

2020 RIA Benchmarking Study

Insights for firms with
up to \$100M in assets

October 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.

This report spotlights results for firms with up to \$100 million 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 up to \$100 million in assets under management (AUM) reported robust five-year compound annual growth rates (CAGR) across AUM (7.7%), revenue (7.7%), and number of clients (4.6%).
- The top 3 strategic priorities for firms up to \$100 million in AUM have remained consistent year-over-year: acquiring new clients and improving satisfaction for existing clients.
- A continued focus on net organic growth has helped RIAs of all sizes smooth the impact of volatile markets. Firms with up to \$100 million in AUM saw net organic growth contribute two times more to overall AUM growth than firms with over \$250 million in AUM.
- In 2019, firms with up to \$100 million in AUM reported their new-to-firm assets were more than three times higher than new assets from existing clients.
- Client attrition remains low for RIAs overall, and especially for firms with up to \$100 million in AUM.
- Firms with up to \$100 million in AUM identify marketing strategy and compliance 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 up to \$100M in AUM are focused on acquiring new clients.

2020 rank		2020 % of firms	2019 rank
1	Acquire new clients through client referrals	52%	1
2	Improve satisfaction for existing clients	33%	3
3	Acquire new clients through business referrals	31%	2
4	Enhance strategic planning and execution	19%	6
5	Improve productivity using process changes	18%	4
6	Acquire new clients through digital channels	16%	10

Results for all firms with less than \$100 million 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.



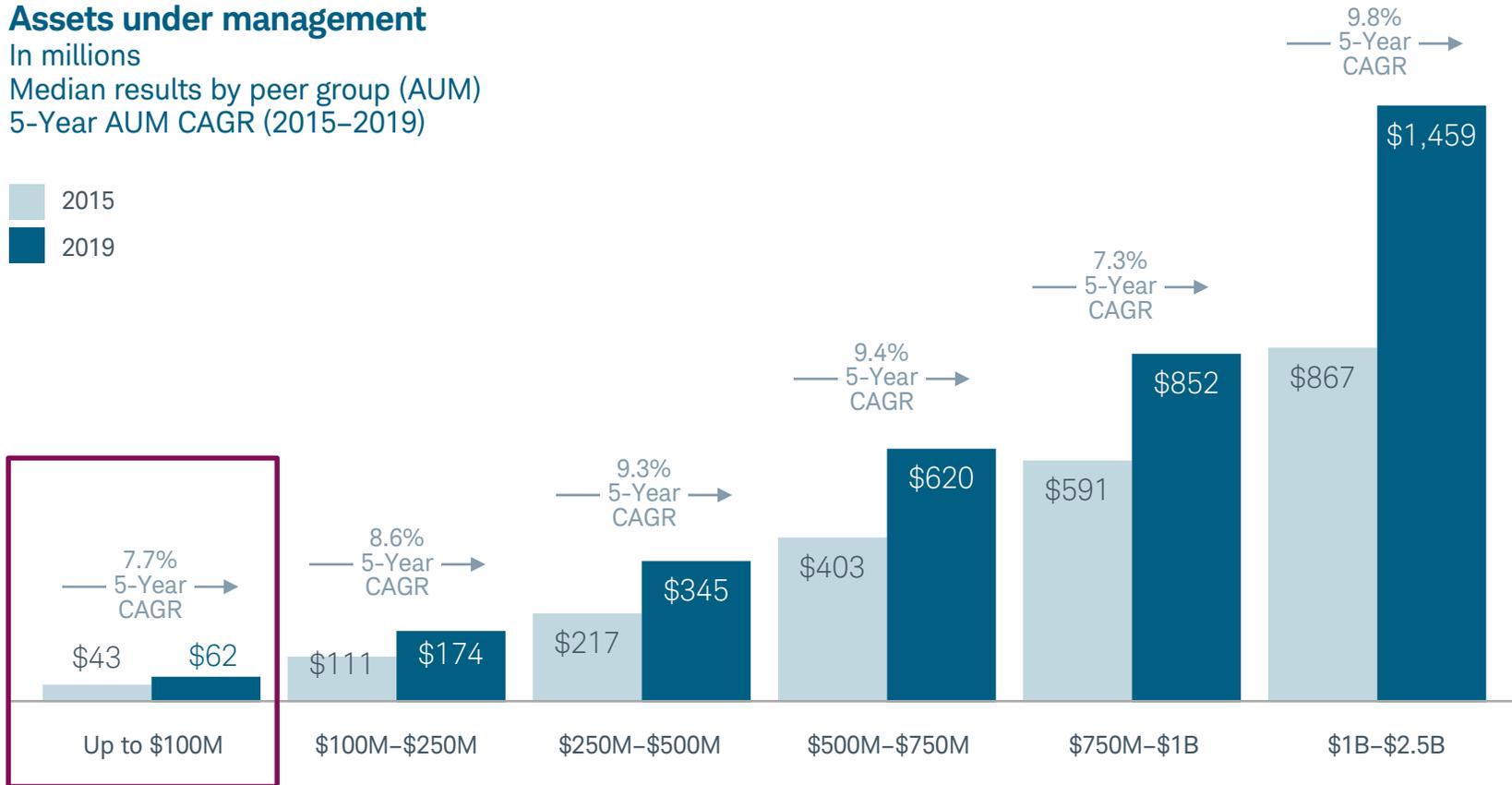
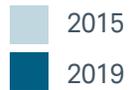
Over the past five years, AUM growth was strong for all firm sizes.

Assets under management

In millions

Median results by peer group (AUM)

5-Year AUM CAGR (2015–2019)



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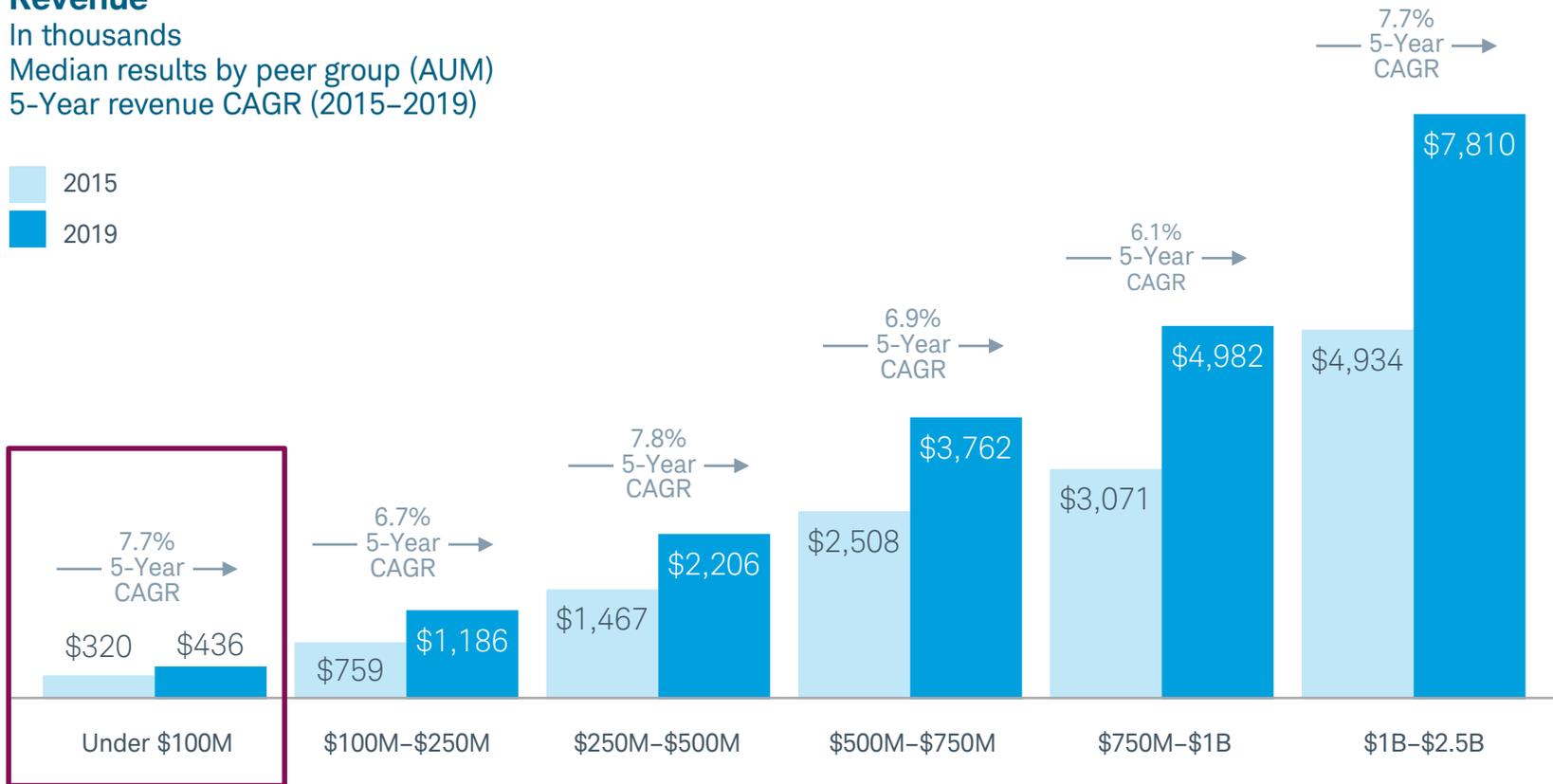
Revenue growth also remained positive for the 5-year period.

Revenue

In thousands

Median results by peer group (AUM)

5-Year revenue CAGR (2015–2019)



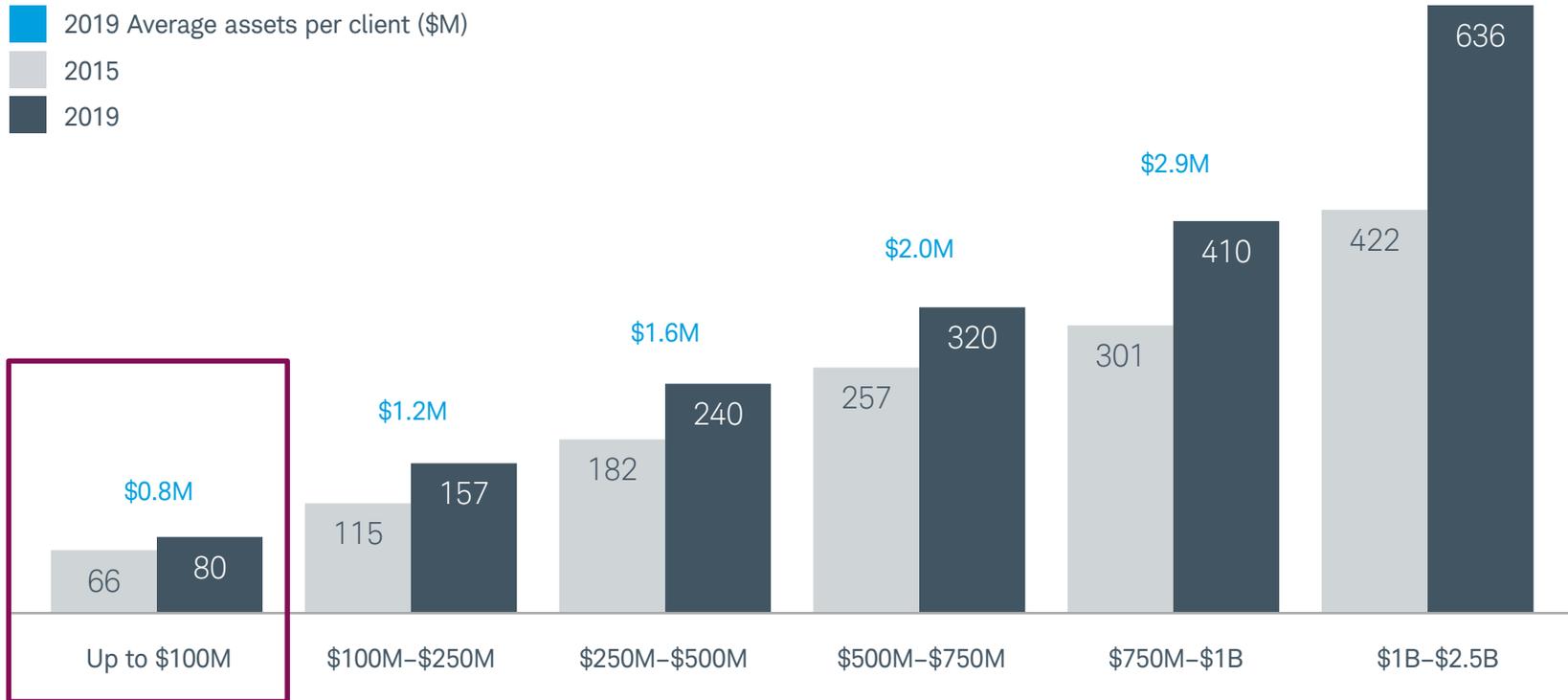
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Independent model appeals to high-net-worth clients.

Total clients

Median results by peer group (AUM)

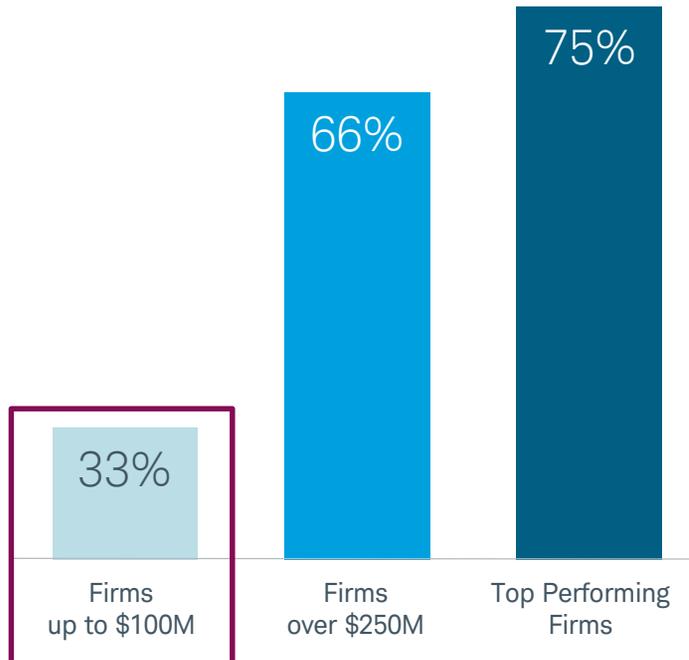


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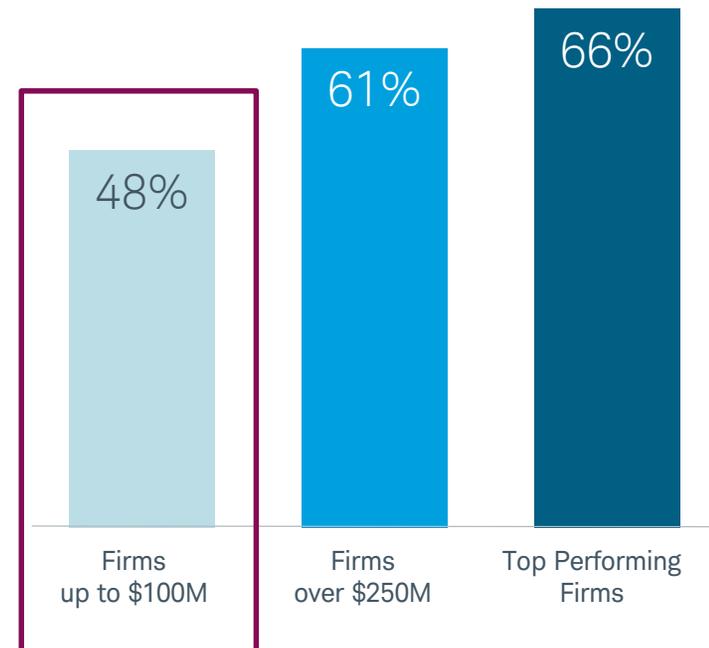


Firms are more likely to have written strategic and succession plans as they grow.

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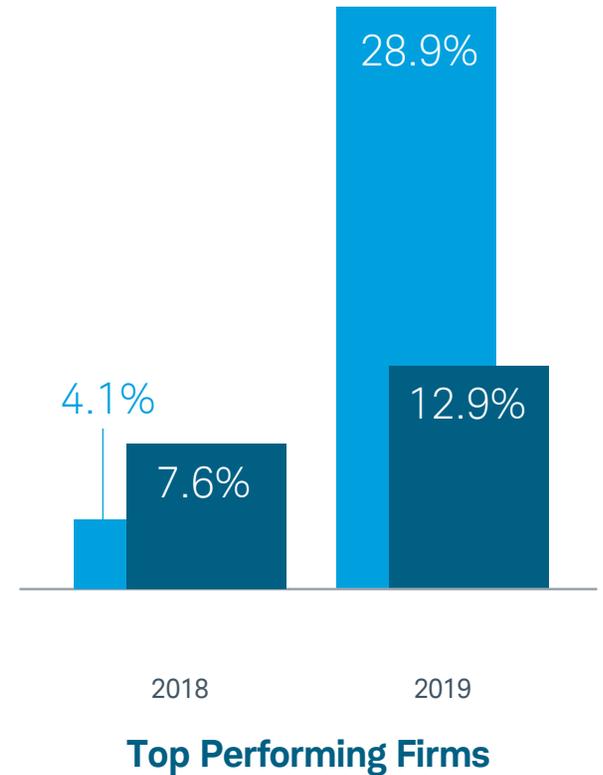
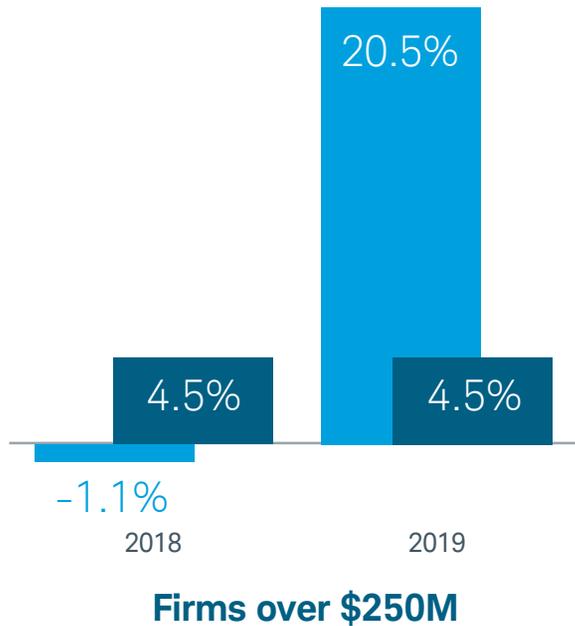
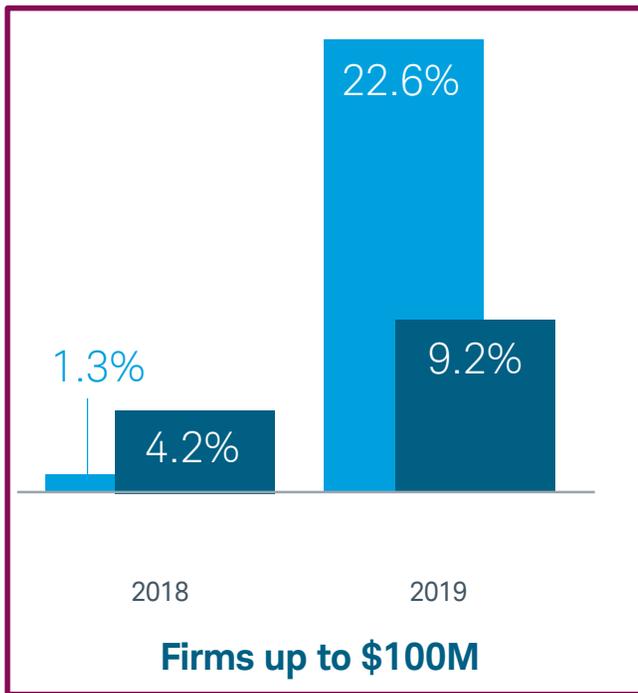
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A continued focus on net organic growth helps to smooth the impact of volatile market conditions.

Contribution of net organic asset growth to AUM growth

- Net organic growth
- AUM growth

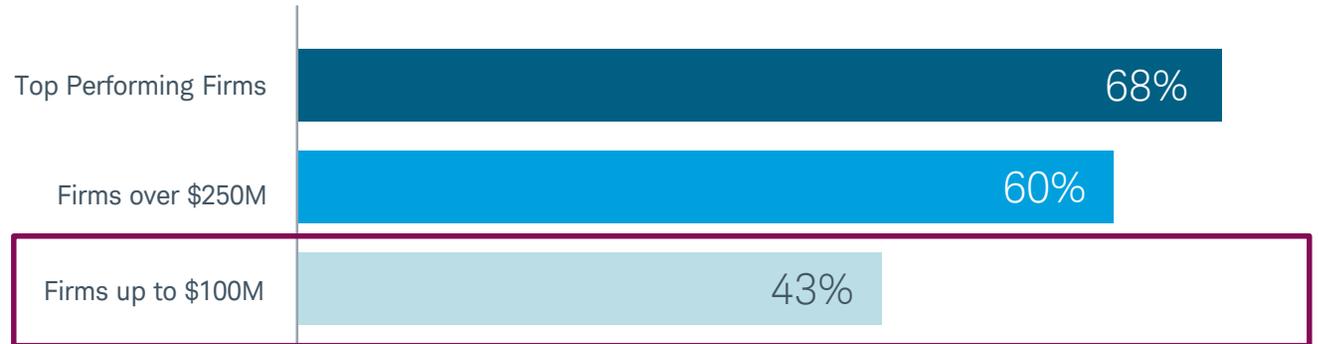


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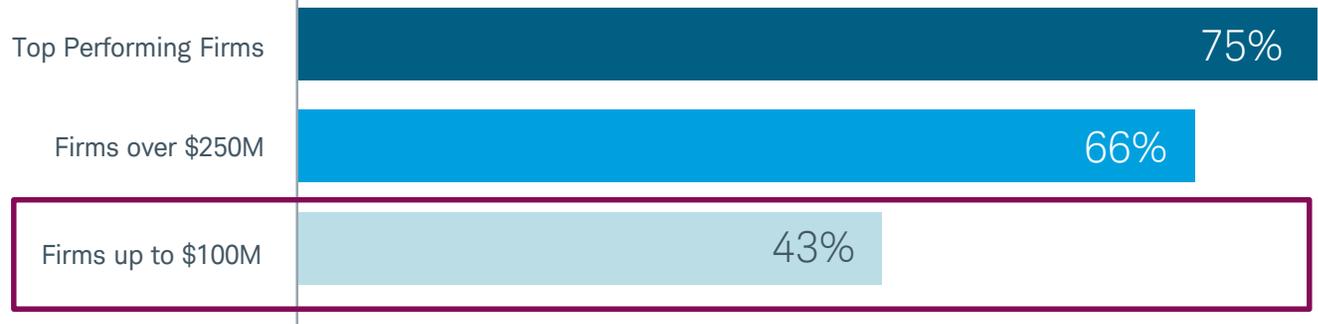
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Developing an ideal client persona and client value proposition are opportunities for some firms with up to \$100M in AUM.

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



Firms with a documented client value proposition (CVP)

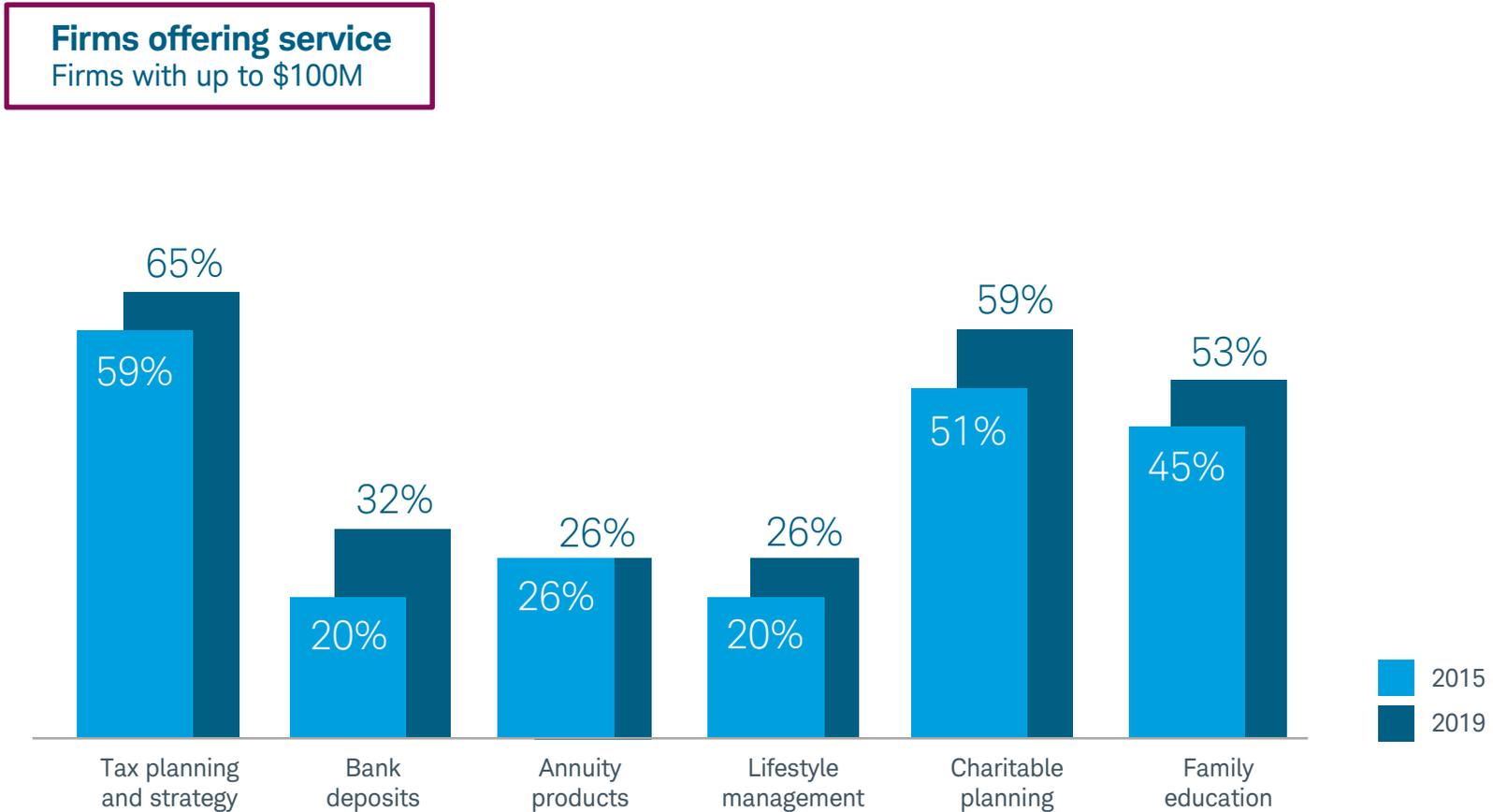


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Firms with up to \$100M in AUM increasingly offer value-added services to compete and deepen their value proposition.



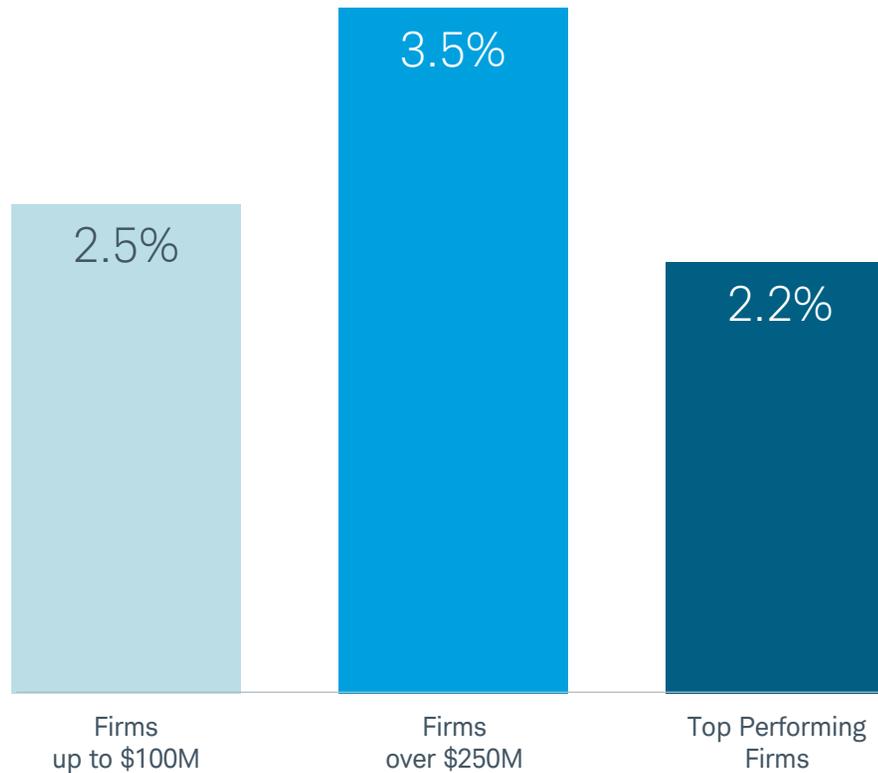
Results from the 2016 and 2020 RIA Benchmarking Study from Charles Schwab. Results for all firms with less than \$100 million in AUM.

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Client attrition remains low, especially for Top Performing Firms and firms with up to \$100M in AUM.

Median client attrition



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Firms over \$250M in AUM that do not conduct client interviews on a regular basis include firms that never conduct interviews or only conduct them on an ad hoc basis.

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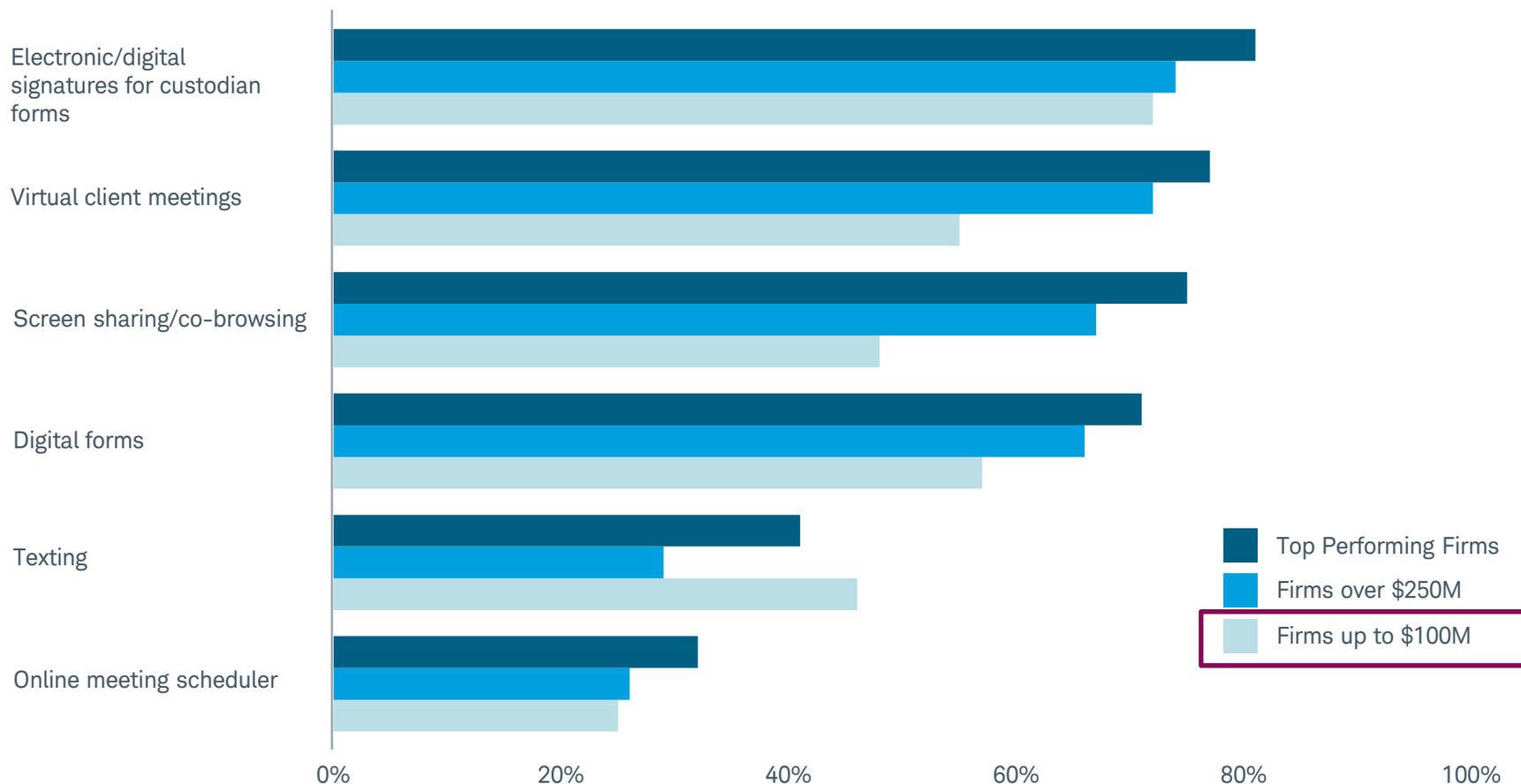


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Firms with up to \$100M in AUM are more likely than their peers to communicate with clients via texting.

Firms with strategy implemented



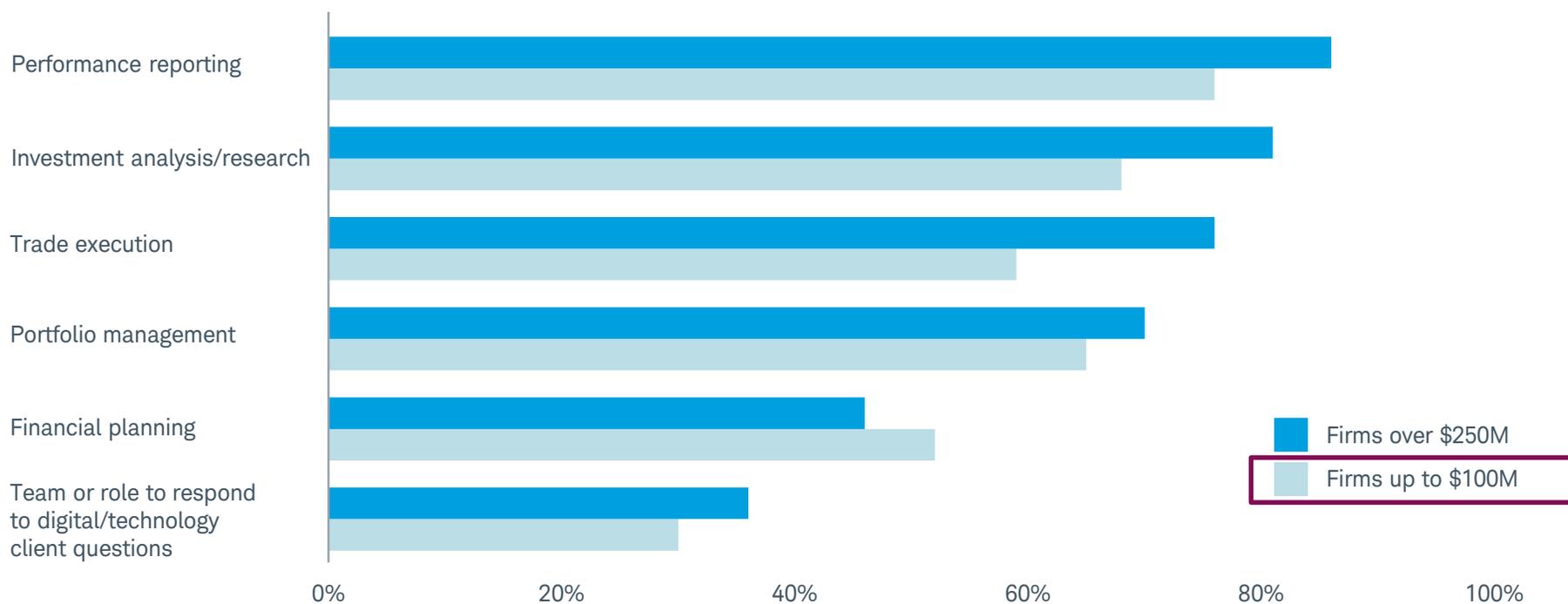
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Firms may find advantages to centralizing business functions as they grow.

Firms using centralized function to achieve scale



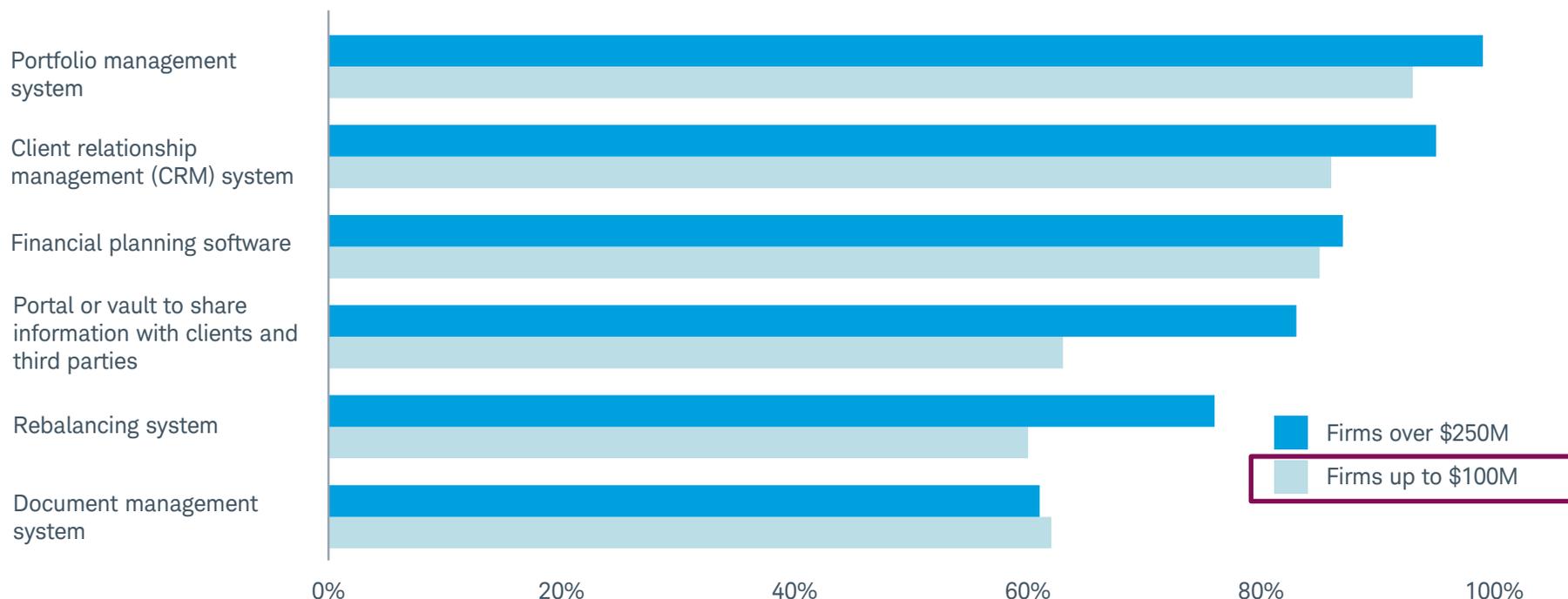
Results for all firms with less than \$100 million in AUM and firms with \$250 million or more in AUM.

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Firms with up to \$100M in AUM use portfolio management, CRM, and financial planning systems to efficiently serve clients.

Firms using technology system



Results for all firms with less than \$100 million in AUM and firms with \$250 million or more in AUM.

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Advisors with up to \$100M in AUM identified areas of their businesses that could benefit from outside help.

1	Marketing strategy	38%
2	Compliance	34%
3	Creating a digital marketing strategy	28%
4	Growth strategy	27%
5	Back-office process improvements	27%
6	Equity plan structuring and financing	27%
7	Cybersecurity	26%
8	Strategic business planning	19%

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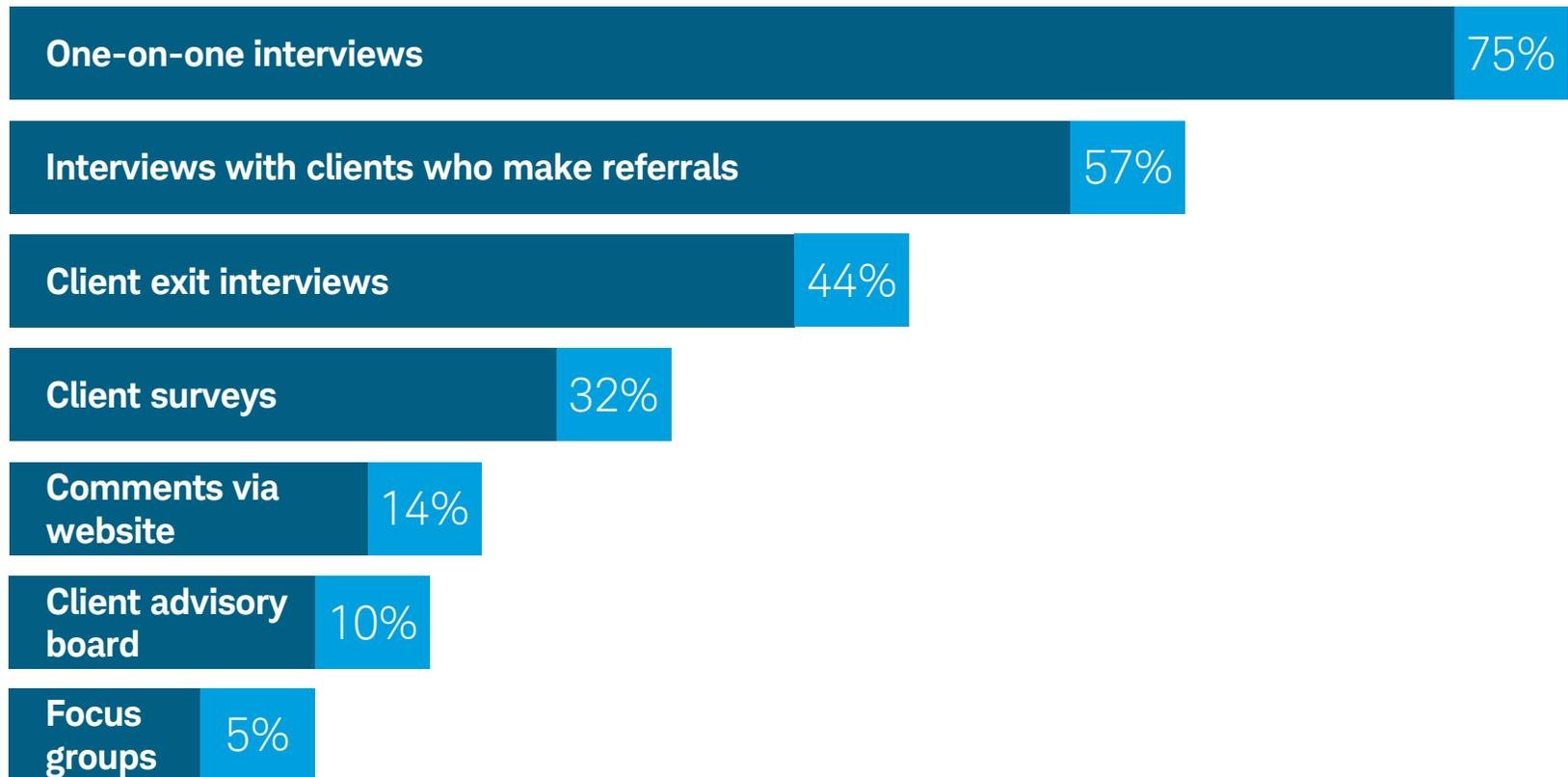


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Client feedback provides data and insights that can help firms understand what clients value.

Firms up to \$100M using feedback channel



Results for all firms with less than \$100 million in AUM.

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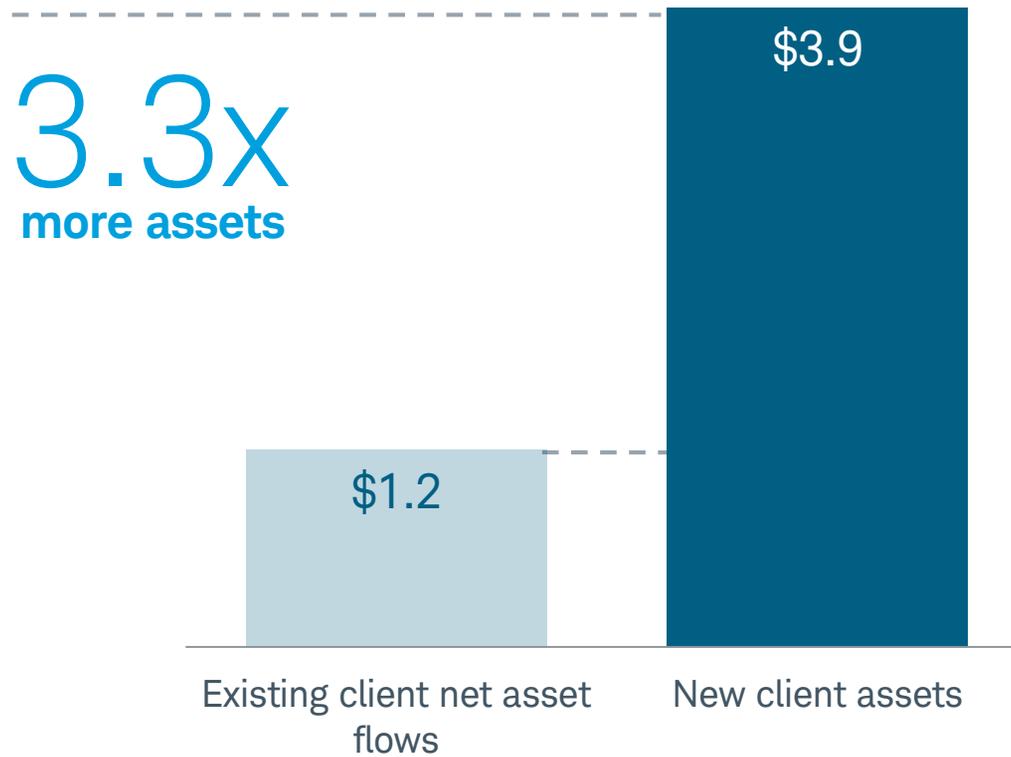


New client assets for firms with up to \$100M in AUM are more than three times greater than net assets from existing clients.

2019 assets from existing and new clients

Firms up to \$100M

In millions, median results



Median results for all firms with less than \$100 million 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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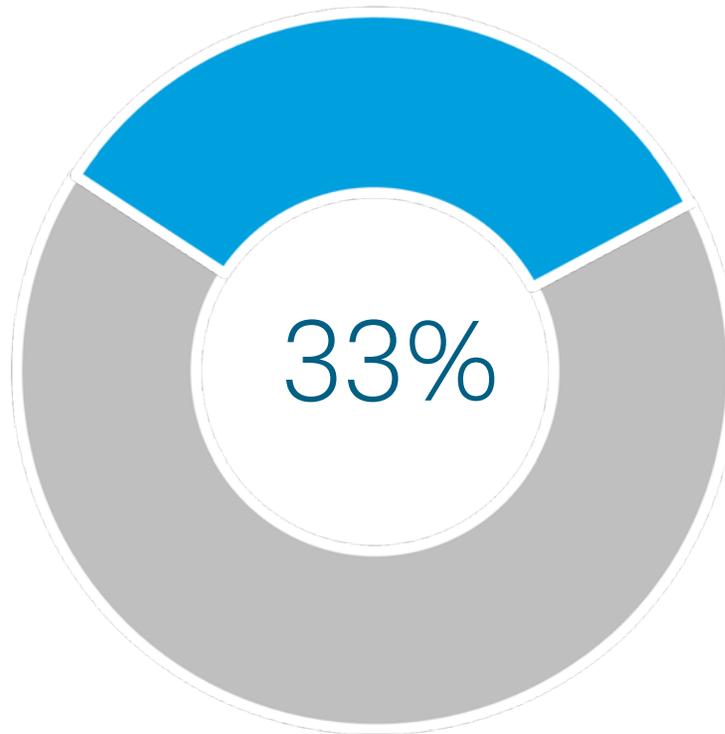


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One in three firms with up to \$100M in AUM plan to add staff in the next year.

Firms up to \$100M that are planning to hire from external sources in the next 12 months



Results for all firms with less than \$100 million in AUM.

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An effective organizational structure enables a firm to deliver services aligned with its strategy and desired client experience.

Model	Definition	Firms up to \$100M	Firms over \$250M
Solo	Firm with one advisor, possibly with administrative support.	45%	3%
Silo	Firm with two or more advisors—advisors retain their own clients, are compensated on their own book of business, and share overhead costs.	14%	7%
Ensemble	Firm with multiple advisors—clients belong to the firm and are served by a team from a relationship-management perspective.	19%	17%
Fully centralized ensemble	Ensemble + operational processes are standardized and staff operate as a functional team.	22%	58%
Enterprise	Large firm with multiple locations and advisors—clients belong to the firm. Well-defined functional teams/departments and multiple layers of leadership.	0%	6%
Fully centralized enterprise	Enterprise + operations are standardized across all locations or processed in a single location.	0%	9%

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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.
- 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	Peer Groups					
		Under \$100M	\$100M-\$250M	\$250M-\$500M	\$500M-\$750M	\$750M-\$1B	\$1B-\$2.5B
2019 ending AUM (\$M)	\$143	\$62	\$174	\$345	\$620	\$852	\$1,459
5-year AUM CAGR ¹	8.5%	7.7%	8.6%	9.3%	9.4%	7.3%	9.8%
2019 organic growth ² (\$M)	\$7	\$6	\$8	\$16	\$23	\$16	\$52
5-year organic growth ² CAGR ¹	4.7%	4.7%	4.7%	5.2%	4.3%	3.9%	4.8%
2019 revenues (\$K)	\$941	\$436	\$1,186	\$2,206	\$3,762	\$4,982	\$7,810
5-year revenue CAGR ¹	7.0%	7.7%	6.7%	7.8%	6.9%	6.1%	7.7%
2019 ending number of clients	132	80	157	240	320	410	636
5-year client CAGR ¹	4.0%	4.6%	4.0%	5.2%	5.3%	4.1%	4.9%
Average assets per client (\$M)	\$1.07	\$0.80	\$1.20	\$1.56	\$1.96	\$2.92	\$3.12
Standardized operating margin	23.0%	23.8%	22.7%	26.5%	30.5%	25.5%	31.2%
Total staff	4	3	5	7	10	14	21

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.

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