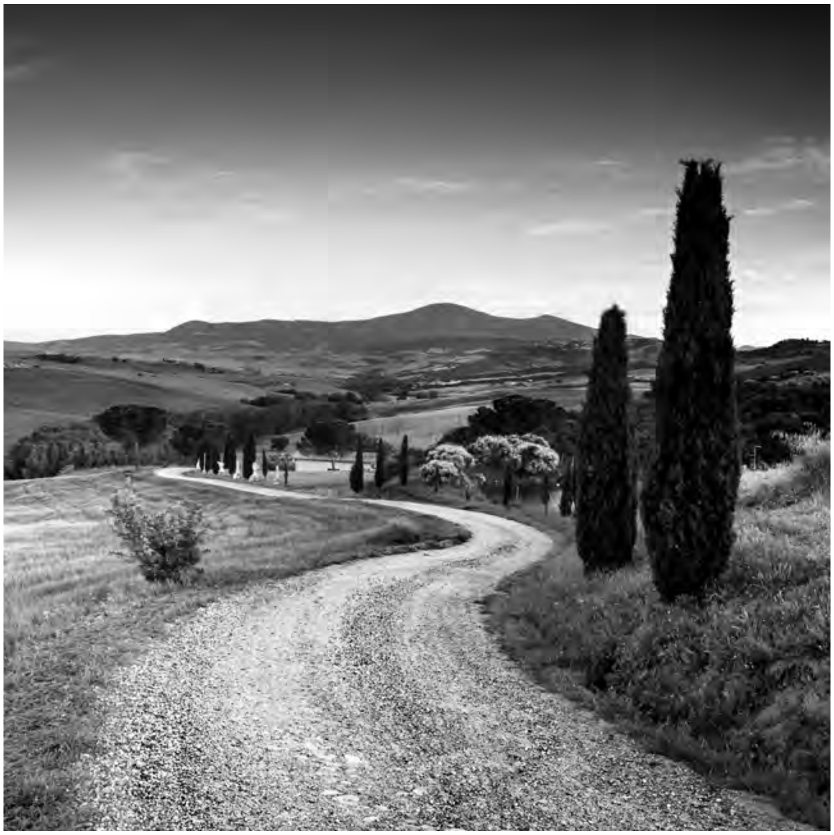
Charles Schwab

Advisor Services



Top five benefits of independence

Own your tomorrow®

Top five benefits of independence

In a recent Schwab study,* independent advisors cited numerous benefits to becoming a Registered Investment Advisor (RIA), including the ability to better serve clients, greater autonomy, and the potential for a larger income. All of this boils down to the concept of control.

1. Doing what's best for clients
2. Delivering a personalized experience
3. Being your own boss
4. Building business value
5. Creating your own brand

1 Doing what's best for clients

Advisors at independent RIA firms are free to focus on putting clients and their goals above all else, without the pressure to make sales goals. How do clients trust that an RIA's recommendations aren't simply commissioned products? Under the fiduciary standard, RIA firms are required by law to act in the best interests of their clients.

> "The pressure to generate more sales with a variety of commission-based products became more intense, and I didn't feel it was in my clients' best interest. So, I decided to become a fee-only fiduciary and determined the best vehicle for that was as an RIA."

The Investment Advisers Act of 1940 brought about this shift in the financial landscape. It was the dawn of a new investment era and helped contribute to the rise of the RIA. Independent firms are registered with the Securities and Exchange Commission or state securities regulators. In certain cases, a firm may be exempt from registration. Advisors are required to file annual Form ADVs describing their firms' business practices and client communications. Knowing that an advisor is legally required to act in an investor's best interests can help build trust and strengthen client relationships.

Clients seem to prefer RIAs: Advisors retain an average of 87% of clients when they move to the independent model.

*All statistics and advisor quotes are from the 2018 Charles Schwab Independent Advisor Sophomore Study, unless otherwise specified.

2 Delivering a personalized experience

While most advisors say client relationships are a top priority, the RIA model helps them deliver on that promise. Independent advisors can decide on their own how to engage and communicate with clients, from building a marketing plan to creating a customized experience for each client.

> "[I'm] better able to make pricing and service decisions for my clients."

By contrast, some advisors affiliated with a broker-dealer may be confined to their firms' business model, which often includes a limited number of services or prepackaged communications strategies. In addition, compensation of some advisors may be tied to the products they sell. Many advisors at RIA firms are not held to the same restrictions.

> "We wanted to offer our clients the best possible solutions with the widest range of options."

Independent advisors can make their own choices about the technology and platform that best suit their specific needs. The latest portfolio management and customer relationship management systems make it easier to streamline workflows, access crucial information, and serve clients—all while adapting to an advisor's key priorities.

> "My organization is lined up to do exactly what our clients want. Whatever their issues are, wherever their life and wealth intersect, I can help make a difference."

3 Being your own boss

Independent advisors have the final word on all decisions related to the business. They decide everything: the compensation structure, the technology platform, even the sign on the office door.

> "It's really about the freedom to make decisions—not only for the business but for your clients."

RIAs have options when it comes to managing compliance. They can conduct compliance in-house or turn to a third party for help, which could free up more time for clients.

> "[The main benefits are] the complete control I have of work choices, from my office to my custodian to technology purchases and of course the amount of time it takes to do my job successfully."

More than

90%

of advisors would make the decision again and are happier now that they are independent.

4 Building business value

Independent advisors determine how much of their revenue they keep—up to 100%, depending on the model of independence they choose. They can assert complete control over fees and expenses, selecting only the products and services they need. Firm owners can also build equity as they grow, potentially leading to a higher long-term payout should they choose to monetize or sell the business down the road.

> "[I went independent to] build a profitable business with future value."

RIAs with successful brokerage businesses don't have to choose one model over another. With the hybrid model, advisors can offer advisory services as an RIA while keeping their commission-based business by affiliating with a third-party independent broker-dealer (IBD).

> "[The benefit of independence is] practicing our own investment philosophy."

5 Creating your own brand

No longer subjected to the restrictions of a large firm, many independent advisors enjoy the opportunity to express creativity in building their own brand. They make many decisions that set the tone for their new business. Advisors at RIA firms can express themselves with everything from the name to the interior design and develop the kind of environment appropriate for their work and clients.

> "I get to design a firm for clients and employees from the ground up. Creative control [is] better for clients."

Motivations for making the move

Advisors who recently started or joined an RIA firm cited the following reasons as "very important" for going independent:

94% Being free to do what's best for my clients

69% Providing clients with more personalized service

69% Working for myself

66% Building business value as an RIA and building equity in my firm

57% Creating my own brand

An independence movement

The RIA channel has been growing steadily for the past several years. As advisors feel more confident in their options, and support services continue to expand, Cerulli and Schwab analysts are bullish on the channel's future.

4.8% CAGR

More advisors in the RIA channel year-over-year (2016 vs. 2017)[1]

Compound annual growth rate (CAGR)

Wirehouse and IBD channels have shrunk annually by

0.8% CAGR

and

1.5% CAGR

respectively, since 2013[2]

13.4% CAGR

Increase in RIA channel assets from 2013 to 2017[3]

82%

Median growth in RIA AUM from 2013 ($358 million) to 2017 ($652 million)[4]

Carve your own path as an independent RIA.

Ready to speak with a Business Development Officer about making the move to independence?

Contact us at **advisorservices.schwab.com** or **877-687-4085**.

1. *The Cerulli Report: Intermediary Distribution 2018*, Exhibit 2.05.

2. Ibid.

3. *The Cerulli Report: Intermediary Distribution 2018*, Exhibit 2.07.

4. 2018 RIA Benchmarking Study from Charles Schwab, January–March 2018. Median results for all firms with $250 million or more in assets under management (AUM). Study contains self-reported data from 1,261 firms. The data were not independently verified. 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. Past performance is not an indicator of future results.

AHA (0619-971R) MKT108249CH1-00 (09/19)

Own your tomorrow.