Maximizing firm growth

Five keys to building a successful referral strategy

MKT Market Knowledge Tools

About Schwab Market Knowledge Tools® (MKT)

Based on the leadership position of Charles Schwab & Co., Inc. in the RIA marketplace (nearly 7,000 advisors and over 25 years as of this printing), we are in a position to observe what works in successful advisory firms. Through Schwab's proprietary benchmarking and in-depth qualitative research with successful firms, we are able to discover and share best practices.

This white paper is part of the Schwab MKT series, an ongoing program of industry research reports, white papers, and guides from Schwab designed to keep investment advisors on the forefront of trends and competitive challenges facing the industry today. The MKT program delivers the kind of relevant and timely information needed for business planning.

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For a vast majority of advisory firms, growth is a top priority year after year. Many firms believe that strong organic growth is imperative not only because of the obvious benefits to the business and bottom line, but because growth creates an opportunity to attract and retain top talent and reach a broader group of clients. Although the median firm in our 2014 RIA Benchmarking Study grew its AUM at the impressive rate of 12.8% over the prior four years, there is a significant contrast in growth rates across firms, and we know that many would like to accelerate their growth via more client referrals.[1]

But firms seeking growth through referrals is nothing new. Many, if not most, firms use some type of referral strategy. So how is it that some outperform the industry averages in AUM and revenue growth by substantial margins? From our experience working with advisors, as well as in-depth analysis of industry growth patterns and interviews with firms that outperform the norms, some answers emerge.

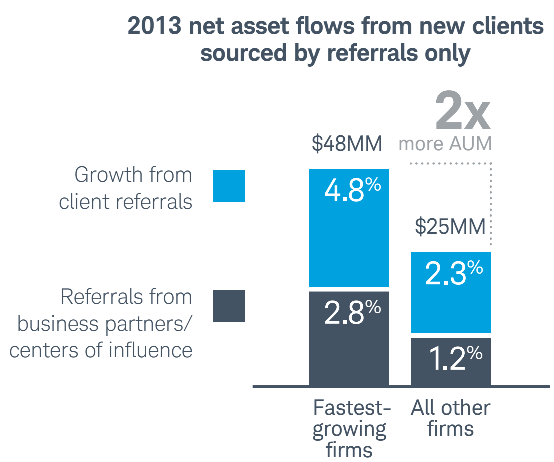
We believe the most successful firms have created a culture of growth in which all employees feel they have a stake. They are able to translate the passion, values, and relationship-building acumen that are often exhibited by the founding partners into a firm-wide culture that drives referrals.

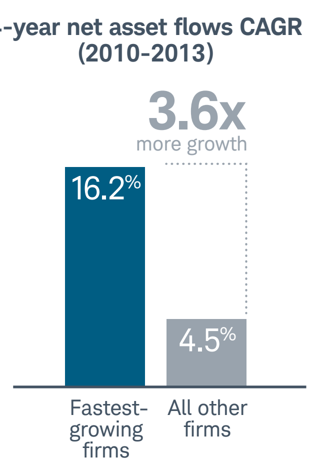
These firms take a deliberate, strategic approach to growth and devote time and resources to it. And while their service model may not be notably different from that of an average firm, they are better able to leverage that model to differentiate themselves to clients and prospects. This organic, word-of-mouth, peer-to-peer expression of a firm's value into its community is the single most important growth driver for successful Registered Investment Advisor (RIA) firms. Our research shows those that excel at relationship marketing are the fastest-growing firms in the industry.[2] But, how do they do it?

Relationship marketing hinges on training the entire team—and even clients—to recognize, create, and capitalize on referral opportunities through natural, authentic conversations. Top to bottom, each and every employee understands how to talk about the firm in a compelling way, and each is prepared to motivate and equip clients to do the same. This approach is based on providing real value to a firm's clients in a way that honors, and even strengthens, their relationships.

What does it take to create the conditions that turn employees and clients into advocates whose referrals drive measurably superior growth? This paper explores that question.

Adding new client relationships through referral strategies remains the top way firms maximize growth





Source: The 2014 RIA Benchmarking Study from Charles Schwab. The fastest-growing firms are the top 20% of firms as determined by net organic growth (2010–2013 net organic compound annual growth rate). Net organic growth—the change in assets from existing clients, new clients, and assets lost to client attrition—is the area over which RIAs have most control.

Building a deliberate strategy

Education is key

Even firms that have enjoyed strong growth in the past often reach a point in their life cycles where a more deliberate referral strategy that systematically involves employees and clients becomes necessary to enduring success—especially as firms grow and become more complex.

The right growth strategy not only increases referrals, but also enables a firm to cultivate the types of high-value clients for whom it truly does its best work—creating a virtuous cycle of engaged and loyal clients who promote the business to others like themselves.

This paves the way for the advisor to connect with prospects from a position of greater trust and credibility, which often helps shorten the sales cycle.

Once the basic strategy is in place, firms should focus on educating new employees and clients, so that results are repeatable. All employees should be able to explain the demographic and psychographic attributes of the type of client that best fits the firm. Clients must be aware that the firm wants and is happy to accept referrals. Both clients and employees should be able to talk about the challenges the firm can solve, and the difference the firm has made in the lives of its clients, in a way that leads to interest and action.

Your most effective prospecting channel

Many firms have difficulty dedicating the time and resources to a strategic referral program. Yet most would agree that generating a steady flow of qualified referrals is a fundamental strategy for achieving their growth goals. Many firms that have enjoyed strong growth in the past reach a point in their life cycles at which a more deliberate referral strategy that involves more individuals within the firm is a critical success factor, especially as founding partners may begin to step away from day-to-day responsibilities.

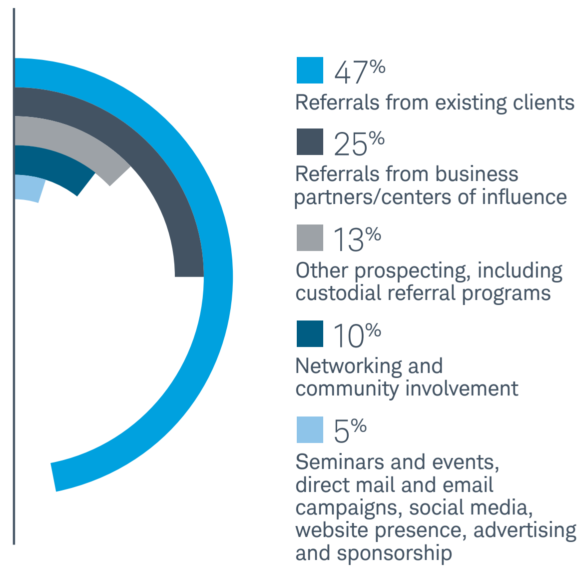
Client referrals are also the most cost-effective means of growing your firm—with effort and expense at only a fraction of that of other prospecting channels. Considering that the majority of prospects would prefer to find a financial advisor through a trusted acquaintance—rather than online searches, anonymous reviews, or other means—it simply makes sense to focus your business development efforts on referrals.

Ultimately, the advisory business is a referral business, and referrals come from building strong relationships with happy existing clients. All other marketing and business development activity derives from that starting point. Firms should focus on maximizing this channel first before diffusing resources to other efforts.

Client referrals are the most cost-effective means of growing your firm—with effort and expense at only a fraction of that of other prospecting channels.

Referrals generate 72% of new clients and assets

(percentage of new clients by source)



Total cost of business development per $1MM AUM

(in dollars)

Source: The 2014 RIA Benchmarking Study from Charles Schwab.

Understanding referral dynamics

Referrals get noticed

Referrals are increasingly valued in today's world, where we are constantly bombarded by marketing messages. Whether these messages are via television commercials or disruptive pop-up ads online, most people have learned to block out the noise. This makes high-quality information—especially from a trusted source—one of the most valued forms of social currency.

84% of global respondents trust word-of-mouth recommendations from friends and family.

In fact, a recent Nielsen study found that 84% of global respondents trust word-of-mouth recommendations from friends and family. This makes referrals the most highly trusted among digital and traditional methods of receiving recommendations, which are the most successful marketing category overall.[3]

Referrals are about connection

What drives people to provide referrals in the first place? Two sets of considerations must be understood: those related to peer-to-peer relationships and those related to the client/firm dynamic. Advisors should understand the powerful psychological factors that influence both sides of this equation when designing their referral strategy.

Many of the peer-to-peer considerations are related to a desire to provide value or strengthen a sense of connection. For example, we tend to provide referrals to friends and family members because:

- We genuinely want to help another person
- We like to provide value to people we care about
- We feel important when other people take our advice
- We desire a sense of connection and like to have a sense of community with others

When individuals recommend a business, two additional criteria must be met:

- **Rational:** We must believe the firm offers superior value in terms that an economist would understand. For an advisory firm, this could mean investment performance, fees, helping clients stay on track for the long term, features of offering, follow-through, and quality.
- **Emotional:** We must also *feel* good about the relationship with the firm. In other words, we must believe the company values us, listens to us, shares our principles, is interested in building a strong relationship, and helps us make difficult decisions.

Five keys to an effective referral strategy

1. **Focus on your ideal clients**
   Crystalize your thinking about the type of client you want to attract and for whom your firm does its best work. This enables you to position your firm more precisely around specific client profiles and needs.
2. **Obtain input from those who know you best**
   Gathering feedback from internal and external stakeholders can help you test the soundness of your referral strategy and improve outcomes. When approached correctly, this process can also increase loyalty, engagement, and buy-in.
3. **Communicate value to compel action**
   Employees and clients need to be able to talk about what makes your firm special in a way that inspires action. They should be emotionally connected to your firm and the difference you've made in their lives.
4. **Turn your clients and employees into advocates**
   Implement a repeatable process. Train and empower your team to recognize, create, and capitalize on referable moments.
5. **Enable consistent long-term success**
   Create the conditions that will help you achieve your growth goals and make your referral strategy part of your everyday activity.

Rationally, a company needs to engage the customer's head. Emotionally, it needs to engage the heart. Only when both sides are fulfilled will an individual enthusiastically recommend a company to a friend. The client must believe that the friend will get good value—but the client also must believe that the firm will treat the friend right.[4]

Making a referral is a powerful act of one person connecting two others. In most cases, the client hopes you will benefit from the referral, but there is a very strong expectation that you will solve a problem for the referred friend or family member. Making a referral, first and foremost, must be an experience from which the client perceives a benefit. Increasing confidence that the latter will happen reduces the perceived risk of making the referral.

Top two referral scenarios[5]

51%	A friend asks for a recommendation.
49%	A friend describes a financial need.

Source: Advisor Impact, *Rules of Engagement*, 2014. The report draws on input from more than 1,200 respondents from across the country.

Responses to the question "What were the circumstances of providing the last referral? Please select all that apply." In addition to the 51% and 49% highlighted above, 13% responded "My advisor expressed interest in referrals, and I provided a name at that time."

Referrals to financial services firms happen for two reasons

1. A friend asks for a recommendation to an advisor.
2. A friend describes a financial challenge he or she is experiencing.

Focusing your referral efforts on capitalizing on these two scenarios can dramatically improve your success rates.

RIAs are well positioned for referrals

RIAs enjoy phenomenal client retention rates—roughly 97% at the median year after year.[6] This means that the majority of clients are happy enough to stay with the firm, entrusting it with their financial well-being.

Clients are also generally very happy with the services they receive and are willing to provide a referral. When surveyed, many clients report that they *have* provided a referral in the past. In fact, the number of clients who say they've provided a referral is significantly higher than what the firms report.[7]

This gap may be due to the fact that when clients describe the firm, they are not able to explain the offering or experience in a way that's compelling enough to inspire the listener to actually set up an appointment. This is a gap that can be exploited by helping already satisfied and motivated clients better communicate the firm's story and values to others so that a referral turns into an actual prospect meeting.

Asking isn't always effective

The goal of an effective referral strategy is not simply growth, but sustainable organic growth. This is accomplished when referrals flow naturally from existing relationships in the course of business.

There is some debate about whether financial advisors should ask their clients directly for referrals. Some have achieved success with this tactic and argue that, if done right, it is an effective growth driver. Others argue that directly asking for names can be disrespectful to the client relationship.

An apt analogy is the difference between farming and hunting. Some firms are probably very good at hunting for leads and have success in asking for names, but they have to be constantly on the hunt. Such firms are likely to be heavily dependent on the sales skills of one or a few individuals, and if they leave or retire, there is no one to fill their shoes. While this approach is effective, it's not sustainable.

On the other hand, planting the seeds that allow a firm-wide culture to flourish, and cultivating relationships in a way that leads to more relationships, leads to sustainable growth.

In either case, studies have found that the number of referrals resulting from directly asking for a name is insignificant compared with referrals initiated by clients.[8]

These results suggest there may be more power in focusing efforts on creating the conditions in which your clients refer business rather than directly asking them for referrals. It's certainly important to let clients know you are interested in growing the firm and always welcome new business. But it's even more important to consistently deliver service and solutions that they will appreciate and remember.

An effective referral strategy should enable clients to articulate your value on both an analytical and emotional level when one of the two referral scenarios outlined earlier occurs: either a peer is looking for an advisor or has experienced a life event that may lead to the need for professional financial help.

Trust is the currency of referrals

Most RIA firms succeed at delivering what they and their clients consider an outstanding client experience. This is absolutely the price of entry before a firm can implement a referral strategy with any chance of long-term success. On the most basic level, referrals will not happen unless the firm's client experience and the referral experience build trust.

A simple formula for understanding trust: trust = reliability + delight.[9] Here's a closer look at what those terms mean in the context of referrals:

- **Reliability:** Consistently meeting expectations, keeping promises, managing expectations, ensuring accuracy, and acting with authenticity and integrity. This is a fundamental requirement.
- **Delight:** Going above and beyond. Clients notice and remember what you do that is different, memorable, and positive. Outstanding experiences give them something interesting to talk about.

Trust grows over time when clients believe their advisors have their best interests at heart and provide the solutions they need. Referrals occur when clients reach a point of trust where they are willing, even eager, to relate their experience to others.

Making a referral poses a perceived risk that may make clients hesitant. What if the referred friend or family member is not satisfied with the outcome? What if the advisor is unable to help the friend or deliver to the expectations the referring client has set?

Recommending a financial advisor carries a higher degree of social risk than recommending many other types of professional service providers. If the recommendation backfires, the client might regret providing it, and a personal relationship could become strained.

For these reasons, it's essential for clients to be able to trust that a referral will be handled with the professionalism and care they have come to expect. Every interaction a client has with your firm should reinforce the confidence that a friend or family member will also have a very positive experience.

Trust powers the entire referral cycle flowing from the advisor to the client to the client's peers, and back to the firm.

Trust hinges on an outstanding client experience

The research shows fastest-growing firms do more than simply deliver an outstanding client experience. They find ways to leverage it and inspire clients to remember it when referral opportunities occur.

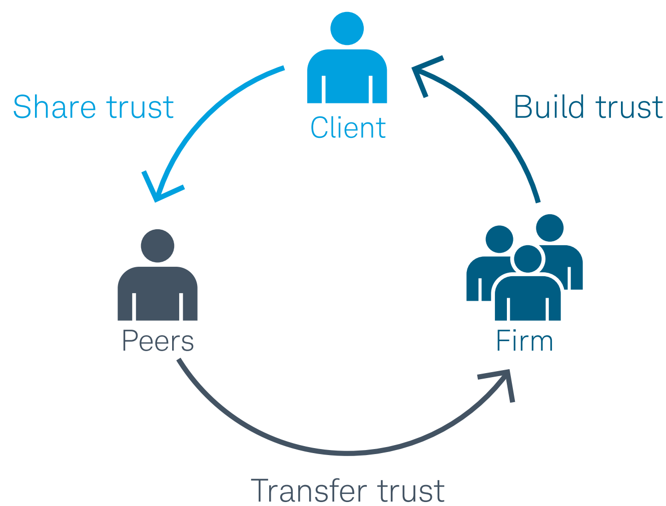
As many advisors know well, the value you deliver isn't just about the portfolio, net worth, or basis points. It's what clients perceive it to be. It's what they take away from every interaction with your firm. Once a firm reaches a certain size, clients are likely to interact with employees more frequently than with firm principals. That creates many more opportunities to reinforce the client experience and build trust, provided employees know the right things to say and the right way to say them.

Are you confident that you are providing an outstanding and valuable experience to your clients, one that builds trust? Does your confidence inspire your team to feel the same way?

As many advisors know well, the value you deliver isn't just about the portfolio, net worth, or basis points. It's what clients perceive it to be.

When each and every employee at your firm shares the confidence that you are providing an outstanding and valuable experience to your clients—and each is able to talk about the value the firm provides in an inspiring way—this is an extraordinary foundation for referrals. This is a client-centric approach based on providing real value. It means that both your clients and their friends and family members benefit when you are able to offer their peers that same outstanding experience.

Trust powers the entire referral cycle



In summary

- **People provide** referrals to help people they care about, and to feel useful when they connect others with valuable information or services.
- **People will refer** to businesses only when it makes sense on both a rational and emotional level—when the head and the heart are both engaged.
- **Referrals to financial advisors** occur for two main reasons—either friends ask directly for a recommendation or they describe a financial challenge they're experiencing.
- **A significant level of trust** must exist when referring to a financial services firm because people fear that if something doesn't go right, they will lose credibility in the eyes of their friends. They don't want to feel regret.
- **The entire client experience** should build trust and exceed the expectations of your clients. Every member of your team should be part of this effort.

Five keys to an effective referral strategy

Firms that grow faster than the industry averages take a deliberate approach to generating referrals. They have put a strategy into everyday practice. While they may vary in execution, their strategies are generally founded on five common principles.

1. Focus on your ideal clients

Who is the ideal client for your firm? For what type of person does your firm do its best work? This is who you want to attract to your business.

Most advisors identify their target clients in one of two ways:

- Most commonly, a firm's ideal client already exists within its book of business. Firms recognize that they have been successful at attracting and serving a certain type of client and can focus their efforts on attracting more of them.
- In other cases, they intentionally shift their business model toward a specific ideal persona as part of their strategy. For example, a firm with an aging clientele may deliberately target new wealth generated by the tech industry.

If you have not clearly defined your ideal client, start by analyzing your client base to identify common traits your best clients share. You should take both demographic and psychographic considerations into account. Determine which attributes those clients value most in the firm and why those clients are a good fit. This will help you arrive at a definition of the ideal client your firm should be targeting. It will also help you articulate your firm's value proposition—a concise written statement that defines the value you deliver in the lives of your ideal clients.

Some firms fear that by focusing on a very specific client persona, they are closing the door to other opportunities. However, if your goal is to generate referrals, targeting your ideal client can help you focus your energy and attention where it's most likely to have the biggest payout. You are more likely to grow your business by narrowing your focus. Consider the adage "like refers like." Your best clients—the kind you want more of—are most likely to refer people like themselves.

Narrowing your focus also has operational benefits. It's easier to find ways to delight your ideal clients and shape your offer around the aspects of your firm they value most. You can spend less time and money prospecting with clients who are not a good fit. And you can deliver a more consistent client experience—the kind that makes your ideal clients want to talk about your firm to others like themselves.

All employees should understand the type of client your firm is best built to serve. And so should your clients. Take advantage of opportunities to remind clients of the value you deliver to people like them. Then, when a referral is sent your way, your clients will trust that the person they are referring will have an outstanding and positive experience.

2. Obtain input from those who know you best

Getting input from stakeholders—including both senior staff members and your best clients—can help you gain insight to inform your strategy while getting others engaged and involved.

Involving colleagues from your firm gives them the opportunity to articulate what they think the firm does best. It also gives them a sense of ownership in and responsibility for the firm's success. If there is a unified voice among key firm members, it can help the rest of your staff understand and buy in to the referral strategy. People feel more invested in a strategy when they are involved in shaping it.

Active, engaged clients can provide invaluable insight. Through informal (but purposeful) conversations with clients, or through more formal tools, such as client surveys or client advisory boards, you can obtain insight and guidance about what the firm could be doing better and the specific aspects of the relationship that clients value most. From this insight, you can create the messages that should be repeated within your firm and amplified to the marketplace.

The more engaged and valued clients feel, the more likely they will be to recognize and act on referral opportunities. This client-centric approach respects the relationship and positions you as a resource that can help clients provide value to their friends or family.

Although such conversations with clients may be informal, you should have predetermined questions in mind that will elicit the answers you seek. The best questions to ask clients will achieve two goals. First, they help you gain important insights you can use to shape your referral strategy. Second, they show clients that your firm is listening and values their thoughts and feelings. Asking a client for advice or opinions can help strengthen the relationship and turn a great client into an advocate of the firm.

Sample questions you can weave into conversations

- ☐ Without overthinking it, how would you describe what our firm does?
- ☐ When you think of this firm, what words come to mind?
- ☐ What do you think this firm does really well?
- ☐ What led you to originally start working with us? What made you stay?
- ☐ If a family member asked you what two or three things we have done that have exceeded your expectations, what would you say?

Most important, you can apply what you've learned to ensure that your ideal clients—your most likely referral sources—continue to be delighted with the client experience the firm delivers.

3. Communicate value to compel action

Are your employees able to describe the firm and its business in a way that resonates and inspires action?

People don't often remember sales propositions or performance reports. What they do remember—and appreciate—is a good story. Data can persuade people, but it doesn't inspire them to act. To do that, you need to wrap your vision in a story that inspires personal connection.

We know that individuals make referrals to businesses when it makes sense on both an emotional and analytical level—when they are engaged with both the head and the heart. To compel clients to want to take action on your behalf, you need to connect with them on an emotional level. Clients need to see the value of what you do not just in terms of their portfolio returns, but also in how it relates to their circumstances and aspirations.

Every conversation with a client is a chance to tell your story. What are your firm's origins? What does the firm do particularly well? What are its values and philosophies? What makes it different? Was there a time when you really "wowed" a client by going above and beyond expectations? These are a few of the starting points on which you can build compelling stories your clients will remember when talking with friends.

For example, if your firm specializes in working with executives with complex compensation packages, you want clients to remember that expertise when their friend mentions that he or she has been promoted to the C-suite.

The best stories are intentional. They underscore a firm's value proposition based on what clients actually care about. Effective stories compel action because they have a goal—the storyteller has a clear idea of what the listener should think, feel, and do after hearing the story.

Ensure every employee can answer the very common questions "What do you do?" or "Where do you work?" in a way that sparks interest and illustrates your value proposition. Encouraging your staff to collect and share stories about the outstanding job your firm does for clients can make all members of your team, particularly those who do not work directly with clients, feel engaged in the client experience.

4. Turn your clients and employees into advocates

Once you have identified your target client, validated and refined your offering through client feedback, and articulated compelling stories that illustrate your value proposition, all of that understanding needs to become part of the firm's DNA. Employees need to learn to recognize and capitalize on referable moments. This is best accomplished through formal training.

When you think about it, your firm probably has ample fodder for good stories—perhaps more than you realized. Consider just a few possibilities:

The firm's origin story
People are always interested in where other people come from or how couples met. How did your firm come into being? What were the founders' motivations for starting the business, and what does that say about the firm's values and culture?

The financial situation story
What type of financial challenge is your firm well suited to solve? Whatever your firm does best, you probably know a personalized anecdote that can bring it to life.

An outlier client success story
This is your opportunity to talk about a unique situation in which you "wowed" a client, perhaps by doing something that had nothing to do with their investments or finances. A story that gets a smile is bound to be remembered and retold.

By making sure everyone is able to convey a consistent message about the firm, you can ensure that current clients have a consistent client experience no matter who at the firm answers their calls. Every interaction reinforces their trust in the firm, which in turn enables them to recommend the firm with confidence.

A consistent message also helps employees identify opportunities to tell the firm's story effectively in their own personal networking. When the conversation turns to "What do you do?" or "Tell me about your firm," they are equipped and prepared with the right answers.

As firms grow, clients are likely to come into contact with more people in more roles. Clients form their impressions of a firm not just through interactions with their advisor but through every interaction they have. That is why it's important for staff at all levels to understand the firm's referral strategy and how they are expected to contribute to it.

In our Independent Advisor Outlook Study, firms reported that 68% of client-facing advisors could effectively articulate their firm's value proposition all of the time, but only 25% of operational staff could do the same.[10] Firms that can bridge this gap and train operational staff to talk about the firm with the same confidence as client-facing staff stand to reap huge benefits.

Formalized training is a way to develop or reinforce a firm's culture of growth by making all employees feel they have a stake in the firm's growth and are motivated to do their part. Client-facing employees should be trained to recognize and capitalize on educational opportunities. For example, regular portfolio review meetings are an excellent time to add a "firm update" to the agenda.

Of course, clients cannot be formally trained like employees. But they can be educated. Let clients know that the firm is seeking to grow by taking on a number of select new clients who, like the one you're talking to, are a good fit for the firm. Remind your clients about the full range of products and services your firm offers. And ask questions that encourage clients to articulate the value they have realized from working with your firm so that they might repeat it when they talk to others.

It's also important to have a process in place for handling referrals. Every employee should know what to do when a referral comes in, and every client should know you have a formalized process so that they are comfortable making referrals.

5. Enable consistent long-term success

Once you establish a referral strategy, do not allow it to languish. Employees should be reminded regularly that new business is not one person's job—it's everyone's. Results should be shared throughout the firm in forums such as staff meetings. Employees who have played a part, no matter how small, in winning a new client, should receive recognition. And growth should be kept top of mind for the whole team.

Your referral strategy should be institutionalized as part of your firm's core business strategy. Dedicate time on a regular basis to discuss recent referral success. Put it on the agenda for monthly meetings, management meetings, and off-sites. Build a library of firm stories and encourage everyone to contribute. Review your ideal client persona, your client value proposition, and your messaging regularly. Implement an infrastructure to reinforce and reward desired behavior, which may include aligning referral success and compensation, as well as non-monetary incentives.

For a referral strategy to succeed, every employee needs to know:

- ☐ What type of client the firm serves best and is actively seeking
- ☐ What existing clients value most about the firm
- ☐ What the firm does especially well, what types of challenges it solves
- ☐ The firm's stories
- ☐ The two most common referral scenarios
- ☐ Trigger phrases from clients that indicate a referable moment or at least an opportunity to tell a firm story

Encourage community involvement. Think about ways you and your team can get your message out in the community by participating in activities or associations that resonate with your ideal client or reinforce your client value proposition.

Incorporate training as part of the new employee onboarding process. Make sure that new people understand your growth strategy and their part in it. Make sure all of your messages to the marketplace, from your website to individual emails, are reflective of your ideal client persona and your value proposition.

> Your referral strategy should be institutionalized as part of your firm's core business strategy.

Some firms have tried dedicating an individual to new business development, with mixed results. As with most professional service firms, prospective clients want to hear from the people who will actually be advising them. They don't appreciate being handed off to an advisor by someone they will never speak to again. Most successful firms would agree that a better strategy is to develop a culture of growth in which everyone feels responsible for new business, and every employee can be an effective ambassador for the firm.

Conclusion

Referrals are an essential driver of growth for RIA firms. The most successful firms do not simply wait or hope for them to happen. They take deliberate measures to create the conditions that turn employees and clients into advocates and, in so doing, achieve measurably superior growth through referrals.

It starts with creating a firm-wide culture of growth, then building on it with specific strategies, training, and tools that equip employees to identify and capitalize on natural referral opportunities. This culture is based on a superior client experience that builds trust—which is the currency that enables firms to enlist clients in their cause without compromising relationships.

For many, if not most, firms, establishing a formalized referral strategy will likely entail some degree of cultural, organizational, and behavioral change. Change is never easy and does not happen overnight. However, firms that embrace change, with all its challenges, will be rewarded. By giving everyone the opportunity to both participate in and benefit from this change, a well-executed referral strategy is more likely to drive sustainable, long-term growth—the kind of growth that distinguishes the top-performing firms from the average.

In addition to this paper, Schwab has developed a set of tools, along with a consulting program, to help advisory firms build and implement a referral culture at their firm. For more information, contact your Schwab Relationship Manager.

1. The 2014 RIA Benchmarking Study from Charles Schwab. Results for all firms $250 million or more in AUM. The median firm realized a 12.8% compound annual growth rate (CAGR) in AUM for period 2010–2013.

   Schwab designed this study to capture insights in the RIA industry based on survey responses from individual firms. The 2014 study provides information on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, marketing, technology, and financial performance. Since the inception of the study in 2006, nearly 2,800 firms have participated, with many being repeat participants. A total of 1,132 advisory firms representing three-quarters of a trillion dollars in AUM that custody their assets with Schwab participated in 2014, making this the leading study in the RIA industry. The RIA Benchmarking Study comprises self-reported data from advisory firms that custody their assets with Schwab. Schwab did not independently verify the self-reported information. Participant firms represent various sizes and business models. They are categorized into 12 peer groups—7 wealth manager groups and 5 money manager groups, by AUM size. The study is part of Schwab's Business Consulting Services, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting Services provides insight, guidance, tools, and resources to help RIAs strategically manage and grow their firms. Unless otherwise noted, study results are for firms with $250 million or more in AUM, representing the vast majority of total assets managed by this year's participants.
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8. Advisor Impact, *Rules of Engagement,* 2014. The report draws on input from more than 1,200 respondents from across the country.
9. Marty Neumeier, *The Brand Gap: How to Bridge the Distance Between Business Strategy and Design,* New Riders Press, 2003.
10. 2014 Independent Advisor Outlook Study (IAOS). The current IAOS reflects the opinions of 720 independent advisors representing an estimated $180 billion in assets under management. The current wave set out to better understand advisors' perspectives about the opportunities and challenges they see with respect to the next generation of clients, including the ways in which they are planning to augment their strategies for business growth and their client service models. The IAOS, conducted for Schwab Advisor Services by Koski Research, has a 3.65% margin of error. Koski Research is not affiliated with or employed by Charles Schwab & Co. Inc. All data are self-reported by study participants and are not verified or validated. Independent investment advisors participated in the study between April 15 and May 6, 2014.

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