

An aerial view of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are visible, and a bridge is in the foreground. The text is overlaid on a dark semi-transparent rectangle.

In Support of Going Independent

Many advisors are contemplating a jump to an RIA model.
Those that have done so largely feel it was worthwhile.

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The number of RIAs has risen sharply in recent years, from 10,754 SEC-registered investment advisors in 2012 to more than 13,000 as of September 2018. The assets they manage have also risen dramatically higher over the same time period: These days, RIAs manage almost \$85 trillion AUM, up from \$50 trillion. Helping to drive that growth is the profusion of technology platforms and tools available to RIAs. With so many options available to them, advisors can more easily tailor their practices to the specific needs of their clients. In turn, that's helping make RIAs more attractive to clients, who are increasingly seeking out fee-based, fiduciary relationships and individualized solutions that fit their unique situations.

Many of these newly minted RIAs are making the jump from the wirehouse model. However, the prospect of going independent carries with it plenty of uncertainty: Will it better serve clients' needs? How will clients react? Will the new practice be successful?

A recent survey by WealthManagement.com asked nearly 280 advisors across all industry channels about their thoughts around changing firms. The survey addressed the motivations and concerns around transitioning to a new firm. It also asked advisors to weigh in on topics including managing client issues and seeking support during this transition. One of the key messages that came through in the survey is that all advisors, no matter the channel, are focused on how best to serve clients. Another theme: Advisors consistently report their jump to independence was worth it.

Key Takeaways

A trend toward independence: Advisors generally support the industry trend toward RIAs. Not only are advisors three times more likely to consider moving to an RIA or RIA hybrid firm than a wirehouse in the next five years, but wirehouse advisors are also generally less confident about still being with their current firm two years from now.

It's all about the clients: Advisors across all channels are focused on how best to serve their clients when weighing a potential transition to a new firm. After a move, nearly two-thirds of advisors point to better client service as the reason for the transition. However, advisors from RIAs and hybrid firms are more likely than wirehouse advisors to report the client-service angle.

Client resistance to a move is a top concern: Wirehouse advisors are more likely than their peers to believe that clients, fearing change, will

resist a transition to a new firm. Yet these concerns may be somewhat overblown: Most advisors who changed firms report that three-quarters or more of their client roster followed them to the new firm within the first year. And only one in four clients typically need extra encouragement to follow. Ultimately, clients are satisfied with the move, according to advisors, with advisors now at an RIA the most likely to report clients being very satisfied.

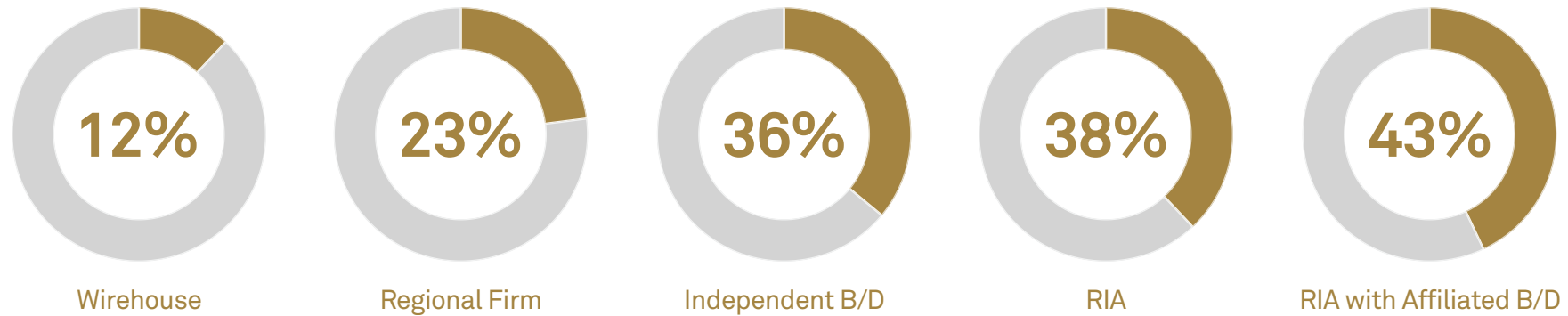
Independence pays off: RIAs are most likely to report a significant increase in revenues, while advisors at hybrid firms are most likely to see the biggest increases in net revenues of 50% or more. The quality and quantity of referrals typically increase after a transition as well, with RIAs seeing more high-quality referrals while hybrid advisors seeing a higher quantity of referrals.

Helping with transitions: Advisors who make the jump to an RIA are least likely to have had access to dedicated account transition support at their new firm. This is a service gap that custodians can potentially help fill. Advisors say more background information on their new firm or information on safety and security of the new firm would have resulted in more clients transitioning with them.



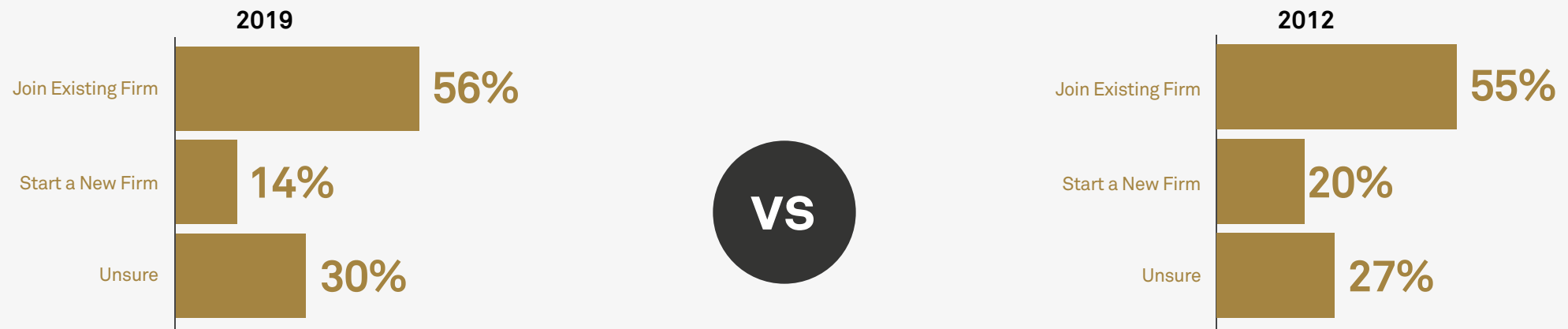
An Industry in Transition

Advisors are three times more likely to say they would transition to an RIA if they change firms in the next five years than to a wirehouse.



Q11: Which type(s) of firms would you consider moving to in the next 5 years?

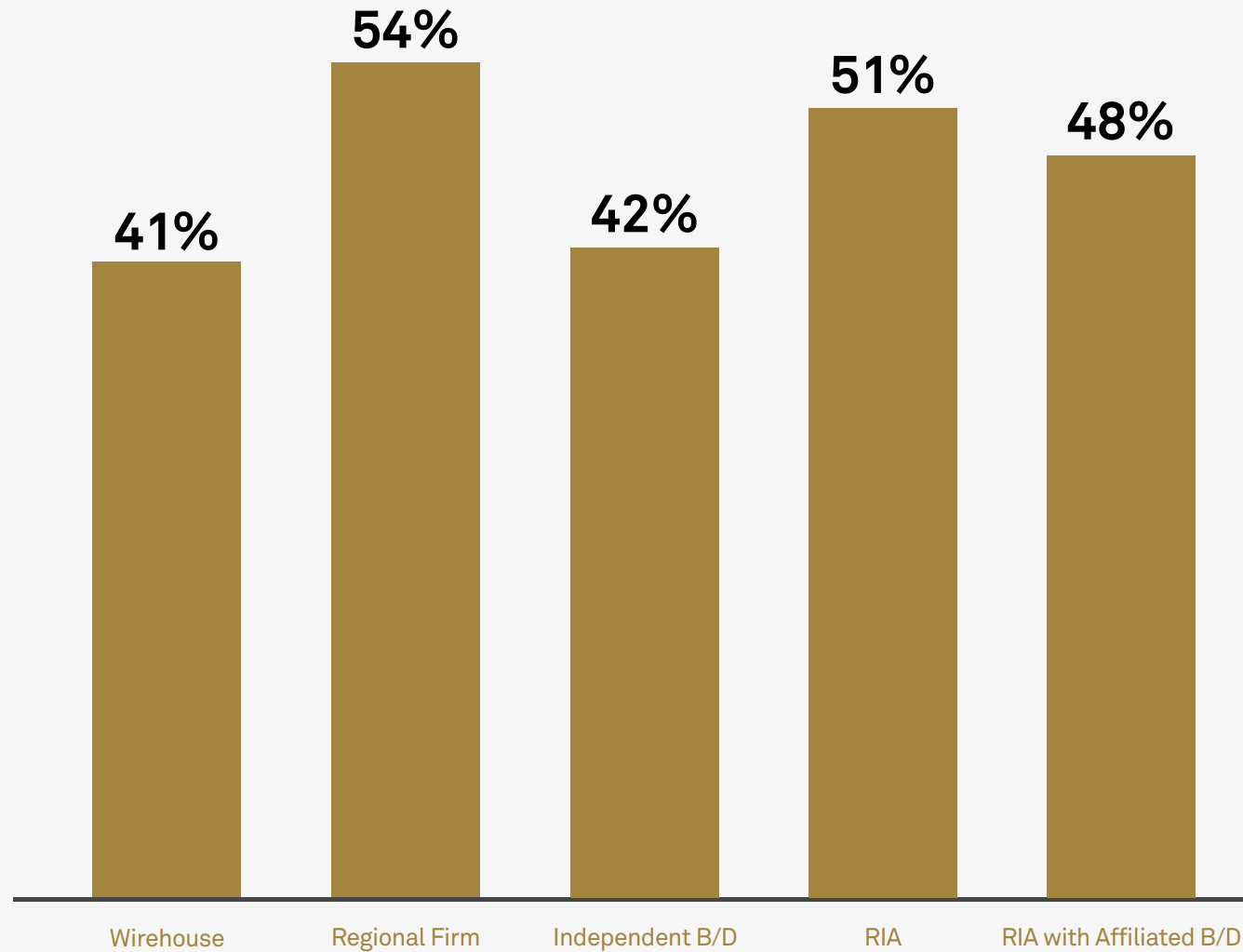
If they moved to an RIA, most advisors would prefer joining an existing firm — similar to past trends.



Q12: If you were to move to an independent RIA, would you join an existing RIA firm, or start a new firm?

Wirehouse advisors are least confident in staying with their current firm.

“I definitely will still be working for my current firm two years from now”



Q4: How likely are you to still be working for your current firm two years from now?

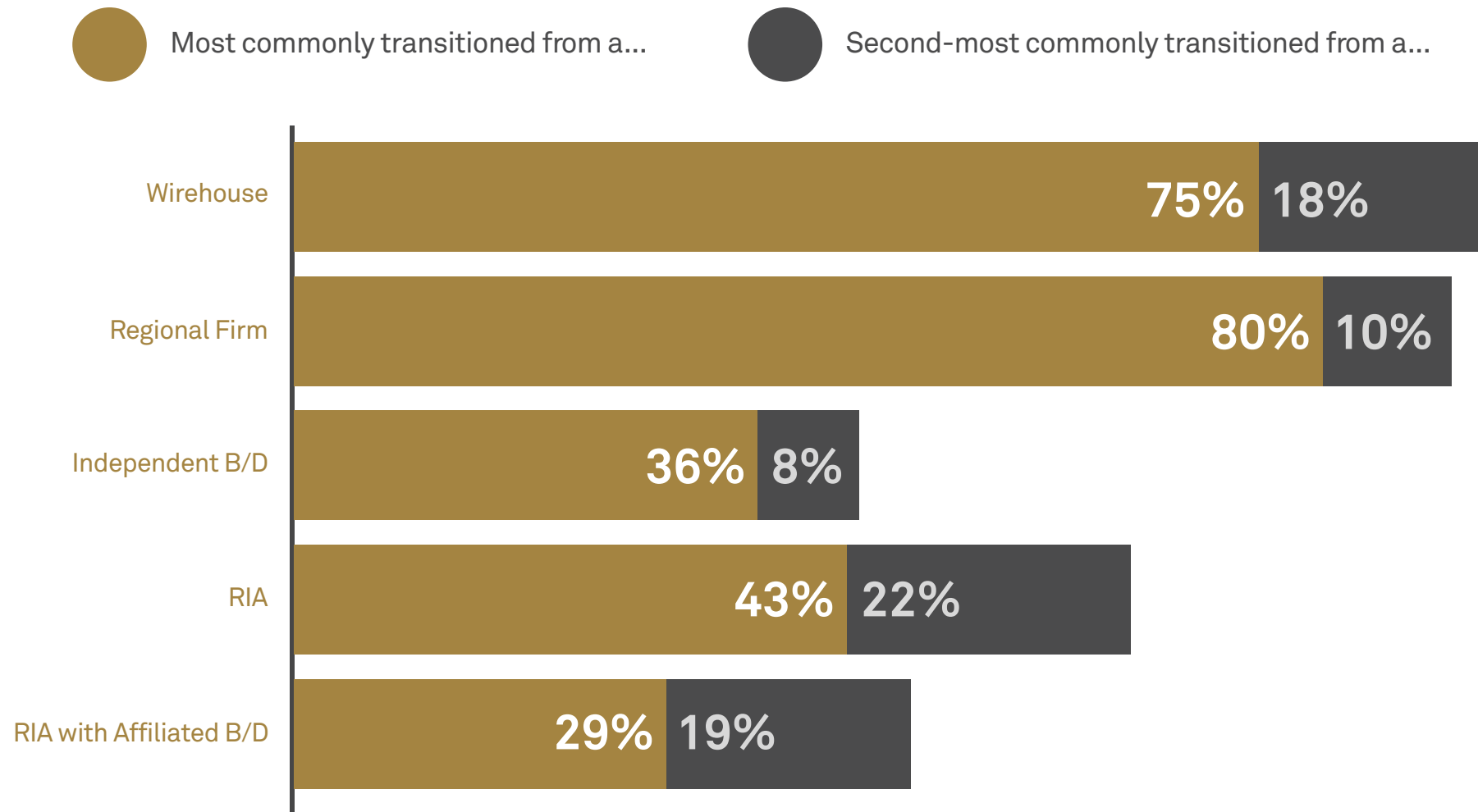


54%

of wirehouse advisors expect changing firms would be an opportunity to work for a better firm—the highest of any advisor channel.

Q7: What do you believe to be the most positive aspects of changing firms?

Most advisors say they stuck with the same firm type when they transitioned, but many also report having left a wirehouse firm.

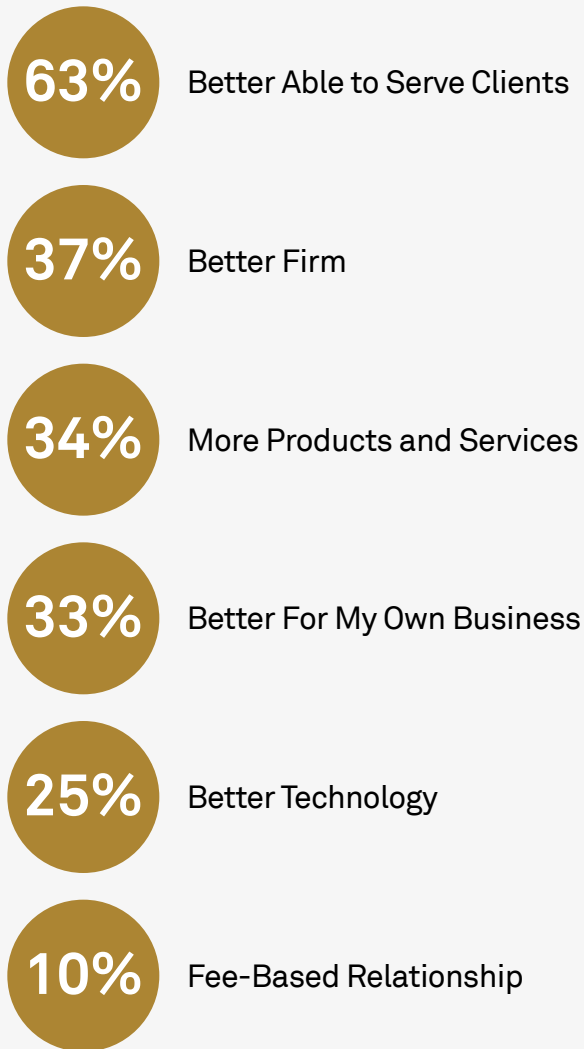


Q13: Which of the following best describes the firm that you were with PRIOR to joining your current firm?

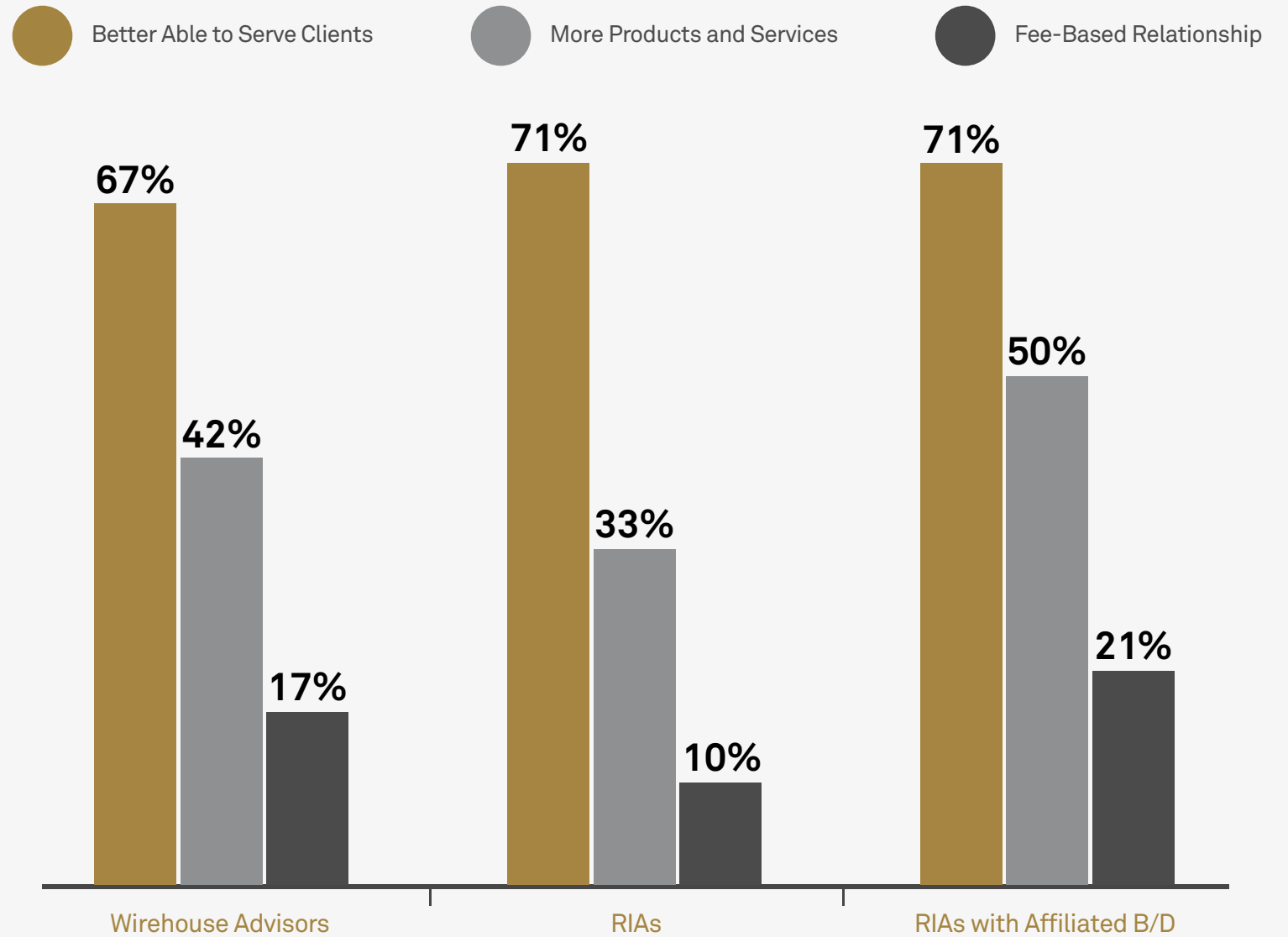
An Focus on Clients

Better client service is the main reason advisors give to clients to justify changing firms.

All Advisors

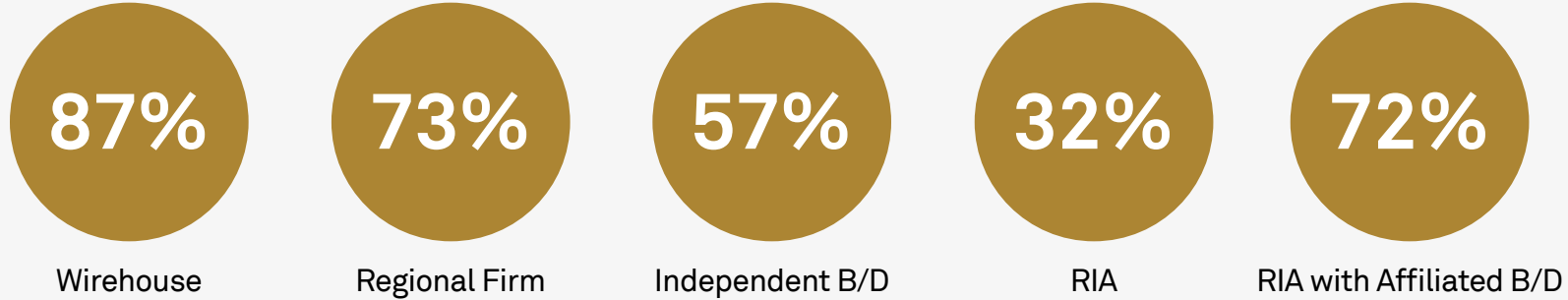


Q20: What reasons did you give clients for the change?



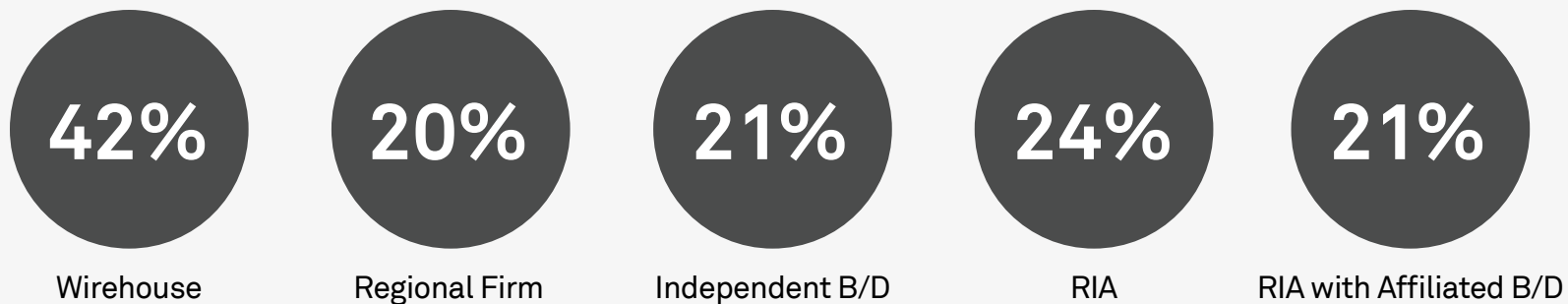
Wirehouse advisors may not be as confident about their clients transitioning with them.

Percentage of advisors who believe client resistance to changing firms is one of the most negative aspects of changing firms



Q8: What do you believe to be the most negative aspects of changing firms?

Percentage of advisors who say 25% or more of their book of business required extra convincing



Q26: What percentage of your book of business required extra encouragement/convincing in order to make the move with you?

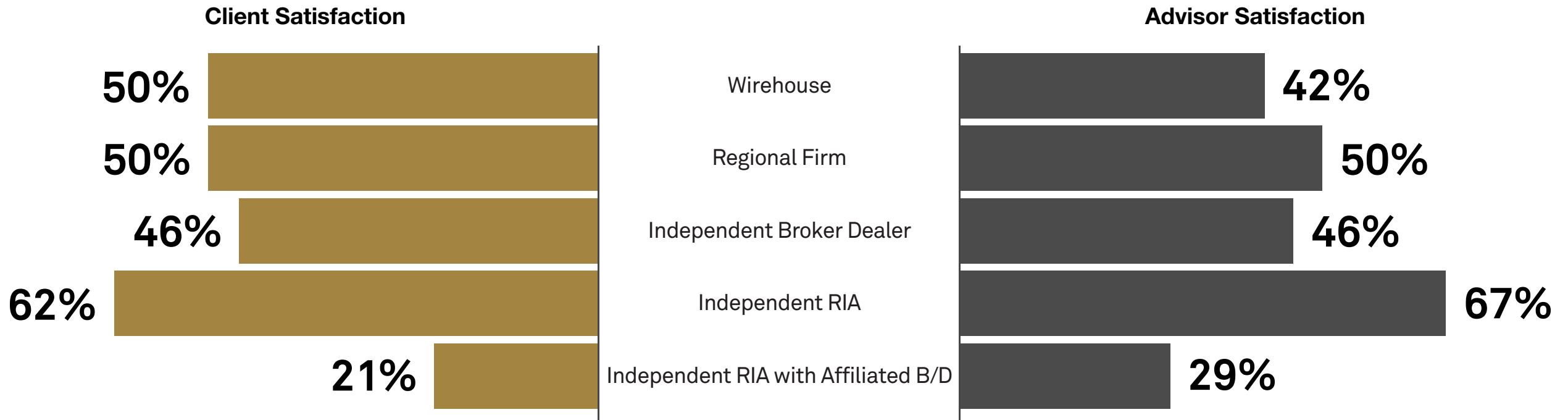


65%

of all advisors surveyed believe clients' fear of change is the top obstacle to changing firms.

Q28: What were the biggest obstacles in convincing clients to move with you?

RIAs are most likely to believe their clients are “very satisfied” with the move—which tends to align with the advisor’s own sense of satisfaction.



Q36: As a result of your move, how would you rate your overall satisfaction?

Client reactions to a move are typically...



59% Supportive



26% Excited



15% Apprehensive



15% Confused



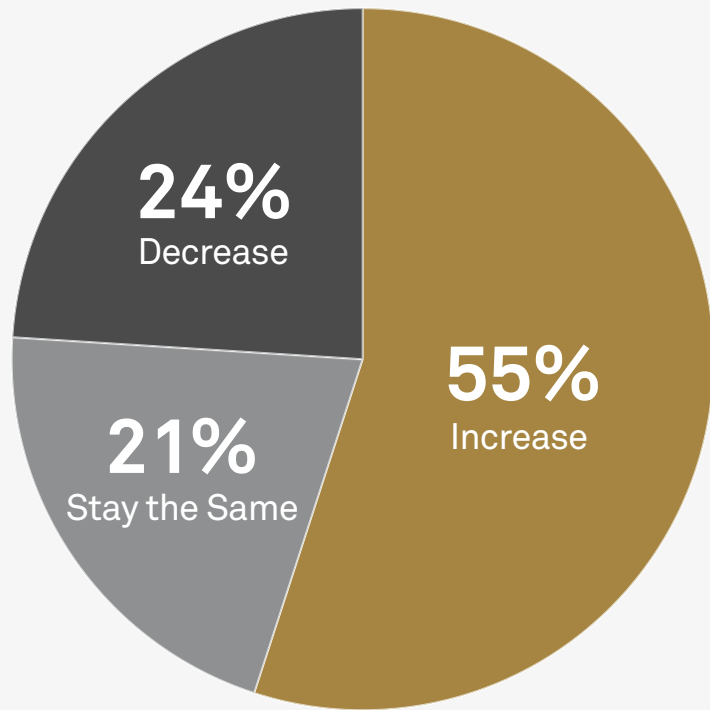
23% No Reaction

Q19: What was the typical client reaction to your announcement?

Making the Jump

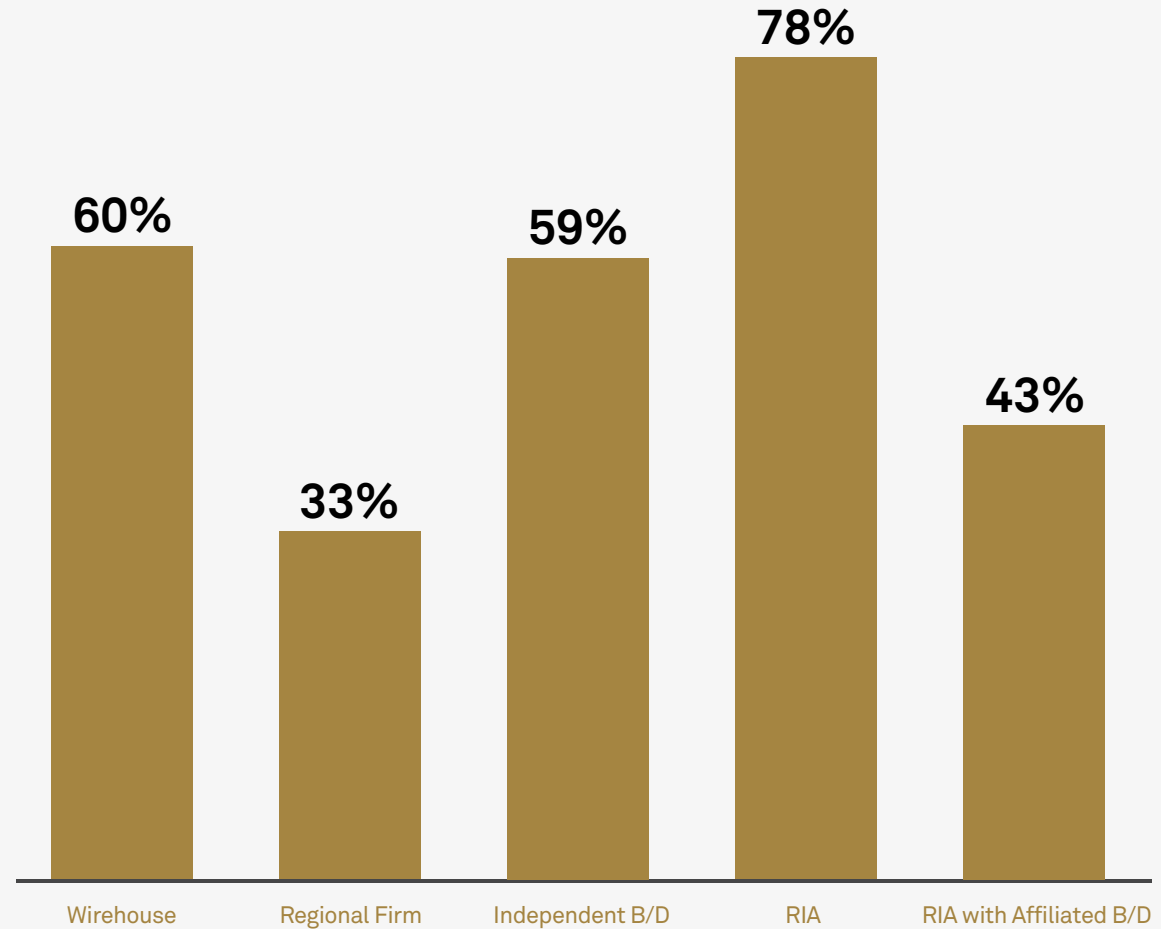
Changing firms is largely expected to lead to an increase in revenues.

Percentage of all advisors who expect a transition in the next two years would lead net revenues to...



Q10: If you were to change firms in the next two years, how would you expect your net revenue to change as a result of your move?

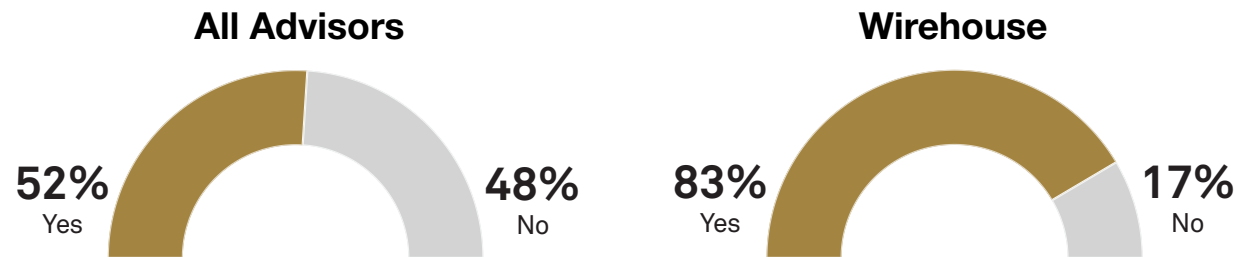
Percentage of advisors who saw a net increase in revenues of 25% or more from their move



Q32: By what percent did your net revenue increase as a result of your move?

The transition was generally an opportunity to improve the quality of the clients, shed poor relationships and improve referrals.

Percentage of advisors who say they used the firm change to end certain client relationships



Q21: Did you use your move as an opportunity to encourage only certain clients to move with you?

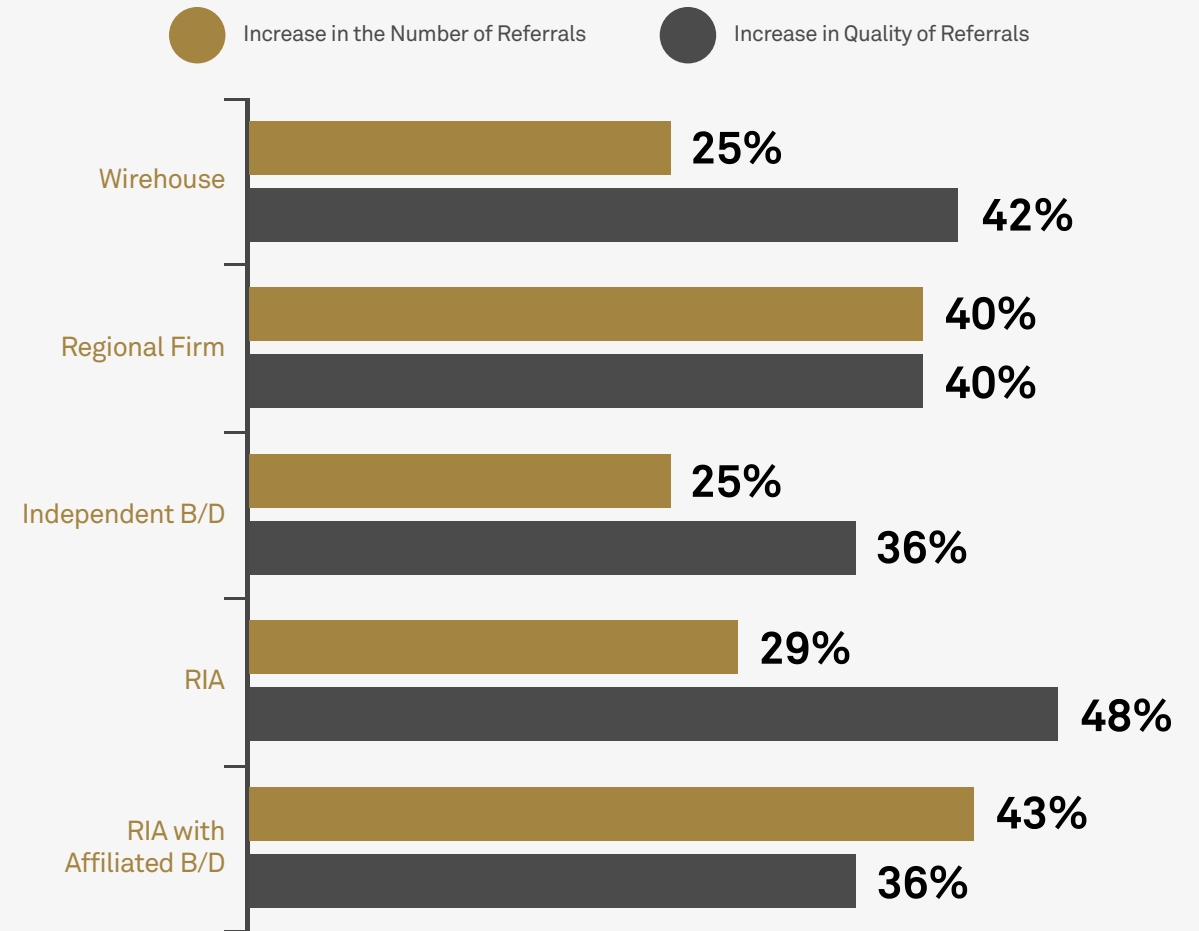


62%

of advisors who left clients at their old firm cited a “difficult client relationship” as the reason.

Q23: If there were certain clients you did not ask to move with you, what were your reasons?

Percentage of advisors, by channel, who saw a positive impact on referrals as a result of the move

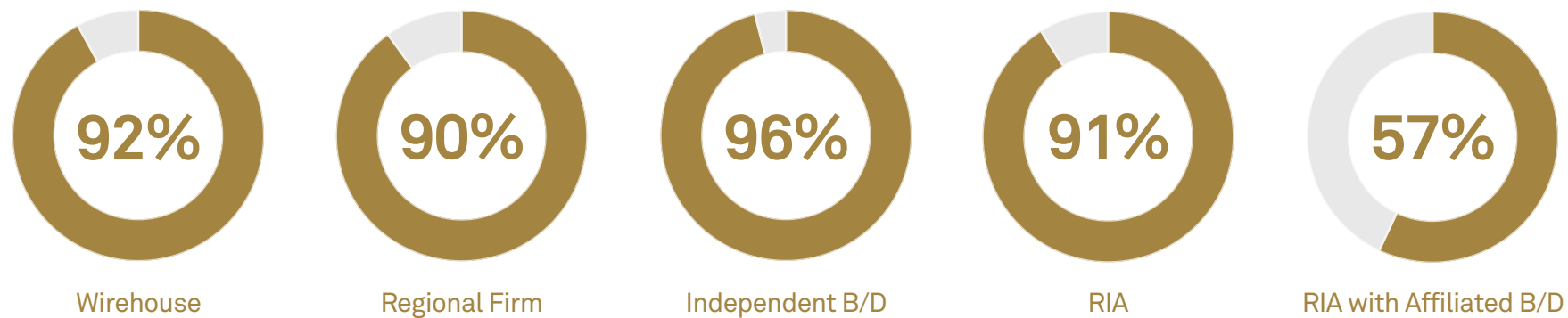


Q35: How have your referrals changed as a result of your move?

Advisors appear to be less inclined to leverage the services of a dedicated account transition team—when available—but were generally satisfied with the materials available on their new firm.

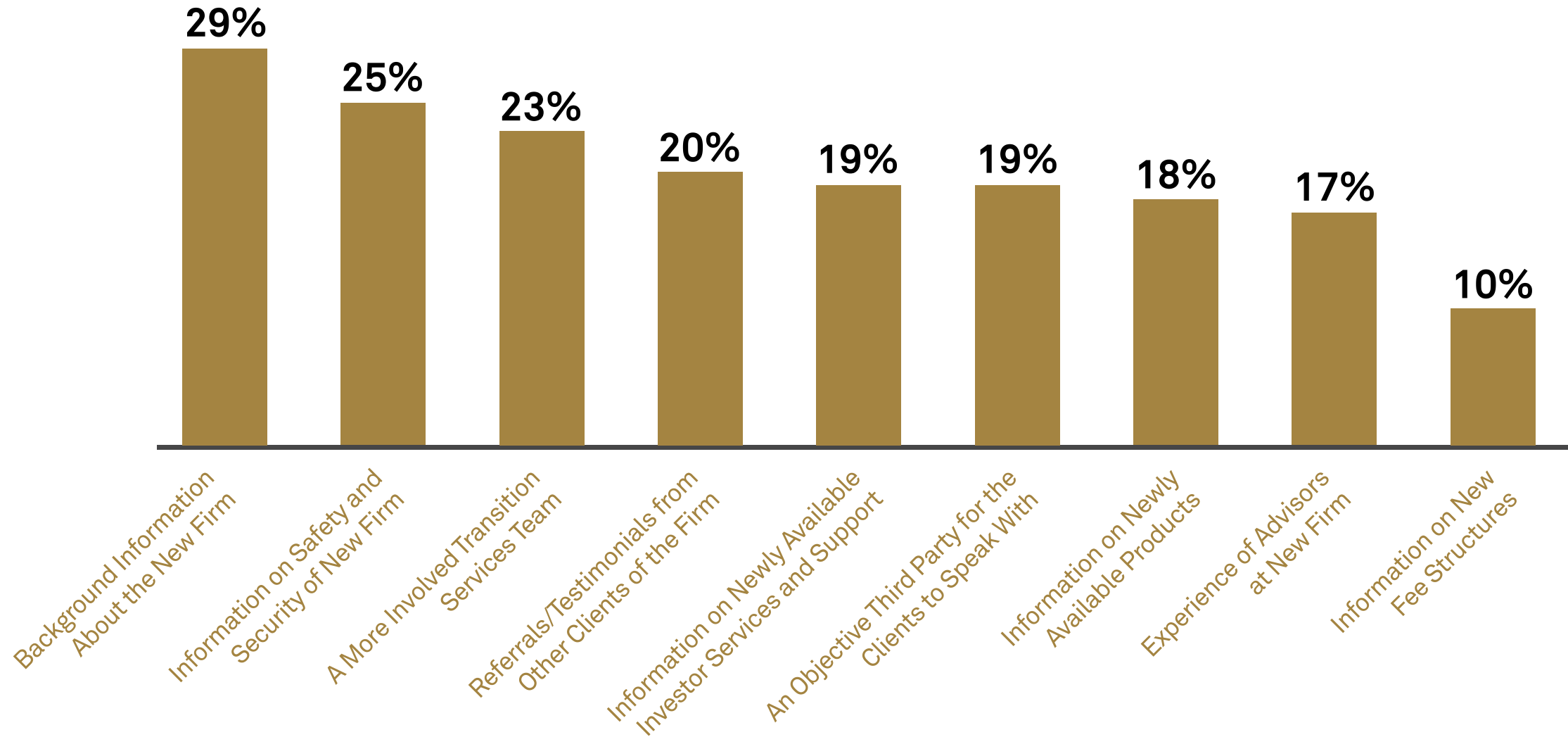


Q15: When you made the move to your current firm, did you utilize a dedicated account transition team at your new firm to aid you in the process?



Q29: Were you satisfied with information and materials you could supply to clients about your new firm?

Percentage of advisors who believe better access to certain information about the new firm would have helped bring over more clients.



Q30: What do you think would have resulted in more clients making the move with you?