2023 RIA Benchmarking Study

$500M–$750M AUM
Peer Report

Report prepared for

SCHWAB TEST ADVISORY FIRM

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YJP73K

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About the 2023 RIA Benchmarking Study from Charles Schwab

Schwab designed its study to provide detailed information and insights on a wide range of topics that are important to advisors. Since the inception of the study in 2006, more than 4,500 firms have participated, with many repeat participants. With 1,300 participants representing over $1.7 trillion in assets under management (AUM), Schwab's 2023 RIA Benchmarking Study is the leading source of information about the RIA industry.

Schwab's annual study is just one of a full suite of resources and support that Schwab Advisor Services Business Consulting and Education provides to help you address your business issues. Throughout this report, you will see **Take action**, which highlights resources that offer additional information to help you act on the study results. Talk to your Account/Relationship Manager for more information.

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Balancing scale and personalization

Highlights from the 2023 RIA Benchmarking Study

- While 2022 presented challenges—assets under management (AUM) decreased 7.1% for the median firm—the industry continues to be strong, with organic growth and client retention results demonstrating the enduring appeal of the independent model.
- Having an employee value proposition, which 40% of all firms have documented, is essential to attract and retain talent.
- Firms with a client segmentation strategy saw improved productivity—managing more clients per professional at the median—than those without one.
- Personalized interactions and investment strategies can help advisors differentiate themselves and build trusted, long-term relationships.

Despite the challenges of 2022, the RIA industry continues to be strong. Clients have been leaning on their advisors more than ever, and that relationship has helped contribute to organic growth[i] through both referrals and share of wallet increases. Results from the 2023 RIA Benchmarking Study highlight key insights that can help firms assess their performance and identify opportunities to drive long-term success. This report also describes opportunities in investment strategies.

In 2022, volatile market conditions, inflationary pressures, and geopolitical uncertainties took a toll on investor confidence and created headwinds for RIAs. AUM decreased 5.1% at the median for firms under $250 million in AUM and decreased 7.6% for those with $250 million or more in AUM. Revenue growth in 2022 was 4.1% for all firms,[ii] compared with 24.5% the prior year.

Organic growth, which is more controllable regardless of market conditions, was a bright spot. Net asset flows contributed 6.2% to AUM growth for smaller firms and 4.1% for larger firms at the median, with investment performance accounting for the overall decrease in AUM. In fact, assets from new clients and assets from existing clients both reached their second-highest point in five years. And client retention—which has stayed at 97% for five years—continued to demonstrate the trust clients place in their advisors.

New client growth remained healthy in 2022. All firms saw a 6.2% increase in the number of clients at the median, which was in line with the 6.2% annualized rate from 2018 through 2022. Smaller firms added 11 new clients, and larger firms added 34. Referrals from existing clients remain the leading driver, accounting for 56% of new clients in 2022, while business partner referrals comprise 15%.

Top Performing Firms outperform across key growth metrics. A subset of firms—Top Performing Firms[iii]—consistently achieve stronger results. For Top Performing Firms, net asset flows contributed 10.8% to overall AUM growth. These firms also attracted 55% more new clients and saw 2.3 times more growth in assets from new clients, at the median, than all other firms in 2022. Their strong client acquisition may result from foundational elements these firms tend to have in place, such as a strategic plan, ideal client persona and client value proposition, integrated marketing plan, and written referral plans. Page 7 provides details about the methodology used to identify Top Performing Firms.

Top Performing Firms are driving growth through best practices

Metric	Top Performing Firms	All other firms	Multiple
5-year net asset flows CAGR	14.1%	5.0%	2.8x
5-year revenue CAGR	18.2%	8.9%	2.0x
5-year client CAGR	12.8%	4.7%	2.7x
Firms with a written strategic plan	79%	56%	1.4x
Firms with a documented ideal client persona	79%	61%	1.3x
Staff attrition rate	3.7%	6.7%	0.6x

Median results unless otherwise noted. Top Performing Firms are those ranked in the top 20th percentile of the Firm Performance Index. All other firms are those ranked below the 80th percentile of the index. CAGR represents the compound annual growth rate from 2018 through 2022.

Inorganic strategies can drive growth. Inorganic activity also helped fuel growth, with another record level of mergers and acquisitions (M&A) in 2022.[iv] Over the last five years, 19% of firms acquired new clients through M&A and 24% brought on an advisor with a book of business. Looking ahead, half of firms are pursuing an inorganic strategy.

All firms that had inorganic activity[v] in the past five years grew assets and clients at an annualized rate of 11.8% and 7.9%, respectively, from 2018 through 2022, compared with 8.3% and 5.4% for firms that have not engaged in inorganic activity over that period. It's important to remember that inorganic opportunities require thoughtful evaluation, because they can have a profound effect on a firm's organization, culture, and long-term strategy.

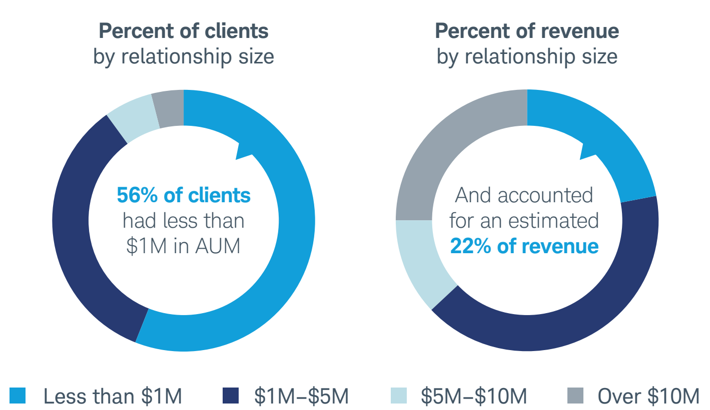
Investing in talent fosters success. Firms recognize that talent is essential to growth and long-term success. Across the study, firms rank recruiting talent as their number-two strategic priority. Seventy-seven percent of firms hired in 2022, and 75% reported plans to hire in 2023. Firms are casting a broad net to attract candidates, recruiting new talent from colleges and universities (37% of firms), as well as more experienced talent from other RIAs (27%) and professional services firms outside the industry (21%).

Equally important as where to find candidates is how to attract them. In the competition for talent, a compelling employee value proposition (EVP) can help attract prospective employees and keep current staff thriving and growing. An EVP describes what the firm offers its employees in return for the skills, capabilities, and experiences they bring. Across the study, 40% of all firms have an EVP; 53% of Top Performing Firms have one in place.

Segmentation can help manage profitability and scale. With growth, balancing the client experience with the firm's operational and financial performance can become more challenging. To meet client demand, firms are offering more services, yet advisory fees have remained steady. Revenue per client dipped in 2022 and is expected to remain relatively flat in 2023. Amid inflation, firms are also facing rising costs. The net result is that managing firm profitability is increasingly important.

One way to do this is through client segmentation—creating experiences that fit the needs of specific client groups while also enhancing the firm's performance. It is a rational way of defining the client experience and how it's delivered consistently and efficiently among each segment of clients, with a goal of achieving an optimal fit for different types of clients. This is important, as firms reported that 56% of their clients have $1 million or less in AUM while accounting for an estimated 22% of revenue in 2022. According to the Benchmarking Study, 47% of firms have a client segmentation strategy; 55% of Top Performing Firms have one.

Aligning revenue and cost to serve clients is essential to building a profitable business



Segmentation helps firms build a scalable business and minimize capacity limitations. As the study shows, firms with a segmentation strategy manage more clients per professional, at the median, than those without one. Using this strategy gives advisors more time to serve clients and generate new business, including engaging the next generation of clients who may have lower assets but are vital to long-term sustainability. Across the study, firms reported that 13% of clients are under 40 years old, 31% are 40–59 years of age, and 56% are 60 and older.

Personalization can help deepen client relationships. Segmentation can help advisors balance scale with the demand for increased personalization—that is, getting to know clients' needs and customizing experiences and services accordingly. Distinguishing their offering through more meaningful personalized interactions and services helps advisors build trust and long-term relationships. This creates a differentiated client value proposition.

Firms can take an intentional and scalable approach to personalization by capturing client data consistently so that it is always available to draw on. Across the study, nearly 85% of firms use their CRM as the central point of system and process integration. Personalization efforts can include simple touches, such as using a client's preferred communication channel, offering them their favorite beverage during meetings, and donating to their favorite charity to show appreciation for their business.

Key trends in investing

Capturing client data helps advisors see how clients' values influence their financial decisions. With this in mind, advisors can offer personalized investment strategies that can help tie meaning beyond returns to clients' investing, while also reaching their financial goals. These investment strategies can help firms differentiate themselves.

The macro environment affects investment management trends. Amid uncertain market conditions in 2022, firms reported that clients frequently raised questions during investment conversations. These questions centered around three top themes: market volatility, inflation, and liquidity/cash management. These topics were consistent regardless of firm size.

Firms are dedicating additional resources to meet clients' investment needs. Across the study, firms are prioritizing asset allocation, liquidity/cash management, and active management. The top five investment vehicles that firms are increasing their use of in 2023, compared with 2022, include individual bonds, passive and active ETFs, private equity, and direct indexing. These investment vehicles also saw increased use in 2022 compared with 2021. By contrast, use of passive and active mutual funds has decreased in 2023.

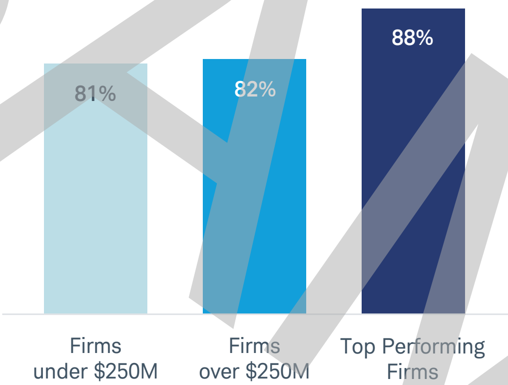
Behavioral finance can help clients reach their financial goals. Behavioral finance (BeFi) is the study of the emotional and intellectual processes that drive investors' decisions, enabling advisors to help clients optimize financial outcomes and increase emotional satisfaction. By focusing on education and awareness around behavioral biases, advisors can build stronger businesses and deliver more impactful client experiences.

Over 80% of firms reported using behavioral finance concepts to coach clients and help mitigate their investing biases; an even greater percentage of Top Performing Firms do so. And firms that reported using BeFi saw 3.3 times more assets from existing clients in 2022, at the median.

Firms can use behavioral finance to help deliver more impactful client experiences

Firms that use behavioral finance

Nearly half of all firms use behavioral finance for more than 50% of client interactions.



Customized investment strategies can help create more meaningful client experiences. Differentiation is increasingly important as advisors grow their firms, and personalized investment strategies are one way to make this happen. Here are key approaches:

Direct indexing: With direct indexing, clients own individual stocks that reflect the characteristics of an index. Direct indexing can be a professionally managed, core component of a client's portfolio that provides transparency and allows for increased personalization, such as tax-loss harvesting aligned to a client's objectives. It can also be an opportunity for linking purpose and life goals with an investing strategy. For some clients, this benefit can be as important as investment returns.

About a quarter of firms reported using direct indexing, with 12% planning to start in 2023. Advisors stated that tax alpha potential is the primary reason why they use this strategy, followed by customization to align index exposure with clients' beliefs.

Values-based/impact investing: Having strong relationships can help firms understand their clients' values in order to determine the role that values-based investing plays within a portfolio. Half of all firms reported using values-based investing in 2023, while 65% of firms with over $1 billion in AUM did so.

Thematic investing: Thematic investing attempts to provide exposure to overarching economic themes. This approach is empowered by the ability to explore a global universe of investment opportunities that often lie beyond the reach of traditional funds focused on a specific industry, sector, or country. It's a strategy that can be well suited as a satellite allocation within a broad, diversified portfolio. In the Benchmarking Study, 27% of all firms reported using thematic investing in 2023.

Separately Managed Accounts (SMAs): The study also found that 45% of all RIAs reported using SMAs to align a client's investments with personal interests and values, while 70% of firms with over $1 billion did so.

The need for differentiation within asset management guidance is growing. While there are fundamental standards and expectations for asset management guidance, client needs have evolved. Understanding how their other service offerings can improve their clients' satisfaction, advisors are focusing time, resources, and capital on wealth management services. This evolution can be seen in the growing number of firms identifying as Wealth Managers. In fact, about 90% of all firms that completed the 2023 Benchmarking Study self-reported as Wealth Managers, versus 9% as Money Managers.

Firms are offering the following wealth management services, with most firms including them as part of their asset management fee:

- Comprehensive financial planning (93% of all firms)
- Charitable planning (84%)
- Tax planning and strategy (81%)
- Family education (72%)
- Estate planning (65%)

Some firms are even outsourcing or partially outsourcing investment management areas. Across the study, the top investment management areas that firms are partially outsourcing are investment research for both traditional assets and alternatives, as well as market commentary for clients.

As the RIA industry evolves, firms are finding new ways to deepen client relationships. By finding opportunities to help clients simplify their financial lives and invest in ways that feel meaningful to them, advisors are becoming indispensable to their clients while also building enduring businesses.

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i. Organic growth is the change in a firm's assets from new, existing, and lost clients before investment performance is taken into account, and it excludes the growth from acquisitions, divestitures, and advisors joining or leaving.

ii. "All firms" refers to firms with $25 million or more in AUM. "Smaller firms" refers to firms with less than $250 million in AUM, and "larger firms" refers to those with $250 million or more in AUM. When not distinguished, results are for firms with $250 million or more in AUM. Results are medians unless otherwise noted.

iii. Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas.

iv. DeVoe & Company, Annual RIA M&A Outlook, December 2022.

v. Inorganic activity represents mergers or acquisitions, divestitures, advisors with transferrable assets joining, or advisors with assets departing.

Peer Group Performance

Summary of Your Results

Your Rank in Peer Group (Lowest – Highest)
Results: Your Firm / Peer Group Median

Metric	Your Firm	Peer Group Median
Firm Growth (5-Year CAGR)		
Change in revenue	11.8%	9.9%
Change in AUM	11.0%	8.2%
Change in clients	6.6%	6.0%
Change in AUM from net asset flows only	6.3%	5.0%
Client retention (2022)	98.8%	97.0%
Staffing and Productivity		
Revenue per professional (in thousands)	$858	$598
AUM per professional (in millions)	$122	$103
Clients per professional	71	60
Client service productivity (cost of staff time per $1M)	$2,040	$1,550
Business development productivity (cost of staff time per $1M new assets)	$1,780	$3,530
Technology and Operations		
Technology adoption score (out of 6 technologies)	5	6
Digital client onboarding adoption score (out of 8 digital workflows)	3	6
Firm Profitability		
Revenue bps on assets	70	61
Standardized operating margin	46.9%	26.1%

This page provides an overview of how your firm compares with your peer group across key business metrics.

In each category, firms are divided into five equal groups (the top 20%, the next 20%, and so on). The blue box indicates your firm's rank.

Firm Growth: Change in revenue (page 13) and change in AUM (page 13) give a snapshot of growth over the past five years. Change in clients (page 14) and change in AUM from net asset flows only (page 14) are better indicators of organic growth, because they set aside recent changes in investment performance. Client attrition (page 20) is an important leading indicator of business health.

Staffing and Productivity: Productivity metrics provide insight into how efficiently a firm uses its resources. Revenue, AUM, and clients per professional (page 27) give three different perspectives on professional staff productivity. A detailed view of staff efficiency can be found in client service productivity (page 30) and business development productivity (page 34). Client service productivity and business development productivity are expenses, therefore the lower the cost the higher the rank.

Technology and Operations: The technology adoption score ranks firms' progress in adopting six key technologies. The digital client onboarding score ranks firms' progress in that area. Technology and operations results (pages 36-39) reveal firms' investments in technology and various ways they are leveraging and managing technology.

Firm Profitability: Revenue basis points (bps) on assets (page 43) and standardized operating margin (pages 42 and 45) are summary financial indicators. Please note that detailed Profit and Loss pages are included only for firms that completed that section of the study.

Top Performing Firms

The Firm Performance Index, made up of the 15 metrics below, helps firms evaluate their overall performance.

Firm Performance	Your Firm	All Firms: 20th Percentile	All Firms: Median	All Firms: 80th Percentile	Top Performing Firms[1]
5-Year client CAGR	6.6%	2.2%	6.2%	12.8%	12.8%
5-Year net asset flows CAGR	6.3%	2.1%	6.8%	14.0%	14.1%
5-Year revenue CAGR	11.8%	6.1%	10.8%	18.2%	18.2%
2022 AUM growth rate from new client assets	1.6%	1.8%	4.2%	9.0%	7.8%
2022 AUM net growth rate from existing client assets	2.0%	-2.8%	0.0%	3.6%	1.7%
Client attrition	1.2%	0.9%	2.7%	5.2%	2.5%
Staff attrition	14.3%	0.0%	6.3%	17.2%	3.7%
Operating margin (reported)	53.9%	9.8%	24.9%	38.3%	25.6%
Time spent on client service (%)	67.4%	47.1%	57.9%	69.1%	62.0%
Time spent on operations (%)	23.5%	19.4%	29.1%	40.1%	26.7%

Activities Implemented	Your Firm	All Firms	Top Performing Firms
Standardized workflows in CRM for over 50% of tasks	✓	47%	58%
Written strategic plan	✓	61%	79%
Written succession plan		61%	74%
Ideal client persona/profile	✓	65%	79%
Client value proposition		62%	76%

[1]Median results for Top Performing Firms. The Top Performing Firms group is composed of firms ranking in the top 20% of the Firm Performance Index.

The Firm Performance Index is a holistic assessment that highlights Top Performing Firms.

Schwab's Firm Performance Index helps RIAs assess their overall business health. It ranks firms on the 15 metrics at left and provides comparison against all study participants. Based on the Guiding Principles for Advisory Firm Success, it enables a holistic evaluation across key areas. (https://advisorservices.schwab.com/guidingprinciples)

This broad perspective makes the index unique. Beyond financial metrics, it considers many aspects of firm management, including those that measure firm endurance and some elements considered in valuations.

For most of the 15 metrics, firms receive a better rank for higher values. For attrition rates and time spent on operations, firms receive a better rank for lower values. For operating margin, the index favors firms in a healthy range. The index is calculated among all firms in the study regardless of AUM. Firms that rank in the top 20% of the index are included in the Top Performing Firms.

On this page, all firms can see how they compare with these high-performing RIAs on key metrics. These comparisons can help your firm identify opportunities, set goals, and track your progress.

For more information about the Firm Performance Index, please see the Methodology & Disclosures section of this report.

Growth Plans

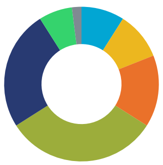
AUM: Annual Growth Over the Next Five Years

- 20% or more - **6%**
- 15% to 20% - **14%**
- Your Firm 10% to 15% - **27%**
- 5% to 10% - **39%**
- 0% to 5% - **14%**

Revenue: Annual Growth Over the Next Five Years

- 20% or more - **12%**
- 15% to 20% - **12%**
- Your Firm 10% to 15% - **20%**
- 5% to 10% - **40%**
- 0% to 5% - **16%**

Staff: Growth Over the Next Five Years



- 100% or more - **9%**
- 75% to 100% - **10%**
- 50% to 75% - **15%**
- Your Firm 25% to 50% - **32%**
- 0% to 25% - **25%**
- No growth - **7%**
- Negative growth - **2%**

Inorganic Growth Strategy During the Next Year	Your Firm	Peer Group
Bring on an advisor with transferable client assets	✓	41%
Buy another RIA firm		22%
Bring on a principal with transferable client assets		15%
Merge with another RIA firm		9%

Documented Elements of New Client Growth Strategy	Your Firm	Peer Group
Ideal client persona/profile	✓	69%
Client value proposition		68%
New client acquisition goals		56%
Marketing plan, including digital strategies	✓	47%
Existing client referral plan and goals		32%
Business partner referral plan and goals		27%

Growth is top of mind for most firms.

In the coming five years, 47% of firms expect to grow AUM by 10% or more annually and 44% expect to grow revenue by 10% or more annually. At that level of AUM growth, 20% in your peer group would approximately double in size over the next five years. Your firm expects AUM growth of 15% and revenue growth of 15% annually during that period.

Documenting elements of your firm's growth plan can align the team and help you progress toward your goals. Firms with a documented ideal client persona (ICP), client value proposition (CVP), and marketing plan reported 52% more new clients and 46% more new client assets in 2022 than firms without them.[1] These help firms attract and retain the types of clients they are best suited to serve. Sixty-nine percent of firms in your peer group have a documented ICP and 68% have a documented CVP.

To support growth, adding staff to provide clients with the highest level of service and expertise—as well as to bolster firm capabilities—is key. Twenty-five percent of firms in your peer group plan to increase their total staff by up to 25% from current levels in the next five years while 7% believe they can adequately support their planned growth with their current headcount. Your firm expects to increase staff by 27% over the next five years.

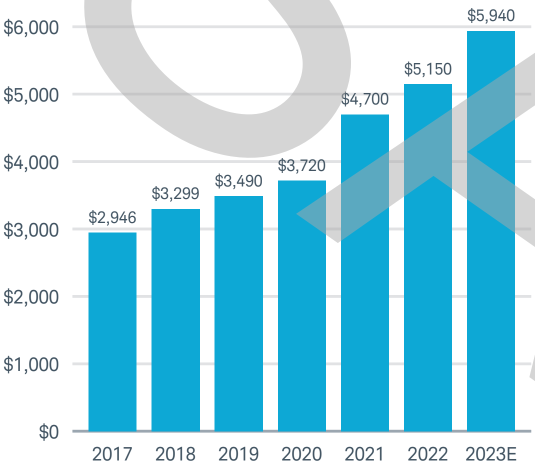
While firms seek to boost organic growth—the change in assets from existing clients, new clients, and clients lost to client attrition—many also are pursuing inorganic means to bolster growth. Twenty-two percent are actively seeking to buy another RIA firm, 9% are actively seeking to merge with another RIA firm, 1% are actively seeking to be acquired by another RIA firm, 15% are seeking to bring on a new principal with transferable client assets, and 41% are seeking to bring on an advisor with transferable client assets. In the next larger peer group, those numbers are 19%, 9%, 1%, 12%, and 36%, respectively.

In 2022, 6% of all firms that participated in the study acquired new clients via M&A. Among them, the median number of new clients acquired was 121, representing $135 million in AUM. In 2022, 9% of all firms acquired clients by bringing on an advisor with a book of business. The median number of clients acquired in this way was 22, representing $20 million in AUM. The following page details additional metrics for firms that have had inorganic activity over the past five years.

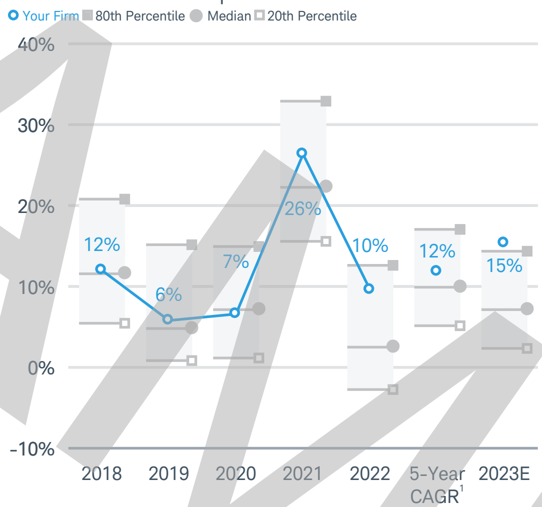
1 Median results for firms with $250 million or more in AUM.

Revenue and Assets Under Management (AUM)

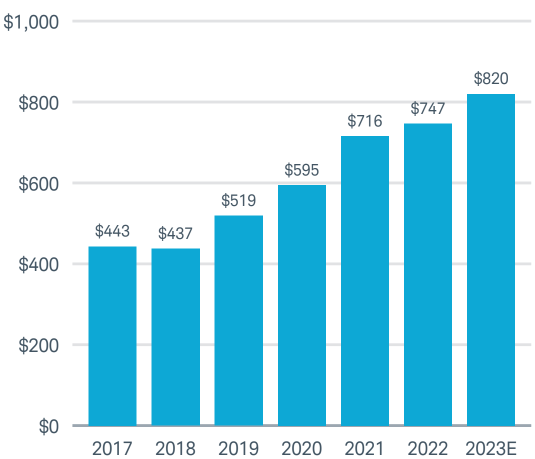
Your Firm: Revenue
In Thousands



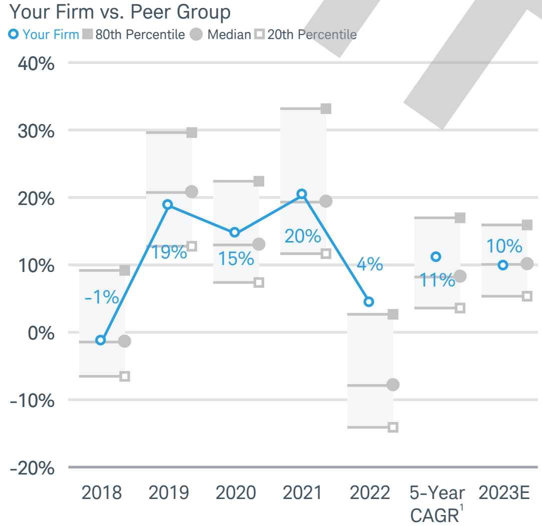
Revenue Growth Rate
Your Firm vs. Peer Group



Your Firm: Assets Under Management
In Millions, Year End



Assets Under Management Growth Rate
Your Firm vs. Peer Group



1 CAGR 2018-2022

Consistent client acquisition supports asset and revenue growth.

In 2022, the median firm in your peer group reported growth in revenue of 2% while firms at the 80th percentile saw revenue increase 13%.

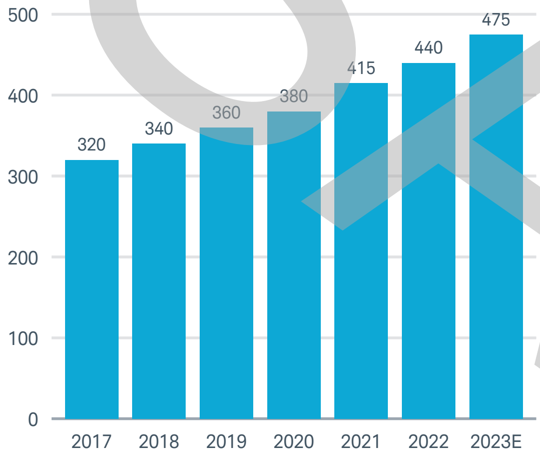
The 5-year trend has been one of positive growth, with the median firm among your peers increasing revenues by 10% annually. Your group anticipates a 7% increase in revenue at the median in 2023.

For the median firm in your group, AUM decreased by 8% last year. When surveyed in late January through mid-March, firms anticipated that AUM would grow 10% in 2023.

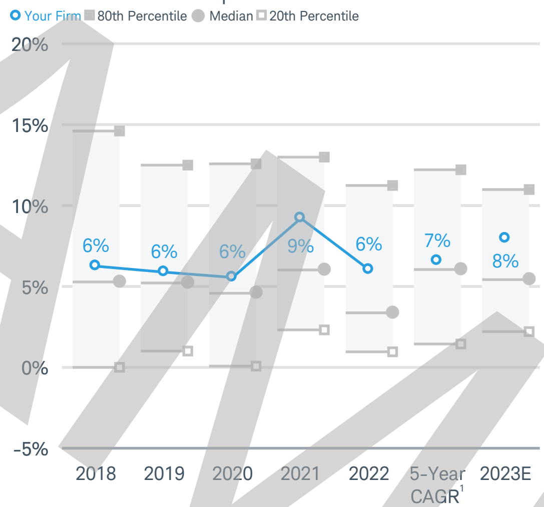
Your firm reported revenue and AUM growth of 10% and 4%, respectively, in 2022.

Clients and Net Asset Flows

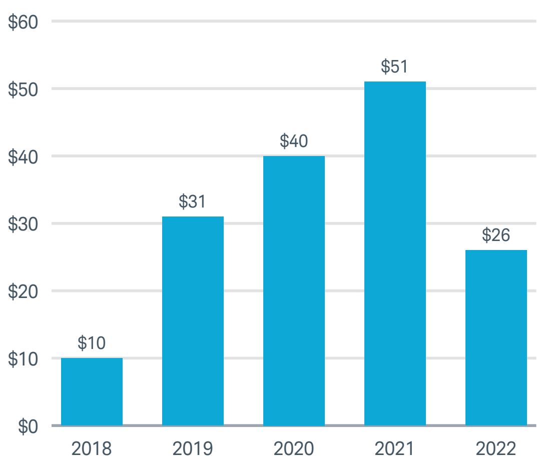
Your Firm: Total Clients
Year End



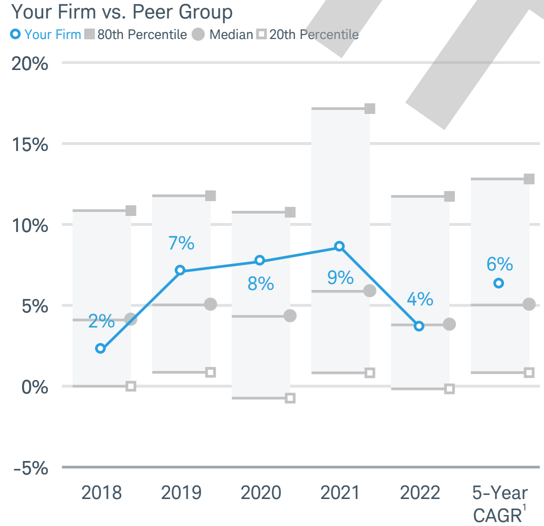
Client Growth Rate
Your Firm vs. Peer Group



Your Firm: Net Asset Flows
In Millions



Growth Rate from Net Asset Flows
Your Firm vs. Peer Group



1 CAGR 2018-2022

Firms in your peer group added new clients at a slower rate in 2022.

Overall client growth at the median firm was 3.4% in 2022, compared with 6.0% in 2021 and 4.6% in 2020. Firms in your peer group in the 80th percentile and above added 11.2% or more to their client base in 2022. Not including client attrition, firms added new clients at a rate of 7.6% last year.

Organic growth from net asset flows is the change in a firm's assets from new, existing, and lost clients before investment performance is taken into account, and it excludes the growth from acquisitions or divestitures, and from advisors joining or leaving.

The median firm in your peer group added $23.7 million from net asset flows in 2022, down from $33.2 million the previous year. This contributed 3.8% to the asset base from net asset flows, compared with 5.9% in 2021. The top 20% of your peer group grew by 11.7% or more from net asset flows last year.

The next five pages provide further details about asset flows and their contribution to firms' overall growth.

Take action

- Identify your ideal client persona and how you best serve them to help target prospects who are a good fit for your firm. Schwab's Guiding Principle Series insight paper, *Differentiating Through Client Focus*, helps firms better understand the importance of attentively focusing on their ideal client and creating a value proposition that is defined through clients' eyes.
  https://advisorservices.schwab.com/ideal-client
- Discover ways to advance your business with help from marketing providers that also offer preferred pricing through Schwab Affinity Services.
  https://advisorservices.schwab.com/AffinityServices

Staff and Time Use

Staff Role	Your Firm: Staffing	Your Firm: Time investment	Peer Group: Average staffing	Peer Group: Percent with role	Peer Group: Median base and bonus	Peer Group: Average time investment
Professional						
Client-facing Sr Mgmt	2.0	90% 0% 0% 10% 0%	2.2	100%	$278,000	63% 7% 5% 13% 12%
Relationship Manager	3.0	90% 0% 0% 0% 10%	2.6	82%	$131,000	77% 10% 3% 2% 8%
Investment Professional	1.0	90% 10% 0% 0% 0%	1.4	73%	$142,000	81% 12% 2% 2% 3%
Business Development Officer (BDO)			0.2	20%	$102,000	27% 2% 2% 3% 66%
Non-Professional						
Non-client-facing Mgmt	1.0	18% 0% 19% 58% 5%	0.8	55%	$143,000	12% 34% 22% 24% 8%
Back-Office and Administrative Staff	4.0	40% 60% 0% 0% 0%	4.5	97%	$76,000	27% 61% 6% 3% 3%
Total						
Total Professional Staff	6.0		6.5			
Total Non-Professional Staff	5.0		5.3			
Total Staff	11.0		11.8			

Note: Values may not sum to total due to rounding.

Client Service (direct service and meetings, financial planning, and investment management)
Operations & Administration | Compliance | Business Management | Marketing & Business Development

Human capital at a glance.

Firm-reported staffing, compensation, and time use went into calculating the productivity benchmarks in this section (pages 26 to 34).

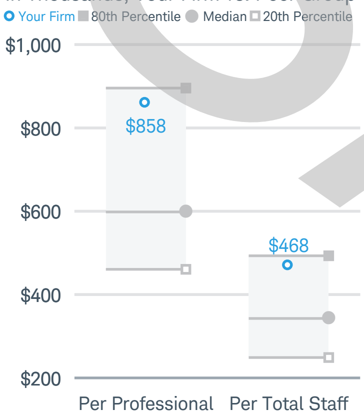
To simplify the comparison of time investments across firms, this report uses a single "client service" category. Client service includes direct service and meetings, financial planning, and investment management. Of course, different firms may offer these services to varying degrees.

Firms in your peer group employed, on average, 11.8 staff members in 2022, including 6.5 professionals, of whom 2.2 are client-facing senior management. Ninety-seven percent of firms reported employing back-office and administrative staff. Relationship managers were found in 82% of firms, and investment professionals in 73%.

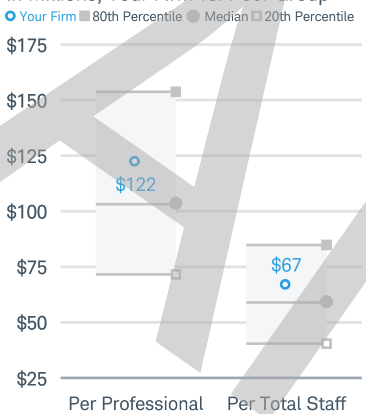
Staff Productivity Ratios

Staff Productivity for Existing Clients

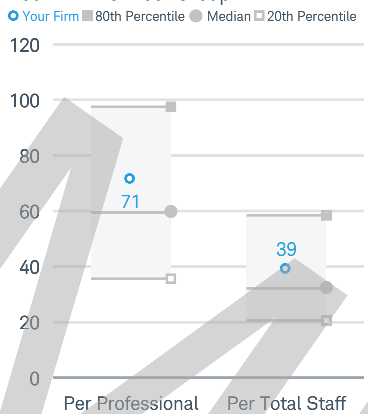
Total Revenue per Staff Member
In Thousands, Your Firm vs. Peer Group



AUM per Staff Member
In Millions, Your Firm vs. Peer Group



Clients per Staff Member
Your Firm vs. Peer Group

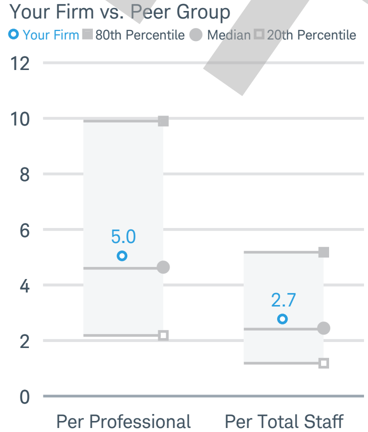


Staff Productivity for New Clients

New Revenue per Staff Member
In Thousands, Your Firm vs. Peer Group

New AUM per Staff Member
In Millions, Your Firm vs. Peer Group

New Clients per Staff Member
Your Firm vs. Peer Group



Every member of your staff plays a role in your firm's productivity.

Per-professional ratios are powerful productivity measures because they provide a broad basis for comparison among firms and focus on the costliest labor resources. The charts on this page show revenue, assets, and clients as a ratio to labor resources. Subsequent pages highlight additional details.

In your group, each professional at the median firm managed 60 clients and $103 million in assets, generating $598,397 in revenue. The 80th percentile in your group generated about 50% more revenue per professional at $895,629.

In 2022, the median number of new clients acquired in your peer group was 26. At the median of your group, each professional acquired 4.6 new clients with a total of $3.9 million in assets, generating $35,291 in new revenue.

Key Metrics for Your Peer Group[1]

Firm Growth

	Peer Group		
	20th Percentile	Median	80th Percentile
2022 Revenue (in thousands)	$2,975	$3,900	$4,909
5-Year revenue CAGR (2018-2022)	5.1%	9.9%	17.1%
2022 AUM (in millions, year end)	$531	$617	$694
5-Year AUM CAGR (2018-2022)	3.6%	8.2%	17.0%
2022 Asset attrition	0.3%	1.0%	2.2%
2022 Client attrition	1.3%	3.0%	6.1%
2022 Assets per client (in millions)	$0.9	$1.7	$2.8
2022 Revenue per client	$6,438	$10,680	$17,398
2022 Total clients (year end)	213	354	623
5-Year client CAGR (2018-2022)	1.4%	6.0%	12.2%
2022 Net asset flows (in millions)	-$1	$24	$75
5-Year net asset flows CAGR (2018-2022)	0.8%	5.0%	12.8%

Firm Productivity

	20th Percentile	Median	80th Percentile
Total revenue per staff member (in thousands)	$249	$343	$493
AUM per staff member (in millions)	$40	$59	$85
Clients per staff member	21	32	58
New revenue per staff member (in thousands)	$8	$18	$40
New AUM per staff member (in millions)	$1	$2	$4
New clients per staff member	1	2	5
Client service: Cost of staff time per $1M AUM	$1,096	$1,553	$2,345
Operations & administration: Cost of staff time per $1M AUM	$304	$536	$773
Compliance: Cost of staff time per $1M AUM	$75	$139	$228
Business management: Cost of staff time per $1M AUM	$100	$188	$356
Business development: Cost of staff time per new $1M AUM	$1,426	$3,526	$8,139

Pricing

BPS on assets by client assets in relationship	20th Percentile	Median	80th Percentile
$250,000	96	100	125
$500,000	91	100	120
$1 million	85	100	100
$2 million	75	90	100
$5 million	60	75	87
$10 million	47	60	74
$25 million	31	48	60

Staffing

	Peer Group		
	Average staffing	Percent of firms with role	Median base and bonus
Client-facing Sr Mgmt	2	100.0%	$278,000
Relationship Manager	3	81.8%	$131,000
Investment Professional	1	72.7%	$142,000
Business Development Officer (BDO)	0	19.6%	$102,000
Non-client-facing Mgmt	1	55.2%	$143,000
Back-Office and Admin Staff	4	97.2%	$76,000
Total Professional Staff	6		
Total Staff	12		

Clients

Relationship size	Average number of clients	Average percent of clients	Average percent of revenue
Less than $250,000	164	24.1%	6.2%
$250,000 to $500,000	81	14.2%	5.0%
$500,000 to $1 million	86	18.4%	10.4%
$1 million to $2 million	76	19.1%	17.1%
$2 million to $5 million	52	15.4%	25.7%
$5 million to $10 million	16	5.4%	14.0%
$10 million to $25 million	6	2.4%	10.5%
$25 million or more	2	1.1%	11.1%

Firm Profitability

	20th Percentile	Median	80th Percentile
Gross Profit Margin	54.8%	64.5%	71.8%
Operating Margin (Reported)	7.8%	25.6%	36.9%
Operating Margin (Standardized)	13.2%	26.1%	42.8%
Client-facing Sr Mgmt Compensation (Reported)	$400,000	$622,057	$1,056,933
Professional Compensation (Reported)[2]	$225,000	$601,552	$975,122
Total Direct Expenses (Reported)	$987,825	$1,450,949	$1,889,600
Overhead Expenses			
Administrative and Support Staff Compensation	$225,858	$434,736	$710,096
Health and Other Insurance Benefits	$40,000	$77,433	$145,768
Marketing	$6,535	$34,621	$83,840
Business Development	$0	$6,389	$44,368
Information Technology (Equipment and Outsourcing)	$35,136	$105,694	$181,410
Total Overhead Expenses (Reported)	$981,177	$1,445,406	$2,046,739

1 Peer group: $500M-$750M AUM.
2 Excludes Client-facing Sr Mgmt compensation.

Methodology, Disclosures, and Terms of Use

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Questions on Your Benchmarking Peer Report

If you have any comments or questions on your report, please email us at riabenchmarking@schwab.com, or contact your Account/Relationship Manager or team.

Overall Methodology

- Responses were collected from late January through mid-March 2023.
- All data is self-reported by study participants and is not verified or validated. Each participating advisory firm submitted only one set of responses.
- Some peer groups contain a small number of firms (see page 5 for details) and as such, results from these peer groups should be viewed as directional in nature.
- A given individual firm report will display only the individual firm data for which the study responses were sufficient to perform the required calculation. If insufficient data was provided to include an individual firm in a peer group result, only the group result will appear. Benchmarks related to firm profitability do not follow this approach, and the Profit and Loss Statement is included only for those firms that chose to complete that portion of the study.
- Multiple-year growth rates are calculated as compound annual growth rates (CAGRs). All other multiple-year percentage rates are a straight average of individual values.
- All calculated averages count each firm equally and are not weighted by firm assets, firm revenues, number of new clients, or similar factors.
- Throughout the report, median and average values are reported in various settings. Median values are the best indicator of a "typical" firm, because they are in the middle of the group. Averages can give a good indication of performance of the group as a whole but are subject to influence by high or low peer values. Average values are also necessary when a whole quantity is broken into parts, such as the Growth Rate from Net Asset Flows (page 22) and the Profit and Loss Statement (pages 43-45). Extreme outliers have been excluded, yet firm values that are not a normal distribution and small numbers of firms do influence the average values. Differences between values were not tested for statistical significance and should generally be interpreted as directional.
- In some cases, values on the charts and graphs are rounded to the closest integer but plotted showing one decimal place.
- Throughout the report, "M" is used to represent millions of dollars, and "B" represents billions of dollars.

Peer Group Selection

The peer groups were selected to provide a comparison with firms similar in AUM size. In previous studies, peer groups were determined by business model and firm AUM, which included wealth manager and money manager groups. The number of firms identifying as money managers has decreased over the years. To ensure robust peer comparisons for all participants, peer groups in this report are defined solely by AUM level.

Each firm's reported 2022 year-end total AUM was used to identify peer groups:

- Under $100M AUM
- $100M–$250M AUM
- $250M–$500M AUM
- $500M–$750M AUM
- $750M–$1B AUM
- $1B–$2.5B AUM
- $2.5B–$5B AUM
- Over $5B AUM

Firm Performance Index and Top Performing Firms

The Firm Performance Index is used to determine the Top Performing Firms cohort, defined as firms that rank in the top 20% of the index. The index is calculated for all eligible firms without regard to peer group, excluding institutional investment consultant firms and firms that have been in business for less than one year.

Firms are ranked by the following variables, which are incorporated into an overall score. These variables represent 2022 values unless otherwise noted.

- Client 5-year compound annual growth rate (2018 through 2022)
- Net asset flows 5-year compound annual growth rate (2018 through 2022); net asset flows include assets from new client additions, net flows from retained clients, and assets lost to client attrition
- Revenue 5-year compound annual growth rate (2018 through 2022)
- Asset growth from new clients
- Asset net change from existing clients (includes net flows from retained clients and assets lost to client attrition)
- Client attrition
- Staff attrition
- Reported operating margin
- Percentage of time spent on client service
- Percentage of time spent on operations
- Standardized workflows in CRM
- Written strategic plan
- Written succession plan
- Client value proposition
- Ideal client persona/profile

For the Firm Performance Index calculation, regression models were used to quantitatively drive the methodology and weightings. The variables in the index are weighted based on predictive modeling of the relative impact of each metric on overall measures of firm success. For most metrics, firms receive a better rank for higher values. For client attrition, staff attrition, and time spent on operations, firms receive a better rank for lower values. For operating margin, the index ranks firms according to the distance of their reported operating margin from the average margin of all firms ranked in the Firm Performance Index.

For notes on other metrics used in the Firm Performance Index, see the Specific Notes by Page.

Specific Notes by Page

Page 7

Firms that engaged in mergers and acquisitions (M&A) or brought on advisors with assets are included in the Top Performing Firms cohort.

Page 9

- Peer group results for firms without inorganic activity do not include those firms that experienced a merger, divestiture, added a new advisor with assets or lost an advisor with assets during the 2018 through 2022 study period.
- For some peer groups, firms with inorganic activity and firms without inorganic activity contain a small number of firms and as such, results for these cohorts should be viewed as directional in nature.

Page 10

- Responding firms were able to choose up to a maximum of three initiatives prioritized for 2023.
- Percentages in the peer group columns are expressed as a percentage of peer group firms that chose one or more top strategic initiatives.
- Top Priority (#1) is the percentage of firms that selected the related initiative as their number one priority.
- Top 3 Priorities is the percentage of firms that selected the related initiative as their #1, #2, or #3 top priority.

Page 11

- Responding firms were able to choose up to a maximum of three areas that could benefit from outside help prioritized for 2023.
- Percentages in the peer group columns are expressed as a percentage of peer group firms that chose one or more areas.
- Top Priority (#1) is the percentage of firms that selected the related area as their number one priority.
- Top 3 Priorities is the percentage of firms that selected the related area as their #1, #2, or #3 top priority.

Page 12

- Peer group data related to time horizon of strategic plan is expressed as a percentage of peer group firms that indicated they had a written strategic plan.

Pages 13-14

- 2023 expected data (2023E) was self-reported as each firm's "estimated" value for the full year at the time of the study.
- Net Asset Flows include assets from new client additions, net flows from retained clients, and assets lost to client attrition.
- Growth Rate from Net Asset Flows is calculated as net flows each year as a percentage of the starting firm AUM for the year.

Pages 15-19

- Each growth rate is reported as the percentage change on beginning assets if a firm only grew (or declined) from that single source of change.
- **Important Note on Investment Performance:** Investment Performance is the average annual net change in value of the investments over the stated period, as a percentage of the starting assets. Because new clients were added throughout this period, and values are estimated and self-reported, it should not be viewed as the average performance of an individual client portfolio over this time.

Page 20

- Asset Attrition Rate is calculated as assets lost because of client departures during each year as a percentage of the starting firm AUM for the year.
- Client Attrition Rate is calculated as the number of departing clients as a percentage of the starting total clients for the year.
- Assets per Client is calculated as assets at year-end divided by the number of clients at year-end.
- Revenue per Client is calculated as revenue for the year divided by the number of clients at year-end.

Page 21

- Average Percent New Clients and Average Percent New Assets are calculated on a base of only those firms that are pursuing that source.

Page 22

- Data for Your Firm is your firm's 2022 Growth Rate from Net Asset Flows (page 19), divided proportionally among each of the listed sources of growth.
- Peer Group Average and Top Performing Firms Average display the average percentage growth rate value for each source of growth across the peer group or Top Performing Firms.
- Total growth results include firms that experienced a merger or added a new advisor with assets.

Page 23

- Pricing policy values may not sum to 100% due to rounding.

Page 24

- Firms were asked to report a total effective fee for a client of each size, given their pricing policies. Data does not represent a tiered pricing schedule used to calculate a price.
- Your firm's Estimated Percent of Revenue is calculated as follows: The midpoint of the relationship-size range is designated as a given asset level. (For example, $1.5 million is picked for the range of "$1 million to $2 million." The exceptions are (1) $250,000 is set as the midpoint for the first range of "less than $250,000" and (2) for the last range of "$25 million or more" the midpoint is the value between $25 million and the size of the largest client relationship indicated.) The percentage of revenue for each relationship-size range is then estimated by multiplying the given asset level by the percentage of clients, adjusted by the effective basis points (bps) fee reported by your firm. If your firm did not provide a total effective fee for every client relationship size for which you have clients, the median bps fee of your peer group for each relationship size is substituted. Your firm's actual experience may differ from these estimates.

Page 25

- Average Percent of Client Assets is calculated on a base of only those firms that use that asset class.

Page 26

- Client Service as reported on this page is a total of three distinct time categories from the study: direct service and meetings, financial planning, and investment management. Combined here and on page 28, the three categories are broken out in some detail on page 29.

Page 27

- For productivity ratios, Per Total Staff includes all reported staff including client-facing senior management. Per Professional includes all reported staff including client-facing senior management but excluding back-office and administrative staff, and non-client-facing management.
- New Revenue is calculated by multiplying assets from new clients by the result of firm total revenue divided by total assets. The assumption is that revenue as a percentage of assets is the same for new clients and all clients, or the same bps on assets for new clients and for all clients.

Page 28

- Total cost is adjusted with standardized client-facing senior management compensation broken down into two parts: Cost of Staff Time and Other Costs. Standardized client-facing senior management compensation is the standard labor cost per client-facing senior management used to account for opportunity cost and to mitigate differences in compensation structured as base versus profit sharing. (See note for pages 30-34.)
- Cost of Staff Time includes standardized client-facing senior management compensation plus benefits; professionals' salary, bonus, and benefits other than client-facing senior management; back-office and administrative staff's salary, bonus, and benefits; and payroll taxes. All staff time values are grossed up by 15% as a standard measure of the cost of insurance, benefits, and payroll taxes.
- Other Costs includes payments for referred business, and all non-staff-related overhead expenses.
- The individual components of Cost of Staff Time are determined by the provided salary and bonus information by role, multiplied by the percentage of time that each staff member dedicates to a given component.

Pages 30-34

- Hours are based on reported staffing and percentage of time dedicated to each activity, multiplied by an assumed annual value of 1,920 hours per year per staff member, which reflects standard eight-hour workdays minus holidays, vacations, and sick time.
- Top Performing Firms data in the charts reflects averages for each role.
- Staff costs for each role are based on each firm's reported compensation by role. To calculate the standardized client-facing senior management compensation, for each firm in the peer group we divide the salary and bonus for the role by the revenue and identify the median ratio. This ratio is then multiplied by your firm's revenue to calculate the standardized client-facing senior management compensation.

The ratio for each peer group is as follows:

- 30.3% for firms with less than $100M AUM
- 23.5% for firms with $100M–$250M AUM
- 19.7% for firms with $250M–$500M AUM
- 17.1% for firms with $500M–$750M AUM
- 14.2% for firms with $750M–$1B AUM
- 13.0% for firms with $1B–$2.5B AUM
- 7.8% for firms with $2.5B–$5B AUM
- 7.0% for firms with over $5B AUM

All staff time values are grossed up by 15% as a standard measure of the cost of insurance, benefits, and payroll taxes.

- A note on medians and averages: Not every firm has staff in every role. Averages have been calculated across all firms without regard to which firms have a given role and may not sum to total due to rounding. Median values, by contrast, represent only firms with a given role. For instance, if only some firms in your group have a business development officer, the median value shown is only for those firms with that role.

Page 35

- Average Staff Hired or Promoted is calculated on a base of only those firms that hired or promoted staff.

- Staff Attrition is calculated as the total staff who left the firm in 2022 divided by the average staff for 2022 (beginning staff plus ending staff divided by 2).

Page 36

- Average Staff Using each technology system is calculated on a base of only those firms that are using each technology system.

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Page 38

- Peer group data related to standardization of procedures is expressed as a percentage of peer group firms that indicated they use a CRM system.

Page 42

- Reported Operating Margin is simply the operating margin as stated by study participants given staff and non-staff expenses in their Profit and Loss Statement.

- Standardized Operating Margin is calculated for each peer group using the standardized client-facing senior management compensation in place of the reported salary and bonus figures for each firm's Profit and Loss Statement. The client-facing senior management compensation includes salary and bonus for client-facing senior management who spent greater than 50% of their time serving and/or attracting new clients. Management who spent less than 50% of time serving or attracting clients are included in professional compensation. To calculate direct expenses client-facing senior management compensation does not include ownership. Total salary **only** includes fair market compensation that is **not** related to ownership. Profit sharing or ownership dividends are not included in client-facing senior management compensation.

- Income per client-facing senior management staff represents the total economic benefit to each client-facing senior management staff, including salary, bonuses, and profit earned by the firm. Some profits earned are typically reinvested in the firm each year, so take-home pay is less than this figure.

Pages 43–45

- Detailed Profit and Loss pages are included in this report only for those firms that completed this section of the study.

- Values may not sum to total due to rounding.

- For peer group results, percentile and median results are provided for each line item individually. As a result, individual line items for percentile and median results do not sum to the total line. For average values, line items do sum to the total line.

- Averages of Top Performing Firms are presented as a benchmark of a group of firms that rank in the top 20% of the Firm Performance Index.

- Standardized Operating Margin is calculated for each peer group based on the calculation for client-facing senior management compensation indicated in the notes for pages 30–34. The standardized client-facing senior management compensation is substituted in place of the reported client-facing senior management salary and bonus figures for each firm's Profit and Loss Statement.

- Bps is calculated as revenue for the year divided by average assets for the year (average of starting assets and ending assets).

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