WealthManagement.com

2018 RIA Best Practices

Sponsored By

RAYMOND JAMES

So Many Choices to Make

RIAs face a host of practice management decisions that can impact their success

These days, newly minted RIAs are finding a very supportive environment. Stocks are at all-time highs and a wide array of tools and technologies are making it easier for independent advisors to deliver services on par with big wirehouses. Those and other factors have contributed to a steady rise in the number of RIAs registered with the SEC in recent years.

But while the move to independence offers freedom for advisors, it also carries the burden of having to choose how advisors should run their practices. Indeed, RIAs must confront a host of practice management decisions, including what services to offer, which type of clients to target and even whether to establish account minimums. It can be overwhelming. But watching how other RIAs structure their practices may offer valuable information as you make decisions about how to structure your practice.

Number of SEC-registered RIAs and their AUM

2012	2013	2014	2015	2016	2017
10,754	10,899	11,474	11,986	12,200	12,616
$49.6 trillion	$54.3 trillion	$62.0 trillion	$66.8 trillion	$66.9 trillion	$71.7 trillion

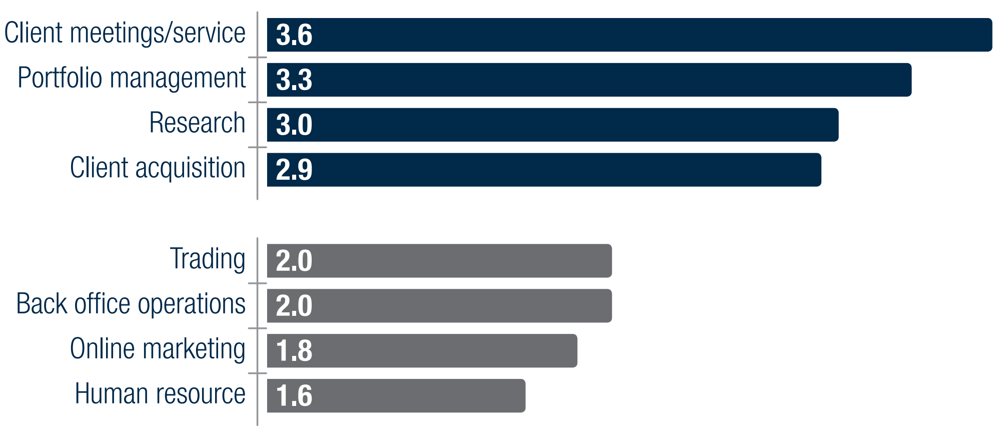
Source: SEC.gov; data provided in SEC annual budget requests. 2017 data provided in FY 2019 request.

A recent survey by Wealthmanagement.com asked nearly 250 RIAs unaffiliated with broker dealers how they manage their practice. The survey touched on topics ranging from how they spend their time to what services they offer. Advisors weighed in on niche strategies and client acquisition, as well as what marketing tools they found most effective. One theme that stood out across all areas of practice management, is that clients are the key focus of a successful firm.

Use your time wisely—on clients

Time is a valuable commodity and advisors must choose how to allocate this limited resource. For many advisors, client-related activities are the most valuable. In the survey, RIAs report spending the most time on client meetings. Advisors also prioritize client-related activities such as portfolio management, research and client acquisition, over activities such as human resources or back-office operations.

Where advisors spend their most (and least) **time** (on a scale of 1 to 5, with 5 being the most)



One way advisors can devote more time to client-related activities is to outsource non-client-facing tasks. Popular functions to outsource to third parties include IT support and tax filings—fairly specialized functions that may be accomplished more efficiently by outside professionals. By comparison, less specialized functions such as marketing and research are only sometimes outsourced according to the survey, 30% and 29%, respectively.

Use service as a differentiator

RIAs typically offer a baseline set of services to their clients, including basic investment advice (95%), retirement planning (91%) and investment management (88%). Those services aren't enough to differentiate an advisor from his or her peers. Instead, advisors can offer other services that help deliver a more holistic level of support to clients. Among the most popular: charitable planning, insurance planning services and estate planning, which are offered by more than two-thirds of advisors. Meanwhile, fewer advisors—just one in 10—currently offer their clients trust services, concierge services or private banking.

Percentage of advisors who currently offer these services or refer/outsource to a 3rd party

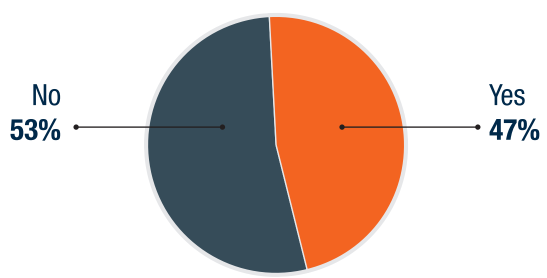
Service	In house	3rd party
Basic investment advice	95%	3%
Retirement planning	91%	3%
Investment management	88%	6%
Insurance planning	71%	15%
Estate planning	70%	21%
Charitable giving planning	70%	10%
Tax preparation	18%	40%
Business advisory services	16%	39%
Trust services	13%	49%
Concierge services	12%	22%
Private banking	11%	38%

Independent advisors can still offer clients access to services that they do not wish to provide themselves. That may mean outsourcing services to other professionals or simply referring clients to a third party. Just under half of advisors refer clients to third parties for specialized services such as tax preparation, trust services and business advisory services. The key for most advisors is to make sure their clients have access to the services they need, regardless of who is delivering those services.

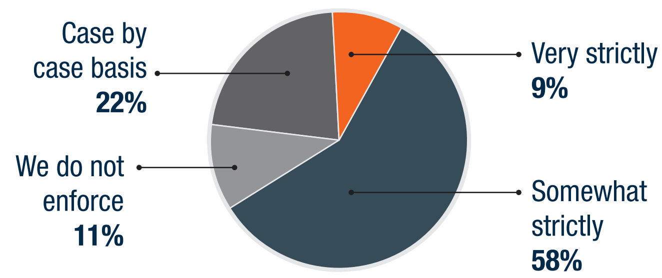
Focus on clients

Understanding your ideal client can help you in your client acquisition efforts. Although most advisors (61%) identify wealth as a main focus of their client selection process, many of those same advisors also typically target a specific niche of potential clients, whether that is an LGBTQ audience, young professionals or women in transition, to name just a few. Advisors' use of social media can help them reach these niches. Three-quarters of advisors surveyed are active on social media platforms such as Facebook and LinkedIn for both business and personal use. These platforms enable advisors to reach networks of potential clients that have been built around issues that may align with their niche strategies.

Percentage of advisors who have client minimums



Percentage of advisors who enforce the minimum account size for clients



Meanwhile, it's important to stay flexible when it comes to client acquisitions. Case in point: Only one in 10 advisors report strict enforcement of minimum asset requirements. Advisors often are willing to grant exceptions to prospective clients that have been referred by current clients or other advisors.

Communicate effectively

Indeed, advisors put a premium on referrals from existing clients: RIAs say referrals are the most effective ways to attract new clients, whether passive (67%) or actively solicited (46%). Client referrals are considered more effective than referrals from other professionals, including CPAs and attorneys, or even internal referrals from other parts of a firm, such as the investment banking department.

Percentage of advisors who believe these methods are VERY IMPORTANT for ongoing client communication

Percentage of advisors who believe these methods are NOT IMPORTANT for ongoing client communication

For many advisors, the key to building up trust with clients is through effective communication. And most advisors agree that just a handful of communication methods are effective, including in-person meetings, annual reviews and phone calls. RIAs also largely agree on what methods are least effective: webinars, podcasts and conference calls with the entire client base.

It is perhaps not surprising that this client-focused pattern carries over to marketing tools as well. Three in 10 RIAs surveyed report that client appreciation events are a very important marketing tool—twice the frequency of the next-most popular tools, namely seminars and newsletters (16% each). Most other tools on the list do not rank very highly in the opinion of RIAs. In fact, three-quarters of RIAs surveyed deem radio advertising (79%), online paid searches (78%), podcasts (77%) and direct mailings (74%) as largely not important tools in their marketing efforts.

The specific choices that RIAs make on any of these practice management decisions will, of necessity, depend on a firm's situation. Much like an investment plan, the right strategy will vary based on an investor's unique situation and long-term financial goals. But by reviewing the best practice of the industry and understanding how other RIAs approach these decisions, you can be that much closer to making the best choices for you. ■