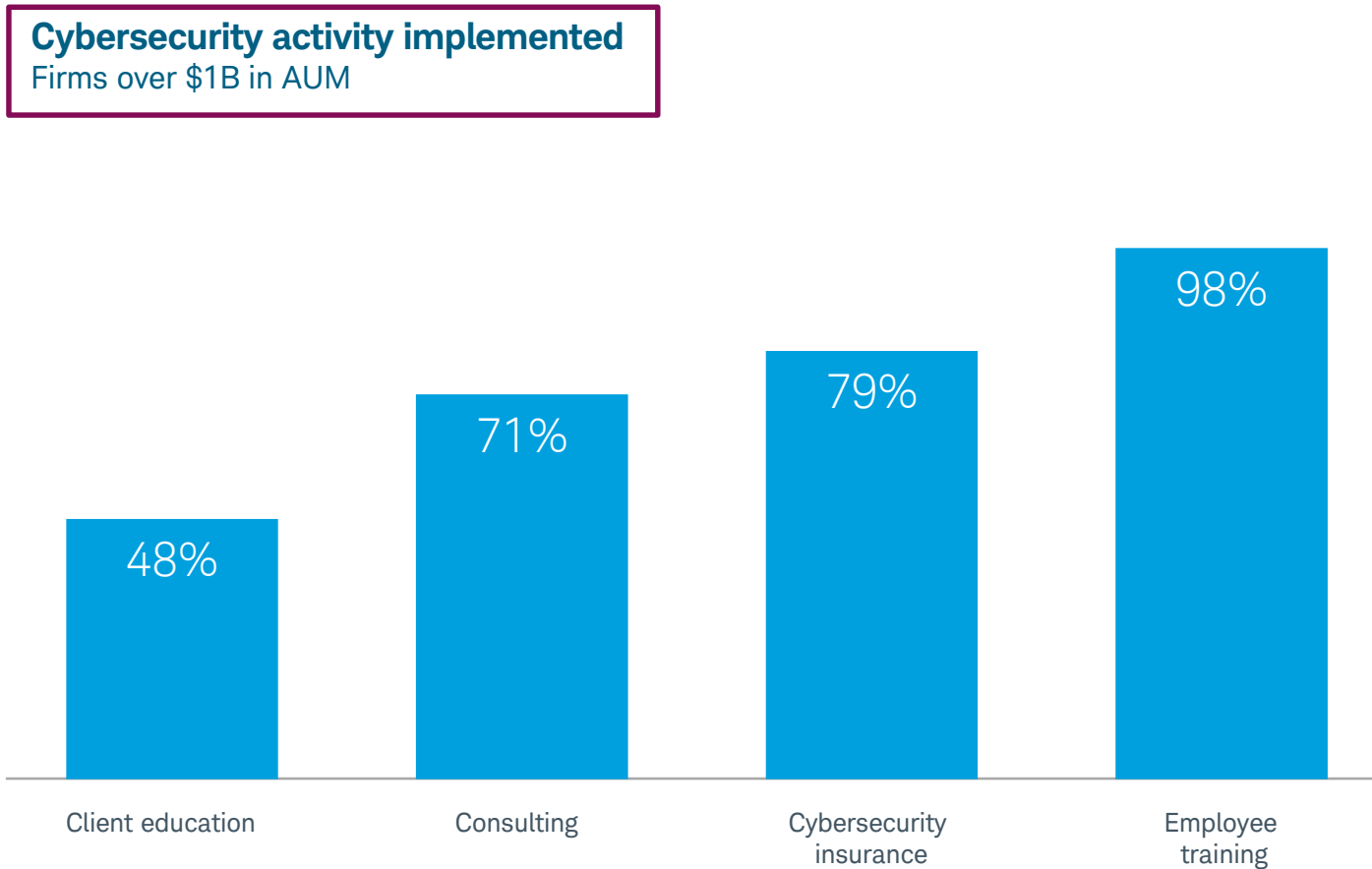
Firms using technology system



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Firms with over \$1 billion in AUM are taking key steps to strengthen their cybersecurity programs, protecting their clients and firms.

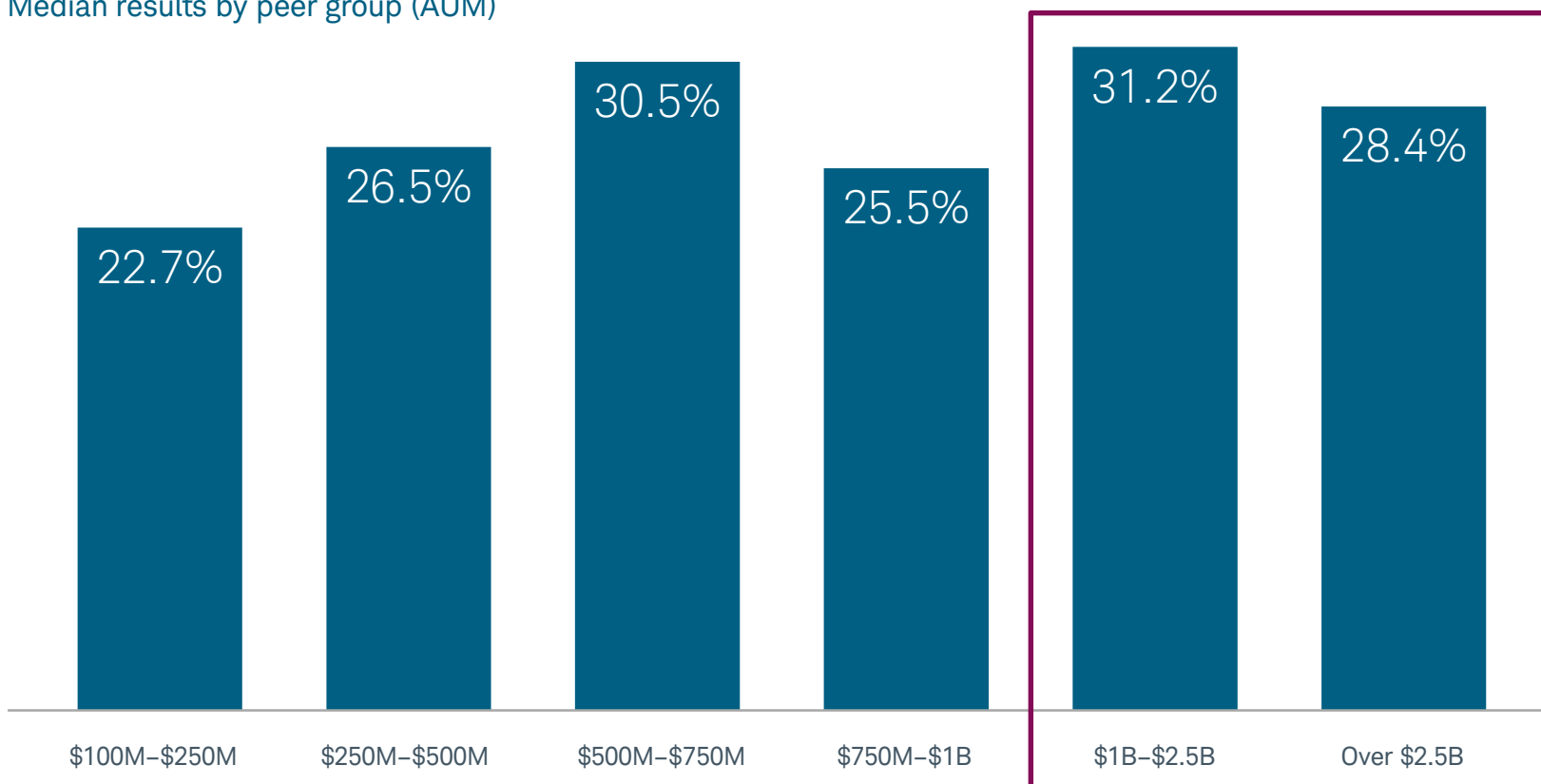


Percent of all firms with \$1 billion or more in AUM. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—seven wealth manager groups and five money manager groups—by AUM size.



Profit margins remain strong across firms of all sizes in 2019.

Standardized operating income margin
Median results by peer group (AUM)



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Advisors at firms with over \$1 billion in AUM identified areas of their businesses that could benefit from outside help.

1	Marketing strategy	33%
2	Growth strategy	32%
3	Staff training in sales and business development	27%
4	Technology strategy	24%
5	Staff development through coaching and mentoring	24%
6	Back-office process improvements	23%
7	Creating a digital marketing strategy	22%
8	Cybersecurity	19%

Results for all firms with \$1 billion or more in AUM. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.

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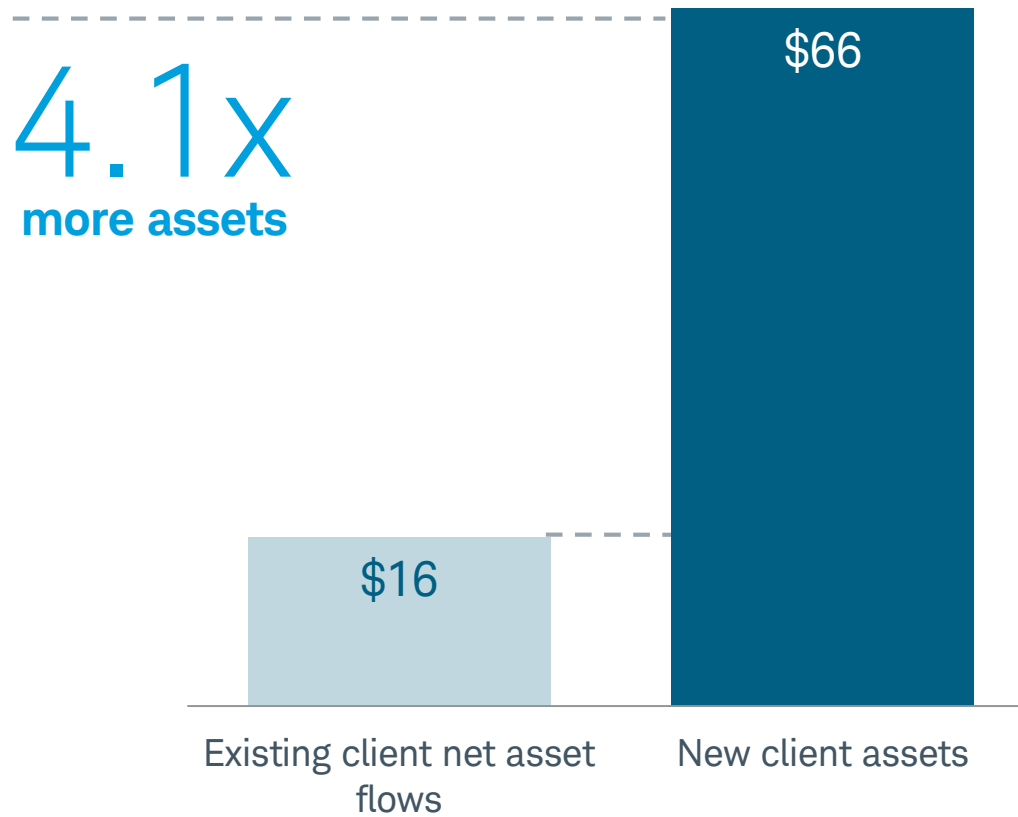
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New-to-firm client assets are driving growth at a higher rate among firms with over \$1 billion in AUM relative to their peers.

2019 assets from existing and new clients

Firms over \$1B in AUM
In millions, median results



Median results for all firms with \$1 billion or more in AUM. Existing clients net flows includes assets gained and lost from existing clients. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—seven wealth manager groups and five money manager groups—by AUM size.

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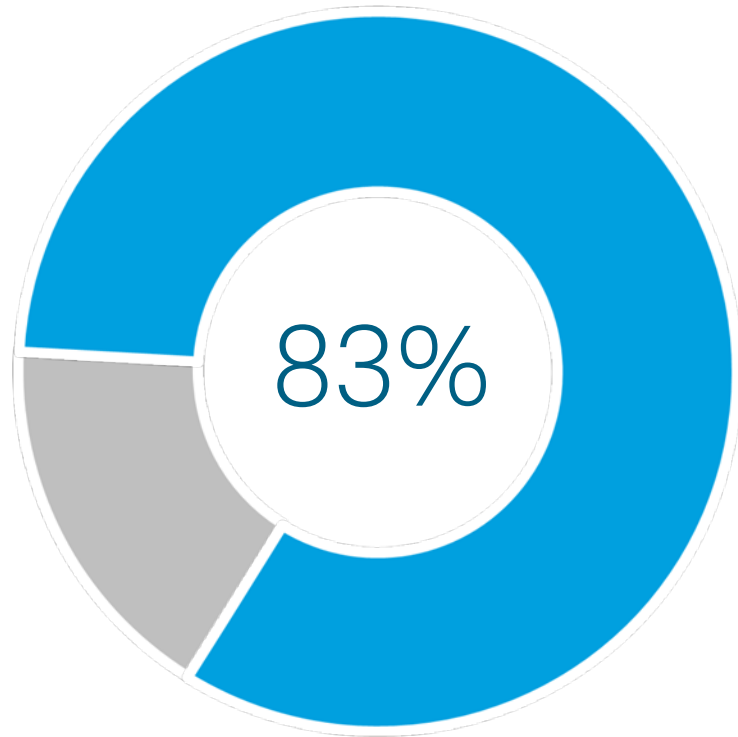
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A majority of firms plan to hire, with almost half recruiting from other RIAs.

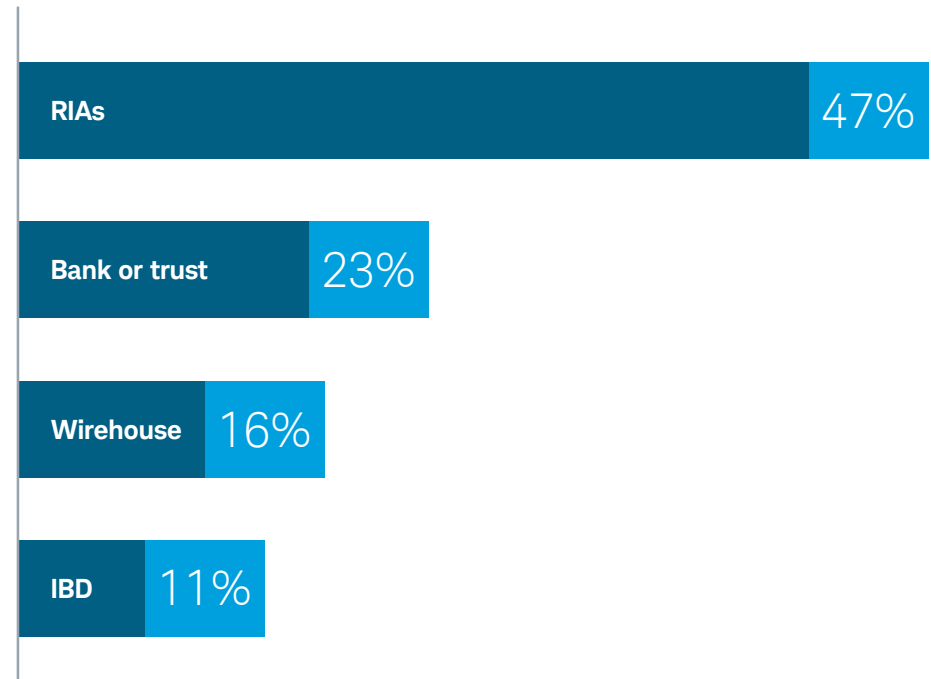
Firms planning to hire from external sources in the next 12 months

Firms over \$1B in AUM



Recruitment channels in 2019

Firms over \$1B in AUM



Results for all firms with \$1 billion or more in AUM.

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Appendix

Advisor Services

Methodology

- Schwab designed the RIA Benchmarking Study to capture insights in the RIA industry based on study responses from individual firms.
- Fielded from January to early April 2020, the study contains self-reported data from 1,010 firms that custody their assets with Schwab Advisor Services and represent \$1.1 trillion in AUM, making this the leading study in the RIA industry. This self-reported information was not independently verified.
- More than three-quarters of firms completed the study after March 1, 2020, when markets had already been heavily impacted by the COVID-19 crisis.
- Since the inception of the study in 2006, more than 3,700 firms have participated, with many repeat participants.
- Participant firms represent various sizes and business models. They are categorized into 12 peer groups— seven wealth manager groups and five money manager groups—by AUM size.
- The Firm Performance Index evaluates firms in the study according to 15 metrics that align with the Guiding Principles for Advisory Firm Success, to arrive at a holistic assessment of each firm's performance across key business areas. It provides comprehensive comparisons for all firms participating in the study, not just within a peer group. The metrics in the Firm Performance Index measure growth in clients, assets and revenue; client attrition; staff attrition; operating margin; time spent on client service; time spent on operations; standardized workflows; written strategic plan and succession plan; and ideal client persona and client value proposition. The Firm Performance Index is calculated among all firms in the study without regard to assets under management or firm type. Firms that rank in the top 20% of the index are included in the Top Performing Firms.
- Net organic growth is the change in assets from existing clients, new clients, and assets lost to client attrition before investment performance is taken into account, and it excludes the growth from acquisitions, divestitures, and advisors joining or leaving a firm with assets.

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About the Firm Performance Index

- The Firm Performance Index ranks all firms on 15 metrics that align with the Guiding Principles for Advisory Firm Success.
- The index is a holistic assessment of RIA performance across key areas.
- Top Performing Firms are those that rank in the top 20% of the index.

Firm performance

- 5-Year client CAGR
- 5-Year net asset flows CAGR
- 5-Year revenue CAGR
- 2019 AUM growth rate from new client assets
- 2019 AUM growth rate from existing client assets
- Client attrition
- Staff attrition
- Operating margin (reported)
- Time spent on client service
- Time spent on operations

Activities implemented

- Standardized workflows in CRM for over 50% of tasks
- Written strategic plan
- Written succession plan
- Ideal client persona/profile
- Client value proposition

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The 1,010 firms in the 2020 study represent \$1.1 trillion in AUM

Metrics (median)	Peer Groups						
	Firms over \$1B	\$100M-\$250M	\$250M-\$500M	\$500M-\$750M	\$750M-\$1B	\$1B-\$2.5B	Over \$2.5B
2019 ending AUM (\$M)	\$2,002	\$174	\$345	\$620	\$852	\$1,459	\$4,167
5-year AUM CAGR ¹	9.2%	8.6%	9.3%	9.4%	7.3%	9.8%	9.0%
2019 organic growth ² (\$M)	\$52	\$8	\$16	\$23	\$16	\$52	\$56
5-year organic growth ² CAGR ¹	4.5%	4.7%	5.2%	4.3%	3.9%	4.8%	4.3%
2019 revenues (\$K)	\$10,342	\$1,186	\$2,206	\$3,762	\$4,982	\$7,810	\$20,452
5-year revenue CAGR ¹	7.4%	6.7%	7.8%	6.9%	6.1%	7.7%	6.9%
2019 ending number of clients	790	157	240	320	410	636	1,331
5-year client CAGR ¹	4.4%	4.0%	5.2%	5.3%	4.1%	4.9%	3.6%
Average assets per client (\$M)	\$3.17	\$1.20	\$1.56	\$1.96	\$2.92	\$3.12	\$3.71
Standardized operating margin	29.6%	22.7%	26.5%	30.5%	25.5%	31.2%	28.4%
Total staff	28	5	7	10	14	21	55

¹ Median compound annual growth rate (CAGR) over the five-year period from 2015 to 2019. Past performance is not an indicator of future results.

² Organic growth from net asset flows is the change in a firm's assets from new, existing, and lost clients before investment performance is taken into account, and it excludes the growth from acquisition or divestiture and from advisors joining or leaving.

Median results by peer group (AUM) unless otherwise noted. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups—by AUM size.