

2020 RIA Benchmarking Study

July 2020

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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.

The following report is 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.

Highlights:

- RIA firms entered 2020 from a position of strength: robust five-year growth trends across assets under management (AUM), revenue, and clients.
- Top strategic priorities have remained consistent year-over-year: acquiring new clients, leveraging technology to improve productivity, and enhancing strategic planning.
- A continued focus on net organic growth has helped RIAs smooth the impact of volatile markets.
- Most firms are planning to hire in the next 12 months and are largely targeting talent at other RIAs.

- **New in 2020: the 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.

- **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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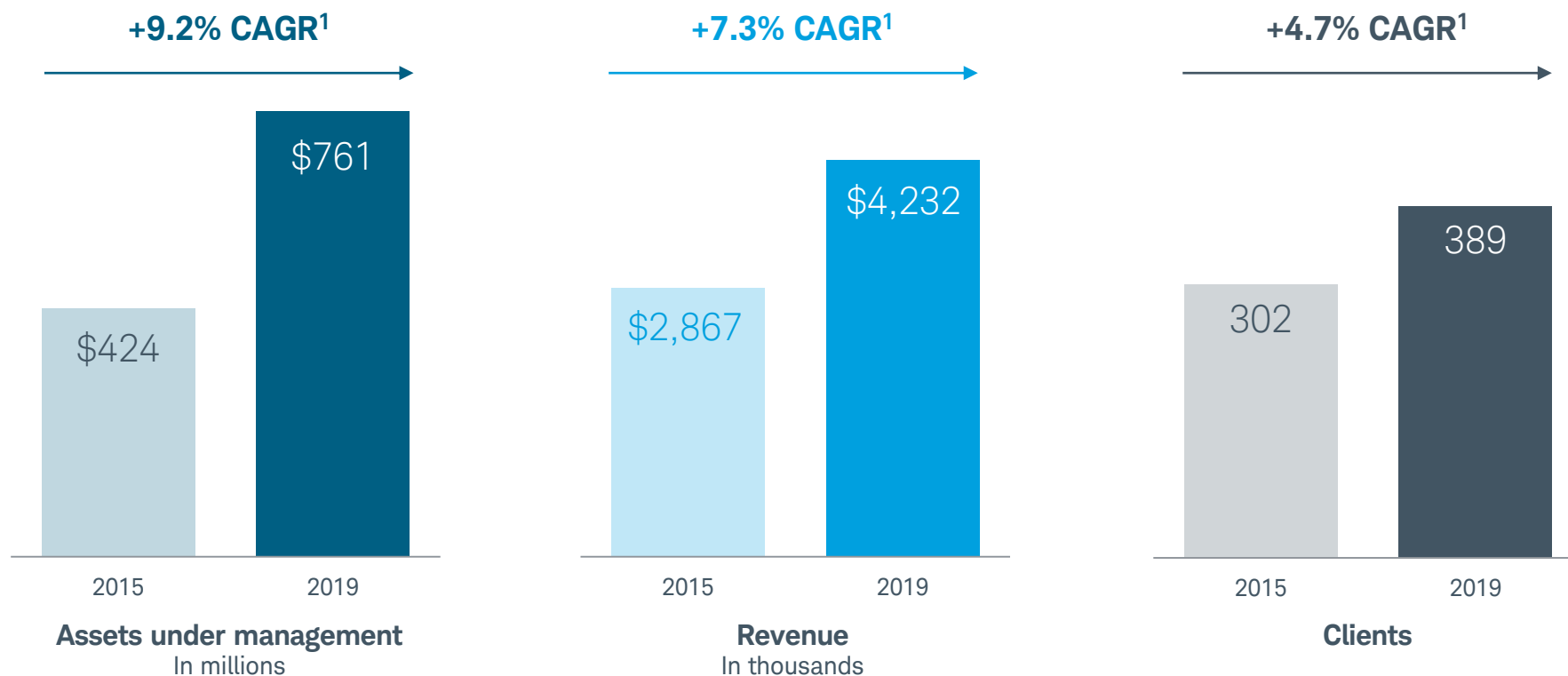
Top strategic initiatives remain consistent year-over-year, with acquiring new clients a priority.

Rank		Percent of firms	
		2020	2019
1	Acquire new clients through client referrals	42%	37%
2	Acquire new clients through business referrals	26%	26%
3	Improve productivity with new technology	22%	24%
4	Enhance strategic planning and execution	22%	24%
5	Recruit staff to increase firm's skill set/capacity	21%	24%
6	Improve satisfaction for existing clients	17%	16%

Results for all firms with \$250 million 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.



RIA firms entered 2020 from a position of strength.



¹ Median compound annual growth rate (CAGR) over the five-year period from 2015 to 2019 for all firms with \$250 million or more in AUM.

Median results for all firms with \$250 million or more in AUM. 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—seven wealth manager groups and five money manager groups—by AUM size.



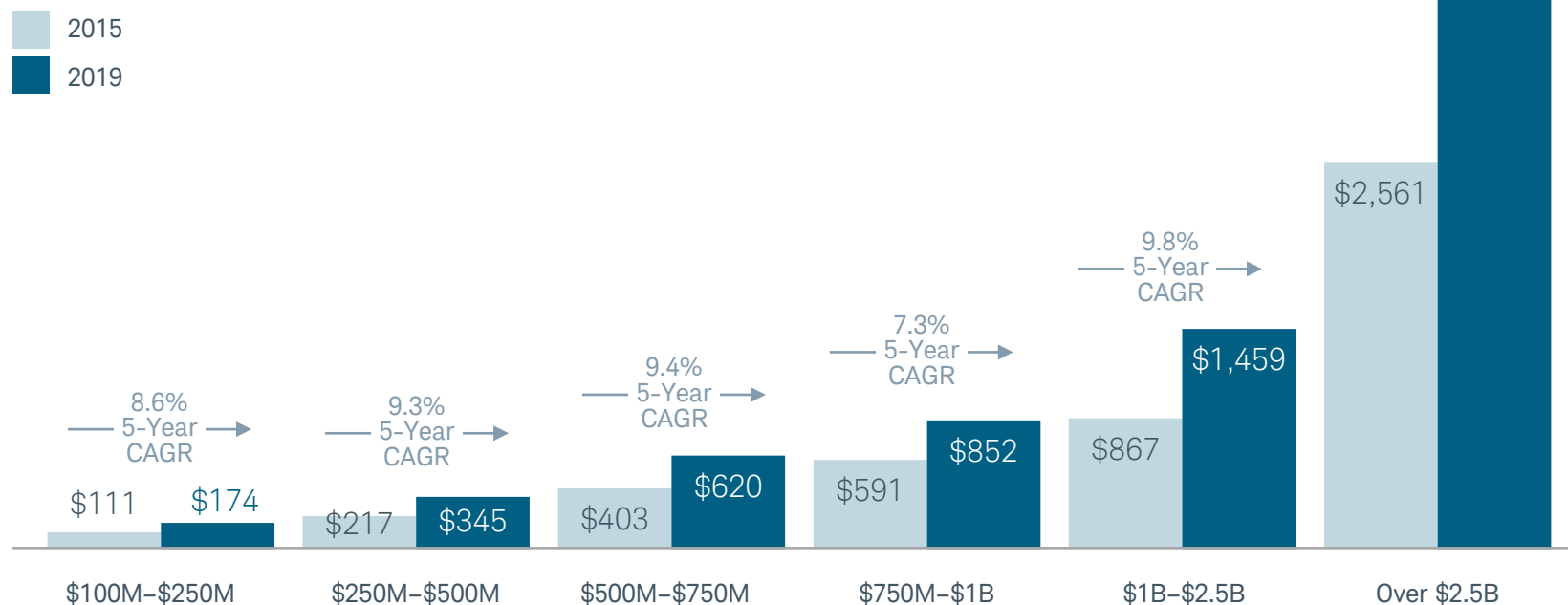
Over the past five years, AUM growth was strong for all firm sizes.

Assets under management

In millions

Median results by peer group (AUM)

5-Year AUM CAGR (2015–2019)



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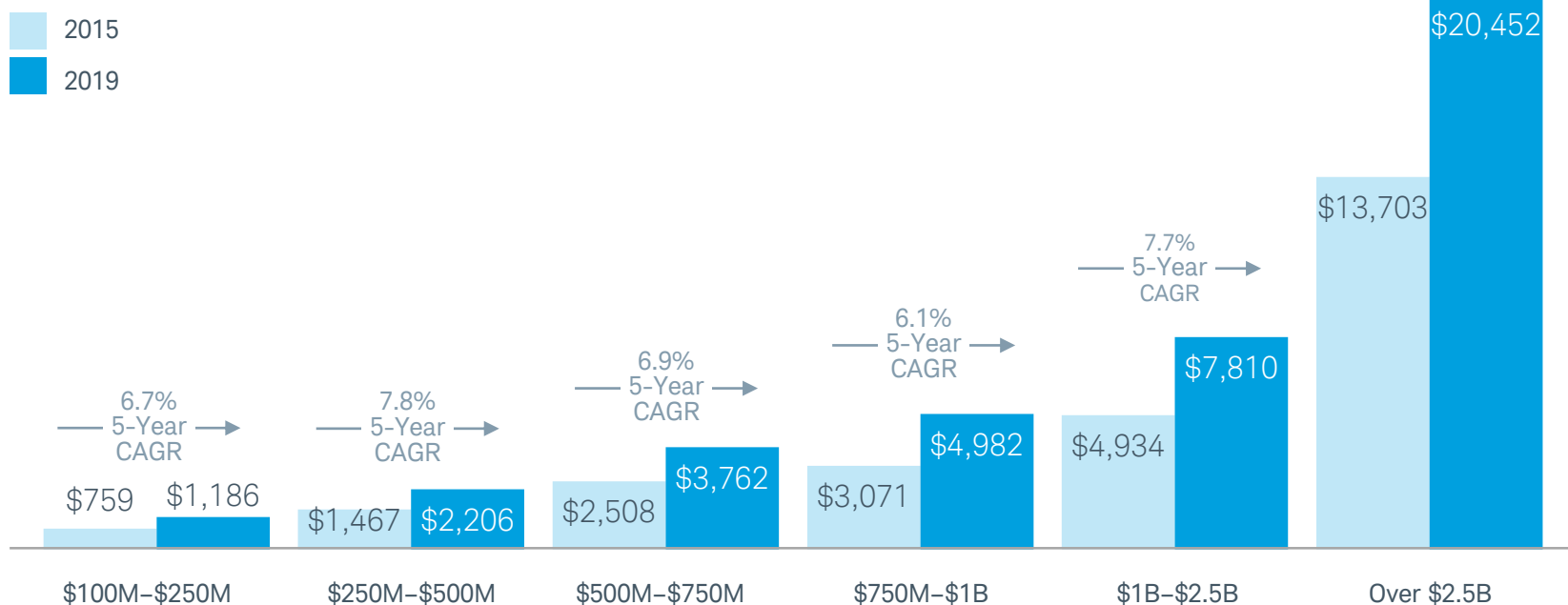


Revenue growth also remained positive for the 5-year period.

Revenue

In thousands

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



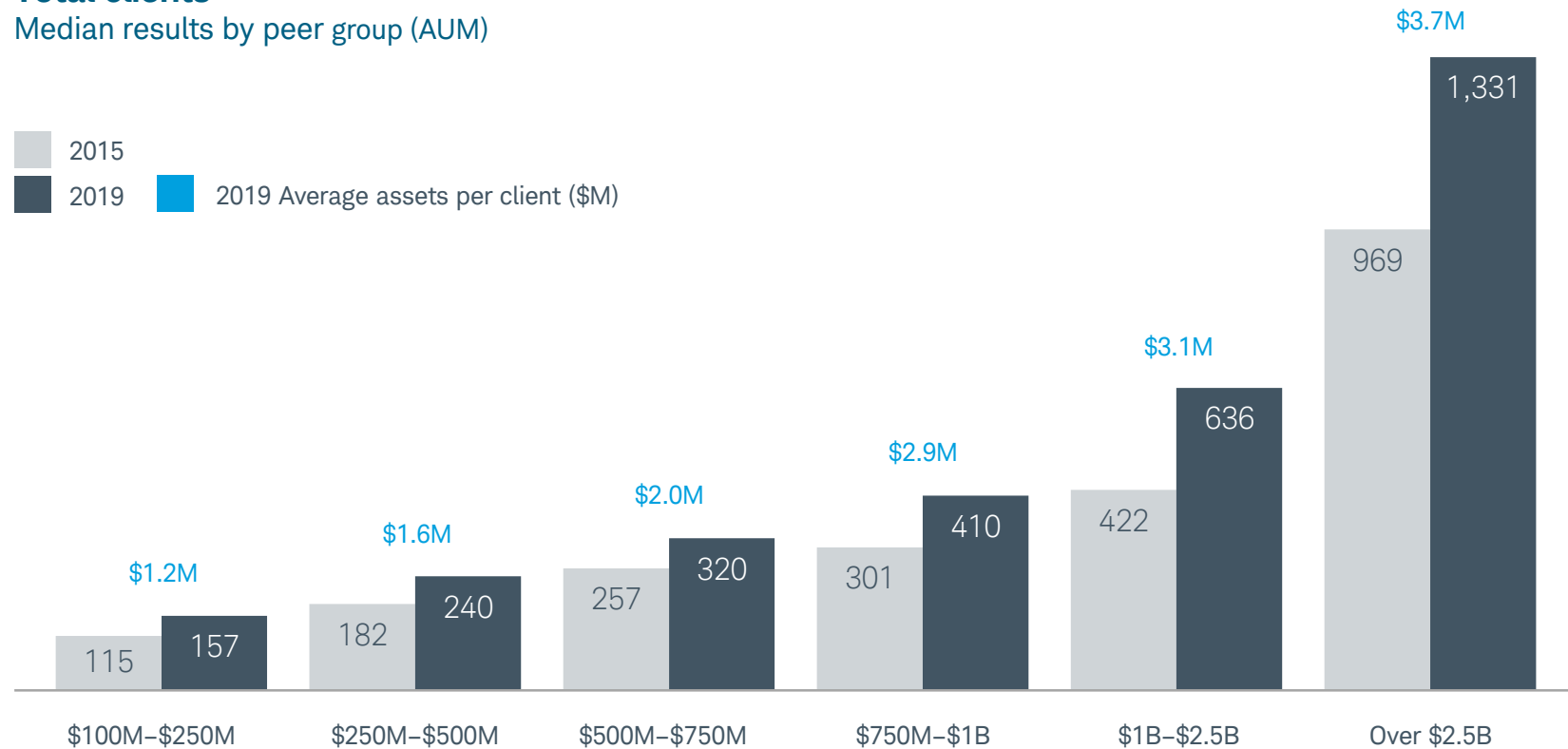
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Independent model appeals to high-net-worth clients.

Total clients

Median results by peer group (AUM)

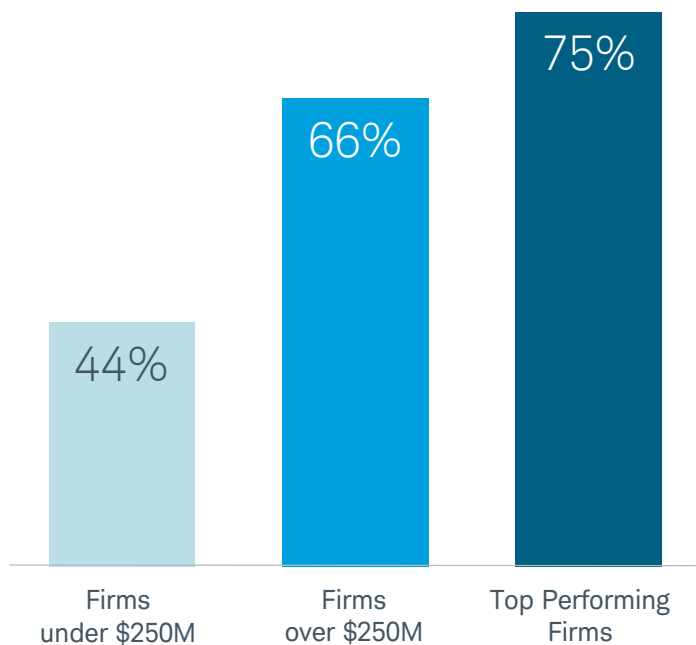


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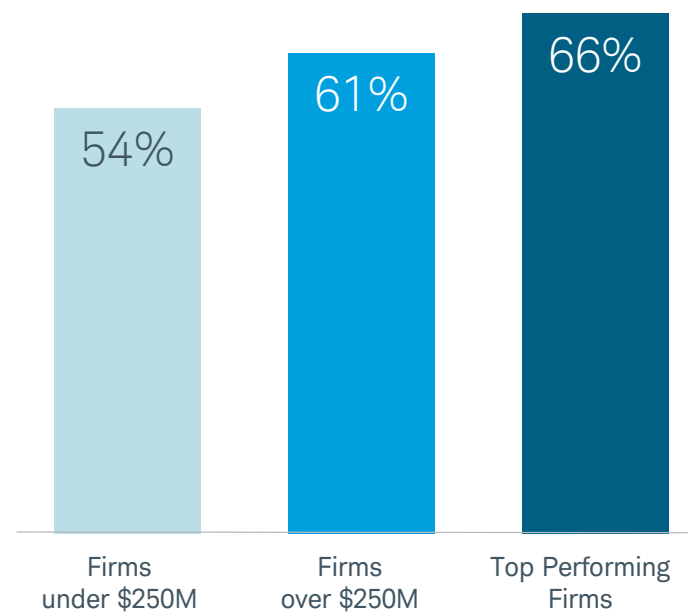


Strategic and succession plans support firm performance and endurance, helping firms adapt to change.

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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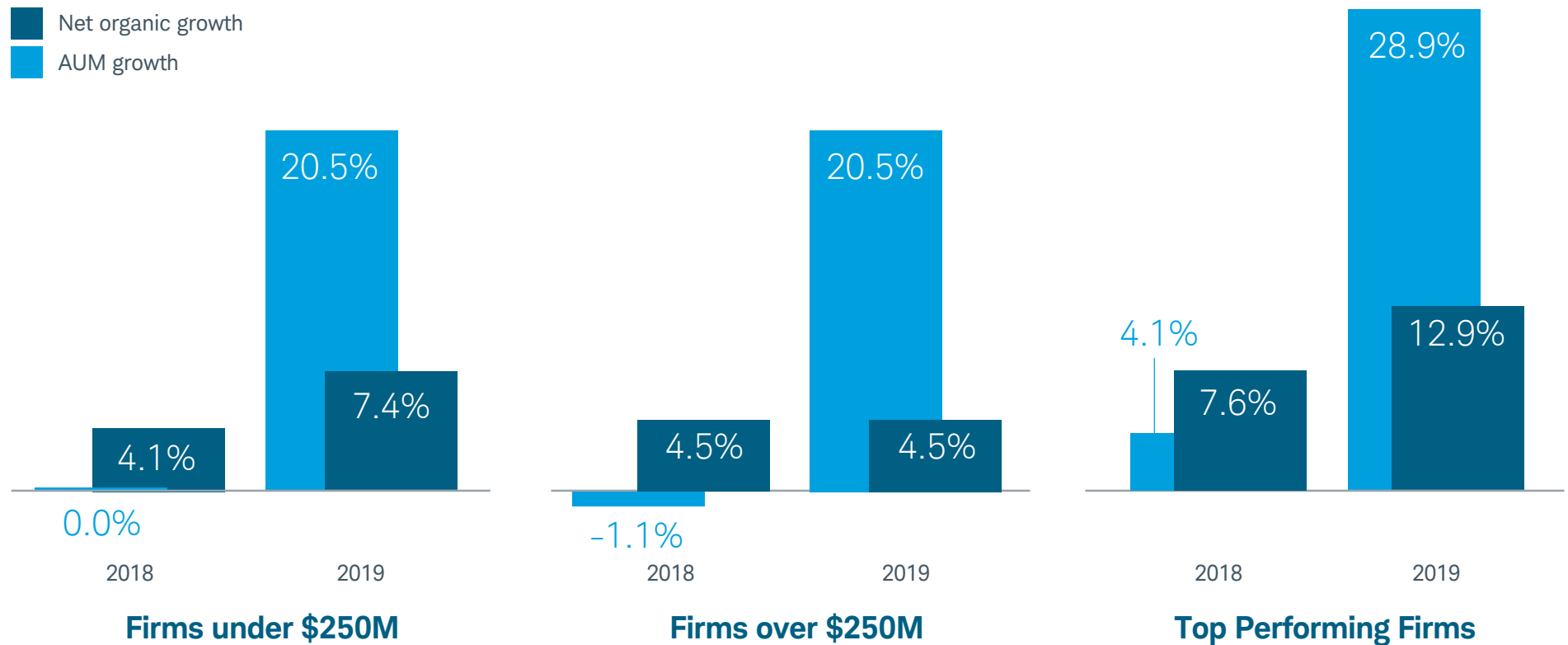


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A continued focus on net organic growth helps to smooth the impact of volatile market conditions.

Contribution of net organic asset growth to AUM growth



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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)

Top Performing Firms

68%

Firms over \$250M

60%

Firms under \$250M

50%

Firms with a documented client value proposition (CVP)

Top Performing Firms

75%

Firms over \$250M

66%

Firms under \$250M

55%

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Firms with both a documented ideal client persona and client value proposition attracted more new clients and assets in 2019.



Median results for all firms with \$250 million or more in AUM.

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Adding services is a thoughtful process, supported by a firm's strategic plan, ideal client persona, and client value proposition.

Firms' top strategic considerations in deciding to offer a new service



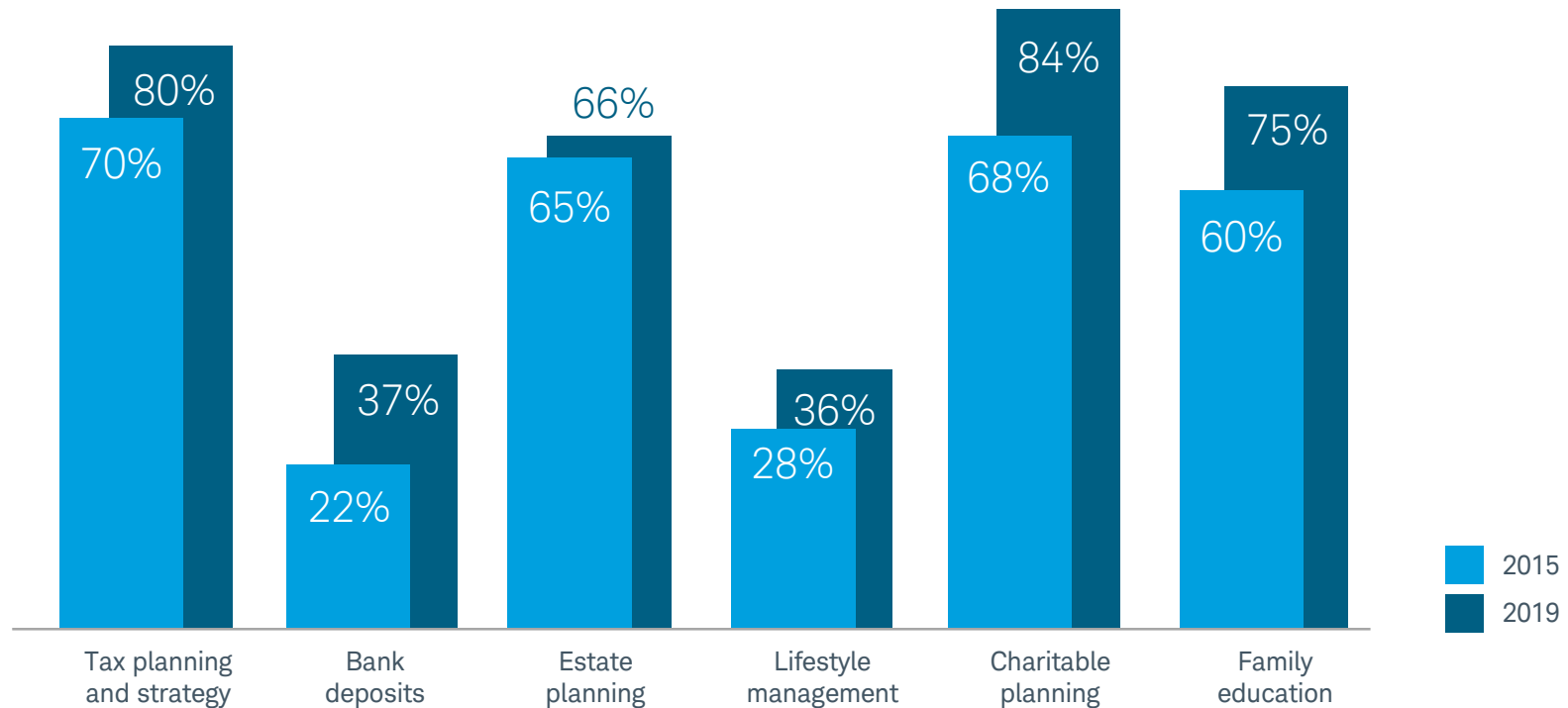
Results for all firms with \$250 million or more in AUM.

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Firms increasingly offer value-added services to compete and deepen their value proposition.

Firms offering service



Results from the 2016 and 2020 RIA Benchmarking Study from Charles Schwab. Results for all firms with \$250 million or more in AUM.

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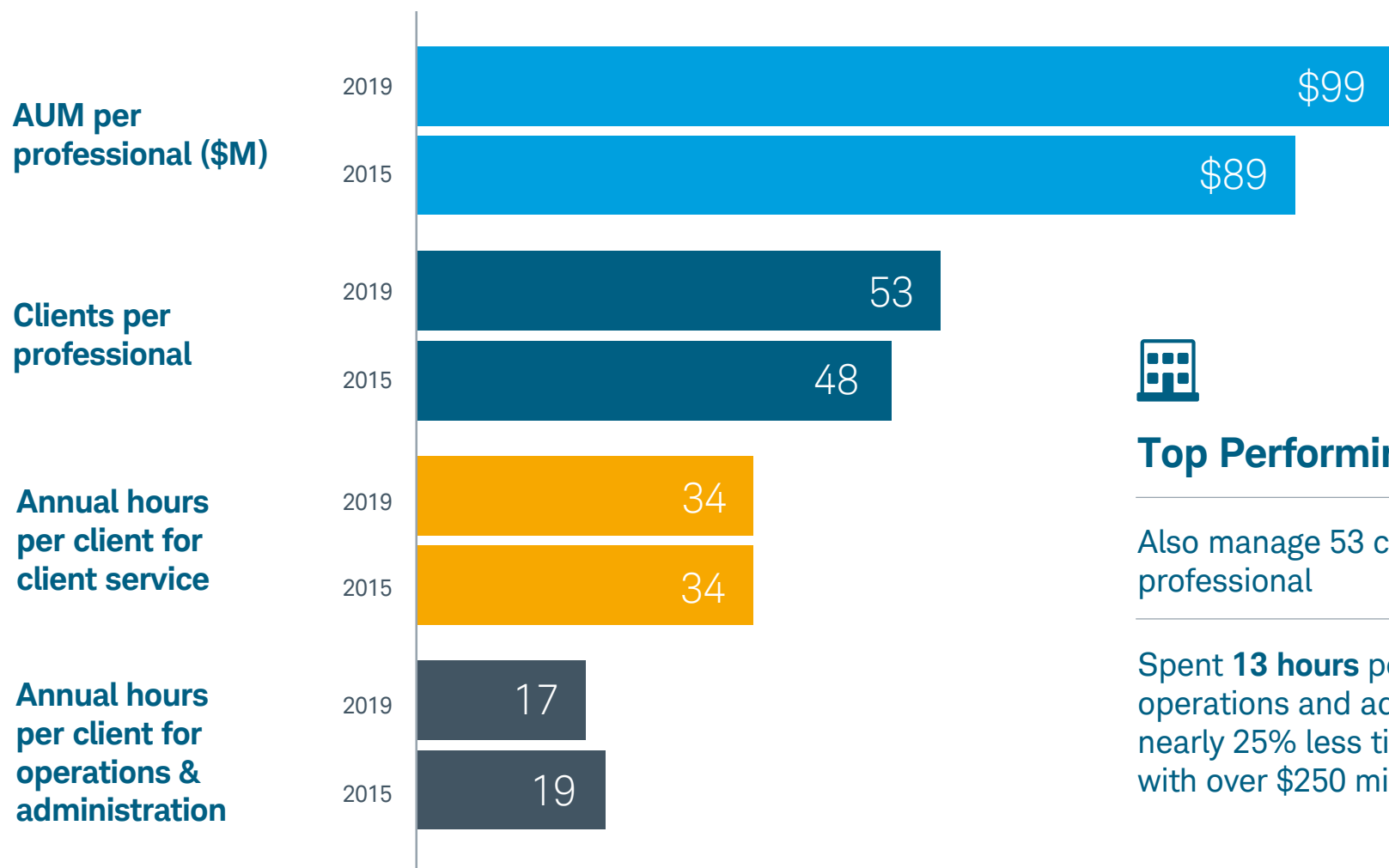
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Advisors have maintained client service levels while increasing productivity.



Top Performing Firms

Also manage 53 clients per professional

Spent **13 hours** per client for operations and administration, nearly 25% less time than firms with over \$250 million in AUM

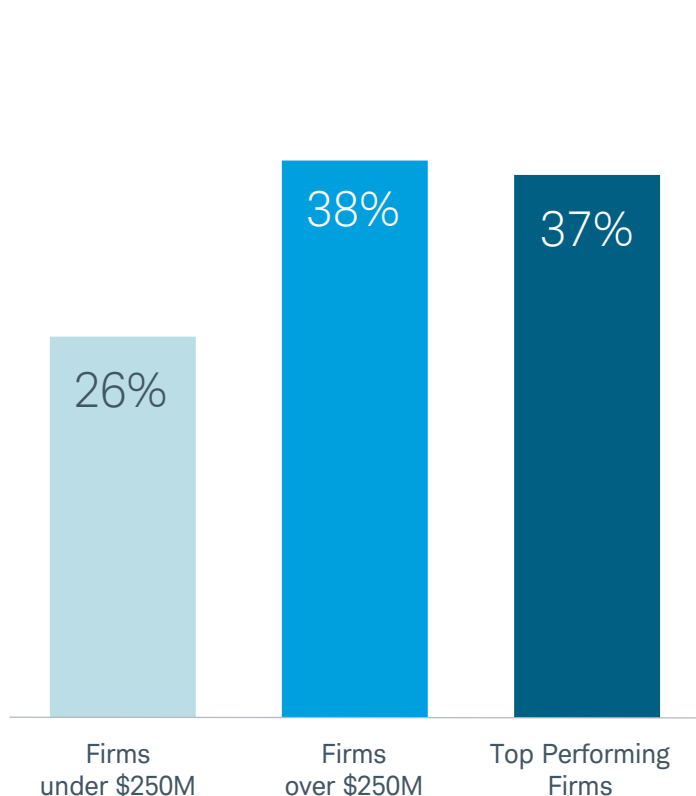
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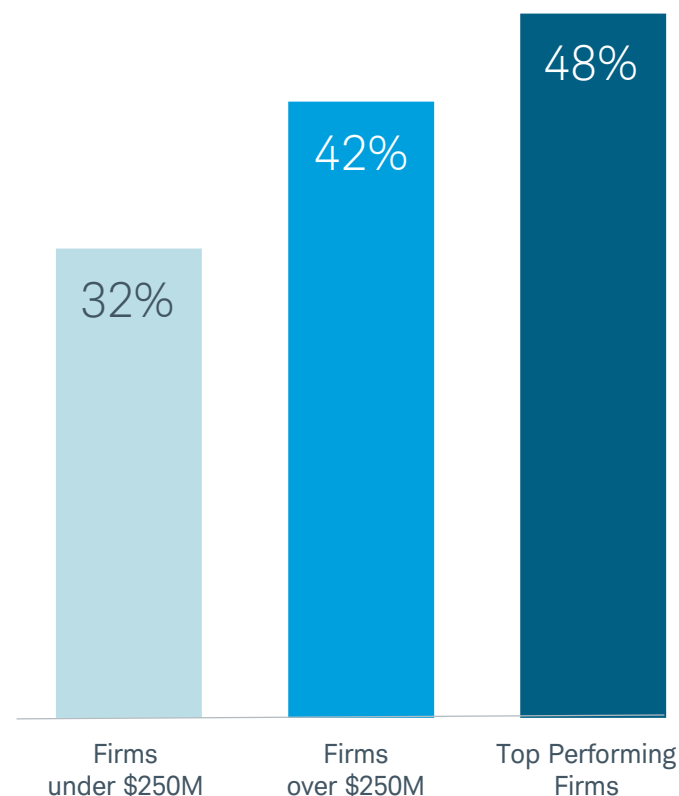


Leveraging CRM systems can help serve clients more consistently and streamline communications.

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



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



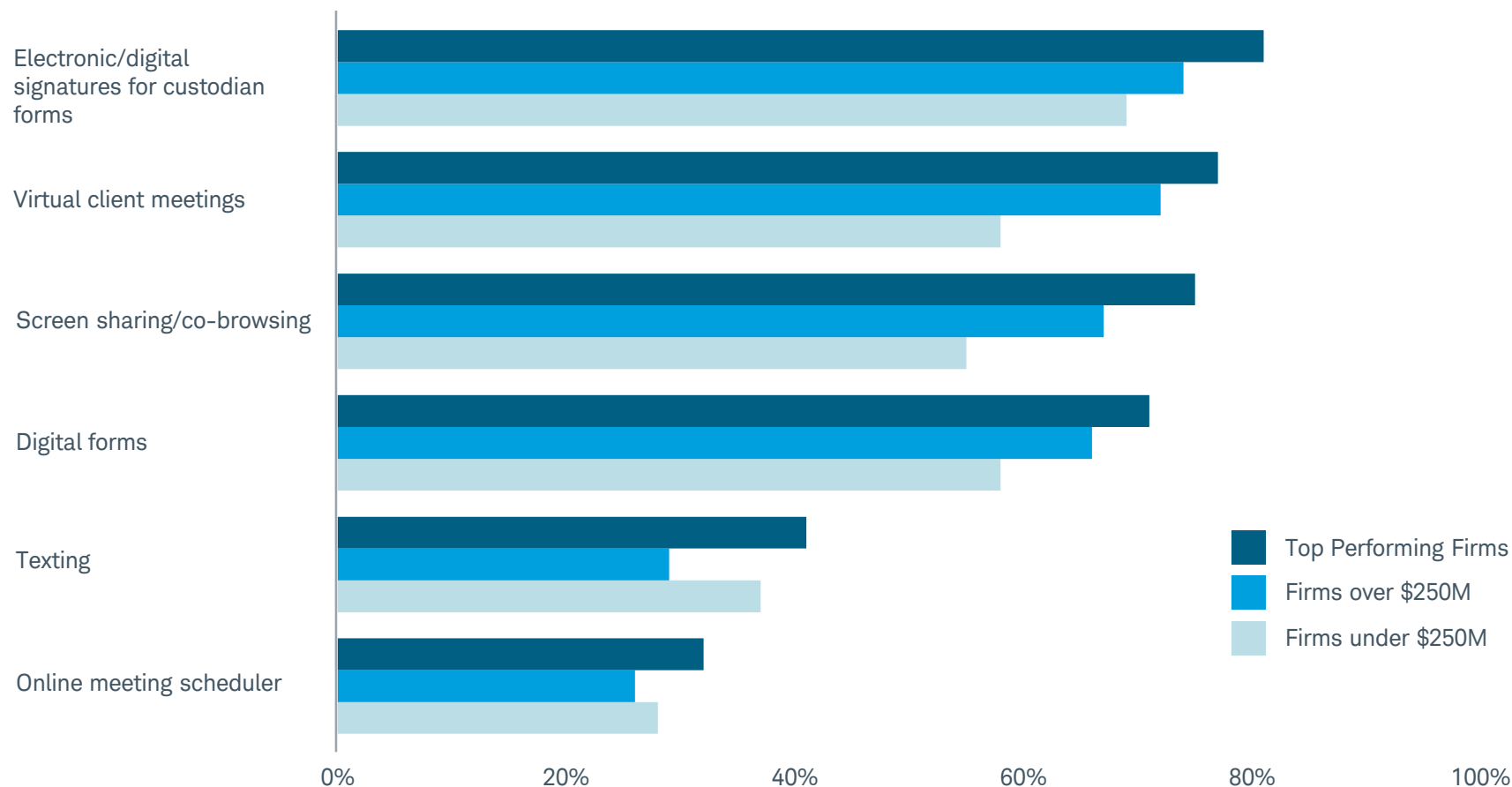
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Firms are leveraging digital touchpoints to enhance the client experience.

Firms with strategy implemented



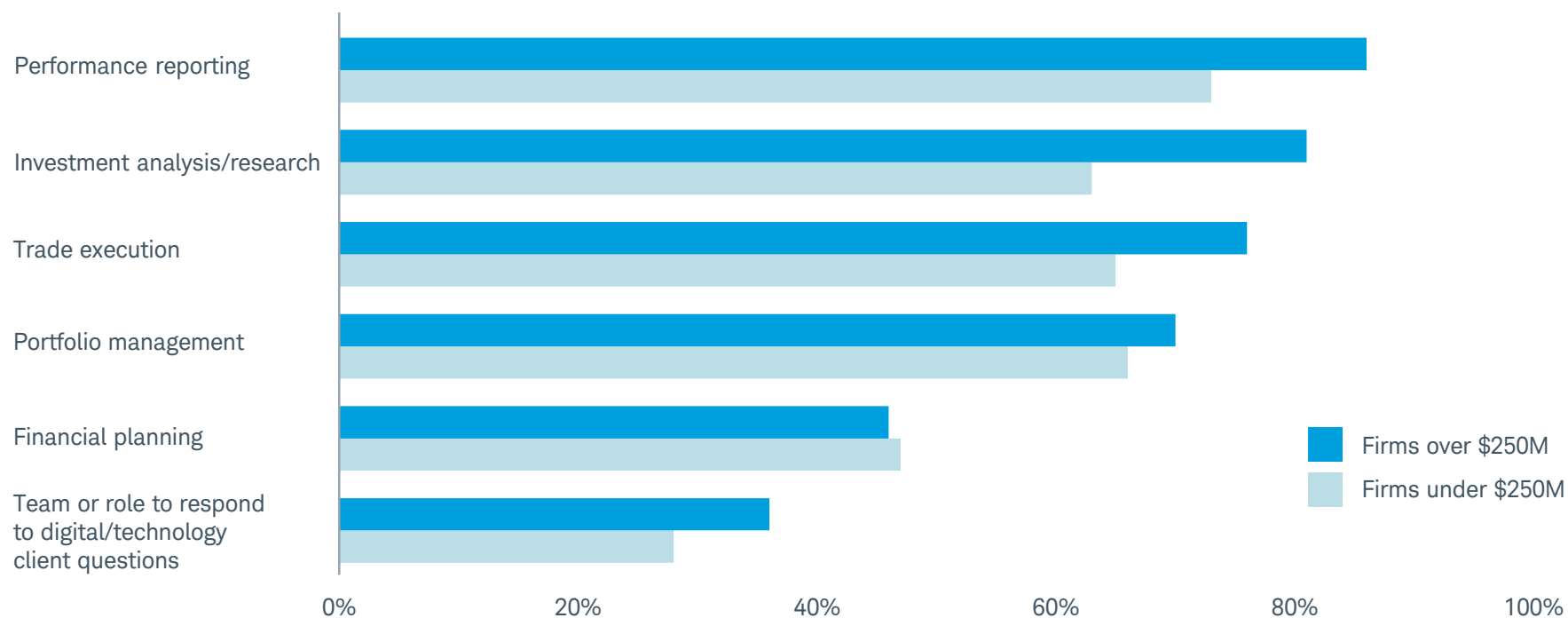
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Centralizing business functions creates efficiency and capacity to spend more time with clients.

Firms using centralized function to achieve scale



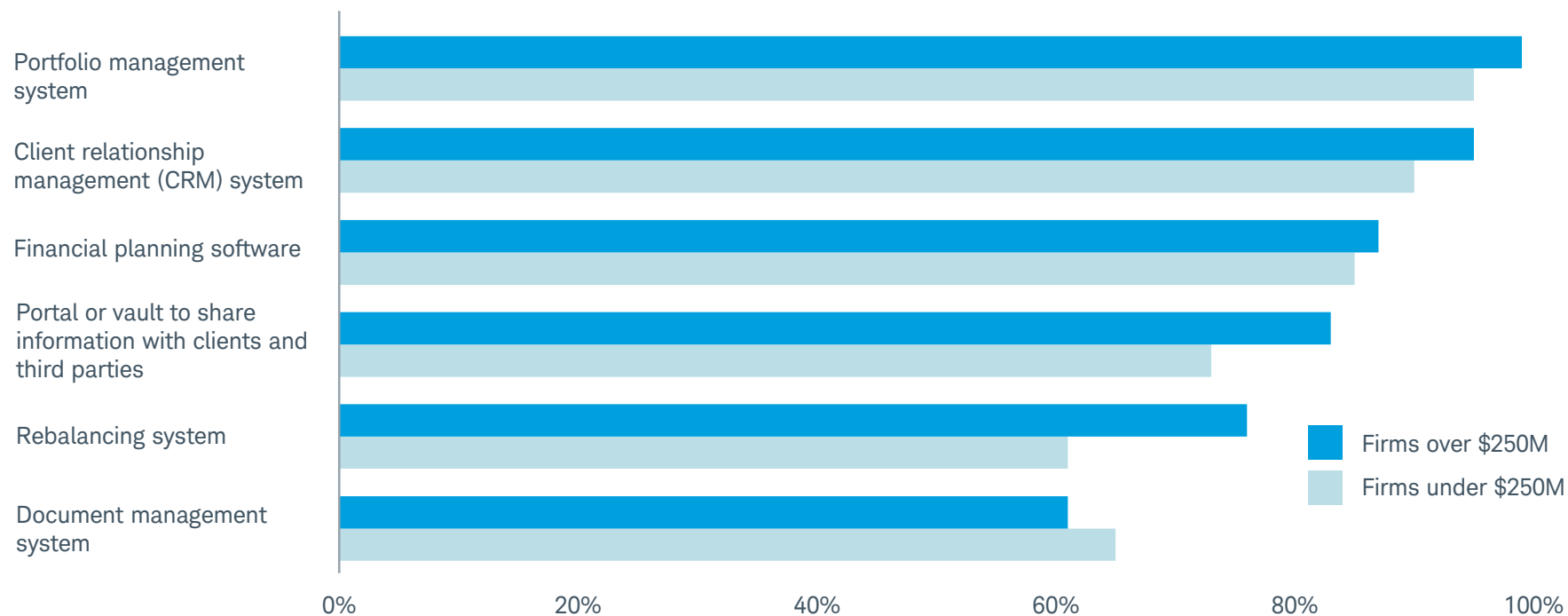
Results for all firms with less than \$250 million in AUM and firms with \$250 million or more in AUM.

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

Firms using technology system



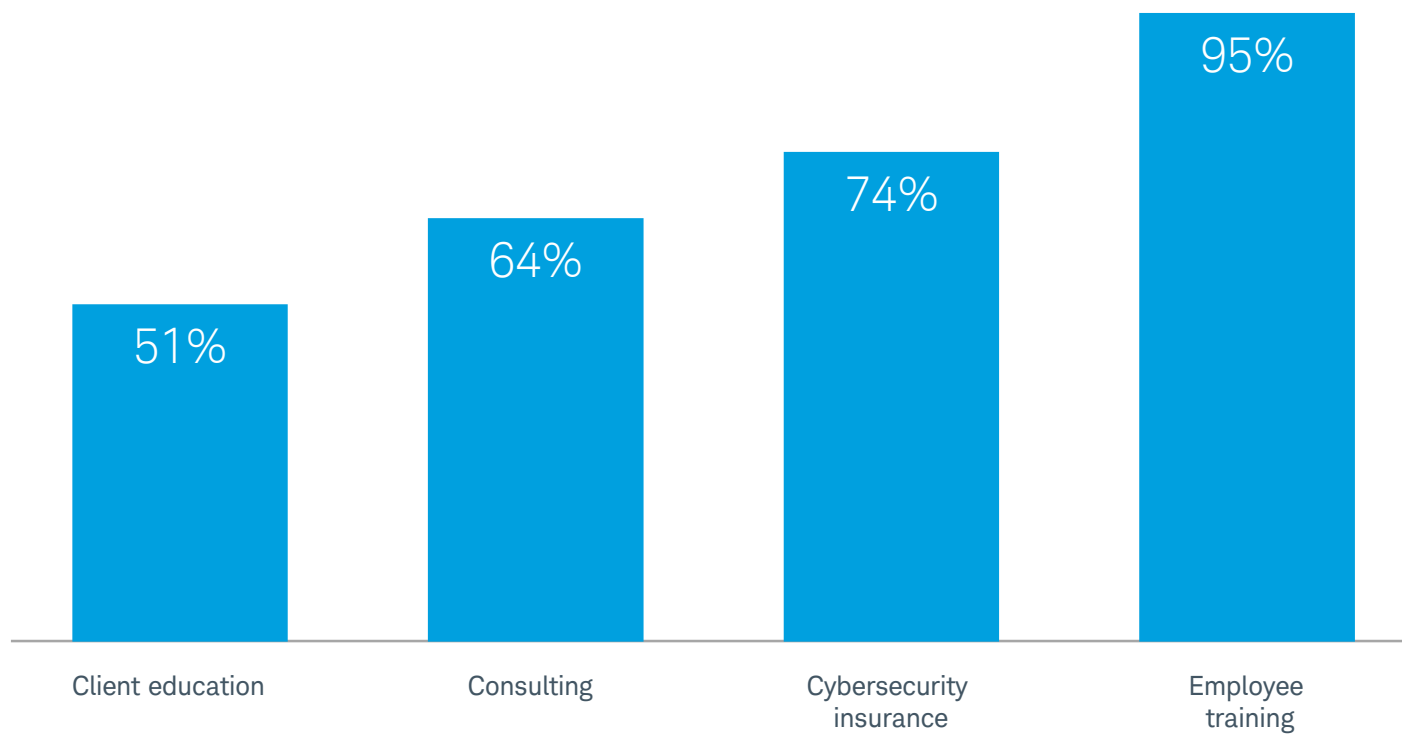
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Advisors are taking key steps to strengthen their cybersecurity programs, protecting their clients and firms.

Firms with cybersecurity activity implemented



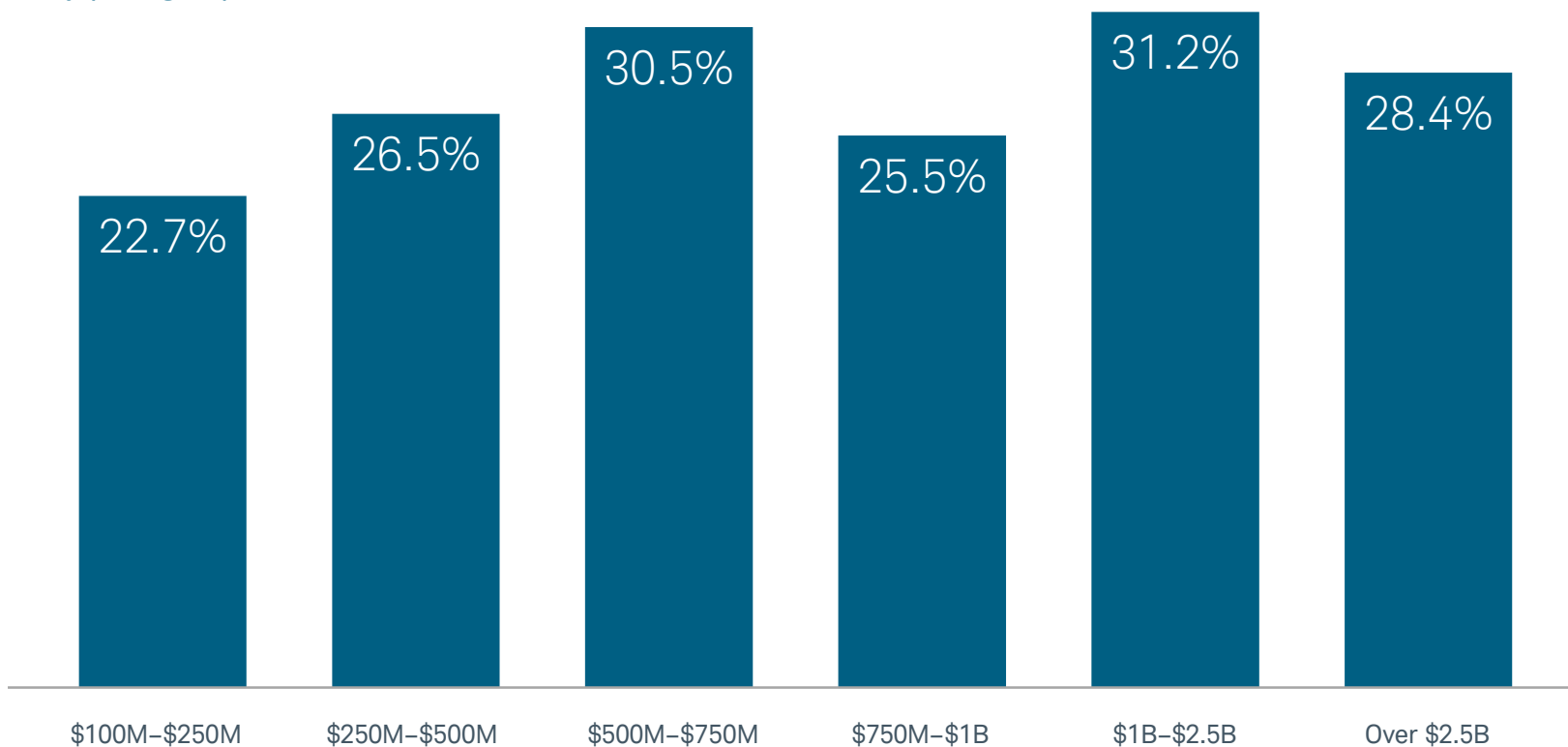
Percent of all firms with \$250 million or more in AUM. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—seven wealth manager groups and five money manager groups—by AUM size.



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

Standardized operating income margin

Median results by peer group (AUM)



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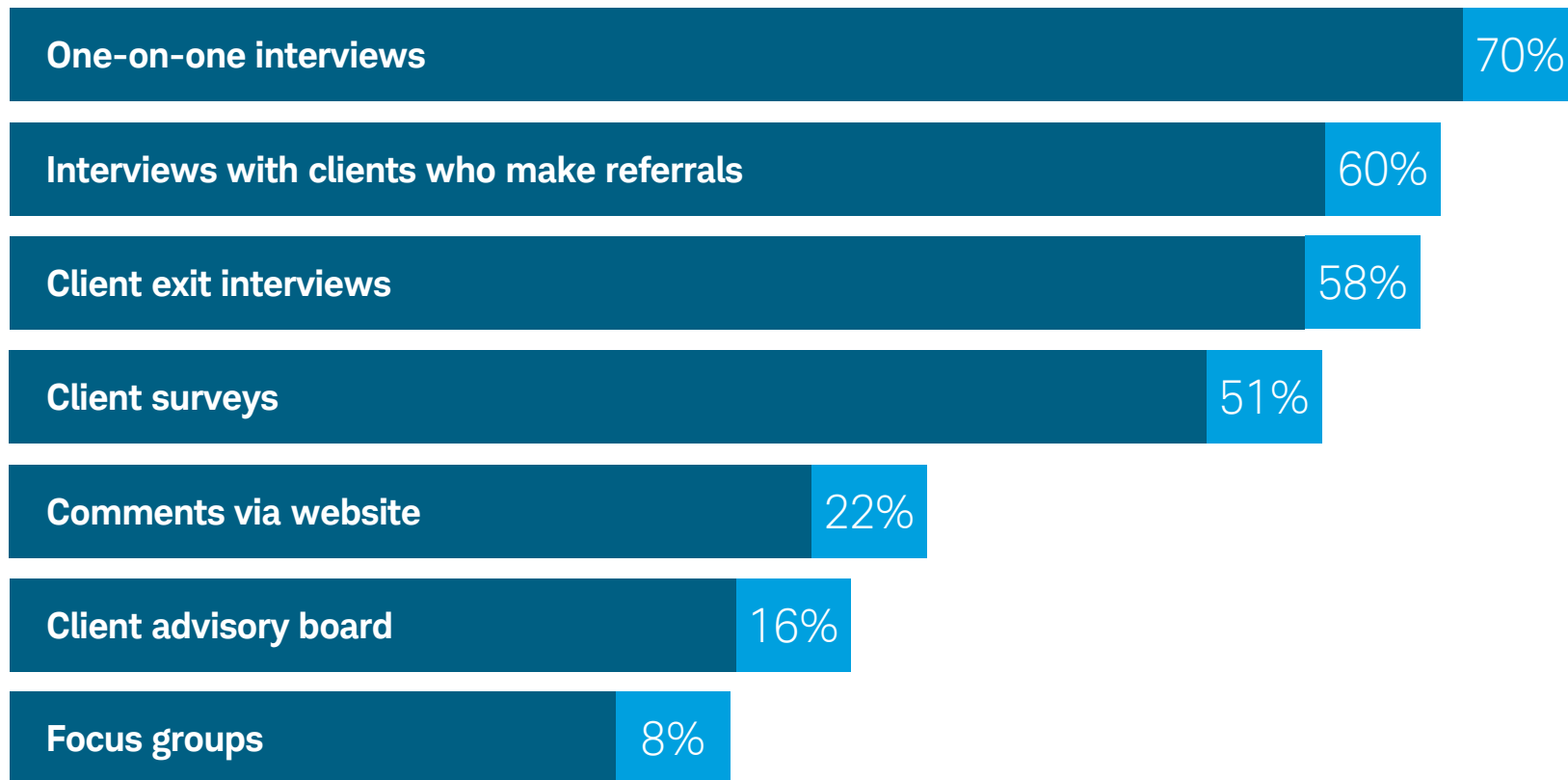


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Client feedback provides data and insights that can help firms understand what clients value.

Firms using feedback channel



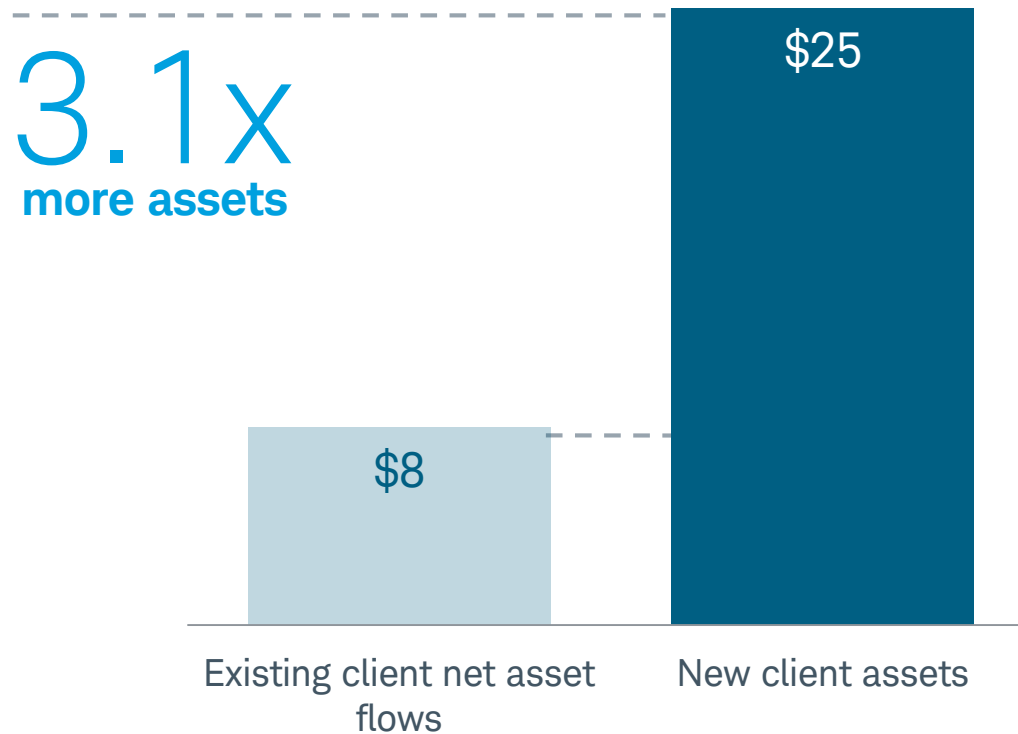
Results for all firms with \$250 million or more in AUM.

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Across the study, new client assets are three times greater than net assets from existing clients.

2019 assets from existing and new clients
In millions

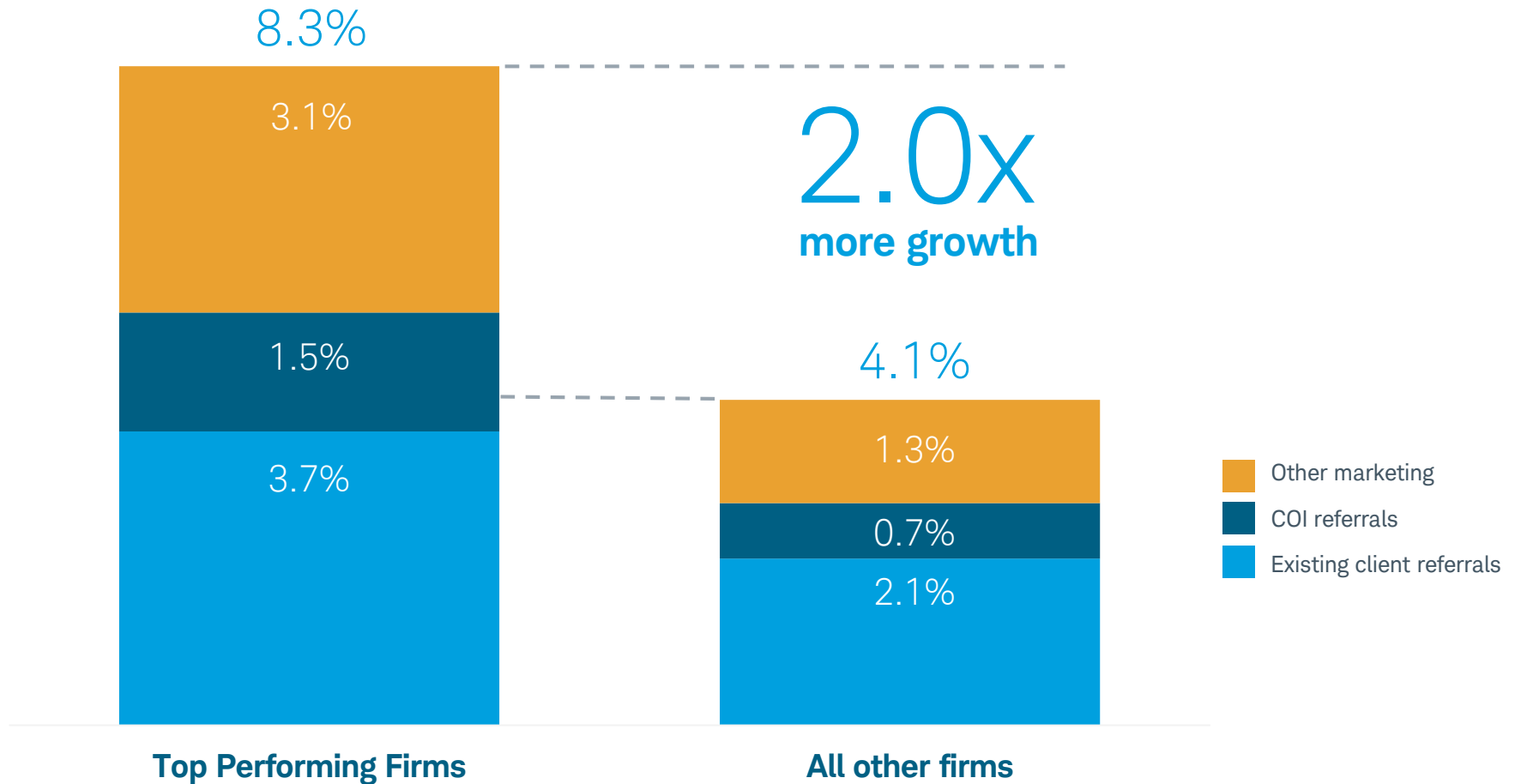


Median results for all firms with \$250 million or more in AUM. Existing clients net flows includes assets gained and lost from existing clients. 2020 RIA Benchmarking Study from Charles Schwab, fielded January to early April 2020. Study contains self-reported data from 1,010 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—seven wealth manager groups and five money manager groups—by AUM size.



Top Performing Firms saw two times the growth in assets from new clients in 2019, driven by marketing and COI referrals.

Asset growth from new clients by source



Results for Top Performing Firms and all other firms. 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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The 5-year net organic CAGR for Top Performing Firms indicates successful long-term strategies.

	Top Performing Firms	All other firms	Multiple
5-year net organic assets CAGR	11.8%	3.8%	3.1x
Net asset flows in 2019	\$37 million	\$12 million	3.0x
Number of new clients in 2019	29	19	1.5x
Assets from new clients in 2019	\$27 million	\$15 million	1.8x
Growth in assets from new clients in 2019	8.3%	4.1%	2.0x

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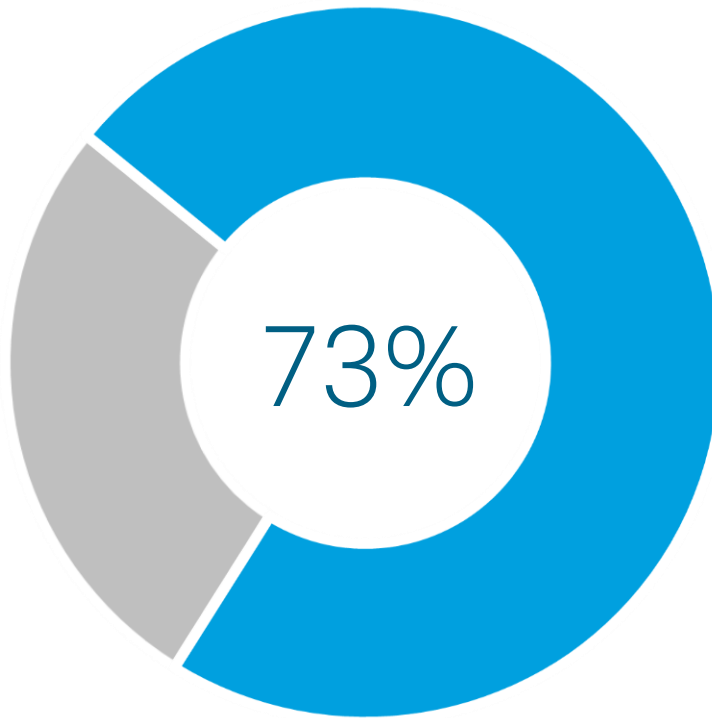


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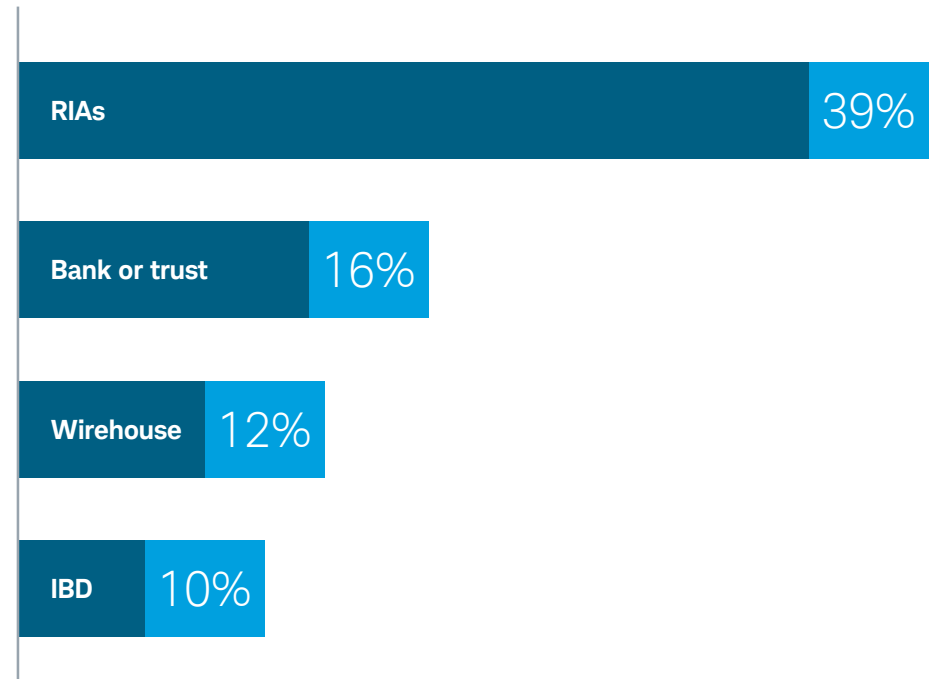


A majority of firms plan to hire, with many recruiting from other RIAs.

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



Recruitment channels in 2019



Results for all firms with \$250 million or more in AUM.

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Providing career paths supports staff development and can increase satisfaction and build bench strength.



Client Service Career Path

Firms with staff in at least two of the three roles:

- Client Service Associate
- Client Account Manager/Relationship Manager
- Senior Client Account Manager/Relationship Manager

42%

**Firms under
\$250M**

69%

**Firms
\$250M–\$1B**

82%

**Firms
\$1B+**

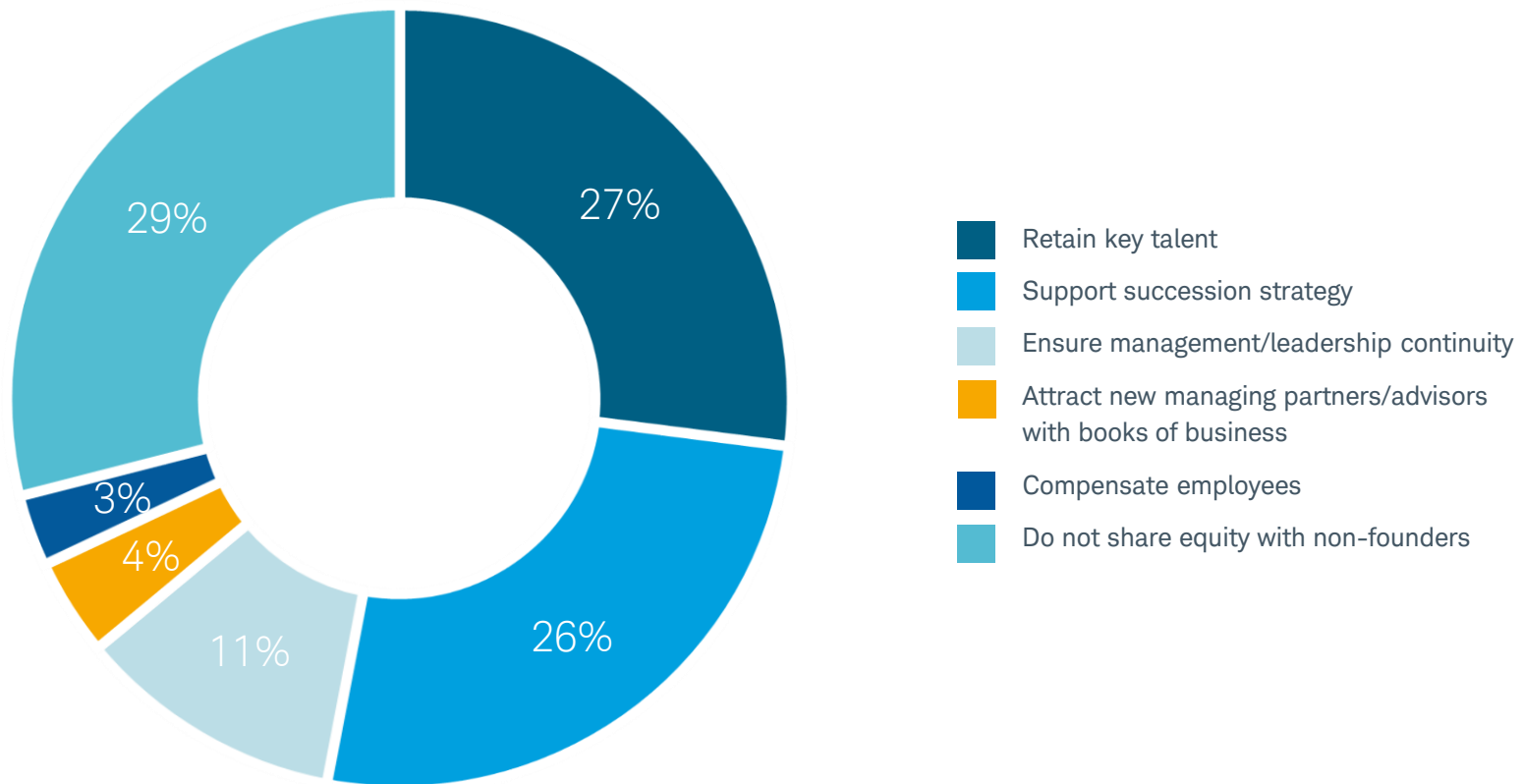
Firms with staff in at least two of the three client service roles (Client Service Associate, Client Account Manager/Relationship Manager, Senior Client Account Manager/Relationship Manager) listed in the Compensation section of the RIA Benchmarking Study from Charles Schwab.

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Firms are sharing equity to retain talent and support their succession strategy.

Primary reason for sharing equity



Percentage of firms with \$250 million or more in AUM that selected each response.

Results for all firms with \$250 million or more in AUM. 2019 RIA Benchmarking Study from Charles Schwab, fielded January to March 2019. Study contains self-reported data from 1,310 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.



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.
- Unless otherwise noted, study results are for all firms with \$250 million or more in AUM, representing the vast majority of total assets managed by this year's participants.
- 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 Schwab's [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)	Firms under \$250M	Firms over \$250M	Peer Groups					
			\$100M-\$250M	\$250M-\$500M	\$500M-\$750M	\$750M-\$1B	\$1B-\$2.5B	Over \$2.5B
2019 ending AUM (\$M)	\$143	\$761	\$174	\$345	\$620	\$852	\$1,459	\$4,167
5-year AUM CAGR ¹	8.5%	9.2%	8.6%	9.3%	9.4%	7.3%	9.8%	9.0%
2019 organic growth ² (\$M)	\$7	\$23	\$8	\$16	\$23	\$16	\$52	\$56
5-year organic growth ² CAGR ¹	4.7%	4.7%	4.7%	5.2%	4.3%	3.9%	4.8%	4.3%
2019 revenues (\$K)	\$941	\$4,232	\$1,186	\$2,206	\$3,762	\$4,982	\$7,810	\$20,452
5-year revenue CAGR ¹	7.0%	7.3%	6.7%	7.8%	6.9%	6.1%	7.7%	6.9%
2019 ending number of clients	132	389	157	240	320	410	636	1,331
5-year client CAGR ¹	4.0%	4.7%	4.0%	5.2%	5.3%	4.1%	4.9%	3.6%
Average assets per client (\$M)	\$1.07	\$2.11	\$1.20	\$1.56	\$1.96	\$2.92	\$3.12	\$3.71
Standardized operating margin	23.0%	29.1%	22.7%	26.5%	30.5%	25.5%	31.2%	28.4%
Total staff	4	12	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—seven wealth manager groups and five money manager groups—by AUM size.