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Tax Cuts Sustain Bullish Outlook Among RIAs, TD Ameritrade Survey Finds

Independent RIAs Flock to ETFs for New Client Assets in 2018

JERSEY CITY, N.J., Jan. 9, 2018 – Company earnings and interest rates may drive the markets, but the new U.S. tax plan will impact individual investors the most in 2018, independent registered investment advisors (RIAs) tell TD Ameritrade Institutional[1] in its latest survey.

In the TD Ameritrade Institutional *2018 RIA Sentiment Survey,* RIAs also say they expect their own businesses to keep booming this year, cementing a decade of strong growth since the global financial crisis.

The survey also reveals that seven in 10 RIAs are carrying over last year's exuberance for the U.S. and global economies into 2018, perhaps bolstered by the highs reached by all major market indices in 2017.

These advisors predict the financials, materials, industrials and technology sectors will get the biggest boost. About half say equities have more room to run, and a similar amount expect bonds to decline in the current interest rate environment.

But RIAs surveyed recognize that everyone may not share their rosy outlook for 2018. They report that their clients are most concerned about retirement issues, followed by taxes and estate planning issues.

"Looking ahead to 2018, RIAs generally like what they see - for their clients and for themselves," said Vanessa Oligino, Director, Business Performance Solutions, TD Ameritrade Institutional. "And when it comes to capitalizing on the current climate for their clients, independent advisors increasingly look to ETFs as their investment vehicle of choice."

Three hundred RIAs overseeing $161 million in client assets, on average, participated in the latest annual sentiment survey, which was fielded between November 27 and December 7, 2017, during Congressional negotiations on tax legislation.

RIAs Prefer ETFs

When it comes to investing client assets, more than half of independent RIAs say they use ETFs more than mutual funds or individual stocks.

A third say assets for new ETF investments will come from cash in 2018, and 27 percent say they will come from the sale of mutual funds. RIAs are less apt to sell stocks to fund new ETF purchases, however: just 9 percent say the sale of individual securities will fund new ETF investments.

Although factors such as performance and total costs are important, advisors say the construction of the underlying index is the main reason they chose a particular ETF.

This year's survey also revealed that most RIAs do not buy or switch ETFs simply because new offerings have been introduced by a particular sponsor. Instead, advisors say their selections are guided by asset allocation strategies or lower costs.

Growing RIAs Expect Another Boost in 2018

For much of the past decade, the RIA industry has enjoyed growth amid the second-longest bull market since World War II. As they look ahead, advisors surveyed are forecasting more of the same in 2018. Seventy-eight percent expect their firm's assets under management to rise in 2018 and nearly half say assets will grow faster than they did in 2017.

These sunny projections come on the heels of a largely successful 2017. RIAs report that during the latter half of the year, revenues grew on average by 15 percent, while assets under management grew by 16 percent.

Sixty-five percent of RIAs gained new clients last year, for an average growth rate of 16 percent. Advisors say their biggest pipeline for new clients remains the full-service brokerage firms: investors leaving national full-service broker-dealers made up more than a third of their new clients in 2017.

Growth takes investment, and RIAs are committing resources to developing their firms. Last year, technology as well as legal and compliance matters dominated firm spending. RIAs predict they will make their biggest investments in marketing and hiring in 2018, in keeping with their top strategic priorities: marketing and enhancing the client experience.

These RIAs say that technology investments that will improve their client experience - such as digital documents and e-signature, and CRM tools - are on the table for 2018.

Could anything trip up their momentum in 2018? Advisors say regulations are their biggest potential roadblock as well as a lack of consumer awareness about what makes independent RIAs different from other financial services providers.

Just 1 percent of survey respondents are extremely concerned about the threat of robo-advisors on their business.

"RIAs naturally want to sustain their recent success, but they can't just sit back and expect tailwinds to propel their growth," said Oligino. "Though the competitive landscape has never been more heated, we see many independent advisors doing what's needed to help their long-term future."

Carefully consider the investment objectives, risks, charges and expenses before investing. A prospectus, obtained by calling 866-766-4015, contains this and other important information about an investment company. Read carefully before investing.

ETFs can entail risks similar to direct stock ownership, including market, sector, or industry risks. Some ETFs may involve international risk, currency risk, commodity risk, leverage risk, credit risk and interest rate risk. Trading prices may not reflect the net asset value of the underlying securities. Commission fees typically apply.

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About the Survey

The TD Ameritrade Institutional *RIA Sentiment Survey* was developed to understand the views of independent registered investment advisors (RIAs) on the economy, as well as their outlook for their firms and the RIA industry. Results are based on a telephone survey fielded by MaritzCX, on behalf of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., from November 27 through December 7, 2017. This year's survey included 300 participants handling, on average, $161 million in client assets. The margin of error is +/- 5.6%.

TD Ameritrade Institutional and Maritz are separate and unaffiliated and not responsible for each other's services or policies.

About TD Ameritrade Institutional

TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 6,000 fee-based, independent RIAs and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows investment advisors to run their practices more efficiently and effectively while optimizing time with clients. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., a brokerage subsidiary of TD Ameritrade Holding Corporation.

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TD Ameritrade provides investing services and education to more than 10 million client accounts totaling more than $1 trillion in assets, and custodial services to more than 6,000 registered investment advisors. We are a leader in U.S. retail trading, executing more than 600,000 trades per day for our clients, nearly 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.

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Source: TD Ameritrade Holding Corporation