

TD Ameritrade Institutional 2020 Break Away To Independence Survey

January 2020

About the Survey

- The TD Ameritrade Institutional¹ **2020 Break Away to Independence Survey** was developed to help understand what motivates seasoned financial professionals at full-service broker-dealers and independent broker dealers to consider making the transition to the independent registered investment advisor (RIA) channel.
- Independent research firm Escalent, on behalf of TD Ameritrade Institutional, in October and November 2019 conducted an online survey. Responses were completed by 349 established independent RIAs and by 100 brokers who say they might go independent within two to three years. The latter group is referred to as "potential breakaways" throughout this report.
- Broker respondents are, on average, 51 years old with 20 years of experience and oversee about \$95 million in client assets. These respondents have been with their current employer for 12 years, on average. RIA respondents are, on average, 51 years old, oversee \$213.8 million in client assets, have worked as advisors for 15 years and have been with their current firm for 12 years.
- The margin of error for this survey is +/- 5.8%.
- TD Ameritrade Institutional and Escalent are separate and unaffiliated and not responsible for each other's services and policies.

Important Information



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.

About TD Ameritrade Holding Corporation

TD Ameritrade provides investing services and education to more than 12 million client accounts totaling approximately \$1.3 trillion in assets, and custodial services to more than 7,000 registered investment advisors. We are a leader in U.S. retail trading, executing an average of approximately 850,000 trades per day for our clients, more than a quarter of which come from mobile devices. We have a proud history of innovation, dating back to our start in 1975, and today our team of 10,000-strong is committed to carrying it forward. Together, we are leveraging the latest in cutting edge technologies and one-on-one client care to transform lives, and investing, for the better. Learn more by visiting TD Ameritrade's newsroom at www.amtd.com, or read our stories at Fresh Accounts.

Brokerage services provided by TD Ameritrade, Inc., member FINRA (www.FINRA.org) / SIPC (www.SIPC.org).

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

Interest in breaking away to independence continues to grow

- Overall, 55% of prospective breakaways say they are likely to move in the next 12 months (up 11pp versus Spring 2019).
- Nearly half of prospective breakaway brokers are more interested in moving than they were 6 months ago.

Regulatory and pricing pressures have likely reached a tipping point

- The regulatory environment and pricing pressure continue to mount and are the main challenges facing brokerages.
- Potential breakaways say attracting new clients at their current firms is #1 challenge, followed by withdrawals by aging clients.

Greater control and compensation remain the top reasons driving the move to independence

- 3 in 4 believe they'll earn more as independent RIAs.
- Also, a notably higher proportion (53%) are willing to move for a modest bump in income.

Executive summary

More potential breakaways want to acquire or merge with existing firms

- Nearly half (48%) plan to acquire or merge with an existing firm.
- The appeal of joining an existing RIA firm declined compared to six months ago (9% vs. 33%).

Despite their confidence, potential breakaways predict a difficult transition

- All potential breakaways claim to have the backing of their clients.
- But 69% worry that the transition will be too difficult, with legal/compliance issues a top concern.

Those who made the move to the independent RIA channel report a better life

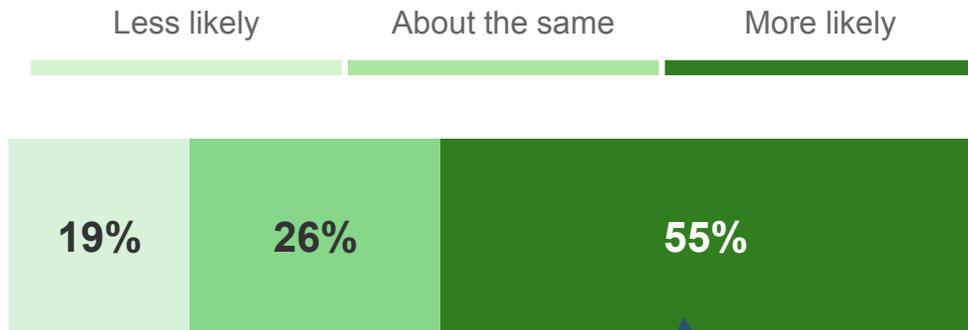
- 80% say that quality of life is better
- 75% say the transition was easier than expected.
- 70% say separating from their employer's brand helped their bottom line
- 72% say technology is better than expected

Rationale For Independence



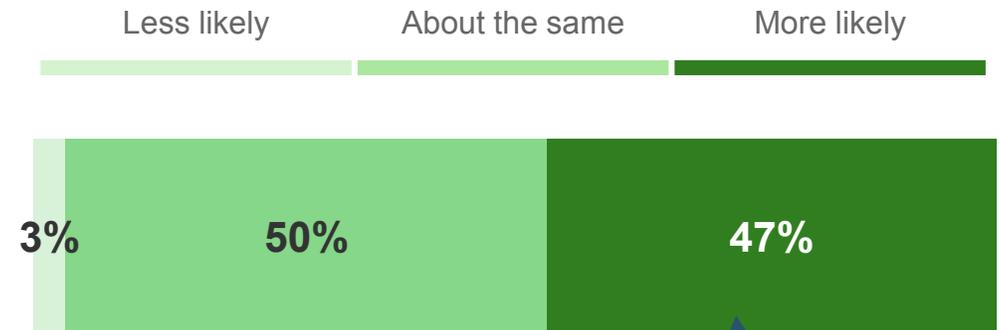
The momentum towards independence grows...

Likelihood to move to a new firm in the next 12 months



vs. 44% in Spring '19

Likelihood of breaking away vs. 6 months ago



vs. 46% in Spring '19



Regulatory issues, revenue compel breakaways to look for the exits

Top Challenges Facing Current Employer

	Regulatory environment	65%
	Pricing pressure	46%
	Aging client base	29%
	Public trust in financial firms like ours	28%
	Increasing demand for fee based pricing	22%

Top Challenges Facing My Practice

	Attracting new clients/increasing revenue	57%
	Aging clients could lead to withdrawals and net outflows	53%
	Changing compensation structure	27%
	Our firm's technology is obsolete	40%
	Changing corporate culture	14%

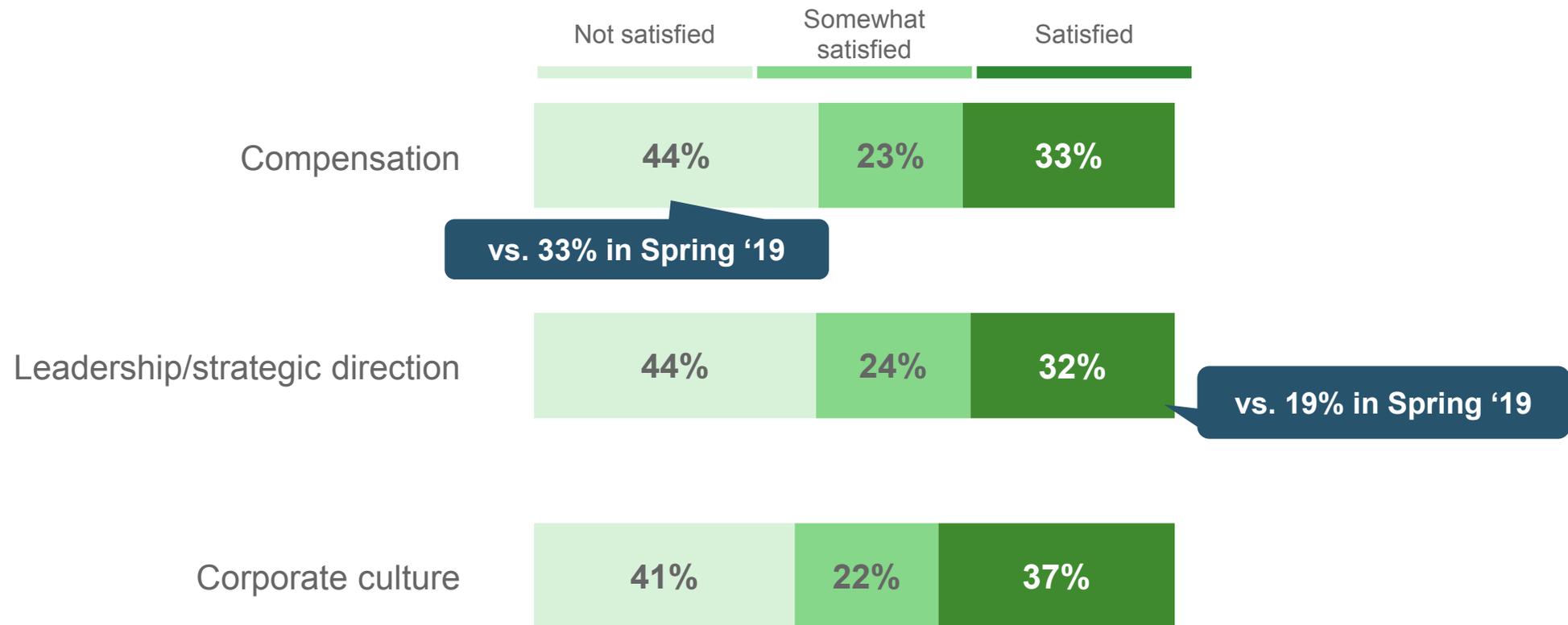
BSM2. In your opinion, what are some of the most important challenges facing your employer? (Base: Potential Breakaways; n=100)

BSM3. In your opinion, what are some of the most important challenges facing your practice? (Base: Potential Breakaways; n=100)



Inside brokerages, comp and culture still disappoint

Breakaways' Biggest Dissatisfactions With Current Employer



↑/↓ indicate significant difference versus Spring 2019 at 95% confidence level
BSM1. How satisfied are you with each of the following aspects at your current firm? (Base: Potential Breakaways; n=100)



Breakaways desire more control, better compensation

Top Reasons To Go Independent

More control over my business **35%**

Higher compensation **31%**

Freedom to work with clients how I want **14%**

Better quality of life **12%** 

80% of RIAs say that their current quality of life is better than when they were at a brokerage.

Freedom to select the investments that I believe are best for my clients **8%** 

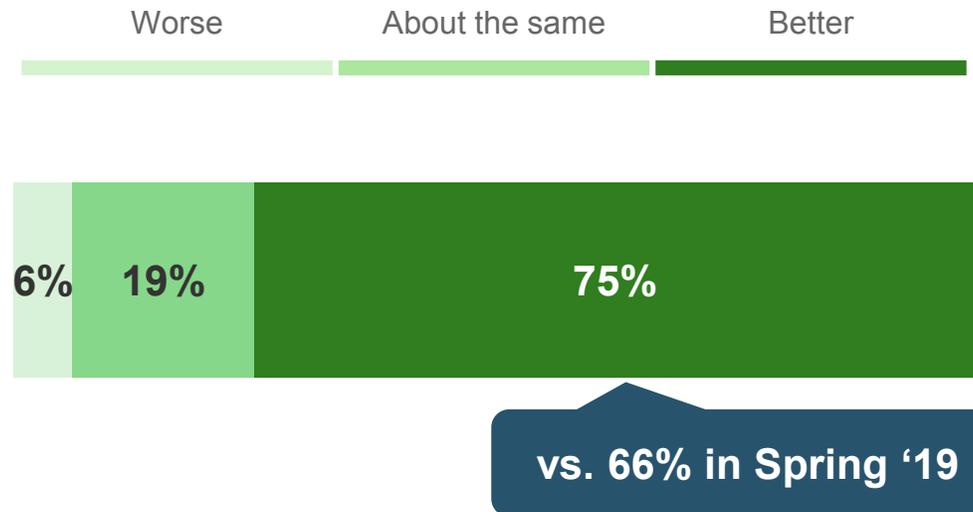
90% of RIAs say they didn't have issues accessing a range of investment products after making a move.



Breakaways anticipate higher compensation as an independent RIA

A higher proportion believe they personally would fare better in the independent RIA channel

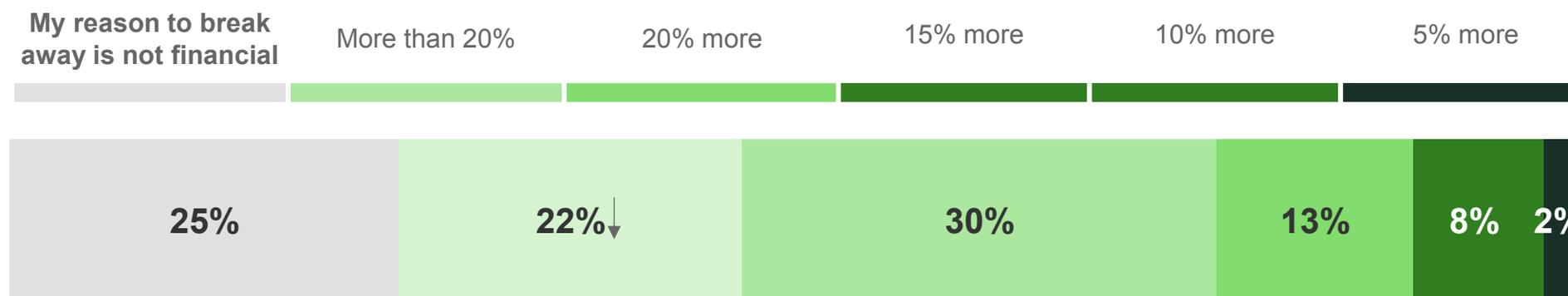
Expected RIA Compensation vs. Payout at Current Firm





One in four would go independent for non-financial reasons

To move to independence now, my income would need to be...



↑/↓ indicate significant difference versus Spring 2019 at 95% confidence level

BSM7A. If you could be assured a certain level of income in your first year in the Independent/RIA channel, how much additional income would you need to make the move now? (Base: Potential Breakaways; n=100)

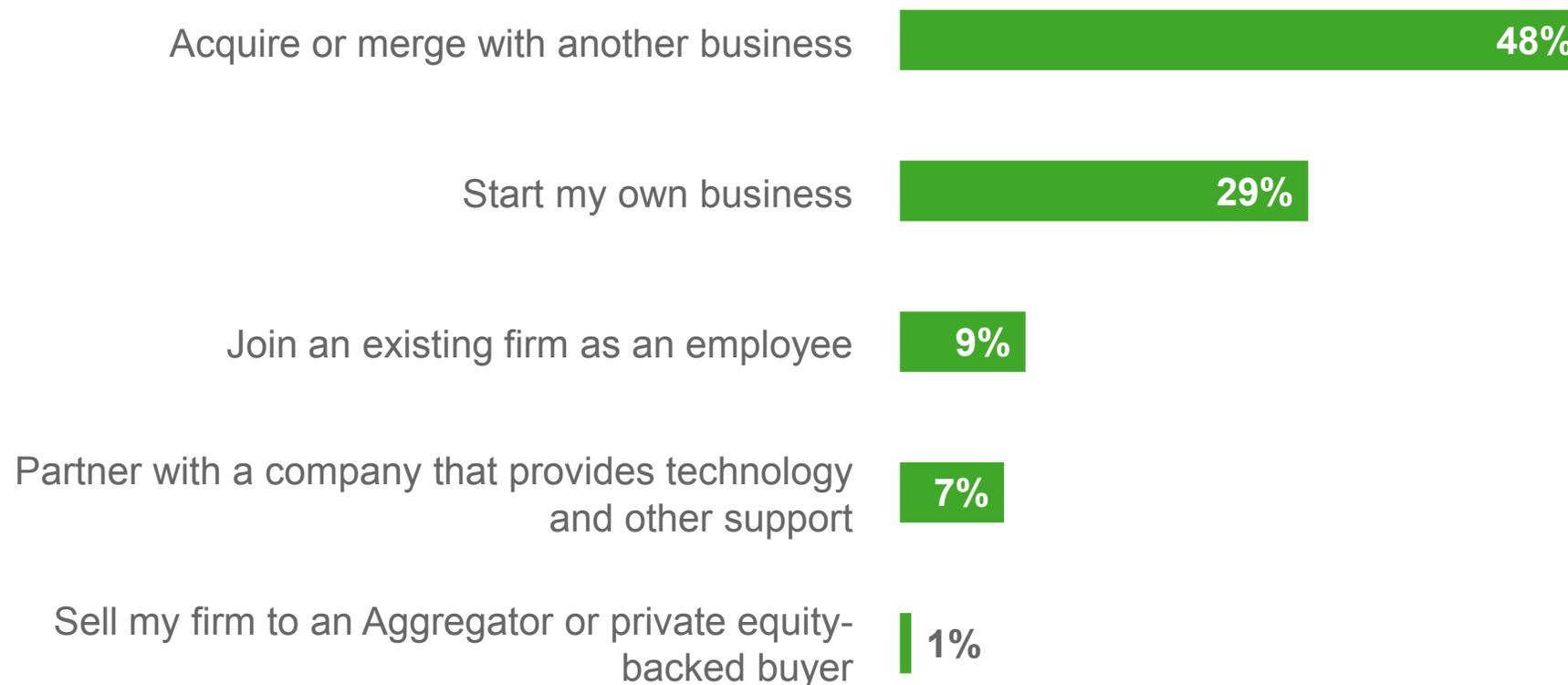
The Path To Independence



Nearly half willing to merge into an existing RIA practice

Potential breakaways are less open to join existing firms as an employee

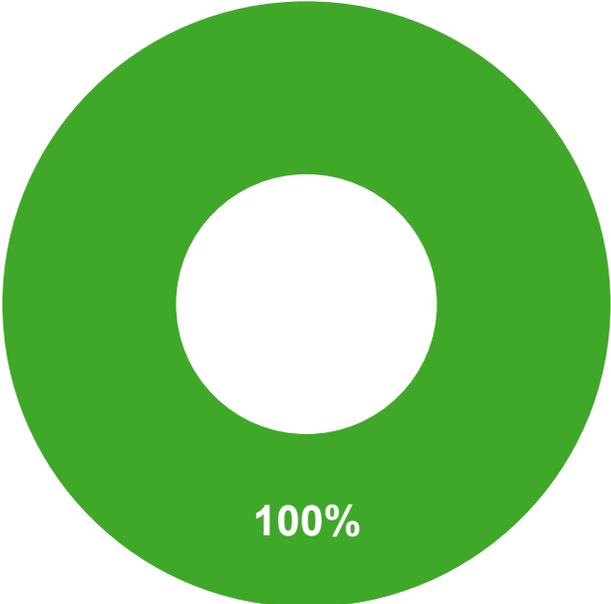
Ideal Path To Becoming an Independent RIA





Client trust is a confidence builder when considering a move

Potential Breakaways: 100% of my clients trust me



- My clients trust my company's brand
- My clients trust me personally

Perceptions about the independent path

Potential Breakaways Who Agree

I will make more money as an independent advisor	85%
I don't worry that my employer will sue me if I leave	79%
I will be able to grow without a big national brand name	74%
Managing my own business won't be too difficult	71%

BSM1A. Which of the following is closer to your views? (Base: Potential Breakaways; n=100)
BSM11. For each of the following statements on making a move to independence, please indicate whether you agree or disagree? (Base: Potential Breakaways; n=100)



Fear of the unknown holds some breakaways back

Why Potential Breakaways Delay Independence

*Potential Breakaways
Who Agree*

The transition to independence seems to be too difficult **69%**

.....
Managing legal/compliance issues will be too difficult **60%**

.....
I put my own plans on hold during periods of
heightened market volatility or a market downturn **56%**

.....
My practice isn't large enough to become an RIA **56%**

BSM11. For each of the following statements on making a move to independence, please indicate whether you agree or disagree? (Base: Potential Breakaways; n=100)

Views of Advisors Who Made the Switch



RIAs say their transition was easier than anticipated, while benefits exceeded expectations

RIAs reflect on going independent

RIAs in Agreement

I had no issues accessing a broad range of investment products

90%

The transition to RIA model was easier than I imagined

75%

I transitioned the clients I wanted to keep when I became an RIA

75%

The technology is better than I had expected

72%

Losing the national brand was better for bottom line

70%

Managing my own business was easier than I had anticipated

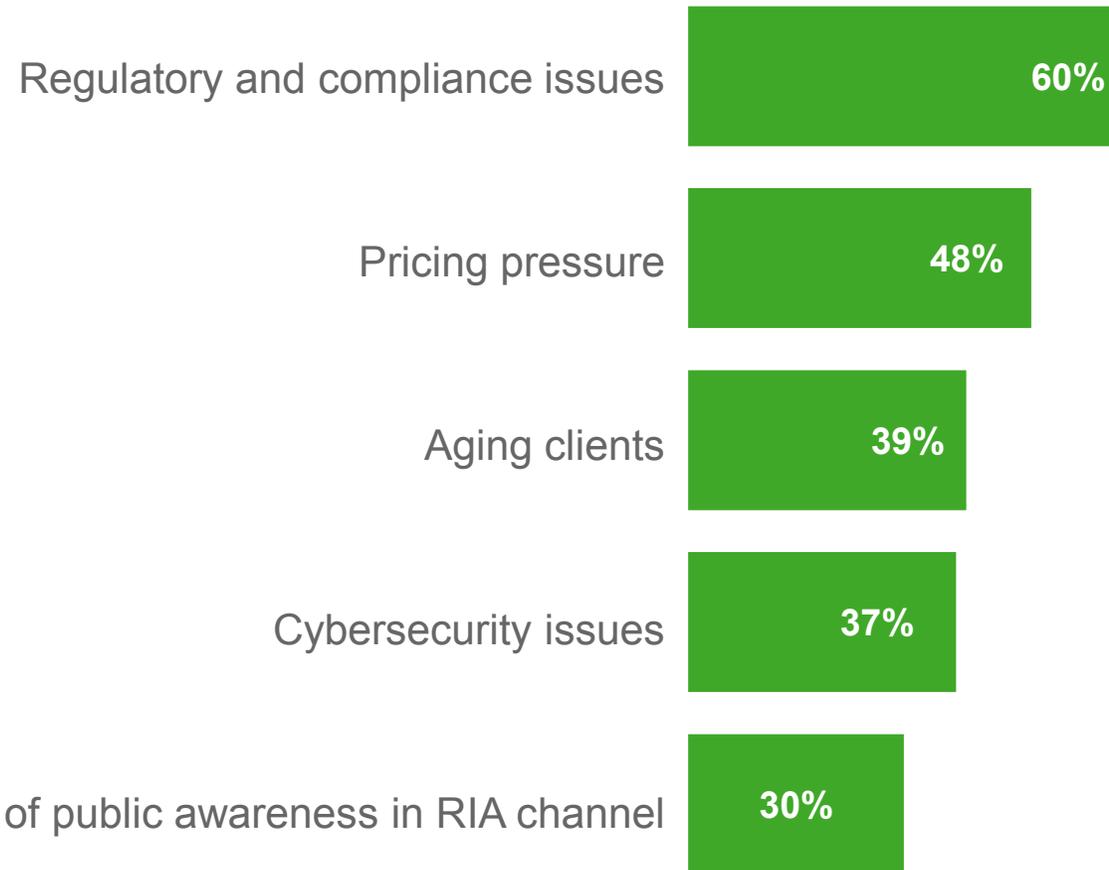
64%



RIAs grapple with same industry issues as others

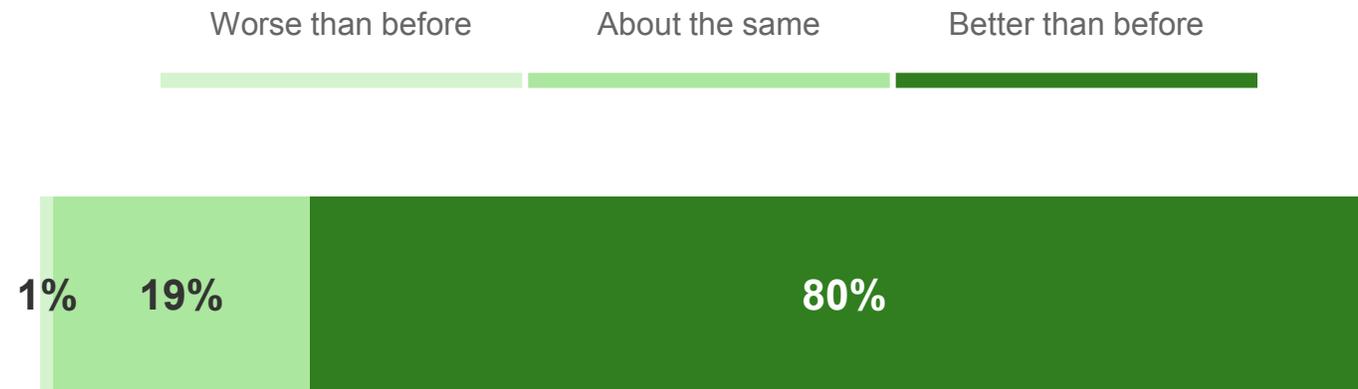
Top Industry Challenges

Top Firm Challenges



Eight in 10 RIAs say life is better as an independent

Quality Of Life After Becoming An Independent RIA



Appendix

Survey Demographics

Potential Breakaway to Independent Channel



100

Broker who is likely to transition to independence in the next 2-3 years



Average AUM **\$95M**



Average Age **51 yrs.**



Average Tenure At Current Firm **12 yrs.**



Average Tenure As An Advisor **20 yrs.**



Average Number Of Weekly Working Hours **44 hrs.**

Survey Demographics

RIA



349

Advisor who already transitioned to the independent RIA channel – either as an owner, partner or employee



Average Firm AUM **\$213.8M**



Average Age **51 yrs.**



Average Tenure At Current Firm **12 yrs.**



Average Tenure As An Advisor **15 yrs.**



Average Number Of Weekly Working Hours **41 hrs.**

