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RIA BEST PRACTICES

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ADVISORS REMAIN FOCUSED ON CLIENT RELATIONSHIPS

Building personal connections is a key component of most advisors' activities

The vast majority of advisors offer a similar range services to clients, namely investment advice, retirement planning and financial planning services. To stand out and grow their businesses, nearly three out of four RIAs indicate they spend most of their time meeting with or directly serving their clients. That was just one of the key takeaways from a recent WealthManagement.com survey of more than 200 Registered Investment Advisors and Investment Advisor Representatives.

Focusing on clients' needs

Direct contact with clients and client-related activities such as portfolio management and client acquisition occupy the majority of advisors' time.

When asked to rate the amount of time various activities take on scale of one to five, 73% of advisors indicate client meetings or client service activities rate either a four or five. Other top-scoring activities include portfolio management, client acquisition and research.

By contrast, activities with less of a direct influence on clients occupy significantly less of advisors' time. For example, advisors report that employee training, human resources functions and back-office operations take up the least amount of their time.

Investment advisors frequently make more time for client-facing activities by outsourcing back-office functions. More than half of all respondents indicate they outsource tax filings, IT, bookkeeping, HR functions, compliance and asset allocation models at least some of the time.

Advisors generally tend to leverage resources affiliated with their firms when it comes to outsourcing, rather than hiring third parties. In our findings, bookkeeping and tax filings represent the only exceptions. Two-thirds of respondents (66%) indicate they primarily outsource tax filings to a third party.

Percentage of advisors who outsource services…

	ALWAYS	MOST OF THE TIME	SOMETIMES
Tax Filings	36%	17%	10%
IT	24%	24%	15%
Bookkeeping	19%	12%	13%
HR Functions	18%	12%	11%
Compliance	14%	14%	17%
Asset Allocation Models	6%	18%	34%

Expanding the client base is a win-win

Advisors prioritize both increasing and improving client satisfaction

As advisors develop their business plans for the coming year, most intend to continue to focus their efforts on client attraction and retention. The vast majority indicate they intend to grow profits in 2020 by driving higher assets under management and revenues, improving their marketing and prospecting efforts, and improving their clients' satisfaction levels.

Percentage of advisors who choose the following initiatives for growing profits their businesses in 2020

	FIRST CHOICE	SECOND CHOICE	THRID CHOICE
Higher AUM & Revenues	36%	17%	10%
Improve marketing & Business development	25%	15%	17%
Improve client satisfaction	21%	25%	10%
Improve strategic business planning	7%	13%	19%
Invest in new or existing technology to become more efficient	5%	10%	10%
Hire additional staff to grow the firm	1%	4%	11%
Develop or enhance a succession plan	2%	6%	6%
Acquire and integrate another practice	3%	1%	8%
Reduce expenses	0%	3%	4%

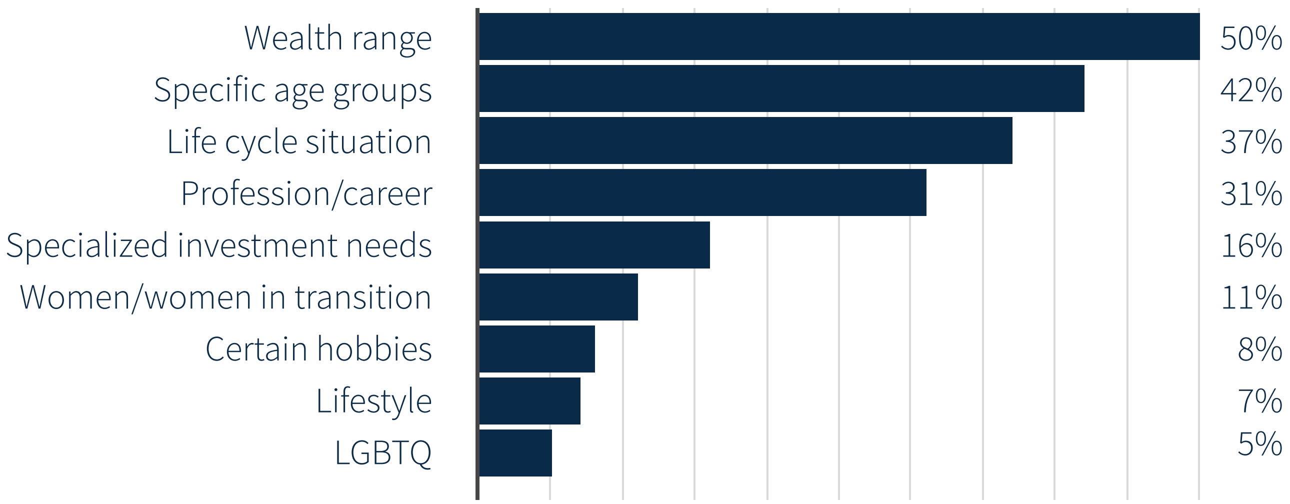
By contrast, relatively few advisors see improving business efficiencies as high priorities for their business in the coming year. Only one in four indicate interest in investing in new or existing technology to make their business activities more efficient. And fewer than 10% of respondents rank expense reduction as one of their top three priorities in 2020.

Targeting client niches

Most advisors target clients by wealth range, and they consider those in higher-income segments particularly important

When it comes to prospecting, half of respondents indicate they focus on wealth range as they target prospective clients. However, substantial numbers of respondents indicate they focus their efforts around specific niche populations. Some of the more popular niche targets, such as investors in specific age groups, life cycle situations or careers, could also overlap with historically wealthier populations.

Percentage of clients who focus on the following characteristics when targeting clients



The popularity of segmenting prospective clients by wealth range is likely related to the importance advisors place on attracting wealthier prospects. Respondents rank upper-mass affluent investors with between $500,000 and $1 million in assets as the most important to their business, followed closely by high-net-worth individuals with over $1 million. This focus on wealthier clients may also reflect a desire among advisors to use their resources more efficiently: more than two in three advisors (69%) indicate smaller accounts consume either a similar or higher percentage of time and resources than larger accounts, relative to their profitability.

Despite the link between client wealth and profits, most advisors prefer to maintain flexibility about who they bring on board. In most cases (54%), respondents say they refer clients who don't meet their minimum account size requirements to another advisor. Yet only 38% of advisors indicate they maintain a minimum account size for their clients in the first place, and just 12% indicate they enforce that minimum very strictly.

Communicating "personally"

Advisors prefer direct contact with clients over less-targeted communication methods.

Advisors see referrals as the most effective method of attracting new clients, whether passive (69%) or actively solicited (60%). Networking via community business organizations, employer-sponsored workshops or participation in charitable affairs also ranks highly among effective prospecting methods.

The degree to which these methods depend upon high client satisfaction and personal relationships carries over into advisors' marketing and communication preferences.

Respondents indicate client appreciation events (33%) are the most important marketing tool at their disposal, followed by custodial referral programs (15%) and seminars or invitation-only events (14%).

Percentage of advisors who consider the following methods of client communication very important, vs. somewhat or not important

Perhaps not surprisingly, advisors clearly see in-person meetings and personal phone calls as far more valuable communication channels than impersonal methods such as mass conference calls, podcasts or webinars. The quality of client contacts also appears to outrank quantity for many advisors. Respondents place greater importance on annual meetings and reviews than quarterly or monthly meetings.

Few advisors see value in robo advice

Most advisors indicate their businesses have experienced little impact from robo advice

The value advisors place on the personal touch may explain their neutral to negative attitude toward robo advisors. Most respondents (81%) do not currently offer robo advice, and more than half (60%) have no plans to offer it in the future. Those who already offer the service or plan to do so generally believe it will help them remain competitive and attract new client segments, such as millennials.

The most popular tools respondents cite for competing with robo advice offerings are highlighting their existing value-added services and beefing up their client communication and interaction. The evident importance of these traits throughout the other aspects of advisors' practices may explain the technology's lack of perceived impact.

Perception among advisors of the impact of robo advice on their business

No impact	53%
An opportunity	29%
A threat	18%

Differentiating one's practice from the competition is an important step in successfully navigating the crowded RIA landscape. The tools advisors leverage and the choices around how they spend their time hold the key to growing their businesses. However, the best strategy for each individual advisor will depend on a variety of factors, including his or her unique situation and long-term financial goals. Understanding the best practices of the industry and seeing how their peers have chosen to move forward can help advisors make informed decisions in their own right.