

Peer perspectives: RIAs share how Benchmarking helps drive success

Jim Callahan knew he was joining a successful team when he came aboard at Janiczek Wealth Management five years ago. But it wasn't until the chief investment officer picked up the RIA Benchmarking Study from Charles Schwab that he realized there wasn't a clear understanding of what was driving the Denver firm's success.

"When I first got a copy of it, I said, 'Boy, these are great questions,'" Callahan says. "Then I realized we didn't have the answers."

That epiphany led Callahan to push for the firm's participation in the Schwab study. It quickly paid dividends—and continues to do so today.

"The biggest value immediately was being able to connect the dots," Callahan explains. "We could look at our client size, services provided, fees, and retention rates relative to our peers' and see how it all boils down to larger revenue per client and our premium kind of service."

That's precisely the driving purpose behind Schwab's annual Benchmarking Study—to provide hard data reported directly from registered investment advisory firms (RIAs) that they can use to help pursue their business objectives. With more than 1,000 firms participating each year, the Schwab study enables firms to apply a real-world, peer-driven filter to their strategic decision making. It supports a side-to-side comparison to firms with comparable assets under management (AUM) and business models.

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—Jim Callahan, Chief Investment Officer,
Janiczek Wealth Management

"Getting to unit economics is tricky in our business because, at the end of the day, every client is unique," Callahan says. "But it's incredibly important when making decisions like going after a certain target market or pricing a particular service."



Insights implemented

Three advisors talk about how their firms put RIA Benchmarking Study insights into action to support firm growth and evolution.

He views Schwab's annual study as a diagnostic tool. "We can use the Benchmarking Study to really identify our biggest gaps, our biggest issues," he says. "Then we can look and say, 'How are we addressing this? Do we have the resources and the capability to address it on our own? And, if not, then who can?'"

One resource for RIAs facing these questions is their Schwab Advisor Services Relationship Manager, who sits down with firm representatives to review and discuss their customized peer reports. These consultative sessions are tailored to a firm's specific objectives and initiatives. Relationship managers help leaders identify areas of strength and opportunity for their firm. These conversations give firm leaders the opportunity to discuss their priorities and gain input on next steps that may make the most sense for their business.

Callahan, for one, sees value in what his firm's Schwab Relationship Manager adds. "He really has his finger on the pulse of our regional market. His qualitative view of our region helps underscore the points, the data, from the Benchmarking Study. He's able to share hurdles other firms have faced. You know, 'It's a great idea you guys have, and I've seen it work in the past, but here's where I haven't.'"

Beyond providing valuable context for advisors, these conversations can also help remind them that what can sometimes feel like a lonely business doesn't have to be. Whatever challenge a firm is wrestling with, the odds are likely that another firm has already confronted and conquered it. And Schwab Relationship Managers can help advisors hear those lessons learned firsthand—connecting their clients with other firms that have successfully traversed the same terrain they now face.

Supporting strategic growth

For many firms, growth is a primary objective. Of course, sparking growth isn't the same as sustaining it. Firms often experience a rapid first wave of growth. But triggering a second wave requires more strategy and deliberation. It's a reality all too familiar to Mike Amash, senior vice president at Westmount Asset Management in Los Angeles.

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Since he joined the firm 13 years ago, Westmount has grown from \$250 million in AUM to more than \$2 billion (as of December 2015). Reaching \$1 billion had only a moderate impact on the business. Reaching the next milestone was a bigger hill to climb.

“Most of that first growth we were able to do without having to add much in the way of infrastructure or even personnel,” Amash says. “Taking the firm from \$1 billion to \$2 billion proved much less scalable. We've recognized that we have to build out the firm and our infrastructure on so many different levels now.”

For Westmount, that build-out has included engaging with its Schwab Advisor Services Relationship Manager and a senior consultant from the Business Consulting Services team. Information from the Benchmarking Study and conversations with its relationship manager helped the firm identify specific areas that warranted deeper review.

For example, Westmount's customized results led firm leaders to question whether the firm's existing minimum client relationship level was appropriate. Working with their relationship manager and their business consultant to complete a client profitability analysis helped them understand their client service costs and identify segmentation opportunities to better capitalize on the firm's expanded service offerings.

The benefits of participation

Participants in the RIA Benchmarking Study receive a customized 45-page Peer Benchmarking Report and an in-depth Compensation Report. Firms that complete the Compensation section of the study also get access to Schwab's online Compensation Benchmarking Tool.

“We definitely learned that we have to be much more selective in terms of whether or not we take on clients that are below our minimum—and be much more defined about what services we offer them,” Amash says.

For growth-oriented firms like Westmount, setting stretch goals and then explicitly laying out the actions needed to reach them are crucial. The RIA Benchmarking Study helps support these efforts by allowing firms to track their progress against key performance indicators of similarly sized—and larger—firms. Seeing it on paper and then working with a relationship manager removes the mystery and can help a firm establish small, manageable steps toward achieving substantive changes.

Vista Wealth Management is one firm with a clear vision of how and when to take those steps. James Knight, Vista's chief operating officer, says that benchmarking data is a vital part of the firm's strategic planning and helps balance client growth and firm staffing.

“We work with a 10-year model that tracks what staff additions we need to make each year as we grow toward our long-term target,” Knight says. “So I know exactly the number of new advisors, service people, and ops people that we expect to need to add each year to support projected AUM growth.”

Vista updates its model every year with fresh data—from within the firm and with peer group metrics drawn from Schwab's RIA Benchmarking Study—allowing management to see how the growing firm compares over time against both the industry and other firms with similar business models and AUM.

Cultivating new voices

As firms grow and evolve, diversifying firm leadership and focusing on succession planning often are top of mind. One question that many firms have faced or will face is how to evolve the business behind the original founder(s).

“The continued evolution of the firm from a full proprietorship, a one-man shop, into an enterprise—that's a challenge,” Janiczek Wealth's Callahan says. “Not just ownership, but also the culture and the brand of the firm in the marketplace.”

Callahan has found results from Schwab's RIA Benchmarking Study to be a useful tool in moving that process forward.

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—Jim Callahan

“Benchmarking really is part of that evolution towards growth that’s not dependent upon one person,” Callahan says. “As you transition away from that single rainmaker approach, you need to have a better grip of the business itself, not just qualitative from the perspective of the founder but quantitative.”

Using those hard numbers can help firms better understand what drives their business success, how they might improve, and how they can best position the firm for future success.

For Janiczek, that meant using the results from the RIA Benchmarking Study and conversations with the firm’s Schwab Advisor Services Relationship Manager to spot areas of opportunity. “We knew we had very happy clients,” Callahan says, “and the study showed we have very good retention. But it also showed that we are below average in referrals from existing clients and referrals from centers of influence—what the study identifies as consistently the top two sources of business growth.

“That helps us see that advisors who have historically been focused on service need to be thinking beyond just doing that job,” Callahan continues. “They need to be thinking about developing new business.”

Based on these insights, the firm’s leaders established growth through referrals as a strategic priority. Working with their relationship manager, they identified Schwab Advisor Services’ Leveraging Centers of Influence Insight to Action Consulting Program, designed specifically to help RIAs with business development, as a good next step toward that goal. The firm’s subsequent engagement in the consulting program gave the firm a structure with which to answer questions revolving around growth. It helped employees throughout the firm understand their role in driving referrals and business growth through better working relationships with key business partners in their community.

“It’s a dot and another dot,” Callahan says, “and there’s been tremendous value in the Benchmarking Study in helping us connect them.”

More information

Contact your relationship manager to learn more about the RIA Benchmarking Study from Charles Schwab.

About the RIA Benchmarking Study

The RIA Benchmarking Study from Charles Schwab, the largest study of its kind focusing exclusively on RIAs, captures detailed insights on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance. The RIA Benchmarking Study from Charles Schwab comprises self-reported data from advisory firms that custody their assets with Charles 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 advisors strategically manage and grow their firms.

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