Executive summary

Advisor optimism is at all-time highs
- 50% of RIAs are optimistic about the US economy, 18% are very optimistic
- 58% are optimistic in their global economic outlook
- Advisors say economy, earnings and trade headlines will impact client portfolios
- They expect IT, health care and financials sectors to outperform in 2020

2019 brought growth and change for RIAs
- Clients, revenues and AUM increased, with more of the same expected in 2020
- Most new clients came from national brokerages or were self-directed
- RIAs had their biggest increase in spending on tech in 2019
- Client interest in stakeholder-driven and ‘grass-roots’ investing is high
- Advisors are delegating more investment management to third parties
- $0 commissions on ETF trading is not an automatic deal-maker, say RIAs
Executive summary

In 2020, RIAs will combine tech and traditional tactics to attract new clients
• In 2020, their marketing spend will get the biggest boost
• Top marketing picks: referrals, social media / online engagement and events
• Performance reporting & CRM tied for the #1 tech investment in 2020
• Newer tech – video conferencing & texting - is helping to foster relationships
• RIAs spend more time with their clients than 5 years ago, largely discussing things other than investments

RIAs are keeping an eye on M&A for now, trend-watching
• Most expect M&A to accelerate, but they have no immediate plans to sell
• Though many have been approached about a deal, roughly a third are simply not interested in M&A...yet.
Methodology

Results for the TD Ameritrade Institutional 2020 RIA Sentiment Survey are based on an email survey, conducted by MaritzCX on behalf of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., between Nov. 22 and Dec. 1, 2019.

301 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 2020
RIAs have a bright outlook on the U.S. economy

Q4. N=301. Again looking ahead to the next six months, what is your outlook for the U.S. economy through the first half of 2020? (ONE RESPONSE)
Overall optimism is as high as ever.

Q4. N=301. Again looking ahead to the next six months, what is your outlook for the U.S. economy through the first half of 2020? (ONE RESPONSE)
Even the global economic outlook looks brighter, say RIAs

Q3. N=301. Looking ahead to the next six months, what is your outlook for the global economy through the first half of 2020? (ONE RESPONSE)
Half of RIAs are bullish on equities

2020 Outlook for Stocks

- 2019: 22% Increase, 31% Stay the same, 47% Decrease
- 2020: 15% Increase, 34% Stay the same

2020 Outlook for Bonds

- 2019: 45% Increase, 35% Stay the same, 19% Decrease
- 2020: 19% Increase, 69% Stay the same, 12% Decrease

Q5. N=301. What is your outlook on the U.S. stock market overall through the first half of 2020? (ONE RESPONSE)
Q6. N=301. What is your outlook on the U.S. bond market through the first half of 2020? (ONE RESPONSE)
Economy, earnings and trade headlines impact investments the most

Top 2020 Headlines Impacting Client Portfolios

<table>
<thead>
<tr>
<th>Event</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. economy</td>
<td>68%</td>
</tr>
<tr>
<td>Corporate earnings</td>
<td>66%</td>
</tr>
<tr>
<td>Trade tensions</td>
<td>65%</td>
</tr>
<tr>
<td>U.S. presidential elections</td>
<td>54%</td>
</tr>
<tr>
<td>Global economy</td>
<td>53%</td>
</tr>
<tr>
<td>Geopolitical tensions</td>
<td>45%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>44%</td>
</tr>
<tr>
<td>Energy prices</td>
<td>19%</td>
</tr>
</tbody>
</table>

Q7. N=301. Which of the following headlines are you watching for their potential impact on your clients' portfolios? (CHOOSE ALL THAT APPLY)
RIAs say IT, health care and financials will outperform in 2020

Top Performing Sectors in 2020

IT
- 42%

Health Care
- 40%

Financials
- 34%

28% Consumer Staples
23% Energy
22% Communications Services
20% Consumer Discretionary
18% Utilities
13% Telecoms
10% Industrials
7% Materials

Q8a. N=301. Which of the sectors do you expect to outperform in 2020 (ACCEPT 3 RESPONSES)
Investing
Advisors say clients lean toward ESG, cannabis investments

<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>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Pot- or cannabis-related stocks</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Private investments (i.e., private equity, venture capital)</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Alternative strategies (i.e., hedge funds)</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Participation in IPOs</td>
<td>32%</td>
<td>68%</td>
</tr>
<tr>
<td>Physical commodities</td>
<td>32%</td>
<td>68%</td>
</tr>
<tr>
<td>Cryptocurrencies</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>Futures/Forex</td>
<td>13%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Q11b. N=301. Please characterize your clients’ overall level of interest in the following asset categories. (SELECT ONE)
$0 ETF commissions are nice, but not always needed

Importance of $0 ETF Commissions in Investment Allocation

- $0 ETF commissions will not influence my decision to use ETFs versus MFs: 64%
- I will allocate more assets to ETFs: 32%
- I will move money out of mutual funds and into ETFs: 14%
- I will allocate more assets to mutual funds: 2%
- I will move money out of ETFs and into mutual funds: 0%

Q68. N=301. Now that ETFs trade with $0 commissions nearly everywhere, how will your allocation of client assets to ETFs and mutual funds change in? (SELECT ALL THAT APPLY)
Momentum for investment outsourcing is building

RIA Usage of Third-Party Investment Managers

2020

- No: 71%
- Yes: 29%

2019

- Do it all in-house: 81%
- Use an investment manager: 14%
- Use a TAMP: 4%
- Use a robo: 1%

2018

- Do it all in-house: 90%
- Use an investment manager: 6%
- Use a TAMP: 4%
- Use a robo: 0%

Q12. N=301. Does your firm delegate investment selection to a third party? (ONE RESPONSE)
Firm Growth
RIA enjoyed positive gains in 2019

2019 New Client Growth
- Increased: 71%
- Decreased: 4%
- Remained about the same: 25%

Revenue Growth
- Increased: 75%
- Decreased: 4%
- Remained about the same: 21%

Average Increase: 12%

Q15. N=301. Has the total number of clients served by your firm decreased, increased or remained about the same over the past six months? (ONE RESPONSE)
Q16. N=188. By approximately what percentage has your firm’s client base grown?
Q21. N=301. Over the past six months, has your firm’s revenue decreased, increased or remained about the same? (ONE RESPONSE)
Q22. N=190. By approximately what percentage has your firm’s revenue grown?

Average Increase: 14%
RIAs are on track for more growth in 2020

Q18. N=301. Have your firm’s total assets under management decreased, increased, or remained about the same over the past six months? (ONE RESPONSE)

Q19. N=212. By approximately what percentage has your firm’s AUM grown?

Q25. N=301. In 2020, what is your outlook for your firm’s assets under management relative to 2019?

Average Increase: 16%
Nearly a third of new clients left brokers for RIAs

Sources of New Clients:
- Self-directed investors or client new to investing: 29%
- National / Wirehouse brokerages: 26%
- Other: 25%
- Other RIAs: 9%
- Independent broker-dealers: 7%
- M&A or new advisor/partner onboarding: 1%
- Banks: 2%
- Insurance companies: 1%
- Roboadvisors: 0%

Clients from Commissioned Brokers: 33%

Q24. N=301. Over the past year, from where did the majority of your firm's new client assets come? (ONE RESPONSE)
RIAs marry hi-tech with hi-touch to woo clients in 2020

Top Marketing Initiatives for 2020

- Asking clients for referrals 63%
- Social media 32%
- Upgrade online presence 32%
- Seminars and events 28%
- Sharing curated and original content 15%
- Direct mail or email 12%
- Podcast 4%
- Print or broadcast advertising 5%
- Sponsorships 6%
- Getting quoted in or appearing in the press 8%
- Firm rebranding 10%

Q32b. N=301. What are your top marketing initiatives in 2020? (SELECT 3)
### Biggest Spending Increases in 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>14%</td>
</tr>
<tr>
<td>Legal/Compliance</td>
<td>20%</td>
</tr>
<tr>
<td>Technology</td>
<td>38%</td>
</tr>
</tbody>
</table>

### 2020 Expected Spending Increases

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal/Compliance</td>
<td>14%</td>
</tr>
<tr>
<td>Technology</td>
<td>23%</td>
</tr>
<tr>
<td>Marketing</td>
<td>26%</td>
</tr>
</tbody>
</table>

### Biggest RIA Management Challenges

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>32%</td>
</tr>
<tr>
<td>Succession</td>
<td>36%</td>
</tr>
<tr>
<td>Legal/Compliance</td>
<td>48%</td>
</tr>
</tbody>
</table>

Q33. N=301. In 2019, where did your firm realize the biggest increase in spending? (ONE RESPONSE)

Q13. N=301. Which of following is your biggest firm management or operational challenges? Please select up to 3.

Q35. In 2020, where do you expect your firm will realize the biggest increase in spending? (ONE RESPONSE)
Spotlight on:
Technology
RIAs spending 2020 tech dollars on performance reporting & CRM tools

Top RIA Tech Investments in 2020

Performance reporting: 43%
- 36% Financial planning
- 31% Client portal
- 29% Social media tools

CRM tools: 43%
- 23% Digital doc/eSignature
- 17% Rebalancing software
- 9% AI-enabled devices/apps

Cybersecurity: 37%
- 4% Robo-advice solutions

Q39a. N=301. Where are you making significant technology investments in 2020? (SELECT ALL THAT APPLY)
RIAs are embracing **video-conferencing** and secure texting

### RIA Usage of Newer Tech Tools in Client Communication

<table>
<thead>
<tr>
<th>Tool Type</th>
<th>Currently do</th>
<th>Exploring for 2020</th>
<th>Not considering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented reality or virtual reality tools</td>
<td>2%</td>
<td>11%</td>
<td>87%</td>
</tr>
<tr>
<td>Videoconferencing</td>
<td>36%</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>Secure texting</td>
<td>14%</td>
<td>41%</td>
<td>45%</td>
</tr>
<tr>
<td>Personalized videos</td>
<td>9%</td>
<td>35%</td>
<td>56%</td>
</tr>
<tr>
<td>YouTube Channel</td>
<td>7%</td>
<td>20%</td>
<td>73%</td>
</tr>
<tr>
<td>Podcasts</td>
<td>6%</td>
<td>26%</td>
<td>68%</td>
</tr>
<tr>
<td>AI-enabled applications or devices</td>
<td>6%</td>
<td>46%</td>
<td>78%</td>
</tr>
<tr>
<td>Robo-assistants for the front office</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
</tr>
<tr>
<td>Flash briefings</td>
<td>2%</td>
<td>11%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Q60. N=301. For each of the following, indicate whether this is something your firm currently does, is exploring for 2020 or is not yet considering.
RIAs have upped the ante on client communications

47% of advisors’ time with clients is spent talking about topics other than investment management.

53% of RIAs spend at least 50% or more of their time with clients talking about “other things”.

**Time Spent on Client Communications vs 5 Years Ago**

- **23%** - more
- **71%** - about the same
- **6%** - less

Q63. N=301. What percentage of your time with clients is spent talking about topics and issues other than those related to investment management?
Q64. N=301. Is this amount of time more or less than five years ago?
RIAs say M&A is accelerating, but not all are ready to make a move

Q37a. N=301. Using a scale of 1-5 where 1 is not interested at all and 5 is extremely interested, how interested are you in considering M&A as a potential growth strategy?

(SELECT ONE)

- Not interested at all: 33%
- 11%
- 23%
- 18%
- 15%
- Extremely interested: 33%

What’s your outlook for the pace of M&A in the RIA industry for 2020?

- Accelerate: 67%
- Stay the same: 30%
- Decrease: 3%

Are you contemplating selling your firm in the next two years (2020-2021)?

- Yes: 10%
- No: 91%

Have you been approached by a potential acquirer in 2019 (i.e., another RIA, aggregator firms, private equity)?

- Yes: 45%
- No: 55%

Q37a. N=301. Using a scale of 1-5 where 1 is not interested at all and 5 is extremely interested, how interested are you in considering M&A as a potential growth strategy? (SELECT ONE)
About the survey
Survey demographics

- **Gender**
  - Female: 13%
  - Male: 87%

- **Average age**: 57

- **Ethnicity**
  - Caucasian (non-Hispanic): 94%
  - African-American (non-Hispanic): 1%
  - Asian/Pacific Islanders: 1%
  - Latino or Hispanic: 2%
  - Other: 2%

- **Job title**
  - Owner, President, CEO, Partner, Principal: 76%
  - Chief Investment Officer: 3%
  - Financial Advisor, Investment Manager, Portfolio: 4%
  - Registered Investment Advisor (RIA), Investment Advisor: 3%
  - CFP/Financial Planner: 3%

- **Average total assets under management**: $143M
About TD Ameritrade Institutional

TD Ameritrade Institutional empowers more than 7,000 independent registered investment advisors to transform the lives of their clients. It provides powerful technology and resources that help simplify running a business and let advisors spend more time doing what matters most — serving their clients. Through meaningful innovation, steadfast advocacy and unwavering service, TD Ameritrade Institutional supports RIAs as they build businesses that positively impact their clients and communities. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC, a brokerage subsidiary of TD Ameritrade Holding Corp.

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