

Why some large advisory firms stand out

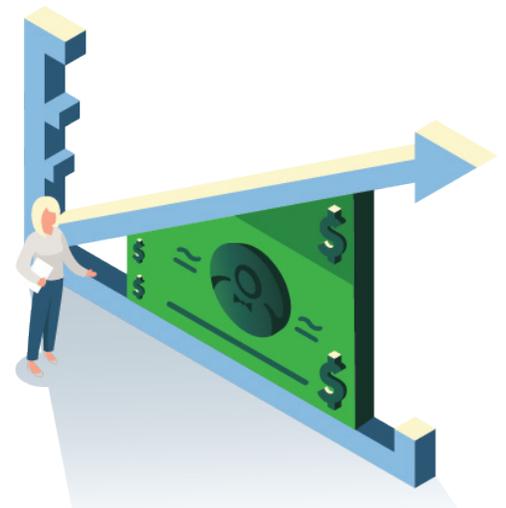
What separates the great from the truly great? What practices and characteristics are needed to perform at a higher level? To find out, TD Ameritrade Institutional took a deep dive into the *FA Insight Study of Advisory Firms* in 2018 and 2019. Specifically, we studied large firms generating at least \$4 million in annual revenue and often managing \$1 billion or more in client assets. Within this group, Standout performers emerged—those defined by FA Insight as having top-quartile growth and profit margins.

Among large firms, the following traits are more prevalent in large Standout firms. These facts are part of a more comprehensive FA Insight report arriving later this year.

Mergers & acquisitions

Large Standouts have been more active acquirers

- **80%** of Standouts completed at least one transaction in the past five years compared to just **47%** of other large firms
- Standout firms that did a deal averaged **two** transactions during this time period



Pricing discipline & minimum fees

They are more likely to collect a minimum fee

- **50%** of Standouts vs. **44%** of other firms

Large Standout firms collect more revenue on every dollar managed

- Standouts earn **84** bps of revenue per dollar of client assets vs. **74** bps at other large firms

Talent, productivity & goal-based pay

They are investing in talent

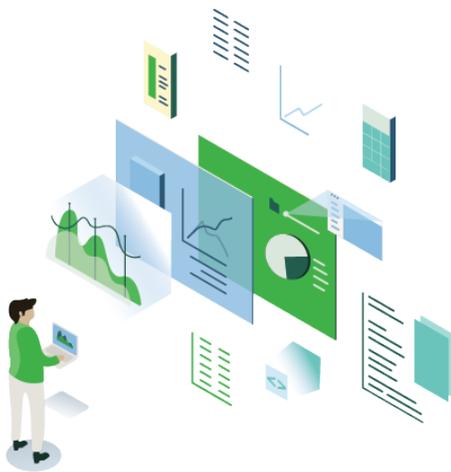
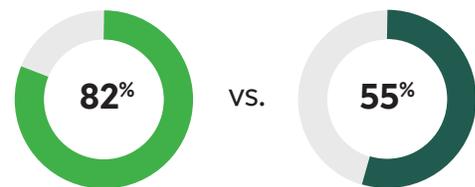
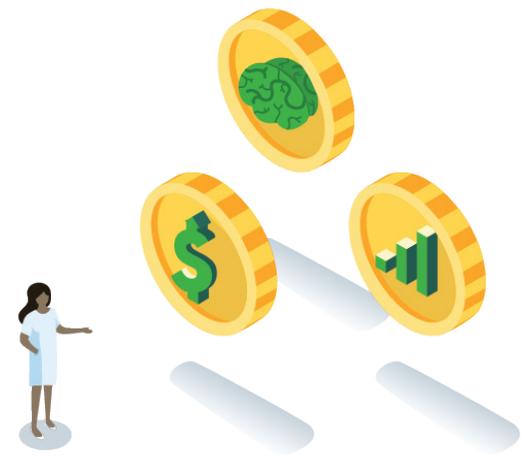
- Standout firms had **12%** annualized growth in full-time equivalents in 2016-2018 vs. only **3.5%** at other firms

Top firms are much more productive

- Standout firms generate **75.5%** gross margin vs. **63%** at other firms

Compensation tied to meeting plan goals

- **82%** at Standouts vs. **55%** at other firms



Adopting & optimizing technology

Large Standouts are big adopters of technology tools

- Financial Planning Software: **93%** at Standouts vs. **71%** at other firms
- Digital Document Management: **64%** at Standouts vs. **57%** at other firms
- Online Client Portal: **71%** at Standouts vs. **52%** at other firms

Large Standout firms carefully evaluate their tech investments and the expected return

- **57%** at Standouts vs. **42%** at other large firms

