

Insights from the 2023 RIA Benchmarking Study



About the 2023 RIA Benchmarking Study

**Schwab's RIA Benchmarking Study is the leading study in the industry—
1,300 advisory firms, representing over \$1.7 trillion in AUM, participated this year.**

2023 marked the 17th year of study.

Advisors responded between January and March 2023.

This 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.

“As more investors choose RIAs, firms can manage growth by using scalable processes to create capacity for personalization strategies. Personalization allows advisors to differentiate their offerings – in how they interact with clients, the services they provide, and their investment approach. Deepening the relationship in this way will help create enduring enterprises and lasting success.”

"Firms continue to prioritize attracting new talent as well as developing their existing teams to ensure they deliver the services and experiences through the lens of their ideal client."

Lisa Salvi
Managing Director, Business Consulting and Education
Charles Schwab Advisor Services

2023 Study Highlights

Firms focused on client growth strategies while navigating headwinds in 2022

- While 2022 presented challenges—AUM decreased 7.1% for the median firm—the **industry continues to be strong**, with organic growth and client retention results demonstrating the enduring appeal of the independent model. (Slide 6)
- **Organic growth**—which excludes market performance—was a bright spot. Assets from new clients and those from existing clients both reached their second-highest point in five years. **Client retention** continued to be a testament to the RIA industry, having stayed at 97% for the past five years. **Client growth** also remained healthy, up 6.2% for all firms, in line with the 5-year annualized growth rate. (Slides 11, 17-18, 35)
- For all firms, **referrals from clients and business partners** remained the leading driver of growth, accounting for 70% of new clients and 69% of new client assets. There is an opportunity for firms to develop referral plans—across the study, only 34% have client referral plans and 25% have business partner referral plans documented. Results have shown that those with written referral plans saw stronger outcomes from those channels. (Slides 38-39)
- **Inorganic strategies** continued to fuel growth—nearly half of all firms pursued these strategies over the past five years, and half of all firms are seeking inorganic growth opportunities in the future. (Slides 12-14)

Digital tools, workflows, and client segmentation strategies helped create productivity gains

- Firms **are using digital tools, workflows, and client segmentation strategies** to gain efficiencies, increase productivity, and create capacity so advisors can provide personalized services while scaling the business. In fact, Top Performing Firms—who more often use digital tools, workflows, and segmentation strategies—spent around 20% less time annually per client on operations and about 10% more time per client on client service than the median firm in the study. (Slides 26- 31)
- **Client segmentation** is critical to long-term business sustainability too. It can help firms align revenue with cost to serve and free up capacity so advisors can focus more time on serving clients and generating new business. (Slides 31-32)

Personalization in investment management strategies can give RIAs an edge

- Advisors offer **personalized investment strategies** to help tie meaning to clients' investing, beyond returns. Customized investing vehicles include direct indexing, value-based/impact investing, thematic investing, and separately managed accounts. (Slide 23)
- By **leveraging behavioral finance**, advisors delivered more impactful client experiences by increasing client satisfaction. Nearly half of firms reported using behavioral finance for more than 50% of client interactions and firms using BeFi saw 3.3x more new assets from existing clients in 2022. (Slide 24)
- Firms can use tactics to educate clients about financial planning and investment topics to help support client acquisition efforts. Seventy percent of firms reported using tactics to engage the **next generation of investors**, building relationships to help secure them as long-term clients. (Slide 40)

Talent remains a top priority for firms

- As firms adapted to the current landscape, **talent remained a top strategic priority** (#2 ranked strategic initiative), with the majority of firms (77%) reporting they hired in 2022, and 75% planning to hire in 2023. (Slides 10, 42-43)
- To continue meeting client needs, 37% of firms recruited from colleges and universities—the highest in the study's history. Firms also looked for more experienced talent from other RIAs (27%) and professional services firms outside the industry (21%). (Slide 42)
- Firms are focused on **cultivating talent internally**—developing staff capabilities and skills moved up four spots in the ranking of strategic priorities from two years ago. Additionally, 75% of firms reported offering career path/progression opportunities to keep employees engaged. (Slides 10, 44)

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.

The Firm Performance Index identifies Top Performing Firms and helps advisors pinpoint strengths and opportunities.

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
- 2022 AUM growth rate from new client assets
- 2022 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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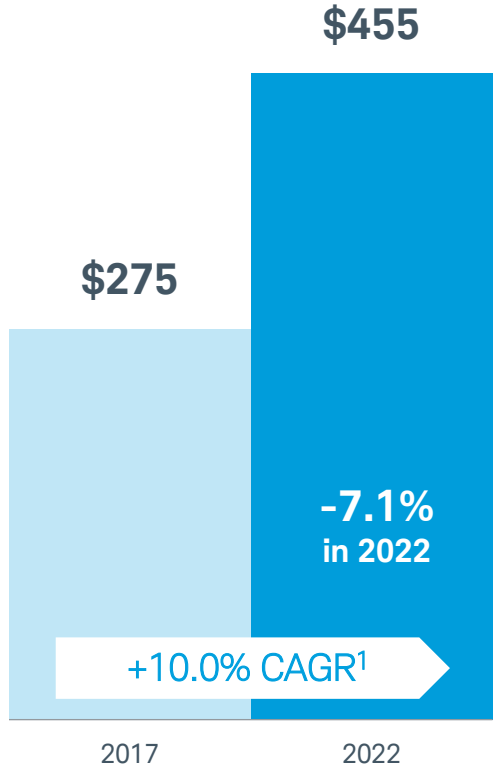
Your
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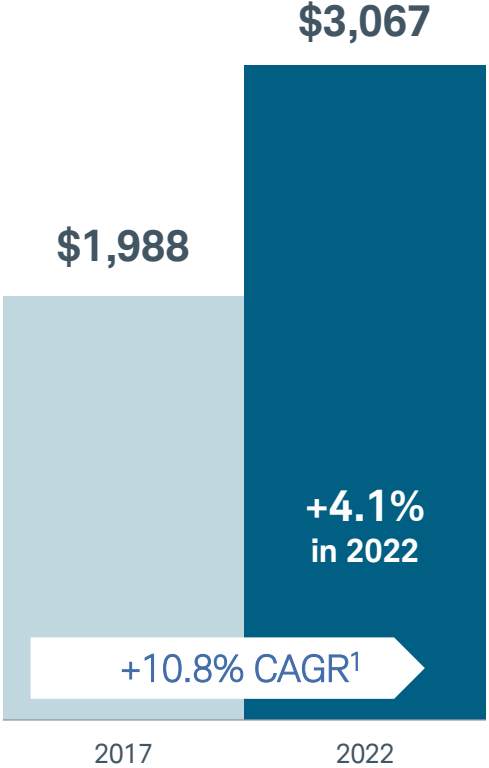
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The RIA industry continues to demonstrate strong long-term results, despite a challenging 2022.

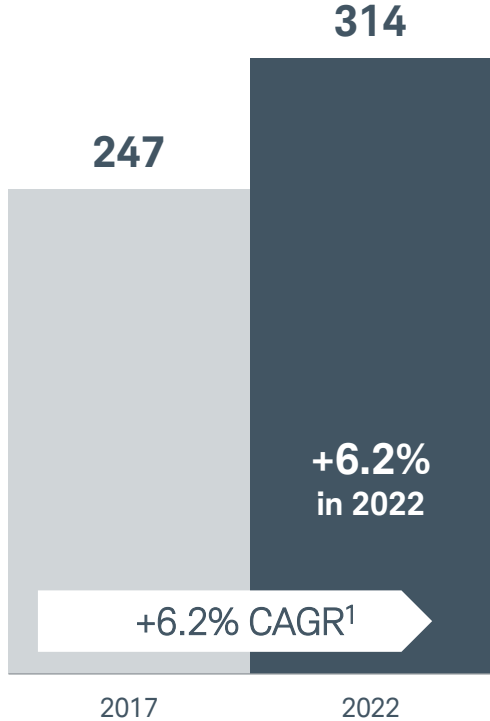
Assets under management
In millions



Revenue
In thousands



Clients

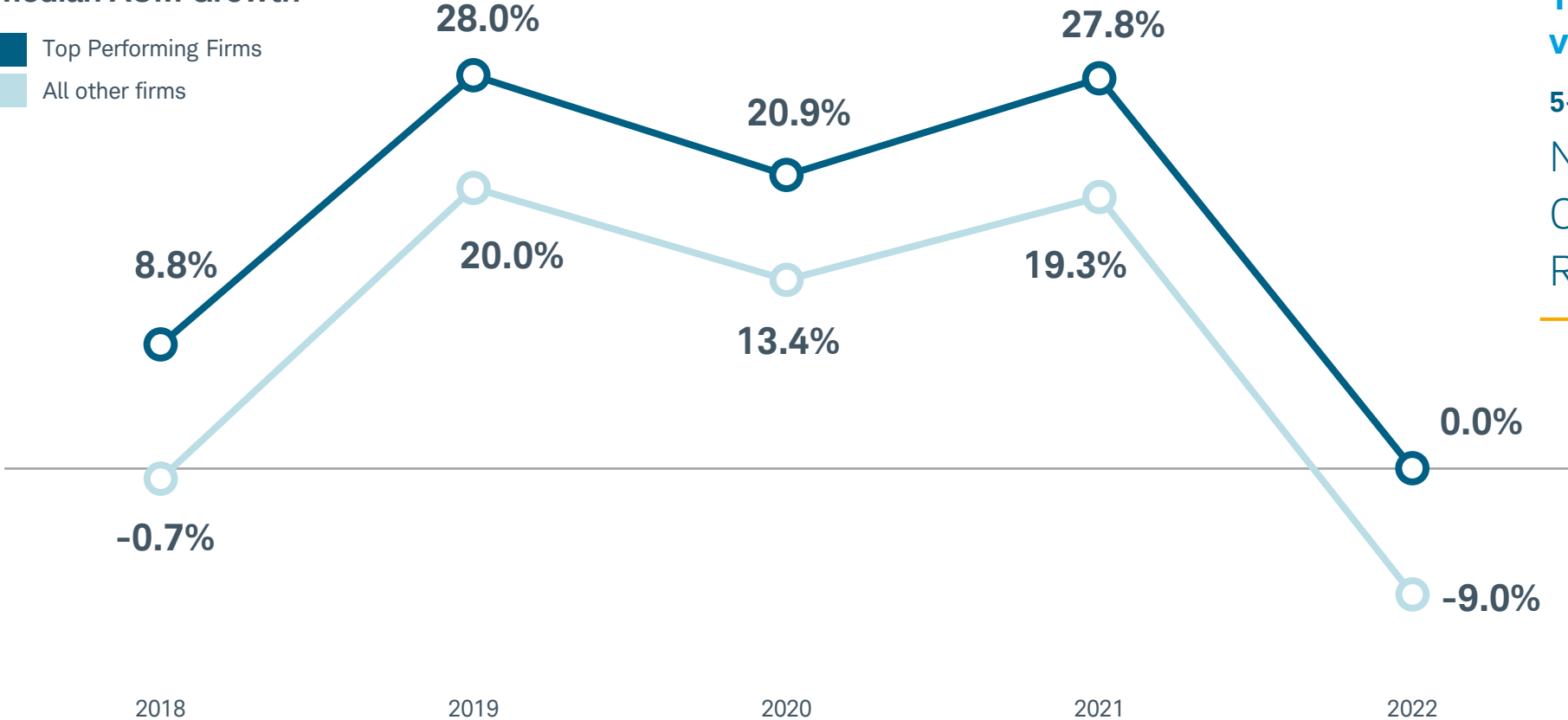


¹ Median 5-year compound annual growth rate (CAGR) over the period from year-end 2017 through 2022 for all firms with \$25 million or more in AUM. Median results for all firms with \$25 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Top Performing Firms demonstrate more robust growth than all other firms.

Median AUM Growth

- Top Performing Firms
- All other firms



Top Performing Firms vs all other firms

5-year CAGR:

Net asset flows	2.8x
Clients	2.7x
Revenue	2.0x

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. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Firms responded to clients' investment needs by prioritizing additional resources.

Top concerns/topics raised by clients

Market volatility

Inflation

Liquidity/cash management

Top investment-related firm priorities

Asset allocation

Liquidity/cash management

Active management

Income strategies

Clients' investment objectives and market conditions impacted use of investment strategies.

Investment vehicles with increased use in 2023



Individual bonds

Passive and active ETFs

Private equity

Direct indexing

Investment vehicles with decreased use in 2023



Active mutual funds

Passive mutual funds

Client acquisition remains a top priority, with recruiting talent and developing staff also ranking highly.

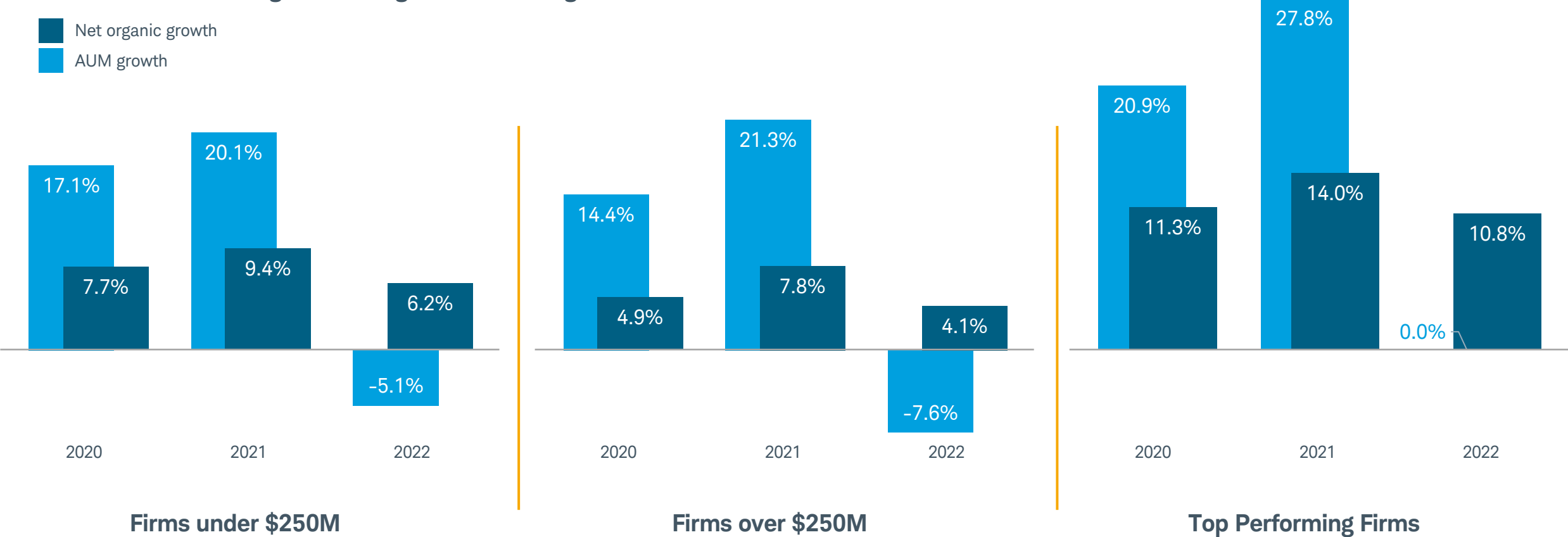
Top strategic initiatives	Rank		
	2023	2022	2021
Acquire new clients through client referrals	1	2	1
Recruit staff to increase firm's skill set/capacity	2	1	2
Acquire new clients through business referrals	3	3	4
Enhance strategic planning and execution	4	4	3
Improve productivity using process changes	5	5	7
Develop skills and capabilities of staff	6	8	10

Results for all firms with \$250 million or more in AUM that selected initiative as a top 3 priority. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Organic growth was a bright spot in 2022 as firms' value propositions continued to attract investors.

Contribution of net organic asset growth to AUM growth

- Net organic growth
- AUM growth



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Nearly half of firms have pursued inorganic strategies over the past five years.

19% of firms have engaged in **M&A** in the past 5 years.

24% of firms have had an **advisor with a book of business** join in the past 5 years.

	Firms with inorganic activity	Firms without inorganic activity
5-year CAGR		
AUM	11.8%	8.3%
Clients	7.9%	5.4%
Net asset flows	7.3%	6.0%

Inorganic activity represents mergers and acquisitions, divestitures, and advisors joining or leaving over the period from 2018 through 2022. Results for all firms with \$250 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Looking ahead, half of all firms in the study are seeking inorganic growth opportunities.

Firms actively seeking to buy another RIA



Firms actively seeking to bring on an advisor with a book of business



Firms actively seeking to bring on a principal with transferrable assets



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Firms are pursuing inorganic strategies for various reasons.

Create Scale **Expand Service Suite**

Operational Efficiency **Succession**

Acquire Talent Improve Client Experience

New Geographic Market **AUM Growth**

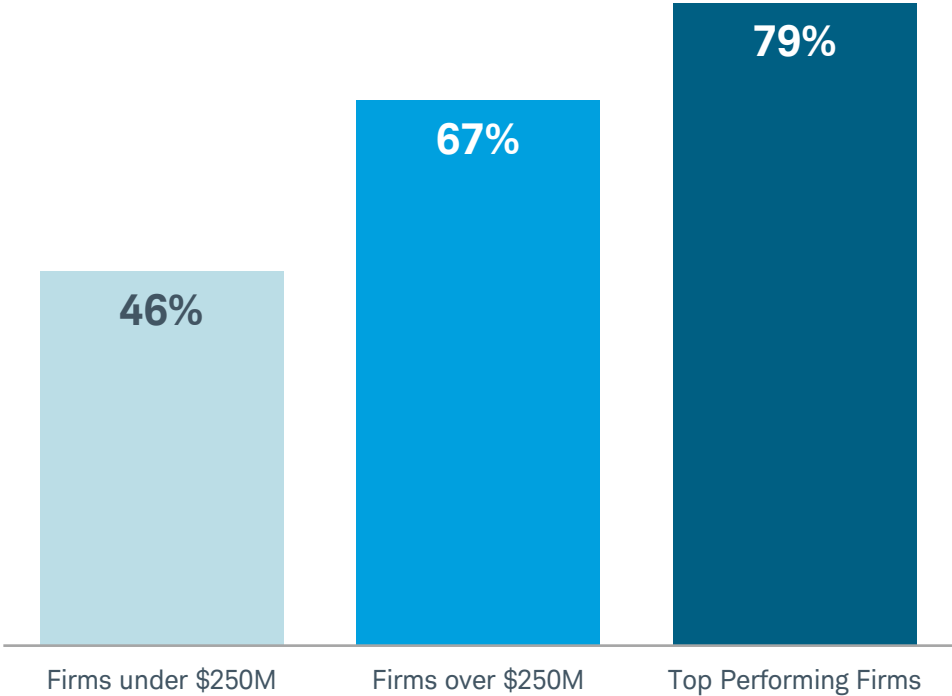
New Niche Market Increase Career Paths

1 in 4 firms

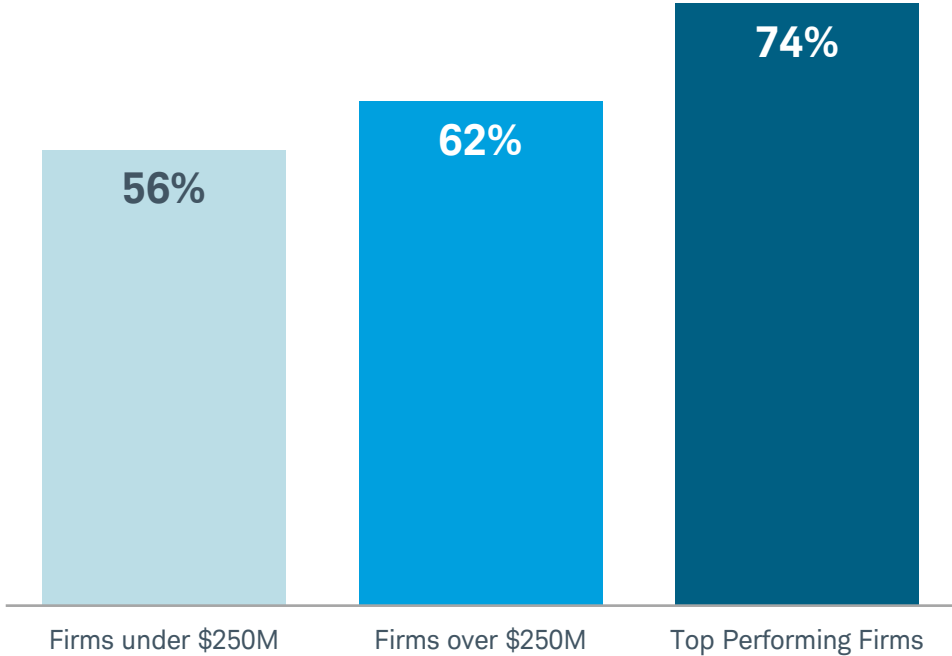
are considering selling, merging, or acquiring another firm as a succession strategy

Strategic and succession plans support firm performance and endurance.

Firms with written strategic plans



Firms with written succession plans



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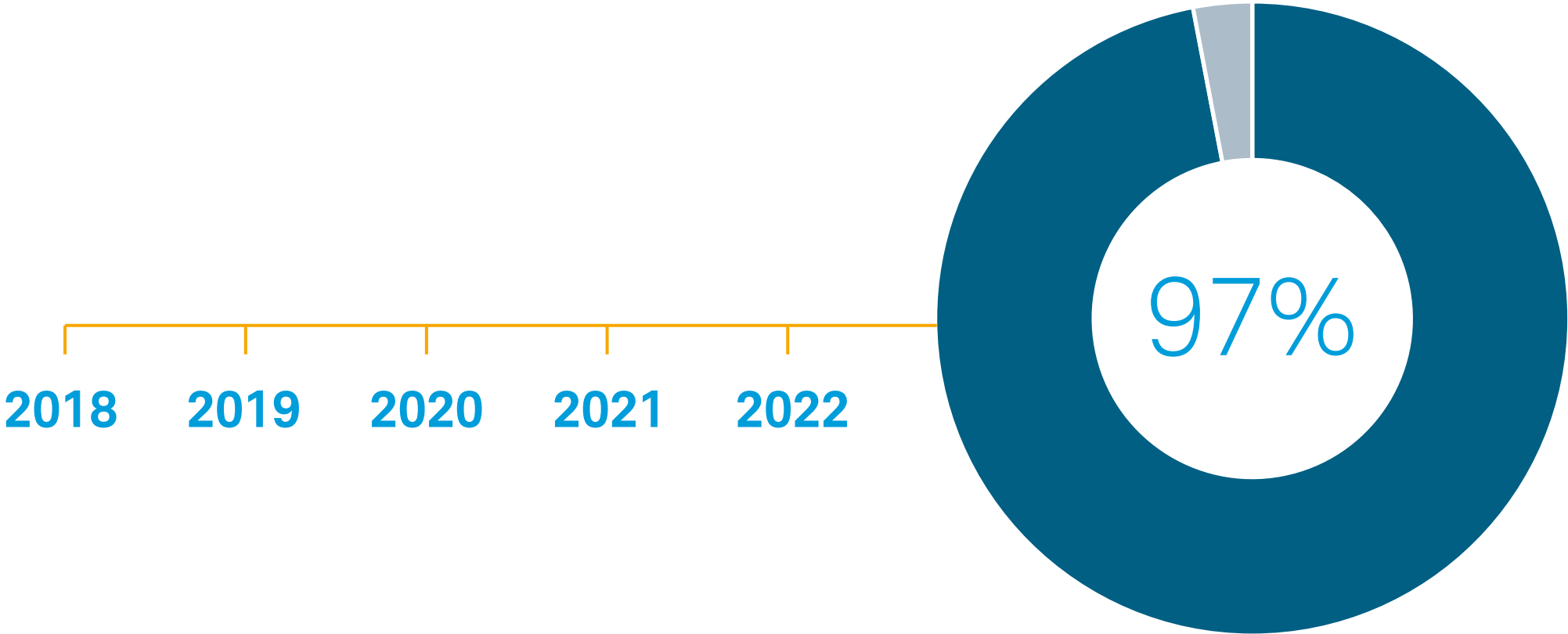


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Client retention has remained at 97% for the past five years—a testament to the RIA industry.



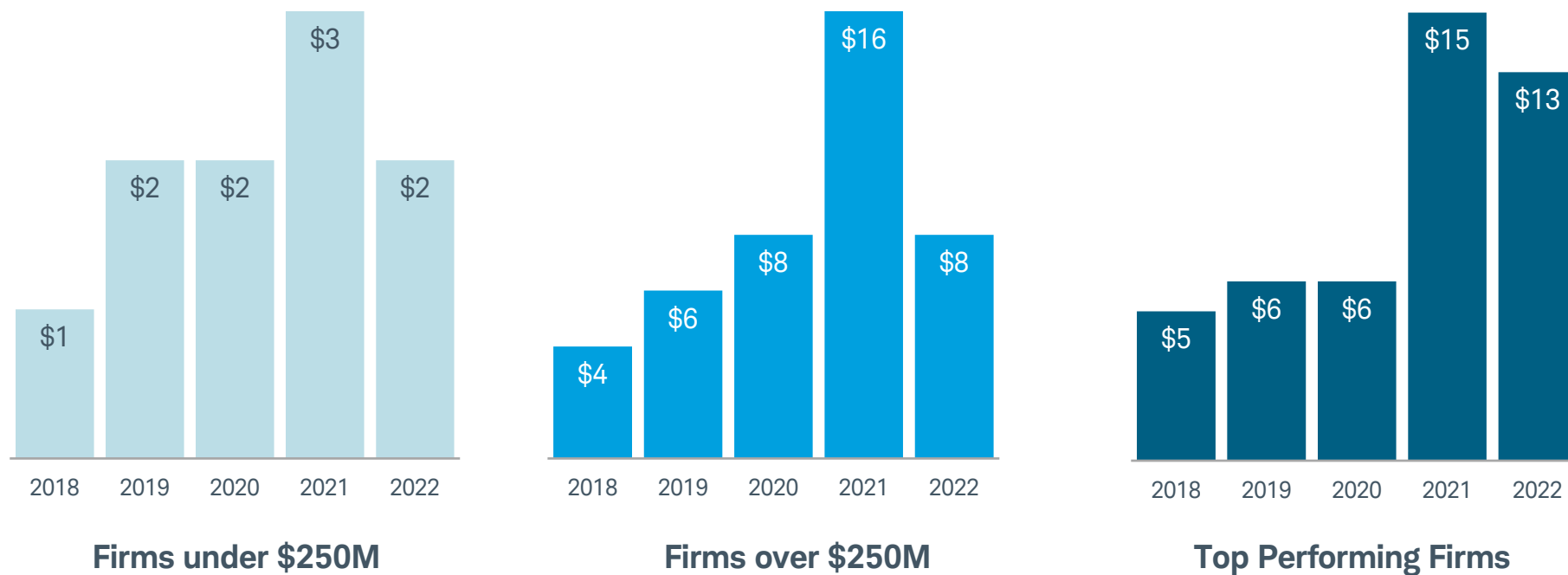
Client retention for firms across the study

Median results from the 2019, 2020, 2021, 2022, and 2023 RIA Benchmarking Study from Charles Schwab for all firms with \$25 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Despite a challenging year, net assets from existing clients remained healthy in 2022, especially for Top Performing Firms.

Net assets from existing clients (excluding investment performance)

In millions



Median results. Net assets from existing clients excludes investment performance. 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. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Documenting an ideal client persona and client value proposition helps firms define their CX and support new client growth.

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



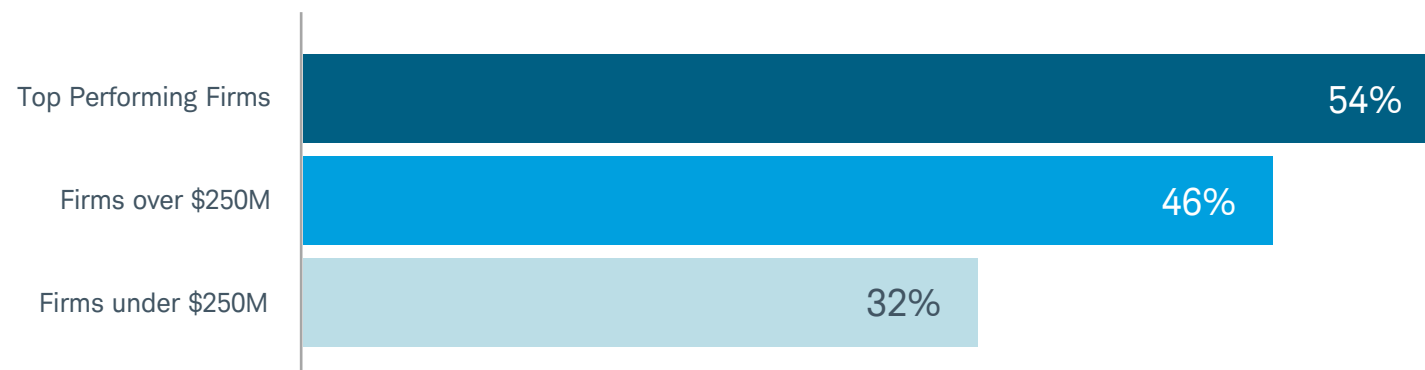
Firms with a documented client value proposition (CVP)



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An integrated marketing plan covering all activities that reach prospects and clients is essential for growth.

Firms with a documented marketing plan



Average marketing and business development spend as a percent of revenue



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Firms with written marketing plans, ideal client personas, and client value propositions attracted more new clients and assets.

52%

More new clients
in 2022

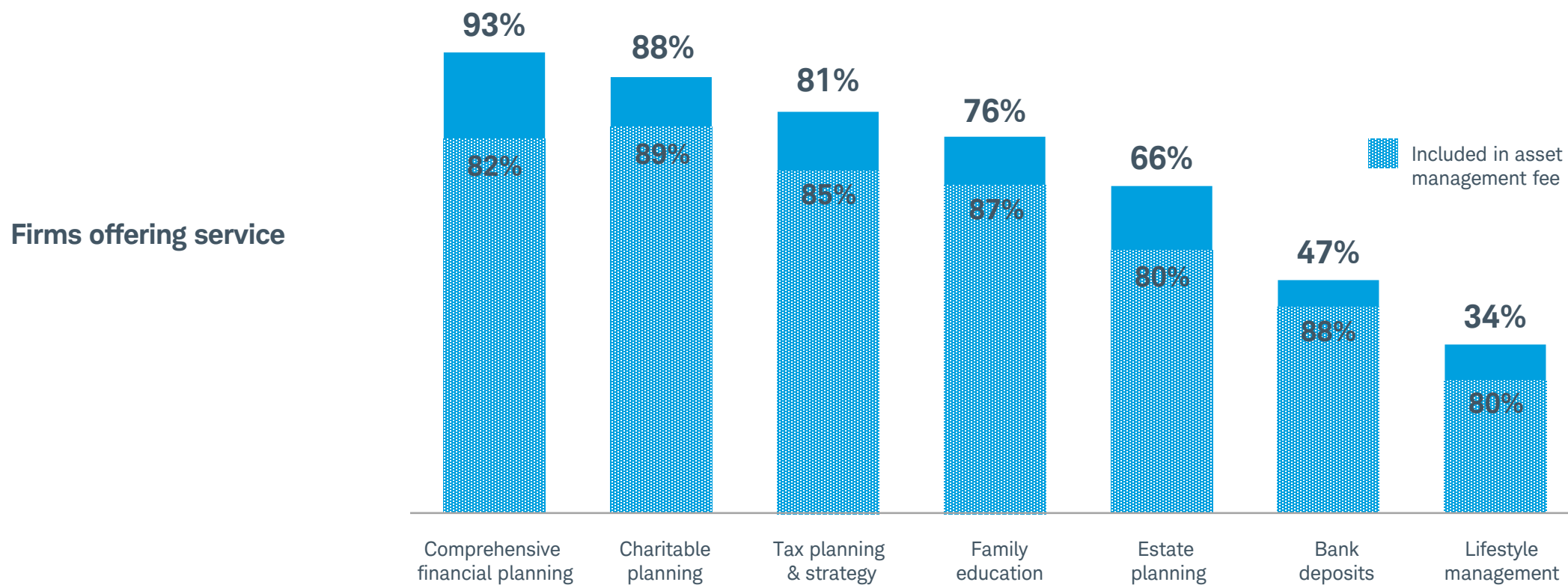


46%

More new client
assets in 2022



Firms offer services to meet ideal client needs, usually including them as part of the fee. Personalizing services can help deepen relationships.



Advisors offer personalized investment strategies to help tie meaning to clients' investing, beyond returns.

Firms using customized investment vehicles	Firms under \$250M	Firms \$250M-\$1B	Firms over \$1B
Direct indexing ¹	20%	27%	44%
Values-based/impact investing	44%	49%	65%
Thematic investing	25%	25%	32%
Separately Managed Accounts (SMAs)	26%	43%	70%

¹ Includes firms that are using and plan to use in 2023.

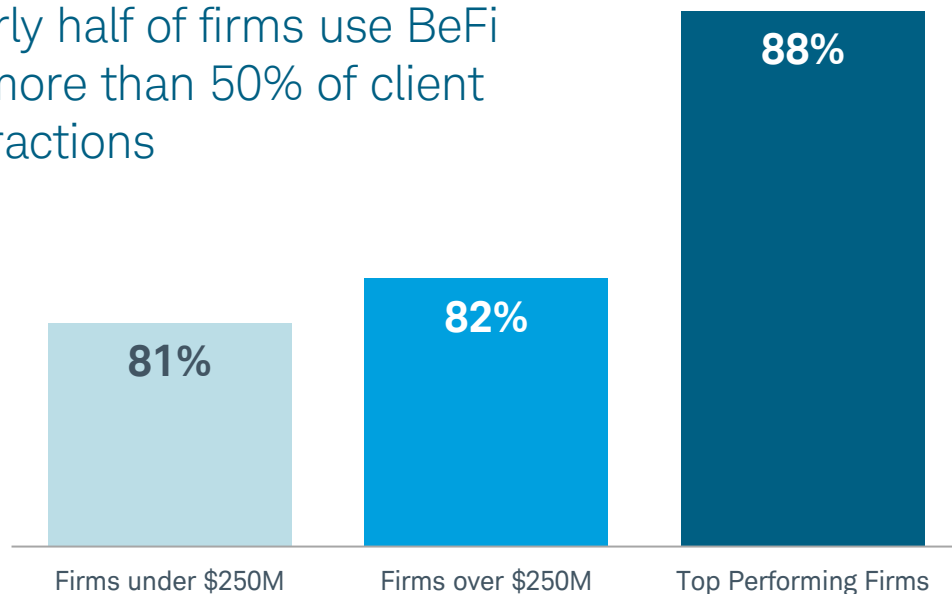
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Participant firms represent various sizes and business models categorized into peer groups by AUM.

Behavioral finance can help advisors deliver more impactful client experiences by increasing client satisfaction.

Firms using behavioral finance (BeFi)

Nearly half of firms use BeFi for more than 50% of client interactions



Firms using behavioral finance saw

3.3x

more new assets from existing clients in 2022.¹

¹ Median results for firms with \$250 million or more in AUM.

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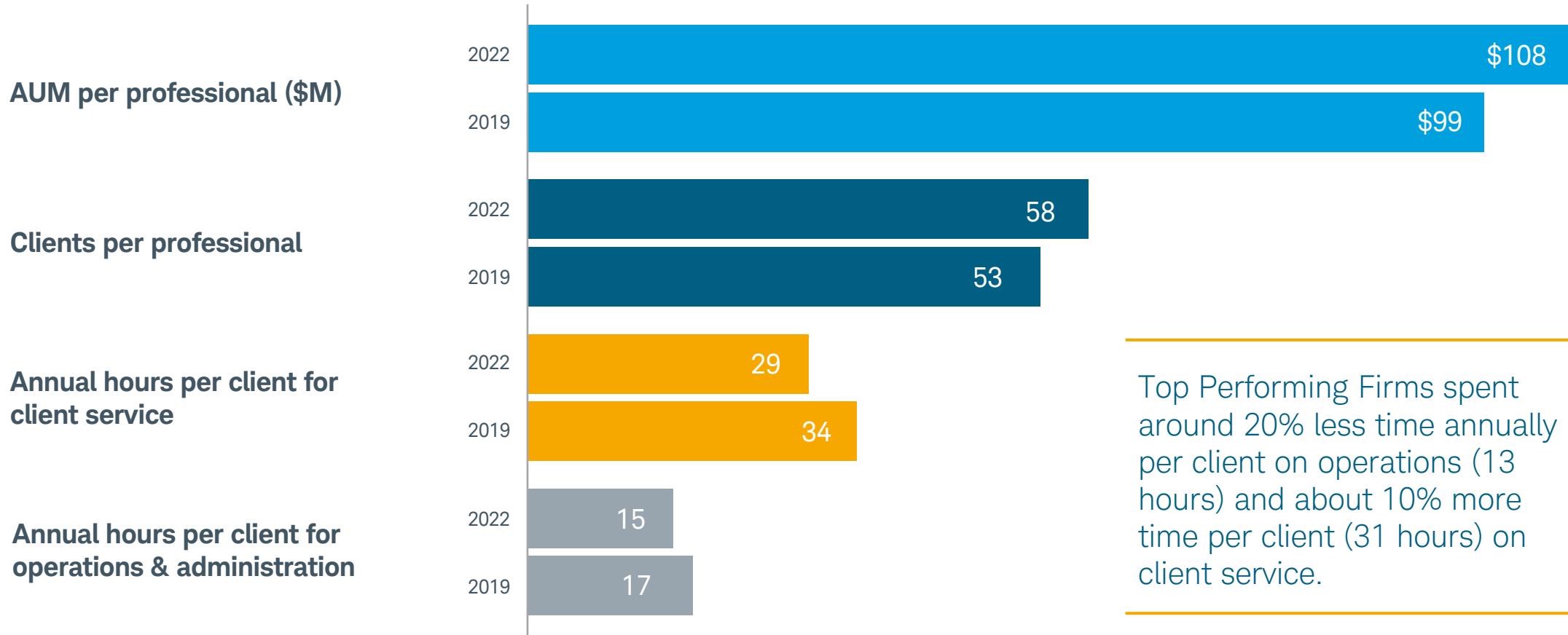


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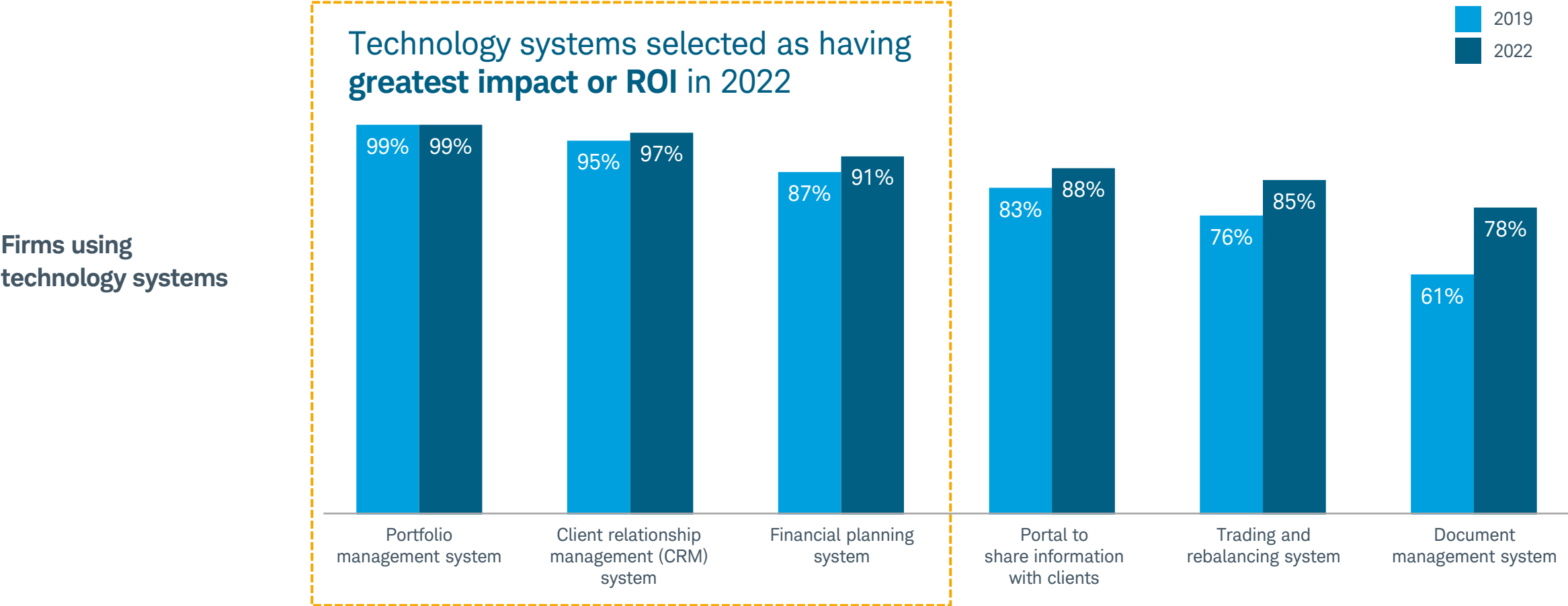
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Strategies to create efficiencies have led to productivity gains.



Results from the 2020 and 2023 RIA Benchmarking Study from Charles Schwab. Median results for all firms with \$250 million or more in AUM. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

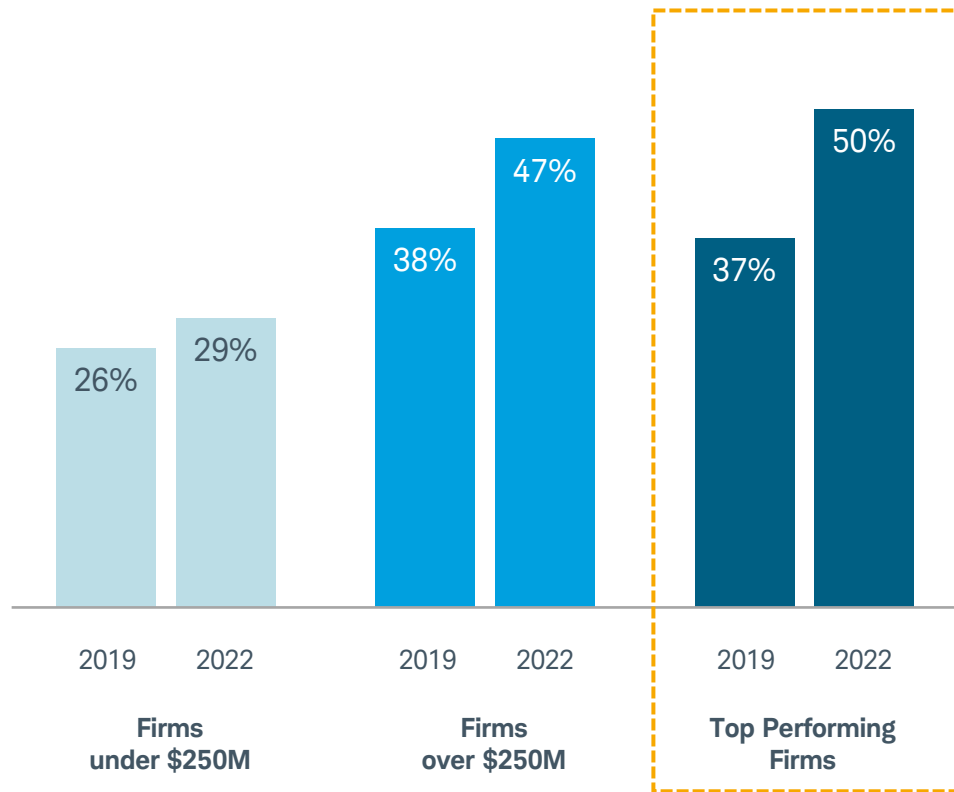
Technology is essential for client connections and operations.



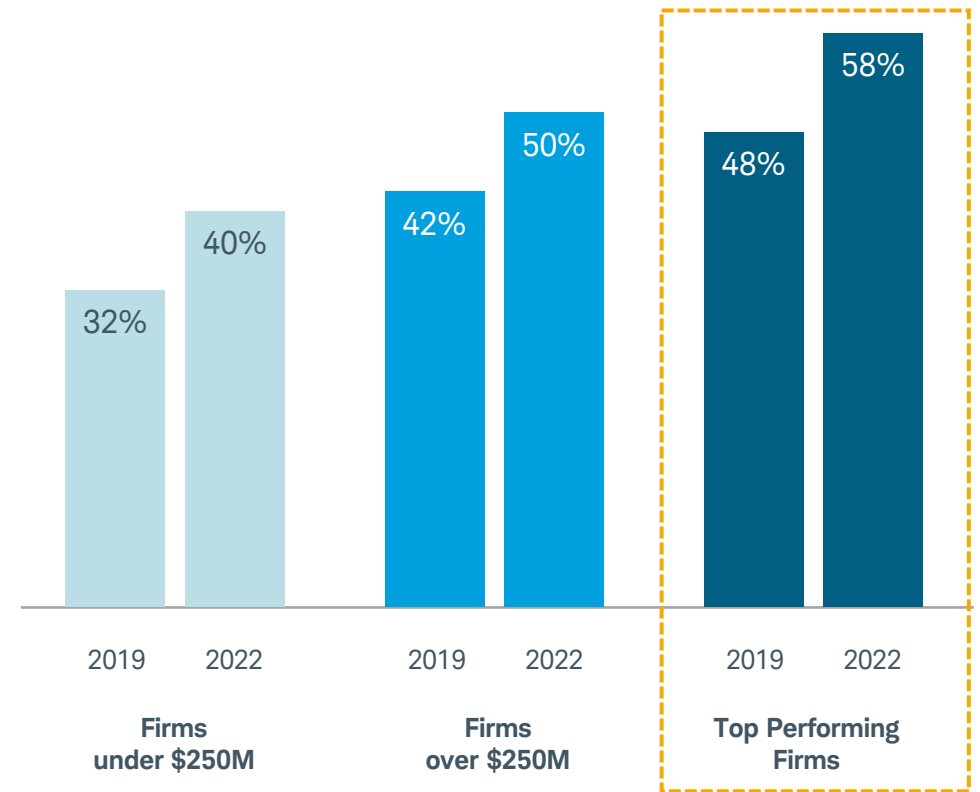
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Top Performing Firms more often use their CRM as the central hub to serve clients more consistently.

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



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



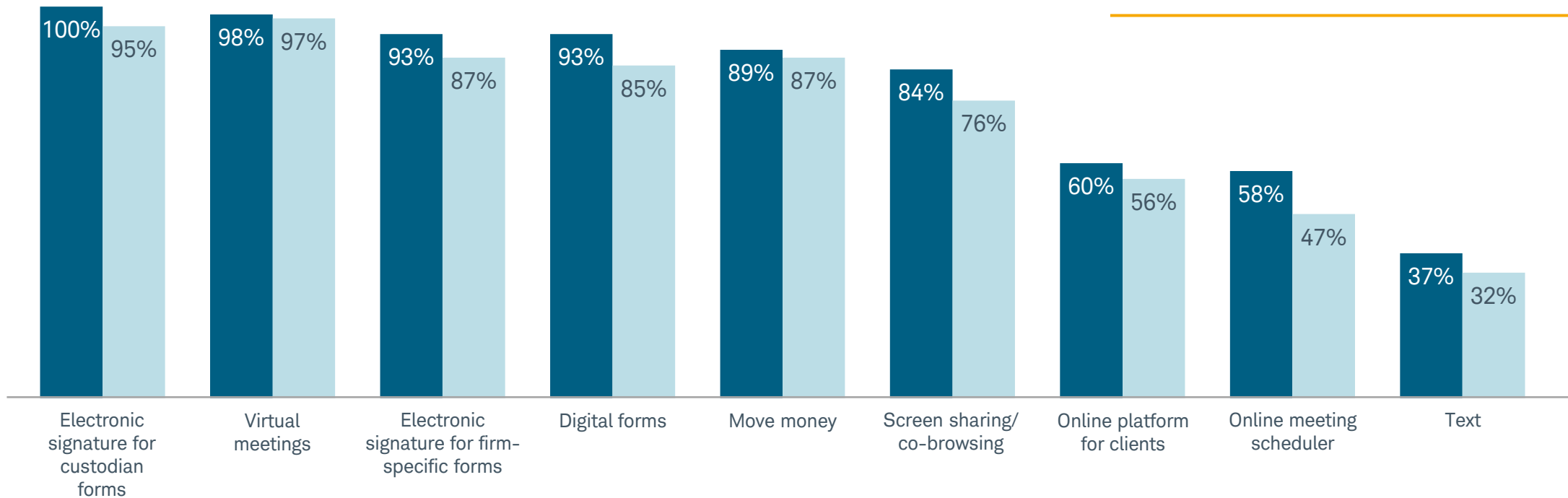
Results from the 2020 and 2023 RIA Benchmarking Study from Charles Schwab. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Top Performing Firms implemented digital processes more often to drive operational efficiencies.

Firms that use digital processes and workflows

■ Top Performing Firms
■ All other firms

Over half of all firms in the study increased their use of digital workflows in 2022.¹



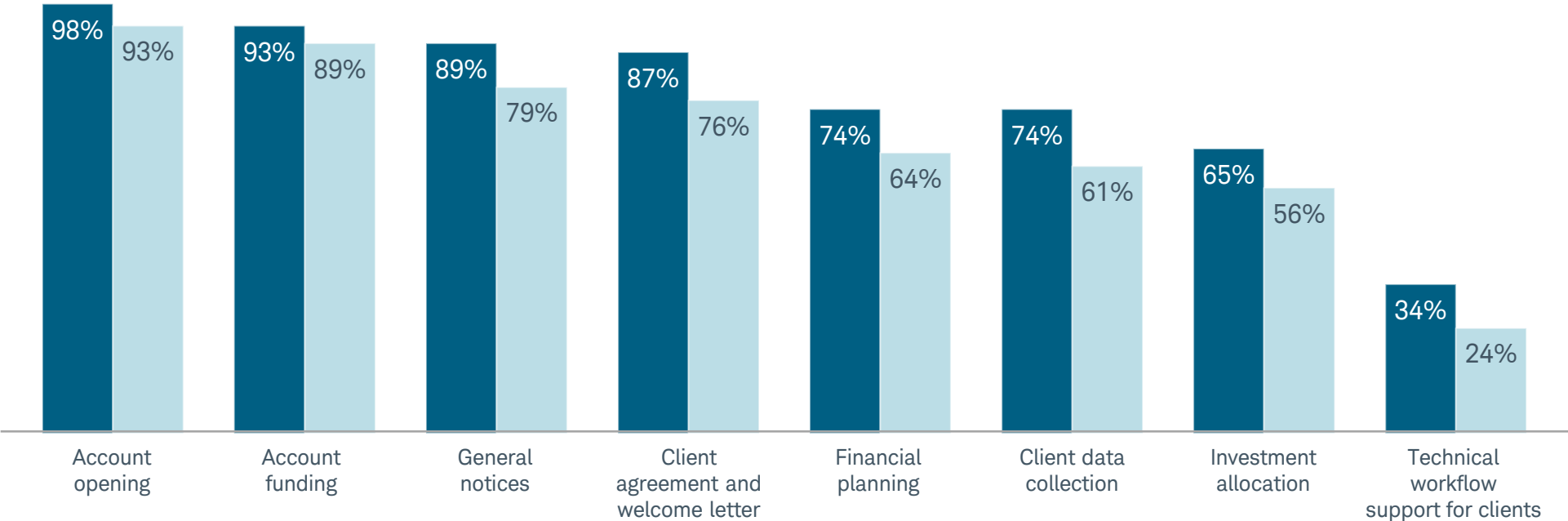
¹ Based on firms that have implemented each digital workflow.

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By improving security, consistency, and efficiency, digital client onboarding helps reduce fraud and rework.

Firms that use digital client onboarding workflows

- Top Performing Firms
- All other firms



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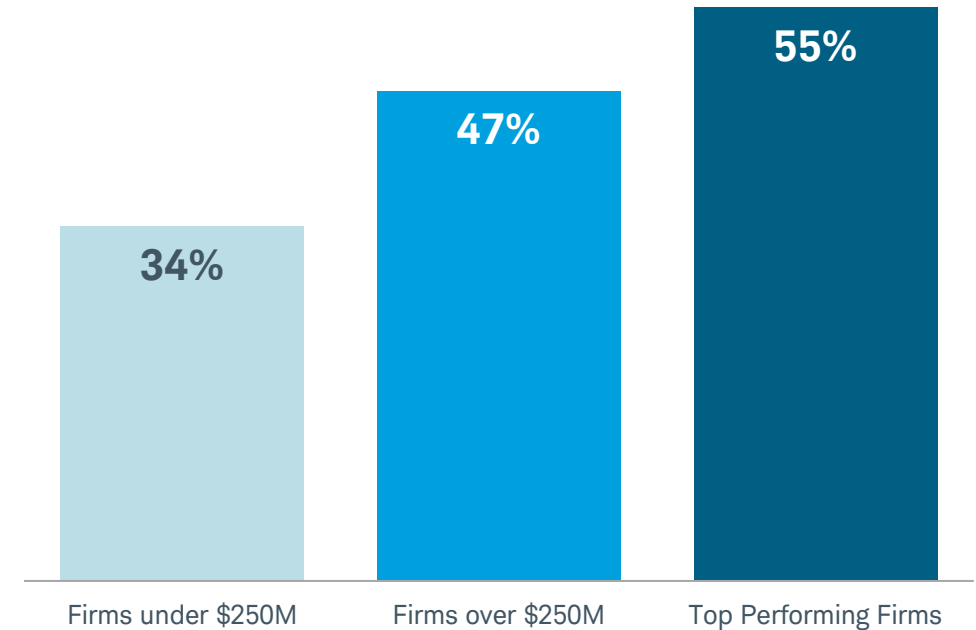
A client segmentation strategy can help build scale and manage profitability.



Firms with a client segmentation strategy

A segmentation strategy defines the client experience and how it's delivered consistently and efficiently among each segment of clients.

Firms with a segmentation strategy **manage more clients per professional** than those without one.¹

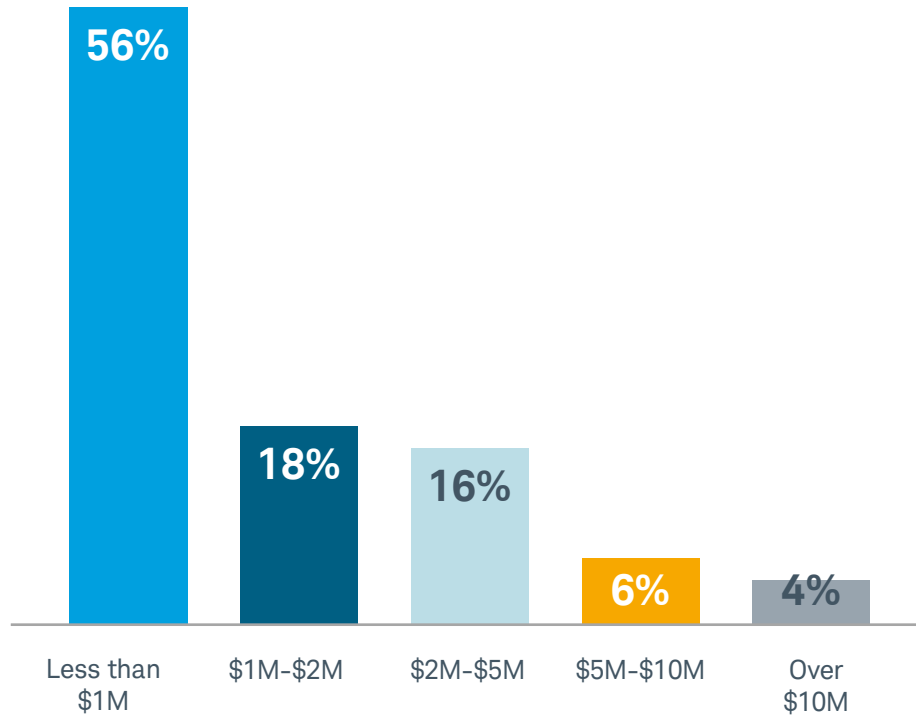


¹ Median results for firms with \$250 million or more in AUM.

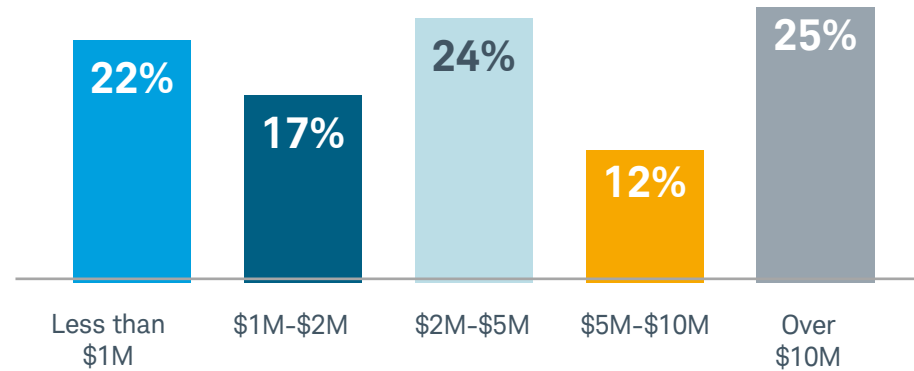
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Aligning revenue with cost to serve clients is essential to building a profitable business.

Percent of clients in 2022 by relationship size



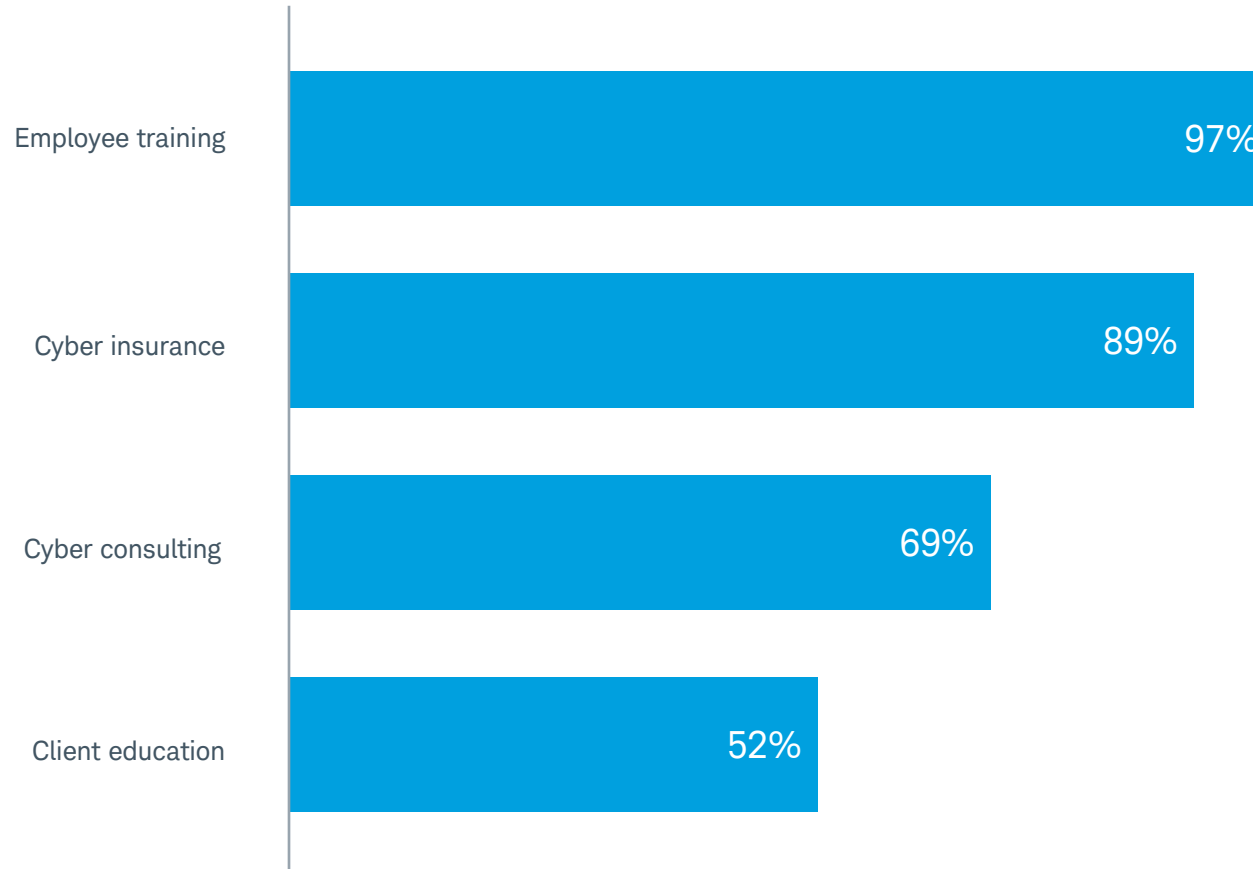
Percent of estimated revenue in 2022 by relationship size



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Advisors are strengthening their cybersecurity programs to protect their clients and firms.

Firms with cybersecurity activity implemented



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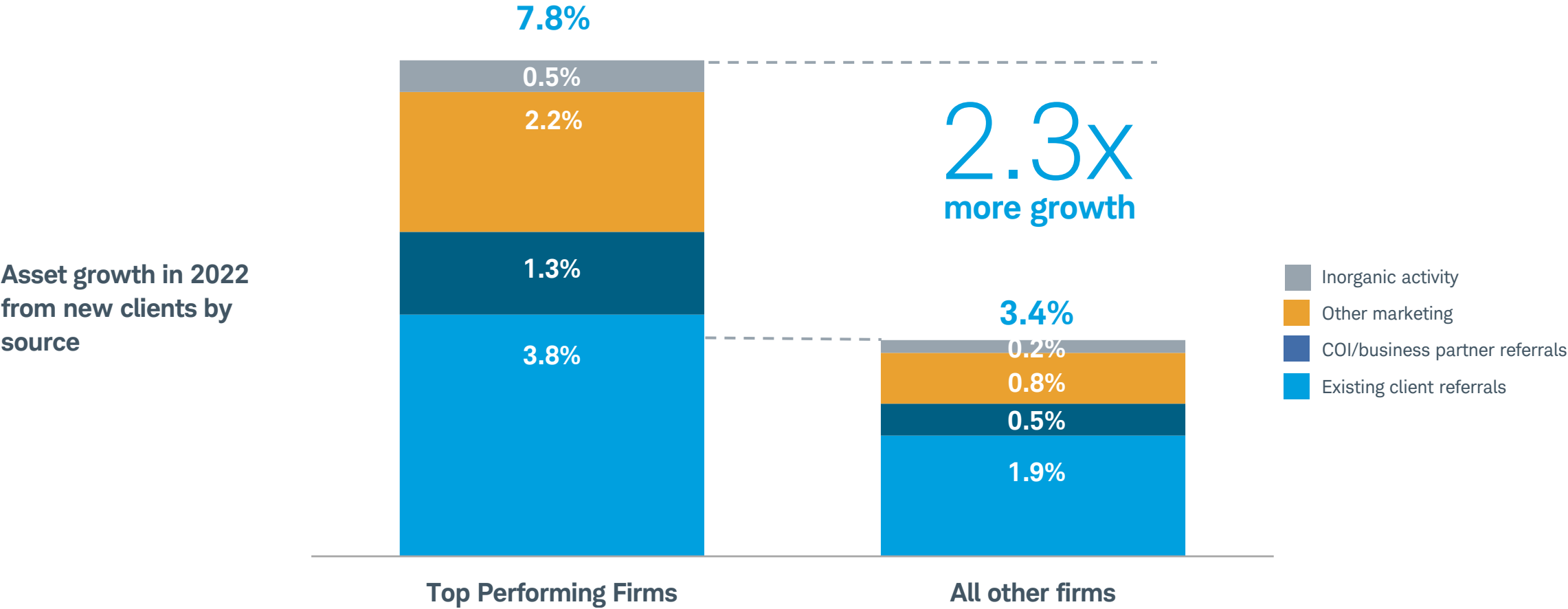
Firms continued their culture of new client growth in 2022, using a variety of tactics to achieve results.

Assets from new clients
In millions



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



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. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

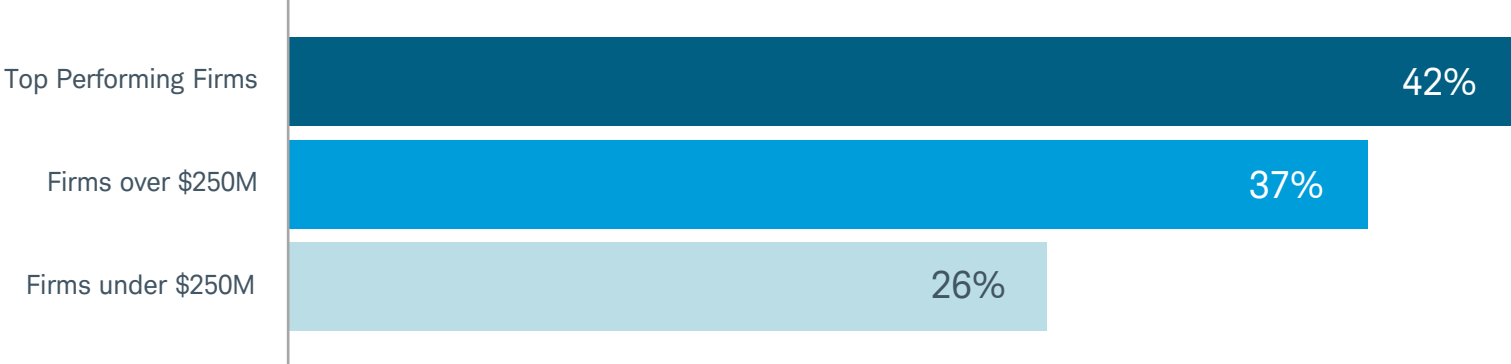
The 5-year CAGRs for Top Performing Firms indicate successful long-term strategies.

	Top Performing Firms	All other firms	Multiple
5-year net asset flows CAGR	14.1%	5.0%	2.8x
5-year revenue CAGR	18.2%	8.9%	2.0x
5-year client CAGR	12.8%	4.7%	2.7x
Number of new clients in 2022	34	22	1.5x
Assets from new clients in 2022	\$33.3 million	\$16.9 million	2.0x
New revenue per professional in 2022	\$67,000	\$35,000	1.9x

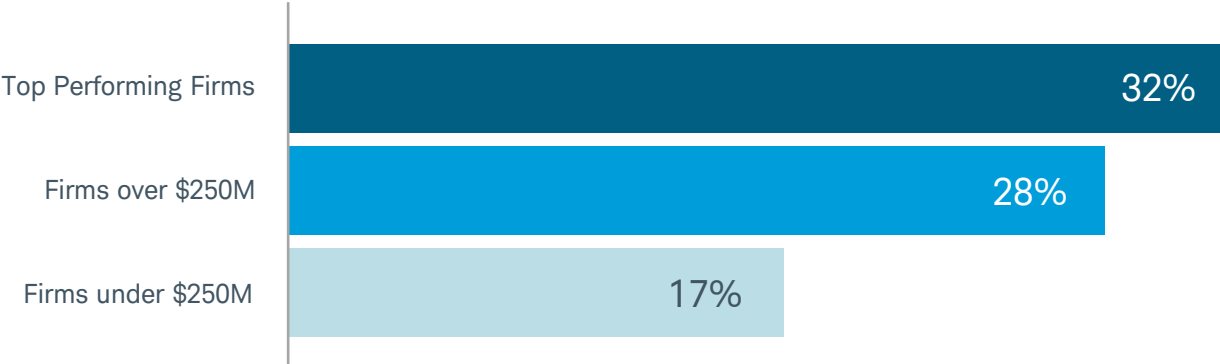
Median results for Top Performing Firms and all other firms. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Referrals account for a majority of new clients, yet fewer than half of firms document referral plans.

Firms with a documented referral plan for existing clients



Firms with a documented referral plan for business partners



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Firms with referral plans achieved stronger results from those channels in 2022 than firms without referral plans.

Firms with existing client referral plans

1.6x **more new clients**
generated from existing
client referrals

1.6x **more new client assets**
generated from existing
client referrals

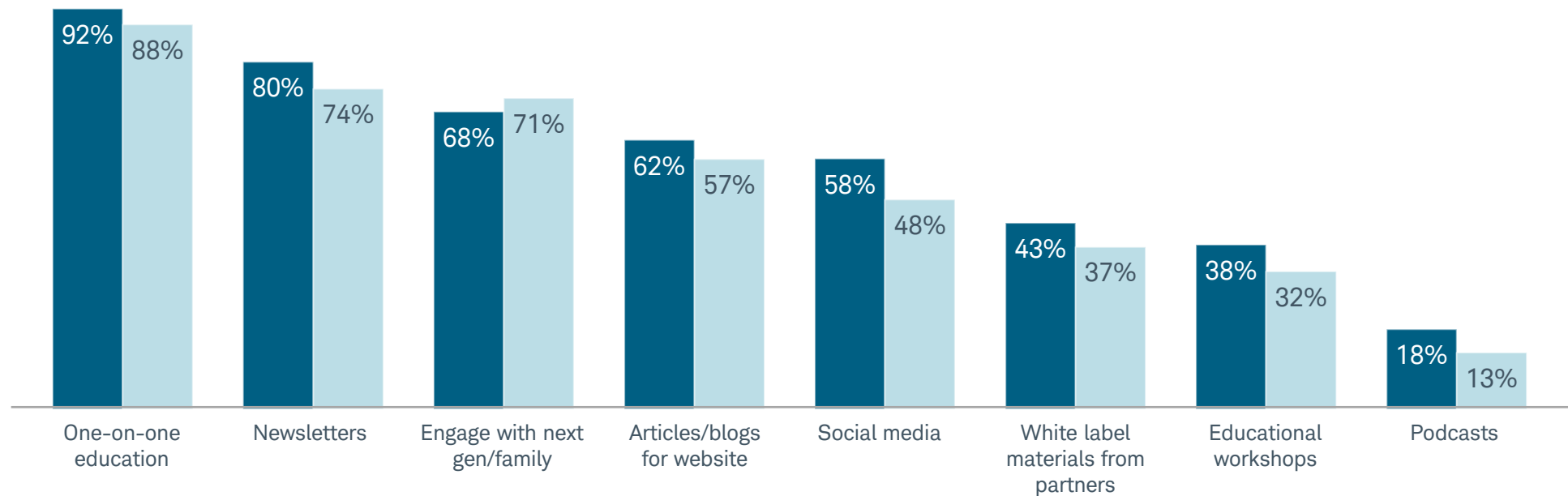
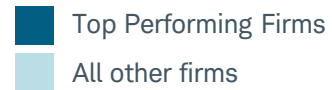
Firms with business partner referral plans

4.0x **more new clients**
generated from business
partner referrals

5.1x **more new client assets**
generated from business
partner referrals

Tactics used to educate clients about the markets and financial planning can also help support new business efforts.

Firms using client education tactics



The median firm in the study uses five tactics to educate their clients.¹

¹ Median result for firms with \$250 million or more in AUM.

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. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

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



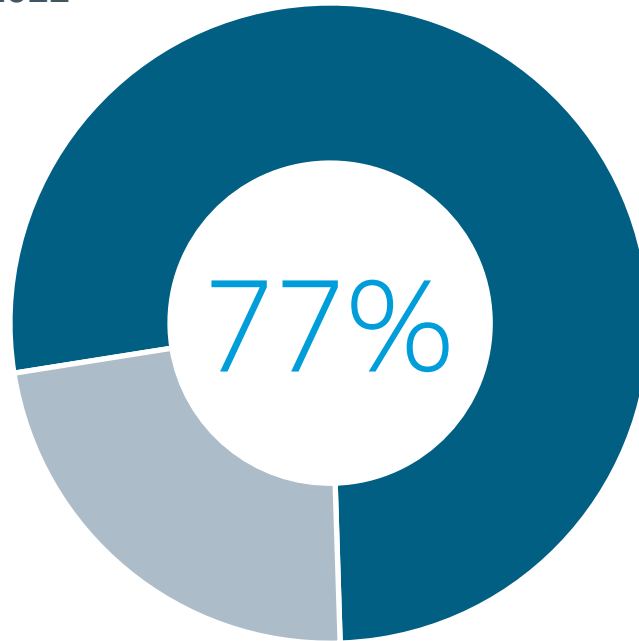
Your
reputation is
your brand



People are your
most important
asset

Recruiting staff ranked as the second-highest strategic priority in the 2023 study.

Firms that hired in 2022



Median firm hired **2 staff** in 2022.

Two-thirds of staff hires were for **new positions** at firms.

Firms cast a broad net to attract candidates, recruiting from:

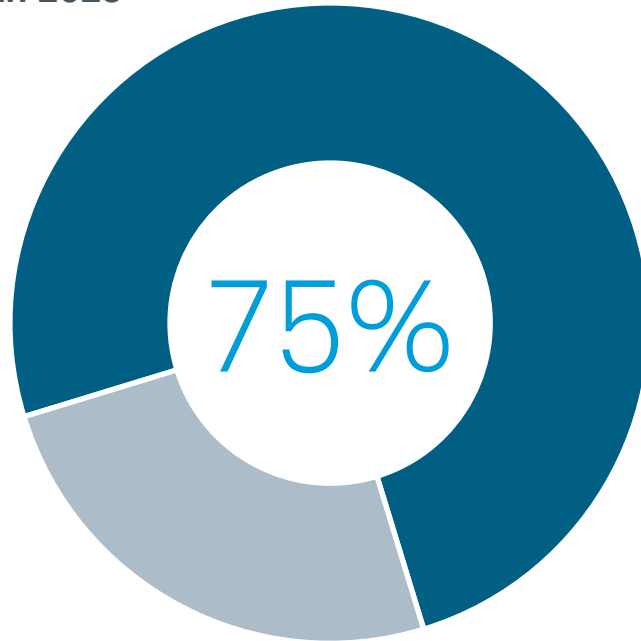
colleges/universities (37% of firms)

RIAs (27% of firms)

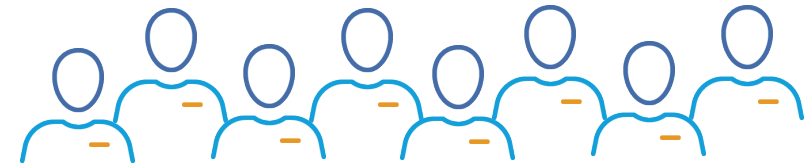
non-financial professional services firms (21% of firms).

Adding talent continues to be a focus for most firms.

Firms that plan to hire in 2023



Median firm will need to hire **4 new roles** over the next five years.



Median Top Performing Firm will need to hire **8 new roles** over the next five years.

Based on the demand for talent, firms are also looking internally to develop their employees.

#6

**developing staff
capabilities/skills**

ranks as #6
strategic priority,
up four spots from
two years ago.

75%

of firms

offer a career
path/progression
opportunities.

40%

of firms

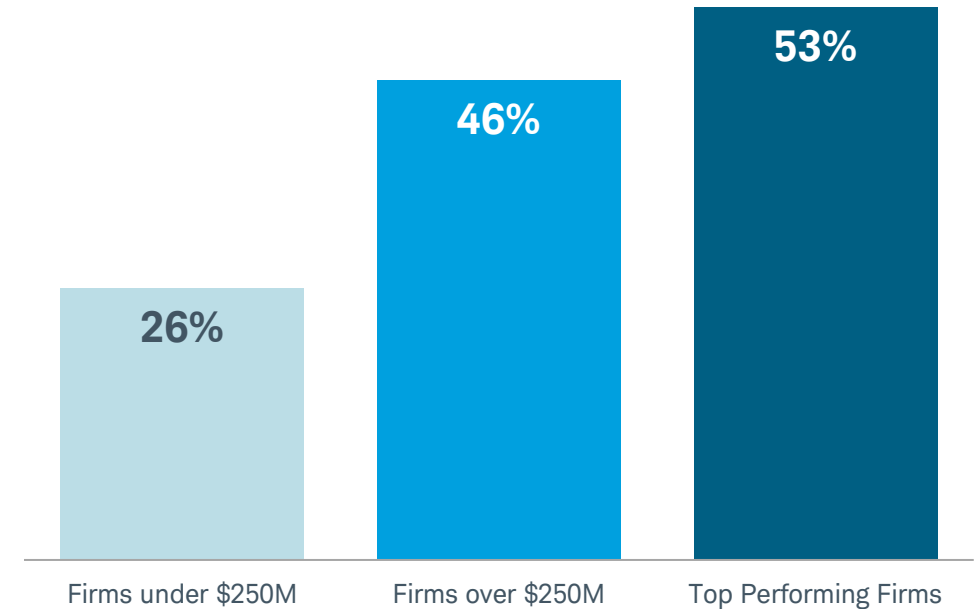
promoted staff
in 2022.

An employee value proposition (EVP) is essential to attract and retain talent.



Firms with a documented employee value proposition

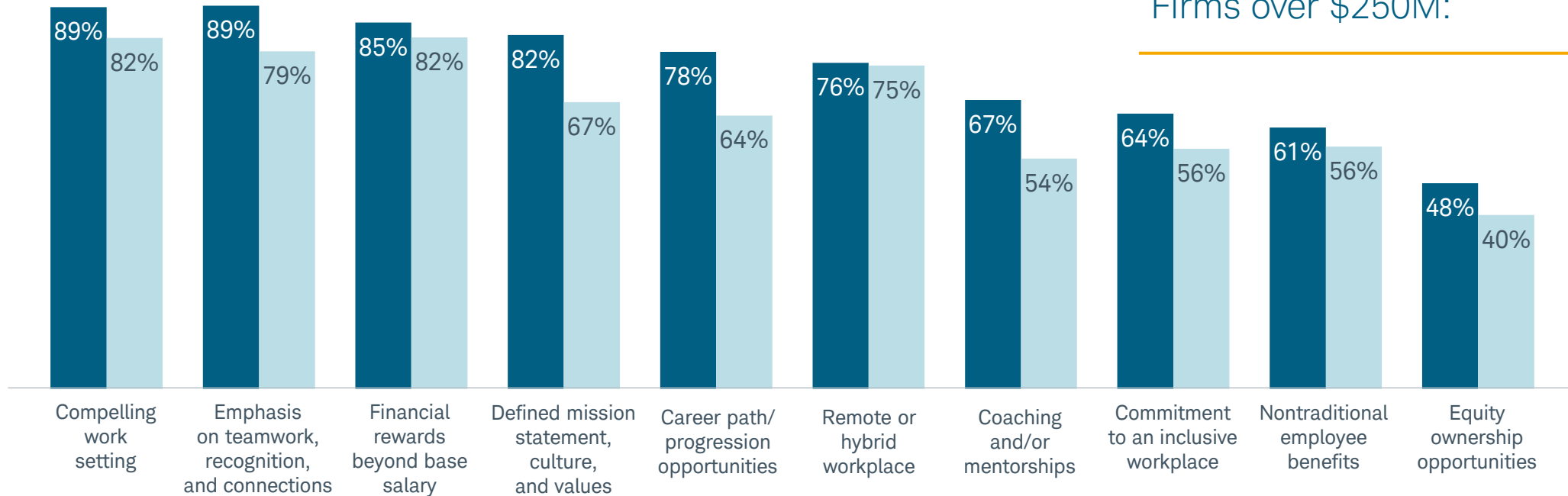
An EVP is a set of offerings the firm provides to staff in return for the skills and experiences employees bring to the firm.



Top Performing Firms include more elements in an EVP than the median firm in the study.

Elements firms include in their employee value proposition

■ Top Performing Firms
■ All other firms



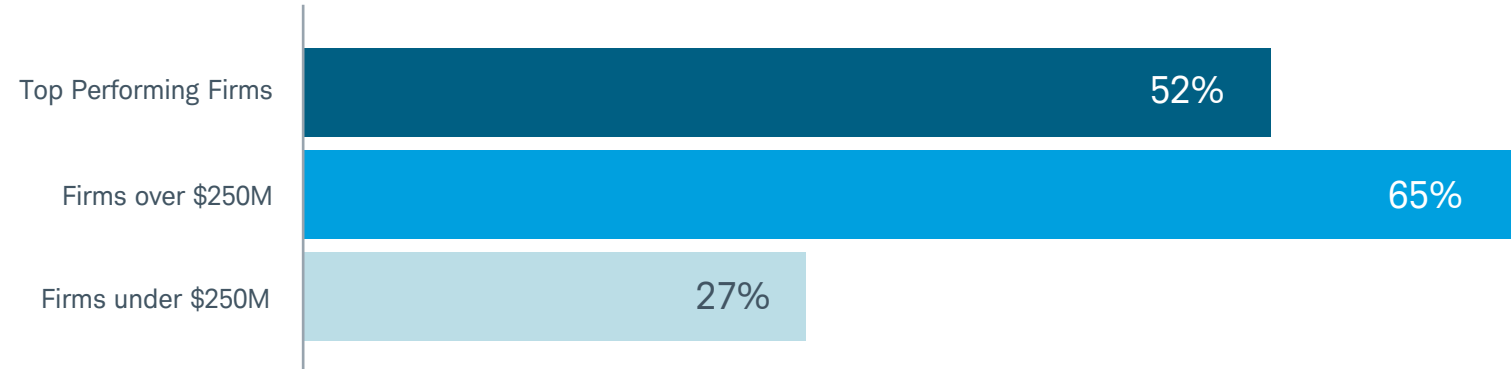
Number of elements included in EVP (at the median):

Top Performing Firms: 8
 Firms over \$250M: 7

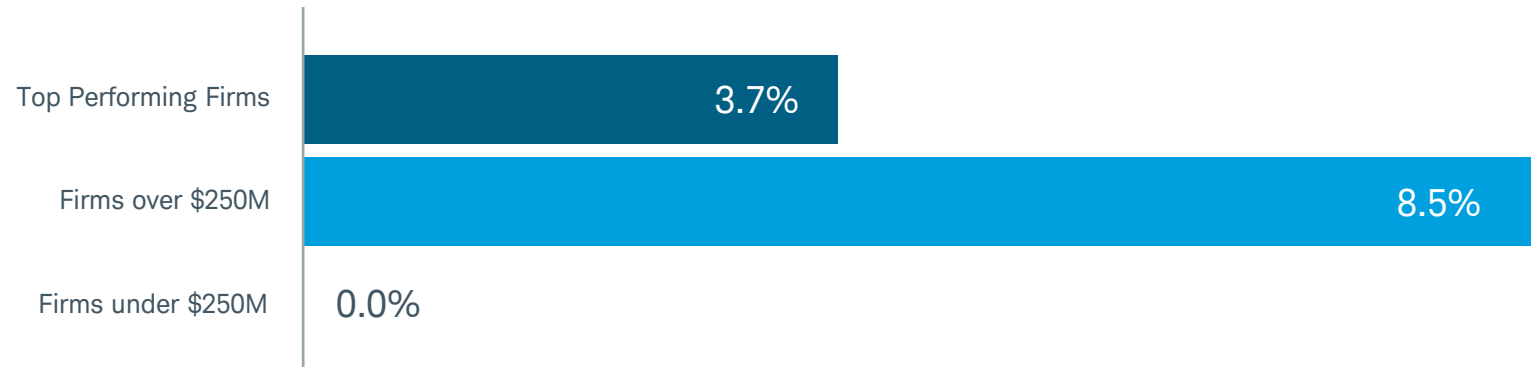
Results for Top Performing Firms and all other firms. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas. Past performance is not an indicator of future results. 2023 RIA Benchmarking Study from Charles Schwab, fielded January to March 2023. Study contains self-reported data from 1,300 firms. Participant firms represent various sizes and business models categorized into peer groups by AUM.

Minimizing staff attrition helps ensure a firm's stability.

Firms with staff departures



Median staff attrition rate



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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.

Methodology and disclosures

For informational purposes only.

Schwab designed the RIA Benchmarking Study to capture insights in the RIA industry based on survey responses from individual firms. The 2023 study provides information on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance.

Since the inception of the study in 2006, more than 4,500 firms have participated, with many repeat participants.

Fielded from January to March 2023, the study contains self-reported data from 1,300 firms that custody their assets with Schwab or TD Ameritrade and represents over \$1.7 trillion in assets under management, making this the leading study in the RIA industry. Schwab did not independently verify or validate the self-reported information.

Participant firms represent various sizes and business models. They are categorized into eight peer groups by AUM size.

The study is part of Schwab Business Consulting and Education, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting and Education provides insight, guidance, tools, and resources to help RIAs strategically manage and grow their firm.

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.

Past performance is not an indicator of future results.

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