

Elite RIAs

Best practices from top producers



To succeed in today's financial services landscape, advisors need to be proactive and flexible, especially when faced with challenges from new competitors and service models. In considering best practices for your business, it is helpful to reflect on strategies used by the most successful advisors.

Each year, *InvestmentNews Research* identifies and describes a group of elite RIAs that represent the most productive professionals in the industry. These profiles can provide a starting point for other advisors looking to profitably grow their businesses. The 2021 survey, sponsored by Axos Advisor Services, provides some insights into how top advisors have achieved their success.

Characteristics of elite advisors

Advisors termed “elite” in the 2021 *InvestmentNews* study were RIA-affiliated firms—independent RIAs and hybrids affiliated with broker-dealers—with at least \$250 million in assets under management (AUM). These firms scored in the 50th percentile of firm productivity (as measured by both revenue per professional and revenue per staff member). Elite RIAs accounted for fewer than 25% of firms that participated in 2021 the *InvestmentNews Research* advisory survey.

One characteristic that distinguishes elite RIAs is their size:

- The median elite RIA firm was managing \$550 million in assets in 2020, nearly five times the size of other firms in the survey.

- Median revenue for elite RIAs was \$4.4 million, compared with \$750,000 for other firms.
- Elite RIAs tend to serve a larger client base, with a median 563 clients compared to 200 for non-elite firms.
- While elite RIAs may employ a larger staff to support this larger client base, they tend to do more with less—boosting their productivity and profitability. Median revenue per professional for elite RIA firms was \$733,333, almost two times as great as professional productivity at all other firms. Similarly, median revenue per employee at elite RIA firms was \$366,666, or nearly double what it was at other firms.

Elite RIAs focus on wealthier clients

One strategy that makes elite RIAs more productive, and more profitable, is their focus in higher net-worth clients. Among the elite firms in the *InvestmentNews* study, 78% serve households with \$10 million to \$30 million in investable assets, compared with just 33% of other firms. Nearly half (46%) of elite advisors targeted households with over \$30 million in wealth, versus 15% for other advisors. Elite RIAs

were also more likely to work with institutional clients, including retirement plans, endowments and foundations.

By focusing on wealthier clients, elite RIAs not only earn higher asset-based fees, they also have more opportunities to distinguish themselves through integrated wealth management. Higher net-worth clients tend to have more complex financial needs, such as estate and tax planning. This gives RIAs more opportunities to add value in the relationship and potentially generate more fee-based income.

KEY TAKEAWAYS:

> To better understand the profile of your client base, conduct a segmentation strategy that categorizes your clients in terms of asset levels, fee-based revenues, and other metrics.

- > Outline some strategies to reach out to wealthier clients, taking advantage of centers of influence as well as referrals from your existing client base.
- > To free up more time to focus on wealthier clients, you might consider outsourcing management responsibilities for lower net-worth clients or simplifying the investment process through model portfolios.
- > Regularly track key performance metrics, such as revenue or profit per client, to monitor the profitability of your business. As your firm grows, also track revenue per advisor and revenue per employee to make sure you're not growing your overhead faster than your revenues.

Elite RIAs see investment management as their core business

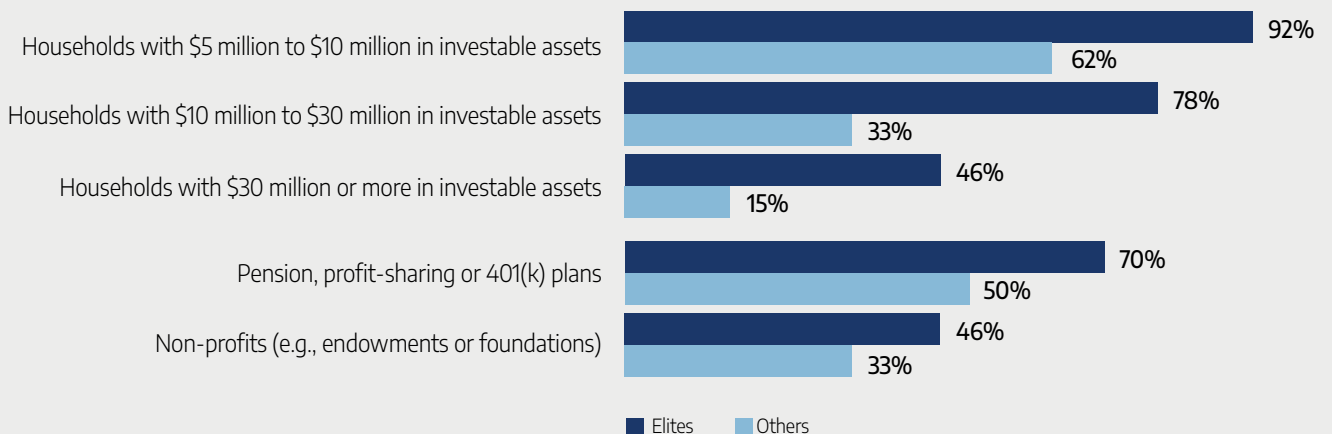
Compared to other advisory firms, elite RIAs are more likely

Characteristics of elite RIAs

	# of employees	# of professionals	# of clients*	AUM (12/31/20)	Projected AUM (12/31/21)	Total 2020 revenue	Projected 2021 revenue	Avg. annual growth rate (2018-2020)
Elite RIAs (Median)	12	6	563	\$550M → \$670M	\$4.4M → \$5.4M	10.6%		
All others (Median)	4	2	200	\$120M → \$139M	\$750K → \$915K	10%		

*Household or institutions served (12/31/20)

Elite RIAs are more likely to work with high-net-worth clients



Source: 2021 Elite RIA Study, INResearch, InvestmentNews

(64% vs. 44%) to view themselves as wealth managers, rather than as simple financial planners. As part of this commitment, they are more likely to offer clients a broad array of personalized, integrated solutions that may include tax and estate planning. More than 70% of elite RIAs also provide specific services for business owners, while more than half offer concierge-level service, orchestrating a broad array of solutions to address complex client needs.

This full-service approach can help build trust and confidence, so clients see the advisor as an ally and confidant—the first person they call when they have a financial challenge or windfall. It also builds a long-term relationship that may weather periods of lower market returns, and or may be less sensitive to price competition. It also drives client satisfaction and may help elite RIAs attract more wealthy clients.

KEY TAKEAWAYS:

- Many top advisors craft a unique value proposition that tells people exactly who they are, what they offer and what kinds of clients they’ve helped in the past. This proposition can provide the core of your marketing communications and can be reinforced through every client interaction.
- While each investor’s financial situation may be complex, some may be complex in similar ways. By targeting a

specific niche, such as small business owners or tech professionals, you may develop deep expertise that can help set you apart from other advisors. Focusing on a niche may also help improve your success rates on referrals, since you can tell people exactly what kinds of clients you’re looking for.

- More than half of elite RIAs also offer concierge services. This high-touch business model is designed to address a wide range of individual client needs, calling upon the firm’s in-house expertise and its network of professional contacts. For example, advisors may help clients with licensing requirements for a small business or with arranging senior care for an elderly client. The advisor can then work with the client to evaluate tradeoffs, locate resources, and offer contingencies they may not have thought of.

Elite RIAs are more likely to use a team-based approach

At elite RIA firms, client relationships rarely belong to a single advisor, a business model that describes only 22% of the elite firms in the survey. Instead, 35% of elite RIA firms dedicate a team of advisors and support staff to each client. Another 37% allocate advisors and staff members to meet specific client needs or business functions. For example, employees with strong communication skills may handle

How elite RIAs describe their firms

Which of the following statements most closely aligns with how you describe your firm to clients?

	Elite RIAs	All Others
Financial planning firm – Our primary focus is serving clients applying the financial planning process	7.7%	23.8%
Investment advisory firm – Our primary focus is serving clients through the development of investment strategy and selection of investment managers and/or securities for client portfolios	19.2%	21.0%
Investment management firm – Our primary focus is the discretionary investment management of client assets	7.7%	9.4%
Wealth management firm – Our primary focus is serving as a holistic adviser to clients, offering integrated tax, estate and personal financial planning in addition to the investment advisory services	63.5%	43.6%
Other	1.9%	2.2%

Note the difference between positioning as a wealth management firm vs. financial planning firm

Source: 2020 Elite RIA Study, INResearch, InvestmentNews

client messaging, while those with research skills can focus on meeting preparation.

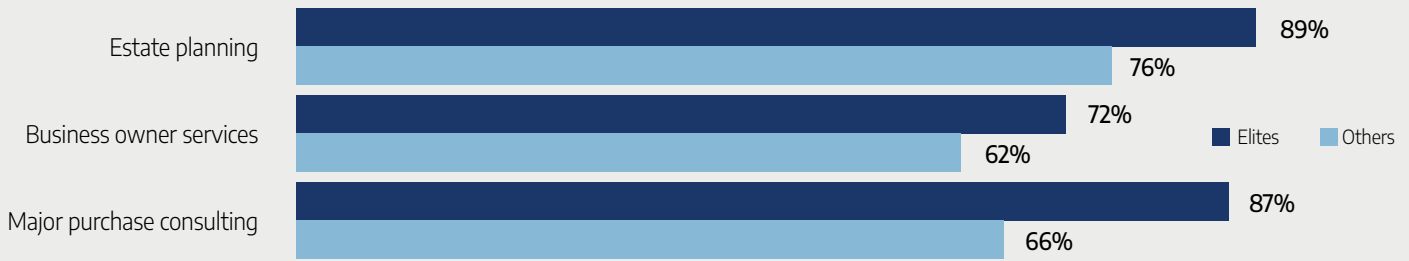
This extensive use of teams provides a number of advantages:

- It frees up advisor time to focus on core investment priorities.
- It enables firms to scale profitably, making it easier to add clients without necessarily hiring an additional advisor.
- It enhances the firm’s brand by formalizing a service-delivery model.
- It builds client loyalty to the firm itself, rather than to an individual advisor. This creates long-term enterprise value that may pay off if a senior advisor leaves the firm or as the owner-advisor approaches retirement.

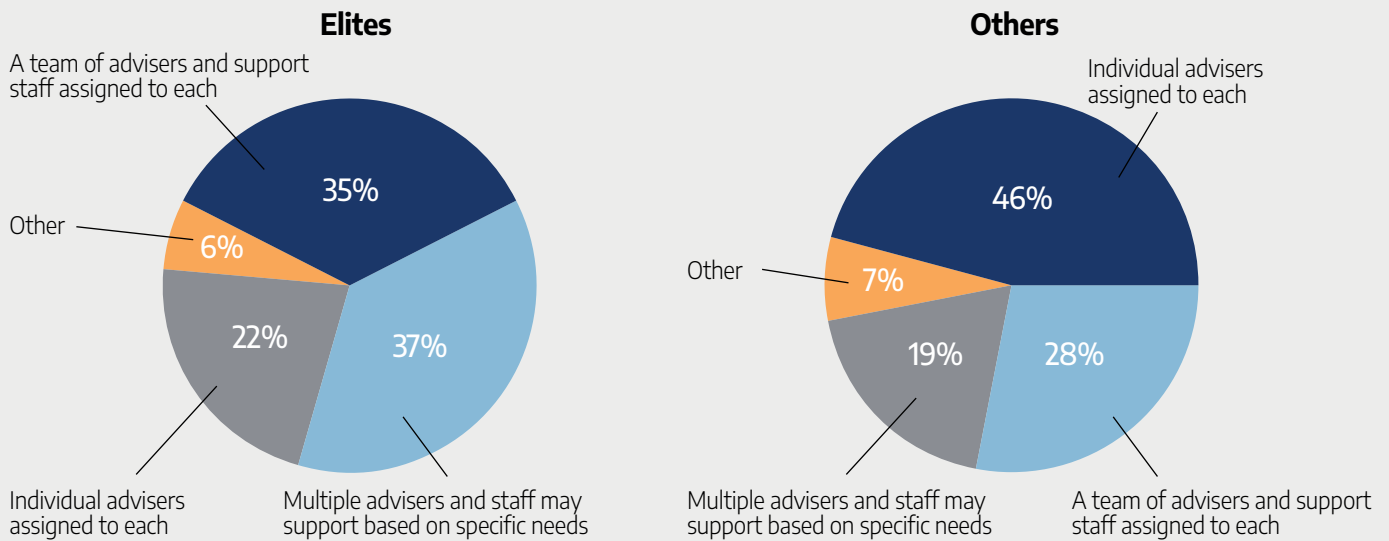
KEY TAKEAWAYS:

- > If you’re considering moving to a team-based approach, you might start by mapping out various aspects of the client experience, from onboarding through portfolio preparation and annual review.
- > Identify core competencies integral to each step and identify which people in your organization are best suited to carry out those tasks. Clearly define roles and responsibilities and set up key performance metrics to evaluate and reward staff excellence.
- > Elite firms also tend to hire and train staff for specific roles, such as digital marketing, which helps to build core

The Client Service Model: Elites have broader service menu



The Client Service Model: Elites are more likely to utilize a team structure



Source: 2021 Elite RIA Study, INResearch, InvestmentNews

competencies across the organization. In the study, more than 80% of elite RIAs reported hiring employees who spend at least 75% of their time on one specific area, such as client services, operations or investments. Additionally, 24% of elite RIAs had dedicated personnel focused on business development.

- As the firm grows and you add more staff members, you might consider designating a Chief Operating Officer to manage teams, review processes and oversee resource allocation. In fact, 71% of elite RIAs hire professionals to focus on operational issues, compared with 41% of other firms.

Most elite RIAs keep investment management in-house


Because elite RIAs see investment management as their core business function, they are more likely than other advisors to keep investment management in-house with a dedicated team of professionals. In cases where elite RIAs outsource some of their investment management, it tends to be for specific asset classes, such as alternative investments, or for smaller, less profitable accounts.

Elite advisors are also less likely to outsource other investment-related functions, including portfolio construction, management and trading. When they keep investment management in-house, elite RIAs are slightly more likely than other firms to use an external party to set investment policy, portfolio design or asset allocation strategy.

Elite RIAs are more likely to outsource technology and compliance. While most elite firms keep investment management in house, they are more likely to outsource support functions. For example, 70% of elite RIAs outsource technology-related functions (including strategy, software implementation and training), while 62% outsource compliance.

KEY TAKEAWAYS:

- Managing individual portfolios can be time-consuming and may limit how fast or profitably a firm can grow. To help boost productivity, more than half of elite RIAs use model portfolios or commingled pools managed in house by their own investment staff. By contrast, 47% of elite RIAs maintain custom portfolios for each client.



Elite RIAs view technology as an important differentiator for their business, but they are strategic in how they adopt and deploy it.

- Working with qualified technology or compliance consultants is a good strategy for offloading some non-core business functions. This approach also enables you to take advantage of focused expertise in areas, such as compliance, that may present substantial risks for your business. Compliance consultants may have deep knowledge and experience with regulatory agencies, and they can conduct mock examinations to make sure every area of your business is in compliance.
- Before investing in new technology, consider how it will improve your client experience. How will it affect your service model? What kinds of cost savings or productivity gains do you want to see? Involve key employees in the decision, and work with consultants to make sure you can seamlessly integrate new solutions with your existing systems.

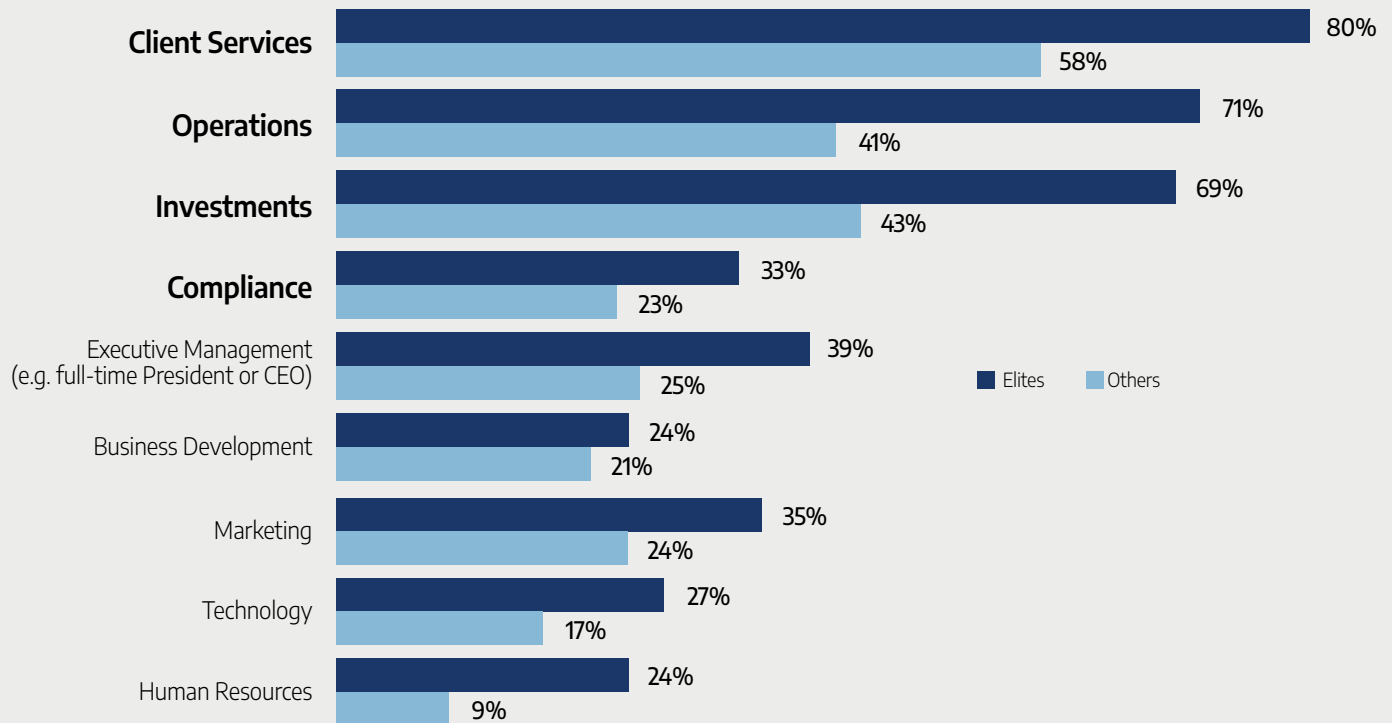
Elite RIAs make growth a top priority

To a degree greater than other firms, elite RIAs attribute their future growth potential to their ability to target, acquire and retain clients. Additionally, most elite firms have plans to generate additional revenues from their existing clients.

Elite RIAs are more likely to target other growth strategies, for example by acquiring another advisor or advisory firm or by opening a new location. Their ability to pursue these growth opportunities may benefit from their team-

Human Capital: Elites are more likely to employ specialized staff

Does your firm have employees or staff who specializes (dedicate 75% or more of their time) in the following areas?



Source: 2021 Elite RIA Study, INResearch, InvestmentNews

Which of the following activities or solutions, if any, does your firm utilize outsourcing providers in some capacity?

	Elite Advisers	All Other Advisers
Trading	8.5%	18.2%
Technology (infrastructure/IT, strategy, software implementation, training)	70.2%	47.1%
PR	6.4%	7.6%
Marketing	19.1%	21.2%
Investment Management	29.8%	42.4%
Compliance or regulatory adult support	61.7%	44.1%
Business efficiency assessment	12.8%	8.2%
Administrative services	12.8%	16.5%
None of the above	2.1%	17.6%

Source: 2020 Elite RIA Study, INResearch, InvestmentNews

based approach and their efforts to create repeatable, scalable business processes that can be applied to new clients.

KEY TAKEAWAYS:

- > Selling additional products and services to your existing client base may be the most straightforward way to increase revenues. It also adds value in your client relationships, strengthening your value proposition.
- > As you look for opportunities to grow by adding another advisor or acquiring another firm, your custodian may be a valuable source of leads. You may also want to make an effort to get to know other advisors in your area or in a desirable target market. Learn which ones may be close to retirement and explore their succession plans. You might also consider serving as a backup for another colleague, if they go on vacation or have an emergency.

This allows you to get a feel for their business and client base.

- > Pursuing growth strategies requires management focus, and 39% of elite RIAs in the study have a full-time CEO. This executive may focus not only on recruitment and resource management but also on long-term growth strategies, such as acquisitions or geographic expansion.

Views on the current business environment

For elite RIA firms, successful growth no doubt has contributed to a sense of being on the right path. When asked what factors will contribute most to their future success, elite firms chose those in which they already excel and over which they have control: client retention (30%), growth in fee-based business and services to clients (28%), client acquisition and targeting (27%), efficient and effective business workflows and operations (26%), and having the right employees in the right roles (25%).

Which of the following is your firm considering as a growth strategy/area for expanded growth in the next one to two years?

	Elite RIAs	All Others
Acquire another advisory firm	37.0%	21.0%
Acquire an individual adviser and his/her clients	46.0%	41.0%
Obtain a capital investment from a third-party	4.0%	4.0%
Merge with a strategic partner	17.0%	8.0%
Merge with a firm of similar or equal size	20.0%	17.0%
Open an office or branch in a new region	24.0%	11.0%
Target new client segments	41.0%	44.0%
Expand capabilities and expertise in ESG investing	24.0%	17.0%
Generate more revenue from existing clients	61.0%	53.0%
Enhance client acquisition strategies	46.0%	49.0%
Expand fee business to increase overall revenue	22.0%	28.0%
Expand capabilities and expertise in direct indexing	9.0%	6.0%
Expand capabilities and expertise in ETF investing	20.0%	14.0%
None of the above	2.2%	7.0%

Key growth areas for elites include new acquisition strategies, targeting new client segments, deeper penetration with existing clients, and pursuing advisors and their books.

Source: 2021 Elite RIA Study, INResearch, InvestmentNews

The factors that they feel would most hinder their success include those over which they have little or no control—the performance of the economy, markets and investments, cited by 40% of firms, and increased remote working, probably as a result of possible new pandemic restrictions, cited by 28% of firms.

When noting how the pandemic has changed their firms over 2021, elite RIAs reported being more responsive than other firms in adapting to the new environment. More than half, 51%, of elite RIAs said that the pandemic had caused them to make changes to their technology or service offerings, as opposed to 43% of other firms. Even more dramatic, 82% said the pandemic led clients to request a more digital experience than was the case before COVID, such as scheduling Zoom calls in place of in-person meetings. At other firms, a substantially lower 61% noted the same shift in client preferences.

KEY TAKEAWAYS:

- As the recent pandemic has shown, rare but high-impact events may have tremendous implications for your business. It's a good idea to conduct a risk assessment at least annually, focusing on potential events that could disrupt your business or affect your client experience. Make some plans to mitigate or address these risks, and

make sure your business insurance and succession plans are updated.

- Many clients may come to appreciate the convenience of virtual meetings, even after the pandemic, especially if they have health or family considerations. Offering clients the flexibility of this option, along with other strategies such as digital signing capabilities, may be another way to enhance the client experience.
- You might use the pandemic as an opportunity to remind clients of your contingency plans and responsiveness. This kind of reassurance will give them confidence that your firm will be there to meet their needs no matter what.

Elite RIAs tend to offer more holistic support

Elites provide a broader array of services than other firms, helping to create a virtuous circle that attracts even more wealthy clients. More than other firms, elite RIAs typically offer estate planning, education planning, business owner services, and concierge services in addition to the typical menu offered by most advisory firms.

To a greater degree than firms generally, elite RIAs provide cash-flow planning (94% vs. 82%), estate planning (89%/76%), major purchase consulting (87%/66%), personal or business banking (72%/62%) and property and casualty insurance planning (40%/29%).

COVID-19: Elite firms have been more responsive

How has the pandemic changed your client experience?

Source	Elite Advisers	All Other Advisers
We have provided clients with a more digital experience	82%	61%
We have made changes to our technology	51%	43%
It has made it more difficult to interact with clients	20%	24%
The pandemic has had no impact on our client experience	13%	22%

As a result of developing a broad array of services, elite RIA firms say they focus on delivering overall financial wellness—not just investment management—for 90% of their clients. At other firms, only 70% of clients typically receive this holistic approach. Tax planning and estate planning are the two most important components of a holistic offering, say the elites, with 38% saying each of those components was extremely important 34% saying they were very important. Other important areas of focus for holistic firms were account aggregation and budgeting.

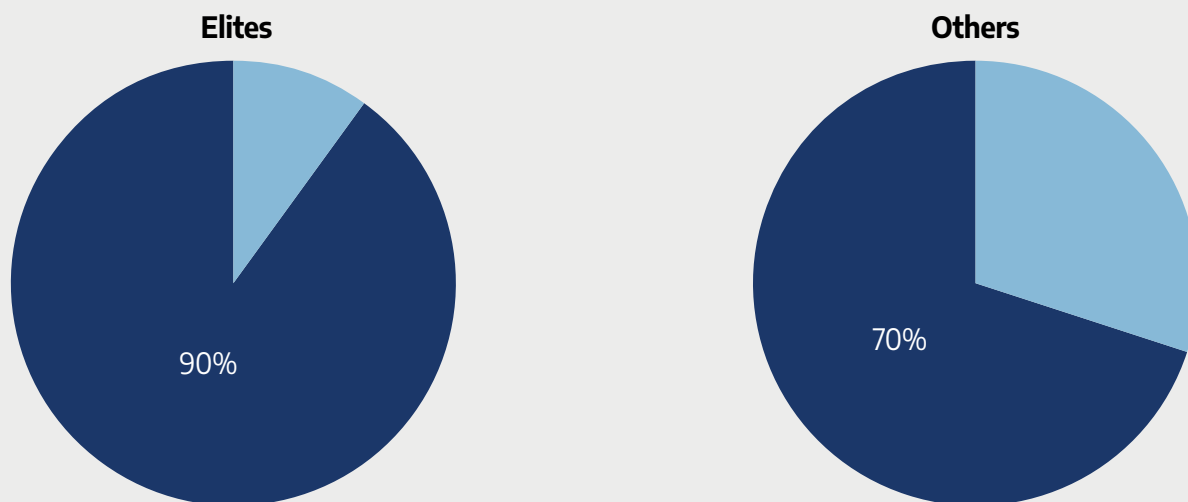
Banking and lending as areas of RIA opportunity

While only about 20% of advisory firms offer personal and business banking services, and only about 16% of firms currently offer personal lending services, many more firms — 40% — have fielded requests for such services from clients, especially the largest firms with the most affluent clients.

Since many affluent clients are principals of a business, in many cases their personal and business lives blend, with

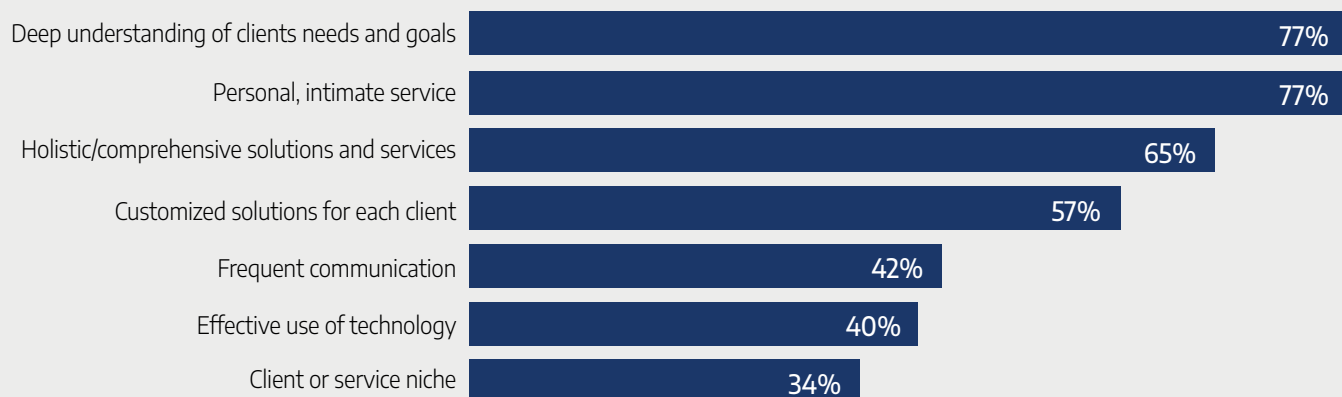
Holistic Services: Elite RIAs more likely to focus on overall financial wellness

For how many of your clients do you focus on overall financial wellness, as opposed to investment management only?



Source: 2021 Elite RIA Study, INResearch, InvestmentNews

How do Elite RIAs differentiate their services?

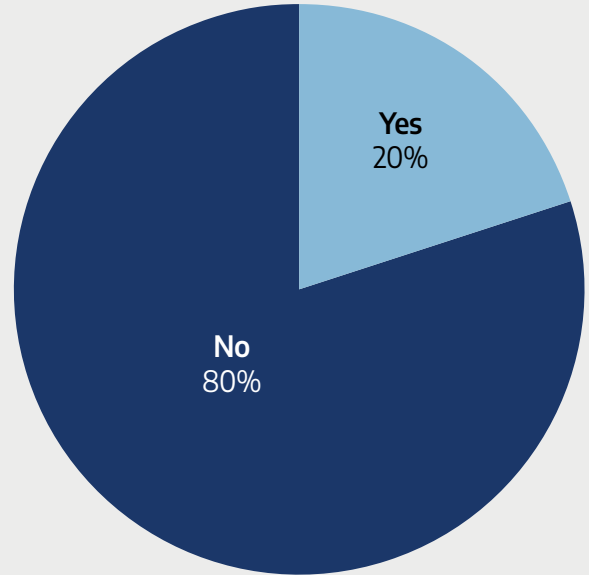
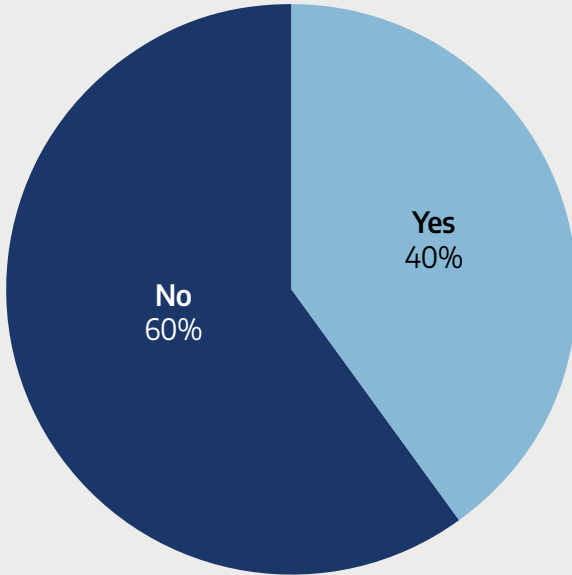


Source: 2021 Elite RIA Study, INResearch, InvestmentNews

Unmet demand for banking services from advisors

Have your clients ever requested banking services?

Do you offer banking services?



Demand grows as firms bring on larger clients and more assets: At the largest firms (over \$500M AUM) 57% have been asked for banking services but only 21% offer them.

Source: 2021 Elite RIA Study, INResearch, InvestmentNews

Client experience: Elites focus on the client experience

What steps are you taking to enhance your client experience?

Source	Elite Advisers	All Other Advisers
Improving and/or adding technology	89%	78%
Adding staff	69%	44%
Conducting satisfaction surveys	31%	26%
Adding products or services	29%	43%
No plans to enhance our client experience	4%	8%

Source: 2021 Elite RIA Study, INResearch, InvestmentNews

their advisor serving to maximize the financial aspects of both parts of their lives. In their competition with trust banks and the wealth management units of large commercial and investment banks, RIAs are likely to see client demand for banking services grow. They also may find that banking and lending services are a useful and relatively easy-to-add component to their current service offering.

KEY TAKEAWAYS:

> Investment management may be the core of most advisory businesses, but elite firms offer a wide range of services that their more affluent clients increasingly demand. As investment management becomes increasingly commoditized, advisory firms that emulate elite RIAs and offer financial planning, tax planning, banking and a variety of other services are in a better position to attract and retain more affluent clients. Those firms also are better able to maintain their margins by not having to compete on price.

> Offering integrated banking services enables advisors to meet the demands of clients for a one-stop financial provider. Services you could offer by working with a custodian such as Axos Advisor Services include:

- Checking accounts
- Money market and savings accounts
- CDs
- Credit and debit cards with ATM access
- Bill pay services
- Home mortgages
- Jumbo and other consumer loans
- Securities-based lending, including loans and lines of credit

By offering banking services to your clients, you may be able to replace a bank relationship where they might get a sales pitch for investment management.

Holistic services: Elite RIAs provide a higher level of support

How are important are each of the following for offering a holistic client experience?

	Extremely important	Very important	Somewhat important	Not very important	Not important at all	Total
Tax planning	38.0%	34.2%	20.9%	3.2%	3.7%	187
Estate planning	38.0%	34.2%	21.9%	4.3%	1.6%	187
Personal/Business banking (e.g. checking, savings accounts)	5.4%	4.8%	26.3%	40.9%	22.6%	186
Personal/Business loans	3.8%	5.9%	23.1%	39.2%	28.0%	186
Mortgage loans	4.3%	7.5%	27.8%	34.2%	26.2%	187
Budgeting	15.0%	40.6%	27.3%	11.2%	5.9%	187
Account aggregation	25.1%	36.9%	26.2%	7.5%	4.3%	187

Source: 2021 Elite RIA Study, INResearch, InvestmentNews

Axos Advisor Services can help you maximize your growth strategies

Axos Advisor Services is designed to help you realize your full potential. Its leading technology helps you be more efficient and save time on administrative tasks, while delivering an exceptional experience for your clients. This combination helps you provide unique value to your clients while enhancing your service model.

The Liberty platform from Axos Advisor Services can help you:

- **Improve scalability by automating back office tasks.** You will no longer have to spend large parts of the day on manual billing, performance reporting, or account opening. Using our integrated capabilities—like automatic proposal generator and e-signature, running proposals, and opening accounts—is simple, efficient, and fast.
- **Provide a consistent investment process.** Our modeling tools, omnibus trading, and fractional share technology enables you to provide the same investment process to accounts of all sizes. You can manage small accounts more efficiently by managing and trading accounts at the model level (instead of account level) and rebalance your entire book of business in just a few clicks.
- **Streamline client service.** Our powerful yet easy-to-use technology gives you access to what you need in one interface. Custom-built for advisors, our technology streamlines modeling, reporting, and much more—all fully integrated without requiring the cost and hassles of add-on technologies.
- **Provide clients with holistic guidance.** Our account aggregation tool is designed to provide you with easy access to view your clients' overall financial picture so you can provide more comprehensive guidance and advice targeted to their specific needs.

At Axos Advisor Services, we never stop thinking of new ways to help you grow your business and deliver more value to your clients.

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