

THE 2015 ELITE RIA STUDY



IN RESEARCH

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FOREWORD

The U.S. retail investment landscape is evolving quickly. And the registered investment adviser business model — as a major driver of growth in the industry — is evolving even faster. RIAs come in all shapes and sizes, fueled by an entrepreneurial spirit and strong desire to meet a broad range of urgent client needs head-on. Their mission inspires us and, together with our shared fiduciary focus, reinforces BlackRock's dedication to supporting the RIA community.

Because RIA practices are so diverse, it can be difficult to keep track of current trends and practices as well as the evolving business models with the best prospects for success. And what has worked in the past seems to be shifting. For example, to date the largest RIAs have succeeded by creating a differentiated investment management offering. Yet today, robo-advice, new research and better technology continue to change our understanding and expectations about what it means to be an investment adviser.

This changing landscape offers many opportunities for the nimble RIA, large or small, that can incorporate into their business the key trends highlighted in this report. For example, great investment management, whether built in-house or outsourced, has become table stakes, while technology solutions, whether for portfolio construction, risk analysis or enhancing financial planning, are mission-critical investments for growing firms.

InvestmentNews Research has done a great job raising the important questions and synthesizing the key themes that have led to outsized growth for elite RIAs. Whether you're already a large, successful RIA looking to understand new client trends or just getting going with your practice, we hope this research provokes new ideas and can help you take your business to the next stage.

Whatever your model, BlackRock is here to support your business, and we are committed to sharing fresh ideas with and creating new solutions for you and your peers across the RIA community.

-HOLLIE FAGAN, MANAGING DIRECTOR
Head of BlackRock's RIA Business

To support this research, a survey was distributed to InvestmentNews' audience between Feb. 6 and March 18, 2015. We received responses from 410 firms. RIA-affiliated firms with more than \$250 million in assets under management that ranked in the top 50th percentile in firm productivity were deemed Elite RIAs. The findings of this survey may be accepted as accurate, at a 95 percent confidence level, within a sampling tolerance of approximately plus or minus 3.4 percent.



The data reported in this study were provided directly by participants to InvestmentNews Research. InvestmentNews Research was not engaged to and did not audit or review this information and, accordingly, does not express an opinion or any other form of assurance on it. The data contained in this report may not be a statistically valid representation of the entire market of financial advisory firms; rather, they are representative of the firms that elected to participate in this survey. The material in this report is copyrighted by Crain Communications Inc. No portion of this report may be reproduced or distributed without the express written consent of *InvestmentNews* or Crain Communications Inc.

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IN RESEARCH

The mission of InvestmentNews Research is to provide financial advisers with the industry's most informative practice management studies and benchmarking reports. Our benchmarking studies are a leading source of market intelligence for advisory firms and industry partners, such as custodians, broker-dealers, service providers and professional organizations. In 2009, *InvestmentNews* acquired two bellwether benchmarking studies from Moss Adams LLP — the Adviser Compensation & Staffing Study and the Financial Performance Study of Advisory Firms. We continue to improve and expand these two critical industry studies, while we have also introduced new studies, such as this study on Elite RIAs, that support the growth and development of financial advisory firms.



INTRODUCTION

The growth and maturation of the Registered Investment Adviser channel has been the defining narrative of the wealth management industry over the past decade. Drawn by the fiduciary relationship of advisers to their clients — which has presented a truly open advice-delivery mechanism and a wide array of potential wealth management solutions — RIA assets under management have increased by almost 9 percent a year since 2005, to about \$2.4 trillion.

Dealing with this growth has presented RIA firms with countless opportunities. At the same time, growth — as well as increasing competition both from within and outside the channel, and from unfolding demographic and social trends — presents challenges for the future.

Specifically, how will RIA firms help retirees who will be drawing down assets for income? How will they attract tech-savvy millennials, who often prefer to go it alone, and the children of

Boomers, who are likely to inherit substantial assets but who typically leave their parents' adviser? How will they be able to provide the wide range of investment and non-investment advice that wealthy clients are demanding? And how can they attract, retain and maximize the productivity of the firm's human resources?

In light of these global challenges — and because of the opportunities they could present for innovative advisers — this research project and narrative were developed to identify short- and long-term strategies for building a thriving and “Elite” RIA firm across several interrelated areas, namely:

- Firm organization, structure and strategic management
- Investment management
- Business development and marketing
- Technology

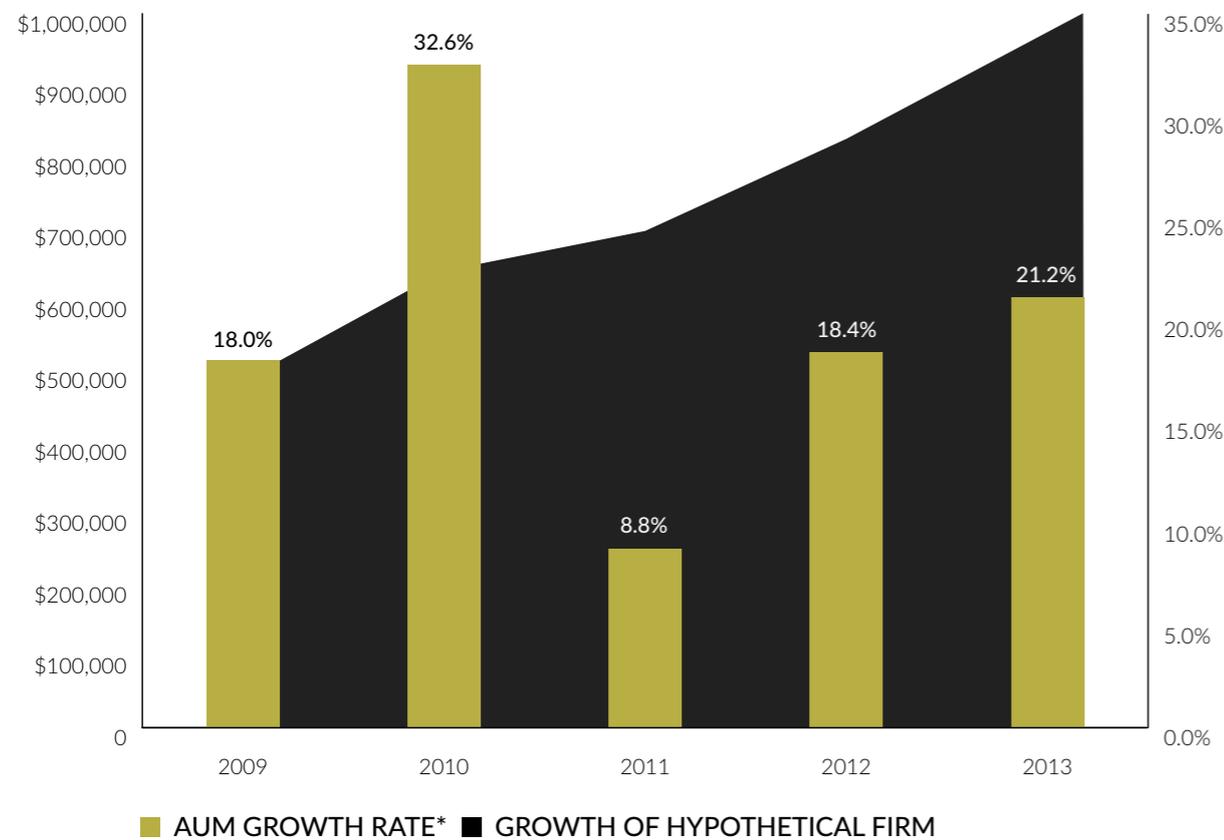
Research by *InvestmentNews*, conducted in partnership with BlackRock, has found that a relatively small number of RIA firms have grown faster and more

profitably than their peers in recent years. These firms — “Elite RIAs” — have developed tactics and strategies to meet the challenges the industry will be facing, and exhibit certain characteristics and operational approaches from which other firms can draw insights. This report is designed to shed light on these firms and provide a prescriptive path to becoming an elite firm.

PROFILE OF ELITE RIAs

According to *InvestmentNews*' annual benchmarking studies, the typical independent firm has doubled its asset base since 2009 and has experienced, on average, a growth rate of 20% year-over-year during this period:

FIGURE 1 HISTORICAL AUM GROWTH OF INDEPENDENT ADVISORY FIRMS



*Source: *InvestmentNews*/Moss Adams Benchmarking Studies, 2010-2014

Such growth would seem to indicate an industry enjoying robust health. Yet the numbers should be placed in the context of a broad bull market for both equities and fixed-income investments, which means that many firms simply benefited from a rising tide of asset values. To understand and examine the industry's true successes —

those who took proactive steps to expand revenue and profits — this study isolated the top quartile of RIA firms measured by revenue, assets under management and personnel, as well as by productivity. We sought not only to uncover the levers they pulled that enabled growth, but to identify the management practices and mindset of elite firms and distill how they separate themselves from their peers.

Separating out Elite RIAs reveals some marked differences in the makeup, approach and philosophy of these leading businesses compared with the rest of the industry. The defining characteristic of Elite firms is that instead of being merely large practices or a federation of several practitioners working under one roof, they are clearly organized and structured. And more than any other firm type, they tend to operate as wealth managers that provide a range of financial planning and investment management services. These businesses, not individual advisers,

are seen by clients as the providers and sources of wealth management solutions. As institutionalized providers of wealth management services, Elite RIAs have developed systematic and replicable business practices and procedures independent of any one member of the enterprise. This business model shift has resulted in superior revenue growth, enhanced profitability, operational efficiencies and the ability to attract top talent — all leading to greater productivity and scale.

Specifically, Elite RIAs have more employees and advisers than other firms — roughly 13 employees on average, versus five for the industry. They report average revenues that are more than four times that of the typical firms in our study: \$5.8 million for Elites versus \$1.2 million for all other firms. Importantly, this higher revenue is driven by servicing more accounts and with significantly higher revenue per client.

FIGURE 2 KEY REVENUE STATISTICS FOR ELITES

METRIC*	ELITE RIAs	ALL OTHER RIAs	ALL OTHERS
AUM	\$500M+	\$100M - \$250M	\$100M - \$250M
REVENUE	\$5,800,000	\$1,000,000	\$1,200,000
FULL-TIME EMPLOYEES	13	6	5
REVENUE PER STAFF	\$400,000	\$200,000	\$200,000
ACTIVE HOUSEHOLDS	365	160	225
REVENUE PER CLIENT	\$14,327	\$5,625	\$5,000

*Values are medians

FIRM ORGANIZATION

While the most apparent differentiator of Elite RIAs is that they are larger than other independent advisory firms, size is not the hallmark of top RIAs. Their structure and service delivery methods are what set them apart. More than the industry as a whole, Elite RIAs are embracing the concept of teaming.

Many industry experts tout the team-based, “ensemble” model as the preferred organizational structure for the modern advisory firm. A team approach not only fosters a transfer of knowledge across multiple staff members but ensures that the core of a client relationship is not dependent on one lead adviser. That reduces the risk of losing a client or clients in the event of an adviser departure. This model often allows for better service, more support and a broader knowledge of a specific relationship across the firm. In short, the RIA firm as opposed to the adviser becomes the owner of the relationship.

TEAMING

Some 44% of Elite RIAs indicated that their clients are served by a team, compared to just 30% of other firms, which were more likely to assign individual advisers to individual clients (49%). While this practice is not yet widespread and adopted by the majority of Elite firms, it is an emerging trend that we believe could represent a significant shift in the service models employed by some of the industry’s largest and Elite firms.

As we have noted in our previous InvestmentNews Research studies, more large firms are relying on leverage — client-facing support staff — to drive the

productivity of firm principals. Consider the model embraced by the medical profession: Multi-professional practices that are supported by nurses and specialists allow doctors to see more patients in a given period of time, provide a broader range of services and guarantee that a resource will always be available to a client, no matter the need.

SPECIALISTS

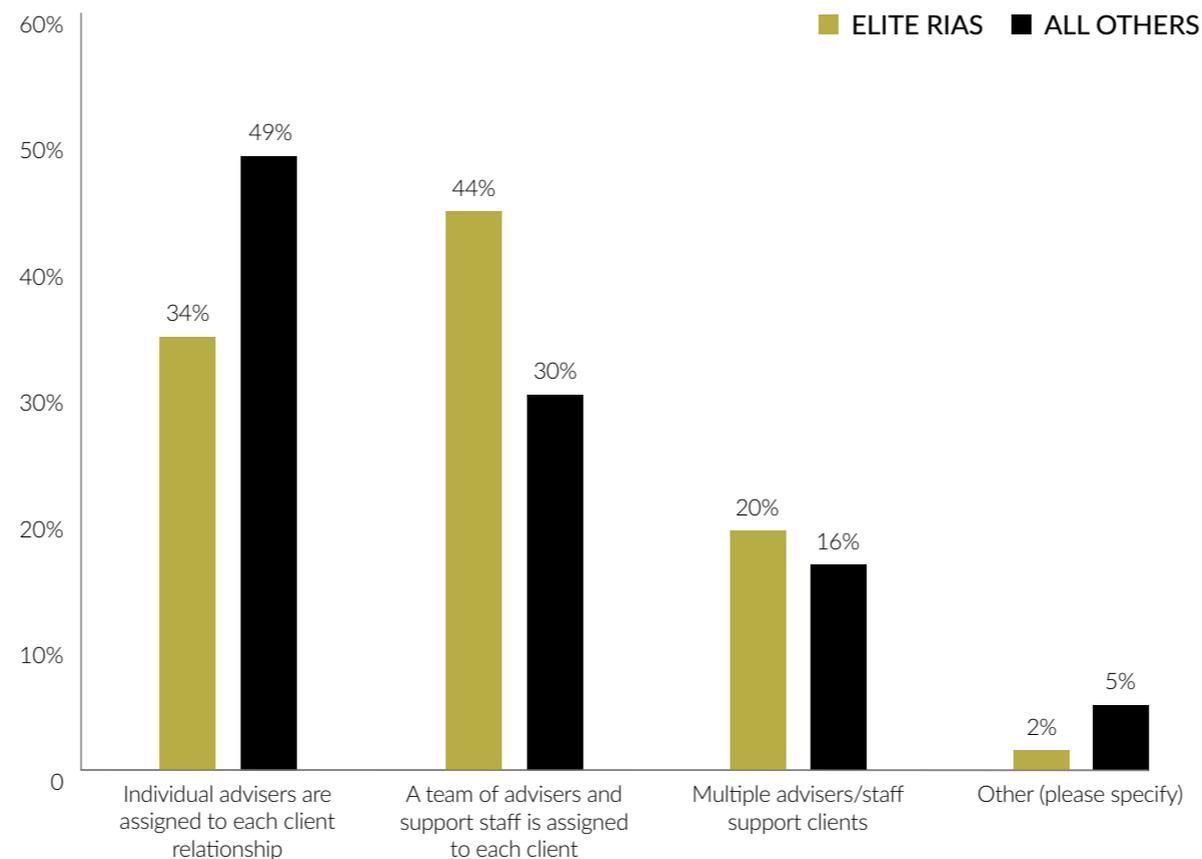
Along these lines, the team approach to service also leads to a number of powerful competitive differentiators, namely this ability to create specialized roles within a firm that can provide support and increased levels of expertise to its advisers.

Specifically, 74% of the Elite RIAs indicated that they have an investment committee (see figure 6 on pg. 11), compared with just 47% of all other firms. Positions such as chief investment officer and senior research analyst are more common at these firms than at other RIA firms (According to our 2013 Adviser Compensation & Staffing Study, just 13% of firms with under \$250 million in assets under management have a CIO and at least one related investment specialist staffer; that number is 50% at firms with \$750 million or more in assets), and they enable individual financial advisers to access a centralized intelligence source — one that ultimately allows the advisers to focus on maintaining existing client relationships and attracting new clients.

In addition, having a CIO in place can bring many other benefits to the firm. Directly, a CIO can present and explore new investment ideas and approaches to consider, and can also spend more time developing a portfolio construction process that is unique to the firm. It can also allow for a better system of checks and balances with research and due diligence, and create a more consistent investment experience across a firm’s client base. Lastly, having a focused investment specialist can allow lead advisers to devote more time to client- and prospect-facing activities.

Having this resource just down the hall provides Elite firms with the ability to interact directly with clients and impart a personal touch, whereas larger Wall Street research enterprises, which support thousands of advisers and their clients, cannot provide this level of direct, personal input to an adviser on a regular and ongoing basis.

FIGURE 3 HOW ARE CLIENTS PRIMARILY SUPPORTED AT YOUR FIRM?



The Elite RIA's higher-touch and specialist-oriented service model can be scaled more rapidly than at other firms — a fact that is clearly represented in our research: Elite firms oversee an average of 365 accounts per firm versus 225 for the rest of the industry.

STRATEGY

Also driving Elite firms forward is a focus on long-term strategic planning: Sixty-nine percent of Elite firms have a formal strategic plan versus 57% of the rest of the industry (see figures 4A and 4B). They also tend to rely on executive committees and boards, as opposed to individuals. This formalized, strategic focus translates into a more robust and healthy structure, which allows Elite firms to manage their resources more effectively and direct firm capital toward growth opportunities, further allowing them to specialize as mentioned above.

In addition to teams and strategic planning, a majority (57%) of Elite firms believe that having the right employees in the right roles is essential for success, compared with 48% of firms as a whole. This allows them to create true differentiation as seen in figure 5, around their investment process and niche investing as compared to all others. Again, leveraging their business management focus and discipline, Elite firms are able to attract and retain the best employees. That capability results in enhanced service models, which leads to higher client satisfaction, and subsequently more loyal clients and increased referrals.

DOES YOUR FIRM HAVE A WRITTEN LONG-TERM (3-5 YEAR) STRATEGIC PLAN (INCLUDING BUSINESS VISION, KEY OBJECTIVES, AND MISSION)?

FIGURE 4A ELITE RIAs

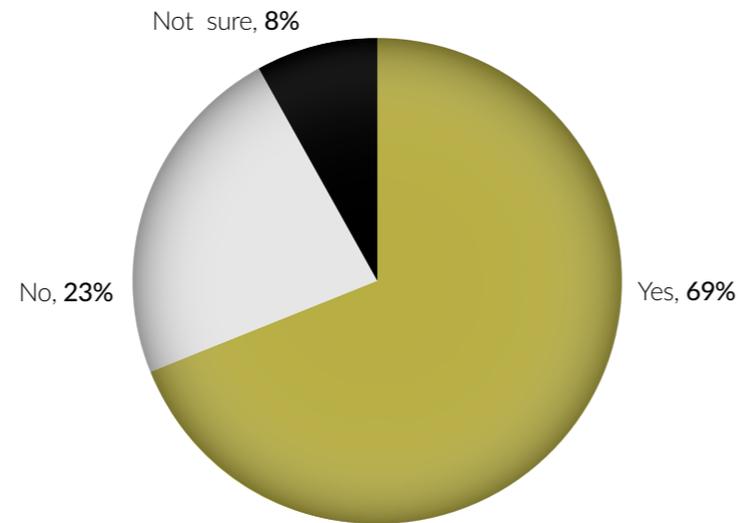
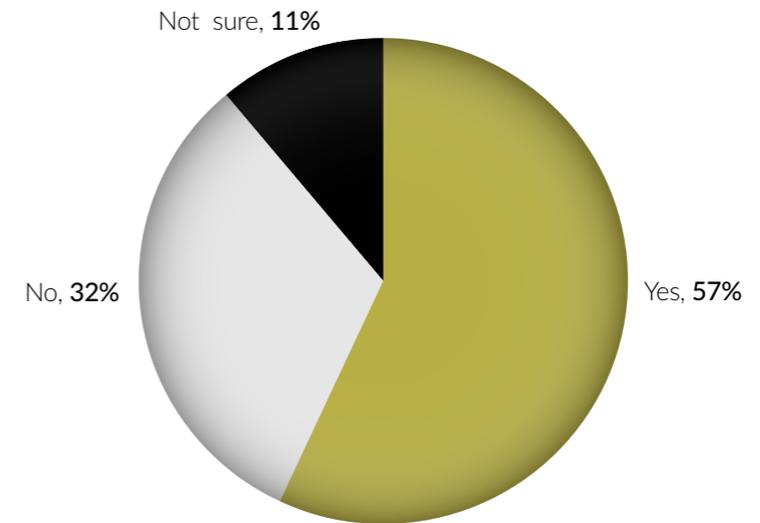


FIGURE 4B ALL OTHERS



WHO AT YOUR FIRM IS PRIMARILY RESPONSIBLE FOR DEVELOPING THE STRATEGIC PLAN?

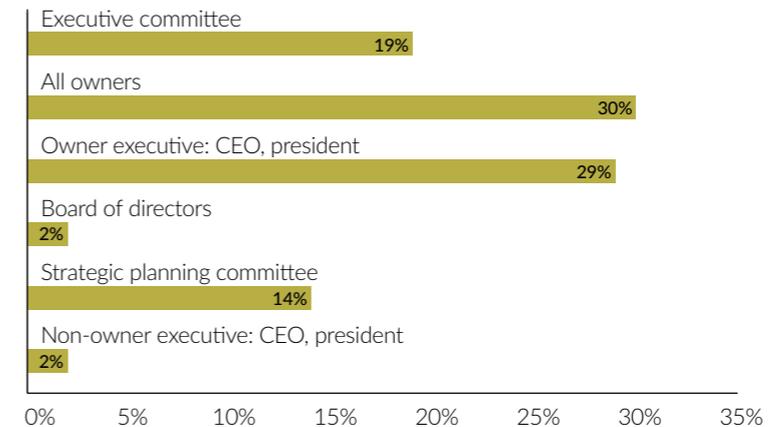
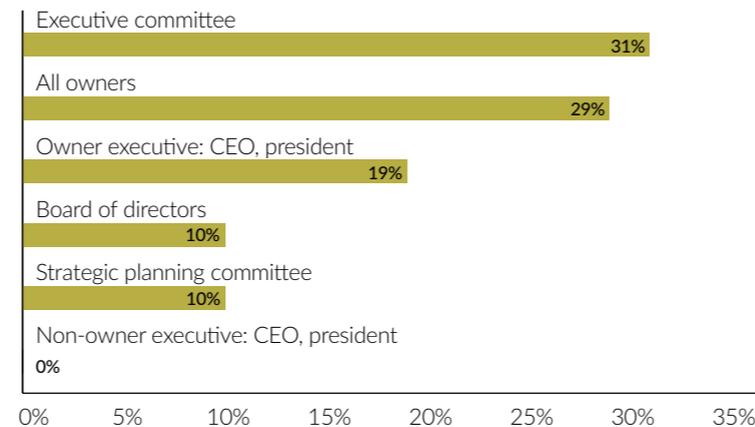
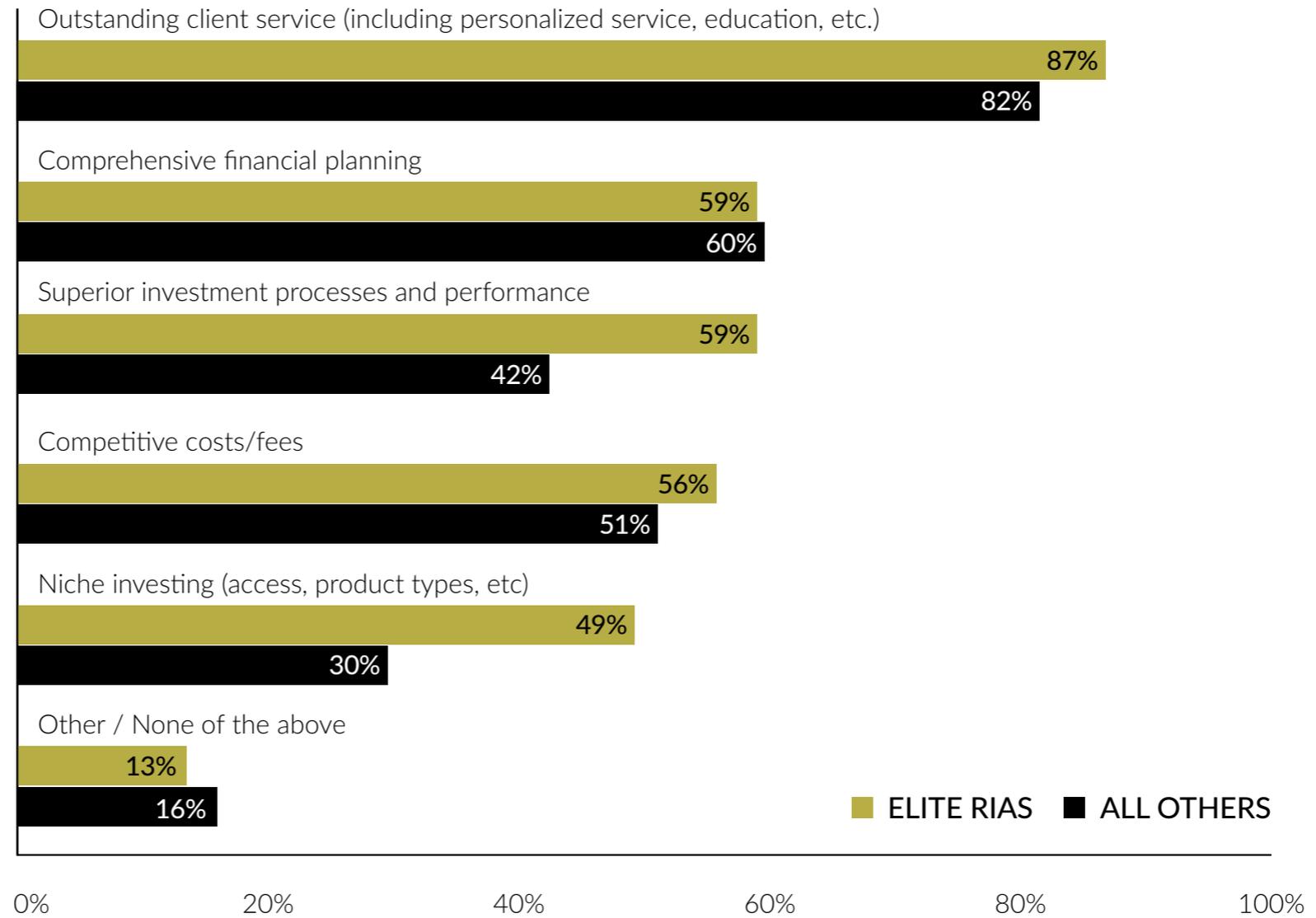


FIGURE 5 WHICH OF THE FOLLOWING DIFFERENTIATES YOUR FIRM?



INVESTMENT MANAGEMENT

Because their structure, organization — and ultimately their scale — support their efforts to offer specialized and distinctive investment advice, Elite RIA firms tend to be more attractive to high-net-worth clients, an extremely desirable demographic. Elite firms, therefore, are nearly twice as likely to serve ultra-high-net-worth clients as other firms; 46% of Elite RIAs focus on individuals or families with more than \$30 million in assets, compared with just 24% of all other firms.

As a result of serving more-affluent investors, Elite RIAs are more focused on protecting principal, preserving wealth and managing risk in their approach to investing than are RIA firms as a whole, which are more generally focused on growth and income, as noted in figure 7. This finding syncs up well with the mindset of wealthier clients, who typically are looking to preserve their wealth and manage risk, while younger, less wealthy investors are in their growth and accumulation mode.

According to our research, Elite RIAs firmly believe that their investment focus, processes and performance are key differentiators that enable them to communicate a more powerful and robust marketing

message to clients, as well as attract new clients. Fifty-nine percent of Elite RIAs cite their superior investment process and performance as reasons for their success, compared with 42% of other advisers. Along these same lines, the ability to establish a true investment specialty leads to other opportunities for growth — namely, developing a deep, niche investment focus, such as in alternative investing, ETFs, and private investments. As figure 5 illustrates, 49% of Elite firms cite a focus on niche investing as a competitive differentiator, as compared with 30% of all other firms. It is important to note that niches are not always specifically vehicle-based, but could be tied to client niches or client needs, such as retirement and decumulation.

Additionally, lower-cost entrants to the wealth management space allow for improved access to investment management services. Elite firms are considering ways to partner to provide superior service, without extensive investment, where it makes strategic sense, to supplement their unique investment offerings. Their approach to investing — already a defining characteristic of their success and appeal to high-net-worth and ultra-high-net-worth individuals — is embedded within their ability to provide a broader set of services, and ultimately a more personalized experience for their clients.

FIGURE 6 WHICH OF THESE FORMAL TEAMS OR COMMITTEES, IF ANY, DOES YOUR FIRM HAVE?

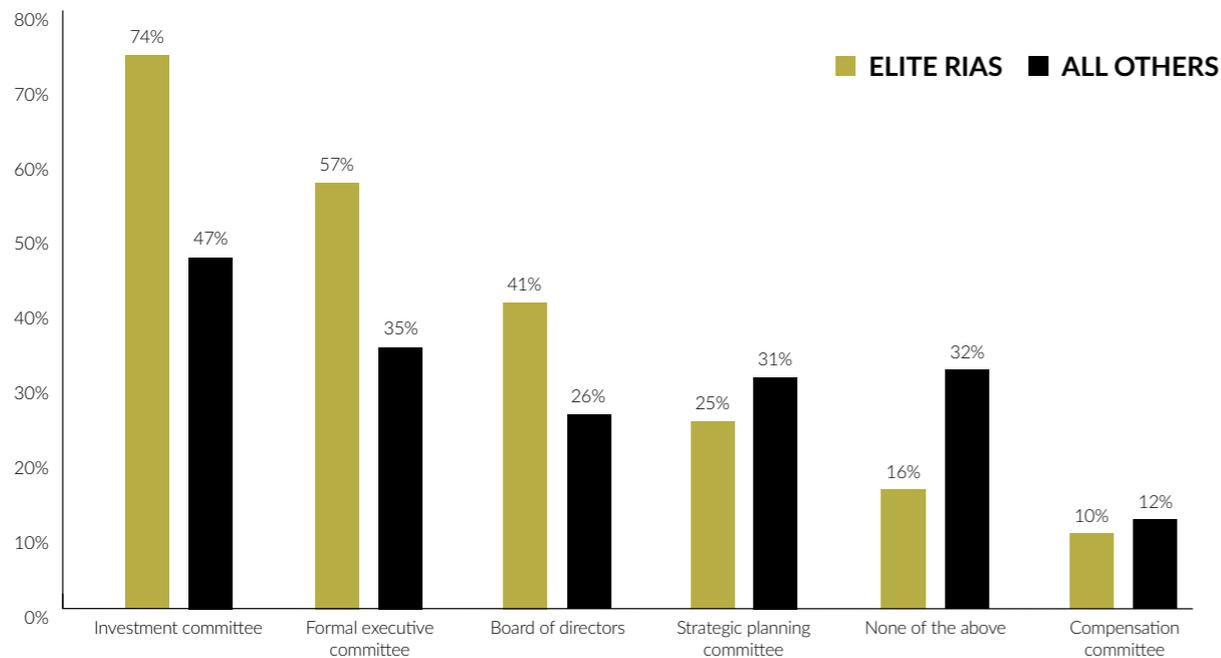
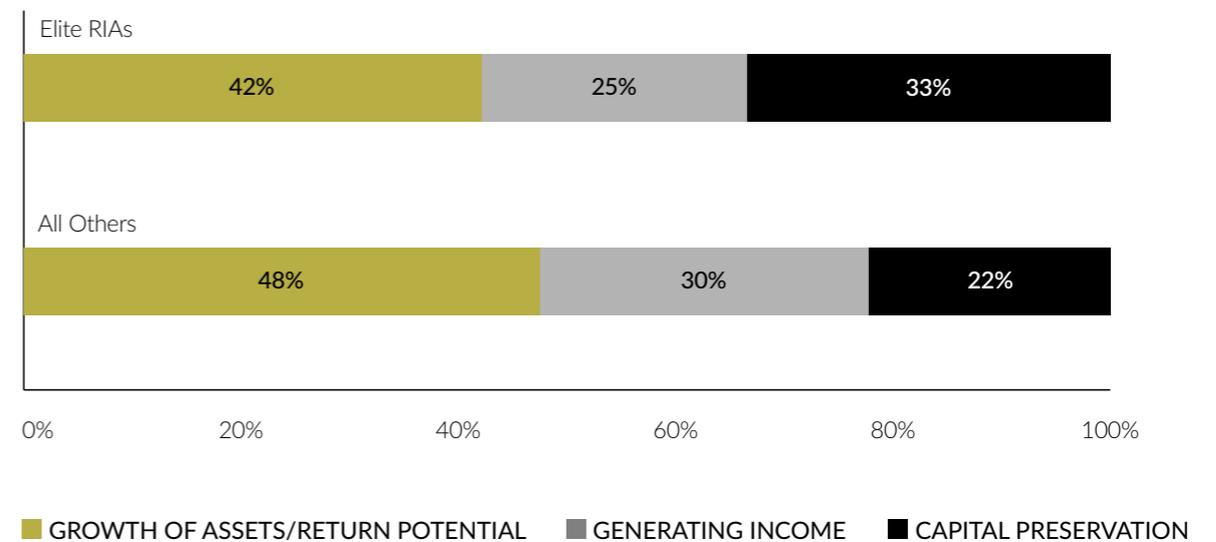


FIGURE 7 WHAT ARE YOUR CLIENTS' PRIMARY INVESTMENT GOALS?



BUSINESS DEVELOPMENT & MARKETING

Elite RIAs understand that growth is essential to their enterprises. As an example, while revenue growth is ranked as the no. 2 objective of all firms surveyed, Elite RIAs place a slightly higher importance (52%) on this critical measurement of organizational health than all other advisers (47%). Since revenues are the lifeblood of the firm, this suggests that Elite RIAs are able to re-invest in their business at a greater rate, adding to their competitive advantage. Even the slightest bit of increased investment in the organization or its tools can have a significant impact on a firm's ability to grow and evolve.

Those investments by Elite firms often end up in initiatives to enhance employee and client satisfaction, along with the firms' reputation. Elite RIA firms know that their people are critical to providing an outstanding client experience, along with the key systems and technology needed to delight clients. This focus on the client experience leads to high retention rates and client satisfaction, which drives referrals and leads to further revenue growth. This powerful cycle becomes the growth engine that powers the firm forward and a unique recipe for success in a more competitive industry.

Elite RIAs also see the business development landscape changing. Fueled by a six-year bull market, advisers have benefited greatly from their fee-based AUM business models, and it is no surprise that they point to their existing client base as a powerful driver of success. Through their client satisfaction focus, Elite RIAs are able to leverage their substantial client size to generate incremental referrals — the no. 1 source of new business for all RIAs.

Elite firms recognize the business development value of current clients more than others by focusing on their satisfaction (69%), versus the industry as a whole (57%).

WHAT'S NEXT FOR ELITE RIAs?

But Elite RIAs also recognize that satisfied clients are not enough. The needs and demands of clients of today and tomorrow are changing rapidly. Advisers must be nimble in modifying and enhancing the way they provide and present their services. A large portion of their existing client base is currently in — or approaching — retirement. This has placed advisers in a position to focus more on decumulation and withdrawal strategies that are essentially tied to a shrinking asset base. At the same time, advisers must look to cater to younger investors in their accumulation and asset-gathering stages — and who also need a very different set of services from advisers. This sets the stage for a more complex business operating environment. Additionally, the emergence of new, online competitors means that the battle for clients will become more intricate.

FIGURE 8A WHAT MOST SIGNIFICANTLY CONTRIBUTED TO YOUR FIRM'S SUCCESS IN THE PAST 1-2 YEARS?

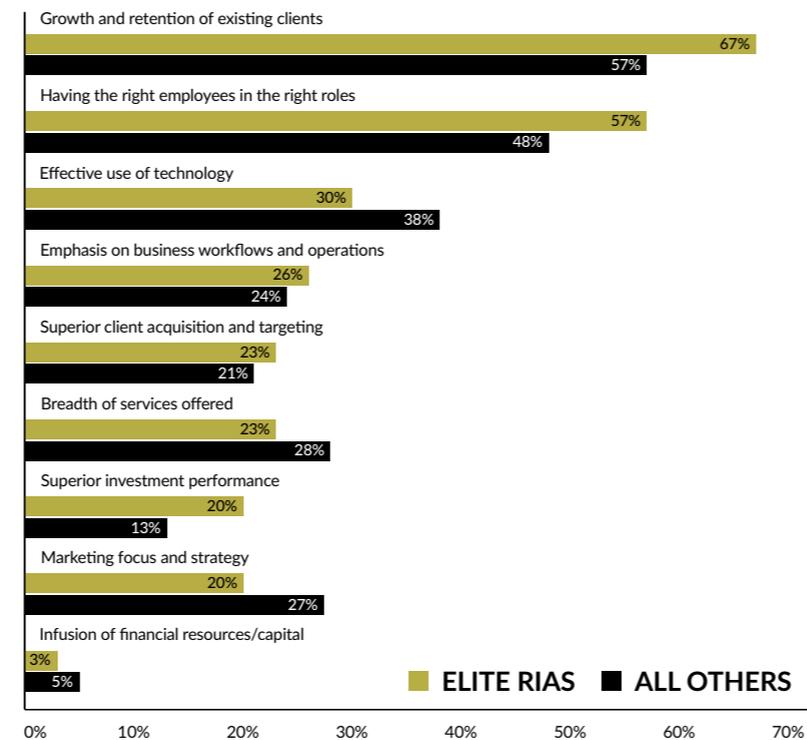
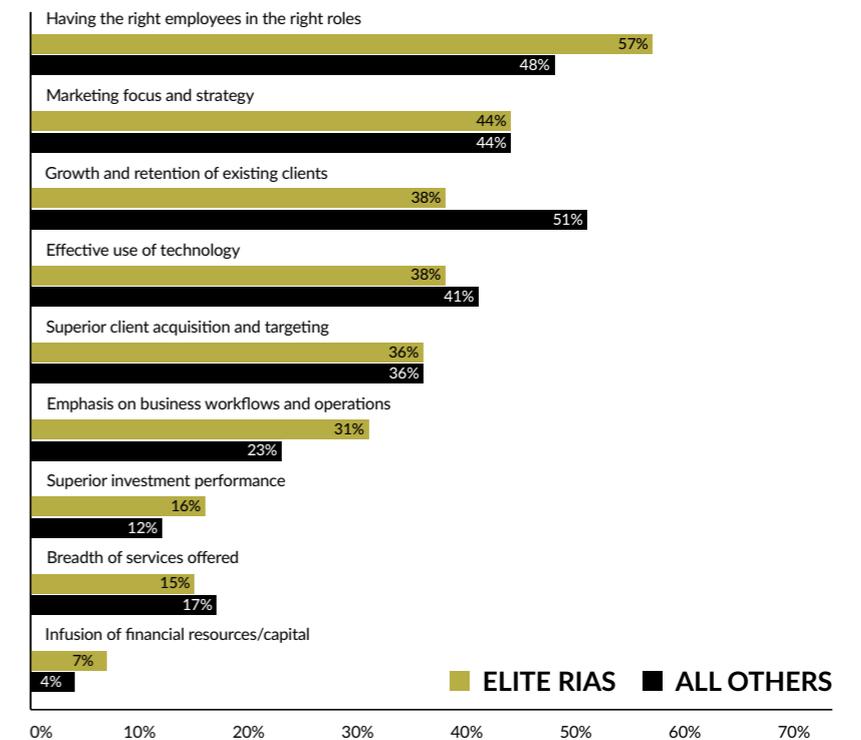


FIGURE 8B WHAT WILL MOST LIKELY CONTRIBUTE TO YOUR FIRM'S SUCCESS IN THE NEXT 1-2 YEARS?



The industry's Elite RIAs are anticipating that the key to future success won't necessarily come from their existing client base. In fact, the percentage of Elite firms counting on their existing clients for future success has dropped from 69% to 40%.

REDEFINING THE ROLE OF MARKETING

Particularly as their clients age and develop plans to pass their wealth to the next generation, Elite RIAs recognize that they will have to focus more on marketing and business development to attract clientele. They acknowledge this even while admitting in our survey that marketing is their no. 1 pain point and that a lack of a marketing strategy and focus is limiting growth. In fact "inadequate client acquisition" was cited as the no. 2 success inhibitor.

While Elites seem willing and committed to increasing their investment in marketing and business development, it is not clear how Elite firms will proceed. Many are experimenting with social media, content marketing and a more active approach to publicity and public relations. Others are concentrating on the market niches they have developed over time and expanding their communication and outreach to those specific groups.

New efforts also are being explored to expand referrals from existing clients. Some have hired chief marketing officers to address these opportunities. Marketing — both the act and the role within an organization — is an area where we expect Elite RIAs to continue blazing a path for other advisory firms.

Just 20% of Elites said marketing focus and strategy contributed significantly to their success over the past two years. Conversely, 44% expect it will contribute significantly to their future success.

FIGURE 9A WHAT BUSINESS ISSUES MOST LIMITED YOUR FIRM'S ABILITY TO SUCCEED IN THE PAST 1-2 YEARS?

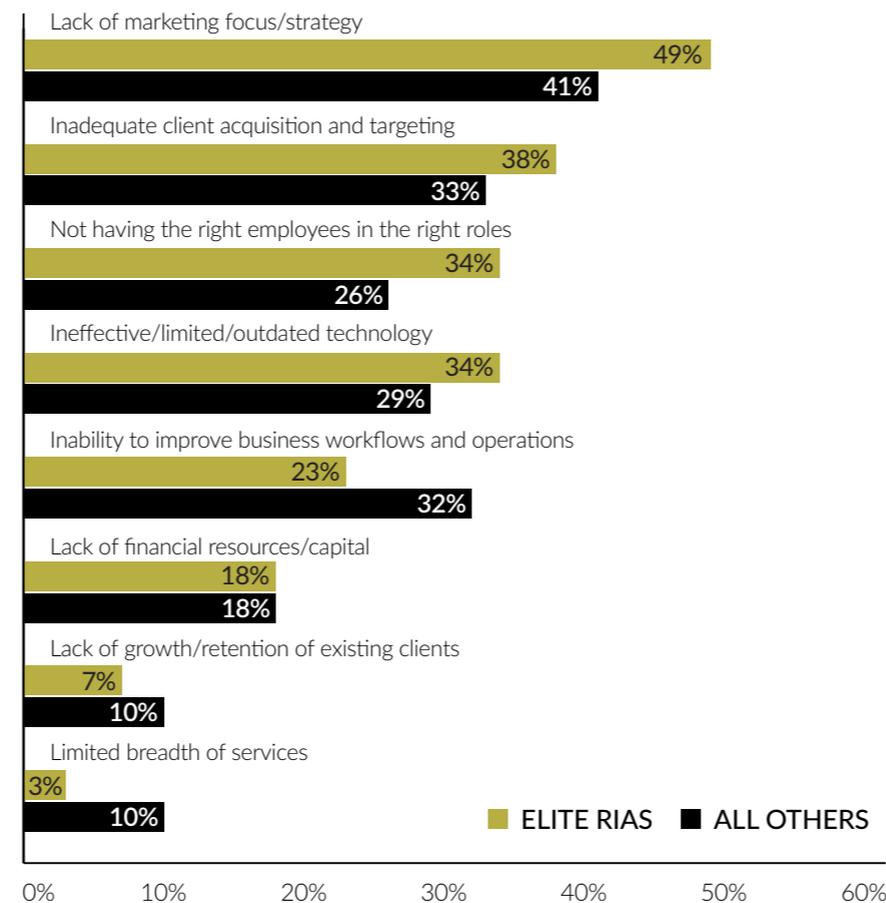
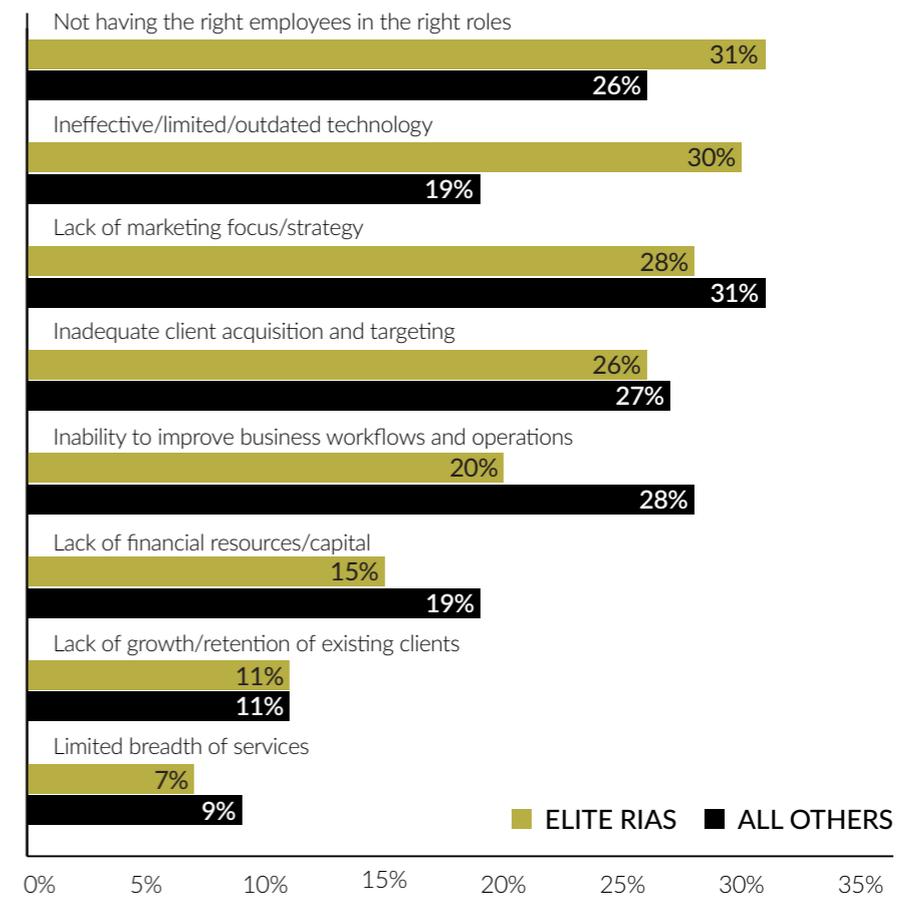


FIGURE 9B WHAT DO YOU EXPECT WILL MOST LIMIT YOUR FIRM'S SUCCESS IN THE NEXT 1-2 YEARS?



TECHNOLOGY: NEW RULES FOR TOMORROW'S TOOLS

The skills and practices that got Elite RIAs where they are today won't get them where they want to be tomorrow. The top firms realize this and recognize that technology is central to helping them meet the challenges of running a profitable, growing firm in a challenging environment. Elite RIAs are gearing up to enhance their technology capabilities across the board. According to the study, 38% of Elite firms report that effective use of technology will be key to success in the future, as opposed to only 30% that said it contributed to their success over the past one to two years.

As a category, technology is probably the most difficult issue for the industry and Elites to get their arms around. To develop an actionable strategy, firms must deal with selecting from a plethora of vendors; evaluating platforms (such as cloud versus on-premise); determining whether to use internal resources to manage technology or to outsource the function; and choosing a marketing technology. They also face decisions about managing social media, devising the right mobile strategy and maximizing the business' website, as well as whether or not to deploy robo-technology and how to integrate everything. This long set of tasks adds to advisers' reported anxiety about how they can invest in the right technology to advance their businesses.

While they share the concerns of other RIAs, Elites' views of technology are somewhat different. To a degree greater than the industry as a whole, Elite RIAs agreed with the survey statement: "I find it challenging to assess which technology provider is best for my needs." The reason for the difficulty most likely is that Elite firms are clearer on what

they are trying to accomplish with technology since they provide a consistent and customized service model and thus are more particular when it comes to feature sets.

All RIAs indicated that their clients' needs and expectations have evolved rapidly in recent years, presenting a significant technological challenge that has required all firms to be nimble and responsive as they attempt to deliver an elevated client experience. Specifically, 70% of Elite firms (compared with 60% of all others) said their clients demand more personalized and customized investment management service than they did five years ago. Because Elite firms are further ahead in their evolutionary cycle, many have expressed frustration that technology solutions have not developed as quickly as they have

— and more significantly, the challenges confronting their increasingly complex business.

Our research found that only 44% of Elites agree or strongly agree that, "technology providers generally do a good job of fitting what they provide to what I need," as compared with 52% of other advisers. In fact, despite their embrace of technology, Elites to a greater degree than the rest of the industry (44% versus 32%) are likely to adopt a new technology only after it has been established and proved itself.

Despite these frustrations, Elite firms are optimistic the tide is turning; they are becoming increasingly upbeat about adviser technology options and are more likely than other firms to believe that specific technology solutions will be of more help to them in

the next one to two years. This corresponds with the growing renaissance in adviser technology as legacy players and new entrants alike rapidly increase platform investments to keep up with the fast-growing RIA industry.

The promise of operational efficiencies, enhanced client service and the ability to meet the changing ways in which investors consume financial advice, are all tied up in the technology that advisers use. These drivers will become even more important as new online competitors make inroads into traditional investment management services.

HOW DO ELITE RIAs COMPARE WHEN IT COMES TO THEIR ATTITUDES TOWARD TECHNOLOGY?

FIGURE 10A ELITE RIAs

FIGURE 10B ALL OTHERS



The industry's Elite RIAs tend to embrace account aggregation and portfolio rebalancing software — tools that can improve both the client experience and productivity.

TECHNOLOGY USAGE: ADOPTION & IMPLEMENTATION

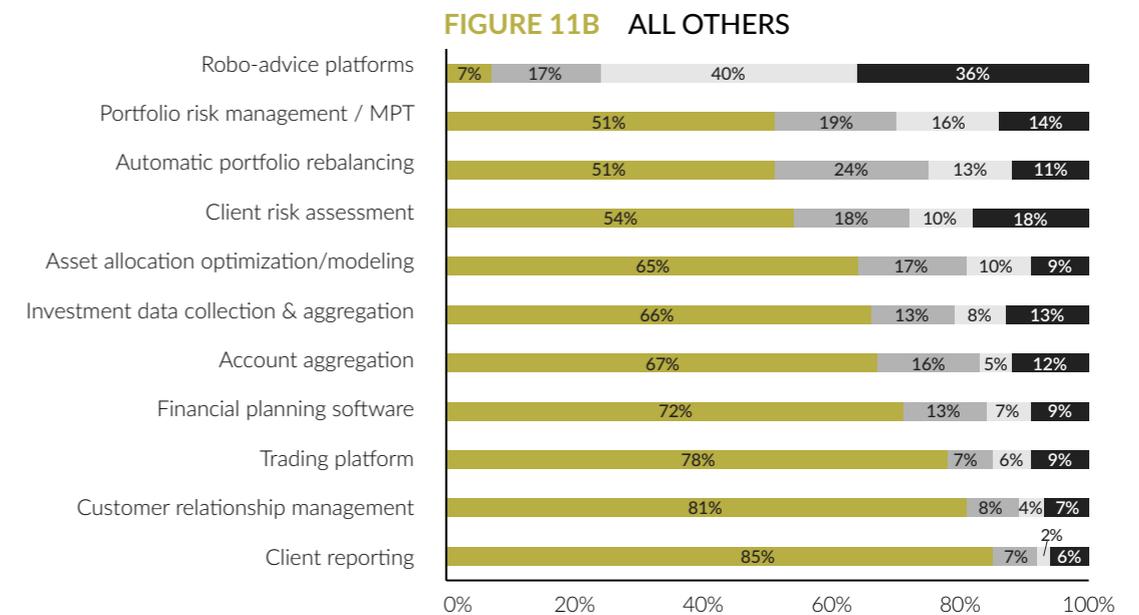
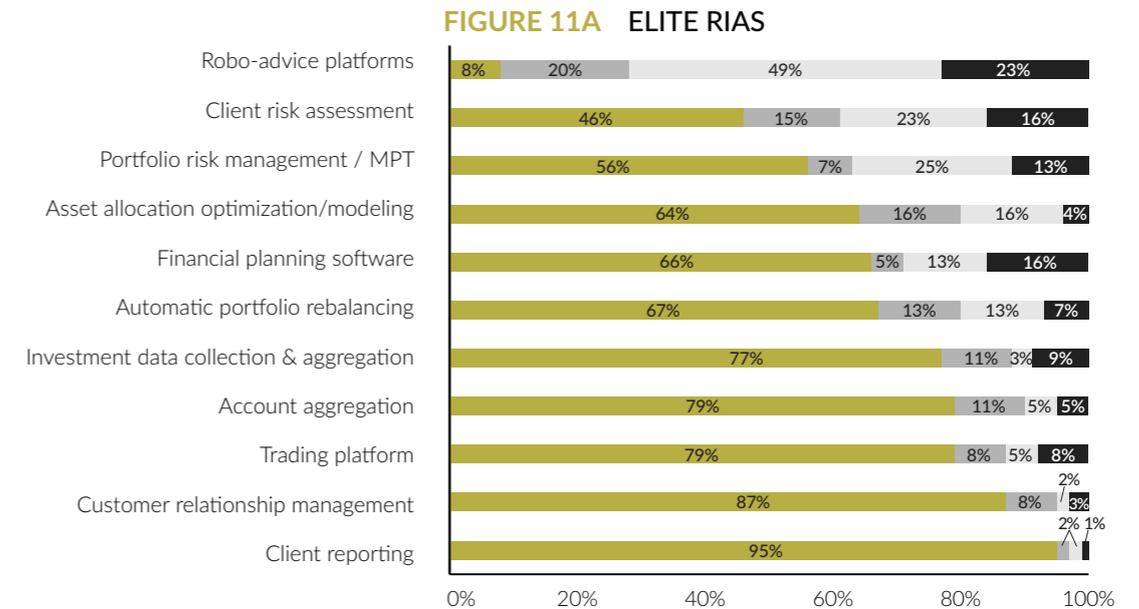
It is no surprise that Elite RIAs are aggressive adopters of the core systems needed to run their businesses. The use of specialized customer relationship management (CRM) systems has become widespread, with 87% of Elites and 81% of all other firms embracing the software as the central nervous system for its overall technology platform. Notably though, Elite firms are leaders in the adoption of more advanced functionality, such as account aggregation (79% vs. 67%), portfolio rebalancing (67% vs. 51%) and client reporting (95% vs. 85%).

When it comes to evaluating the various systems in terms of satisfaction, however, Elite RIAs report somewhat of a mixed bag. While they are less satisfied with their CRM systems than the rest of the industry (57% versus 67%), they are happier with their client risk assessment (61% vs. 53%), account aggregation (71% vs. 64%), financial planning (80% vs. 71%) and portfolio rebalancing (73% vs. 65%) technology. In addition, Elites are more likely to outsource to find the best application.

With so many disparate systems to manage, Elite firms place high value on successfully tying everything together through vendor or custodial integrations in order to streamline workflows and build scale. In fact, to a degree greater than the industry as a whole (61% vs. 45%), Elite RIAs say integration is their primary concern when adopting and implementing new technology.

FIGURE 11 WHAT IS YOUR FIRM'S CURRENT AND/OR PLANNED TECHNOLOGY USAGE?

- USE CURRENTLY
- DO NOT USE CURRENTLY, BUT PLAN TO IN 1-2 YEARS
- DO NOT USE CURRENTLY AND DO NOT PLAN TO IN 1-2 YEARS
- NOT APPLICABLE



THE RISE & ROLE OF THE ROBO-PLATFORM

Integrating one of the newest and most publicized technological developments — online automated platforms, or “robo” advisers — is a challenge that an increasing number of Elite RIAs are tackling. Backed by hundreds of millions of dollars from venture capital firms, robo-advisers initially positioned themselves as a modern, humanless alternative to conventional advice-givers. But realizing they were missing out on the vast majority of investors — who want some measure of human intelligence and judgment in their wealth management relationships — many robo-firms are now actively seeking partnerships with traditional advisers.

Rather than shunning robo-technology as competition, Elite RIAs view the addition of automated advice platforms to their own offerings as a marketing tool to attract younger and less affluent clients, including the adult children of current clients, who typically do not stay with their parents’ adviser.

In fact, Elite RIAs view robo-platforms as a tool to not only add new and younger clients (83% vs. 70% for all others), but more also believe that it can be used to help build deeper relationships with existing clients and supplement their unique investment offerings (see figure 12).

Elite RIAs are already in this space, with 8% of firms currently offering robo-advice, and another 20% expecting to implement it over the next year or two.

Elite or not, the vast majority of advisers do not see robo-platforms as a threat.

FIGURE 12 WHAT WOULD BE YOUR PRIMARY REASON(S) FOR OFFERING ROBO-ADVICE SERVICES?

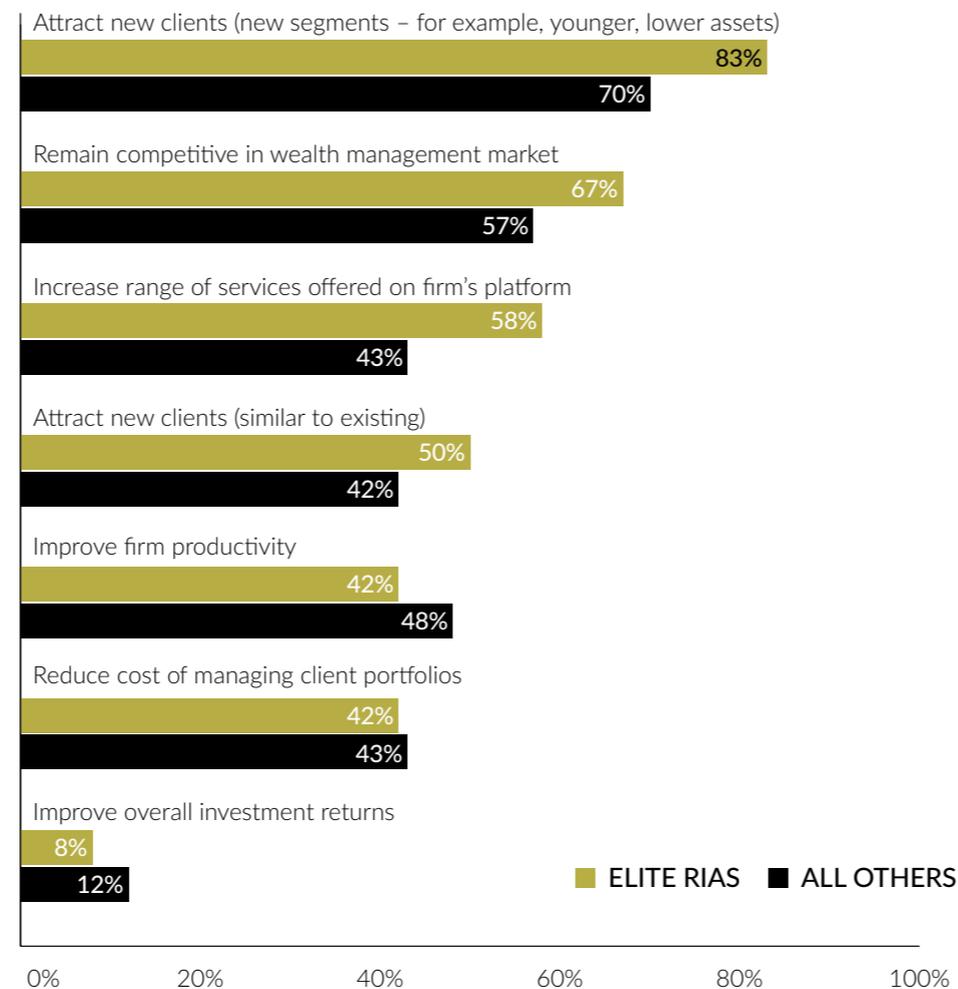
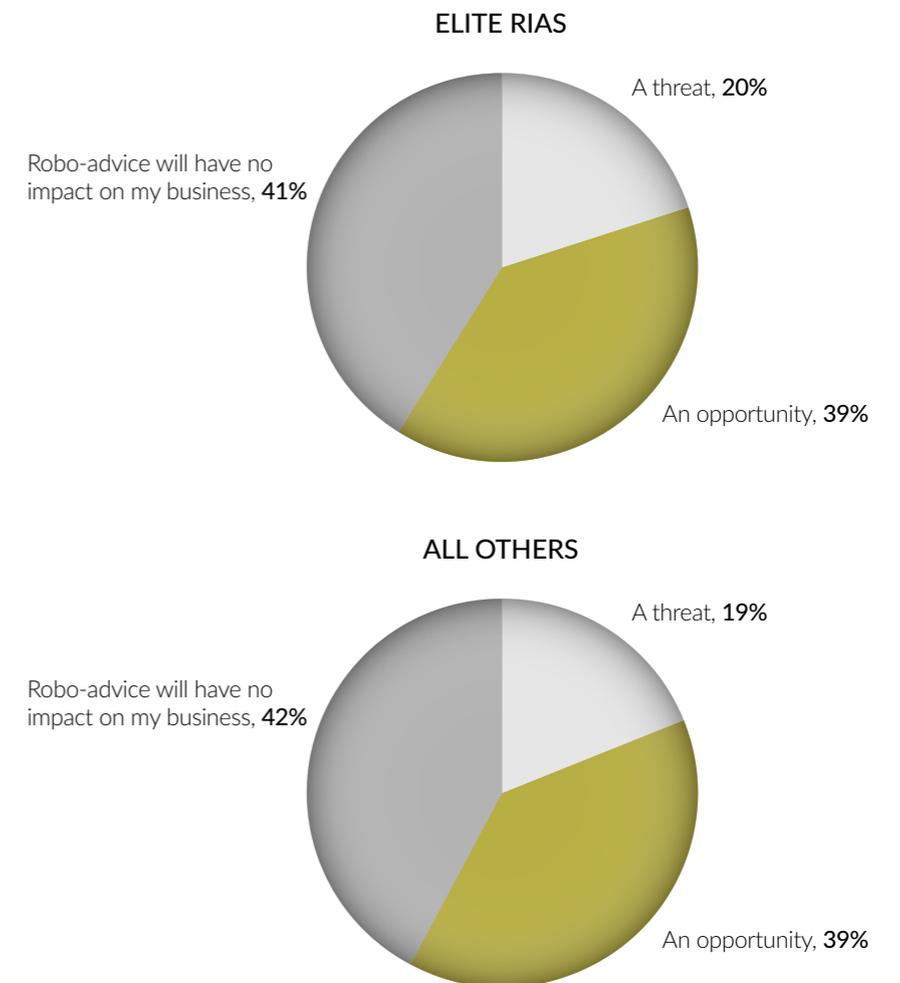


FIGURE 13 WHEN IT COMES TO MY PRACTICE, I VIEW THE EMERGENCE OF ROBO-ADVICE TECHNOLOGY AS PRIMARILY:



LESSONS FROM THE ELITE

This seminal study of Elite firms provides both short- and long-term opportunities for all RIA firms to consider. Covering the four challenge areas discussed in this research paper — firm organization and human capital management and structure; investment management; business development and marketing; and technology — here are key action steps that firms can take to reach Elite status or, if already Elite, to become even more successful.

SHORT-TERM ACTIONS (NEXT 6-12 MONTHS)

Business development and marketing

- Assess where your current and future revenue and AUM growth will be coming from, and identify key referral sources and ways to enhance those processes.
- Evaluate marketing automation technologies, and start to develop a systematic marketing engine to supplement internal, passive referrals.

Investment management

- Enhance your investment management approach — giving specific consideration to how truly customized portfolios are for each of your clients — to continue to differentiate your firm while finding ways to scale where your clients have simpler needs.
- Evaluate if your firm's underlying investment philosophy can be easily understood and consistently re-articulated by clients.

Technology

- Identify one or two critical back-office systems that should be upgraded, such as CRM, financial planning, portfolio rebalancing, portfolio management, document management, or cybersecurity, and create a short list of vendors or partners that can be interviewed and leveraged.
- Begin to understand robo-technology platforms and other scalable investment platforms/models/tools and how they could help serve new markets with the assistance of automation.
- Upgrade your website, and ensure that you can be found (and easily viewed) when searched by prospects on their mobile devices.

LONG-TERM ACTIONS (NEXT 3-5 YEARS)

Human capital management and structure

- Develop a formal organizational and committee structure that directly supports and enhances your firm's true competitive differentiators and value proposition.
- Develop a long-term career path and strategic compensation system to attract and retain the best people. This will provide scale and sustainability, and ultimately facilitate succession and greater enterprise value.
- Implement a strategic plan that outlines firm goals for growth and align these goals with employee compensation and career path incentives.

Investment management

- Make a strategic, high-level investment hire — such as a chief investment officer — in order to provide superior, centralized investment management services that can differentiate your practice.
- Leverage the CIO role to build more bespoke solutions, but also to act as your expert to help scale and outsource where it makes the most sense for your business and investment philosophy. Elites will need to do both, not just entrench in more customized portfolios.

Technology, marketing and business development

- Enhance your firm's website to include a robo-platform, or develop a formal relationship with a robo-provider, to attract and retain next-generation investors; implement an 'incubator' for clients whose assets likely will continue to grow as they reach peak income years.

APPENDIX

FULL SURVEY RESULTS FOR ALL
PARTICIPANTS, ELITE RIAS AND ALL OTHERS

PROFILE

	All Participants	Elite RIAs	All Others
In what year was your firm established?			
Average	1990	1996	1989
Firm type (Please check only ONE.)			
Wirehouse	3%	0%	4%
Regional brokerage	4%	0%	4%
Independent registered investment advisory (RIA)	48%	80%	42%
Affiliated with an independent broker-dealer	23%	0%	27%
Dually registered RIA	12%	20%	10%
Insurance company	3%	0%	4%
Bank, trust or thrift	3%	0%	3%
Other (please specify)	4%	0%	5%
Which of the following statements most closely aligns with how you describe your firm to clients? (Please check only ONE.)			
<i>Financial planning firm</i> – Our primary focus is applying the financial planning process	17%	11%	18%
<i>Investment advisory firm</i> – Our primary focus is the development of investment strategy and selection of investment managers	15%	11%	16%
<i>Investment management firm</i> – Our primary focus is the discretionary investment management of client assets	19%	28%	18%
<i>Wealth management firm</i> – Our primary focus is serving as a holistic adviser to clients, offering integrated tax, estate and personal financial planning in addition to the investment advisory services	44%	49%	44%
Other (please specify)	4%	0%	5%

FINANCIALS & STAFFING

What are your firm's current total assets under management and under advisory?
(If you are unsure, please give your best estimate.)

Less than \$15M (please specify)	5%	0%	6%
\$15M to just under \$25M	5%	0%	6%
\$25M to just under \$50M	9%	0%	10%
\$50M to just under \$100M	10%	0%	12%
\$100M to just under \$250M	25%	0%	29%
\$250M to just under \$500M	14%	38%	10%
\$500M to just under \$1 billion	8%	18%	6%
\$1 billion or more (please specify)	23%	44%	19%
<i>(values are medians)</i>			
2014 Firm Revenue	\$1,500,000	\$5,809,669	\$1,200,000
Full-time employees	6	13	5
Number of active households or institutions	250	365	225
Revenue per Staff	\$213,000	\$400,000	\$200,000
Revenue per Client	\$5,806	\$14,327	\$5,000

CLIENTS

What types of clients do you serve? (Please check ALL that apply.)	All Participants	Elite RIAs	All Others
Affluent Individuals (less than \$1 million in assets)	75%	59%	77%
High-net-worth individuals (between \$1 million and \$30 million in assets)	82%	80%	82%
Ultra-high-net-worth individuals (\$30 million or more in assets)	27%	46%	24%
Pension, profit-sharing or 401k plans (but not the plan participants)	47%	52%	46%
Small businesses	47%	34%	50%
Other investment advisers	10%	18%	9%
Other (please specify)	6%	10%	6%
Approximately what percentage of your assets are with pension, profit-sharing or 401k plans (but not the plan participants)?			
Median	10%	10%	10%
Average	21%	26%	20%
How are clients primarily supported at your firm? (Please check ONE only.)			
Individual advisers are assigned to each client relationship	47%	34%	49%
A team of advisers and support staff is assigned to each client	32%	44%	30%
Multiple advisers/staff support clients	17%	20%	16%
Other (please specify)	5%	2%	5%
To the best of your ability, please indicate what percentage of your clients has the following as their primary investment goal. (Total must equal 100%.)			
Growth of assets/return potential	47%	42%	48%
Generating income from investments	29%	25%	30%
Protecting principal/capital preservation	24%	33%	22%
Which of the following descriptions differentiates your firm from other advisers or competitors? (Please check ALL that apply.)			
Outstanding client service (including personalized service, education, etc.)	82%	87%	82%
Superior investment processes and performance	45%	59%	42%
Comprehensive financial planning	60%	59%	60%
Competitive costs/fees	52%	56%	51%
Niche investing (access, product types, etc)	32%	49%	30%
Other (please specify)	15%	13%	15%
None of the above	1%	0%	1%
Please rank the descriptions you selected in order of what differentiates your firm, most to least, from other advisers or competitors. (1 = most, 2 = second most, etc.)			
	Average Ranking		
Outstanding client service (including personalized service, education, etc.)	1.7	1.8	1.7
Superior investment processes and performance	2.4	2.3	2.4
Comprehensive financial planning	2.2	2.1	2.2
Competitive costs/fees	2.9	3.2	2.9
Niche investing (access, product types, etc)	2.8	3.2	2.7
Other (please specify)	1.9	2.0	1.9

STRATEGY/BUSINESS DEVELOPMENT

	All Participants	Elite RIAs	All Others
What are your firm's primary strategic objectives? (Please select up to three.)			
Revenue growth	48%	52%	47%
Asset growth	47%	49%	47%
Profitability	30%	26%	31%
Increase market share	15%	7%	16%
Employee satisfaction	18%	21%	18%
Client satisfaction	78%	84%	77%
Improve/enhance firm reputation	28%	33%	27%
None of the above	0%	0%	0%
Does your firm have a written long-term (3-5 year) strategic plan (including business vision, key objectives, and mission)?			
Yes	59%	69%	57%
No	31%	23%	32%
Not Sure	10%	8%	11%
Who at your firm is primarily responsible for developing the strategic plan?			
All owners	30%	29%	30%
Owner executive: CEO, President	27%	19%	29%
Executive committee	21%	31%	19%
Strategic planning committee	13%	10%	14%
Non-owner executive: CEO, President	2%	0%	2%
Board of directors	3%	10%	2%
Other (please specify)	3%	2%	3%
Not sure	2%	0%	2%
When did your firm first adopt a formal long-term strategic plan?			
In 2014	14%	12%	14%
In 2013	13%	12%	13%
2010-2012	25%	19%	26%
Before 2010	45%	52%	44%
Not sure	4%	5%	4%
Does your firm have written short-term (1-2 year) goals related to volume, growth rate, profitability or similar measurable targets?			
Yes	68%	74%	67%
No	23%	18%	24%
Not Sure	9%	8%	9%
Which of the following formal teams or committees, if any, does your firm have? (Please check ALL that apply.)			
Formal executive committee	38%	57%	35%
Board of directors	28%	41%	26%
Strategic planning committee	30%	25%	31%
Investment committee	51%	74%	47%
Compensation committee	11%	10%	12%
Other (please specify)	7%	7%	7%
None of the above	30%	16%	32%

	All Participants	Elite RIAs	All Others
What percent of their total work time, on average, do your client-facing professionals allocate to the following activities?			
Developing new business	22%	20%	22%
Servicing existing clients	35%	37%	35%
Investment management	17%	15%	18%
Financial planning	13%	14%	13%
Internal management	7%	7%	7%
Leadership	6%	7%	6%

In your opinion, which three of the following **MOST significantly contributed** to your firm's ability to succeed in the **past 1-2 years**? (Please select up to three.)

Effective use of technology	37%	30%	38%
Having the right employees in the right roles	50%	57%	48%
Emphasis on business workflows and operations	24%	26%	24%
Marketing focus and strategy	26%	20%	27%
Breadth of services offered	27%	23%	28%
Superior client acquisition and targeting	22%	23%	21%
Growth and retention of existing clients	58%	67%	57%
Infusion of financial resources/capital	5%	3%	5%
Superior investment performance	14%	20%	13%
None of the above	2%	2%	2%

Which three do you expect will **MOST contribute** to your firm's success in the **next 1-2 years**? (Please select up to three.)

Effective use of technology	41%	38%	41%
Having the right employees in the right roles	49%	57%	48%
Emphasis on business workflows and operations	24%	31%	23%
Marketing focus and strategy	44%	44%	44%
Breadth of services offered	17%	15%	17%
Superior client acquisition and targeting	36%	36%	36%
Growth and retention of existing clients	49%	38%	51%
Infusion of financial resources/capital	4%	7%	4%
Superior investment performance	12%	16%	12%
None of the above	1%	2%	1%

In your opinion, which three of the following business issues **MOST limited** your firm's ability to succeed in the **past 1-2 years**? (Please select up to three.)

Ineffective/limited/outdated technology	27%	34%	26%
Not having the right employees in the right roles	30%	34%	29%
Inability to improve business workflows and operations	31%	23%	32%
Lack of marketing focus/strategy	42%	49%	41%
Limited breadth of services	9%	3%	10%
Inadequate client acquisition and targeting	33%	38%	33%
Lack of growth/retention of existing clients	10%	7%	10%
Lack of financial resources/capital	18%	18%	18%
None of the above	13%	16%	12%

	All Participants	Elite RIAs	All Others
Which three do you expect will MOST limit your firm's success in the next 1-2 years? (Please select up to three.)			
Ineffective/limited/outdated technology	20%	30%	19%
Not having the right employees in the right roles	27%	31%	26%
Inability to improve business workflows and operations	26%	20%	28%
Lack of marketing focus/strategy	30%	28%	31%
Limited breadth of services	9%	7%	9%
Inadequate client acquisition and targeting	27%	26%	27%
Lack of growth/retention of existing clients	11%	11%	11%
Lack of financial resources/capital	19%	15%	19%
None of the above	23%	30%	21%

Which of the following social networks do you and/or your firm use for professional purposes? (Please select up to three.)			
Facebook	38%	30%	39%
LinkedIn	75%	80%	74%
Twitter	30%	31%	30%
Instagram	4%	3%	4%
Pinterest	2%	2%	3%
Other (please specify)	3%	3%	3%
Do not use social networks for professional purposes	20%	18%	21%

For which of the following business purposes do you/your business use social media? (Please check ALL that apply.)			
Networking with other professionals	72%	72%	72%
Prospecting for new clients	49%	40%	51%
Marketing and promotion for my firm	61%	56%	62%
Directly communicating with individual clients	15%	12%	16%
Sharing news and information relevant to my clients	45%	54%	44%
Consuming news and content relevant to my business	37%	52%	34%
Recruiting and hiring new talent	21%	38%	18%
Other (please specify)	2%	2%	2%

TECHNOLOGY

Please indicate whether you agree or disagree with the following statements:

(1 = Strongly disagree; 5 = Strongly agree.) (Average rating)

My clients clearly see my use of technology as a benefit to them	3.7	3.7	3.7
It is more difficult to demonstrate my value as a financial advisor today compared with a few years ago	2.7	2.6	2.7
My technology providers generally do a good job of fitting what they provide to what I need	3.4	3.2	3.4
I find it challenging to assess which technology provider is best for my needs	3.1	3.2	3.0
Generally speaking, technology is strengthening my effectiveness as a financial advisor	3.9	4.0	3.9
Technology is allowing me to deliver even more customized service and support to clients	4.0	4.0	3.9
Compared with five years ago, my clients today are demanding even more personalized and customized service	3.7	3.9	3.7

	All Participants	Elite RIAs	All Others
Who is primarily responsible for overseeing technology and technology decisions at your firm? (Please check only ONE.)			
Dedicated technology personnel	19%	20%	19%
Executive management	43%	54%	42%
Technology committee (multiple departments)	10%	7%	10%
External technology consultants	6%	8%	6%
We do not have a systematic approach to technology decisions	17%	11%	18%
Not sure/Not applicable	5%	0%	6%

Over the next 1-2 years, to what degree do you think technology will help you/your firm in each of the following areas?
(1 = Will not help at all; 7 = Will help a lot.) (Average rating)

	All Participants	Elite RIAs	All Others
Risk management	5.0	5.2	5.0
Client acquisition	4.9	4.9	4.9
Client relationship management	5.8	6.1	5.7
Investment research and data collection	5.4	5.8	5.3
Portfolio construction	5.3	5.5	5.3
Internal business processes (not investment related)	5.4	5.9	5.3
Access to a broader set of investment options	4.6	4.6	4.6

For each of the following technologies and/or applications, please indicate your firm's current usage and/or planned usage.

	Don't know/Not applicable			Use currently			Do not use currently but plan to in the next 1-2 years			Do not use currently and do not plan to use in the next 1-2 years		
	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others
Client risk assessment	18%	16%	18%	53%	46%	54%	18%	15%	18%	12%	23%	10%
Customer relationship management (CRM)	6%	3%	7%	82%	87%	81%	8%	8%	8%	4%	2%	4%
Account aggregation	11%	5%	13%	69%	79%	67%	15%	11%	16%	5%	5%	5%
Client reporting	5%	2%	6%	86%	95%	85%	7%	2%	7%	2%	2%	2%
Financial planning software	10%	16%	9%	71%	66%	72%	11%	5%	13%	8%	13%	7%
Trading platform	9%	8%	9%	78%	79%	78%	7%	8%	7%	6%	5%	6%
Asset allocation optimization/modeling	8%	3%	9%	65%	64%	65%	17%	16%	17%	11%	16%	10%
Automatic portfolio rebalancing	11%	7%	11%	54%	67%	51%	22%	13%	24%	13%	13%	13%
Portfolio risk management/Modern Portfolio Theory (MPT)	14%	13%	14%	52%	56%	51%	17%	7%	19%	17%	25%	16%
Investment data collection and aggregation	12%	8%	13%	68%	77%	66%	12%	11%	13%	7%	3%	8%
Robo-advice platforms	34%	23%	36%	7%	8%	7%	18%	20%	17%	41%	49%	40%

How satisfied are you/your firm with the technology or application's ability to improve business results?

Please indicate your satisfaction on a scale from 1 to 7, where 1 means 'not at all satisfied' and 7 means 'completely satisfied'. (Average rating)

	All Participants	Elite RIAs	All Others
Client risk assessment	4.8	5.0	4.8
Customer relationship management (CRM)	5.0	4.7	5.0
Account aggregation	5.0	5.0	4.9
Client reporting	4.9	4.7	5.0
Financial planning software	5.1	5.1	5.1
Trading platform	5.2	5.3	5.1
Asset allocation optimization/modeling	4.9	4.8	5.0
Automatic portfolio rebalancing	5.1	5.2	5.0
Portfolio risk management/Modern Portfolio Theory (MPT)	4.9	5.1	4.9
Investment data collection and aggregation	5.0	4.9	5.0
Robo-advice platforms	4.6	4.4	4.6

How do you/your firm anticipate dealing with core technologies or applications that you are unsatisfied with?

	Build a new solution internally			Purchase new software/solution			Outsource to a vendor			Partner with a firm/asset manager that currently provides this technology			We do not have plans to make any changes to our technology/applications			Don't know/ Not applicable		
	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others
Client risk assessment	13%	0%	14%	21%	0%	22%	16%	50%	14%	8%	0%	8.3%	13%	50%	11%	29%	0%	31%
Customer relationship management (CRM)	4%	0%	5%	40%	50%	39%	17%	13%	18%	2%	0%	2.6%	26%	25%	26%	11%	13%	10%
Account aggregation	7%	0%	8%	22%	20%	22%	20%	20%	19%	5%	20%	2.8%	27%	20%	28%	20%	20%	19%
Client reporting	12%	15%	11%	39%	38%	39%	14%	8%	16%	7%	8%	6.8%	16%	15%	16%	12%	15%	11%
Financial planning software	8%	0%	9%	33%	20%	35%	13%	0%	15%	3%	0%	2.9%	28%	60%	23%	15%	20%	15%
Trading platform	3%	0%	3%	26%	25%	26%	9%	25%	6%	14%	0%	16.1%	37%	25%	39%	11%	25%	10%
Asset allocation optimization/modeling	3%	0%	4%	26%	0%	33%	18%	14%	19%	6%	0%	7.4%	24%	43%	19%	24%	43%	19%
Automatic portfolio rebalancing	12%	0%	14%	15%	20%	14%	8%	0%	10%	31%	20%	33.3%	23%	40%	19%	12%	20%	10%
Portfolio risk management/ Modern Portfolio Theory (MPT)	9%	0%	10%	13%	33%	10%	13%	33%	10%	22%	0%	25.0%	30%	33%	30%	13%	0%	15%
Investment data collection and aggregation	3%	0%	4%	26%	25%	26%	16%	13%	17%	10%	13%	8.7%	23%	25%	22%	23%	25%	22%
Robo-advice platforms	14%	0%	17%	14%	0%	17%	0%	0%	0%	29%	0%	33.3%	0%	0%	0%	43%	100%	33%

How do you/your firm plan to develop the technologies/applications you will introduce over the next 1-2 years? (If more than one solution per technology/application, please select the most probable one.)

	We will develop an in-house solution			We will leverage a solution from our custodian			We will leverage a solution from our broker-dealer			We will leverage a solution from a third-party vendor other than our custodian or BD			We will form a strategic partnership with a firm/asset manager that currently provides this technology			Have no plans/ Not applicable/ Don't know		
	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others	All Participants	Elite RIAs	All Others
Client risk assessment	11%	0%	13%	13%	11%	13%	13%	0%	14%	40%	56%	38%	8%	11%	8%	15%	22%	14%
Customer relationship management (CRM)	21%	20%	21%	3%	20%	0%	21%	20%	21%	30%	20%	32%	15%	20%	14%	9%	0%	11%
Account aggregation	10%	0%	11%	8%	29%	6%	32%	14%	35%	32%	43%	31%	8%	14%	7.3%	10%	0%	11%
Client reporting	19%	0%	19%	7%	100%	4%	19%	0%	19%	33%	0%	35%	11%	0%	12%	11%	0%	12%
Financial planning software	6%	33%	5%	6%	67%	2%	19%	0%	20%	49%	0%	52%	11%	0%	11%	9%	0%	9%
Trading platform	0%	0%	0%	21%	40%	17%	17%	20%	17%	38%	40%	38%	7%	0%	8%	17%	0%	21%
Asset allocation optimization/modeling	15%	30%	12%	10%	20%	9%	25%	0%	29%	35%	50%	33%	1%	0%	2%	13%	0%	16%
Automatic portfolio rebalancing	7%	13%	6%	15%	13%	16%	28%	0%	31%	29%	50%	27%	8%	25%	6%	13%	0%	14%
Portfolio risk management/ Modern Portfolio Theory (MPT)	4%	0%	5%	4%	0%	5%	26%	25%	26%	36%	50%	35%	11%	0%	12%	19%	25%	18%
Investment data collection and aggregation	4%	0%	5%	14%	14%	14%	25%	0%	30%	35%	71%	30%	12%	14%	11%	10%	0%	11%
Robo-advice platforms	6%	8%	5%	25%	42%	22%	7%	0%	8%	35%	17%	38%	15%	25%	13%	13%	8%	13%

What would be your primary reason(s) for offering robo-advice services? (Please check ALL that apply.)

	All Participants	Elite RIAs	All Others
Reduce cost of managing client portfolios	43%	42%	43%
Improve firm productivity	47%	42%	48%
Attract new clients (similar to existing)	43%	50%	42%
Attract new clients (new segments – for example, younger, lower assets)	72%	83%	70%
Improve overall investment returns	11%	8%	12%
Remain competitive in wealth management market	58%	67%	57%
Increase range of services offered on firm's platform	46%	58%	43%
Other (please specify)	3%	0%	3%

	All Participants	Elite RIAs	All Others
When it comes to my practice, I view the emergence of robo-advice technology as primarily:			
A threat	19%	20%	19%
An opportunity	39%	39%	39%
Robo-advice will have no impact on my business	42%	41%	42%
Please select the following statements with which you agree. (Please check ALL that apply.)			
Robo-advice cannot match the value of a human adviser	62%	57%	63%
Robo-advice technology can support what I do, but not replace it	46%	51%	46%
I am uncertain about how to prove my value compared with robo-advice	7%	5%	7%
Robo-advice technology could be a good way for me to attract clients who would otherwise just do it themselves	32%	30%	32%
Robo-advice is just a fad	10%	8%	10%
Robo-advice is appropriate only for clients with relatively simple investing needs	40%	51%	39%
I can demonstrate my value compared with robo-advice by making my support even more customized to my clients' needs	55%	49%	56%
If asked, my clients could clearly identify the benefits of my service compared with the benefits of robo-advice	44%	46%	44%
None of the above	3%	7%	3%
How integrated are your technologies and applications?			
Not integrated at all and data must be manually connected between systems	11%	13%	11%
Somewhat integrated (only certain technologies/applications are integrated but not 100%)	68%	69%	68%
Fully integrated (all core technologies are connected and all firm employees have a 360-degree view of client data)	20%	18%	21%
What are the three primary challenges to adopting/implementing new technologies or applications at your firm? (Please select up to three.)			
Cost	47%	51%	46%
Compliance/legal concerns	28%	25%	29%
Time required to learn new systems/tools	52%	44%	54%
Don't know how to evaluate technology options	12%	8%	13%
Unclear benefit to my business	17%	16%	17%
Integration of technologies	47%	61%	45%
Inability to find a customized solution that best fits our needs	29%	38%	27%
Other (please specify)	2%	3%	2%
None of the above/Not sure	4%	2%	4%
Which of the following best describes when your firm adopts new investment technology (such as asset allocation programs or risk management software)?			
My firm tends to be among the first to adopt new investment technologies/solutions	20%	21%	19%
My firm tends to adopt new investment technologies/solutions soon after a few other firms adopt them	32%	21%	34%
My firm tends to adopt investment technologies/solutions after they are well-established	34%	44%	32%
My firm tends to adopt investment technologies/solutions only when they have a proven track record	15%	13%	15%
Please indicate how much you agree or disagree with each of the statements below. (1 = Strongly disagree; 5 = Strongly agree.) (Average rating)			
It is possible to identify managers that will likely outperform the market	3.1	3.2	3.1
I consider myself a stock picker	2.2	2.1	2.2
I proactively recommend and discuss ETFs with my clients	3.3	3.2	3.3
I believe top active managers can consistently outperform indexes	3.2	3.2	3.2