TD Ameritrade Institutional

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Investors Sought Out RIAs in 2018 Amid Market Volatility, Latest TD Ameritrade Institutional Survey Says

RIAs expect more strong growth in 2019, as they welcome investors seeking advice, attract new talent, and adopt technology that enhances the client experience

JERSEY CITY, N.J., Jan. 8, 2019 – Volatile markets in 2018 drove more investors to seek out the guidance of independent registered investment advisors (RIAs), with RIAs citing nearly 20 percent growth, on average, in assets and revenues in 2018, TD Ameritrade Institutional[1] found in its latest RIA Sentiment Survey.

Looking ahead, RIAs expect the growth trend to continue. Advisors are approaching 2019 with their usual pragmatic optimism, keeping the daily market drama in perspective. They say that U.S. interest rates, corporate earnings and international trade issues are what matter most to client portfolios.

“In times of market uncertainty, investors seek out financial guidance from knowledgeable professionals – independent advisors who focus on their goals, risk tolerance and other details of their financial lives,” said Vanessa Oligino, director of business performance solutions at TD Ameritrade Institutional. “RIAs help clients understand their choices for weathering different market cycles so they can keep pursuing their goals.”

For now, RIAs expect the financial markets will continue helping investors build wealth. Sixty-three percent of independent advisors are optimistic about the U.S. economy for the near-term, and 47 percent are optimistic about the global economy. Similar to last year, 47 percent expect stock prices will continue to increase.

Advisors believe the Health Care sector will benefit most from the incoming Congress, with Consumer Staples, IT and Financials also getting some lift.

Amid the ups and downs, investors are asking about cannabis stocks as well as environmental, social and government (ESG) investments, two sectors that were in the headlines in 2018. Forty-eight percent of RIAs say clients want to know about cannabis-related stocks and 45 percent say clients are interested in ESG investments.

By contrast, just 15 percent of advisors say that clients showed interest in cryptocurrencies.

RIAs Look to the Future

RIAs report that their assets and firm revenues grew by 18 percent, on average, in the latter half of 2018, with the number of new clients increasing by an average of 14 percent. More than three-fourths of advisors expect to growth to continue in 2019, and nearly half say they’ll grow faster than last year.

One in four of advisors' new clients had previously been self-directed or was new to investing, according to the survey. Nearly a third of their new clients left commission-based platforms in favor of independent, fee-based fiduciary advice.

Other growth drivers include expanded usage of digital marketing to complement traditional approaches to marketing and fuel new business development. Though client referrals hold the top spot, advisors say upgrading their presence online, using social media campaigns, and sharing digital content round out their top five business development tactics, along with hosting seminars and events.

To manage and sustain growth going forward, independent advisors want talent from both ends of the experience spectrum. They are most likely to target experienced advisors currently working for other RIAs, professionals who already have clients, and also college interns just starting out. RIAs will also look to expand their service offerings to meet client demand, potentially through an acquisition. Indeed, one in four advisors is considering mergers and acquisitions (M&A) as a potential growth strategy.

Spotlight on Technology

Headlines around data breaches and cybersecurity are making an impact: RIAs say cybersecurity is the most important issue facing the industry and should be a top concern for regulators. Outside of compliance issues, advisors say technology is their biggest management challenge. Technology was their biggest operational spend in 2018, and that should continue into 2019, with advisors devoting the biggest part of their technology budgets to cybersecurity.

At the same time, advisors say that email remains the communication channel preferred by clients in their 50s and younger – Generation X, Millennials and Generation Z – though texting and video chat are starting to make in-roads. Baby Boomers and Seniors -- Americans in their 60s, 70s and older -- prefer the telephone for staying in touch with their advisors, though they are quite comfortable with email.

This ongoing popularity of email among clients -- and hackers -- underscores the importance of a vigilant approach to managing data security.

"Many data breaches start with compromised email, which is why we encourage RIAs to understand the security risks that come with email, as well as with newer communication channels, and implement processes and procedures to protect their clients and their firms," said Oligino.

But make no mistake, advisors appreciate that technology's benefits can outweigh its risks. More than 40 percent believe that technology has enabled them to connect with more clients compared to three years ago. Roughly one third say they understand the potential that blockchain technology has for their firm and their clients.

On the other hand, they remain more skeptical of advanced technology that may appear to replace human interaction.

"Younger investors expect and demand a technology-enabled experience, and we strongly encourage RIAs to move in that direction to meet that demand," said Oligino. "Advanced technology, such as augmented reality and machine learning-enabled fintech tools, may seem futuristic today, but these technologies will become commonplace before you know it."

To see more highlights from the TD Ameritrade Institutional 2019 RIA Sentiment Survey, click here.

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[1] TD Ameritrade Institutional is a division of TD Ameritrade, Inc., a brokerage subsidiary of TD Ameritrade Holding Corporation.

About the TD Ameritrade Institutional 2019 RIA Sentiment Survey
Results for the TD Ameritrade Institutional 2019 RIA Sentiment Survey are based on a telephone survey of 302 independent registered investment advisors conducted by MaritzCX on behalf of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., between Nov. 27 and Dec. 13, 2018. 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 market overall. The margin of error for the survey is ± 5.6%. MaritzCX and TD Ameritrade are separate and not affiliated and not responsible for each other's services or policies.

About TD Ameritrade Institutional
TD Ameritrade Institutional empowers more than 6,000 independent registered investment advisors to transform the lives of their clients. We provide powerful technology and resources that help simplify running a business and let advisors do what matters most — spend time serving their clients. Through meaningful innovation, steadfast advocacy and unwavering service, we support RIAs as they build businesses that positively impact their clients and communities.

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