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TD Ameritrade Institutional Finds Billion-Dollar Standout RIAs Outperform By Investing in Themselves

FA Insight data show large, top-performing RIAs are investing in M&A, people and tech as part of a long-term strategic plan

JERSEY CITY, N.J., June 5, 2019 – If you’ve ever wondered how some registered investment advisor (RIA) firms outperform their peers as they amass new clients and assets, it boils down to this: they are investing in people, technology and acquisitions to generate growth and sustain that growth for years to come.

TD Ameritrade Institutional¹ set out to explore whether there were best practices and characteristics correlated with the largest, highest-performing firms. The review focused on “large standout firms,” those generating at least \$4 million a year in revenue as well as top-quartile revenue growth and profit margins. These firms generally manage more than \$1 billion in client assets.

Among other things, the top-tier firms are more active acquirers: according to a TD Ameritrade Institutional analysis of data gathered for the annual *FA Insight Study of Advisory Firms*, 80 percent of large, standout advisory firms have initiated an acquisition in the past five years, compared with 47 percent of other large firms.² Many of these acquirers, meanwhile, completed more than one deal during this period.

The analysis also found that large standouts are adding human capital at a much higher rate to fuel and sustain future growth, increasing full-time employees by 12 percent between 2016 and 2018. That’s more than three times the 3.5 percent headcount increase reported at other, lower-performing large firms.

The FA Insight data show that large standout RIAs generate higher productivity and profitability. These firms generate a 75.5 percent gross profit margin, versus 63 percent among other firms, which measures gross revenue less all direct expenses divided by gross revenue. Gross margin reflects the efficiency of a firm’s revenue generator, including client mix, product mix and service mix.

Top-performers, the analysis shows, are more efficient converting effort into revenue and generate more revenue per revenue-producing employee. One key driver of outperformance: large standouts are more likely to tie employee compensation to how individuals help the firm meet its strategic goals.

Large standouts also collect more revenue on every dollar managed, 84 basis points compared with 74 basis points among other large firms, and they’re more likely to collect a minimum fee: 50 percent of standouts compared with 44 percent among the rest of the pack.

These findings were shared as more than 200 leaders from the industry’s largest independent registered investment advisor (RIA) firms gathered at TD Ameritrade Institutional’s annual Elite LINC 2019 conference. [Click here](#) for an infographic illustrating some of the highlight findings.



“The data reinforce what we’ve long believed to be best practices: well-managed firms are investing in themselves, their people and platforms to build a foundation for a larger, more scalable and successful future,” said Vanessa Oligino, Director of Business Performance Solutions at TD Ameritrade Institutional.

Rigorous planning and analysis may also contribute to better results. TD Ameritrade found that large standout RIAs scrutinize their technology spending and focus on generating high returns on their investment.

When it comes to technology, the top performers are more likely to adopt tools that can increase efficiency and deliver a better client experience, including financial planning software, digital document management systems and online client portals.

“Standout performance is the product of sound strategic planning, an intense focus on operations,” Oligino said. “And, just as important, top-tier firms show they have the discipline to follow through on those plans over time, through thick and thin.”

To learn more about what TD Ameritrade Institutional can do to help large standout RIA firms, advisors can call 800-934-6124 or visit www.tdai.com. TD Ameritrade Institutional will produce a more comprehensive collection of data and insights through its first-ever large standout advisor index in the near future. Learn more about FA Insight research at www.fainsight.com

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2. TD Ameritrade analysis of data collected from *The FA Insight Study of Advisory Firms*, 2017 and 2018, www.fainsight.com. FA Insight is a product of TD Ameritrade Institutional, Division of TD Ameritrade Inc. FA Insight is a trademark owned by TD Ameritrade IP Company, Inc.

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