

U.S. RIA Marketplace 2020

Exploring Drivers of Change

OVERVIEW & METHODOLOGY

This annual report is focused on understanding the unique dynamics of the registered investment advisor (RIA) channel. This report provides insights about independent RIAs and hybrid RIAs for custodians, broker/dealers (B/Ds), asset managers, and other providers serving these advisors. It includes detailed analysis of market sizing, advisor attributes, custodian and asset manager relationships, investment decisions and product use, and practice operations and growth strategies. The report segments RIAs based on several criteria when appropriate, such as assets under management (AUM) and affiliation as either an independent RIA or hybrid RIA practice.

This year's report examines the evolution of RIA firms over the past five to 10 years, identifies key factors that have driven a decade of growth in the RIA channel, and addresses RIAs' changing dynamics with strategic partners and service providers.

USE THIS REPORT TO

- Evaluate five key factors that have shaped the RIA marketplace over the past five to 10 years, including the challenges they posed and their role in the explosive growth of the RIA channels
- Understand the challenges that RIAs will face as the regulatory landscape changes and a convergence around fee-based planning reduces distinctions among business models
- Explore a complete sizing of the U.S. retail-focused RIA marketplace
- Analyze the impact and implications of advisor movement into RIA channels
- Gain insight into RIAs' portfolio construction processes and product use metrics
- Examine the opportunities and trends in distribution strategy within the RIA channel

QUESTIONS ANSWERED

- What have been the drivers of change in the RIA marketplace?
- What will the RIA landscape look like in 2025 and beyond?
- How are B/Ds responding to the growth of the RIA space?
- How has the COVID-19 pandemic impacted the RIA channels?
- How is the RIA consolidator market evolving?
- What resources do RIAs find most valuable from asset managers?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **10-Year Trends:** Measure progress within the RIA market over the past five years across key factors (*i.e.*, emergence of national brands, profit margin compression, proliferation of RIA models, and serve model enhancement), and track the growth of the hybrid and independent RIA channels over the past 10 years by advisor headcount, number of firms, and assets.
- **Market Landscape:** Analyze a complete sizing of the retail-focused RIA market, including assets and number of firms, segmented by practice type. Additionally, evaluate sizing and marketshare for hybrid and independent RIAs by firm AUM tier across assets, advisor headcount, and firm count.
- **Consolidator Profiles:** Explore detailed firm profiles for eight major RIA consolidators, with historical data on productivity metrics (*i.e.*, assets per advisor) and the share of B/D vs. RIA assets; easily benchmark RIA consolidators using an acquisition matrix that depicts each consolidator's magnitude and frequency of acquisitions; and track asset growth over time by firm name and consolidator type.
- **Portfolio Construction and Product Use Overview:** Understand RIA firms' portfolio construction process, current and expected product mix, and levels of use for different investment products. All charts contain filters by channel and practice AUM.
- **Staffing and Services:** Review services offered by RIAs with a customizable side-by-side comparison between core market sizes, practice AUM, and practice types; evaluate average headcount by role and staffing levels by RIA channel and practice AUM; and compare the perceived benefits of teaming among different RIA firm types.



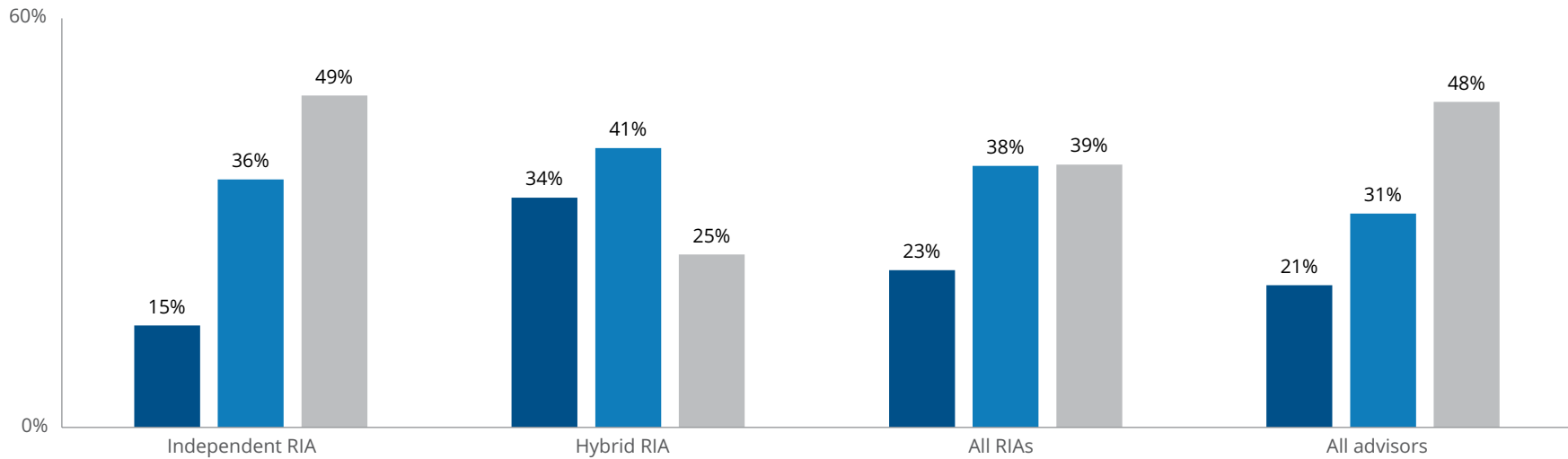
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Exhibit 3.03
Acquisition Interest, 2020

Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, and the Financial Planning Association® (FPA®)

■ Actively searching for acquisition opportunities ■ Open to an acquisition, but not actively searching ■ Not interested in acquiring a practice



- Hybrid RIAs are more than twice as likely to be actively looking for acquisition opportunities than independent RIAs (34% vs. 15%, respectively).
- Nearly two-thirds (61%) of all RIAs are interested in acquiring another firm.

Key Implication: RIA mergers and acquisitions are surging once again after a brief stall in the second quarter of 2020. In Cerulli’s conversations with consolidator executives, almost all of them expect activity to reach pre-pandemic levels by the fourth quarter, rebounding fully in 2021. For some advisors, the pandemic served as a retirement gut check. Given the market volatility, those wary of weathering another recession may accelerate their retirement timeline, despite lingering concerns about valuations. Nevertheless, pent-up demand is likely to drive continued M&A activity among RIAs, especially as firms acclimate to operating in the digital-first environment created by the pandemic. As one executive remarks, “The intent to do deals is greater [now] than I’ve ever seen it.” Cerulli encourages RIA custodians to provide thought leadership to support this increased activity with tools such as practice valuation seminars and guides.

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