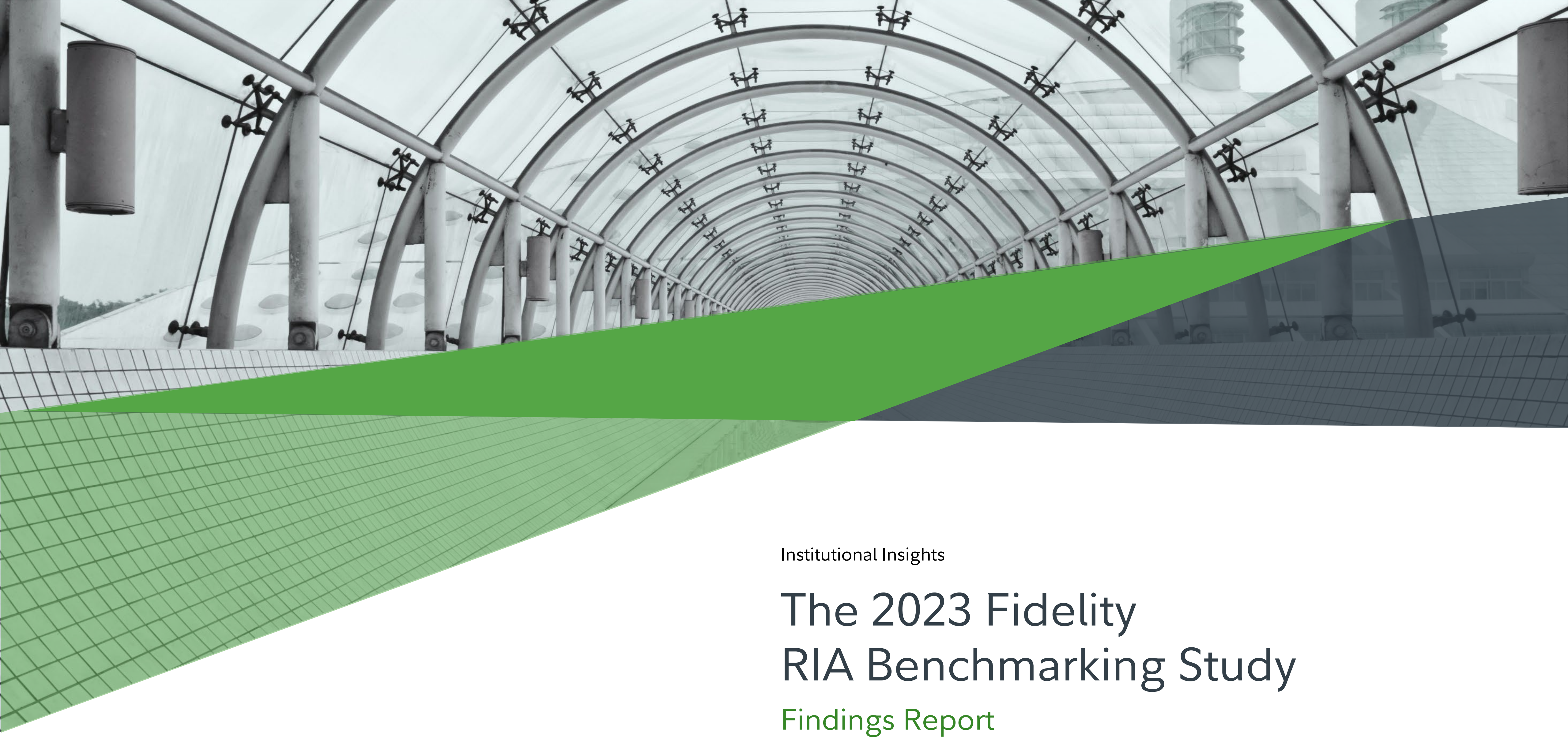


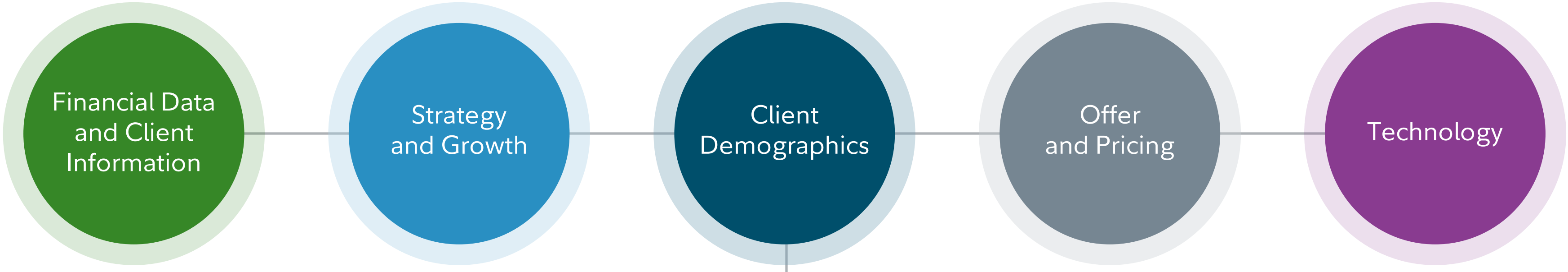
Institutional Insights

The 2023 Fidelity RIA Benchmarking Study

Findings Report

The 2023 Fidelity RIA Benchmarking Study

The 2023 Fidelity RIA Benchmarking Study examined key metrics to help RIAs understand their performance in comparison with their peers, and to help them advance their business. The 2023 study, which includes data through year-end 2022, focused on understanding the use of emerging products and evolving business practices.



Special Addendum on Firms with $5 Billion or More in AUM

As the importance of scale continues to rise and aspirations for growth abound, firms want to know what lessons they can learn from their largest peers. With this in mind, we've included a section in this report focused on understanding how firms with $5 billion or more in AUM have handled 2022.

Total AUM	# of firms
<$250M	40
$250–$499M	45
$500–$999M	48
$1B–$2.49B	50
$2.5B–$4.99B	32
$5B+	30

All statistics in this report are from the **2023 Fidelity Investments RIA Benchmarking Study** unless otherwise noted. The online survey was conducted from April 17 through July 4, 2023, and it was administered by an independent third-party research firm not affiliated with Fidelity. Fidelity was identified as the study sponsor. A total of 245 RIA firms participated in the study. The results may not be representative of the experiences of all firms or indicative of future success.

We encourage our clients to view their own results against their peer groups on our results site: www.fidelityriabenchmarking.com.

Key Findings

RIAs faced headwinds in 2022 including higher inflation and market volatility, leading to lower profit margins and declining organic growth

Growth and Business Development

- As firms accumulate assets and grow from under $1B in AUM to over $5B, their strategy and approach toward growth drivers, client acquisition, staffing models, technology stacks, services, offerings, and succession planning evolves
- Firms increased their focus on business development and strategic planning, to address the market challenges.
- After reaching a new high in 2021, reported organic growth slowed considerably to below 4%, driven by nearly 40% decline in new assets.
- Firms continued to adjust usage of both traditional and digital channels to further business development.

Pricing and Discounting

- Fee schedules have remained the same year-over-year, with firms typically offering a bundled solution for a flat fee.
- After a brief decline in 2021, the size and frequency of fee discounting increased in 2022, leading to further yield compression.
- Bigger firms offer higher discounts; the largest fee discounts are being offered to smaller clients (<$1M in assets).

Productivity and Profitability

- Operating and EBOC margins declined, likely driven in part by rising indirect expenses.
- Firms were able to partially offset the headwinds by increasing the number of clients per advisor, though they tended to add smaller clients to the books.
- In the short term, the 2022 market volatility and inflationary environment negatively impacted new flows and advisor productivity. More established RIAs are likely better positioned for growth as the markets settle.

Client Focus

- Across all RIAs, both assets and clients are concentrated with older generations. The median asset weighted client age is just over 61 years and squarely with the Boomer generation, which poses risks for firms' organic growth and asset retention.
- Fidelity Client Insight Tool[1] validates that only one in five have a revenue-weighted client age under 60 years. Advisors should continue to engage younger investors early on. Fidelity's 2022 Investor Insights Study found that on average across firms, three out of four Gens YZ[2] investors are likely to stay with their advisors, and about two out of three would like to consolidate more assets with them.

Offering and Outsourcing

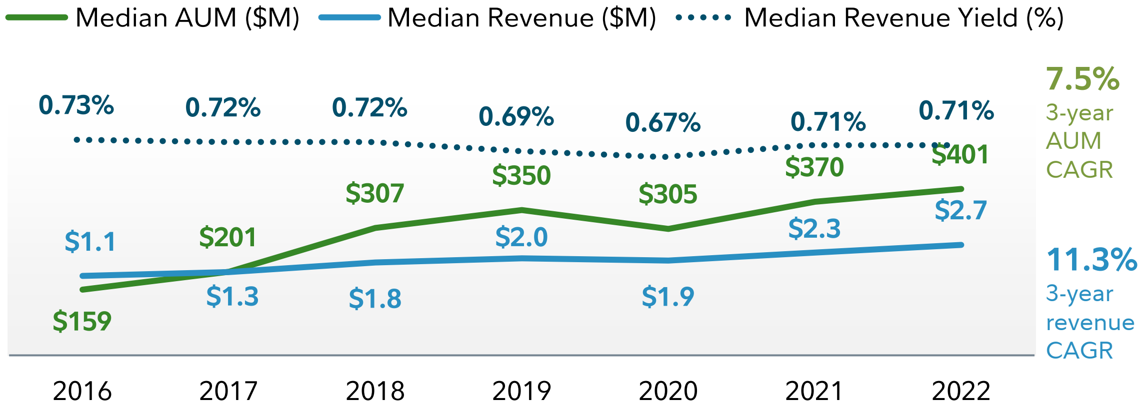
- Usage of outsourced investment products is expected to increase in the coming years, especially with $1B+ AUM firms. A recent Fidelity study, Investment Approach & Product Survey, found advisors who utilize investment outsourcing save 9 hours a week, which is then used for growth-focused activities like financial planning, relationship management, and business development.
- Usage of liquid and illiquid alternative investments is growing. However, most accredited investors (nearly five in six) are not using alternatives, suggesting further growth opportunities.

1 – Source: Fidelity Investments Client Insight Tool. See important information section for complete information on the Client Insight Tool.
2 – Note that Gen YZ age range is between 21 and 41 years of age.

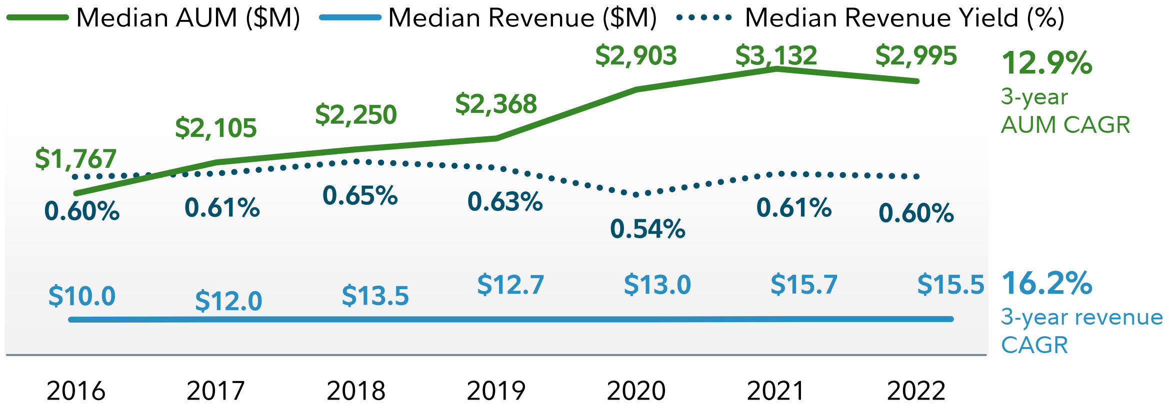
Financial Data: Assets, Revenue, and Expenses

3-year asset and revenue growth remain strong

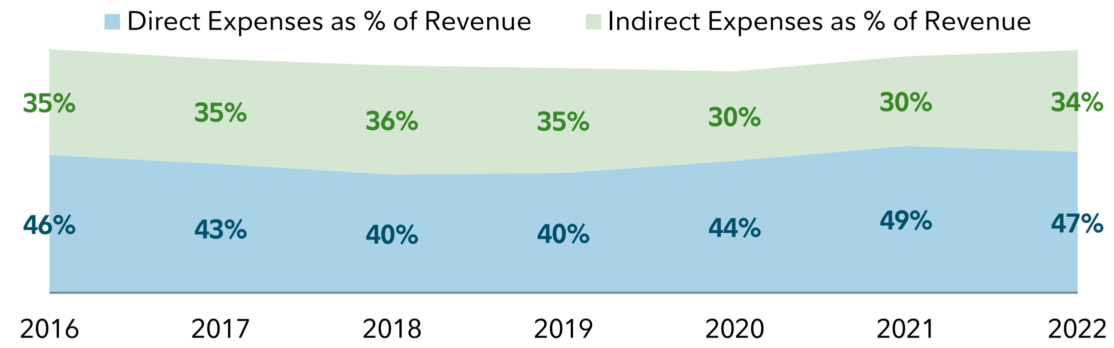
ASSETS AND REVENUE AUM <$1B Firms



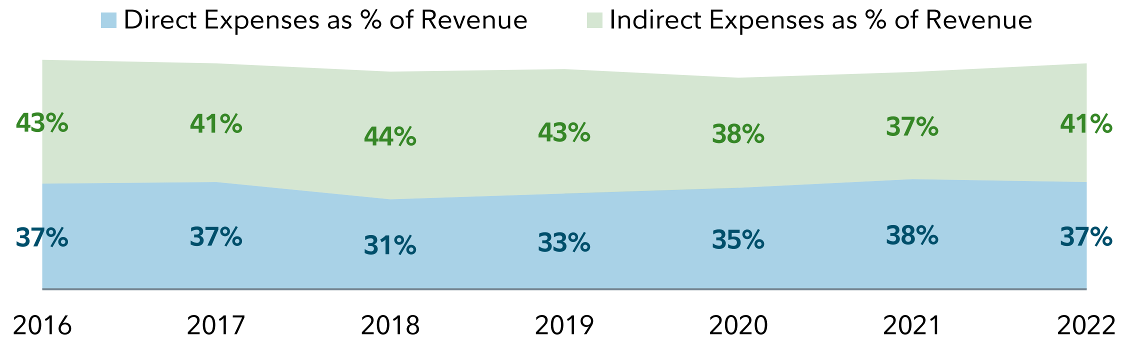
AUM $1B+ Firms



EXPENSES (mean) AUM <$1B Firms



AUM $1B+ Firms



Insights

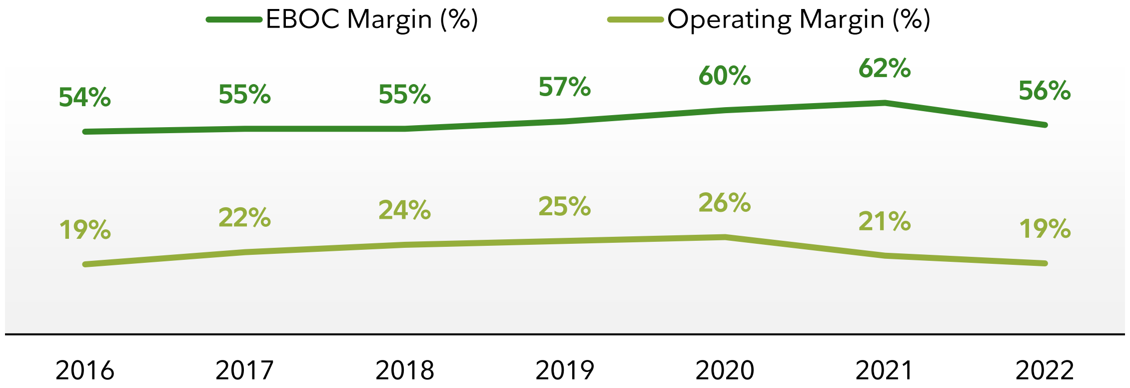
Under $1B AUM firms continued to grow assets and revenue in 2022, despite a challenging year. These firms managed to keep revenue yield stable even with higher indirect expenses.

Firms with over $1B+ in AUM successfully weathered the headwinds of 2022 with only marginal drops in assets, revenue, and revenue yield. $1B+ firms also incurred higher indirect expenses in 2022 after seeing a couple of years of record low expenses.

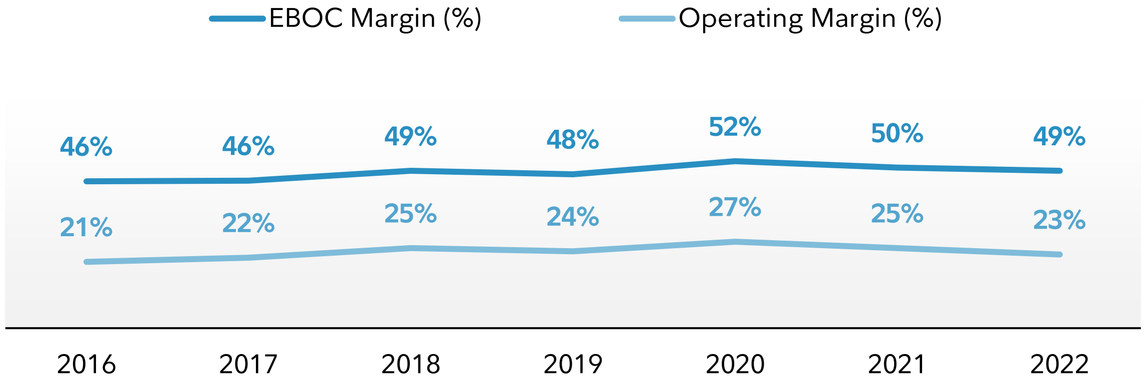
Financial Data: Profitability and Productivity

Market volatility and declining client size impacted profitability

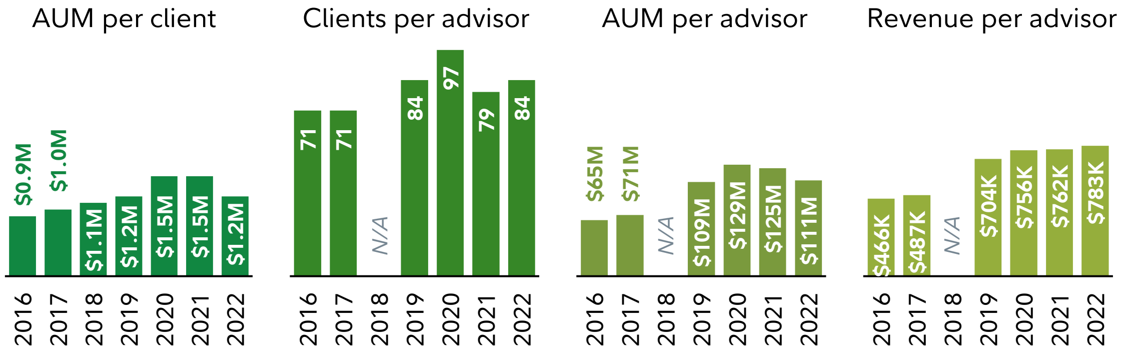
PROFITABILITY (mean) AUM <$1B Firms

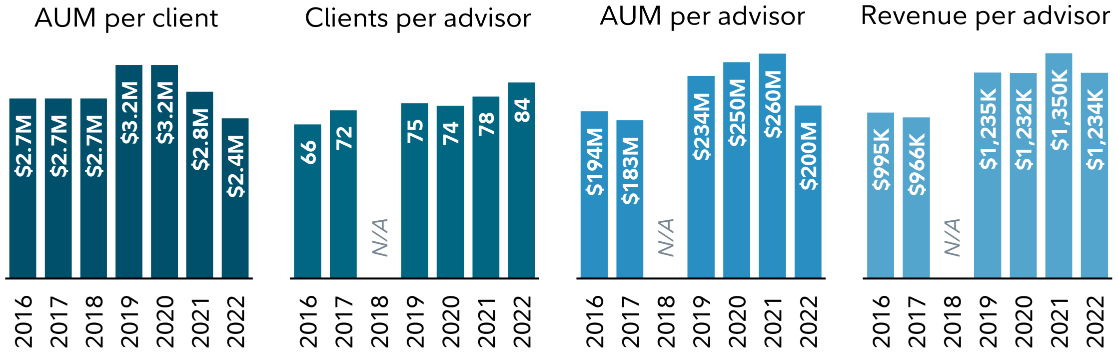


AUM $1B+ Firms



PRODUCTIVITY (median)





Insights

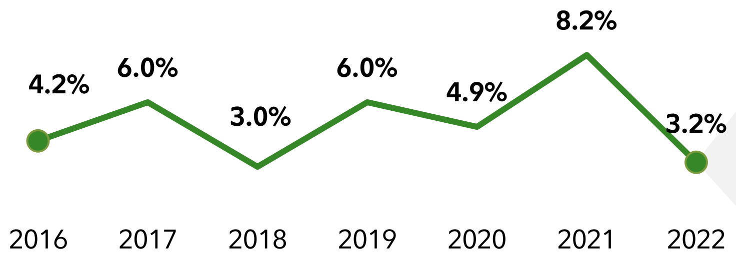
Not surprisingly, profitability and some productivity KPIs declined for firms across the board. However, firms were able to stem the decline by onboarding new clients, which resulted in higher clients per advisors and nearly flat revenue per advisor.

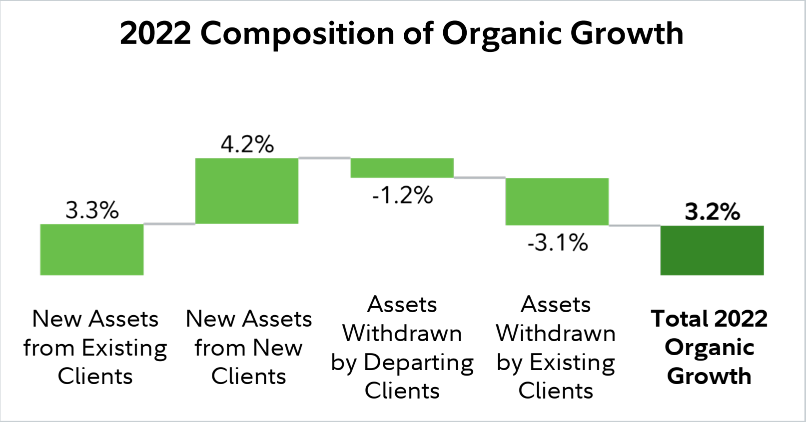
Strategy and Growth: Composition of Organic AUM Growth

The decline in sustainable growth is driven by lower net new assets from clients

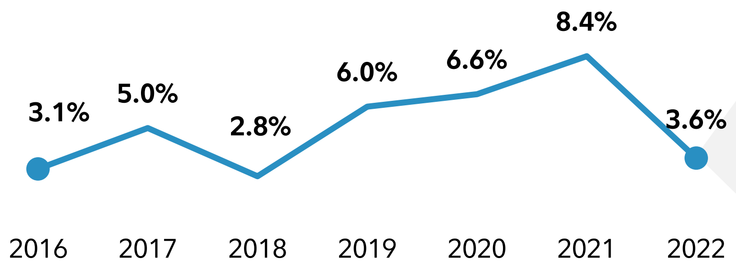
CONTRIBUTORS TO ORGANIC AUM GROWTH (excludes market appreciation and M&A activity)

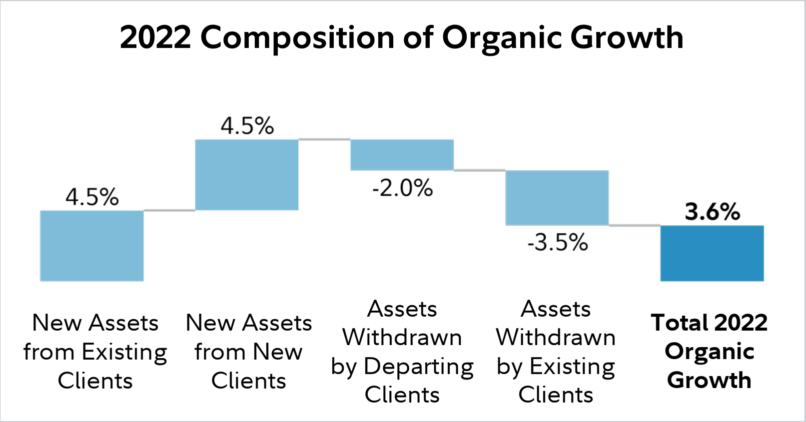
AUM <$1B Firms





AUM $1B+ Firms





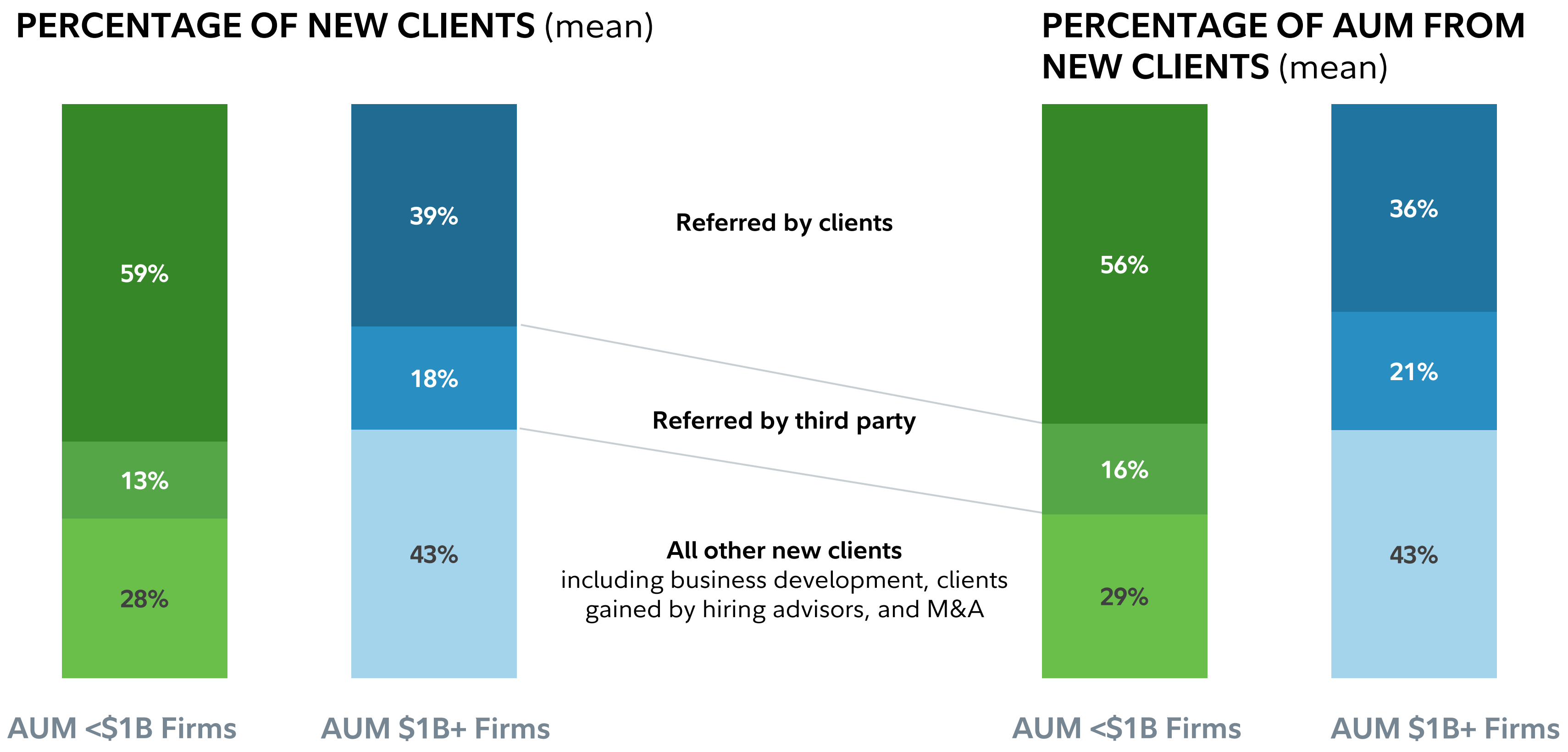
Insights

- Increases in clients per advisor did not translate to higher organic growth.
- After reaching an all-time high in 2021, organic growth slowed considerably to just over 3% in 2022, primarily due to a 40% decline in inflows from new and existing clients.
- However, there is silver lining, as all firms reported decreases in withdrawals.

Please note that 2022 composition figures may not add to Total Organic Growth due to rounding.

Strategy and Growth: Client Acquisition

The sources of new clients shift with firm size



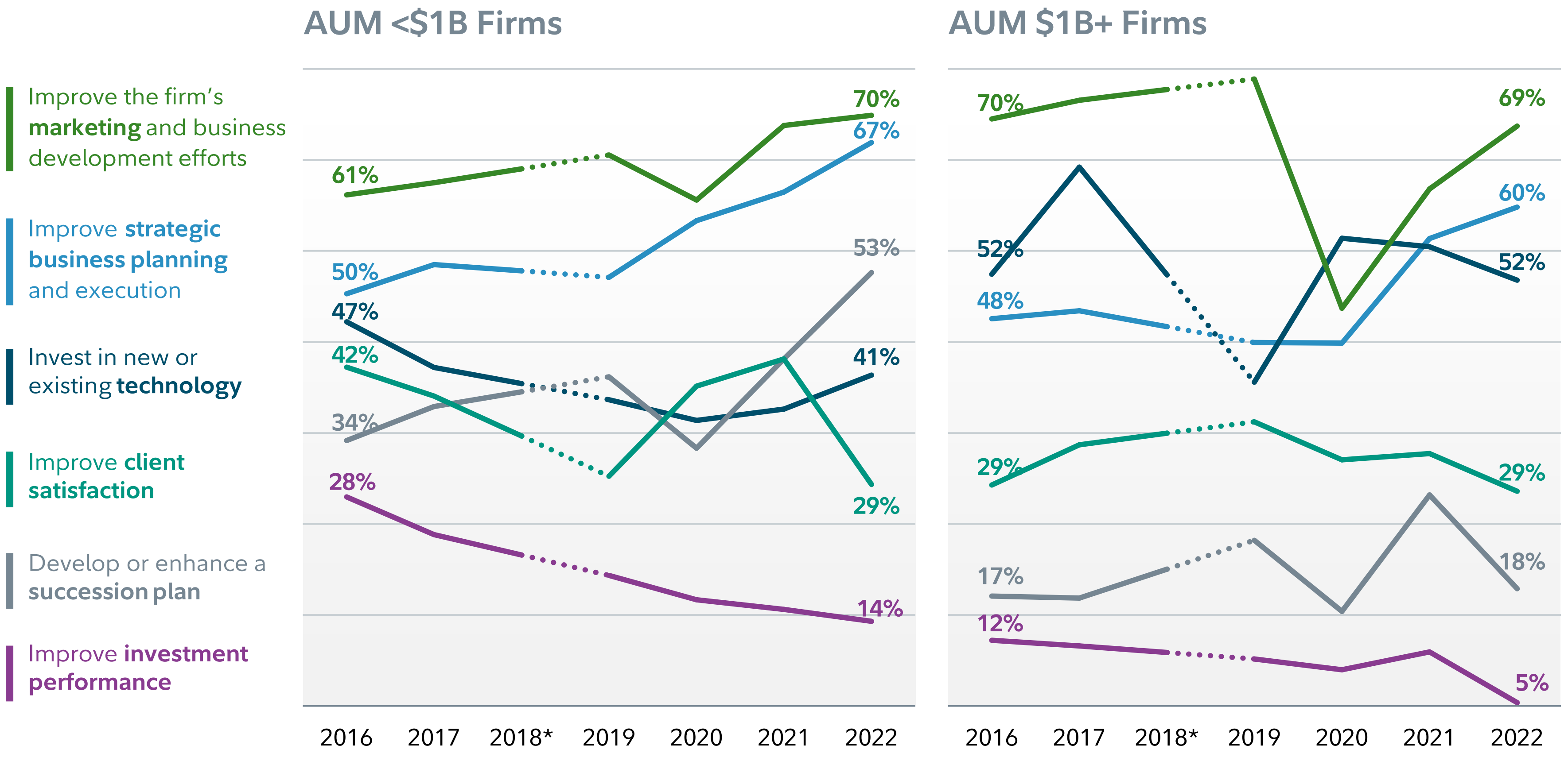
Insights

- Smaller firms get most of their new clients and new assets from client referrals.
- Although larger firms are less reliant on client referrals, it still accounts for over a third of new clients and new assets for the firm.
- As firms grow, they also place emphasis on other sources to grow business including referrals from third-parties, business development, hiring advisors, and M&A.

Strategy and Growth: Top Strategic Initiatives

Firms continue to prioritize business development, strategic planning, and execution

TOP FIVE STRATEGIC INITIATIVES FOR 2023 (percentage of firms including in top five initiatives)



Insights

- **Investment performance** continued to decline as a priority as firms are looking for other sources of differentiation.
- RIAs were successful in acquiring new clients by focusing on **business development, strategic planning, and execution**
- **Succession planning** further gained significant prioritization for smaller firms.
- Surprisingly, a significant number of smaller firms deprioritized **improving client satisfaction**.

This chart shows the percentage of respondents selecting each initiative as top five for the year.

* Note: Dotted line represents an implied trend, as we do not have this data for 2018.

Strategy and Growth: Business Development Activities

Post-pandemic, firms are returning to hosted in-person events to engage prospects

% FIRMS USING VARIOUS BUSINESS DEVELOPMENT ACTIVITY IN 2022 (change over past year)

	AUM <$1B Firms	Past Year Change	AUM $1B+ Firms	Past Year Change
Networking	83%	+8%	90%	–2%
Content marketing	80%	–1%	88%	+2%
Social media	72%	+5%	79%	+4%
Other digital marketing—excluding social media	67%	+4%	71%	–7%
Collateral	59%	0%	91%	+4%
In-person events	56%	+15%	75%	+16%
Online events	39%	+9%	58%	–2%
Traditional advertising	29%	+4%	35%	–7%
Online advertising	18%	+4%	31%	–5%
PR	14%	–2%	48%	+2%
Direct mail	12%	+6%	13%	–1%
Purchased lists	8%	+2%	12%	+4%
Cold calling	8%	+5%	15%	+5%

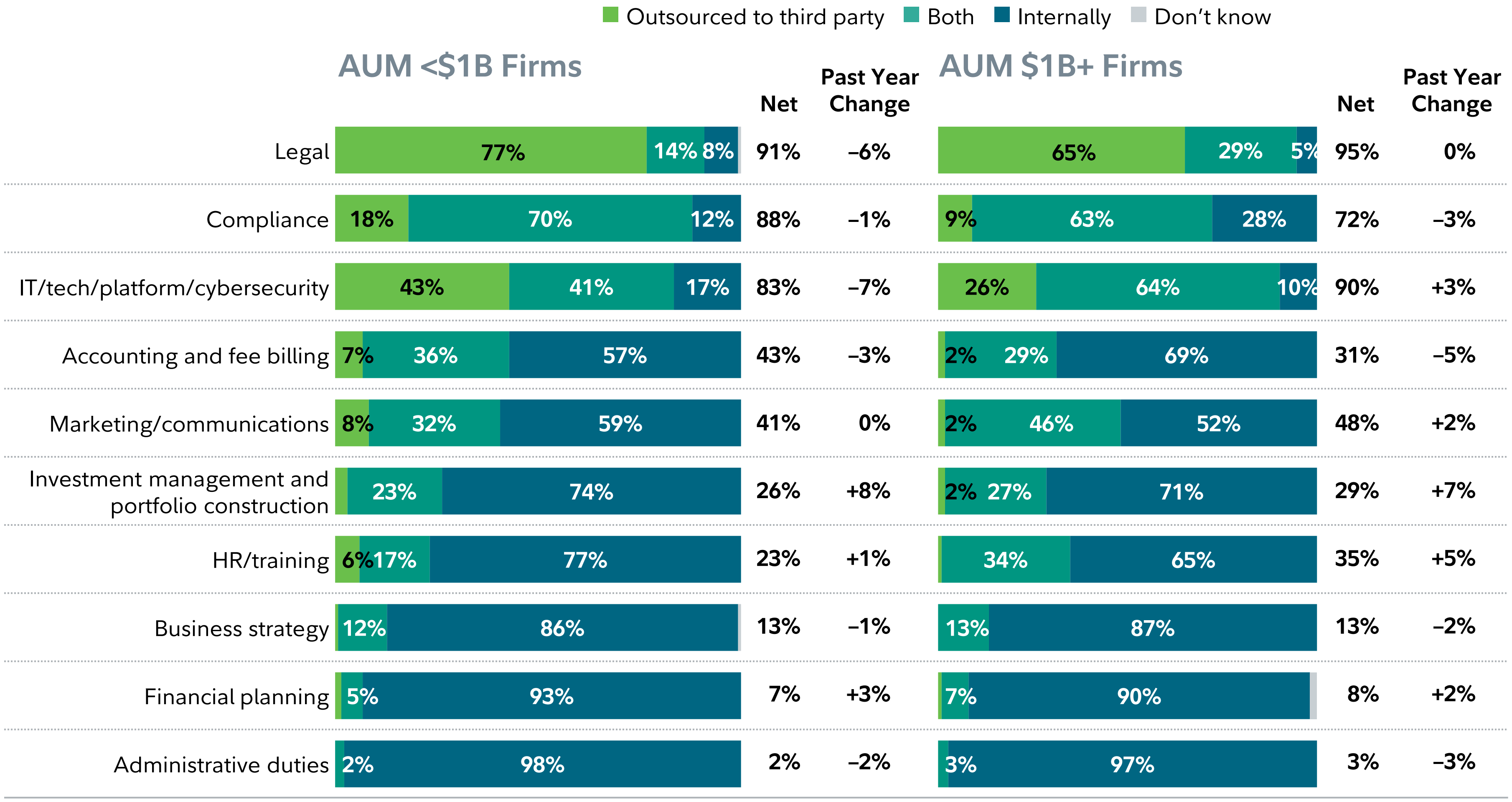
Insights

- Under $1B firms, in general, explored more channels to engage prospects in 2022 than a year ago—both traditional and digital channels.
- Over past year, larger RIAs may have experimented with the marketing mix to acquire clients, which included cold calling and purchased lists.
- Larger firms are tapping into **PR** and leveraging **collateral** more frequently than smaller firms.

Strategy and Growth: Outsourcing

Firms increasingly are looking to outsource investment management and portfolio construction

PERCENTAGE OF FIRMS OUTSOURCING PRACTICES BY BUSINESS FUNCTION IN 2022



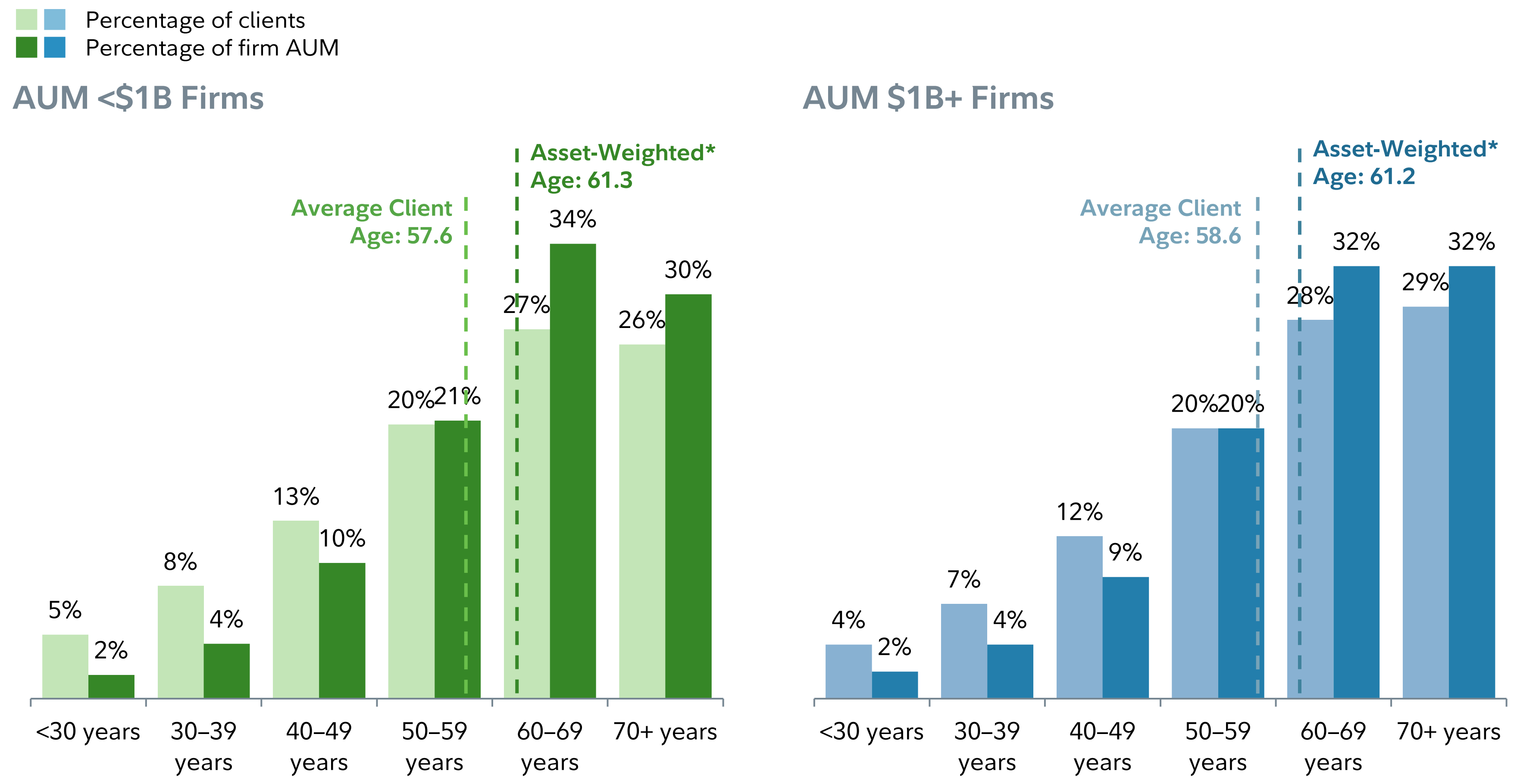
Insights

- Outsourcing practices vary greatly across different functions. Firms are more likely to outsource in areas outside of their own expertise, such as legal, compliance, and technology.
- Larger firms ($1B+ AUM) are more likely to use a mix of outsourcing and handling functions internally.
- In 2022, smaller firms (<$1B) decreased technology and legal outsourcing while larger firms decreased accounting and fee billing outsourcing.

Client Demographics: Generational Wealth

Older investors have most of the assets, but reaching out to the next generation sooner could give an edge

PERCENTAGE OF FIRM CLIENTS AND AUM BY CLIENT AGE IN 2022



Insights

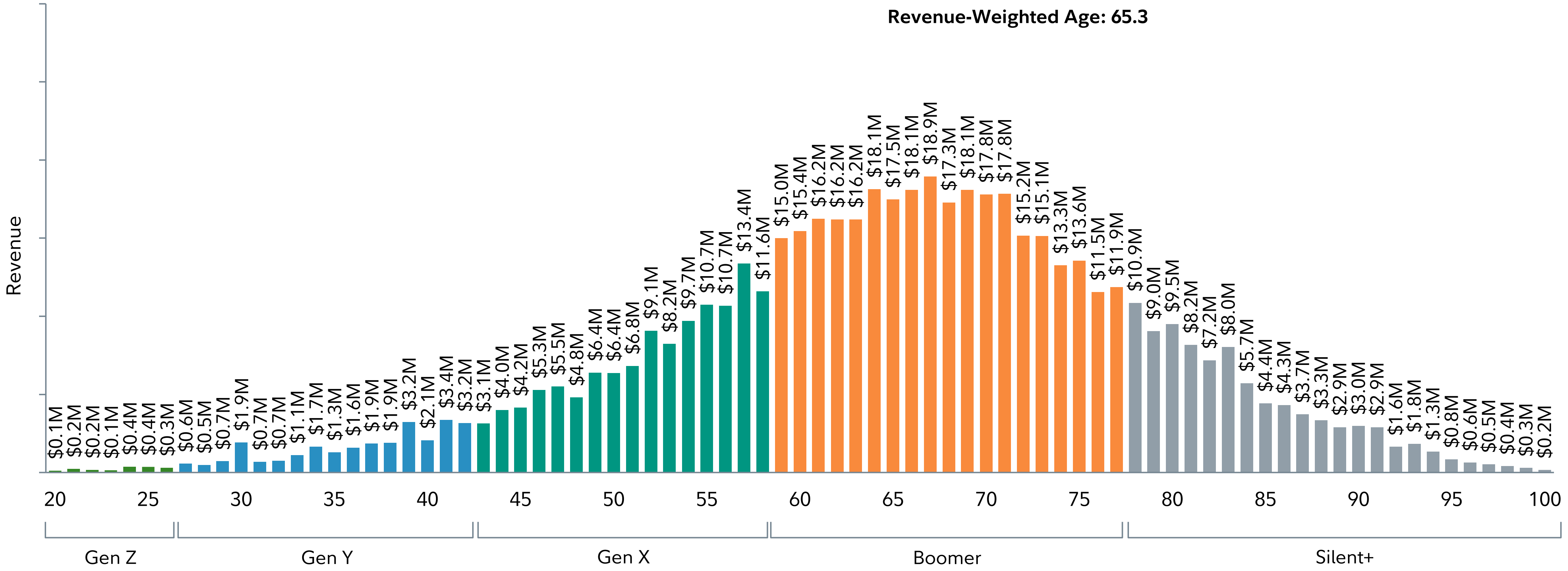
- As in prior years, assets and professional investment advice are mainly held by older generations. Those clients who are over 50 represent about three-quarters of the advisory clients, and they hold more than 80% of the advised assets.
- As young investors age, they may retain their current expectations of advisors. Our 2022 Investor Insights Study# found that about two in three Gen YZ investors expect their advisor to provide services beyond financial advice and investment management. Moreover, three in four say they are likely to stay with their advisors, and about two in three would like to consolidate more assets with them.

* Asset-weighted age is defined as average age of investors, taking into account their advisor-managed assets.
# Source: 2022 Fidelity Investor Insights Study. See important information for more details.

Client Demographics: Revenue-Weighted Age

Similarly, the revenue generated by most firms is also skewed toward Boomer+ investors

REVENUE WEIGHTED AGE* OF A TYPICAL $1B FIRM



Insights

Fidelity's proprietary Client Insight Tool shows that the typical revenue-weighted average investor age is 65.3.

Only 14% of the firms had revenue-weighted age under 60 years old.

* Revenue-weighted age is defined as average age of investors, taking into account their revenue.

Source: Fidelity Client Insight Tool. See important information section for complete information on the Client Insights Tool.

Client Demographics: By Client Size

Irrespective of firm size, top-tier clients bring most of the assets to a firm

PERCENTAGE OF FIRM CLIENTS AND AUM BY CLIENT SIZE

	AUM <$1B Firms		AUM $1B+ Firms	
Client Wealth Tiers	Percentage of Clients	Percentage of AUM	Percentage of Clients	Percentage of AUM
<$500K	39%	11%	27%	6%
$500K–$999K	20%	15%	16%	8%
$1M–$2.9M	25%	30%	28%	22%
$3M–$4.9M	8%	15%	11%	13%
$5M–$9.9M	5%	14%	8%	14%
$10M+	2%	15%	10%	36%

Insights

- Nearly half of firms' assets are brought in by just a fifth of its clients, more so for larger firms ($1B+).
- Unsurprisingly, larger firms have more HNW clients. Clients with average account size of under $1M make up 43% of their book with just 14% of firm assets.

Services and Pricing: Offering, Bundling, and Usage

Investment management, financial planning, tax planning, and strategy are table stakes as firms seek to differentiate by including more services under their overall bps fee

Currently offer
Plan to offer in future
Don't offer and don't plan to

	AUM <$1B Firms: Currently offer	AUM <$1B Firms: Plan to offer in future	AUM <$1B Firms: Firms offering and including in overall fee	AUM <$1B Firms: Clients receiving offering	AUM $1B+ Firms: Currently offer	AUM $1B+ Firms: Plan to offer in future	AUM $1B+ Firms: Firms offering and including in overall fee	AUM $1B+ Firms: Clients receiving offering
Investment management	99%	1%	95%	100%	100%		99%	100%
Financial planning	99%	1%	86%	75%	97%	1%	92%	75%
Tax planning and strategy	83%	4%	74%	50%	80%	2%	73%	68%
Risk/insurance planning	66%	2%	46%	30%	64%	3%	48%	30%
Cash management or budgeting	65%	2%	59%	30%	74%	5%	71%	32%
Philanthropic planning	65%	7%	58%	15%	78%	5%	72%	20%
Retirement plan servicing	56%	5%	43%	20%	66%	2%	51%	18%
Estate planning	53%	5%	44%	30%	67%	5%	59%	50%
Third-party lending product evaluation	36%	5%	34%	10%	47%	7%	46%	15%
Health and wellness/HSA	23%	9%	21%	10%	14%	9%	13%	NA
Concierge services	20%	9%	17%	10%	27%	14%	22%	10%
Life planning/coaching services	16%	8%	14%	NA	24%	12%	23%	10%
Trust services	13%	11%	8%	NA	33%	13%	24%	10%
Tax preparation	12%	9%	5%	NA	29%	10%	14%	25%

Insights

- Firms continue to bundle services under an overall bps fee to differentiate from peers.
- Larger firms offer a greater number of services such as trust services, estate planning, philanthropic planning, and budgeting as a bundled solution.
- Fee schedule has largely remained the same year-over-year, adding to yield compression when more services are offered for the same fee.

Note: "Clients receiving offering" percentage is median. NA: Data unavailable due to insufficient sample.

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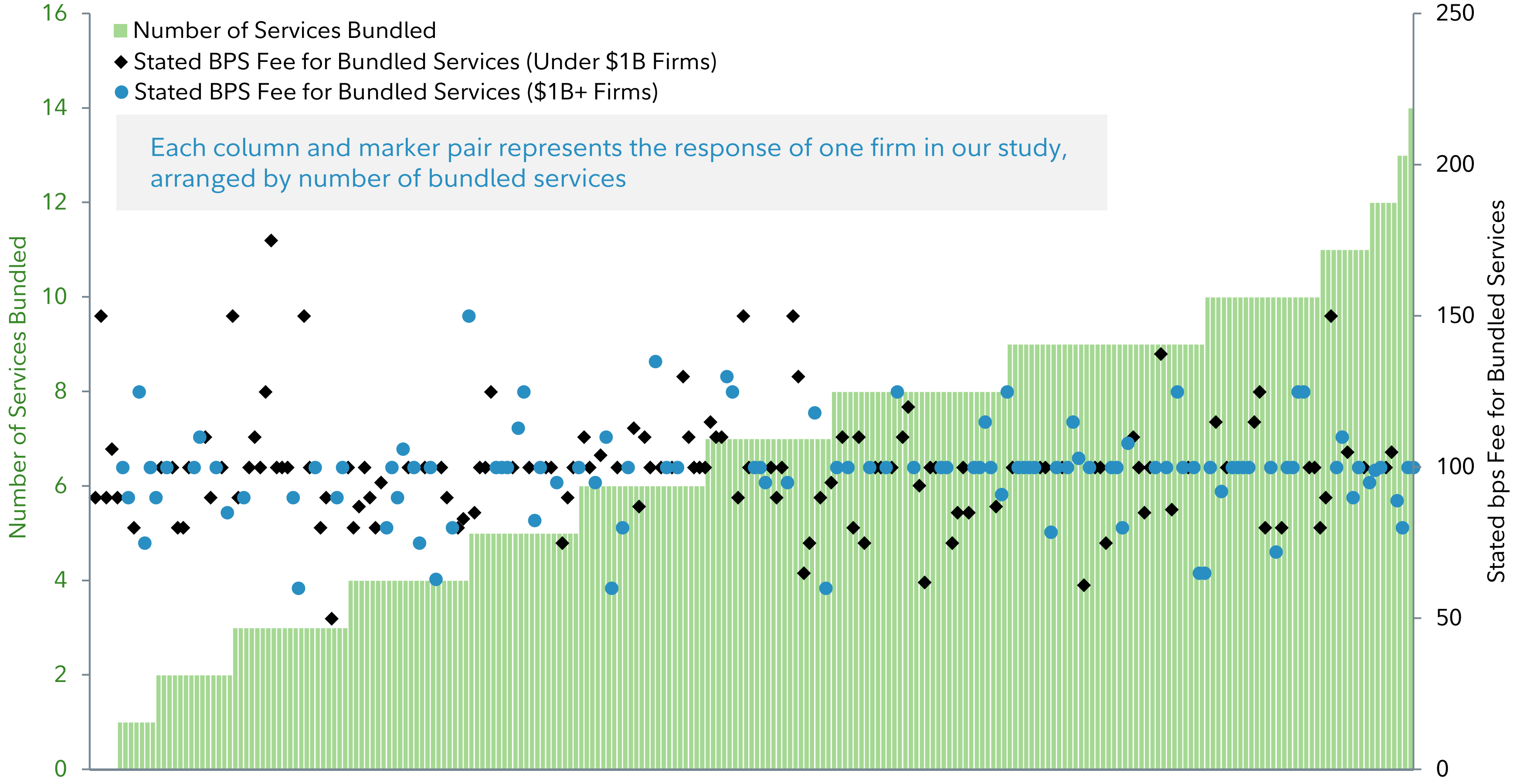
Fidelity INVESTMENTS

Services and Pricing: Aligning Pricing and Value

Despite more discounting and bundled services, firms have left fee schedules unchanged

STATED BASIS POINT FEE FOR A $1M CLIENT, BY FIRM, BY NUMBER OF BUNDLED SERVICES

Each column and marker pair represents the response of one firm in our study, arranged by number of bundled services.



Insights

- Across firms of all sizes, the most common stated fee for a $1M client is 100 bps, regardless of the number of bundled services that firms include with that fee.
- Similarly, irrespective of the firm size, there's no clear relationship between the number of bundled services a firm provides and the fees that they charge.

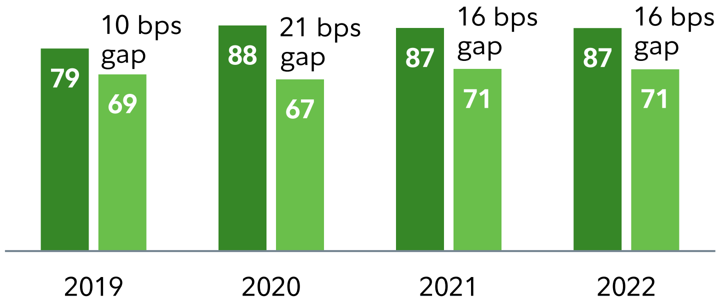
Services and Pricing: Fee Discounting

A large number of firms continue to discount fees, adding revenue yield compression

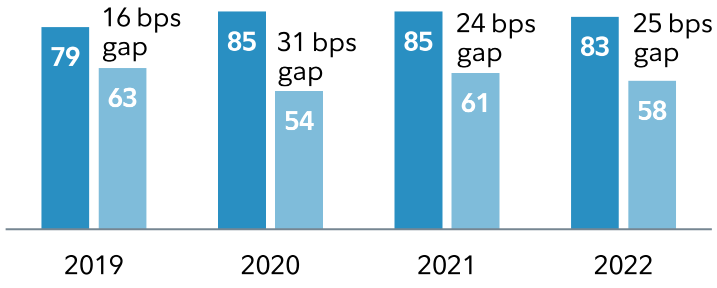
REVENUE YIELD

Expected revenue yield
Actual revenue yield

AUM <$1B Firms



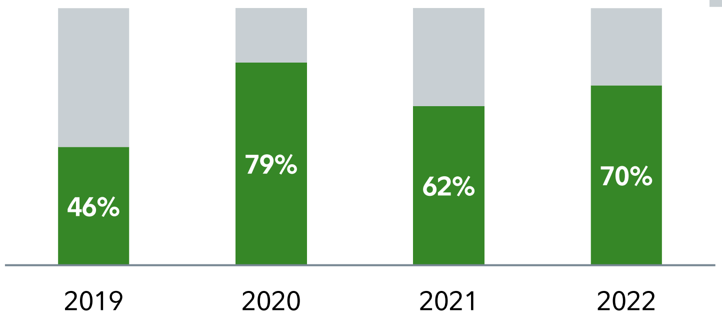
AUM $1B+ Firms



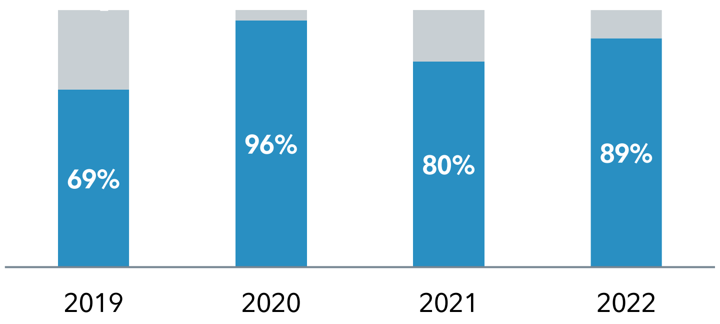
DISCOUNTERS* VS. NON-DISCOUNTERS

AUM <$1B Firms

Discounters
Non-discounters



AUM $1B+ Firms



Insights

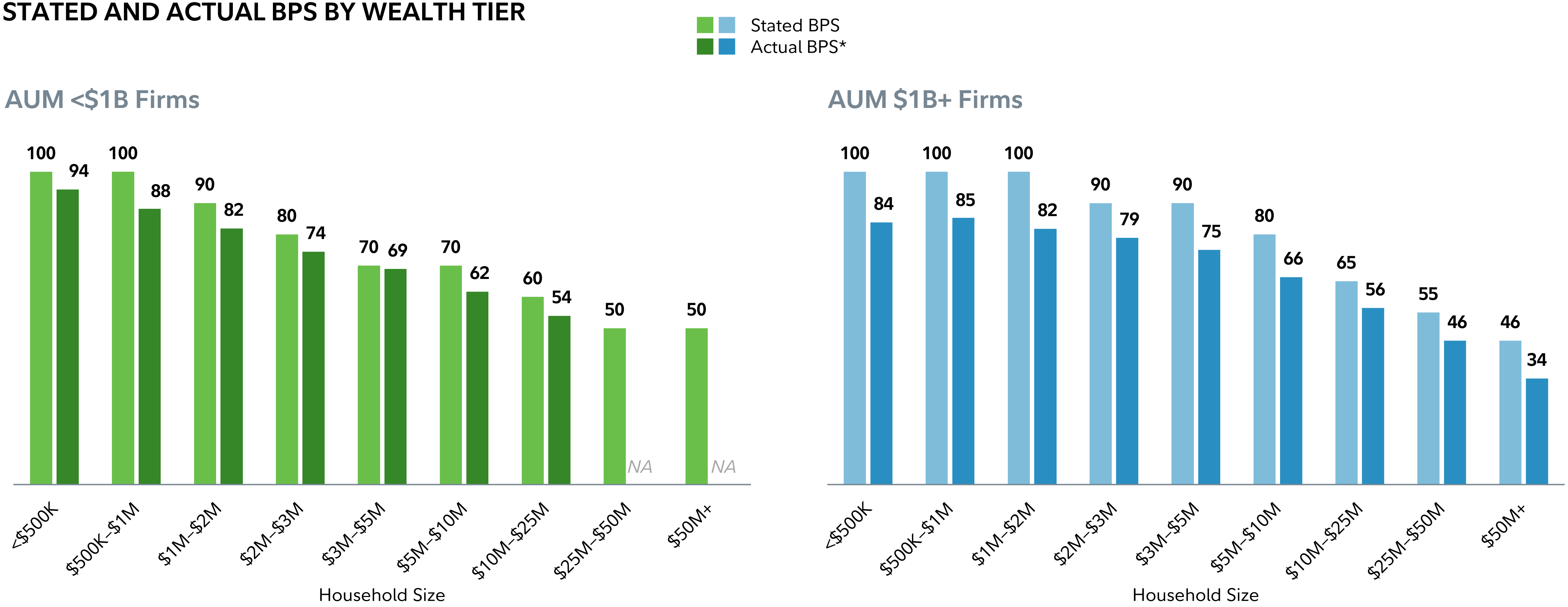
- Decrease in number of firms offering discount in 2021 partly reversed in 2022 due to high market volatility, although size of discount remained same.
- In past years, firms were able to offset the resulting revenue compression with new client growth, cost controls, and increased productivity in past years. However, since 2021 expenses have increased which in turn impacted firms' profitability and advisor productivity.
- Larger firms tend to discount more often and offer deeper discounts.

* Discounters are firms whose actual fee-based revenue is 10+ bps lower than expected revenue based on their fee schedules.

Services and Pricing: Fee by Wealth Tier

The largest discounts are being offered to smaller clients

STATED AND ACTUAL BPS BY WEALTH TIER



Insights Larger firms appear to have a higher fee schedule and offer more discount across account size compared to smaller firms.

* Source: Fidelity Client Insight Tool.
NA: Data unavailable due to insufficient sample.
For institutional or investment professional use only.

Offering: Investment Outsourcing

RIA firms, especially large firms, are looking to increase usage of outsourced investments

PERCENTAGE OF FIRMS … USING TYPES OF OUTSOURCING … PLANNING TO CHANGE USAGE

AUM <$1B Firms

	Using	% of firm AUM	% clients using	Decrease usage	Increase usage
Model Portfolios	45%	83%	90%	9%	38%
Managed Accounts	37%	47%	50%	13%	25%
Direct Asset Manager Outsourcing	9%	NA	NA	NA	

AUM $1B+ Firms

	Using	% of firm AUM	% clients using	Decrease usage	Increase usage
Model Portfolios	41%	58%	67%	4%	50%
Managed Accounts	54%	11%	12%	5%	41%
Direct Asset Manager Outsourcing	22%	NA	NA	NA	

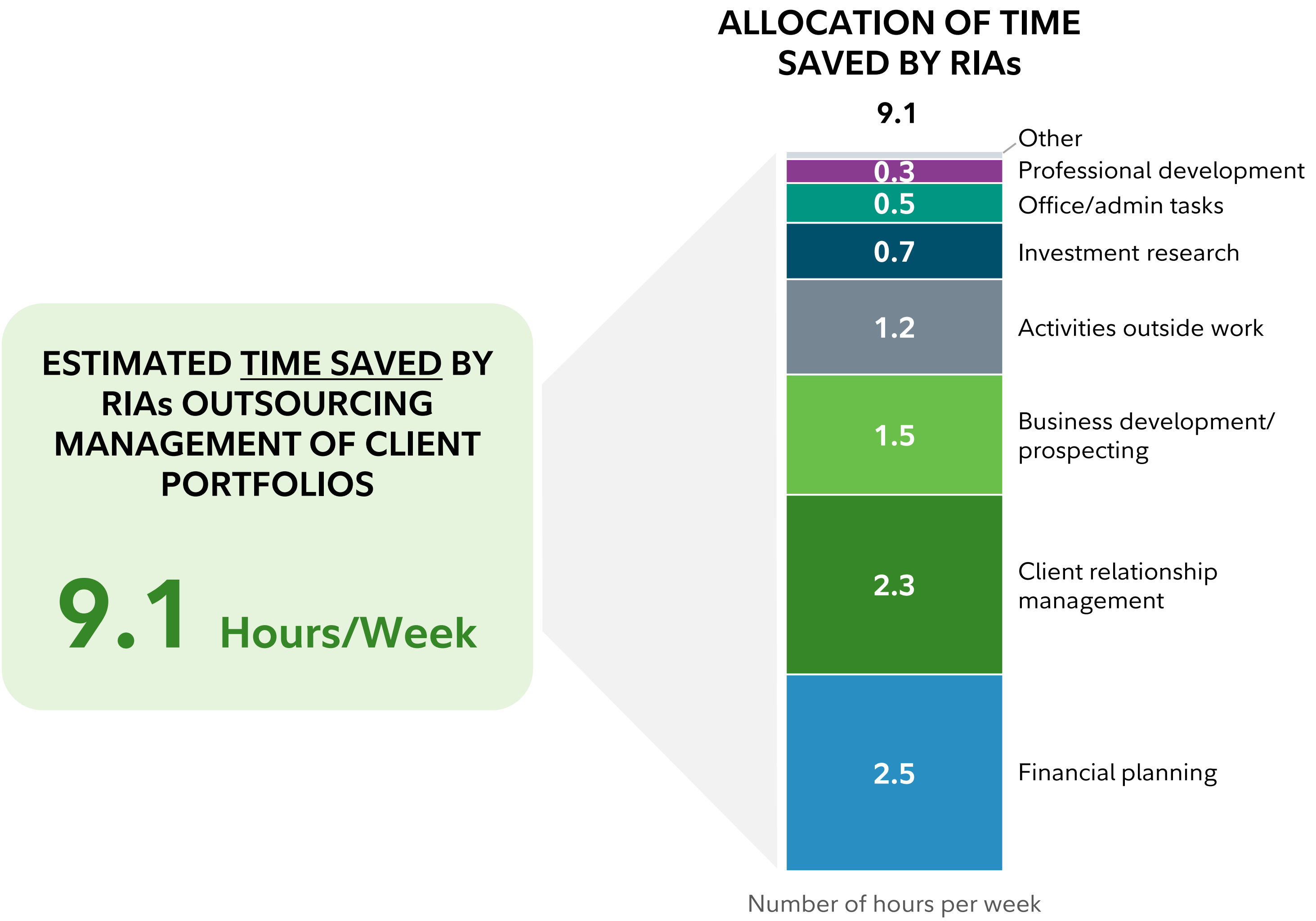
Insights

- Firms use a mix of different investment outsourcing practices.
- RIA expect adoption of investment outsourcing, especially model portfolios, to grow.
- Over two in five RIA firms use models with the majority of their clients opting in and this constitutes the majority of firm assets, more so for smaller firms.
- Direct asset manager outsourcing is not widely used among <$1B firms.

Note: Percentage of "firm AUM" and "clients using" is median. NA: Data unavailable due to insufficient sample.

Offering: Investment Outsourcing

There is significant weekly time savings for advisors who use investment outsourcing



Insights

Fidelity's 2023 Investment Approach & Product Study found that RIA advisors saved about nine hours/week from outsourcing management of client portfolios, which they have reallocated to other growth-related activities such as financial planning, client relationship management, and business development.

Source: Fidelity Financial Advisor Community—Investment Approach & Product Survey (May 2023). For institutional or investment professional use only.
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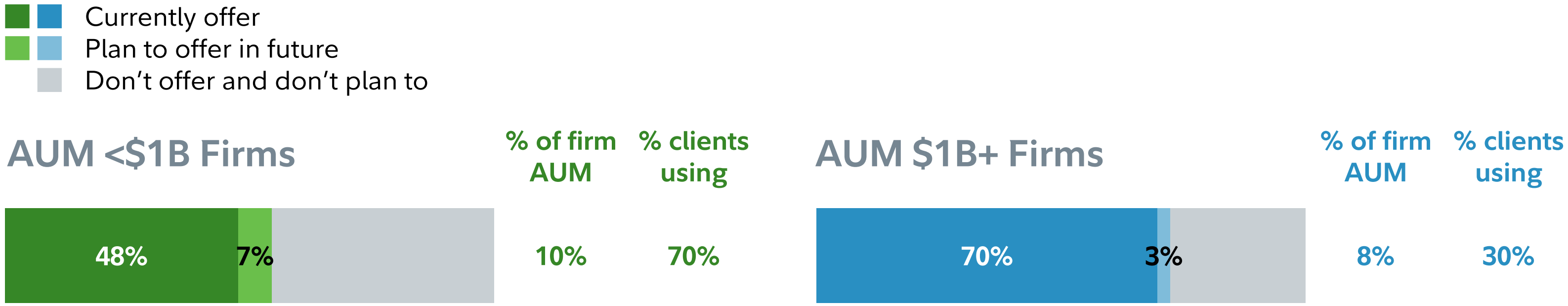
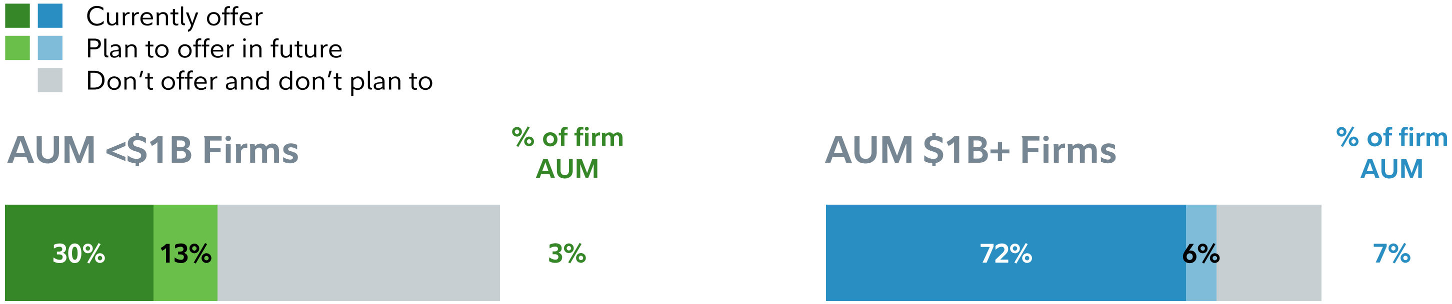
Offering: Alternatives

More firms are offering alternative investments, but there is still a wide gap in the number of accredited investors using them

LIQUID ALTERNATIVES (Strategies in a Mutual Fund or ETF structure such as Real Estate, Commodities, Hedging Strategies)

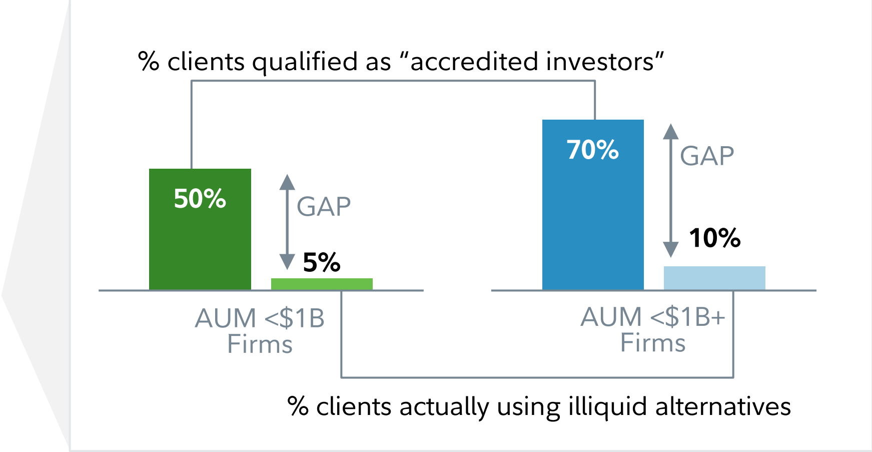


ILLIQUID ALTERNATIVES (e.g., private equity, real estate, hedge funds)



Insights

- Portfolio diversification and potential for higher returns are driving firms to offer alternatives to investors, especially larger firms.
- Investors with small firms are more likely to invest in liquid alternatives than investors with large firms.
- Only a small fraction of accredited investors have exposure to illiquid alternatives, indicating significant growth potential.



Diversification does not ensure a profit or guarantee against a loss.
Note: Percentage of "firm AUM," "clients using," and "accredited investors" is median.

Offering: Direct Indexing

Though not widely offered, adoption of direct indexing by RIAs is on rise

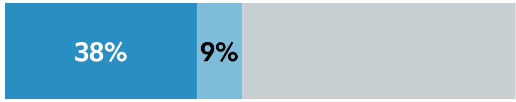
DIRECT INDEXING

- Currently offer
- Plan to offer in future
- Don't offer and don't plan to

AUM <$1B Firms

% of firm AUM using (median)	% clients using (median)
NA	NA

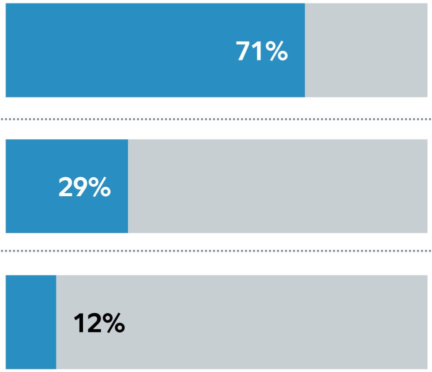
AUM $1B+ Firms



% of firm AUM using (median)	% clients using (median)
5.0%	6.5%

DIRECT INDEXING SOLUTION PROVIDERS USED (percentage of firms)

	AUM <$1B Firms	AUM $1B+ Firms
From a manager directly available at my custodian (e.g., Schwab, Fidelity)	NA	71%
From a manager available on a turnkey platform (e.g., AssetMark, Envestnet)	NA	29%
Through a technology provider (e.g., Smartleaf, Orion ASTRO)	NA	12%



Insights

- Although only a tenth of small RIAs offer direct indexing right now, twice as many are likely to offer it in future.
- Over a third of large RIAs are already offering direct indexing, and more plan to offer it in future.
- Over two-thirds of firms look to their custodian to provide the solution, followed by turnkey platforms.

NA: Data unavailable due to insufficient sample.

Technology: Solutions and Satisfaction

Firms of all sizes are generally leveraging technology but report average satisfaction with the solutions

	AUM <$1B Firms	Satisfaction with solution used (mean*)	AUM $1B+ Firms	Satisfaction with solution used (mean*)
Portfolio/Performance Reporting	98%	5.3	100%	5.4
Client Relationship Management (CRM)	95%	5.5	94%	5.3
Financial Planning	95%	5.7	93%	5.7
Portfolio Modeling/Rebalancing/Trading	92%	5.6	96%	5.3
Online Client Portal	87%	5.0	91%	4.8
Bookkeeping	86%	5.6	93%	5.2
Aggregation	86%	5.0	87%	4.9
Billing	81%	5.5	75%	5.2
Document Management	80%	5.2	86%	5.2
Compliance/Risk	78%	5.3	82%	5.2
Workflow System	71%	5.0	76%	5.0
Marketing Automation	48%	5.2	65%	5.1
Proposal Generation	40%	4.6	43%	4.9
Managed Service Providers (networks and managing firm operations)	36%	5.3	46%	5.1
Digital/Robo Advice	7%	NA	17%	NA

Insights

- Firms are generally satisfied with their go-to technology solutions such as financial planning, portfolio management and reporting, CRM, bookkeeping, and billing.

Mean on a 7-point scale.

NA: Data unavailable due to insufficient sample.

Technology: Top Solutions

There is little change to the market positions of top providers across all firm sizes

TOP TECHNOLOGY SOLUTION USED

	AUM <$1B Firms			AUM $1B+ Firms		
	1st	2nd	3rd	1st	2nd	3rd
Portfolio/Performance Reporting	Orion	Black Diamond	Tamarac	Tamarac	Orion	Black Diamond
Client Relationship Management (CRM)	Redtail	Salesforce	Wealthbox	Salesforce	Tamarac	Salentica
Financial Planning	eMoney	MoneyGuide Pro	--	eMoney	MoneyGuide Pro	--
Portfolio Modeling/Rebalancing/Trading	Wealthscape[SM]	Orion	Tamarac/ Black Diamond	Tamarac	Orion	Black Diamond
Online Client Portal	eMoney	Orion	Black Diamond	Tamarac	eMoney	Black Diamond
Bookkeeping	Quickbooks	Quicken	Sage Intacct	Quickbooks	Sage Intacct	Quicken
Aggregation	eMoney	Orion	By All Accounts	Black Diamond	By All Accounts	Tamarac
Billing	Orion	Black Diamond	Tamarac	Tamarac	Orion	Black Diamond
Document Management	Sharefile	Sharepoint	Dropbox	Sharepoint	Box	Sharefile
Compliance/Risk	SMARSH	Global Relay	Complysci	Global Relay/ MyCompliance Office	SMARSH	Complysci
Workflow System	Redtail	Salesforce	Wealthbox	Salesforce	Salentica	Tamarac
Marketing Automation	FMG	MailChimp	Constant Contact	HubSpot	MailChimp	Constant Contact/ Salesforce Marketing Cloud
Proposal Generation	Morningstar/ Riskallyze	Orion (Hidden Levers)	Envestnet	Morningstar	Riskallyze	Orion (Hidden Levers)/ Envestnet
Managed Service Providers (networks and managing firm operations)	Itegria	RIA in a box/ Venn	--	Venn	Itegria	RIA in a box/ Right size solutions

Insights

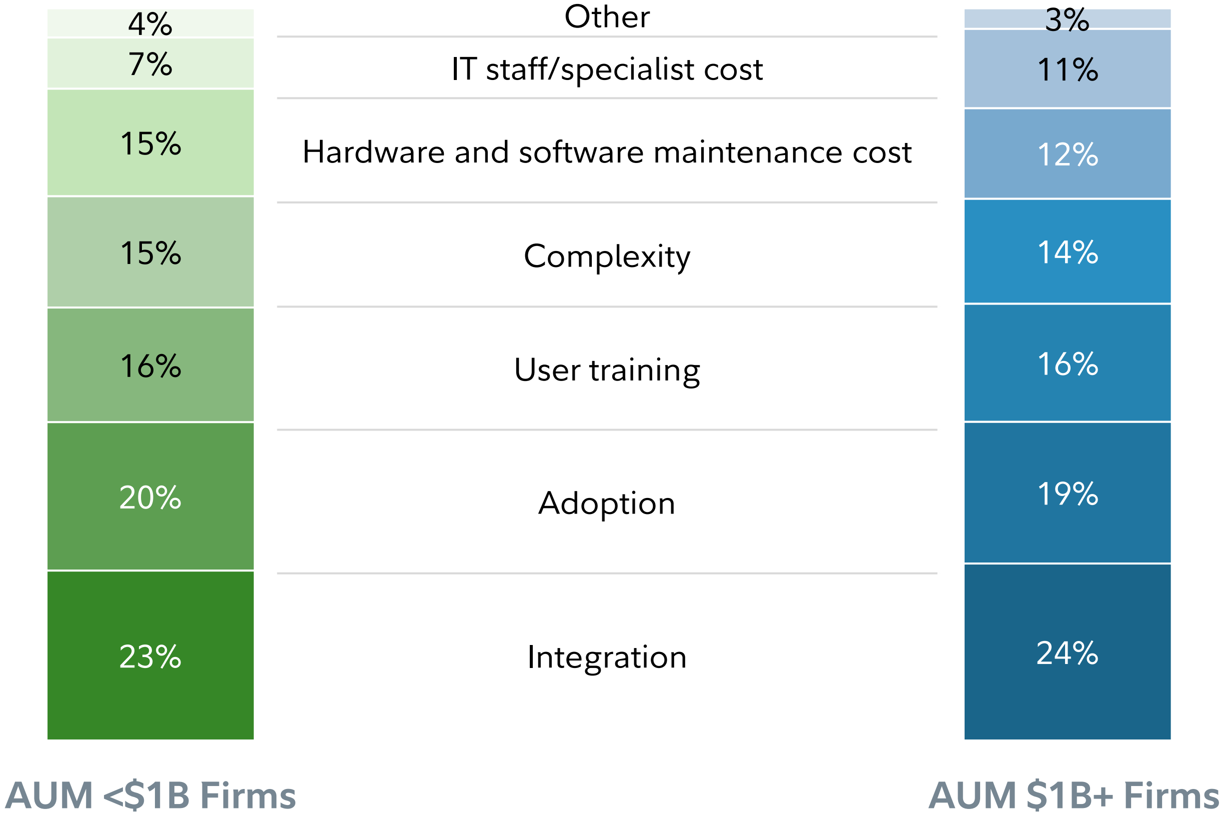
- The top providers in each category have largely remained intact, year-over-year.
- Technology marketplace is highly fragmented for functions with low tech adoption, in general, functions such as proposal generation, marketing automation, and managed service providers.

Third party service providers listed are independent companies and are not affiliated with Fidelity Investments. Listing them does not suggest a recommendation or endorsement by Fidelity Investments. Please see the disclosure section for more important information.

Technology: Challenges

RIAs face the same technology challenges regards of size and resources

TECHNOLOGY STACK CHALLENGES



Insights

- On an average, firms use at least 6.8 different technology solutions.
- Expectedly, integration and adoption are the top technology challenges for RIAs.
- Costs associated with maintaining hardware, software, and IT specialists/staff also account for about a quarter of the challenges.

Technology: Cybersecurity and Risk Management

Insurance coverage grew with smaller firms, and nearly all have risk management mitigation measures in place

TYPES OF INSURANCE FIRMS USED (percentage)

	AUM <$1B Firms	Past Year Change	Coverage Amount (median)	AUM $1B+ Firms	Past Year Change	Coverage Amount (median)
E&O	99%	+3%	$2M	100%	+2%	$5M
Cyber	85%	–2%	$1M	95%	0%	$2M
Bond	65%	+4%	$1M	89%	–4%	$2M
Director and officers	56%	+13%	$1M	83%	–2%	$5M

RISK MANAGEMENT

	AUM <$1B Firms	Past Year Change	AUM $1B+ Firms	Past Year Change
Have cybersecurity training	81%	+3%	97%	+5%
Have written policies and procedures on cyber breaches	95%	+2%	93%	–4%
Use outside compliance consultants	87%	–5%	86%	–2%

Insights

- Smaller firms increased usage of director and officers insurance, likely due to bundling with E&O insurance.
- With increasing security incidents in the industry, cybersecurity continues to be an area of interest. However, about one in five small firms do not have cybersecurity insurance and a similar fraction of smaller firms do not have cybersecurity training.
- Most of the firms continue to hire outside compliance consultants.

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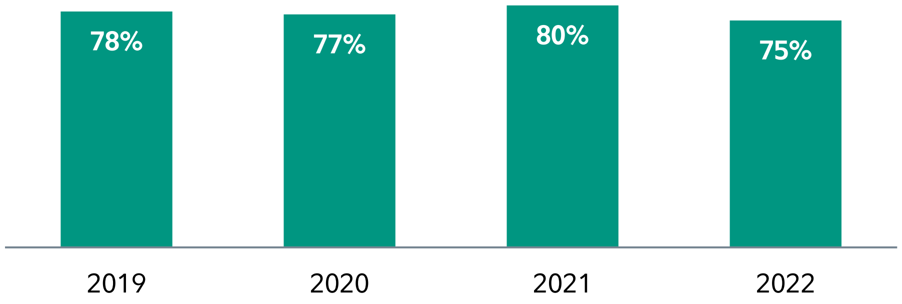
Technology: Tech Embracers

Firms embracing technology tend to grow faster

FIRMS INDICATING THAT THEY EMBRACE TECHNOLOGY

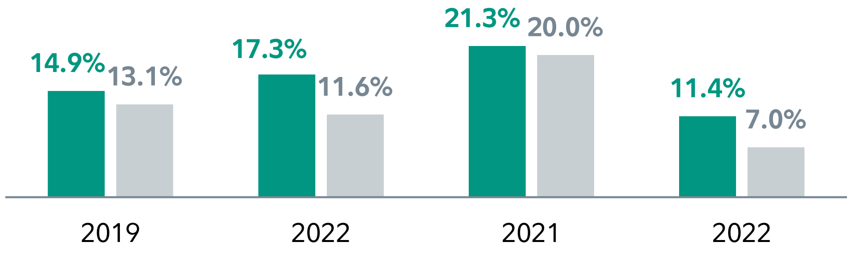


TECHNOLOGY SPENDING IN 2022 FOR TECH EMBRACERS VS. OTHERS

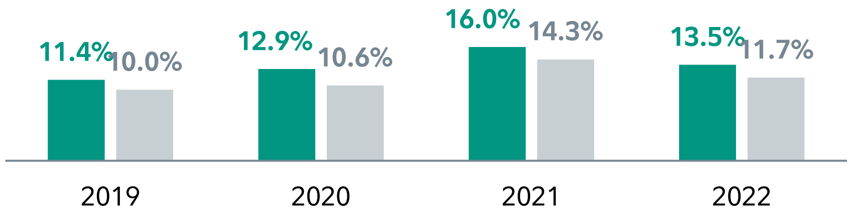
	Tech Embracers	Other Firms
Technology spends as % of revenue	3.2%	2.9%
Technology spends as % of expense	4.2%	3.8%

GROWTH RATES FOR TECH EMBRACERS VS. OTHERS

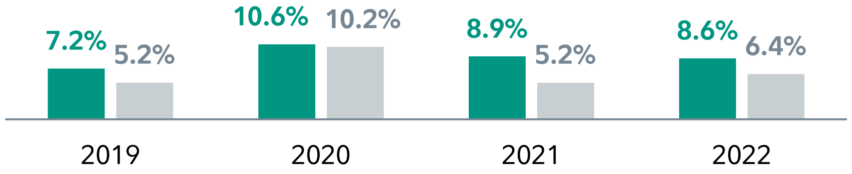
3-YEAR AUM CAGR (2019–2022)



3-YEAR REVENUE CAGR (2019–2022)



3-YEAR CLIENT CAGR (2019–2022)



Insights

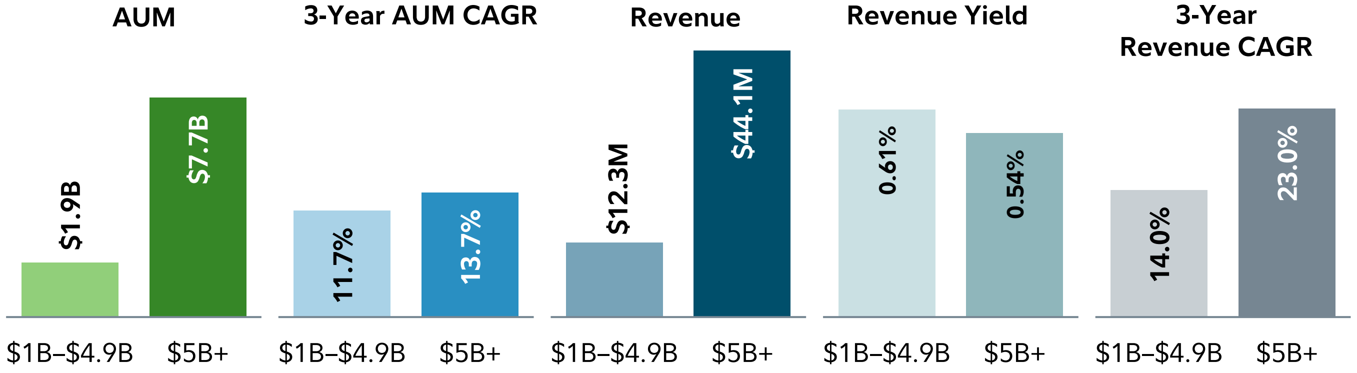
- Majority of the firms self-identify as tech embracers.
- Firms that report embracing technology also spend more on technology as a percentage of revenue and total expense.
- Higher technology spends does translate to higher growth for tech embracers. These firms have maintained higher growth rates in terms of assets under management, overall revenue, and clients year over year.

Special Addendum on Firms with $5B+ in AUM

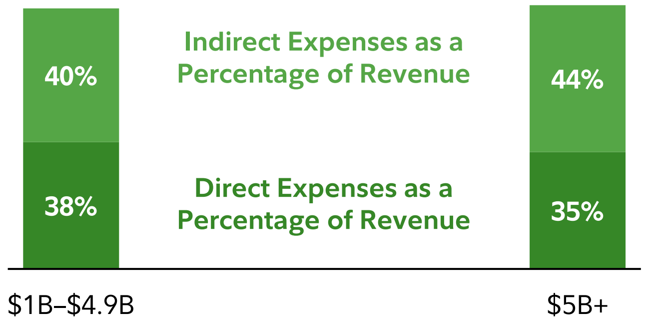
$5B+ Firms: Financial Data

2022 SNAPSHOT

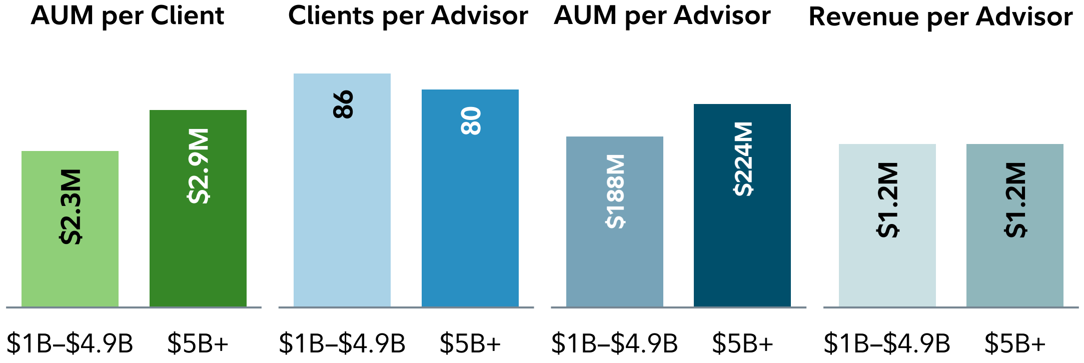
ASSETS AND REVENUE (median)



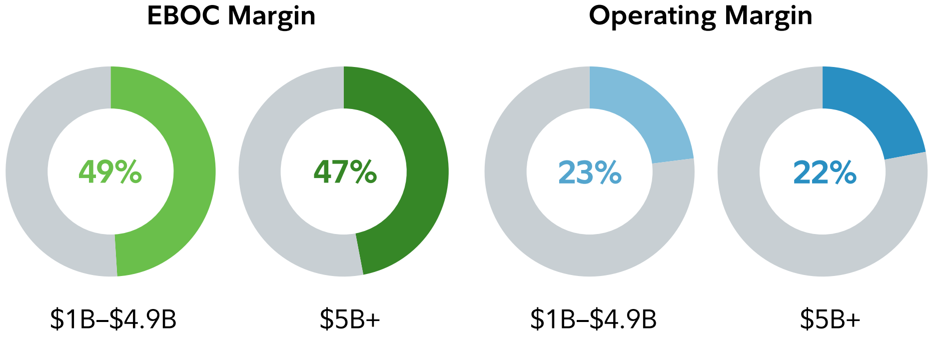
EXPENSES (mean)



PRODUCTIVITY (median)



PROFITABILITY (mean)



Insights

Scale and higher account size continue to help firms with $5B+ assets grow and be more productive despite lower revenue yield.

Even with lower revenue yield, $5B+ firms have largely similar operating margin and expenses as percentage of revenue as midsize firms.

$5B+ Firms: Top Strategic Initiatives

Technology, growth, and expanding offering are the top focus areas for larger firms

PERCENTAGE OF FIRMS INCLUDED IN TOP FIVE INITIATIVES FOR 2023

	$1B–$4.9B Firms	$5B+ Firms	Difference
Improve the firms' marketing and business development efforts	67%	73%	+6%
Invest in new or existing technology	48%	63%	+15%
Pursue an M&A strategy	29%	53%	+24%
Expand product/service offerings	37%	50%	+13%
Hire an advisor with an existing book of business	30%	43%	+13%
Improve strategic business planning and execution	68%	37%	–31%
Develop or enhance a talent management plan	26%	30%	+4%
Improve client satisfaction	30%	23%	–7%
Change or update the firm's compensation plans	16%	23%	+7%
Change the way we acquire new clients	16%	20%	+4%
Implement a client segmentation strategy	28%	20%	–8%
Build a career path model to develop staff	18%	10%	–8%
Change fees or pricing structure	21%	10%	–11%
Develop or enhance a succession plan	22%	7%	–15%

Insights

- Across firm size, over two in three firms are focused on prospecting efforts.
- Additionally, $5B+ firms are exploring opportunities grow inorganically more often, both by pursuing M&A and by recruiting established advisors. Besides growth, $5B+ firms are also investing in technology and expanding offerings more often.
- Compared to midsize firms, $5B+ firms are significantly less concerned about improving strategic planning and execution.

$5B+ Firms: Strategic Sentiment and Planning

Growth and strategic plans can vary significantly between firms of different sizes

STRATEGIC SENTIMENTS (rated at least 6/7 on 7-point agreement scale)

	$1B–$4.9B Firms	$5B+ Firms	Difference
We have a clearly defined firm story that explains what differentiates us from other firms	72%	69%	–3%
In the next five years, we are likely to participate in M&A activity as a buyer	41%	69%	+28%
We have a clearly defined succession plan at our firm that is ready for implementation	48%	55%	+7%
Our firm uses metrics and KPIs effectively in managing the business	36%	45%	+9%
We rely heavily on our founders or principals of the firm to drive growth	53%	41%	–12%
We have next-gen leaders who are well-prepared to take over day-to-day management of the firm	47%	34%	–13%
We have a plan in place to establish relationships with the adult children of select clients	35%	24%	–11%
We are actively targeting younger investors to diversify our client base	19%	14%	–5%
In the next five years, we are likely to participate in M&A activity as a seller	4%	10%	+6%
We are receiving increasing pressure from our prospects to justify our fees	0%	3%	+3%
We are receiving increasing pressure from our clients to justify our fees	0%	0%	0%

Insights

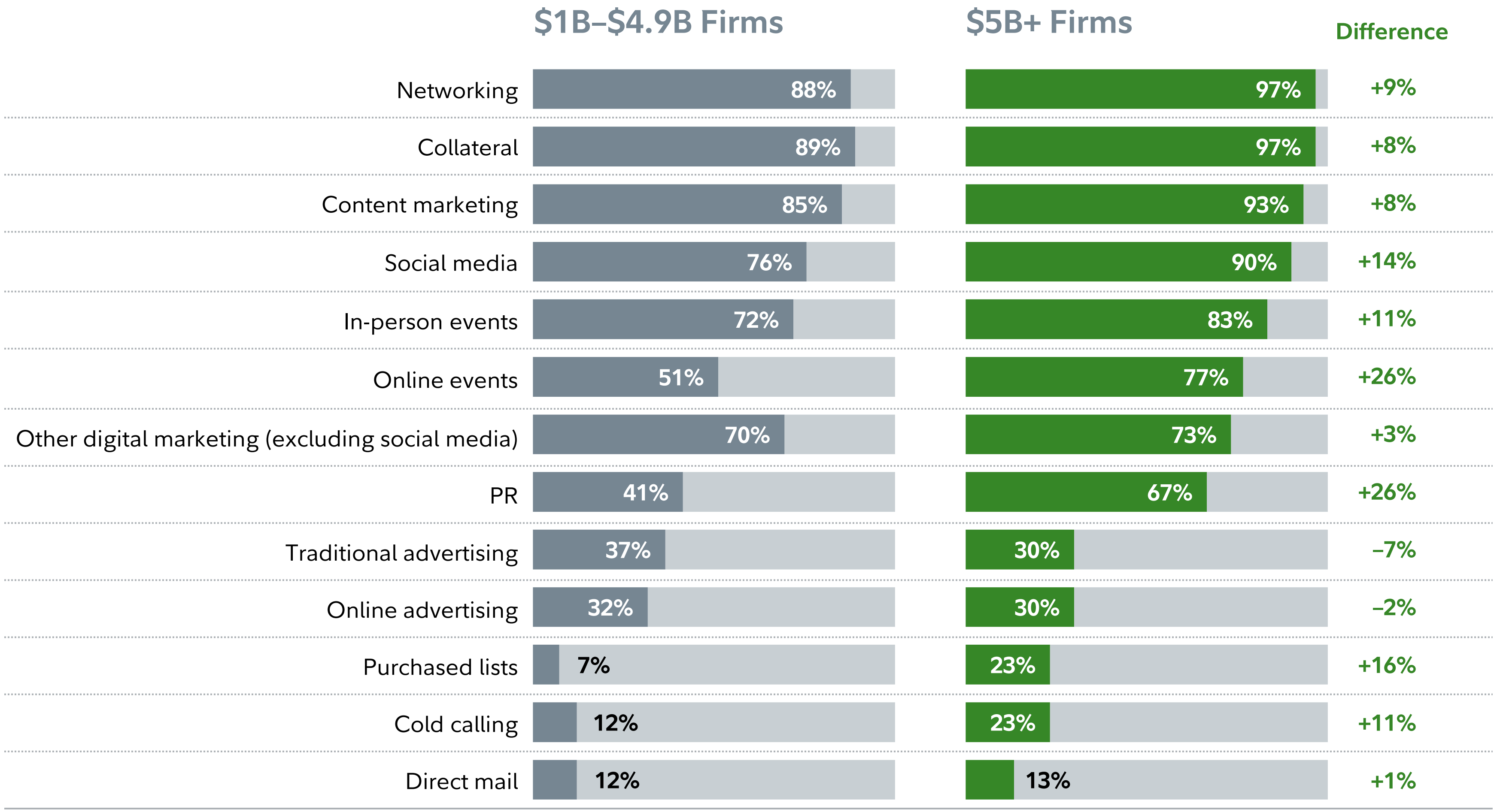
- M&A is an important lever for RIAs to drive firm growth. Expectedly, more large RIAs (7 in 10) are considering M&A in next five years than just 2 in 5 smaller firms. Unsurprisingly, larger firms rely less on founders or principals to drive firm growth.
- $5B+ firms are also more likely than their smaller counterparts to use metrics/KPIs to manage the business, and to have a succession plan.
- Firms of all sizes are relatively unfocused on younger investors, but more than a third have plans in place to establish relationships with adult children of select clients.

Fidelity INVESTMENTS

$5B+ Firms: Business Development Activities

Larger firms engage in more and more business development programs

BUSINESS DEVELOPMENT ACTIVITIES (percentage of firms)



Insights

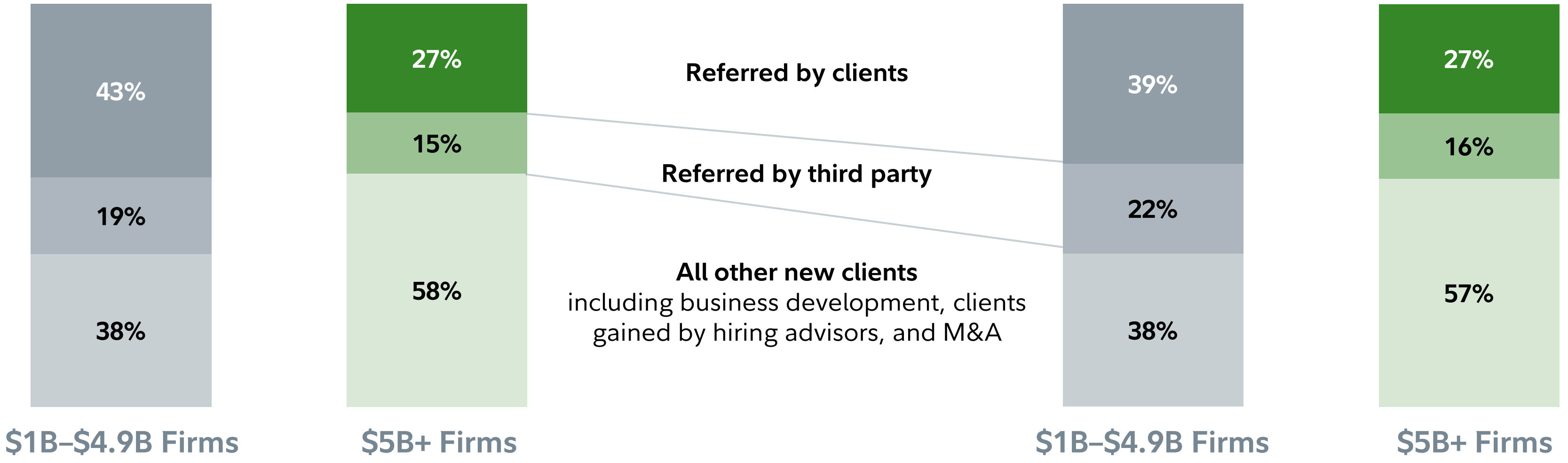
- $5B+ firms were more likely to engage in a wider spectrum of business development activity, in general.
- Larger firms have scale; two in three $5B+ firms are likely to leverage PR for business developments, compared to only two in five <$5B firms.
- With more firms continuing to operate in a hybrid environment, firms balanced spends for both in-person and online events.
- $5B+ firms are also more likely to engage in other business development activities, such as purchased lists, cold calling, social media, and networking.

$5B+ Firms: Client Acquisition

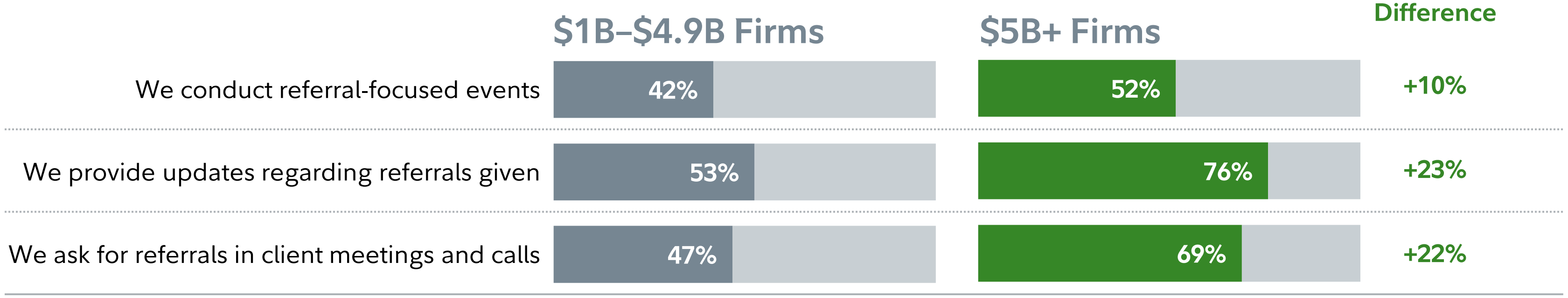
As firms grow larger, they tend to be less reliant on client referrals to drive new business

PERCENTAGE OF NEW CLIENTS (mean)

PERCENTAGE OF AUM FROM NEW CLIENTS (mean)



CLIENT ACQUISITION ACTIVITIES (percentage of firms)



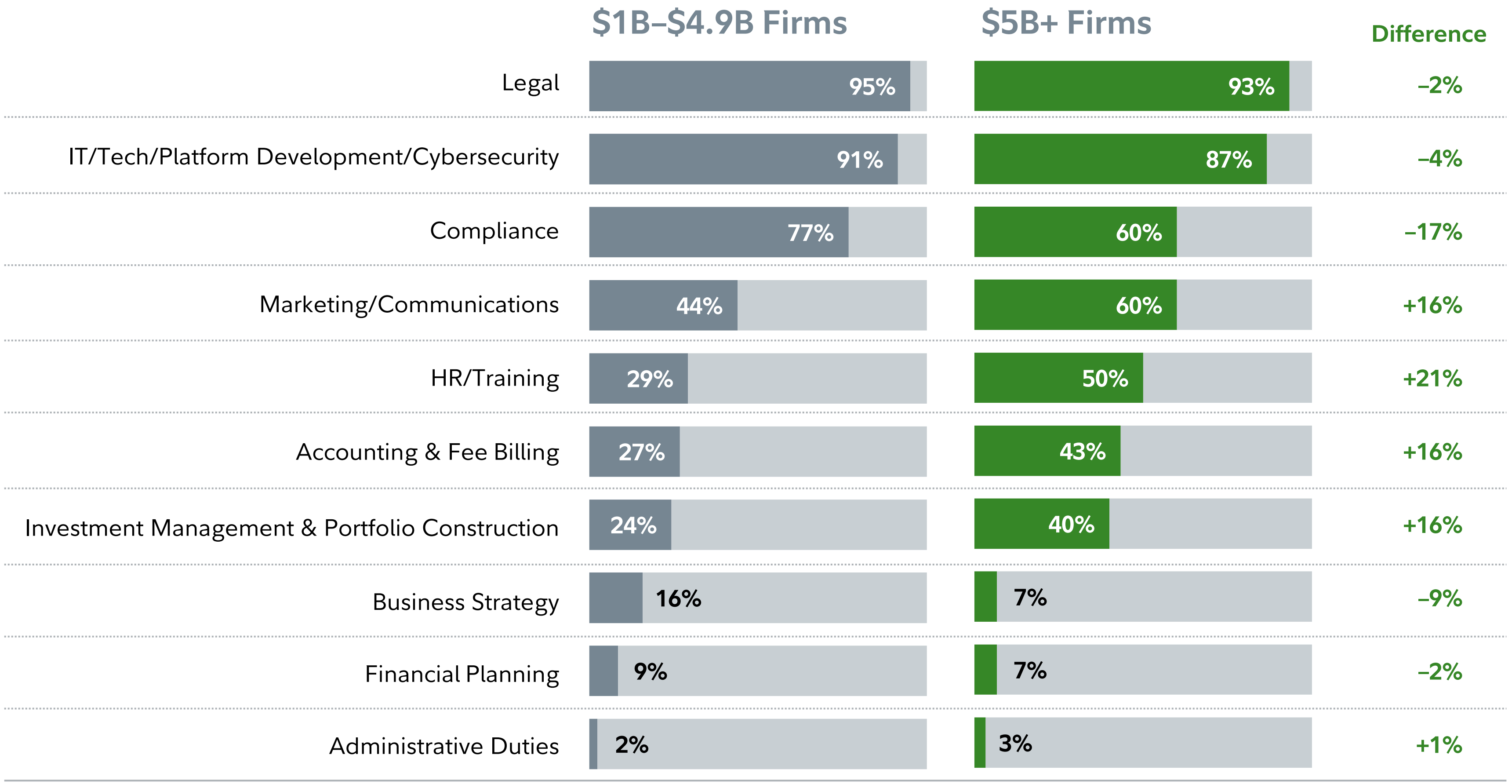
Insights

- Only two in five new clients of larger firms ($5B+) came from either client or third-party referrals while the other three in five came from other sources, including business development, marketing activities, advisor recruitment, and M&A.
- Despite being less reliant on client referrals, $5B+ firms still focus on acquiring more referrals and are more likely to conduct referral-focused events and solicit for referrals during client interaction.

$5B+ Firms: Functions Outsourced

Large firms outsource more often, especially less sensitive functions

BUSINESS FUNCTIONS OUTSOURCED (percentage of firms)



Insights

- As firms grow larger, functions such as accounting and fee billing, HR and training, and investment management and portfolio construction are outsourced more often, either completely or partially.
- However, as firms grow, more choose to bring the compliance and business strategy functions in-house.

$5B+ Firms: Investment Outsourcing and Offerings

Larger firms offer varied investment options to differentiate their practice

TYPES OF INVESTMENT OUTSOURCING USED (percentage of firms)

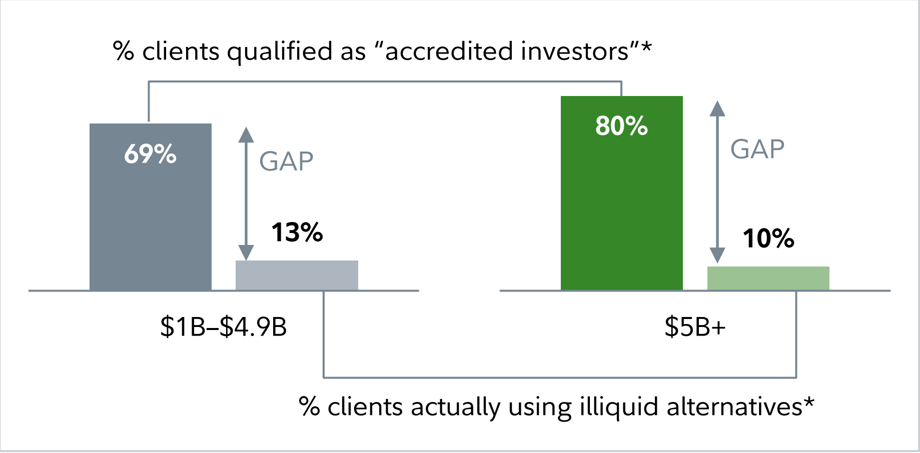
	$1B–$4.9B Firms	$5B+ Firms	Difference
Model portfolios	40%	43%	+3%
Managed accounts	52%	60%	+8%
Direct asset manager outsourcing	18%	33%	+15%

Insights

- $5B+ firms are more likely to adopt various investment outsourcing solutions.
- Similarly, larger firms also offer a greater breadth of investment offerings, including exposure to direct indexing and illiquid and liquid alternatives.
- Even at larger firms, most accredited investors do not have illiquid alternatives in their portfolio, indicating significant growth opportunity.

INVESTMENT OFFERINGS USED (percentage of firms)

	$1B–$4.9B Firms	$5B+ Firms	Difference
Liquid alternative investments	66%	80%	+14%
Illiquid alternative investments	66%	90%	+24%
Direct indexing	29%	60%	+31%
Cryptocurrencies	11%	20%	+9%



* Median figures.

Appendix

Financial Metrics by Firm Size

	Firms by Total AUM Ranges					
	<$250M	$250M–$499M	$500M–$999M	$1B–$2.49B	$2.5B–$4.9B	$5B+
Number of Clients[1]	156	316	449	795	1,144	2,487
Assets Under Management (Millions)[1]	$162	$385	$738	$1,464	$3,694	$7,650
Total Revenue (Thousands)[1]	$1,306	$2,722	$4,990	$9,115	$22,081	$44,113
Revenue Yield (Basis Points)[1]	76	71	70	60	62	54
Marketing and Business Development Expense (Thousands)[2]	$19	$38	$88	$150	$334	$591
Marketing and Business Development Expense (% of Revenue)[2]	1.5%	1.4%	1.8%	1.6%	1.5%	1.3%
Earnings before Owners' Compensation (EBOC) (Thousands)[2]	$802	$1,574	$2,493	$4,643	$10,188	$20,911
EBOC Margin[2]	61%	58%	50%	51%	46%	47%
Number of FTEs[1]	5.0	7.0	13.0	21.5	55.5	88.0
% of Total FTEs Who Are Female	39%	41%	44%	45%	42%	41%
Number of Owners[1]	2.0	2.0	3.0	4.5	8.5	25.0
% of Individual Owners Actively Working at the Firm Who Are Female	23%	11%	11%	16%	19%	NA
Assets per Client (Thousands)[1]	$973	$1,105	$1,349	$2,097	$3,096	$2,851
Revenue per Client[1]	$6,683	$7,635	$10,491	$12,603	$17,627	$13,739
Total Clients per Advisor[1]	73	82	91	94	77	80

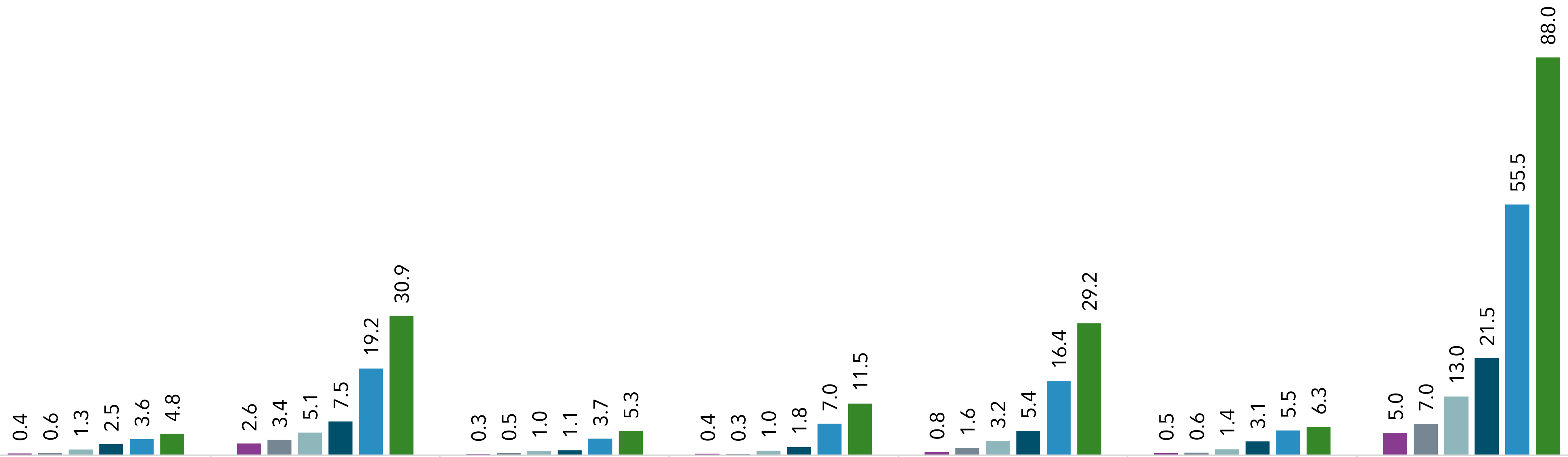
[1] Median.

[2] Mean.

NA: Data unavailable due to insufficient sample.

Staffing: FTE Head Count by Role and Firm Size

RIAs reassess their staffing model after amassing $2.5B in assets

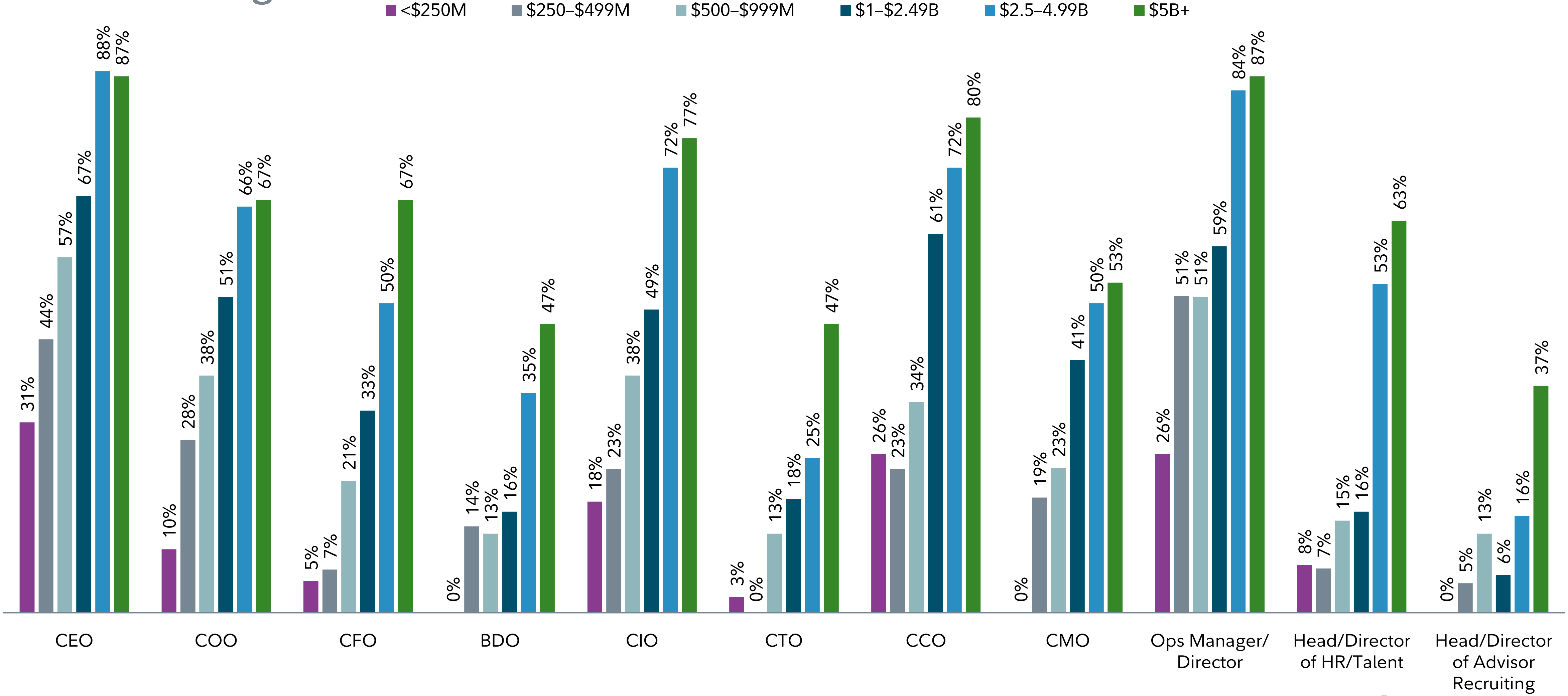


	Executives	Advisors	Dedicated Managers	Technical Specialists	Support Staff	Admin Staff	Total Head Count
<$250M	0.4	2.6	0.3	0.4	0.8	0.5	5.0
$250M–$499M	0.6	3.4	0.5	0.3	1.6	0.6	7.0
$500M–$999M	1.3	5.1	1.0	1.0	3.2	1.4	13.0
$1B–$2.49B	2.5	7.5	1.1	1.8	5.4	3.1	21.5
$2.5B–$4.99B	3.6	19.2	3.7	7.0	16.4	5.5	55.5
$5B+	4.8	30.9	5.3	11.5	29.2	6.3	88.0

Note: Data is mean figures.

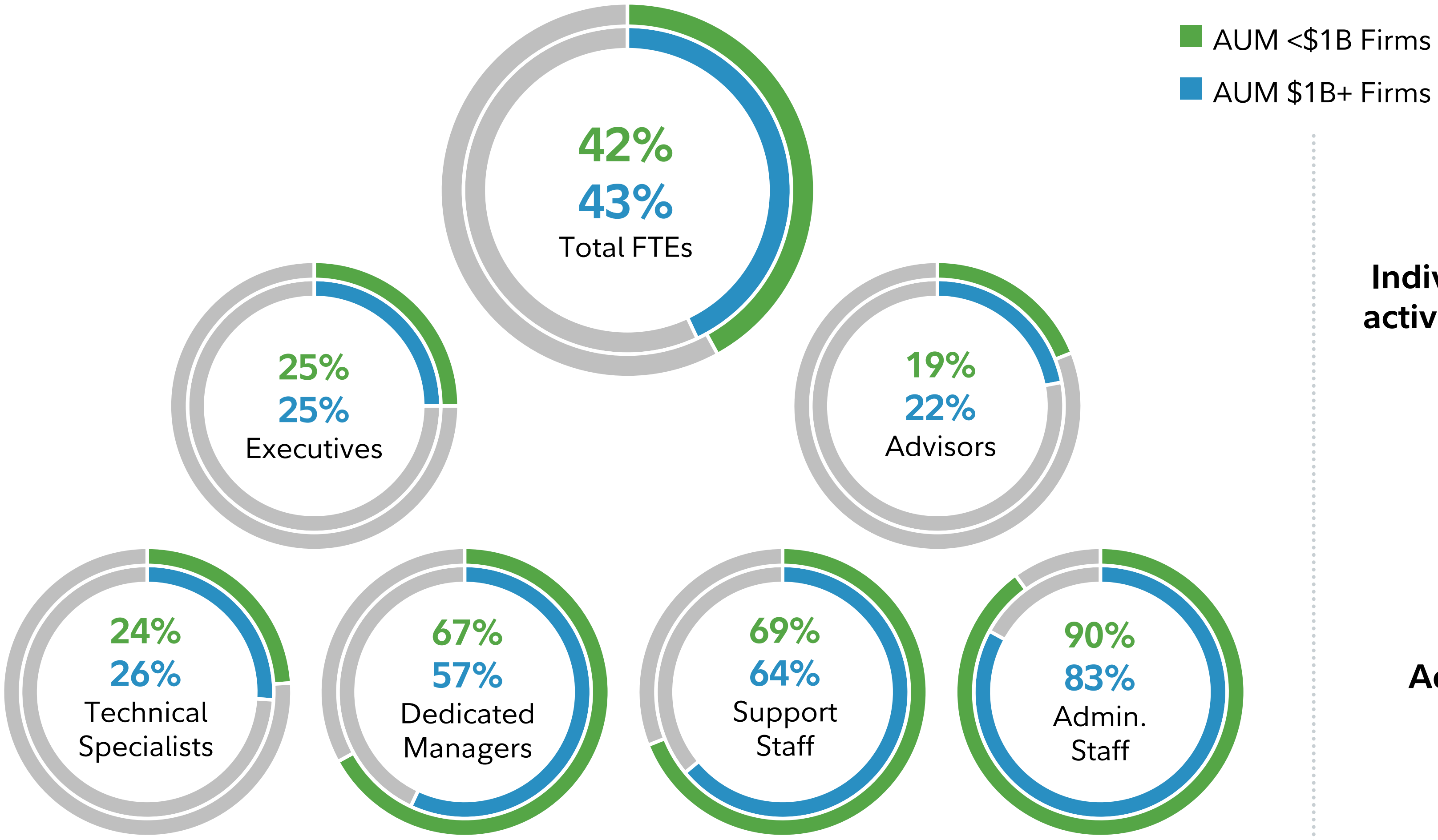
Staffing: Emergence of Executive Roles by Firm Size

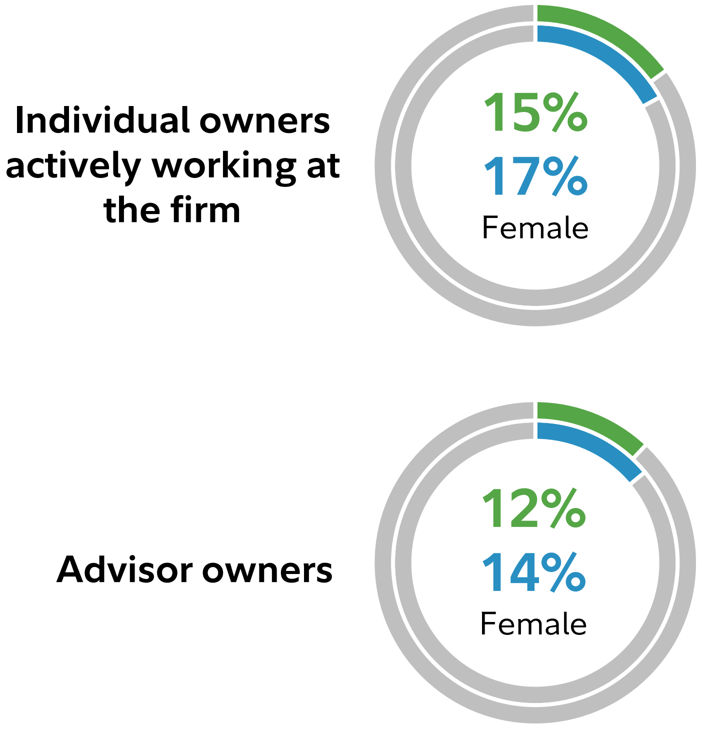
As firms scale up, different executive roles are onboarded to keep pace with firm's strategic initiatives and goals



Staffing: Women in the Advice Industry

Women are underrepresented across top roles and ownership structure





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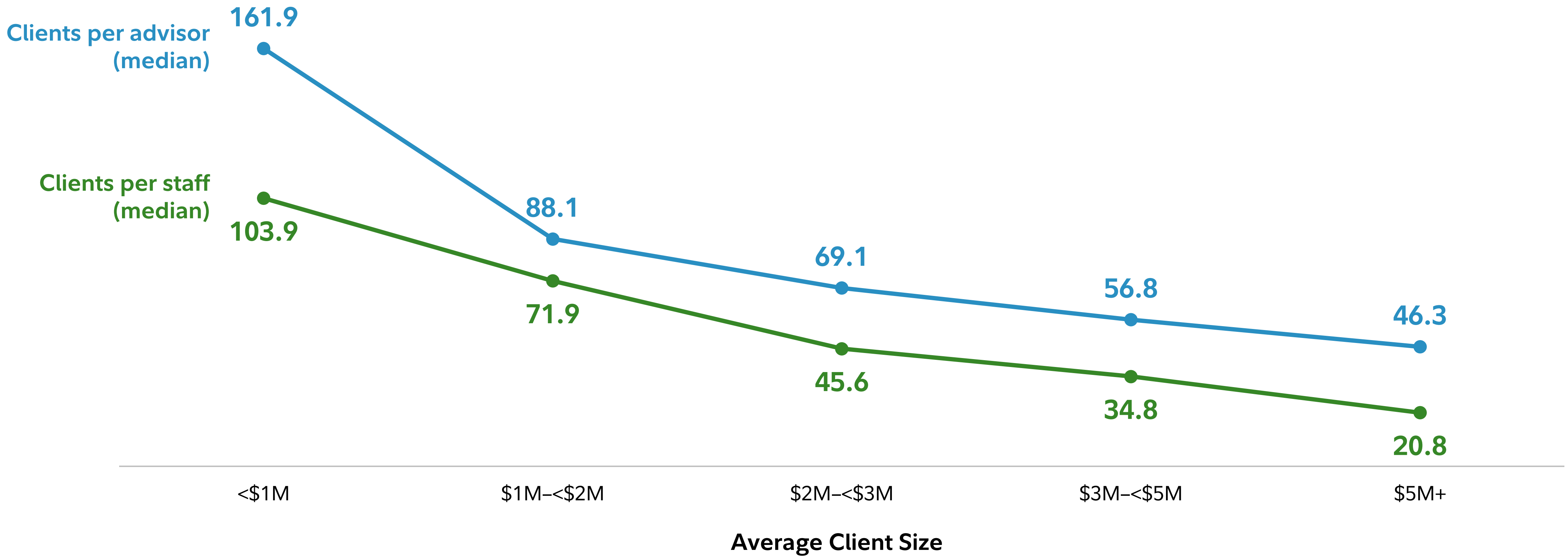
Staffing: Clients to Personnel Staffing Ratios by Client Size

Firms add more personnel to cater to the complex financial and service needs of high-net-worth clients



The 2023 Fidelity RIA Benchmarking Study was conducted between April 17 and July 4, 2023; 245 firms participated. **The 2022 Fidelity RIA Benchmarking Study** was conducted between July 19 and September 9, 2022; 219 firms participated. **The 2021 Fidelity RIA Benchmarking Study** was conducted between March 26 and May 26, 2021; 211 firms participated. **The 2020 Fidelity RIA Benchmarking Study** was conducted between March 10 and May 20, 2020; 188 firms participated. **The 2018 Fidelity RIA Benchmarking Study** was conducted between July 24 and September 24, 2018; 355 firms participated. **The 2017 Fidelity RIA Benchmarking Study** was conducted between April 19 and June 6, 2017; 408 firms participated. **The 2016 Fidelity RIA Benchmarking Study** was conducted between April 27 and June 16, 2016; 402 firms participated. The experiences of the RIAs who responded to these studies may not be representative of the experiences of other RIAs and are not an indication of future success. Registering for, completing, and accessing these studies required access to and use of third-party websites, operated by independent third-party research firms unaffiliated with Fidelity Investments.

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The 2022 Fidelity Investor Insights Study was conducted during the period August 8 through September 2, 2022. It surveyed a total of 2,490 investors, including 673 millionaires and 1,520 investors with advisors. The study was conducted via an online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of $50K in investable assets (excluding retirement assets and primary residence), with additional quotas by age and affluence levels.

The 2023 Fidelity Financial Advisor Community—Investment Approach & Product Survey was an online blind survey (Fidelity not identified) and was fielded during the period April 24 through May 1, 2023. Participants included 512 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.

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