

# How Successful RIAs Are Achieving Growth

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To drive sustainable and profitable growth over the long term, RIAs need to implement certain strategies that will help them deepen existing client relationships while prospecting for new ones. We've explored some of the ways top-producing RIAs consistently outperform their competitors by implementing new business improvements to better serve their clients, build trust, and solidify their unique value proposition with an eye towards growth.



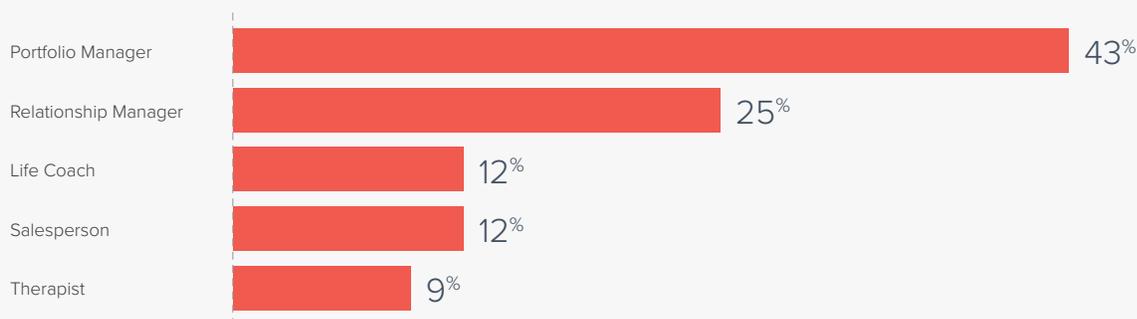
## Executive Summary

Some top-performing RIAs that focus on the client experience tend to grow faster, have better retention rates, and experience higher margins. For example, many advisors have been moving beyond commoditized investment management and started providing holistic financial advice to clients, including how to navigate life choices and offering life-coaching services that are proving to be essential in strengthening client relationships while driving competitive differentiation and market share.

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## Meeting The Diverse Needs of Today's Clients

Financial Advisors were asked to rank the following titles based on how they believe they spend their time taking on each of those roles on a daily bases.



SOURCE: Accenture. 2020 Financial Advice Reimagined. Results from a survey of North American Financial Advisors on the nature of advice.

On a deeper level, when a well-managed RIA makes the effort to document an official ideal client persona (ICP) and client value proposition (CVP), it appears they're able to differentiate themselves in an increasingly competitive landscape. Once established, RIAs can then standardize workflows around their ICP and CVP through best practices like centralized business functions, technology upgrades and strategic third-party outsourcing to help streamline operations and maximize scalability, manage risk, and build a solid infrastructure. In turn, the efficiencies generated by improved business processes help reinvest newfound time where it matters most—on client relationships.

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<sup>1</sup> Charles Schwab. 2020 RIA Benchmarking Study.

When advisors have a well-established ICP and CVP, it helps inform their decisions about how to relate to clients and determine what services might appeal most to them. A recent Charles Schwab 2020 RIA Benchmarking Study found that firms with both an established ICP and CVP have a better chance at attracting more new clients and assets. The study identified Top Performing Firms as those that rank in the top 20% of the study's Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas like client and revenue growth, net asset flows, and operating margins.

Advisors responded to the study between January and early April 2020, a time when the COVID-19 pandemic was causing unprecedented disruption. More than three-quarters of firms completed the study after March 1, when markets had already been heavily impacted by the crisis.

Firms with both a documented ideal client persona and client value proposition attracted more new clients and assets in 2019.



SOURCE: Charles Schwab, 2020 RIA Benchmarking Study.  
(Median results for all firms with \$250 million or more in AUM.)

## Sustainable Growth Requires Renewed Focus on the Client Experience

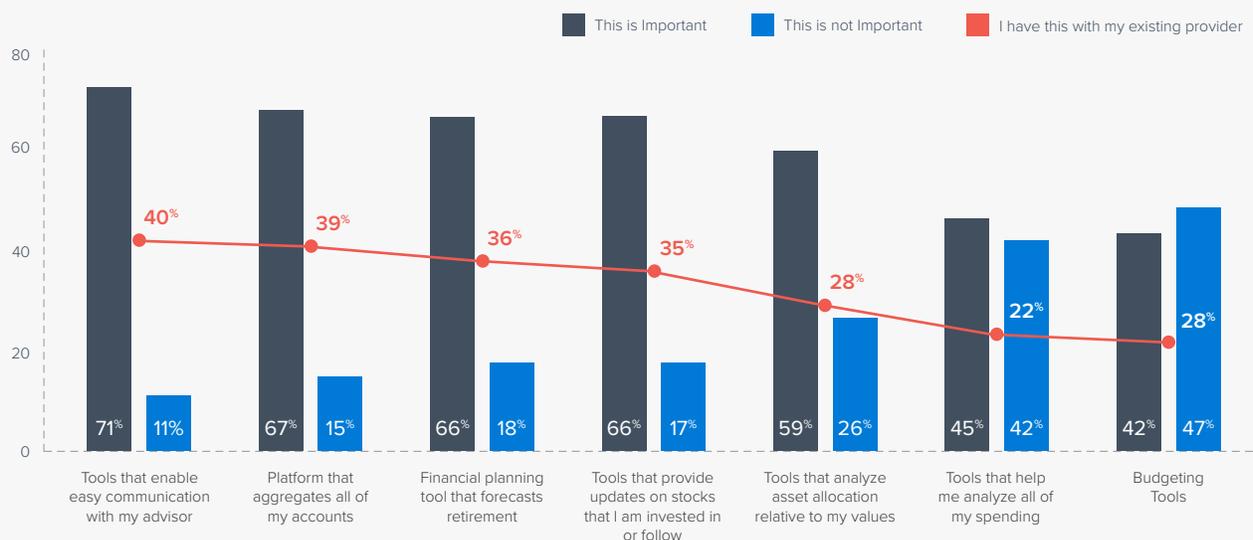
Investors are increasingly evaluating how they choose financial advisors based on their most recent experiences, so RIAs should constantly think about new ways to enhance the investment experience that they offer. Viewing your practice from the client's perspective helps you identify where you might need to make changes in your operating model to better serve them—and spend less time and money trying to serve clients who are not a good fit.

Have you asked: What do my clients view as being the most desired characteristics of a wealth management relationship? Certainly, the COVID-19 disruption has altered the landscape, intensifying the urgency for today's investors to benefit from modernized investment capabilities and services that can provide immediate updates, streamlined workflows, and real-time reporting during a time of extreme market volatility. The virtual wealth management options that are available through

today's outsourced service providers can empower advisors to dedicate more time and effort to having values-based planning conversations with their clients. Advisors then become more adept with tools and resources that help them explore their clients' values in depth, offer immediate response time, and vastly improve the client experience.

Ultimately, the goal is to grow the quantity and size of accounts managed by way of improved efficiencies associated with a better-focused client persona. But in an industry where advisors are increasingly competing for the same clients, it seems that understanding and targeting client needs and service has become ubiquitous. This is where effective communication becomes so important; making it as easy as possible for prospects to learn and understand how you can add value is as important as establishing your CVP in the first place.

### Improving The Client Experience: Upgrade Your Toolkit



SOURCE: MMI and Aon, Advisory Solutions: Expectations and Experiences

## Specialized Services Help Deepen Client Relationships

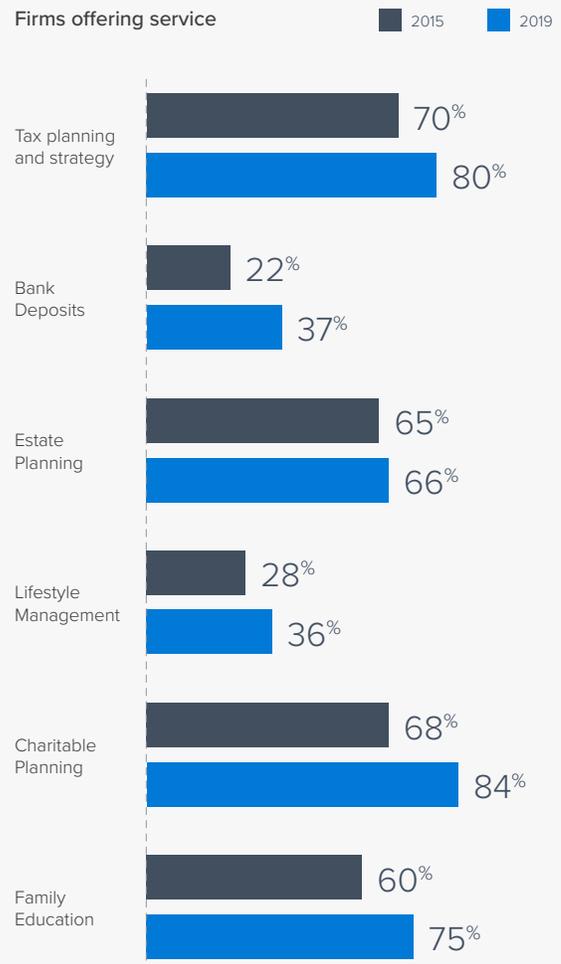
Advisors often feel pressured to articulate their value as being knowledgeable in asset allocation, investment selection, and portfolio construction. However, as the industry evolves and clients have started demanding to see an advisor's value not only in terms of their portfolio returns, but in how those returns relate to their unique goals and aspirations, advisors have morphed into relationship managers as well as being investment managers.

With recent advancements in digital portfolio management, investment management risks are becoming increasingly commoditized and represent just one piece of the overall value most RIAs provide to clients. Many investors are seeking out advisors who will help them navigate the full spectrum of their financial lives and give them confidence in their decisions. As a result, amplifying how you deliver the client experience through specialized value-added services and relationship management can make your value proposition particularly compelling.

With that in mind, it's no surprise that some top-performing RIAs have started offering certain services to help deepen their relationships with clients. Recently, advisors have started assisting clients with things like charitable and education planning, tax management, and monitoring the sustainability and societal impact of their investments through environmental, social, and governance (ESG) management. As these services become more commonplace, however, they may no longer provide the same level of differentiation and, as such, firms are realizing it's the overall experience they create and the relationships they nurture that provide differentiation.



RIAs increasingly offer value-add services to compete and deepen their value proposition.



SOURCE: Charles Schwab, 2020 RIA Benchmarking Study.

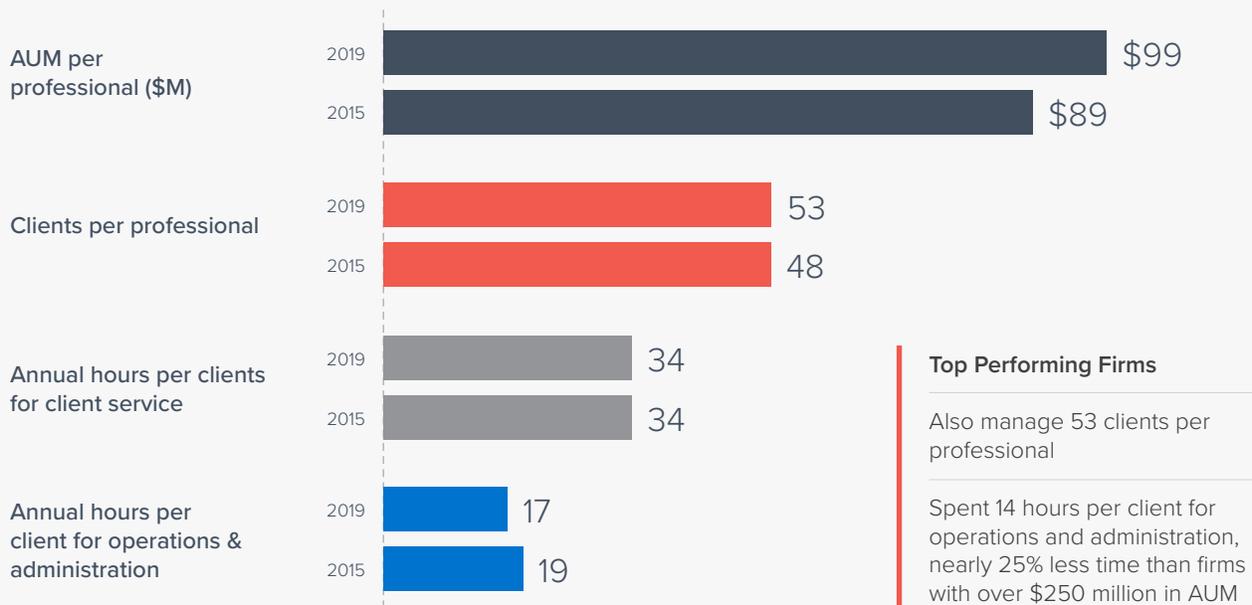
## But More Services Require More Time...Right?

Not necessarily. One of the most interesting findings of the Charles Schwab 2020 RIA Benchmarking Study showed that, by improving certain operational efficiencies while evolving with more specialized financial planning services, some top-performing RIA firms were able to manage more clients and AUM in less time.

The study shows that by centralizing certain business functions to help streamline operations, outperforming RIAs have been able to positively impact the client experience while generating more calendar space for client management. Enhanced outsourcing through strategically chosen third-party service providers have helped to heighten client satisfaction and growth by mitigating risk and providing potentially better investment outcomes.



## Advisors have maintained client service levels while increasing productivity



SOURCE: Charles Schwab. 2020 RIA Benchmarking Study

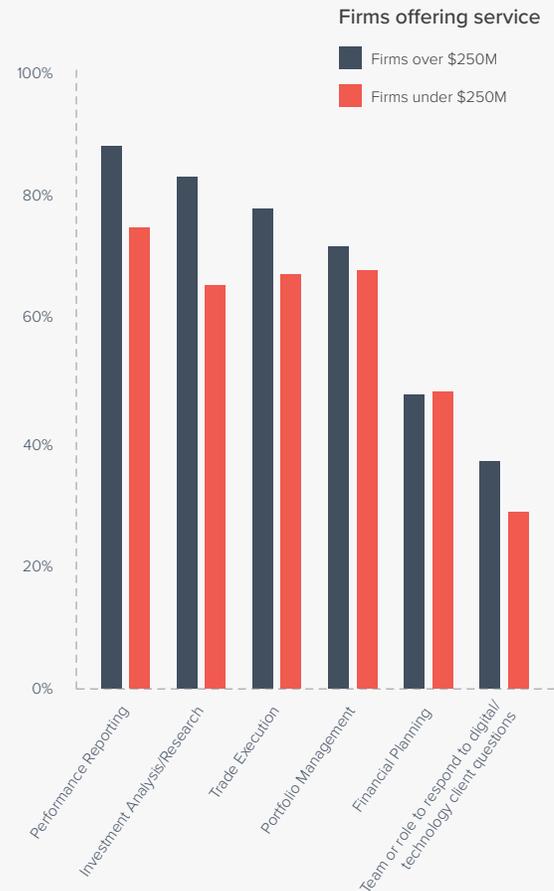
## Top-Performing RIAs Are Improving Operational Productivity

At Adhesion Wealth, we put a premium on leveraging centralized online business solutions and support services to help advisors achieve scale, improve the client experience, and streamline the advisor/client relationship. We think certain digital channels can be much more cost-effective and secure, and long-term adoption of modernized workflows can benefit the firms that embrace them.

The operational efficiencies that help create capacity for advisors to spend more time on client engagement have become even more desired during the turbulence of 2020. That's why this year we have prioritized creating strategic partnerships with providers of cutting-edge advisor performance reporting and outsourced CIO services. As the Charles Schwab 2020 RIA Benchmarking Study has indicated, advisors that prioritize operational improvements such as these tend to outperform the competition.



Centralizing business functions created efficiency and capacity to spend more time with clients.



SOURCE: Charles Schwab, 2020 RIA Benchmarking Study

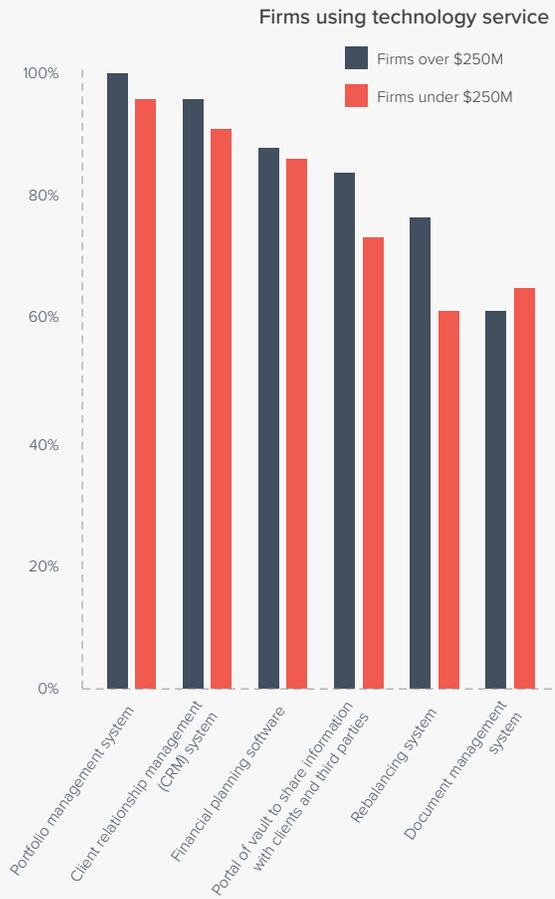
## Embracing Innovation: New Technologies & Outsourced Solutions

As we enter a new era—and as The New Normal gives way to The Next Normal—the need for RIAs to re-think their business and operating models has been accelerated by a new brand of disruption. Delegating the investment management burden onto outsourced managed account providers while enhancing their practice with new tech innovations (sometimes bundled in with outsourced services) has gained momentum in recent years as a way for advisors to upgrade their client experience. The extreme volatility of 2020 has only served to heighten advisors' consideration of these solutions.

Some top-performing RIAs are constantly looking for additional ways to deliver value and carve out more time to focus on clients, and outsourcing certain functions has proven to be a gamechanger in this area for several firms. One upside with outsourcing is that the provider's platform can help alleviate the burden of any strategic tech implementation associated with portfolio and practice management, including:

- The expense of implementing a state-of-the-art, single UMA tech interface
- Seamless, a la carte integration of tech tools based on advisor need
- Maintaining the platform by conducting updates and constantly improving it
- Supplying tech support personnel to troubleshoot any questions

Firms use a range of technologies to provide services to clients efficiently.



SOURCE: Charles Schwab, 2020 RIA Benchmarking Study

## Identifying Areas That Would Benefit from Outsourcing

While outsourcing has its roots in being a tech solutions provider, its growing popularity in recent years is equally weighted by some outsourcing providers' abilities to meet the varied demands of delivering holistic financial advice. Along with life-coaching, there is a burgeoning base of savvier investors looking for things like compressed fees, tax-advantaged solutions, and complete transparency—and they want to see it all at the click of a button.

As investors have evolved, so too have outsourced managed account solutions providers. Those at the forefront of the industry are now providing technology strategies bundled with back-office improvements like portfolio management support and advances in real-time performance reporting, the bulk of which are ultimately positioned as part of a growth strategy. As the 2020 RIA Benchmarking Study shows us, these areas make up three of the top four areas advisors have targeted as potentially benefitting from outsourcing.



Advisors identified areas of their businesses that could benefit from outsourcing help.

|   |  |     |
|---|--|-----|
| 1 | Marketing strategy                               | 33% |
| 2 | Growth strategy                                  | 30% |
| 3 | Back-office process improvements                 | 23% |
| 4 | Technology Strategy                              | 22% |
| 5 | Staff training in sales and business development | 20% |
| 6 | Cybersecurity                                    | 20% |
| 7 | Creating a digital marketing strategy            | 20% |
| 8 | Staff development through coaching and mentoring | 20% |

SOURCE: Charles Schwab, 2020 RIA Benchmarking Study

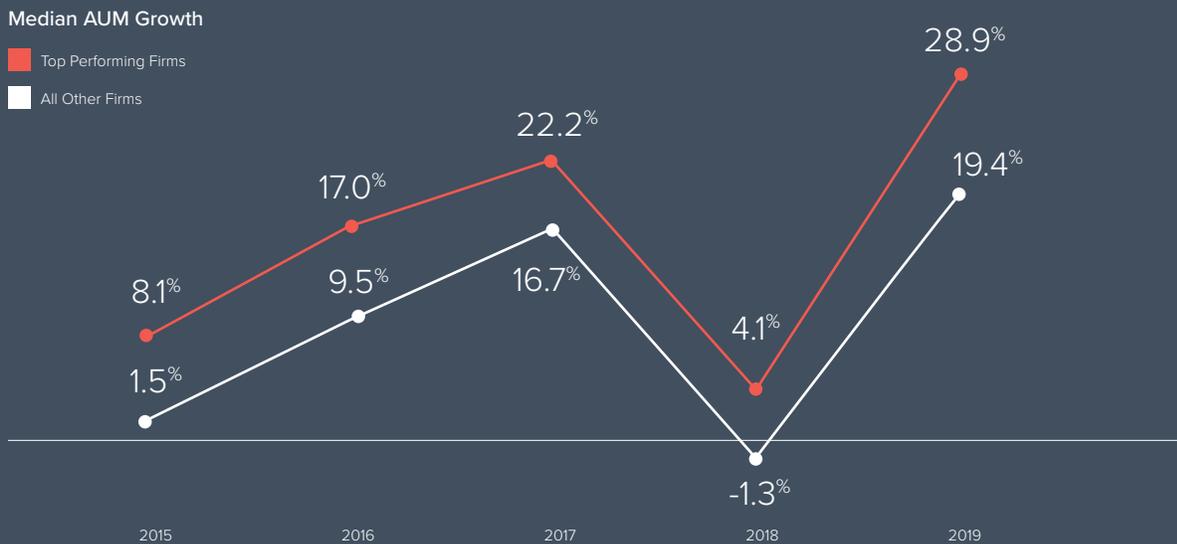
## Conclusion

We feel the process improvements and habits of top-performing RIAs included above can help advisors improve the client experience and address the complexities associated with trying to grow their business. Charles Schwab's 2020 RIA Benchmarking Study seems to clearly indicate that advisors who are willing to adapt to the changing needs of investors and adopt certain best practices have the potential to consistently outperform their competition.

And the results speak for themselves. By following guidelines and best practices such as these, some top-performing RIAs have been able to demonstrate more robust AUM growth than other firms, and by a rather considerable margin. While we are currently living in

times of uncertainty, today's volatility—and the process improvements laid out here to help combat it—might actually serve to elevate an advisor's diverse role in their clients' lives as concerned investors reach out more often and more urgently for guidance and support.

Top Performing Firms demonstrate more robust AUM growth than all other firms.



SOURCE: Charles Schwab, 2020 RIA Benchmarking Study

## To Learn More About Adhesion Wealth:

Call 888-295-8351, email [sales@adhesionwealth.com](mailto:sales@adhesionwealth.com), or visit [www.adhesionwealth.com](http://www.adhesionwealth.com).



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