Executive summary

RIAs are upbeat on stocks and the U.S. economy in 2019

- 62% are positive about the U.S. economy, though optimism for the global economic outlook has slipped.
- 47% of advisors believe stock prices will increase, on par with 2018 expectations.
- They are closely following interest rates, company earnings and trade tensions for their impact on client investment portfolios.
- Advisors expect the Health Care, Staples and IT sectors to get the biggest boost from the new Congress.

Clients are asking questions about non-traditional investments

- 48% of advisors say clients are asking about cannabis-related stocks, and 45% say clients have questions about ESG investments.
- Just 15% of RIAs say clients have any interest in cryptocurrencies.
- Real estate is RIA clients’ #1 alternative asset, followed by commodities and private equity. Cryptocurrencies ranked last.
- Though the majority of RIAs keep all investment management in-house, usage of third party managers has more than doubled.
Executive summary

Following a robust 2018, bullish RIAs expect more of the same in 2019

- Closing out 2018, RIAs report, on average, revenues up 18%, 14% increase in new clients and AUM growth of 18%
- 78% of advisors predict more growth in 2019, and 48% say they’ll grow faster.
- A quarter of new clients are self-directed; 33% are from commissioned brokers.
- To grow, RIAs will offer new areas of expertise and hire advisors from other RIAs.
- Digital is now a part of the RIA marketing toolkit, as online tactics gain popularity.

RIAs continue to invest in tech to keep pace with clients

- RIA tech budgets will get the biggest increase in 2019.
- Most RIAs will invest heavily in cybersecurity, their biggest operational challenge and an area they consider to be a top priority for regulators.
- Though technology keeps advisors connected to more clients, they still approach newer ideas with caution.
- RIAs rely on email to communicate with clients, but older clients still prefer the phone and younger generations like texting.
Methodology

Results for the TD Ameritrade Institutional 2019 RIA Sentiment Survey are based on a telephone survey, conducted by MaritzCX on behalf of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., between Nov. 27 and Dec. 13, 2018.

302 independent registered investment advisors (RIAs) participated in this study. Participants, both clients of TD Ameritrade Institutional and non-clients, were asked to share their views on economy, the outlook for their firms and the RIA market overall. The margin of error is ± 5.6%

MaritzCX and TD Ameritrade are separate and not affiliated and not responsible for each other's services or policies.
RIA Outlook for 2019
RIAs are upbeat on the U.S. economy

Q4. N= 302. Again looking ahead to the next six months, what is your outlook for the U.S. economy through the first half of 2019? (ONE RESPONSE)
RIAs optimism hovers near all-time highs

Trend in RIA U.S. Economic Outlook

Q4. N= 302. Again looking ahead to the next six months, what is your outlook for the U.S. economy through the first half of 2019? (ONE RESPONSE)
Optimism for global economy has waned

RIAI Outlook for Global Economy

- Very optimistic: 13% (2018), 6% (2019)
- Somewhat optimistic: 21% (2018), 41% (2019)
- Neutral: 58% (2018), 36% (2019)
- Somewhat pessimistic: 8% (2018), 2% (2019)
- Very pessimistic: 2% (2018), 41% (2019)

Q3. N= 302. Looking ahead to the next six months, what is your outlook for the global economy through the first half of 2019? (ONE RESPONSE)
RIAs stay mostly bullish on equities for 2019

Q5. N= 302. What is your outlook on the U.S. stock market overall through the first half of 2019? Do you think the stock market will... (ONE RESPONSE)

Q6. N= 302. What is your outlook on the U.S. bond market through the first half of 2019? Do you think benchmark government bond prices will... (ONE RESPONSE)
RIAs say interest rates, company earnings matter most to investment portfolios

### Headlines Impacting Client Portfolios

<table>
<thead>
<tr>
<th>Headline</th>
<th>Impact Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates</td>
<td>84%</td>
</tr>
<tr>
<td>Corporate earnings</td>
<td>83%</td>
</tr>
<tr>
<td>Trade tensions</td>
<td>79%</td>
</tr>
<tr>
<td>Geopolitical tensions</td>
<td>72%</td>
</tr>
<tr>
<td>Inflation</td>
<td>67%</td>
</tr>
<tr>
<td>Unemployment or job growth</td>
<td>62%</td>
</tr>
<tr>
<td>Energy prices</td>
<td>60%</td>
</tr>
<tr>
<td>2018 tax cuts</td>
<td>42%</td>
</tr>
<tr>
<td>Brexit</td>
<td>39%</td>
</tr>
<tr>
<td>Healthcare costs</td>
<td>36%</td>
</tr>
<tr>
<td>U.S. midterm elections</td>
<td>32%</td>
</tr>
</tbody>
</table>

Q7. N= 302. Which of the following headlines are you watching for their potential impact on your clients' portfolios? (CHOOSE ALL THAT APPLY)
Health Care, Staples and IT seen as sectors to benefit most from the new Congress

Sectors to Benefit Most from Midterm Elections

- Health Care: 46%
- Consumer Staples: 28%
- IT: 27%
- Financials: 26%
- Consumer Discretionary: 24%
- Industrials: 22%
- Energy: 17%
- Utilities: 16%
- Materials: 14%
- Telecoms: 12%
- Communication Services: 7%

Q8a. N=302. Which of the sectors do you expect will benefit most from the outcome of the recent midterm elections? (ACCEPT THREE -3 RESPONSES)
Investing
Investors ask about cannabis-related and ESG stocks, not cryptocurrencies

Q11b. N= 302. Please characterize your clients' overall level of interest in the following asset categories as either not at all interested, somewhat interested, or very interested.

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Interested</th>
<th>Not interested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially responsible or ESG investments</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Pot- or cannabis-related stocks</td>
<td>44%</td>
<td>52%</td>
</tr>
<tr>
<td>Alternative strategies (i.e. hedge funds)</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Private investments (i.e. private equity, venture capital)</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Physical commodities</td>
<td>26%</td>
<td>72%</td>
</tr>
<tr>
<td>Cryptocurrencies</td>
<td>15%</td>
<td>85%</td>
</tr>
</tbody>
</table>
For alternative investments, real estate and commodities outweigh crypto

**Alternative Assets Held in Client Portfolios**

- **Cryptocurrencies**: 2%
- **Futures/Forex**: 6%
- **Venture capital**: 7%
- **Real assets (i.e. art, collectibles)**: 10%
- **Private debt**: 10%
- **Hedge funds/Fund of funds**: 11%
- **Private equity**: 15%
- **Commodities**: 17%
- **Real estate**: 31%

Q11a. N= 104. Please indicate whether your clients hold the following alternative assets in their investment portfolio, to the best of your knowledge. Please select “yes” or “no” to each of the following:
More RIAs outsource investment management

RIA Usage of Third Party Investment Managers

- Do it all in-house: 90% (2018), 81% (2019)
- Use an investment manager: 4% (2018), 14% (2019)
- Use a TAMP: 6% (2018), 4% (2019)
- Use a robo: 1% (2018)

Q12. N= 302. Does your firm delegate investment selection to a third party? (ONE RESPONSE)
Firm Growth
RIAs enjoyed robust growth in 2018

2018 New Client Growth

- Increased: 29%
- Decreased: 5%
- Remained about the same: 66%

Average Increase: 14%

Revenue Growth

- Increased: 31%
- Decreased: 10%
- Remained about the same: 59%

Average Increase: 18%

Q15. N= 302. Has the total number of clients served by your firm decreased, increased or remained about the same over the past six months?
Q16. N= 199. You mentioned your firm has experienced client growth over the past six months. By approximately what percentage has your firm’s client base grown?
Q21. N= 302. Over the past six months, has your firm’s revenue decreased, increased or remained about the same?
Q22. N=180. You mentioned your firm has experienced revenue growth over the past six months. By approximately what percentage has your firm’s revenue grown?
Most RIAs expect 2018’s AUM growth to continue

AUM Growth in Past Six Months

- Increased: 28.8%
- Decreased: 12.6%
- Remained about the same: 58.6%

Average Increase: 18%

2019 AUM Outlook

- Faster growth rate: 78%
- Slower growth rate: 48%
- Decline: 30%
- Remain about the same: 1%

Q18. N= 302. Have your firm’s total assets under management decreased, increased, or remained about the same over the past six months?

Q19. N=177. You mentioned your firm has experienced AUM growth over the past six months. By approximately what percentage has your firm’s AUM grown?

Q25. N= 302. In 2019, what is your outlook for your firm’s assets under management relative to 2018?
Many investors chose RIAs amid market chop

Q24. N= 302. Over the past year, from where did the majority of your firm’s new client assets come? (ONE RESPONSE)

- Clients from Commissioned Brokers: 33%
- "Wirehouse" brokerages, 23%
- Other 25%
- Independent broker-dealers, 10%
- Self-directed investors or client new to investing, 25%
- "Wirehouse" brokerages, 23%
- Other RIAs, 9%
- Banks, 3%
- M&A or new advisor/partner onboarding, 2%
- Robo-advisors, 1%
- Insurance companies, 2%
- Other, 9%
Firms offer new services to attract new clients

Top Strategies for Attracting New Clients

- Offer new areas of expertise: 29%
- M&A: 16%
- Add products: 16%
- Add new regional markets: 15%
- Add new office(s): 9%
- Add robo-advisor option: 9%
- Other: 14%

Q36. N= 302. In 2019, which of the following strategies do you plan to pursue to attract new clients? (SELECT ALL THAT APPLY)
RIAs want experienced and young advisor talent

Most Sought-After Hires by RIAs

- Advisors from other RIAs: 20%
- College interns: 18%
- Advisors/brokers in other channels (i.e., wirehouse, bank, insurance companies): 16%
- College graduates: 14%
- Mid-career changers: 10%
- Former brokers interested in re-entering financial services: 6%
- Ex-military job seekers: 6%

Q82. N= 302. Are you actively recruiting any of the following? (SELECT ALL THAT APPLY)
RIAs lean into digital marketing along with traditional tactics


- 47% Asking clients for referrals
- 13% Upgrade online presence
- 11% Seminars and events
- 8% Social media campaign (i.e., use Facebook, Twitter or Google analytics)
- 13% Sharing curated and original content
- 5% Direct mail or email
- 3% Sponsorships
Spotlight on: Technology
Technology dominates RIA spending

Q33. N= 302. In 2018, where did your firm realize the biggest increase in spending? (ONE RESPONSE)

Q35. N= 302. In 2019, where do you expect your firm will realize the biggest increase in spending? (ONE RESPONSE)
Cybersecurity is the biggest tech investment

Biggest RIA Technology Investments in 2019

- Cybersecurity: 59%
- Performance reporting: 43%
- Digital documents/eSignature: 39%
- CRM tools: 39%
- Financial planning: 33%
- Social media tools: 30%
- Rebalancing software: 24%
- Robo-advice solutions: 9%

Q39a. N= 302. Where are you making significant technology investments in 2019? (SELECT ALL THAT APPLY)
RIAs: Cybersecurity is a top regulatory issue

Top Regulatory Concerns for RIAs

- Cybersecurity: 30%
- Restore the ability to deduct investment advisory fees: 21%
- Extending the pass-through tax deduction to qualified RIAs: 17%
- Seek licensing and professional status for financial planners: 8%
- Support passage of the SEC’s proposed best interest rule: 7%

Q87. N= 302. Which of the following issues is most important to you? (ONE RESPONSE)
Tech is a top RIA management challenge

Q13. N= 302. Which of following is your biggest firm management or operational challenge right now? (ONE RESPONSE)

- Compliance/regulated issues (30%)
- Technology (16%)
- Aging clients (12%)
- Succession / Continuity planning (14%)
- Hiring & retaining talent (15%)
- Profitability/profit margins (16%)
- Fees and pricing (6%)

Q13. N= 302. Which of following is your biggest firm management or operational challenge right now? (ONE RESPONSE)
Tech enhances client relationships, but RIAs are cautious

Q39b. N= 302. Using a scale of 1 – 5, where 1 is Disagree strongly, 5 is Agree strongly and 3 is Neutral, please react to the following statements: [ONE ANSWER PER ROW]

Thanks to technology, I feel more connected to more clients than I did 3 years ago.
- Agree: 43%
- Neutral: 32%
- Disagree: 25%

I can tell you what blockchain is and its potential for my firm and clients.
- Agree: 33%
- Neutral: 39%
- Disagree: 28%

In 3 years or less, Augmented Reality or Virtual Reality will be a part of my firm.
- Agree: 71%
- Neutral: 22%
- Disagree: 7%
RIAs are still evaluating emerging tech

Q39b. N= 302. Using a scale of 1 – 5, where 1 is Disagree strongly, 5 is Agree strongly and 3 is Neutral, please react to the following statements: [ONE ANSWER PER ROW]

I see more clients more often than I did 3 years ago, thanks to video chat.

- Agree: 19%
- Neutral: 20%
- Disagree: 61%

In 3 years, I’ll see my clients more via video chat than in person.

- Agree: 34%
- Neutral: 30%
- Disagree: 36%

In 3 years or less, I’ll use automated voice technology to answer some client inquiries.

- Agree: 8%
- Neutral: 12%
- Disagree: 80%
Younger clients favor a tech-enabled experience

Q81b. N= 302. For each demographic group of clients, please choose ONE of the following to indicate their preferred form of communication with you or the firm. (ONE RESPONSE PER ROW)

<table>
<thead>
<tr>
<th>Communication Method</th>
<th>Seniors</th>
<th>Baby Boomers</th>
<th>Gen Xers</th>
<th>Millennials</th>
<th>Gen Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td>10%</td>
<td>29%</td>
<td>57%</td>
<td>54%</td>
<td>45%</td>
</tr>
<tr>
<td>Video Chat</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Text/Instant Message</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>
Older clients prefer connecting with traditional communication channels

Q81b. N= 302. For each demographic group of clients, please choose ONE of the following to indicate their preferred form of communication with you or the firm. (ONE RESPONSE PER ROW)

- **Telephone**
  - Seniors: 8%
  - Baby Boomers: 17%
  - Gen Xers: 15%
  - Millennials: 9%
  - Gen Z: 1%

- **Regular Mail**
  - Seniors: 4%
  - Baby Boomers: 2%
  - Gen Xers: 1%
  - Millennials: 1%
  - Gen Z: 1%

- **In-person**
  - Seniors: 13%
  - Baby Boomers: 28%
  - Gen Xers: 10%
  - Millennials: 12%
  - Gen Z: 17%

Q81b. N= 302. For each demographic group of clients, please choose ONE of the following to indicate their preferred form of communication with you or the firm. (ONE RESPONSE PER ROW)
About the Survey
Survey demographics

**Gender**
- Male: 88%
- Female: 12%

**Age**
- 18-24: 0.3%
- 25-34: 9%
- 35-44: 13%
- 45-54: 24%
- 55-64: 28%
- 65+: 26%

Average age: 55 yrs

**Assets Under Management**
- $0 to < $25M: 29%
- $25M to < $100M: 30%
- $100M to < $250M: 19%
- $250M to < $500M: 9%
- $500M to < $1B: 6%
- $1B+: 7%

Average: $414M

**Job title**
- Owner, President, CEO, Partner, Principal: 86%
- Vice President: 3%
- Financial Advisor, Investment Manager, Portfolio Manager: 3%
- Registered Investment Advisor (RIA), Investment Advisor: 3%
- Chief Investment Officer: 3%
- Director: 1%

**Ethnicity**
- Caucasian: 88%
- Asian/Pacific Islanders: 3%
- Latino or Hispanic: 1%
- African-American: 1%
- Other: 6%
- Native American or Aleut: 0%

**Gender**
- Male: 12%
- Female: 88%
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