

2017 RIA Benchmarking Study from Charles Schwab July 2017

Media contact:

Rob Farmer

Charles Schwab

415-667-0083 / rob.farmer@schwab.com



UNDER EMBARGO UNTIL FRIDAY, JULY 14

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SCHWAB



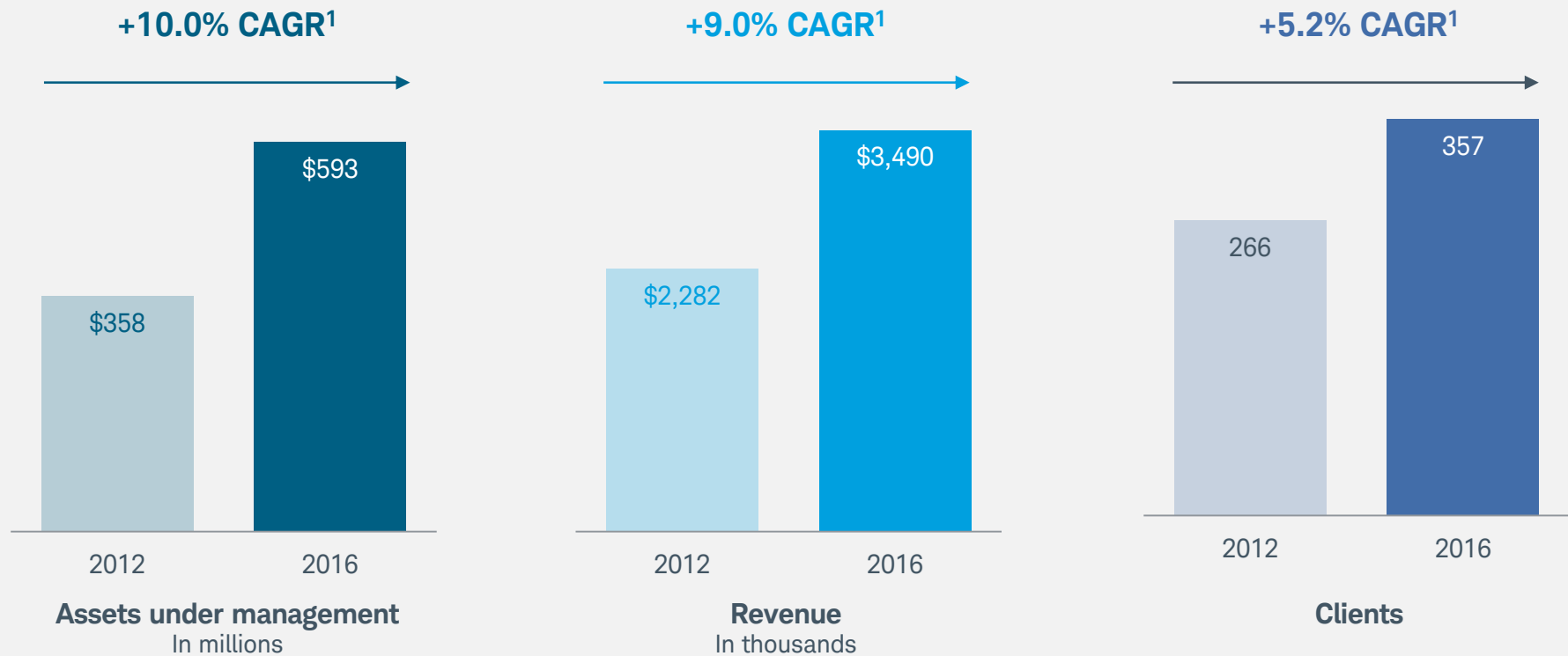
Schwab's RIA Benchmarking Study, now in its 11th year, is the leading study of its kind in the industry.

More than 1,300 independent advisory firms, representing over three quarters of a trillion dollars in AUM, participated in this year's study.

Key findings:

- **Over the past five years, firms of all sizes have flourished:**
 - AUM - Median firm AUM grew to \$593 million in 2016 from \$358 million in 2012, a 10.0% compound annual growth rate (CAGR)
 - Revenues - Median revenue \$3.5 million in 2016 vs. \$2.3 million in 2012; a 9.0% CAGR
 - Clients - Median 357 clients in 2016 vs. 266 in 2012; a 5.2% CAGR
- **Independent advisors are winning high-net-worth investors:** Average client relationship size was \$1.8 million in 2016, up from \$1.6 million the prior year.
- **Growth and planning initiatives are top strategic priorities**
- **Comprehensive marketing strategies supercharge growth:** The fastest-growing firms tend to use comprehensive marketing strategies to attract new client assets at 2.4 times the rate of other firms.

RIAs are winning in the marketplace.



¹ Median compound annual growth rate (CAGR) over the 5-year period from 2012 to 2016 for all firms \$250 million or more in AUM.

Past performance is not an indicator of future results. Median results for all firms \$250 million or more in AUM. 2017 RIA Benchmarking Study from Charles Schwab, fielded January to March, 2017. Study contains self-reported data from 1,321 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.

Growth and planning initiatives are top strategic priorities.

Firms embrace three important ideas that allow them to grow year after year.



1	Acquire new clients through client referrals	(42%)
2	Acquire new clients through business referrals	(30%)
3	Enhance strategic planning and execution	(30%)
4	Improve productivity with new technology	(27%)
5	Recruit staff to increase firm's skill set/capacity	(22%)
6	Improve satisfaction for existing clients	(19%)
7	Improve productivity using process changes	(15%)

Results for all firms \$250 million or more in AUM. 2017 RIA Benchmarking Study from Charles Schwab, fielded January to March, 2017. Study contains self-reported data from 1,321 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.

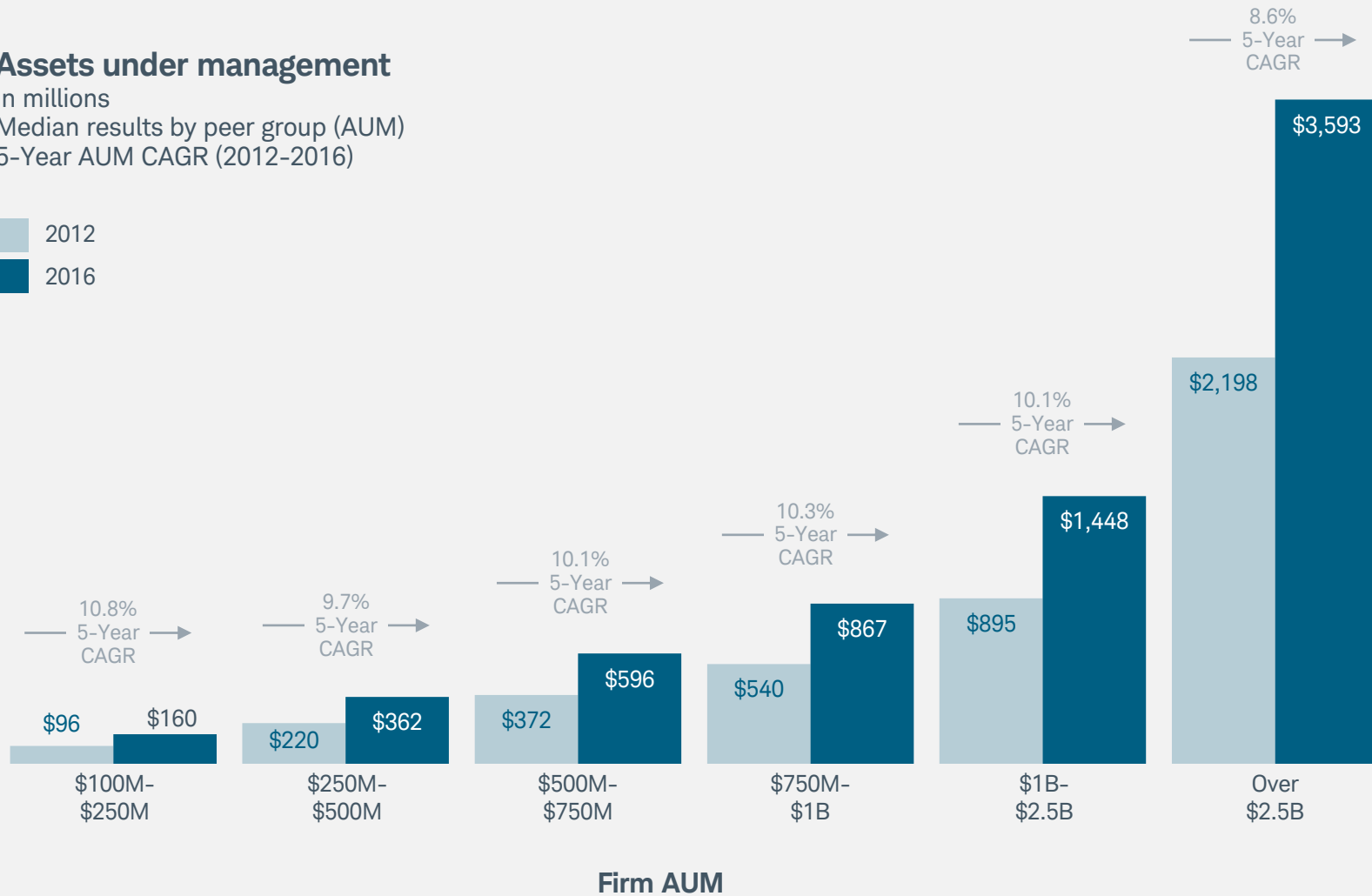
Firms of all sizes demonstrate strong growth year after year.

Assets under management

In millions

Median results by peer group (AUM)

5-Year AUM CAGR (2012-2016)



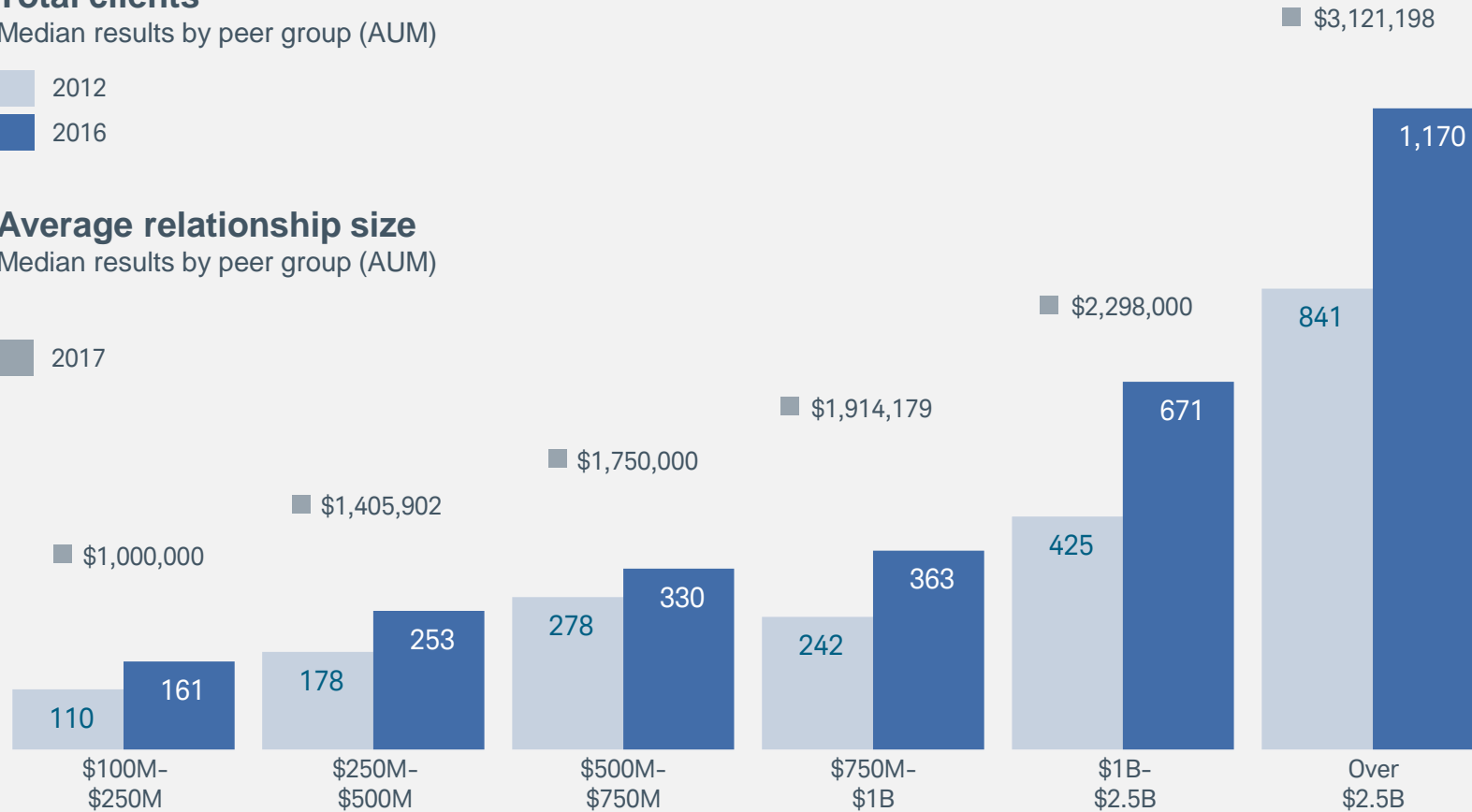
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RIAs are winning with the high-net-worth investor.

Total clients

Median results by peer group (AUM)

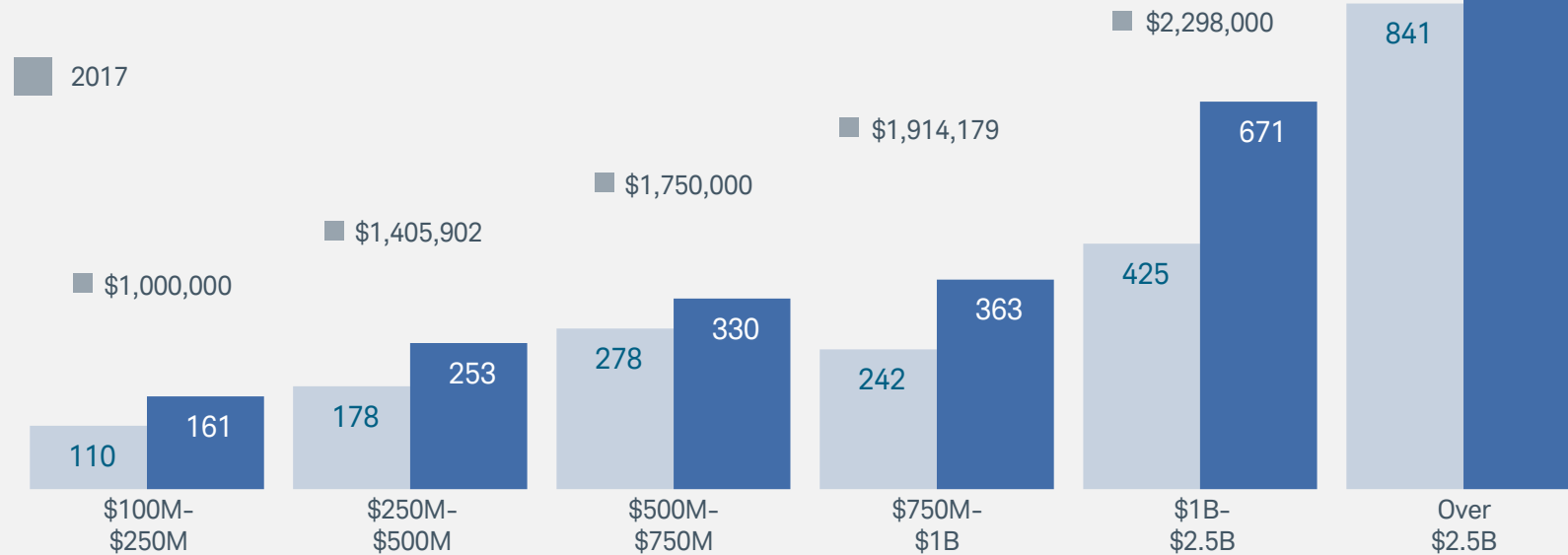
2012
2016



Average relationship size

Median results by peer group (AUM)

2017



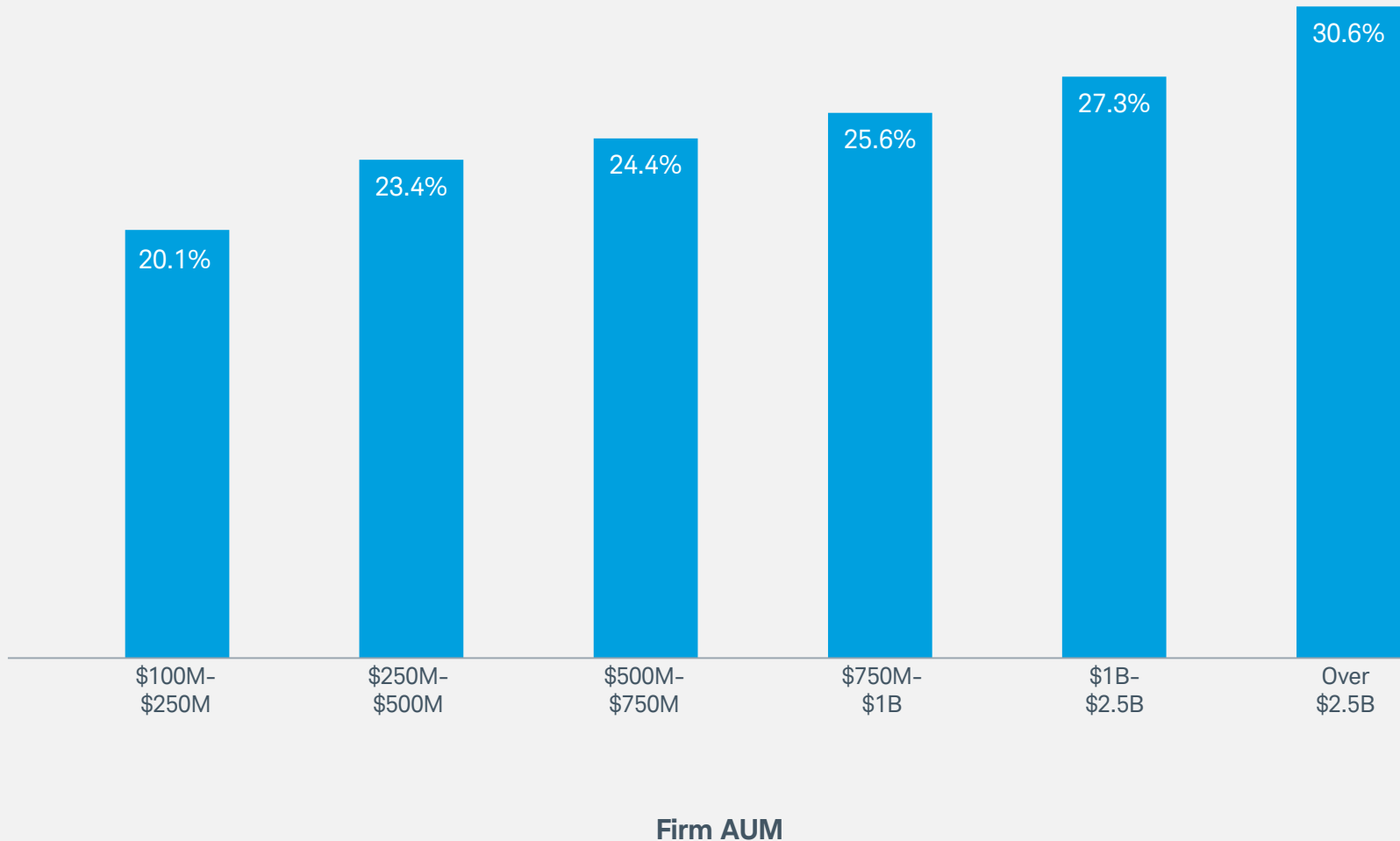
Firm AUM

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Profits remain strong across firms of all sizes, with margins increasing as firms grow.

Standardized Operating Income Margin

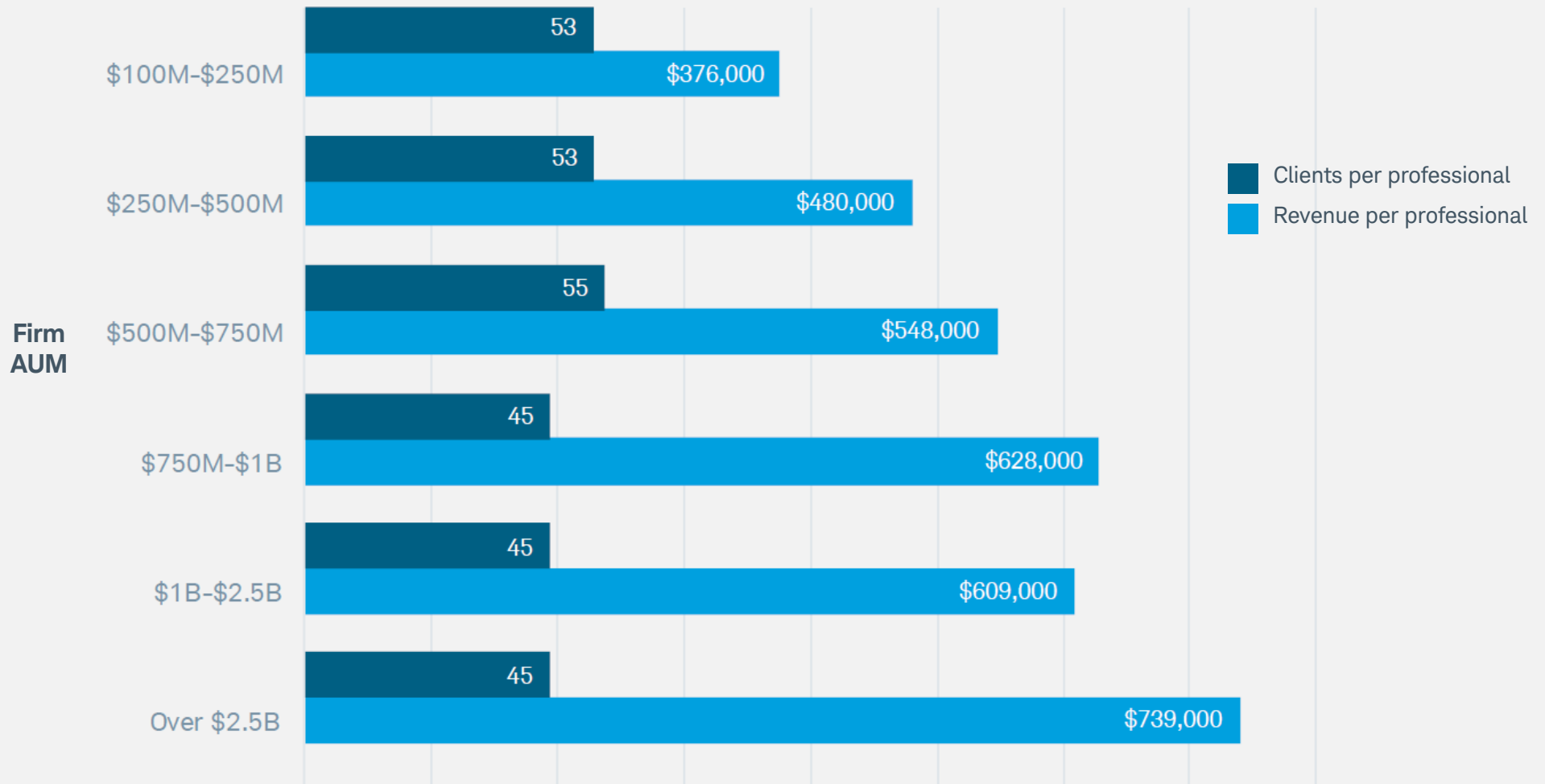
Median results by peer group (AUM)



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PRODUCTIVITY AND PRICING

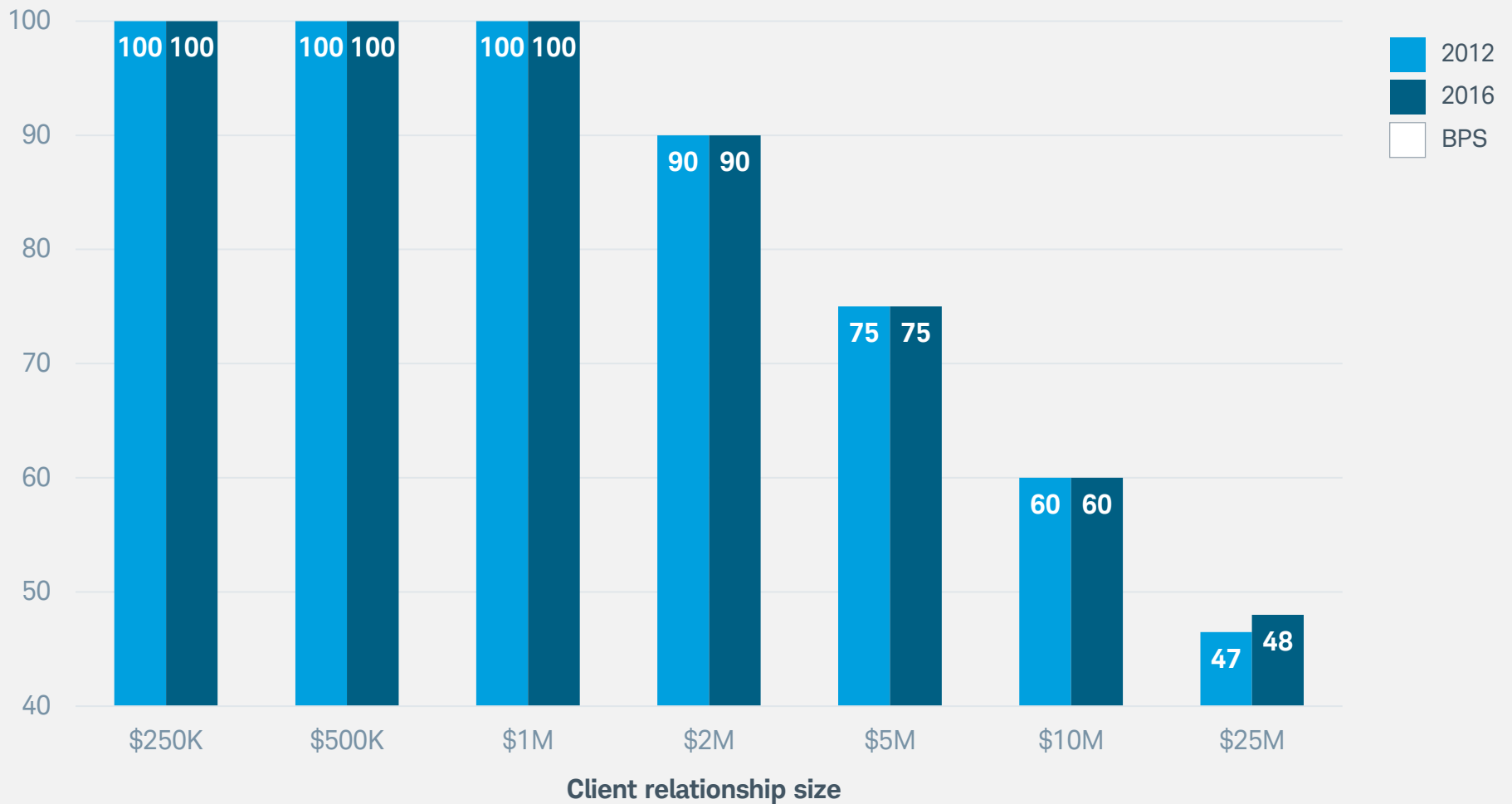
Advisors benefit as they scale their businesses.



Median results by peer group (AUM). 2017 RIA Benchmarking Study from Charles Schwab, fielded January to March, 2017. Study contains self-reported data from 1,321 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.

Pricing holds steady while advisors offer more services.

BPS on assets by client relationship size



Results from the 2013 and 2017 RIA Benchmarking Study from Charles Schwab. Median results for all firms with \$250 million or more in AUM.

2017 RIA Benchmarking Study from Charles Schwab, fielded January to March, 2017. Study contains self-reported data from 1,321 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.

CLIENT ACQUISITION

The fastest-growing firms achieve superior growth results.

Their five-year net organic growth CAGR is almost four times that of all other firms.

	Fastest-growing firms	All other firms	Multiple
Five-year net organic growth CAGR	16.2%	4.3%	3.8x
Net organic growth in 2016	\$51 million	\$14 million	3.6x
Number of new clients in 2016	31	20	1.6x
Assets from new clients in 2016	\$45 million	\$23 million	2.0x
Growth in assets from new clients in 2016	9.4%	3.9%	2.4x

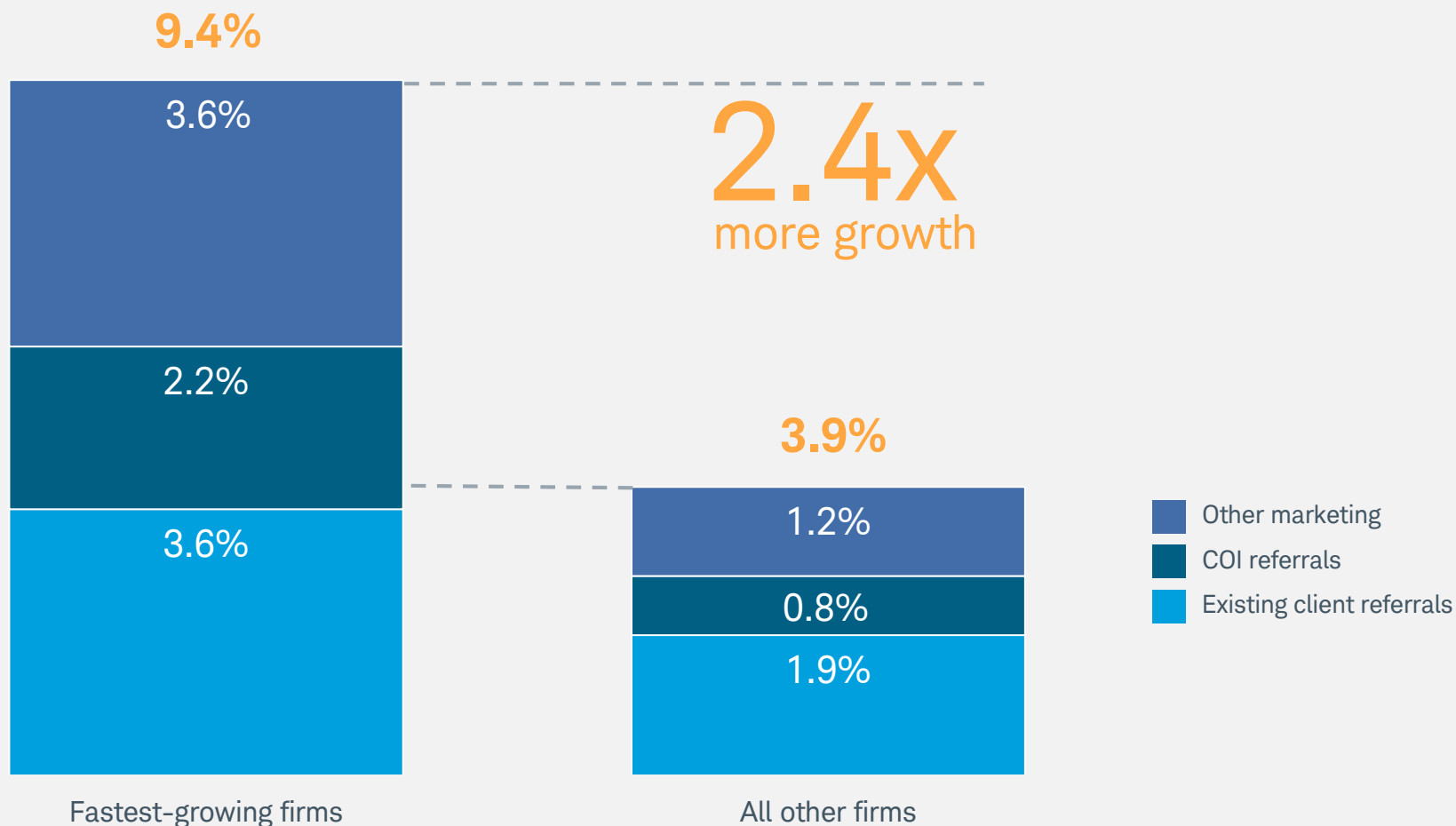
Fastest-growing firms are the top 20% of firms with \$250 million or more in AUM based on 5-year net organic CAGR. All other firms represent the remaining 80% of firms.

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CLIENT ACQUISITION

Fastest-growing firms added twice as many assets from new clients compared with all other firms.

These firms are leveraging a strong marketing presence to increase new client assets.

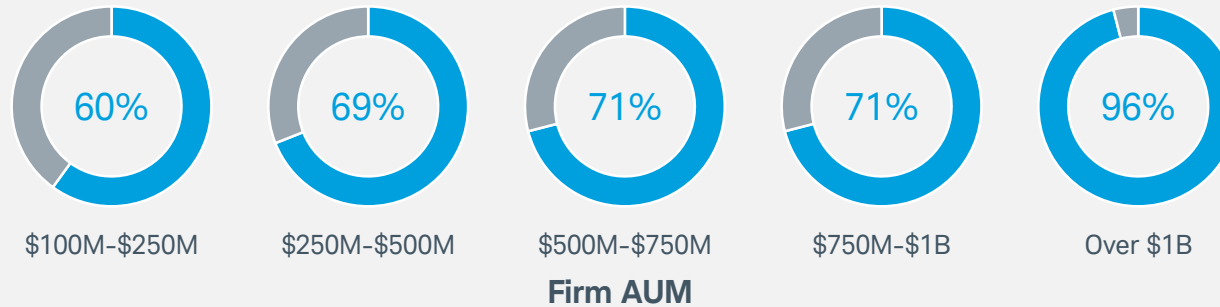


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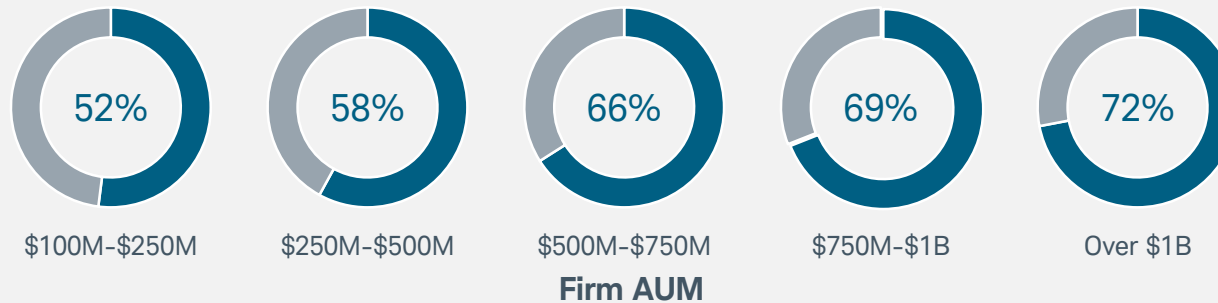
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Firms are focusing on talent acquisition.

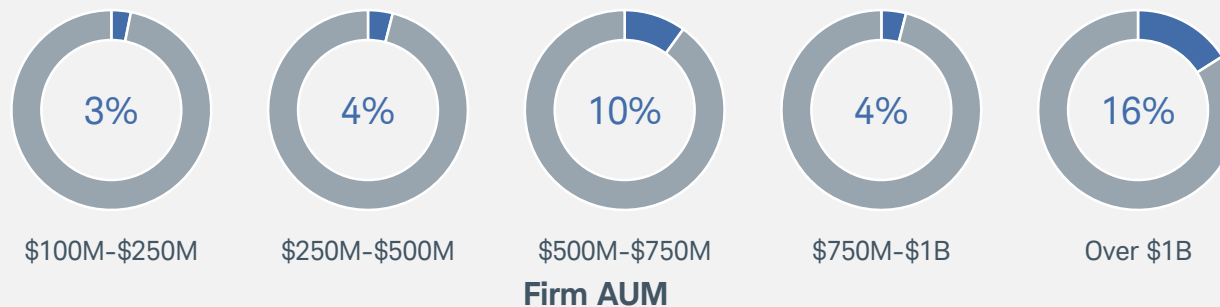
Firms planning to add **relationship managers** or **investment professionals** in 2017



Firms planning to add support and administrative staff in 2017



Firms planning to add dedicated management in 2017

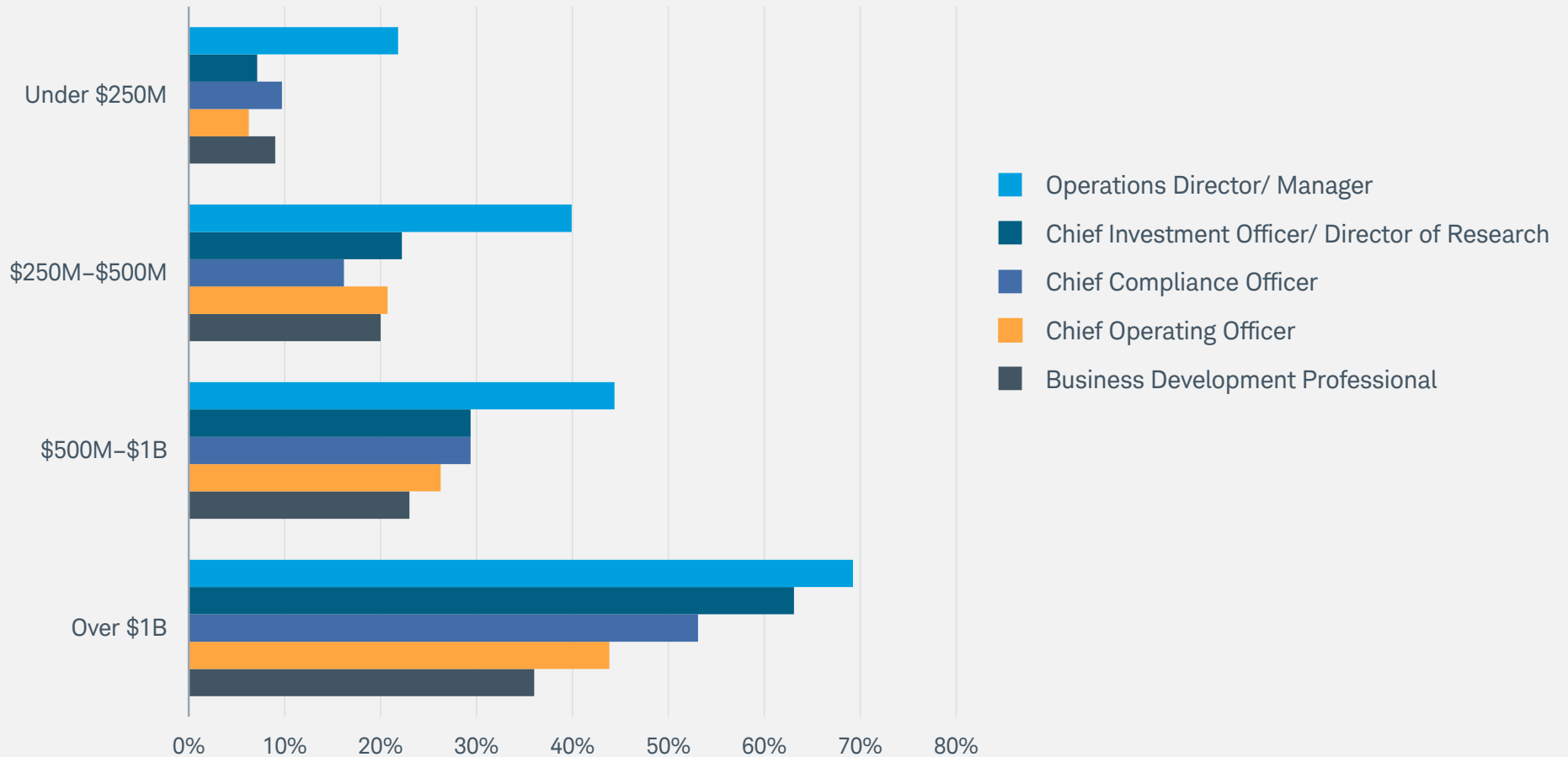


Results by peer group (AUM). 2017 RIA Benchmarking Study from Charles Schwab, fielded January to March 2017. Study contains self-reported data from 1,321 firms. Participant firms represent various sizes and business models categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups by AUM size.

As firms grow, specialized roles are more common.

Percentage of firms with roles

By AUM



Role information is from all firms participating in the compensation portion of the 2017 RIA Benchmarking Study. The Business Development Professional data is from the main study. 2017 RIA Benchmarking Study from Charles Schwab, fielded January to March 2017. Study contains self-reported data from 1,321 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.



Kent S. Skornia
President and CEO
Krilogy Financial

Why participate?

“Before we started benchmarking, I knew we were growing fast, but I wondered how we were doing relative to others.

Setting short- and long-term goals and staying on target is really important for firms that are working hard on a strategic growth plan. Benchmarking data allows us to track our progress compared to peers and assists in framing our goals. We are able to assess whether our goals are within reason and identify areas where we can stretch further.

It’s important to recognize that there are other firms that may be doing it better. If there is a way to improve a process or strategy to help our clients, that’s a big deal. Using benchmarking data to inform a plan can definitely be felt in the client experience over time.”

Advisor Perspective

Insights on benchmarking from fast-growing firms

Krilogy Financial – At a Glance

- Headquarters: St. Louis, MO
- Founded: 2009
- Number of employees: 36
- Assets under management: \$750 million
- Number of Households: 1,000
- Average client account size: \$750,000

“If you drive a car in the dark with no headlights, you may make it to your destination, but the trip is going to be more treacherous. The Benchmarking Study brings more light to what’s going on in the marketplace.”

Insights from Schwab’s RIA Benchmarking Study

A view toward the future

As a fast-growing firm, Krilogy Financial relies on benchmarking data to help understand how they are growing and performing relative to larger firms. Kent looks to the data to see where they might be in five years and how Krilogy compares to larger firms in the areas of staffing and infrastructure.

Pricing power

Krilogy relies on the Benchmarking Study’s pricing statistics to gauge whether their service offerings are competitive in the market, and to get a sense of where fees are headed over the long term.

Tech savvy

Kent’s team also points to the study’s technology-related data as being particularly useful. The technology focus allows the Krilogy team to ensure the trading and CRM platforms they use are best in class, and to avoid becoming stagnant as technology trends quickly evolve.



Linda Cook, CFP®
President & Advisor
Gilbert & Cook, Inc.

Why participate?

“As a planner, I feel it is important to have a strategy and a benchmark to measure our firm against a representative peer group. In the same way we create financial plans for our clients, we need industry measures relative to similar practices. Gilbert & Cook, Inc. is structured as an ensemble practice. We take a team approach and we want to learn what firms similar to ours are doing in areas like technology, marketing, client acquisition, client retention, etc.

Our growth has been strong, so we aren't looking to the Benchmarking Study to help uncover ways to gather new assets, but as a source of intelligence for strategic long-term growth.”

Advisor Perspective

Insights on benchmarking from fast-growing firms

Gilbert & Cook, Inc. – At a Glance

- Headquarters: Des Moines, IA
- Founded: 1993
- Number of employees: 18
- Assets under management: \$400 Million
- Number of clients: 360
- Average client account size: \$253,853

“We espouse the value of a financial plan to our clients every day. Our business is about helping people live and grow within that plan. That is exactly what we’re doing for our business when we use the benchmarking data to form our strategic plan.”

Insights from Schwab’s RIA Benchmarking Study

M&A Intelligence

Gilbert & Cook, Inc. has experienced strong organic growth, however, the firm’s interest in exploring a transaction has increased as its leadership team has gleaned insight from the data on organic growth versus growth through acquisition.

Competitive Edge

Linda notes that finding and retaining key people is critical for firms in growth mode. Understanding what compensation strategies look like at other firms, broken down by role and region, helps Gilbert & Cook, Inc. ensure they remain competitive in the marketplace.

Discovering Differentiators

Through the Benchmarking Study, Linda learned that Gilbert & Cook, Inc. is a top-growing firm whose staffing level measures toward the higher end relative to peers. Linda sees the firm’s staff as a differentiator; Gilbert & Cook offers more staff per client than many firms, so clients get more attention, which has led to growth.

About the Charles Schwab 2017 RIA Benchmarking Study

Schwab's annual RIA Benchmarking study provides participating advisors [with insights on key performance indicators relative to their peers](#). The results help advisors to analyze their firms, compare their firms with other similar firms, and plan strategically for growth.

This study also generates [broad industry insights that enable advisors to observe trends and best practices](#) in the RIA landscape.

The 2017 study provides information on such topics as [asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance](#).

Fielded from January to March 2017, the study contains self-reported data from [1,321 firms that custody their assets with Schwab Advisor Services and represent over three-quarters of a trillion dollars in AUM](#), making this the leading study in the RIA industry. This self-reported information was not independently verified.

[Since the inception of the study in 2006, more than 3,300 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 [fastest-growing firms are the top 20% of firms as determined by net organic growth](#) (five-year net organic compound annual growth rate). This cohort includes 135 firms out of 675, all of which have \$250 million or more in AUM. 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.

The 1,321 firms that participated in the 2017 study represent \$848 billion in assets.

Metrics (median)	Peer Groups						
	All firms \$250M+	\$100M- \$250M	\$250M- \$500M	\$500M- \$750M	\$750M- \$1B	\$1B- \$2.5B	Over \$2.5B
2016 Ending AUM (\$M)	\$593	\$160	\$362	\$596	\$867	\$1,448	\$3,593
5-year AUM CAGR ¹	10.0%	10.8%	9.7%	10.1%	10.3%	10.1%	8.6%
2016 Organic growth ² (\$M)	\$19	\$6	\$13	\$14	\$28	\$54	\$86
5-year organic growth ² CAGR ¹	5.4%	6.2%	5.9%	5.1%	4.4%	5.5%	4.5%
2016 Revenues (\$000)	\$3,490	\$1,100	\$2,269	\$3,490	\$5,051	\$8,074	\$20,149
5-year revenue CAGR ¹	9.0%	9.6%	9.1%	8.1%	8.4%	9.3%	9.8%
2016 Ending number of clients	357	161	253	330	363	671	1170
5-year client CAGR ¹	5.2%	5.5%	5.6%	4.5%	5.2%	5.5%	4.2%
Average account size (\$M)	\$1.77	\$1.00	\$1.41	\$1.75	\$1.91	\$2.30	\$3.12
Standardized operating margin	25.0%	20.1%	23.4%	24.4%	25.6%	27.3%	30.6%
Age of firm (years)	22	15	18	21	23	27	26

¹ Median compound annual growth rate (CAGR) over the 5-year period from 2012 to 2016. 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 divestitures, and from advisors joining or leaving.

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About Charles Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity. More information is available at www.aboutschwab.com. Follow us on [Twitter](#), [Facebook](#), [YouTube](#) and [LinkedIn](#).

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