



Media Contact:

Joseph Giannone
Communications & Public Affairs
W: (201) 369-8705
Joseph.Giannone@tdameritrade.com

Increasingly Confident, Brokers Are Exploring a Variety of Breakaway Paths to Becoming Independent RIAs: TD Ameritrade Institutional Survey

Though Breakaway Plans May Be Paused by the Pandemic, Brokers Are Drawn to the Benefits and Advantages of Being an Independent RIA

JERSEY CITY, N.J., July 1, 2020 – While brokers have been breaking away from Wall Street for more than a decade to launch their own registered investment advisor (RIA) firms, they are increasingly confident in their ability to make a successful transition and exploring a wider range of paths to independence, according to the TD Ameritrade Institutional¹ [Break Away to Independence Spring 2020 Survey](#).

One in four brokers who indicated they are interested in moving to the independent RIA channel -- “potential breakaways” -- say they plan to launch and operate their own firms, the traditional path to breaking away, compared with 29 percent in the survey TD Ameritrade Institutional conducted in [the fall of 2019](#).²

Yet there also is growing interest in joining, not building, an RIA business. More than a third (36 percent) of brokers are open to either joining an existing RIA firm as an employee or partnering with platforms that provide technology and operations support -- up from a combined 16 percent in the fall survey.

“Though the desire to become an independent RIA remains strong among brokers, the current environment has prompted more breakaways to pursue an alternative path to independence -- joining an established RIA firm,” said Scott Collins, Managing Director of Sales Consulting at TD Ameritrade Institutional. “For these advisors, it is an opportunity to gain the benefits of being an RIA without having to start their own firm.”

TD Ameritrade Institutional in March and April polled 450 professionals in two groups: brokers at national, regional and independent broker-dealers who indicated they were interested in moving to the independent RIA channel, to gauge the prevailing level of interest in “breaking away”; and independent RIAs that have already made the transition.

Potential breakaways remain highly interested in making the move to the independent RIA channel -- just not right now, given the disruption of the COVID-19 pandemic and economic environment. In the spring survey, 40 percent of potential breakaways say they are more likely to break away than they were six months earlier.

Brokers in the study also expressed increasing confidence in their ability to make a successful move, manage an independent practice and overcome challenges.

Nearly all (99 percent) of the broker respondents say that clients place their trust in them, the advisor, not the brand of their employer. Indeed, 80 percent believe they don't need their employer's brand name to grow their own practice. Likewise, 87 percent anticipate they will earn more as an RIA.

Many worries that have kept some brokers in their seats also may be easing. Nearly eight in 10 expect that managing their own business won't be too difficult. Seventy percent of respondents say they're not worried about giving up securities licenses or even the prospect of being sued by their employers when they depart the firm.

"Our survey reveals that the level of confidence in making the move to independence has increased among prospects, while some of the fears that keep brokers in their seats have abated," said Collins. "As more brokers successfully make the move and sustain a migration trend going strong for more than a decade, the independent RIA has clearly become the place to be."

To be sure, potential breakaways who said they planned to make a move in the near term -- in the next 12 months -- fell to 33 percent in the latest survey from 55 percent in the fall.

Yet the motivating factors that have driven breakaway activity remain. Many brokers remain dissatisfied with the leadership of their current employers. Potential breakaways desire greater control over how they manage their practice and the freedom to serve their clients' interests first. There is also the opportunity to earn more. Three out of four potential breakaways believe they'll make more as an independent RIA -- the equivalent of a 61 percent payout.

And according to the many brokers who have already made the move to the RIA channel, the grass really is greener: 77 percent of respondents say their quality of life is better now as an independent RIA.

Those who have broken away report that making the transition was less challenging than they'd been led to believe: 80 percent of RIAs in the survey said their move to independence was easier than expected while 78 percent said they successfully transitioned all their clients to their new firms. Likewise, managing compliance and other operational issues proved to be far less daunting than expected.

"Advisors often table their own career plans and focus on clients during difficult times, so it's little surprise they're tapping the brakes on breaking away," said Collins. "We fully that expect breakaway activity will pick right back up when the environment improves, as more brokers will seek out the control, earnings potential and client-first environment of an independent RIA."

To Learn More

To download a summary report from the Spring 2020 **Break Away to Independence Survey**, [click here](#).

Advisors that work with TD Ameritrade Institutional also can access [RIAConnect®](#), a new online platform that can connect RIA firms with potential M&A opportunities as well as individual advisors and next generation talent looking to join an advisory firm.

Brokers that may be considering a move to the RIA channel can visit the TD Ameritrade Institutional [Exploring your Independence™](#) business evaluator tool, which enables advisors to run their own numbers to see if making the move to an RIA is the right choice.

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About the Survey

Escalent, an independent research firm, in April and May 2020 surveyed 120 brokers as well as 330 existing independent RIAs on behalf of TD Ameritrade Institutional. These brokers and investment advisors were asked to share their views on the industry, their employers, which factors encouraged them to consider a move to independence and those that served as deterrents. The margin of error for this survey is +/- 5.8 percent.

About TD Ameritrade Institutional

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

². TD Ameritrade Institutional, *Break Away to Independence Fall 2019 Survey*, <https://www.amtd.com/news-and-stories/press-releases/press-release-details/2020/More-Than-Ever-Brokers-Are-Keen-to-Join-the-Independence-Movement-New-Survey-Commissioned-by-TD-Ameritrade-Institutional-Finds/default.aspx>

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