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Advisor Services

The economics of independence

Achieving maximum
potential

Own your tomorrow®

The benefits of starting or joining an independent Registered Investment Advisor (RIA) firm are clear and compelling—but how do the economics stack up? Is independence worth the cost? How will your earning potential compare with that of the wirehouse and independent broker-dealer (IBD) models?

To help you evaluate the economic benefits, here's a side-by-side comparison of revenue potential, expenses, and the prospect of business equity.

Earn more, keep more

Being an RIA gives you greater control over revenue and expenses, so your earning potential can be higher. In a Schwab survey, 71% of independent advisors said that an opportunity to earn a larger annual income was an important factor for going independent.¹

Free from the compensation grids of wirehouses, fully independent advisors can earn more than twice the revenue from client fees as they might in a captive environment.

Revenue by model:²

Wirehouse	IBD	RIA
30%–50%	70%–100%	100%

Read the fine print

Lucrative signing bonuses are enticing, but remember to read the fine print. The terms and conditions often have legal or financial implications. Think long-term value when evaluating this type of agreement, and always consult legal counsel before signing.

Think about

Startup costs—staffing, compensation, technology, trading tools, etc.—vary depending on whether you start your own firm or join an existing RIA. Schwab's [RIA Economic Discovery Tool](#) can help you estimate these costs.³



Single-owner firm

- Under \$250M in AUM
- One or two staff members
- \$35K–\$100K in startup costs



Complex firm

- Multiple owners and staff
- \$100K+ in startup costs

Hypothetical examples.

Master your expenses

Avoid overhead for services you don't use. Unlike wirehouse and IBD advisors, RIA firm owners control how much to spend on technology, compliance, insurance, marketing, and office setup.

Estimated expenses:⁴

Wirehouse

60%
of revenue

IBD

30% + 15%
of revenue in broker-dealer fees

RIA

30% + No wirehouse
of revenue or broker fees

Build equity, create a succession plan

Owners of RIA firms who have equity have the advantage. Retaining the option to sell your business, merge with another firm, or recruit a successor can create a lucrative exit not available in other models. You control the outcome and impact of your legacy by choosing who receives your book of business when you retire.



Value breakdown

There are many methods of valuating firms.



The revenue multiples in the RIA model are generally higher than those in the IBD and wirehouse channels.



Buyers typically value IBD practices, which have a mix of IBD fee and commission-based assets, somewhere between wirehouse and RIA models.



Wirehouse payouts typically are a negotiated percentage of gross revenue (100%–180%), paid over three to five years.

Sunset programs

Sunset programs are designed to encourage advisors to join a firm late in their careers or stay until retirement, when they can pass along their book of business to a teammate in exchange for a share of the business.

But sunset programs can be restrictive.

In comparison, the equity you build in your RIA firm could offer you exit options, including selling your business to someone who shares your vision.

You've spent years building your book of business, so economic considerations naturally play an important role in how you view a move to independence.

Experienced custodians like Schwab can help you run the numbers and navigate your transition. You can also use our [RIA Economic Discovery Tool](#) to get a clearer picture of near-term costs and long-term value.

You've earned it.
Time to claim
the rewards of
independence.



**Ready to speak with a Business
Development Officer about the
economics of going independent?**

Contact us at
advisorservices.schwab.com/contactus
or **877-687-4085**.

1. Independent Advisor Sophomore Study from Schwab Advisor Services, Logica Research (formerly Koski Research), March 2018.

2. *The Cerulli Report, U.S. Advisor Metrics 2021: Client Acquisition in the Digital Age*, Exhibit 1.02, Cerulli Associates.

3. Schwab RIA Economic Discovery Tool. Hypothetical examples.

4. Schwab estimates. Hypothetical and for illustrative purposes only. Past performance is not an indicator of future results. Projections based on the RIA Economic Discovery Tool. Payout ranges: *The Cerulli Report, U.S. Advisor Metrics 2020*. Examples provided represent average results and are for informational purposes only. This is not intended to be reflective of results you can expect to see.

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