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**FA Insight Study Finds RIAs Focused on Efficiency Can Unlock Growth, Even in Challenging Markets**

*New Research, published by TD Ameritrade, Shows That a Superior Client Experience and In-Depth Strategic Planning Also Are Important to Generating Sustained, Standout Performance*

**JERSEY CITY, N.J., Aug. 29, 2016** -- Keeping a sharp focus on operational efficiency and delivering the best possible client experience are among the keys to stronger, sustainable growth for financial advisors, according to *The FA Insight Study of Advisory Firms: Growth By Design*, an annual research report that's now published by TD Ameritrade Institutional.<sup>1</sup>

More than two-thirds of firms said they will emphasize operational efficiency to drive future growth, improving consistency and productivity levels to impact the bottom line. FA Insight, a research and consulting firm specializing in the financial advice industry, was [acquired by TD Ameritrade](#) in May 2016.

"After 2014's record profitability and explosive growth<sup>2</sup>, advisors now must be more disciplined -- and that's not a bad thing," says Vanessa Oligino, director of Business Performance Solutions at TD Ameritrade Institutional. "Firms need growth plans that go deeper than just riding the rising market tide if they expect their success to carry through different cycles."

The study shows that lackluster markets did little to boost growth in 2015 and advisors generally expect more of the same this year. The pace of asset growth last year slowed by 56 percent and firm revenue growth slowed to half of its 2014 rate, while median overhead expenses per client rose 31 percent. The resulting squeeze on profitability serves as a reminder that proactive planning must replace relying on markets to generate growth.<sup>2</sup>

Key Performance Metrics for All Study Participants <sup>2</sup>			
	2015	2014	Change
AUM growth rate	4.7%	10.6%	- 56%
Revenue growth rate	7.3%	14.4%	- 49%
Client base growth rate	6.0%	7.1%	- 16%
Median operating profit	20%	26%	- 23%
Median income / owner	\$318,000	\$416,000	- 24%

**Standouts Shine With Greater Efficiency**

Advisory firms with solid growth plans and strong execution fared better. Among "standout" firms, defined by FA Insight as those in the top quartile measured by revenue growth and income generation, annual revenue grew roughly two to three times faster than their peers in 2015. Standouts converted 40 to 50 percent more owner income per dollar of revenue.

Operational efficiency may be the single most important factor in determining a firm's growth and profitability, particularly in challenging markets. Standouts spend a much lower percentage of revenue on overhead expenses, resulting in greater profitability and higher income per owner.

Though most advisors said they are willing to automate processes, to what degree varies across different tasks. Portfolio management is the area where firms have the greatest tendency to automate. Technology integration remains a challenge with 3 percent of firms saying they are fully integrated, which means users can access data from a single sign-on and work seamlessly across different applications.

### **Client Experience is a Growth Driver**

Among standout firms, 56 percent reported that their client experience is a key growth driver, compared with 41 percent of their peers. Delivering a consistent, high-quality experience remains a challenge. Standout firms keep it simple and master a more limited service offering, resulting in a better service experience and freeing time for asset gathering.

Though 41 percent of firms vary the level of service across clients, standout firms realized benefits by standardizing services, creating opportunities to deepen expertise and improve the consistency of service delivery. Standout firms were twice as likely to implement client onboarding and service delivery consistently across the board.

### **Pricing and M&A for Growth**

In the face of rising costs and slower growth, advisors are reluctant to increase or diversify their pricing. Only 34 percent of firms increased pricing in the past two years, compared with 42 percent in 2014. This reticence may be misguided: firms that clearly articulate and demonstrate the value they deliver to clients should revisit their pricing to help ensure each client relationship is profitable for the firm.

Pursuing a merger or acquisition is one of the more aggressive growth strategies explored within the study. One in five firms point to deal-making as a key driver of their recent growth, with the most common transaction being the acquisition of a solo practitioner.

"Advisors today have many possible paths to growth. That's exciting, but it's also potentially distracting for firms without a well-designed plan," said Oligino. "For growth to be systematic and sustainable, advisors need to focus on delivering a trademark client experience and then have confidence to price that service accordingly."

### **To Learn More**

TD Ameritrade Institutional clients can obtain a copy of the 2016 *Growth By Design* study by visiting our [Education Center](#). Advisors who aren't clients but want to learn more can visit [www.fainsight.com](http://www.fainsight.com).

The *2016 FA Insight Study of Advisory Firms: Growth by Design* is based on online survey responses from 325 advisors on a range of firm management topics, including strategic planning, client experience, operational efficiency and marketing. Participating firms had a minimum \$100,000 in annual revenue, while half had annual revenue of at least \$1.5 million. About 75% of firms were independent RIAs while an additional 11% were primarily RIAs. Surveys were fielded between Feb. 15, 2016, and April 29, 2016

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<sup>1</sup> TD Ameritrade Institutional is a division of TD Ameritrade, Inc., a brokerage subsidiary of TD Ameritrade Holding Corporation.

<sup>2</sup> The 2016 FA Insight Study of Advisory Firms: Growth By Design

**Source: TD Ameritrade Holding Corporation**