

fa
insight

TD Ameritrade
Institutional Benchmarking

The 2017 FA Insight Study of Advisory Firms: People and Pay

 **Ameritrade**
Institutional

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Understanding the Report

Whether it be rates of business growth, measures of income or the myriad other indicators that shed light on an advisory firm's ability to sustain growth and profitability—metrics matter. Applying business indicators for benchmarking a firm's performance against peers or simply the firm's own history provides the power to drive a business forward.

The key is to recognize that the full potential of these benchmarks doesn't lie in terms of distinguishing whether the firm is "winning" or "losing." Rather, the power of benchmarks resides in identifying areas that need attention, suggesting actions that can be taken and monitoring progress once changes to the business are implemented.

Four Key Performance Indicators Every Firm Should Track

- 1 Revenue Growth.** Healthy businesses generate growth, which is also an important indicator of business value. The rate at which gross revenue increases is often the most fundamental indicator of business growth for an advisory firm.
- 2 Overhead Expense Margin.** This indicator is derived by dividing overhead expenses into revenue, where overhead essentially represents the cost of operations or any expense not directly associated with revenue generation. A relatively low overhead expense margin typically indicates effective management of expenses and efficiency of operations. A low expense margin tends to have a strong correlation to high profitability.
- 3 Operating Profit Margin.** High operating margins, coupled with sustained growth, are the hallmark of the industry's most valuable firms. This indicator is derived by dividing operating profit into revenue, where operating profits are calculated net of the market rate compensation for the firm's working owners.
- 4 Revenue per Revenue Role.** This is a measure of the productivity of the firm's revenue generators. Productivity calculates the extent to which resources are converted into useful output. It's an important factor in determining a firm's ability to grow as well as generate income. Revenue per revenue role is the product of dividing total revenue by the number of revenue generator roles. Revenue generators include lead advisors, associate advisors and business development specialists.

Distinguishing Averages and Medians

Much of the data published in this report is composed of averages or medians. An average of a group of data points, also referred to as a mean, is calculated by taking the sum of all the data points and dividing by the number of data points in the group. While averages are often the best illustration of the financial advisory industry as a whole, in some cases, medians may better reflect the experience of the typical financial advisory firm.

The median is the middle point in a data group, where half the survey results have greater value and half have lesser value. When a median calculation is used, extreme outliers in the sample have less impact on the results and therefore can be more useful than averages for depicting the typical value in a group of values.

Note that median ratio calculations presented in this study are calculated as the median of the ratios for each participating firm. For example, median revenue per revenue-generating role is derived by first calculating revenue per revenue generator for each firm participating in the study. A study median is then calculated from this group of individual firm ratios. Dividing median revenue across all participating firms by median number of revenue generators across participants will not necessarily produce a similar result.

The Five Stages of Development

While past FA Insight studies featured four development stages, this year we added a fifth stage to provide further insight about the industry's biggest firms. The previous "Innovator" firm grouping, representing those firms with \$4 million or more in revenue, is now split in two—a new "Innovator" stage represents firms between \$4 million and \$8 million in revenue, and the largest "Pacesetter" firms have grown to \$8 million or more. The new stages were made possible due to growing study participation in general and an increasing number of larger firms specifically. [Figure 1](#) summarizes the five development stages as defined in the study.



Operators

\$150K–\$500K



Cultivators

\$500K–\$1.5M



Accelerators

\$1.5M–\$4M



Innovators

\$4M–\$8M



Pacesetters

>\$8M

Figure 1
The Five Stages of Development

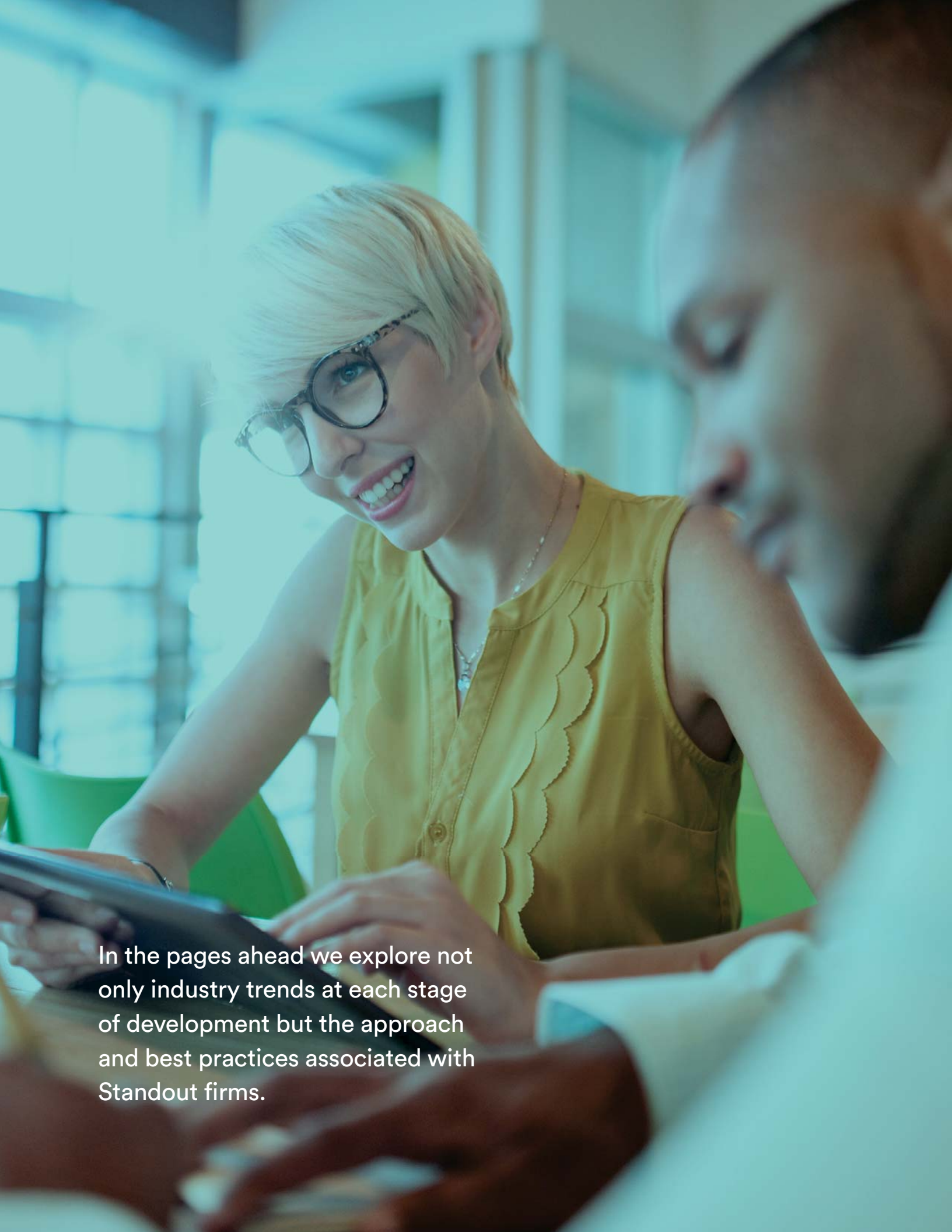
	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Annual Revenue Range	\$150K–\$500K	\$500K–\$1.5M	\$1.5M–\$4.0M	\$4.0M–\$8.0M	>\$8.0M
Predominant Service Model	Solo, Limited Support	Informal Collaboration	Informal Collaboration	Informal Collaboration	Defined Teams
Description	<ul style="list-style-type: none"> • Owner/operator dominant • One owner serves as the firm’s sole revenue generator, performing many other roles within the firm • One administrative employee • New business development typically takes precedence over human capital issues 	<ul style="list-style-type: none"> • Cultivating and refining growth opportunities • Second revenue role added along with additions to support staff • Human capital takes on growing importance in terms of management needs as well as recruiting oversight 	<ul style="list-style-type: none"> • Firmly established and ready to accelerate growth initiatives • Ownership distributed to at least one other person • Employs full-time management position and multiple administrative and support staff • Functional departments take hold 	<ul style="list-style-type: none"> • Multiple owners • Multiple specialized technical staff • Applying discipline to organizational structure becomes an increasing challenge • Growth focus shifts to operational efficiency and improving client experience 	<ul style="list-style-type: none"> • Biggest and most complex organizational structure • Multiple dedicated managers • Management policies and operational routines are standardized • Larger firm size challenges firm culture • Focus is on multiple drivers of growth, including acquisitions
Medians					
Revenue	\$300,000	\$894,000	\$2,400,000	\$5,572,090	\$13,459,234
Number of Team Members (FTEs)	2	5	9	18	45
Non-Revenue Roles per Revenue Role	1.0	1.3	1.5	1.6	1.7
Number of Primary Owners	1	1	2	5	9

The Standouts

Parsing study data by development stage helps to reveal what success looks like at each stage of a firm’s growth. Certain best practices are applicable regardless of where a firm is in its development; other practices may vary or require different emphasis depending upon the stage.

Distinguishing Standout performers at every stage, a hallmark of the FA Insight study series since inception, provides more customized insight as to where firms should focus based on their place on the development spectrum. Two key performance indicators define Standout firms—those firms in the top 25% in terms of revenue growth and income generation. These are the two metrics that when combined best distinguish those firms that are successfully building and sustaining enterprise value.

Our methodology ranks firms according to their percentage growth in revenue during 2016. Additionally, firms are ranked based on their ability to convert revenue into owner income. These are the two metrics that when combined best distinguish those firms that are successfully building and sustaining enterprise value. Owner income is the sum of owner base salaries, owner incentive compensation and firm operating income. Dividing 2016 owner income by 2016 gross revenue yields a common-sized owner income measure that provides a second ranking for each firm. Both the growth and income rankings are then combined with equal weighting. Based on the blended ranking, firms in the top 25% of each of five development stages are deemed Standouts.



In the pages ahead we explore not only industry trends at each stage of development but the approach and best practices associated with Standout firms.

Executive Summary

A record 388 firms participated in *The 2017 FA Insight Study of Advisory Firms: People and Pay*, allowing for us to further segment the participant universe to gain better clarity around how firms are continuing to evolve and influence the advisory model. In this year's study, we explore how productivity, organizational design, the scarcity of talent, compensation structure and succession planning all contribute or detract from a firm's ability to meet its strategic objectives.

Introducing the “Pacesetters”

This year we add a new peer group, the “Pacesetters,” to our traditional four (Operators, Cultivators, Accelerators and Innovators). The Pacesetters represent firms generating \$8 million and above in gross annual revenue. As always, we look to understand how “Standout” firms—those in the top quartile of their peer group as defined by their ability to generate revenue and income—continue to outperform their peers, and provide insight on how firms can adopt the strategies employed.



Operators

\$150K–\$500K



Cultivators

\$500K–\$1.5M



Accelerators

\$1.5M–\$4M



Innovators

\$4M–\$8M



Pacesetters

>\$8M

Healthy Trends Set the Stage for an Optimistic 2017 Finish

Growth in clients and assets under management (AUM) was relatively healthy in 2016. Client growth, while dipping a percentage point in 2016 to a median of 6.4%, remains a half percentage point above our nine-year study average. Firms anticipate even stronger client growth in 2017.

Security markets once again provided tailwinds in 2016, driving annual firm AUM growth rate gains into the double-digit range. In contrast, annual revenue growth for the typical firm fell from 8.3% in 2015 to 6.7% in 2016. Most importantly, firms expect their rate of revenue expansion to jump sharply in 2017.

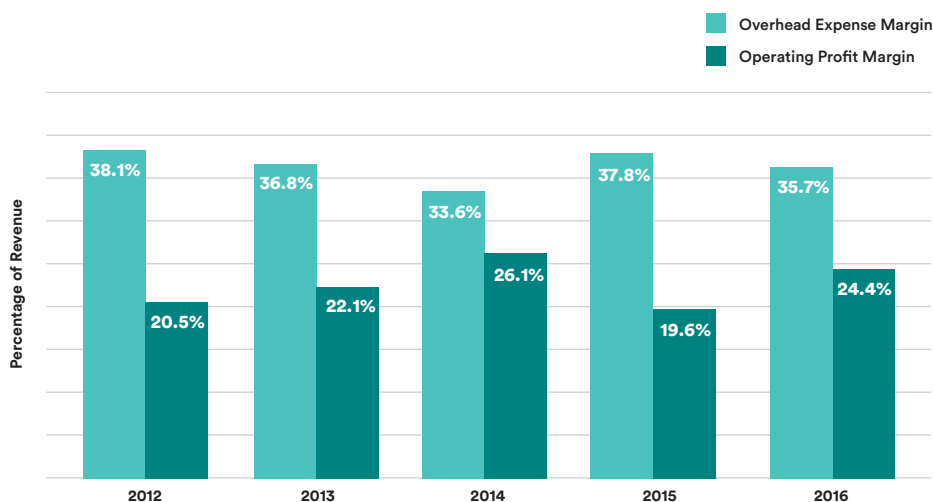
Client and asset growth alone, however, are not indicative of a firm’s full potential to achieve sustainable growth over the long term. The ability to generate income and grow revenue is the most important piece of the puzzle. Income-related metrics in 2016 were largely favorable for advisory firms.

6.4%
Client Growth Rate

12.5%
AUM Growth Rate

6.7%
Revenue Growth Rate

Figure 2
Overhead Expense and Profit Margins 2012–2016



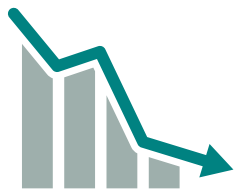
Most encouraging is firm profitability, which is trending upward again after declining sharply in 2015 (Figure 2). The 2016 operating profit margin for the typical firm, at 24.4%, was the highest of any study year except for 2014. Better expense control contributed to improved profitability, with the median overhead expense margin the lowest of any year outside of 2014.

On the Watch List: Productivity

After rising consistently throughout the economic recovery, revenue per revenue-generating role for the typical firm has dropped 10% since 2014. Revenue per team member failed to increase for the first time since 2009, sliding 12% over the year.

There are a few different theories to consider as to why we are seeing a dip in productivity after years of a more positive trajectory.

Key Elements Driving Productivity Decline



Revenue Contraction



Staffing Increase

By definition, productivity in terms of revenue per team member decreases in one of two ways: (1) revenue contracts; or (2) the number of team members increases. Recently, both sides of this equation have been working to negatively pressure productivity. In addition, more firms are looking to hire recent college graduates and individuals from outside the industry with transferable skills. Ramp-up time for these new team members can be considerably longer, extending the timeline for maximizing their contribution toward firm goals.

The Next Best Hire?

Despite business growth, only 19 percent of advisory firms have a documented plan for future staff structure.

In order to continue to deliver on their service promise to existing clients and increase capacity to take on new clients, firms need to approach organizational design with an eye toward supporting the firm's growth and client experience objectives. With strategic objectives in mind, you will be able to identify the next best hires for your firm to support greater efficiencies and pursue accelerated growth.



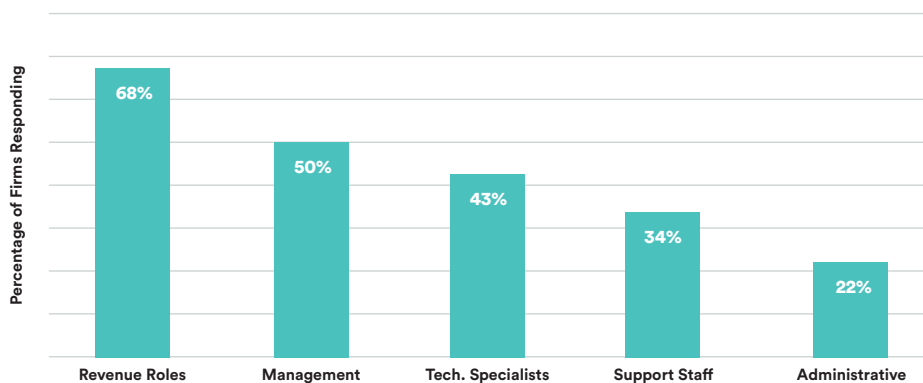
Advisors Look to Invest in the Next Generation

The typical advisory firm reports that they plan to add one full-time equivalent (FTE)* in 2017, taking the median up from six to seven.

However, more than two-thirds of advisory firms report that hiring revenue-generating roles—lead advisors, associate advisors and business developers—is becoming increasingly difficult (**Figure 3**).

Given the scarcity of talent available, firms are looking to new and nontraditional labor sources to fill the void. **The most popular strategies for sourcing the talent needed are (1) pursuing outsourcing and strategic partner relationships, and (2) broadening the pool for tapping into new resources.**

Figure 3
Firms Reporting Greater Hiring Difficulty by Role Type



Sixty percent of firms rely on some form of outsourcing and, as a result, realize labor savings. Functions most commonly outsourced include compliance (57%) and back office operations (50%). **Many firms also leverage outsourcing to provide additional services to their clients through strategic partners, most commonly for tax preparation (74%), insurance (47%), estate planning (39%) and elder care planning (38%).**

For roles that best reside within the business, firms are tapping into new resource pools—31% of firms are targeting new college graduates for revenue-generating roles. In addition, 36% of firms look to source management roles from outside the financial advice industry, though still within broader financial services.



*One full-time equivalent (FTE) represents an individual working 40 or more hours per week. An individual working fewer than 40 hours per week is counted as proportionately less than one FTE. Full-time-equivalent staff includes owners.

Compensation Counts—the Way Firms Pay

How advisory firms compensate their teams varies among firms, with roughly half of firms providing some form of incentive pay, and 62% of firms offering performance-based pay for revenue roles (Figure 4).

Figure 4
Use of Incentive Compensation by Role Type



In terms of where compensation trends are headed overall, median lead advisor compensation declined at an annual rate of about 7 percent over the last two years to \$168,050 in 2016. In contrast, for associate and support advisors as well as client service associates, compensation continued on a steady upward trend. Firms may be focusing on developing their support roles in order to release lead advisor capacity. It’s also possible that lower lead advisor compensation is simply reflective of lower productivity as well as less experience. The typical lead advisor now has two years less experience than what was reported in 2015.

Median lead advisor compensation declined.

Associate and support advisor compensation continued on a steady upward trend.

In addition, as firm owners look increasingly to support a work-life balance and team diversity, they are also incorporating nontraditional benefits into their overall strategy. Two-thirds of firms offer flex-time benefits, and 41% of firms provide telecommuting benefits—low-cost ways to increase productivity, convenience and work-life balance for team members.

Succession Progression—Still a Challenge for Most Firms

Not much movement has been made by firms in their quest to develop a viable succession plan—nearly two-thirds of firms do not have an adequate plan, despite the growing and significant number of owners nearing retirement.

Those who do have a plan for succession favor homegrown successors. In support of this trend, we are seeing the pace of adding new owners increasing, although not at a pace fast enough to alleviate concern.

Figure 5
Primary Owners as a Share of Total Team Members

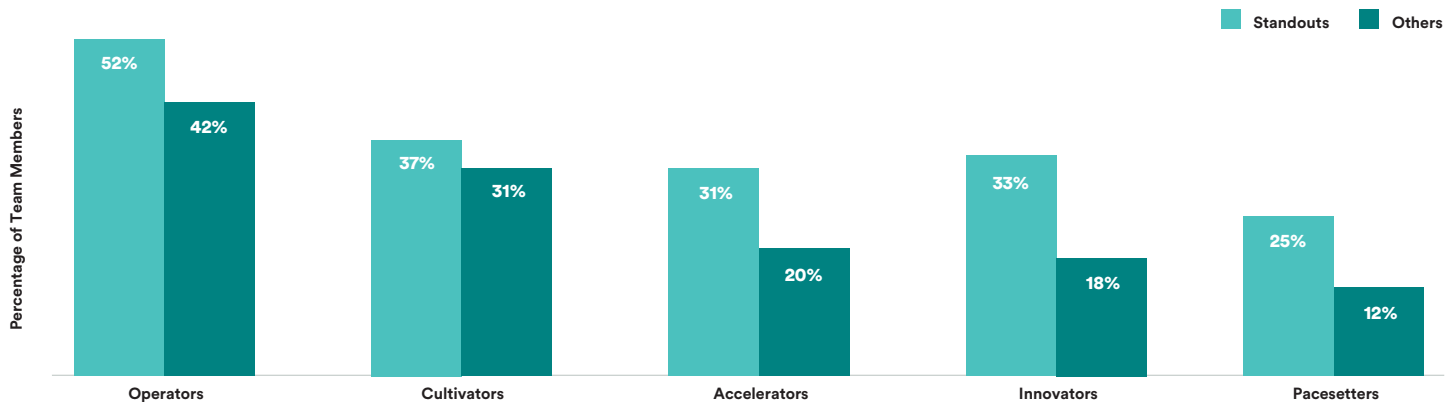


Figure 5 showcases the number of primary owners as a share of total team members at each stage of development. In 2017, nearly one in five firms (19%) brought on a new primary owner within the last two years. This compares with just 13% of firms in 2015. The prospect of future ownership can be a strong motivator for team members. For departing owners, developing successors from within can help control the destiny and legacy of their firm.

The Future Is Now

People play a predominant role in your firm's ability to drive continued success. Human capital resources are both your highest expenditure and most valuable asset. The deployment, motivation and compensation of this most valuable resource requires a strategic approach and continued focus for firms looking to pursue accelerated growth. Firms that can deliver an extraordinary client experience with optimal efficiency and achieve sustainable growth—the tangible results of having the right people in the right roles—have transferable value.

Chapter 1

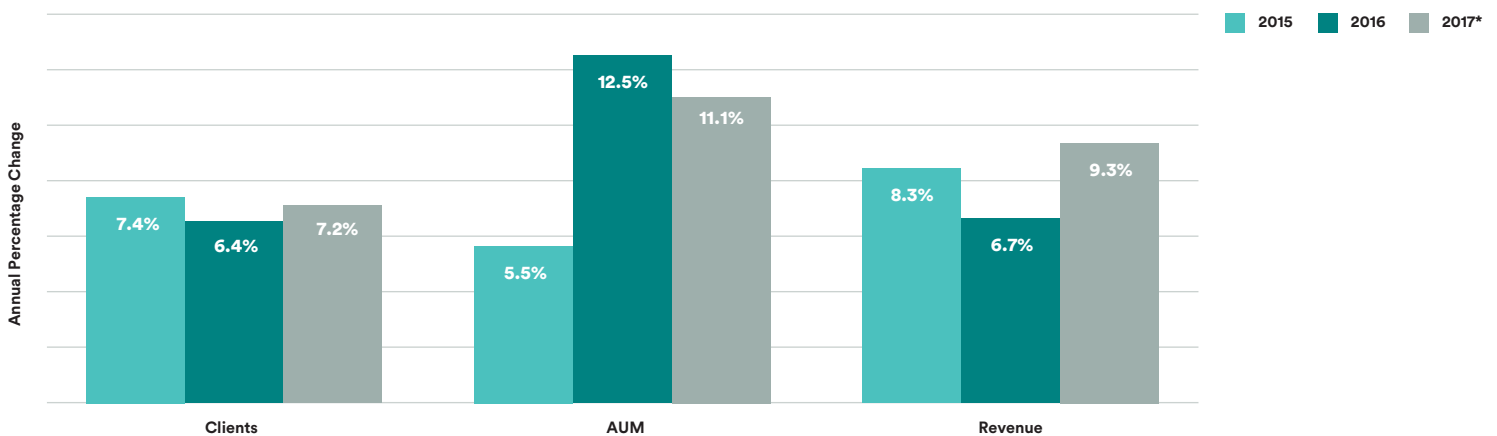
Growth Trends and Opportunities

In 2016, advisory firms experienced healthy growth in client numbers, AUM and overall profitability. In contrast, the rate of advisory firm revenue growth—an important indicator of a firm’s ability to drive sustainable growth—fell, and revenue per team member slipped 12% over the year. Why? Productivity declines may be a result of personnel practices or a result of the combination of revenue contraction. Despite a decrease in productivity, firms are optimistic for a strong finish by year-end 2017.

Growth, Income and Profitability Trends

Growth trends were mixed in 2016, with median client and AUM growth rates being relatively healthy and revenue growth lagging behind.

Figure 6
Median Growth Rates, 2015–2017



*Based on firms’ expectations for 2017 growth.

Advisors have an opportunity to address productivity levels to better support their increasing client growth. Figure 6 features median growth rates from 2015 to 2017. Consider that the rate of advisory firm revenue growth—a firm’s most important indicator—fell. Following a 6 percentage point drop in 2015, annual revenue growth for the typical firm fell from 8.3 percent in 2015 to 6.7 percent in 2016. While security market trends could be a central cause of the revenue slowdown, team member productivity appears to play a significant role as well.

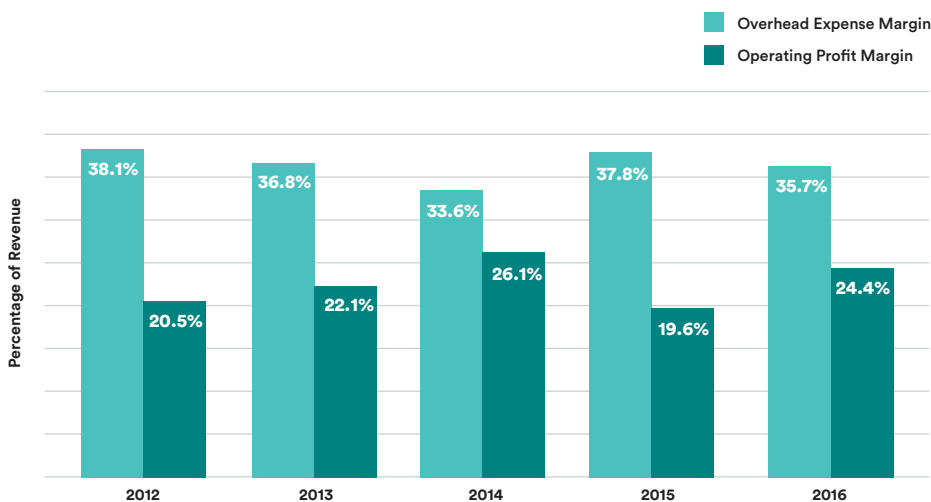
Delayed Effect of 2015 Security Market Slowdown

Market appreciation came to a halt in 2015 after strong expansion through the 2012–2014 period. The slowdown clearly dampened firm revenues in 2015, with firms continuing to feel a perhaps even stronger effect in 2016. As noted in previous FA Insight study reports, market performance does not immediately impact advisory firm revenue, given the tendency for firms to bill clients and collect revenue based on portfolio levels from the prior quarter. Client growth can be considered a more predictive leading indicator for analyzing shorter-term performance, given this metric is much less susceptible to the influences of potentially volatile security markets.

Profits Matter

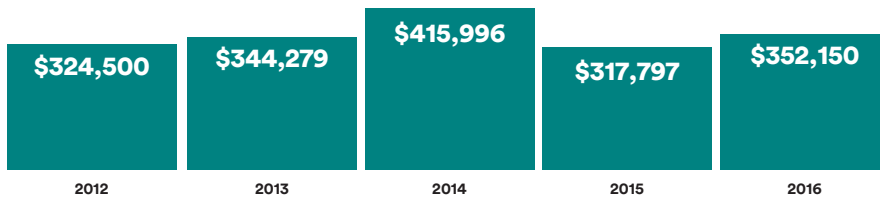
An ability to generate and sustain income while growing revenue defines firms with transferable value. Income-related metrics for advisory firms in 2016 proved largely favorable. Firm profitability trended up again after declining sharply in 2015. **The operating profit margin for the typical firm in 2016 was the highest of any study year except 2014, at 24.4%** (Figure 7). Advisors are better controlling their expenses, with the median overhead expense margin the lowest of any year outside of 2014.

Figure 7
Profit and Overhead Expenses Trending Favorably



Owner income surged as well (**Figure 8**). Income for owners as a share of revenue reached its highest level ever with 56 cents of each revenue dollar going to either owner profits or job compensation. **Income per owner, at about \$350,000, was the second highest ever behind 2014.**

Figure 8
Median Income per Owner, 2012–2016

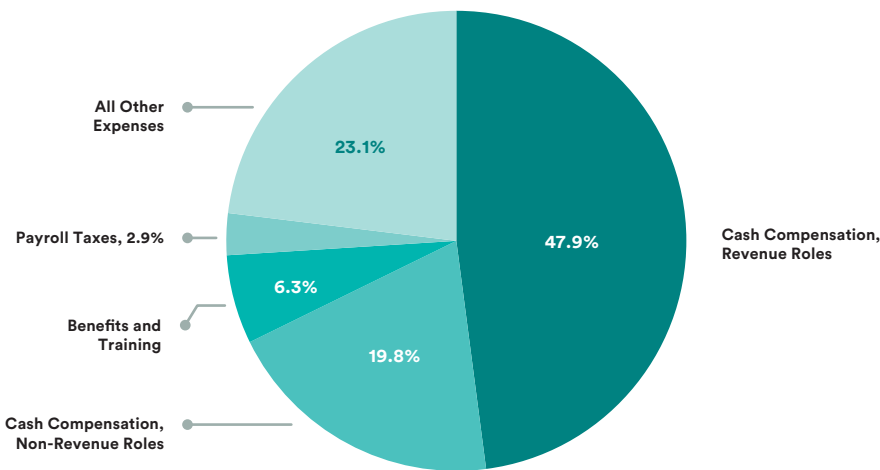


People Are Still a Firm’s Most Valuable Asset

Unquestionably, people are an advisory firm’s greatest asset and investment.

Consistently from year to year, people-related expenditures account for about three-quarters of a firm’s expenses. In 2016, as shown in **Figure 9**, the average firm’s people expenditure was 77%, with cash compensation for revenue roles making up nearly half of all costs for the average firm.

Figure 9
2016 Distribution of Expenses

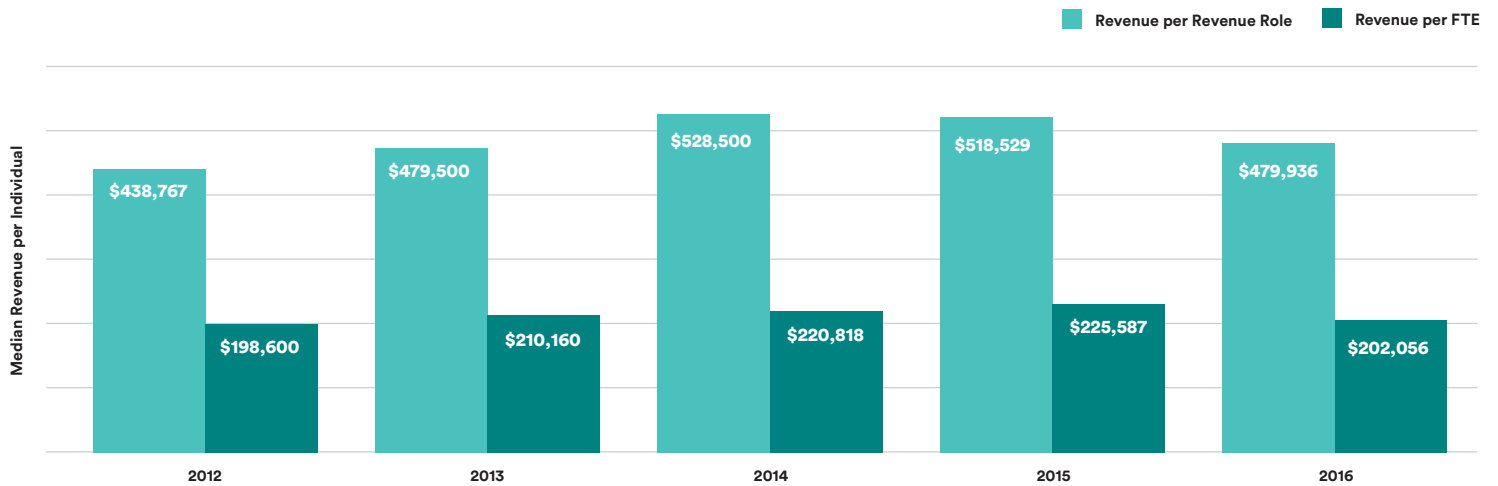


Revenue Positions Defined

"Revenue roles" refer to the key revenue-generating roles within an advisory firm. These are the individuals directly responsible for developing business, delivering advice or managing new and existing client relationships. The term "non-revenue role" collectively describes all other firm positions.

Given the significant investment in people, firms need to actively monitor the productivity of their teams to ensure they are realizing their full potential. **Figure 10** highlights both revenue generated per revenue role and revenue per team member (revenue-related plus non-revenue FTEs). Revenue per revenue role for the typical firm is down 10% since 2014—and revenue per team member failed to increase for the first time in 2016 since 2009, falling 12% over the year. This decline points to an opportunity for advisors to pay closer attention to the role people play in delivering a quality client experience, maintaining operational efficiency and optimizing scarce resources to sustain growth and protect profits.

Figure 10
Team Member Productivity, 2012–2016



By definition, productivity in terms of revenue per team member decreases either as revenue contracts or as the number of team members increases. Advisory firms may need to work toward addressing both sides of this equation to alleviate pressures on productivity.

While client growth was up, the typical client portfolio size fell in 2016 to \$912,000. The reduction in client size could indicate that firms may be going “down market” to sustain client growth, given that security market growth renewed in 2016. Regardless, study data indicates that the contraction in client size has not been met with a corresponding reduction in services. The typical firm plans on netting one additional person or FTE in 2017 (**Figure 11**). New team members may require some “ramp up” time for training and acclimation before they become productive contributors to a firm.

Figure 11
Median Full-Time Equivalents, 2015–2017



*Based on firms' expectations.

Maximizing Productivity Can Increase Revenue

All these factors point to the need to better train, mentor and develop people to maximize productivity and increase revenue. To improve productivity and protect profits, firms will need to generate greater revenue per client, reduce resources devoted to clients and/or better maximize the contributions of each team member. The remainder of our report focuses on what advisory firms across the different stages of development are doing to maximize the contributions of each team member. Our report offers recommendations on organizational design, labor supply, compensation and succession.

Chapter 2

Building an Organizational Structure that Accommodates Growth

Successfully growing a firm requires not just generating new business—but also ensuring you have the capacity to serve that business. Planning for how and when to add people can help avoid costly reactive hiring and ensure smoother and more profitable growth. As firms move along the development spectrum and increase scale, their internal structure must evolve. Understanding how the typical firm develops to accommodate business growth can help firms plan for their own growth and development.

Human Capital Planning Is a Critical Component for Growing Strategically

Typically, a firm's strategic growth plan focuses on the “demand” side of the market for advice. In other words, growth plans identify the ways for the firm to generate new business. Effective plans, however, devote equal attention to the “supply” side, defining how the firm will best accommodate and service that new business. Detailed blueprints for human capital infrastructure—that include the nature of the positions that will be hired and the time frame for adding them—must be developed in order to accommodate and sustain growth.

Opportunities Abound for Firms to Envision, Document and Realize Ideal Structures



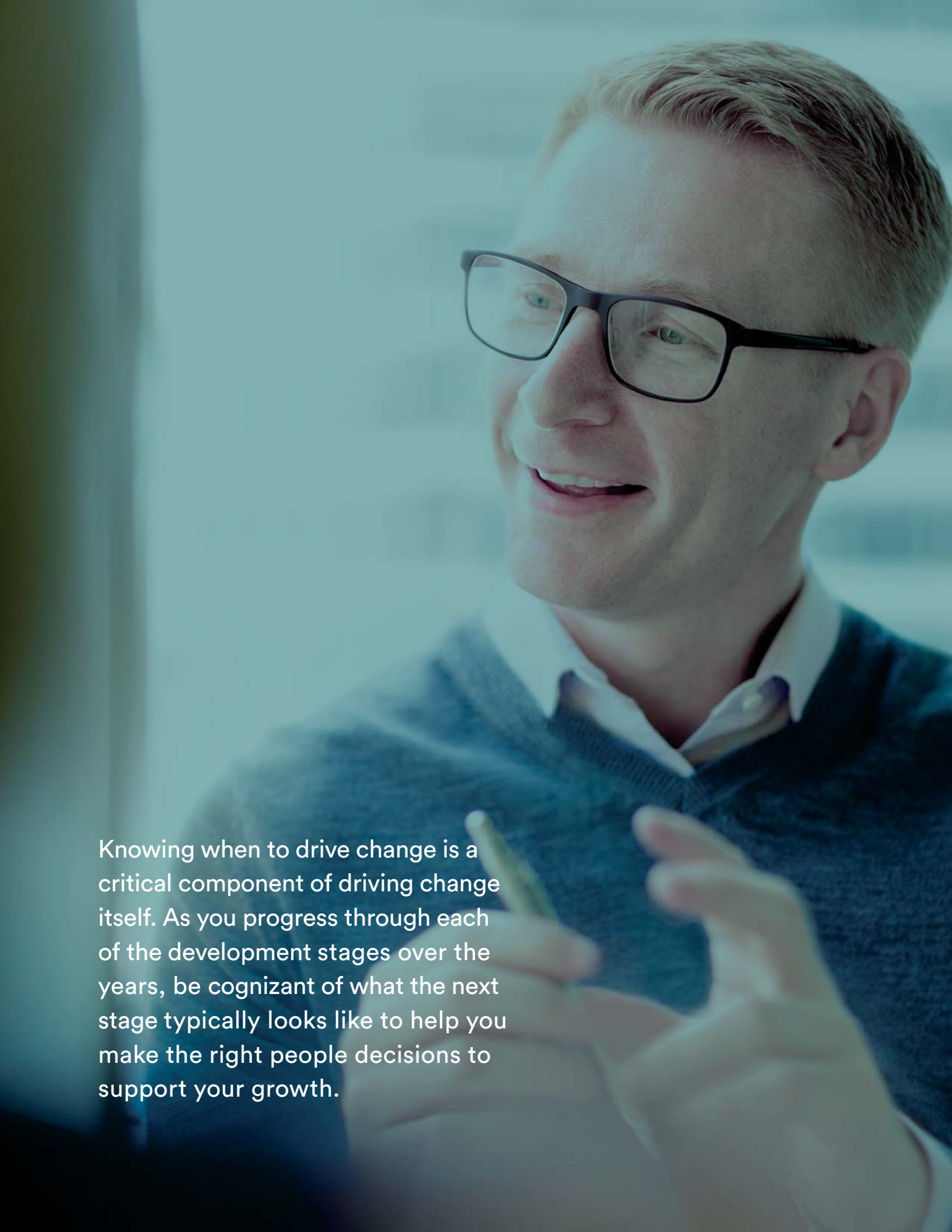
2/3 of firms have a documented organizational structure, yet far fewer apply a disciplined approach to the future structure.



Just 1/3 of firms feel their organizational structure provides enough detail to effectively support current or future hiring decisions.



Just 19% of firms document their plans for future structure.

A man with short, light-colored hair and glasses is shown from the chest up. He is wearing a dark blue sweater over a light-colored collared shirt. He is smiling and looking slightly to the right. His hands are raised in a gesturing motion, and he is holding a yellow pen in his right hand. The background is a bright, out-of-focus window or light source, creating a soft, blue-tinted atmosphere.

Knowing when to drive change is a critical component of driving change itself. As you progress through each of the development stages over the years, be cognizant of what the next stage typically looks like to help you make the right people decisions to support your growth.

How Typical Firms Grow Across Development Stages

As firms move along the development spectrum and increase scale, internal structure changes too. Positions become more specialized, support for revenue roles increases, functional departments form and organizational structures in general become more complex and sophisticated. The client service model typically evolves from the unsupported solo advisor to multiple, defined service teams.

Greater scale and complexity create the need for dedicated management roles, typically added during the Accelerator (\$1.5M–\$4.0M in revenue) stage.

As firms expand, the total number of firm owners typically increases, but at a slower pace than the addition of team members in general. As a result, ownership becomes increasingly concentrated, which can present challenges for succeeding ownership, as well as for motivating high-performing non-owner employees with ownership aspirations.



While past FA Insight studies featured four development stages, this year we added a fifth stage to provide further insight about the industry's biggest firms. The previous “Innovator” firm grouping, representing those firms with \$4 million or more in revenue is now split in two—a new “Innovator” stage represents firms between \$4 million and \$8 million in revenue, and the largest “Pacesetter” firms have grown to \$8 million or more. The new stages were made possible due to growing study participation in general and an increasing number of larger firms specifically.

Figure 12 illustrates the typical growth and development of human capital as firms move through the five development stages: Operator, Cultivator, Accelerator, Innovator and Pacesetter. While individual firms need to customize their staffing according to their own unique characteristics and preferences, the graphic is designed to provide a helpful understanding of how teams tend to evolve to accommodate business growth.

Figure 12
Typical Position Composition by Firm Development Stage

	Operators \$150K–\$500K	Cultivators \$500K–\$1.5M	Accelerators \$1.5M–\$4.0M	Innovators \$4.0M–\$8.0M	Pacesetters >\$8.0M
Revenue Roles Directly responsible for advice delivery or business development	<ul style="list-style-type: none"> Lead Advisor 	<ul style="list-style-type: none"> Lead Advisor Associate Advisor 	<ul style="list-style-type: none"> Lead Advisor (3) Associate Advisor 	<ul style="list-style-type: none"> Bus. Dev. Specialist Lead Advisor (5) Associate Advisor (2) 	<ul style="list-style-type: none"> Bus. Dev. Specialist (2) Lead Advisor (10) Associate Advisor (5)
Management Majority of time is dedicated to management of the business			<ul style="list-style-type: none"> Operations Mgr. 	<ul style="list-style-type: none"> CEO COO 	<ul style="list-style-type: none"> CEO COO CCO Operations Mgr.
Technical Specialists Support service delivery in specialist capacity			<ul style="list-style-type: none"> Financial Planning Specialist 	<ul style="list-style-type: none"> Financial Planning Specialist Sr. Portfolio Mgr. 	<ul style="list-style-type: none"> Financial Planning Specialist Sr. Portfolio Mgr. Portfolio Mgr.
Support Staff General advisor support with limited client contact		<ul style="list-style-type: none"> Support Advisor Client Services Associate 	<ul style="list-style-type: none"> Support Advisor Client Services Associate 	<ul style="list-style-type: none"> Support Advisor Portfolio Administrator Client Services Associate (3) 	<ul style="list-style-type: none"> Support Advisor (4) Trader Sr. Portfolio Administrator Portfolio Administrator (2) Client Services Associate (6)
Administrative Staff Nonmanagement roles that support the firm at large	<ul style="list-style-type: none"> Admin. Asst. 	<ul style="list-style-type: none"> Office Mgr. 	<ul style="list-style-type: none"> Admin. Asst. 	<ul style="list-style-type: none"> Admin Asst. Receptionist 	<ul style="list-style-type: none"> Office Mgr. Admin Asst. (2) Exec. Asst. Bookkeeper Tech. Support Receptionist

Note: Parentheses denote number of multiple individuals with same position.

Chapter 3

Ensuring Capacity

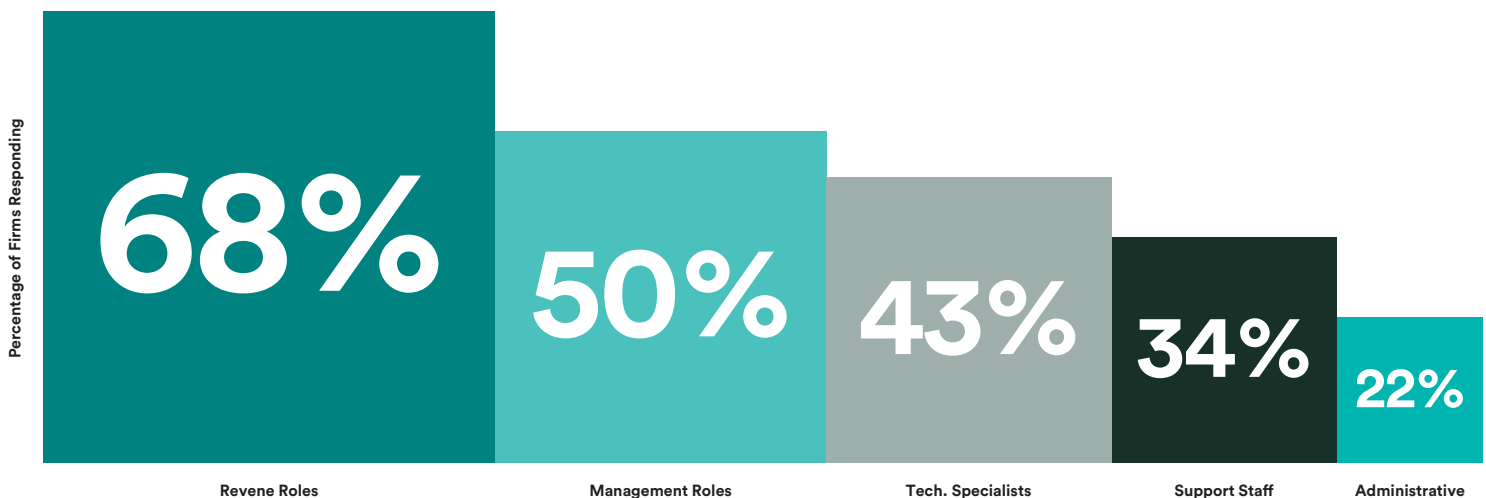
A tight labor market, reported by firms, for revenue roles in particular, is pushing firms to expand their search beyond traditional talent pools. Advisory firms have several alternative options for increasing their capacity to accommodate and serve a growing business, including developing internal talent, outsourcing certain functions and recruiting from outside the financial advice industry. Study results show that while firms are making progress in all three areas, there are still areas of opportunity across all development stages.

Revenue Roles in Short Supply

Over 2017, the typical firm expects to grow its team from 6.0 to 7.0 FTEs—and add more than just one position if replacement hires are needed. Of those new hires, **40% are targeted as revenue roles**. Yet nearly 70% of firms report increasing difficulty in hiring revenue roles, despite compensation trends that may suggest otherwise (Figure 13).

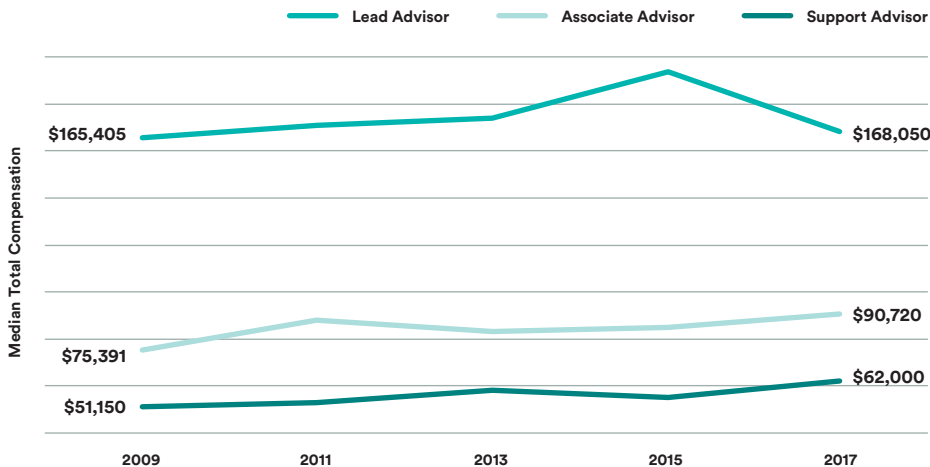


Figure 13
Firms Reporting Greater Hiring Difficulty by Role Type



These hiring challenges, however, aren't reflected in recent lead-advisor compensation statistics. Consider that when workers are in short supply, compensation usually rises. Yet median total compensation for lead advisors—who account for 61% of revenue roles—fell 13% from 2015 to 2017, following a sharp increase from 2013 to 2015. In contrast, associate and support advisor compensation continued an upward trend (Figure 14).

Figure 14
Compensation by Advisor Role, 2009–2017



Why Is Lead Advisor Compensation Falling?

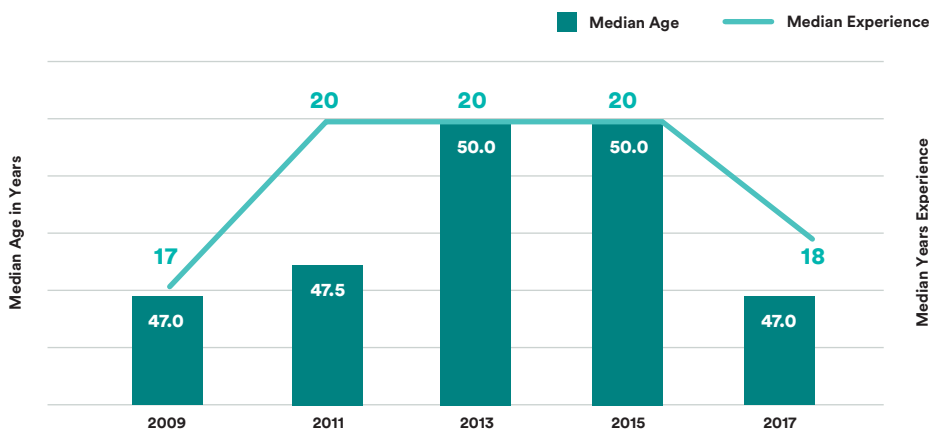
Intuition suggests that if firms are having difficulty hiring qualified lead advisors, compensation will rise to attract more of them. A few factors may explain why this is not happening. A decline in incentive pay, often linked to AUM growth, which slowed in 2015 with stagnant markets, may have contributed to the overall compensation drop. Another factor to consider, consistent with lead advisors being in short supply, is a shift toward hiring more junior advisors. Firms may be pursuing this approach with the intention of developing their business development skills over time. These individuals don't yet command the higher salaries of their more experienced counterparts.

The Typical Lead Advisor Is Now Younger and Less Experienced

The trend toward hiring less experienced advisors also explains rising compensation levels for support and associate advisors, who may help boost lead advisor productivity and also be an internal source for future lead advisors.

Figure 15 shows that both age and years of experience of lead advisors trended upward from 2009 to 2013 before plateauing through 2015. Since 2015, however, the median industry experience dropped to 18 from 20 years, and the median age declined to 47 from 50 years, the same age as in 2009.

Figure 15
Median Lead Advisor Age and Experience, 2009–2017



The trend toward hiring younger and slightly less experienced advisors is an encouraging development, suggesting firms may be cultivating the next generation of lead advisors internally, finding ways to leverage millennial talent. But there are still labor supply issues. As it stands, just two associate or support advisors exist for every three lead advisors across the country, when as recently as 2011, the ratio was 1:1. Firms should take care to replenish their development pipelines and continue to invest in the next generation of talent.

Overcoming Scarcity

Fortunately, despite the tight labor market, firms have options for ensuring human capital resources are sufficient to address current and future client demands. We explore three approaches in the pages ahead:

- Improve ability to cultivate and progress existing team members
- Broaden the pool for tapping new sources of labor
- Pursue outsourcing arrangements and strategic partnerships

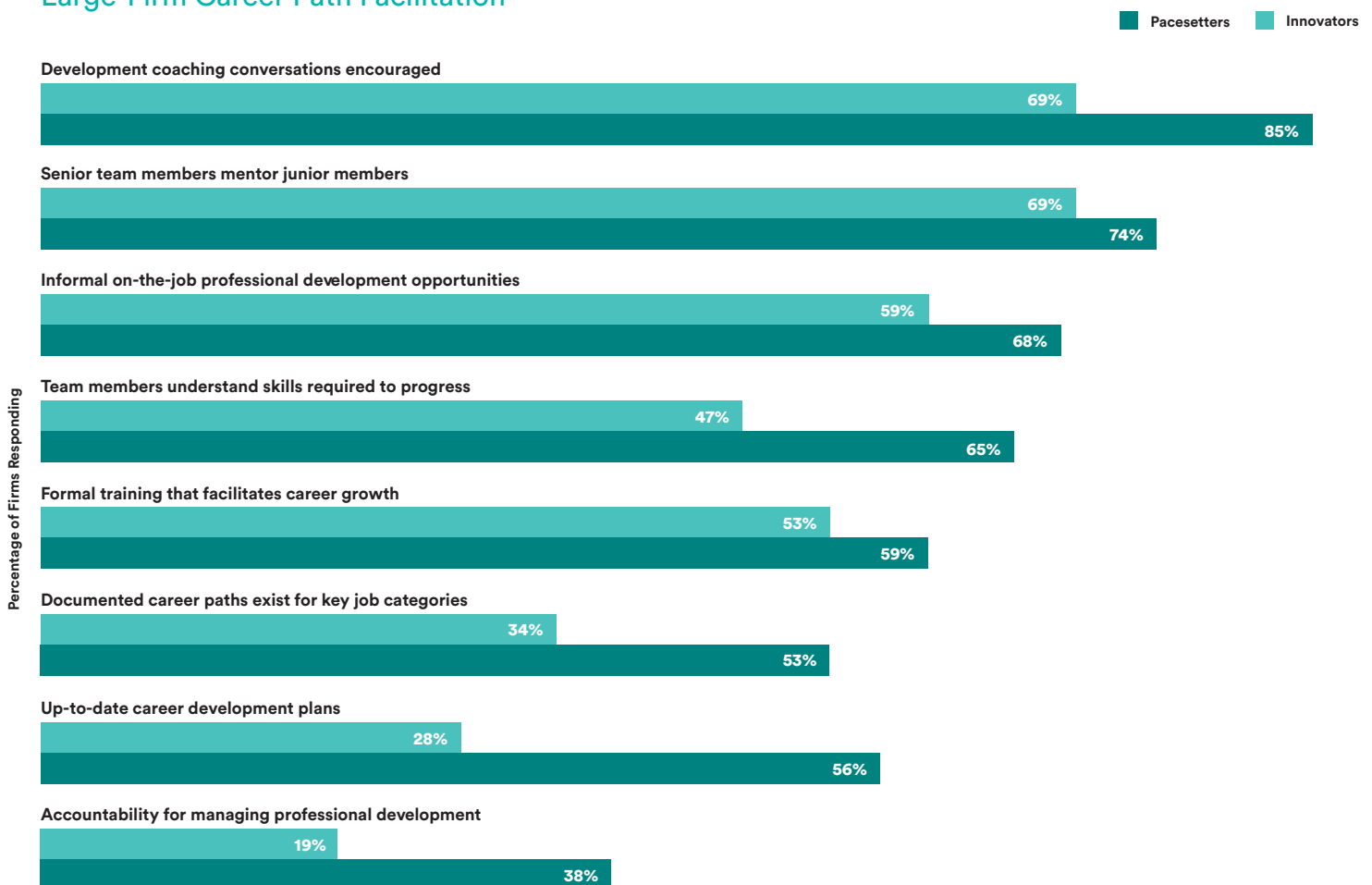
Cultivating Existing Team Members

Firms that foster talent are more self-sufficient in meeting their needs for personnel. While it requires a long-term view, the most effective means for ensuring that help is there when needed is for firms to gain better control of their own supply chains.

Yet most firms have not mapped out career progression opportunities for their team members, despite the potentially lucrative payoff. Just half of firms encourage coaching conversations or mentoring relationships among team members. One-third or fewer take more formal approaches such as providing career training, outlining career paths or routinely updating development plans for team members. Just one in five firms employs an individual to handle managing professional development for the firm.

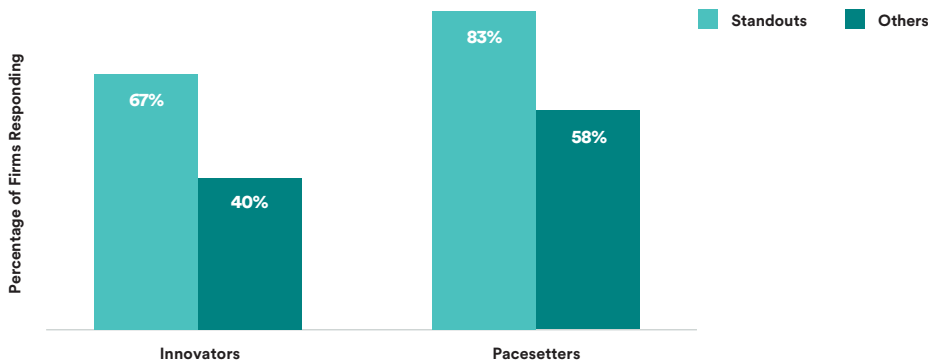
Even the largest firms still show room for improvement in their ability to progress team members. For example, as indicated in **Figure 16**, just 56% of Pacesetter firms maintain updated development plans that detail where team members should focus for career advancement.

Figure 16
Large-Firm Career Path Facilitation



The key for fostering development within any firm, especially larger firms, is to make sure that team members have a clear understanding of what is required in terms of skills and experience to progress into roles of greater responsibility (Figure 17). Within bigger firms, it is often more challenging for team members to understand next steps in their progression without clear and proactive communication. Standouts in both Innovator and Pacesetter groups show a clear differentiation from others in communicating to team members about advancement opportunities.

Figure 17
Share of Firms Where Team Members Understand Skills Required to Progress, Standouts vs. Others

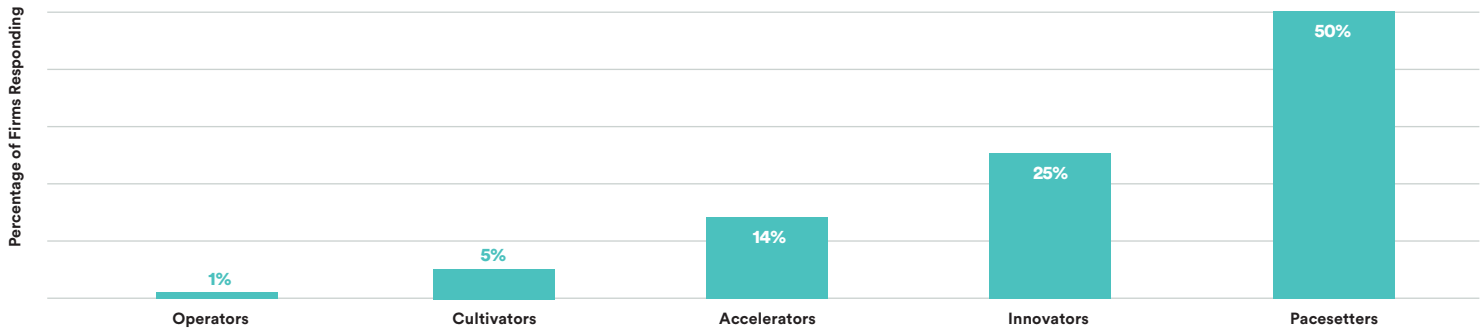


Collaborative client service models in which junior team members closely observe and interact with more senior team members also strongly influence team member development and progression. Across study participants, **54% of firms use some sort of collaborative service model.** Just 12% of firms, however, organize teams formally. In addition to providing natural career paths, team structures typically allow client relationships to be less dependent on any one individual.

As shown in Figure 18, adaptation of team-based servicing accelerates with size. While smaller firms often don't have the scale for teams, they can look to employ other ways to proactively expose individuals to experiences that benefit career progression.



Figure 18
Share of Firms with Team-Based Client Servicing, by Stage



In combination with clearly defined career progression opportunities, formal performance management programs can also help accelerate team member development. The likelihood of firms to conduct performance evaluations increases with firm size and scale. About three-quarters of all survey participants conduct performance evaluations for team members at least yearly, with nearly 97% of Pacesetter firms routinely conducting evaluations.

While those firms that do perform ongoing evaluations have a reasonably complete evaluation process in place, nearly half of them fail to proactively monitor and follow up with team members on action items. And about two-thirds of firms do not link evaluation results to any form of incentive pay.

Rethinking Traditional Sources of Labor

Helping existing team members progress to greater levels of responsibility eases but does not eliminate hiring needs for growing firms. Yet filling more senior roles by progressing existing junior team members may afford firms the flexibility to broaden the selection pool to those with less direct industry experience to fill remaining junior roles.

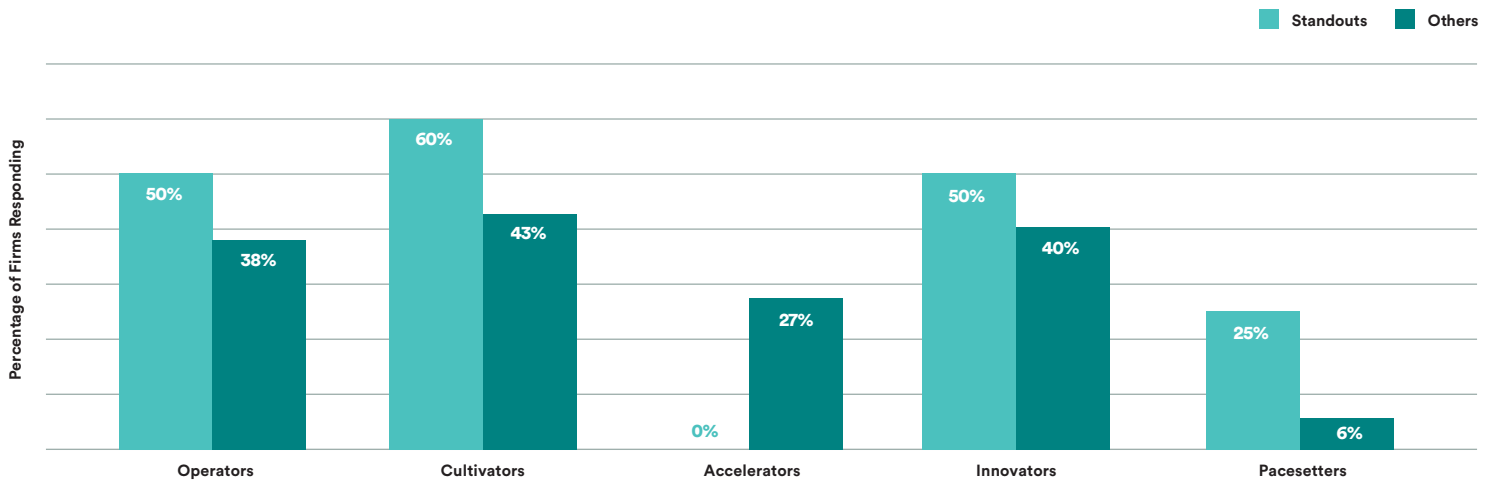
Most firms report targeting other RIAs as their primary source for candidates, regardless of the position to be filled (Figure 19). For revenue roles, two-thirds of firms will look to RIAs. Other RIA firms are a lead source of management hires. Clearly, other RIAs represent the most qualified candidate pool for an advisory firm to recruit from, but this pool also has limited supply and heavy competition.

Figure 19
Talent Pools Tapped by Firms Across All Role Types

Hiring Source	Share of Firms Targeting Hiring Source by Role Type		
	Revenue Roles	Management	All Other Roles
Independent RIA firm	66%	36%	40%
Elsewhere in financial services	33%	36%	44%
Recent college graduate	31%	0%	62%
Wirehouse	28%	18%	13%
Independent or insurance B-D	26%	9%	14%
Bank	20%	18%	20%
Non-financial services company	9%	18%	36%
Other	3%	0%	7%

Firms are turning their attention to recent college graduates as a top hiring source for non-revenue roles outside of management; however, less than a third of firms look to recent graduates to immediately fill revenue roles. The best firms have a development infrastructure in place that allows them more flexibility with new hire experience requirements. For example, Standout firms have a greater tendency to target recent graduates for revenue roles (Figure 20), presumably because they have put in place the infrastructure required to develop talent and help them to progress along a career trajectory.

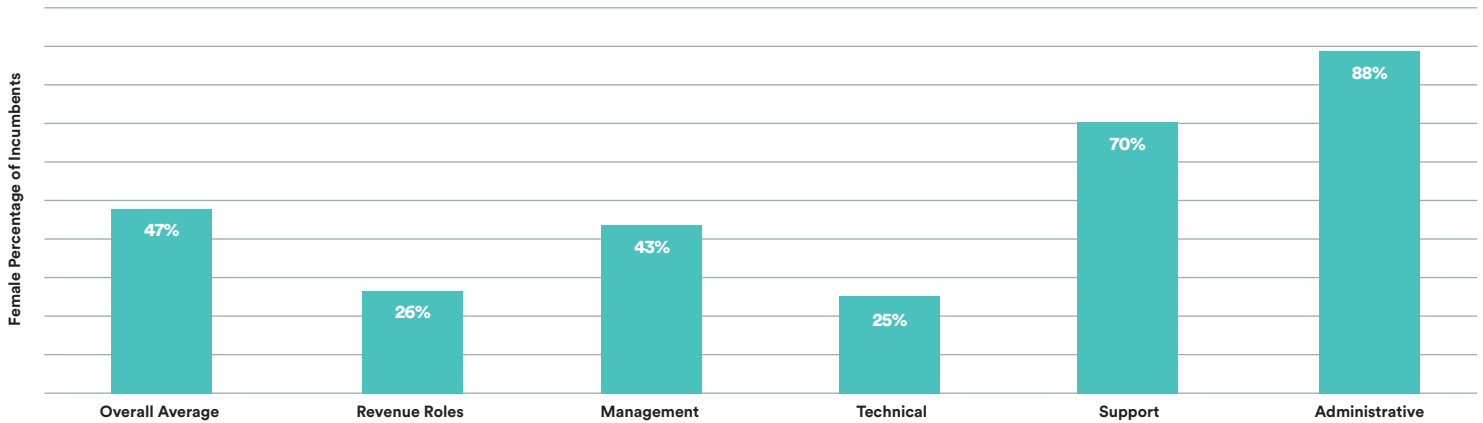
Figure 20
Firms Targeting Recent Graduates for New Revenue Role Hires, Standouts vs. Others



The State of Women in the RIA Industry

Nearly half of team members affiliated with study participants are women, yet participation varies greatly according to role type (Figure 21). Women make up dominant majorities among support and administrative positions—roles that tend to be less skilled and lower compensated. In contrast, about one in four technical specialists and revenue roles is filled by women.

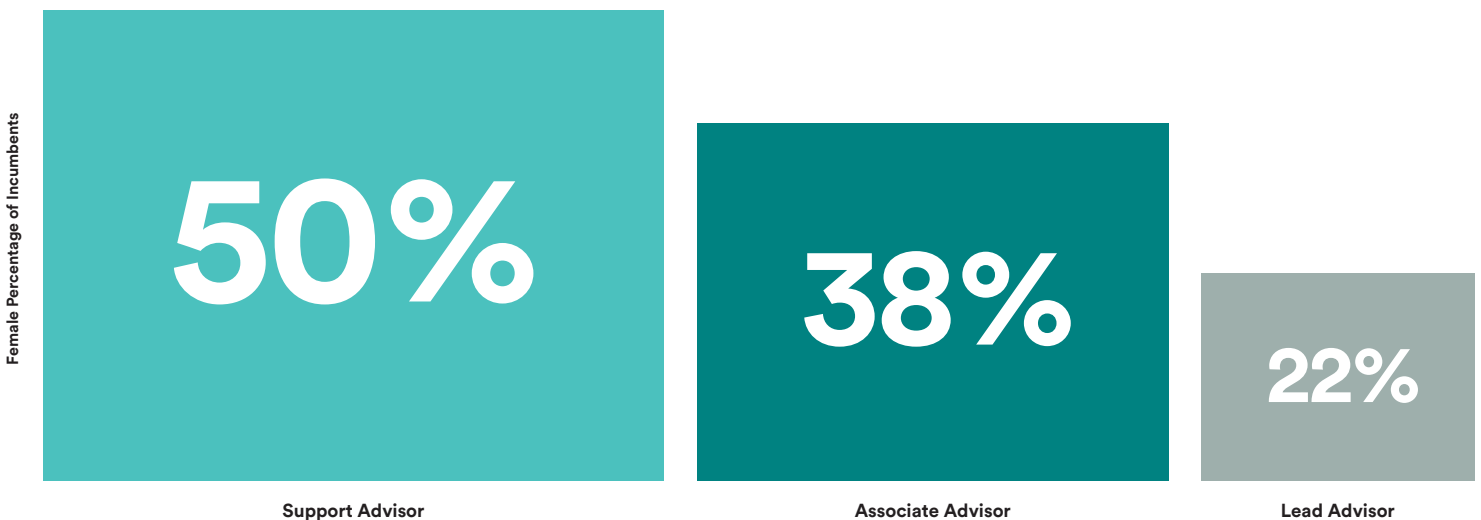
Figure 21
Share of Women by Role Type



With a 43% share, women are reasonably represented among management roles, yet they are underrepresented at the highest levels of management. **Just 17% of firm CEOs are women compared with 70% of operations managers.**

Study data also suggests that despite their strong presence, women are not advancing or being rewarded at the same rates as their male counterparts. Men are outpacing women in climbing up the advisory career track, with the share of women in each of the three advisory track roles trending downward with each position of greater responsibility (Figure 22).

Figure 22
Share of Women in Advisory Roles



The typical male has just three-fifths the industry experience of the typical female in both support advisor and associate advisor roles (three vs. five years and six vs. 10 years, respectively), further illustrating that women are not progressing through the advisory track at the same rate as men.

Women Earn Less Despite Often Having More Experience

Those women in positions of greater responsibility tend to be compensated at rates lower than what their industry experience would suggest. **Figure 23** compares the percentage difference in median total compensation earned by women versus men in various roles, as well as the difference in total industry experience compared with men at the same roles. The numbers indicated in parentheses under each role represent **women experience difference (in years)**.

Figure 23
Experience Differences Fail to Explain Gender Pay Disparity



Study data shows that women in advisory firms frequently do not receive compensation commensurate with their experience levels.

- In CEO and operations manager positions, women earn about 20% less than men despite similar experience levels
- In lead advisor positions, women earn 22% less than men yet tend to have four years less experience
- In entry-level positions—client services associates and support advisors—compensation differences are minimal despite women having two to four years more experience than the typical man

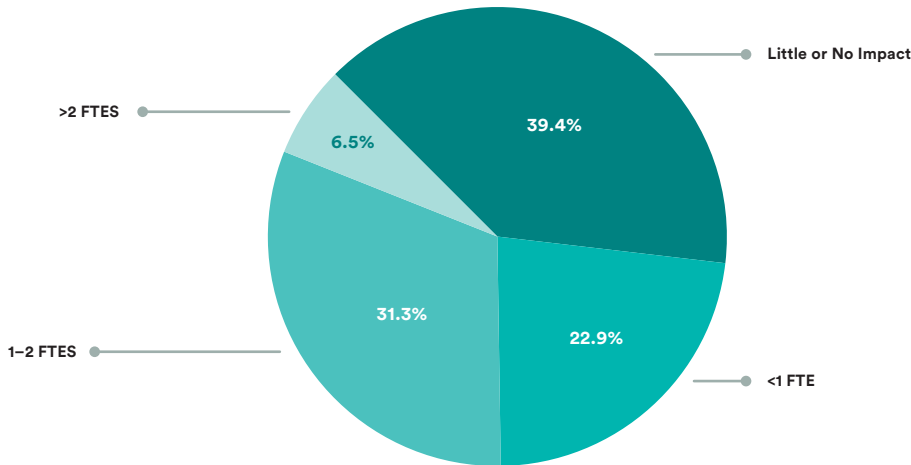
A slightly greater share of women work for Standout firms in management and revenue roles relative to other firms. Even among these Standouts, however, room exists for further female participation. Moving women into higher positions of responsibility, and compensating them accordingly, will help to counter chronic industry labor shortages. Progressing women to positions of greater responsibility could also position firms to better meet the needs of female clients.

Outsourcing

Firms may also address capacity needs by outsourcing, which limits the amount of human capital needed (Figure 24). Outsourcing allows firms to be involved only in those activities that are core competencies. Non-core functions may be provided by strategic partnerships.



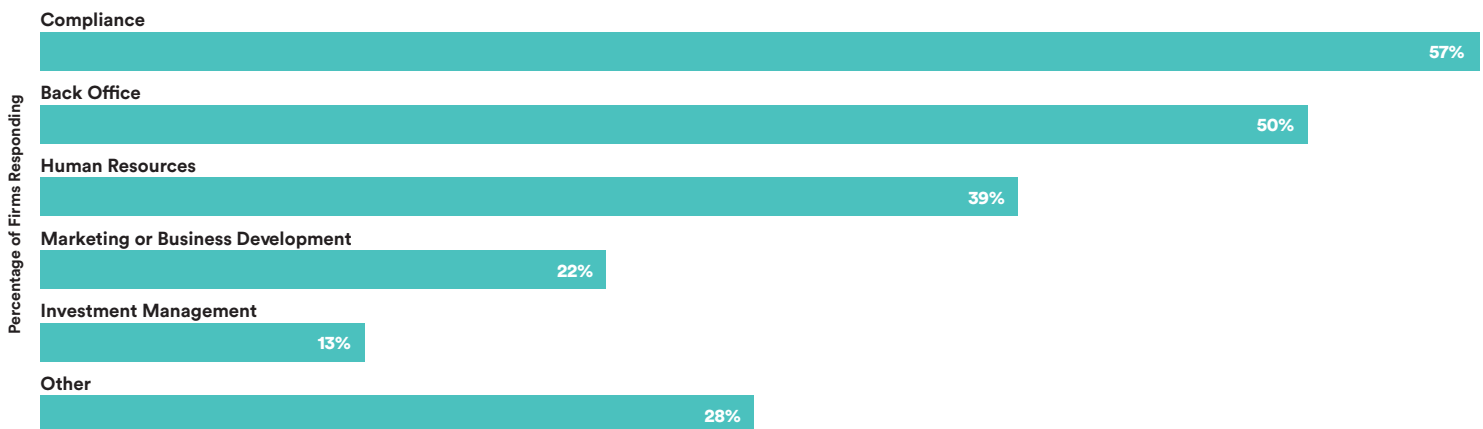
Figure 24
Labor Savings Due to Outsourcing



Midsize firms—Accelerators and Innovators—are the most likely to gain labor savings due to outsourcing, as outsourcing varies according to a firm’s stage of development. It is the middle tier of firms where Standouts are most distinguished on the basis of outsourcing as well.

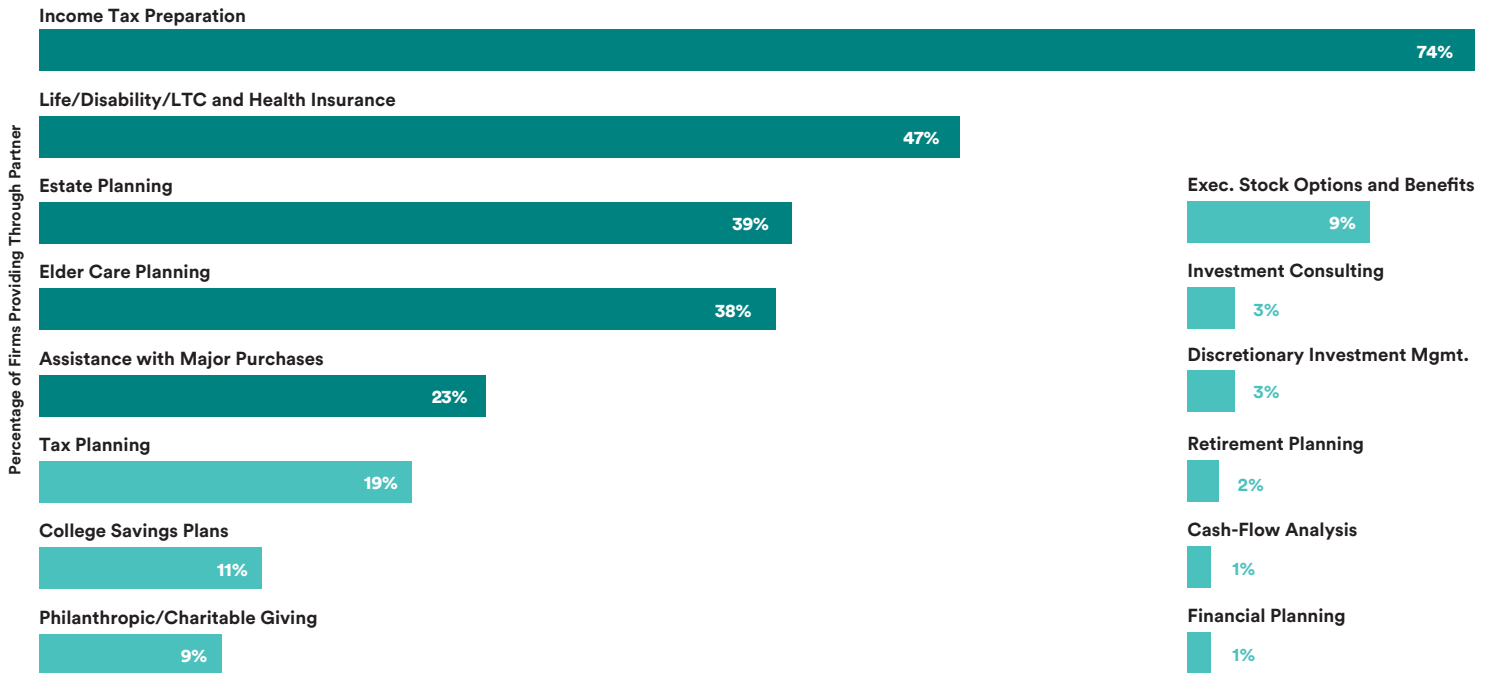
In terms of business functions, compliance and back office operations are most often outsourced (Figure 25). Midsize Standouts in particular (Cultivators and Accelerators) are more likely to outsource these functions. Both of these functional areas, however, tend to be outsourced less as firms grow larger.

Figure 25
Business Functions Outsourced



Services most often provided by a strategic partner (Figure 26)—a form of outsourcing—are tax preparation, insurance, estate planning, elder care planning and assistance with major purchases.

Figure 26
Services Offered Through a Strategic Partner



Effective Deployment of Labor

Determining the best strategy to source and deploy human capital resources will vary by firm. There are a number of factors to consider as you determine the experience levels required for specific roles, what functions to perform in-house vs outsource to third parties and the overall client experience at your firm. Labor market shortages, evolving client needs, in-house expertise and cost are a few of the considerations that dictate how a firm moves forward in creating capacity to best serve their clients’ needs and pursue sustainable growth.

Chapter 4

The Way Firms Pay

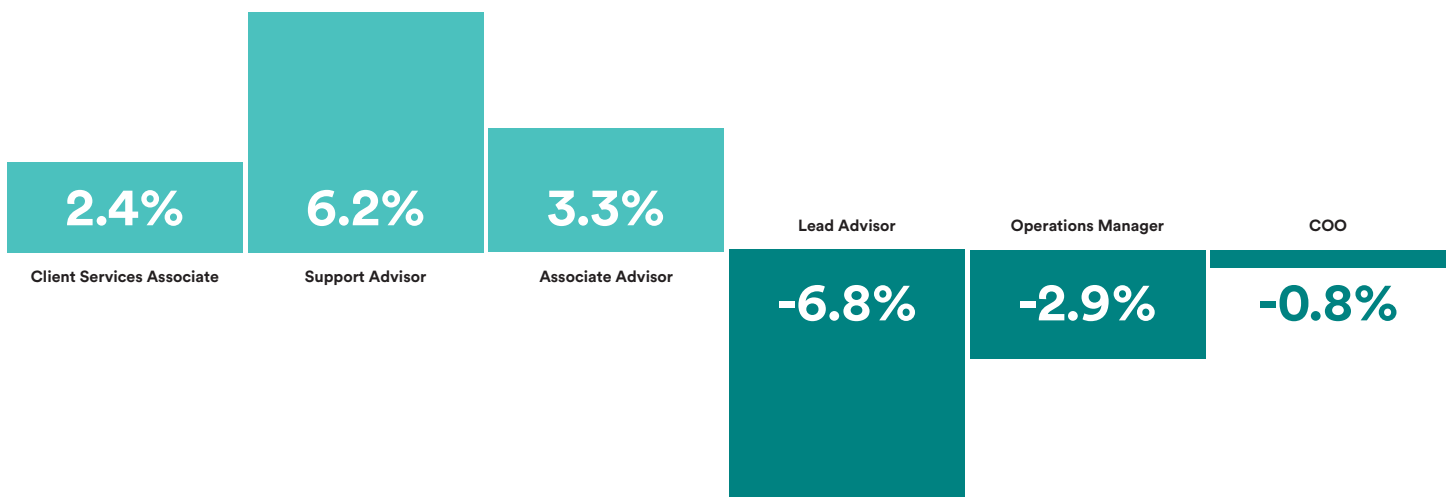
Understanding how your firm compares with others, not only in total compensation amount but in the structure of that compensation, is an important key to creating a competitive rewards system that will attract and retain top performers. While lead advisor compensation has declined over the years, compensation for other advisory positions—including associate and support advisors—has continued on an upward trend, indicating that firms may be more focused on hiring and developing less experienced talent. Benefits also continue to evolve as firms work to improve work-life balance for a more diverse group of employees.

Total Compensation Changes Are Varied

The share of firm revenues devoted to people, particularly compensation, has held fairly constant over the years. However, we see greater variance within different position levels, according to the demand for a position and the supply of qualified candidates (Figure 27). For example, while lead advisor total compensation declined at an annual rate of about 7% over the last two years, compensation for support advisors increased by about 6%.

Figure 27

Change in Median Total Compensation by Position, 2015–2017 (Compound Annual Growth Rates)



The decline in lead advisor total compensation (to \$168,050) coincides with a decreasing level of experience for the typical lead advisor, from 20 to 18 years since 2015. This suggests that less experienced, lower-paid workers are being promoted into lead advisor positions, while their more experienced and higher-paid counterparts may be retiring.

In contrast, those positions lower on the typical advisor career path—including associate advisor, support advisor and client services associate—are showing rising compensation. These compensation gains may also be a result of firms attracting and progressing younger, less experienced individuals. And this may be reflective of firms hiring new employees directly from a growing number of quality, university-level financial planning programs.

Of note, compensation for the two most common management positions—operations manager and COO—is declining, possibly indicating that the push to add dedicated management positions has subsided.

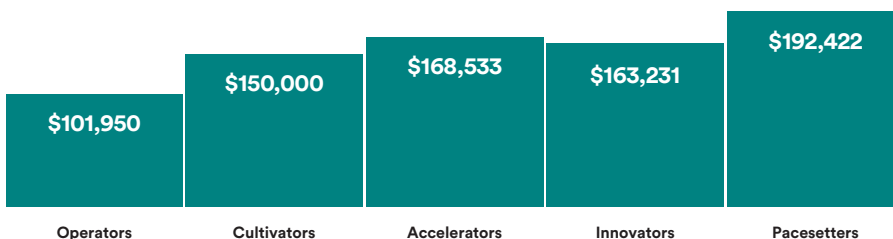
How Does Your Firm's Compensation Compare?

It's important to know how your firm's compensation compares with current benchmark trends along with where compensation is trending as you look to develop the right compensation structure for the roles within your firm.

For lead advisors, total compensation generally increases with the size of the firm. Lead advisors with Pacesetter firms typically earn nearly double that of lead advisors with Operator firms (Figure 28).

Figure 28

Lead Advisor Compensation by Stage



Firm size can affect the compensation of other individual roles differently. The compensation difference is often greater for positions that require more skill or experience, such as a CEO, COO or lead advisor. Within larger firms with greater organizational complexity and more affluent client bases, these positions tend to be more demanding. As a result, compensation rises commensurately with the position challenges. In contrast, the accountabilities and associated compensation for more junior positions are less affected by firm size.

Comparing Regional Differences in Compensation

Local labor market conditions are another major influence on compensation, with median total compensation varying from \$135,000 to \$185,000 depending upon region of the country. In the absence of regional compensation benchmarks, it's best to consider regional differences in general labor-specific indicators (such as overall wage or employment rates) to tailor national compensation benchmarks to a specific locale. Occasionally, firms will try to use consumer price indices to adapt national benchmarks to fit a specific locale. With a focus on cost of living (and typically the change in living costs over time—not differences across locations), these measures make weak adjustment factors. Labor costs may trend very differently.

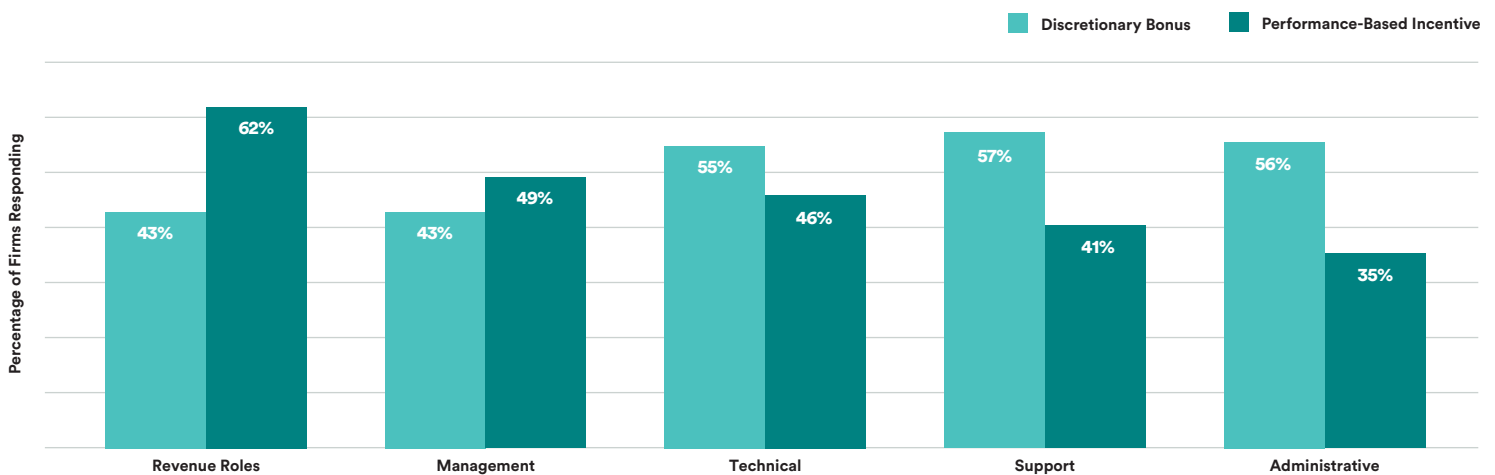
Incentivizing Pay

Paying team members appropriately is as much about the structure of pay as it is the level of pay. Variable and performance-based pay can inspire desired work behavior aligned with a firm’s strategic objectives. Incentive pay can be a useful financial management tool for firms, serving to reduce compensation expenses when the firm performs poorly and can least afford them. Incentives can be based on firm, team or individual achievements. As shown in **Figure 29**:

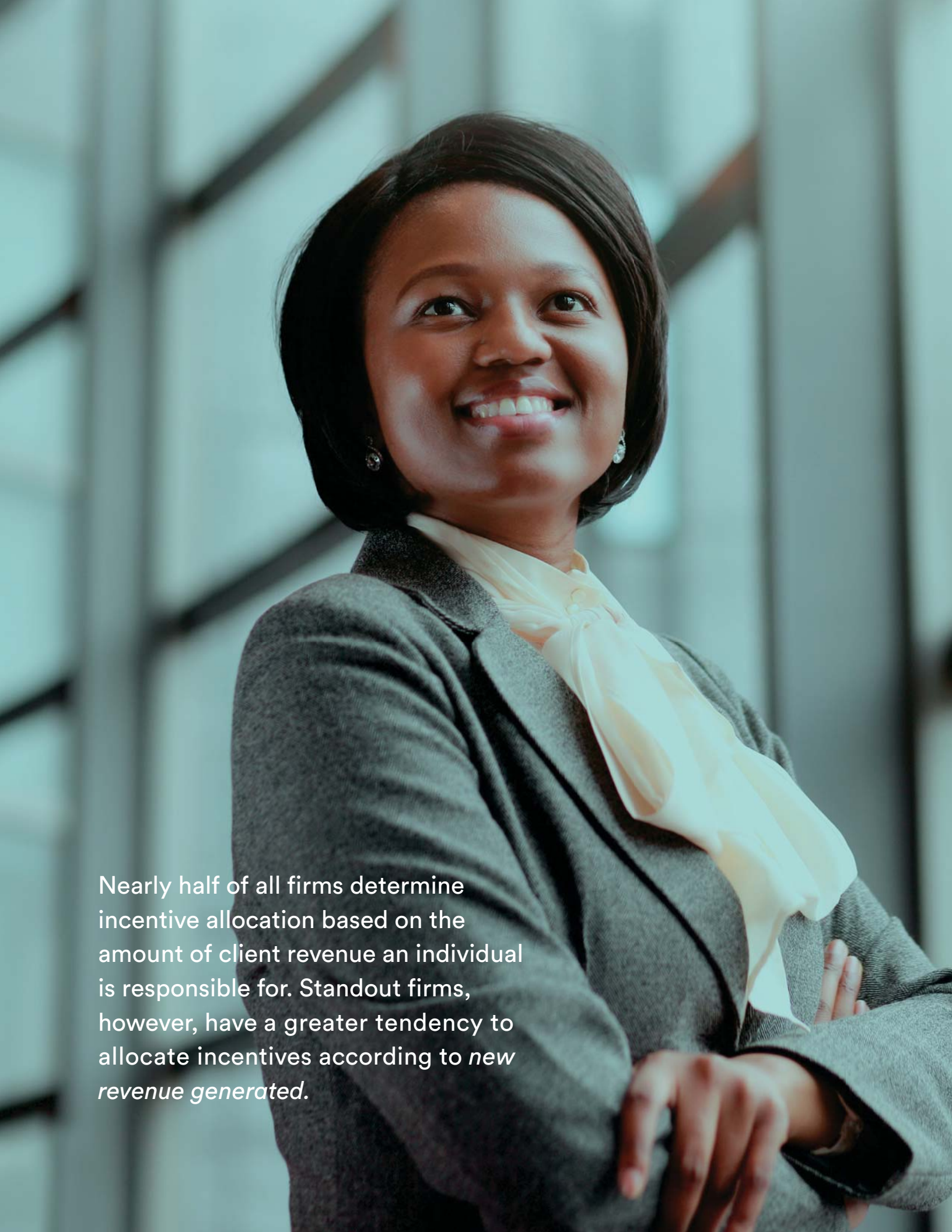
- Roughly 50% of firms are providing some form of incentive pay across each role type
- 62% award revenue roles with performance-based incentive pay linked to achieving or surpassing specific indicators of performance
- 43% of firms pay revenue roles discretionary bonuses, applied more subjectively

Use of discretionary bonuses and performance-based pay is less prevalent for roles with less direct influence on the performance of the firm. For example, for administrative roles, 35% of firms use performance-based pay, yet 56% pay discretionary bonuses for these position types.

Figure 29
Use of Incentive Compensation by Role Type



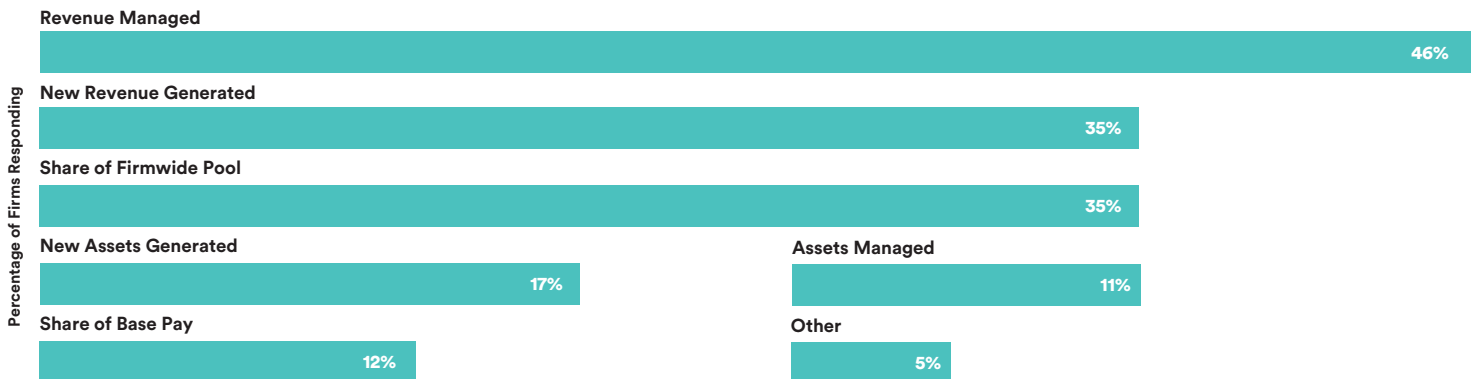
Note: Some firms may offer an individual both discretionary bonuses and incentive pay.



Nearly half of all firms determine incentive allocation based on the amount of client revenue an individual is responsible for. Standout firms, however, have a greater tendency to allocate incentives according to *new revenue generated*.

Incentive pay may be allocated differently for revenue roles (Figure 30). Nearly half of all firms determine incentive allocation based on the amount of client revenue an individual is responsible for. Standout firms, however, have a greater tendency to allocate incentives according to new revenue generated. Linking the potential amount to new revenue encourages team members to continually focus on growth.

Figure 30
Basis for Allocating Incentive Pay for Revenue Roles



In addition to cash compensation, benefits represent important rewards for team members. The mix of benefits each firm offers depends on its resources and personnel strategy, as well as the preferences of its employees. Paid time off, a more universal employee benefit, typically is in the range of three to four weeks annually depending upon the role type. When considering the specific firm strategy and team members, for example, a firm with a larger contingent of younger team members may make a point of offering maternity or paternity leave, while firms with older workers may prefer to receive life insurance benefits.

Most firms offer traditional benefits:



3/4 of firms offer qualified retirement plans.



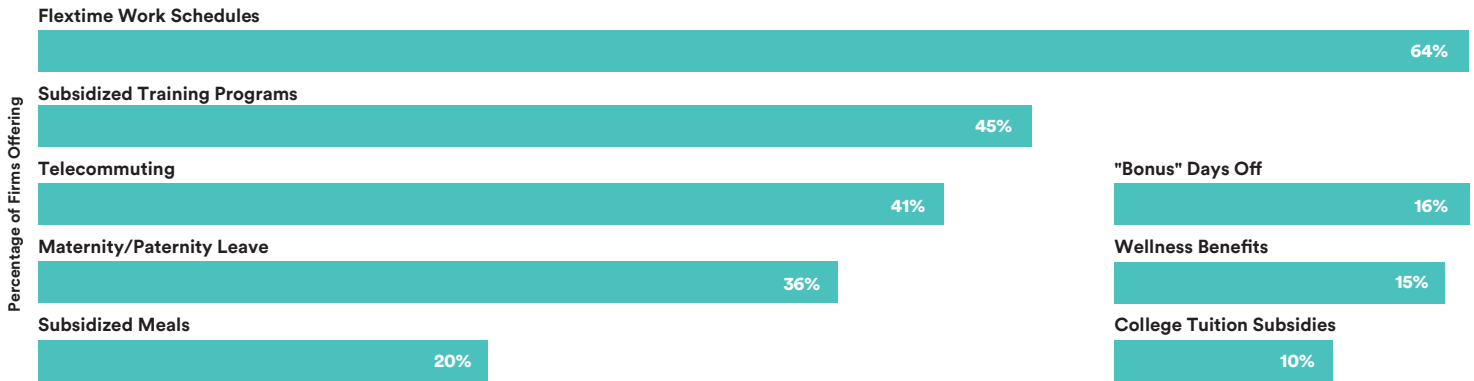
2/3 of firms offer medical insurance.



1/3 provide life insurance.

This year, the *People and Pay* survey was expanded to gather information on **less traditional benefits** (Figure 31). We found that firms are evolving to meet the work-life needs of today’s employee.

Figure 31
Nontraditional Benefits



Most benefits, traditional as well as nontraditional, tend to become more prevalent as firms increase in size. While larger firms have more resources to provide more benefits, they also have the advantage of scale—employing a critical mass of team members. That makes benefit provisions more cost-effective.

That being said, not all benefits have to be associated with a large expense. Regardless of size and development stage, firms should look to understand what motivates and best serves the lifestyles of their individual team members in order to provide compensation packages that attract, retain and motivate high-performing team members.

Chapter 5


Succession Progression

Most advisory firms still struggle with succession, despite the significant number of firm owners nearing or at retirement age. Signs point to some improvement in this area with 66% of firms reporting that they have a plan in place. However, only 37% indicate that the plan is actually currently viable. Overwhelmingly, Standout firms enjoy a broader dispersion of owners. A majority (80%) of the firms best prepared for succession favor an internal successor. Internal succession focuses on best identifying the next generation of stakeholders. Not surprisingly, Standouts do a better job creating the team structure that naturally contributes to having viable successors in-house.

Succession Planning Is More Than Just for Business Continuity

Succession planning is a challenge worth confronting. While broad distribution of ownership across team members correlates with better performance ([Figure 32](#)), many founding owners remain reluctant to give up firm shares, often due to both emotional and practical reasons.





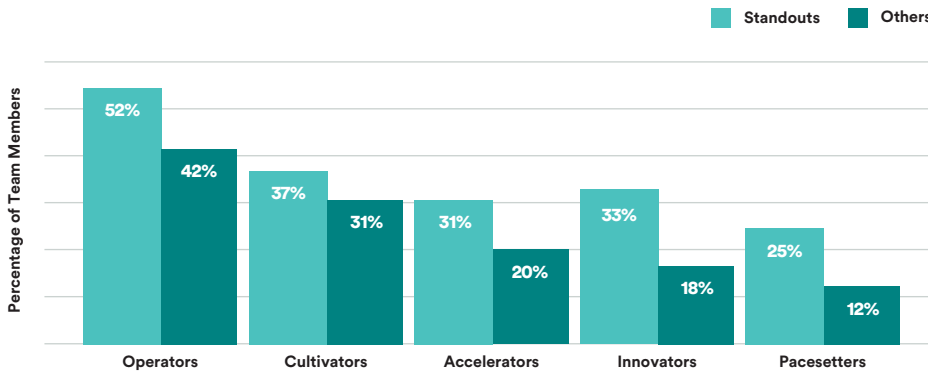
In the narrowest sense, succession simply involves transferring firm shares to a new owner. Viewed more broadly, succession extends to the orderly transmission of firm management and client relationship responsibilities.

This lack of certainty is particularly acute with smaller firms. Nearly one in five Operator firms has no anticipated solution compared with just 3% of Innovator and Pacesetter firms.

Standout firms show a higher percentage of primary owners per team member at every stage, with the difference growing more notable as firms increase in size.

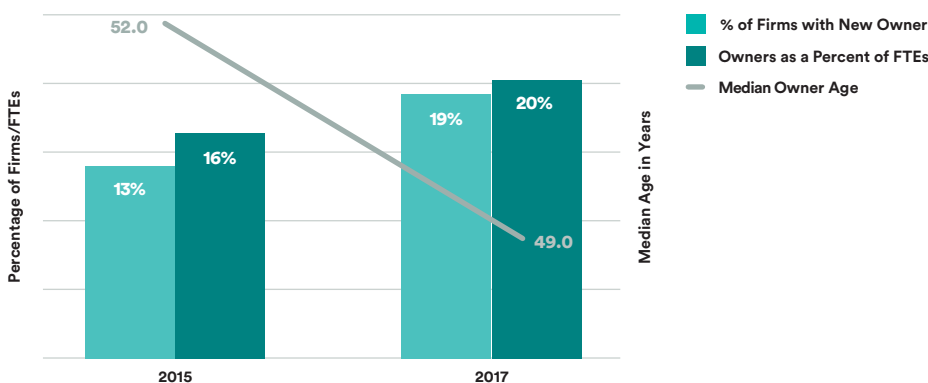


Figure 32
Primary Owners as a Share of Total Team Members



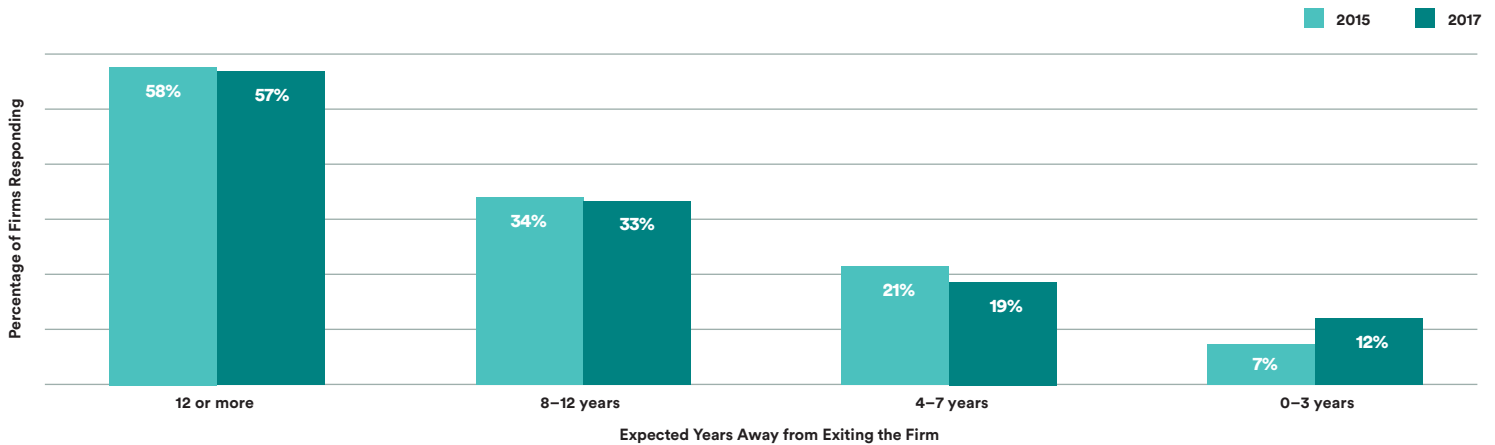
Despite the overall lack of adequate succession planning, a few encouraging trends are beginning to emerge. Firms are admitting new owners at a much greater pace (Figure 33). In 2017, nearly one in five firms (19%) brought on a new primary owner within the last two years. This compares with just 13% of firms in 2015. As a result, ownership is more broadly distributed across firms. And the median owner age, like the decline in lead advisor age, is trending younger. In 2017, the average age for owners across all positions, 49, is nearly three years younger than it was in 2015.

Figure 33
Ownership Is Broader and Younger



Despite these encouraging trends, transfers of ownership may not be happening at a fast-enough pace to alleviate concern. While the average owner age is getting younger, an increasing share of firms have at least one owner on the verge of retirement—meaning an older tier of advisors is still prominent (Figure 34). The share of firms with an owner three years or fewer from retirement increased from 7% in 2015 to 12% in 2017.

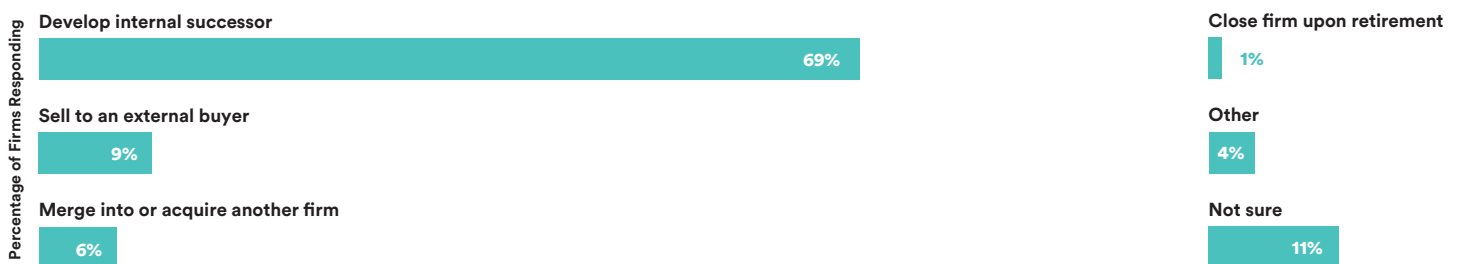
Figure 34
Exit Time Frame for Primary Owners, 2015 and 2017



Firms Favor Homegrown Successors

Most firms (69%) prefer to groom an internal successor vs. partnering with an external entity for a liquidity event (Figure 35). New firm owners are nearly twice as likely to have been promoted from within vs. having come from the outside. For firms looking to successfully implement an internal succession plan, long-term planning must be a clear priority. Firms best prepared for succession focus on how to best identify their next generation of stakeholders and have a defined process for how ownership will be transferred. Those firms best prepared for succession were far more likely than other firms to favor an internal successor (80% vs. 62%).

Figure 35
Anticipated Succession Solution

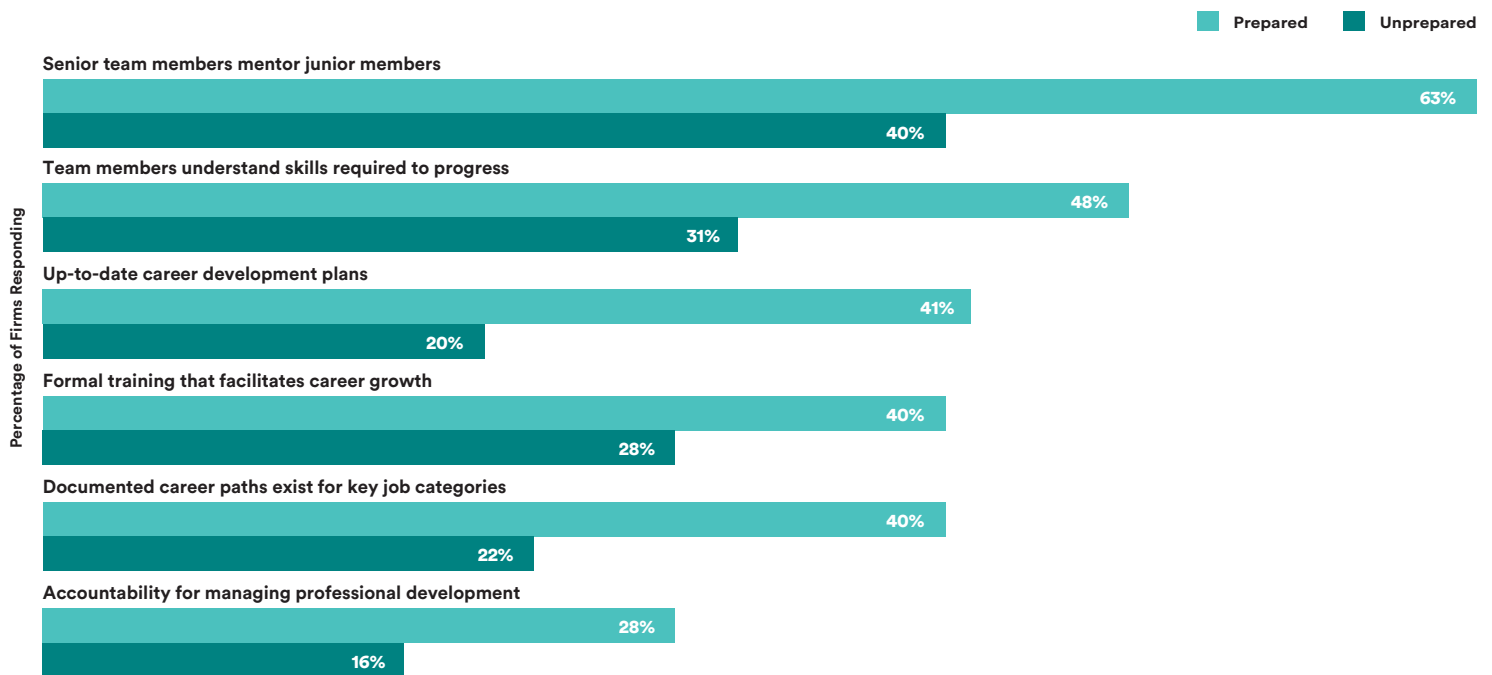


Internal succession has both short- and long-term benefits. The prospect of ownership can serve as an important motivator for team members, and can help align individual employee goals with the strategic objectives of the firm. By grooming successors, owners may have better control over the destiny and legacy of their firms, as well as the care of their clients. In contrast, succession transactions with external entities may often offer immediate liquidity solutions, but these transactions typically come with a less certain guarantee that the firm will continue in the manner preferred by departing owners.

People Programs Fuel Succession Success

Firms focused on developing talent from within tend to naturally have viable successor candidates. The study found that the firms best prepared for succession demonstrate a superior ability to develop people by supporting career progression (Figure 36). Specifically, these firms define career paths, development plans, and training and mentoring programs, and often designate someone to manage team professional development. Prepared firms also are more likely to create robust performance management programs that measure performance against documented goals, link incentive pay to achieving goals, and proactively follow up with each team member on “action items.”

Figure 36
Succession Preparedness Correlates with Career Path Facilitation

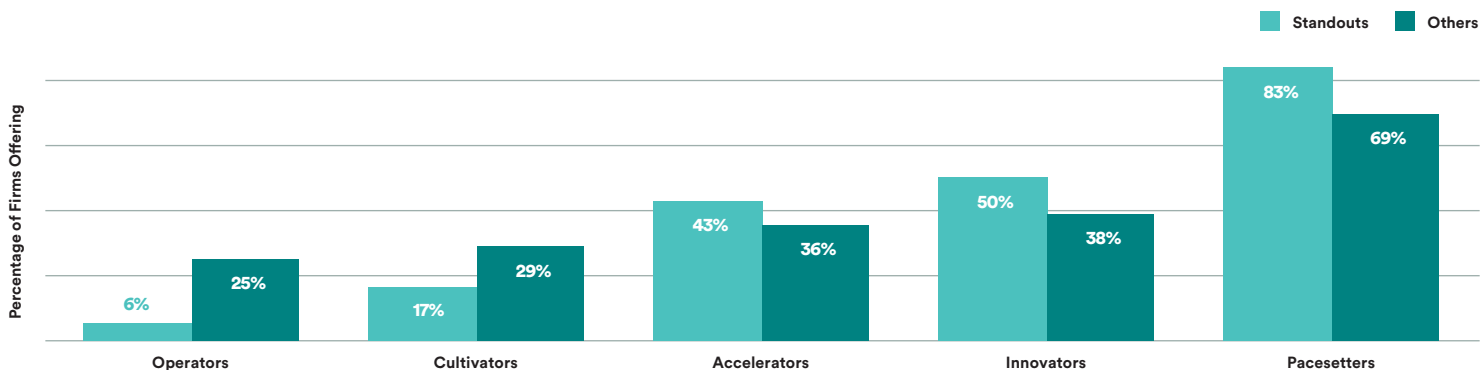


Firms best prepared for succession are also twice as likely to serve clients through defined teams. Team structure reduces reliance on any one team member to serve clients and better supports the transfer of expertise to the next generation of talent within the firm.

Share Distribution Programs Further Ease Succession Challenges

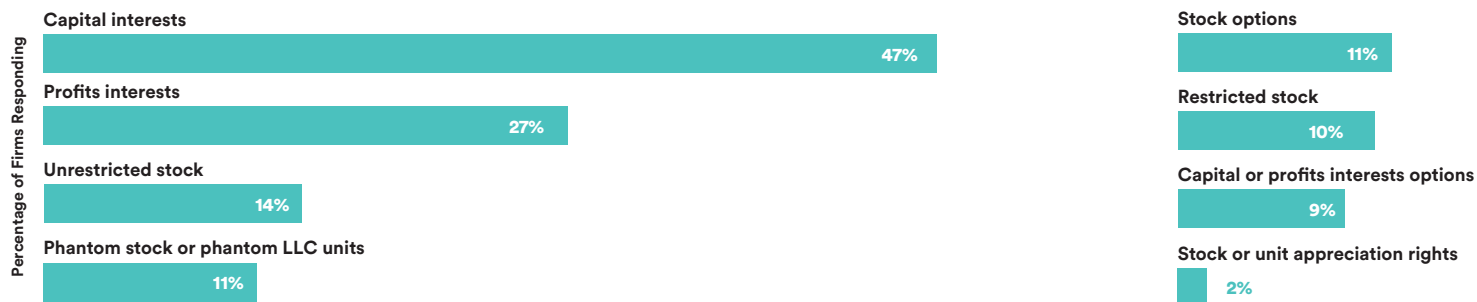
Participant data reveals a correlation between preparedness and formal programs for distributing firm shares and reducing the concentration of ownership. Succession-prepared firms are twice as likely to have programs in place that facilitate team member acquisition of firm equity (51% vs. 24%). Ownership distribution programs are also characteristic of larger Standout firms (Figure 37).

Figure 37
Ownership Distribution Programs, Standouts vs. Others



Ownership can exist in several different forms (Figure 38). Firms with distribution programs in place are most likely to offer capital interests, which are applicable to limited liability corporations (LLCs), and like stock grants for S or C corporations. Nearly half of firms with distribution programs make capital interests available to team members, who receive the full value of the shares. Also popular are profits interests, offered by about one-quarter of firms. Profits interests, also applicable to an LLC, are akin to stock appreciation rights. While not a true profit share, the holder benefits from the increase in the value of the LLC over a set time period.

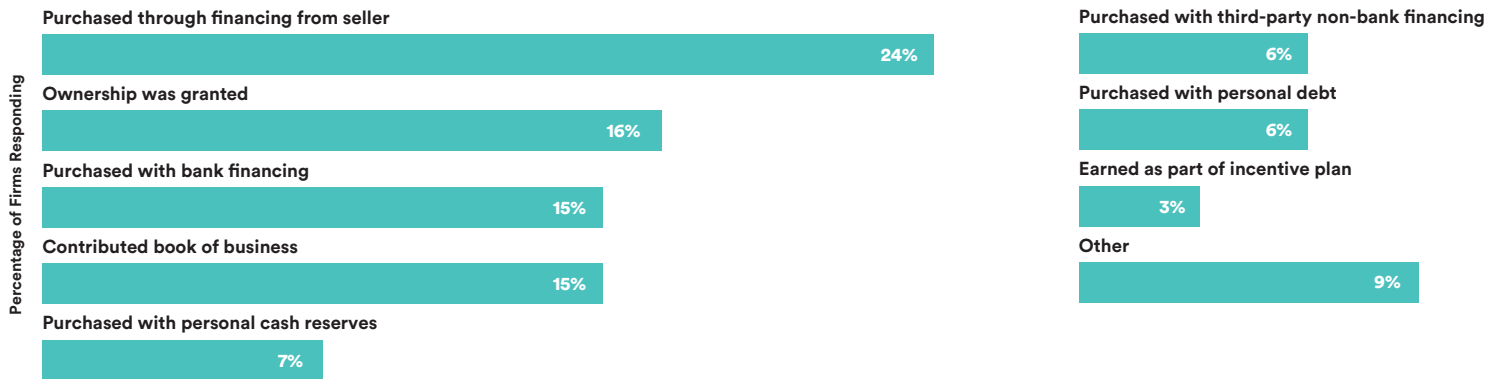
Figure 38
Ownership Offered in a Variety of Forms



Payment Methods

Many firms struggle with putting together funding schemes that allow team members to buy into the firm. The most dominant form of funding is seller financing, which happens in about one-quarter of transactions (**Figure 39**).

Figure 39
Primary Payment for Ownership



When payments are received for shares, half of all transactions are paid at market rate, while 42% are associated with some level of discount. Most firms discounted sales; about half of these sales were discounted in the range of 11–25% less than estimated market value. In determining share value, many firms (40%) used a valuations specialist. An additional 21% prepared their own formal estimates based on internal analysis. Others used much less comprehensive valuation methods.

Succession Planning Requires a Long-Term Approach

The common thread for those who are prepared for succession is a focus on the long term. There are many options for firms to consider both from an external and internal perspective. However, in looking at those firms best prepared for succession and the Standouts, we see that an emphasis on the development of a firm’s people ultimately resulting in their career advancement over the long term can serve as a strong foundation for succession planning.

Conclusion

The *2017 FA Insight Study of Advisory Firms: People and Pay* emphasizes that cultivating a high-performing team is essential in a firm's pursuit of achieving sustainable growth. It requires a long-term strategy focused on organizational design, hiring the right people, developing talent, rewarding exceptional efforts, expanding ownership and aligning people with the firm's unique business goals.

Leveraging People to Sustain Profitable Growth

Advisory firms continue to achieve profitable growth. The client base of a typical firm is expanding steadily in the range of 6–7% per year. At nearly 25%, the median operating profit margin is close to a record high. The management of people, without question a firm's most important resource, will continue to play a prominent role in sustaining this growth. Study findings reveal three key human capital areas on which advisory firms will need to place a greater degree of focus: team member productivity, labor supply and ownership succession.

A Renewed Focus on Productivity

Productivity metrics can be helpful in assessing the overall health of a firm and its ability to achieve sustainable growth. With the industry's current productivity decline, firms need to pay closer attention to their team's organizational structure, hiring practices, capacity, performance management and the incentives in place to drive preferred work behaviors.

Specifically:

- Organizational discipline will better ensure people are put to their most effective use and encourage skills specialization
- A focus on development, formalized performance management and informal coaching can better equip team members to make greater contributions to the firm
- Appropriately structured compensation and benefits programs will better motivate team members and tighten the alignment of work behavior with firm objectives

A Strategic Approach to People Resources

With 68% of firms reporting greater difficulty in hiring revenue roles and half of all firms citing challenges in hiring for management roles, firms are getting more creative about where they look for talent. A few best practices to consider as you look to best deploy your people and engage with outsourcing partners:

- Create an effective infrastructure for developing your talent focused on increasing expertise and areas of responsibility—reducing the need to hire externally
- Be open to hiring from less traditional or less experienced talent pools, and invest in their development over time
- Identify functions that may be better performed through a strategic partner or outsourcing solution

Transitioning Ownership

Despite the advantages, just 37% of firms have an adequate succession plan in place. Facilitating ownership transfer correlates with a better-performing firm and increases return on investment for founding owners. With the greater majority of firms preferring an internal successor, people development practices are a critical component of the succession solution. Ownership purchase programs, including support with financing, are especially important for broadening the distribution of ownership within firms.

Development Stage Matters

Defining firms by development stage allows you to make decisions based on where your firm is now. Being cognizant of your firm's development stage can help you to not only progress to the next stage but understand when it's time to drive change.

Until Next Year

We hope the study data provides insights that help you put your firm's growth into context and allow you to learn from the most successful firms—the Standouts. Regardless of your firm's development stage, people continue to be your biggest area of investment and most important resource. How will you maximize this valuable resource today, tomorrow and into the future? How will you build, lead and inspire your team to help you achieve your business vision?

Each year *The FA Insight of Study Advisory Firms* strives to translate research findings into actionable insight. The generous participation of advisory firms makes this initiative possible. TD Ameritrade Institutional greatly appreciates the time firms commit to completing and submitting survey forms, and hopes this investment in effort is exceeded by the value firms place on the guidance provided in the study. We encourage you to participate again in our 2018 study. Details about next year's study will be available in late 2017 at www.fainsight.com.

Appendix

Study Terms

General Definitions

Accelerator: Third development stage of a financial advisory firm, composed of firms earning between \$1,500,000 and \$4,000,000 in gross annual revenue.

Active Client: Household or institution the firm served and had meaningful contact with during the last year. A client may have multiple accounts with the firm.

Active Owner: An owner of the advisory firm who is actively working in the business.

Alternatives: Less traditional or less liquid investment vehicles such as hedge funds, managed futures, private equity, limited partnerships or real estate investment trusts.

AUM per Client: Total assets under management (AUM) divided by number of active clients.

AUM per Revenue Role: Total assets under management (AUM) divided by the number of revenue roles in the firm.

AUM per Total FTE: Total assets under management (AUM) divided by total number of full-time-equivalent team members.

Base Salary: The fixed standard annual salary an employee or owner receives for work performed within the firm.

Bonus: Variable compensation, separate from commissions, that is in addition to base salary. A bonus is not linked to the achievement of specific performance objectives but rather is a discretionary payment often made on an ad hoc basis.

Clients per Revenue Role: Total number of active clients divided by the number of revenue roles in the firm.

Clients per Total FTE: Total number of active clients divided by total number of full-time-equivalent team members.

Commission: Compensation specifically tied to product sales or trade execution.

Compensation (Total): Sum of base salary and variable compensation paid to a team member.

Cultivator: The second development stage of a financial advisory firm, composed of firms earning between \$500,000 and \$1,500,000 in gross annual revenue.

Full-Time Equivalent (FTE): An individual (owner or employee) working 40 or more hours per week. An individual working fewer than 40 hours per week is counted proportionately less than one FTE. For example, an individual working 20 hours per week equals 0.5 FTE ($20 \div 40 = 0.5$).

Incentive Compensation: Variable compensation, separate from commissions, that is typically paid in addition to base salary. Incentive pay is performance-based and tied to measurable expectations that can relate to individual, team or firm goals.

Incentive Pool: A defined “bucket” of money set aside to pay out incentive compensation.

Innovator: Fourth development stage of a financial advisory firm, composed of firms earning between \$4,000,000 and \$8,000,000 in gross annual revenue.

Non-Revenue Roles per Revenue Role: The number of team members in a non-revenue role supporting every one revenue-generating role. Calculated by dividing the number of team members in a non-revenue role by the number of team members in a revenue role.

Number of Service Offerings: The number of key service or advice areas that are regularly delivered to at least two-thirds of a firm's clients. Includes services provided to clients through advice partners such as attorneys and CPAs.

Operating Profit Margin: Operating profit divided by revenue.

Operating Profit per Client: Operating profit divided by total number of active clients.

Operator: First development stage of a financial advisory firm, composed of firms earning at least \$150,000 but not more than \$500,000 in gross annual revenue.

Overhead Expense Margin: Overhead expenses divided by revenue.

Overhead Expense per Client: Overhead expenses divided by total number of active clients.

Owner Income: The sum of base salary and variable compensation paid to owners plus operating income.

Owner Income per Revenue Dollar: The sum of base salary and variable compensation paid to owners plus operating income, divided by revenue.

Pacesetter: Fifth and final development stage of a financial advisory firm, composed of firms earning more than \$8,000,000 in gross annual revenue.

Passive Owner: An owner of the business who is not actively working in the business. Includes parent and holding company owners.

Primary Owner: An owner of a 5% or greater share in the business or an ownership share worth \$50,000 or more.

Qualified Retirement Plan: A plan or arrangement offered to team members that is eligible for special federal income tax treatment, such as 401(k) plans, profit-sharing plans and IRAs.

Revenue per AUM Dollar (Basis Points): Revenue divided by assets under management (AUM).

Revenue per Client: Revenue divided by number of active clients.

Revenue per Revenue Role: Revenue divided by number of revenue roles in the firm.

Revenue per Total FTE: Revenue divided by total number of team members.

Standout Firm: Financial advisory firm that ranks in the top 25% of its development stage based on latest calendar year revenue growth and owner income per revenue dollar.

Variable Compensation: Sum of commissions and bonus or other incentive compensation paid to a team member.

Income Statement Definitions

Advice Fees (per Hour or per Project): Any hourly fees earned for delivery of advice, such as financial plan development, estate planning or taxation advice.

Advice Retainers (Flat Fee): A flat fee charged to clients for the delivery of advice. It could include services such as financial planning, ongoing service and reviews.

Asset Management Fees: Fees or revenue earned that are calculated based on a percentage of the total assets managed. Exclude revenue from mutual fund sales commissions (year one or trailing commissions).

Direct Expenses: All expenses related to revenue roles, such as salaries, bonus payments or performance incentive payments. Also include fees paid for referrals. Revenue roles include all individuals who are responsible for the delivery of advice to clients or business development activities.

Employee Insurance Benefits: All expenses related to the delivery of insurance benefits, including medical, dental, vision and life coverage.

Fees Paid for Referrals: Any fees paid by the business to other professionals that referred clients to the firm. They do not include broker-dealer overrides or haircuts.

Gross Profit: Total gross revenue less all direct expenses.

Gross Revenue: Sum of asset management fees, advice fees and retainers, other fees, securities and mutual fund sales and trails, insurance commissions, and insurance renewals.

Incentive Compensation Paid to Administrative, Technical Specialist and Support Staff: This includes any bonus payments or performance incentive payments paid to administrative, technical specialist and support staff. This also includes any cash incentives that were earned and paid as a result of a profit-based incentive plan.

Incentive Compensation Paid to Management (Others): This includes any bonus payments or performance incentive payments paid to staff members who dedicate more than 50% of their time to management or oversight of the practice. This also includes any cash incentives that were earned and paid as a result of a profit-based incentive plan. This does not include commissions or distribution of profits related to ownership. Management includes positions such as the CEO, COO, Marketing Director and HR Director. Primary owners are not included here.

Incentive Compensation Paid to Management (Primary Owners): This includes any bonus payments or performance incentive payments paid to primary owners who dedicate more than 50% of their time to management or oversight of the practice. This also includes any cash incentives that were earned and paid as a result of a profit-based incentive plan. This does not include commissions or distribution of profits related to ownership. Management includes positions such as the CEO, COO, Marketing Director and HR Director. Only primary owners are included here.

Incentive Compensation Paid to Revenue Roles (Others): This includes any bonus payments or performance incentive payments paid to staff members who are responsible for the delivery of advice to clients or business development activities. This also includes any cash incentives that were earned and paid as a result of a profit-based incentive plan. This does not include commissions or distribution of profits related to ownership. Primary owners are not included here.

Incentive Compensation Paid to Revenue Roles (Primary Owners): This includes any bonus payments or performance incentive payments paid to primary owners who are responsible for the delivery of advice to clients or business development activities. This also includes any cash incentives that were earned and paid as a result of a profit-based incentive plan. This does not include commissions or distribution of profits related to ownership. Only primary owners are included here.

Insurance—First-Year Sales: New or first-year insurance commission income (net of any broker-dealer override).

Insurance Renewals: Commission income on insurance renewals (net of any broker-dealer override).

Mutual Fund Trails: Security trail income including trailing commission revenue earned from the sale of mutual funds (net of any broker-dealer override).

Operating Profit: Gross profit minus operating expenses. This figure is before any profit distribution to shareholders of the business.

Other Expenses: Non-operating expenses incurred that are unrelated to the core activities of the business, such as financing charges, charitable contributions or losses due to damages.

Other Fees: Fees earned from any other revenue channels or sources, such as cash flow/budgeting services or taxation preparation.

Other Income: Non-operating income such as gain on sale of equipment or interest income.

Other Overhead Expenses: Any other business-related operating expenses that are not already reported, such as utilities, auto expenses and equipment-related expenses.

Payroll Taxes: The total cost (firm's share) of payroll taxes.

Personnel Development (Training, Continuing Education and Professional Dues): All expenses incurred in providing training and development. Include continuing education, training courses, membership to professional bodies, subscriptions and any licensing costs for professional staff.

Profit Before Tax: Operating profit plus the sum of other income less other expenses.

Retirement-Related Benefits (Others): This includes all retirement benefits for all staff members, regardless of whether benefits are funded from the profits of the business. Retirement benefits include contributions toward 401(k) and profit-sharing retirement plans. This also includes costs to fund both qualified and unqualified plans. Primary owners are not included here.

Retirement-Related Benefits (Primary Owners): This includes all retirement benefits for all primary owners, regardless of whether benefits are funded from the profits of the business. Retirement benefits include contributions toward 401(k) and profit-sharing retirement plans. This also includes costs to fund both qualified and unqualified plans. Only primary owners are included here.

Salaries and Commissions Paid to Revenue Roles (Others): Base pay and any commissions paid to staff members who are responsible for the delivery of advice to clients or business development activities. Any individual in a revenue role who is not a primary owner is included here.

Salaries and Commissions Paid to Revenue Roles (Primary Owners): Base pay and any commissions paid to primary owners who are responsible for the delivery of advice to clients or business development activities. Distribution of profits related to ownership are not included. Any individual in a revenue role who is a primary owner is included here.

Salaries for Administrative, Technical Specialists and Support Staff: This includes base salaries and hourly rate compensation paid to administrative, technical specialist and support staff. This also includes any compensation profit-sharing plans that do not directly fund retirement plans.

Salaries for Management (Others): This includes base salaries and hourly rate compensation paid to staff members who dedicate more than 50% of their time to management or oversight of the practice. Management includes positions such as the CEO, COO, Marketing Director and HR Director. Primary owners are not included here.

Salaries for Management (Primary Owners): This includes base salaries and hourly rate compensation paid to primary owners who dedicate more than 50% of their time to management or oversight of the practice. Management includes positions such as the CEO, COO, Marketing Director and HR Director. Only primary owners are included here.

Securities and Mutual Funds—New Sales: Current securities commission income, including first-year commission revenue earned from the sale of mutual funds (net of any broker-dealer override).

Total Direct Expenses: Sum of salary, commissions and incentive compensation paid to revenue roles. Also includes fees paid for referrals.

Total Other Income or Expenses: Other non-operating income less other non-operating expenses.

Total Overhead Expenses: Sum of compensation (including incentives) for non-revenue roles, retirement-related benefits, employee insurance benefits, payroll taxes, personnel development costs, business development and marketing, insurance, depreciation/amortization, IT expenses, office rent and expenses, travel costs and overhead expense allocation fees. Also includes all other business overhead expenses.

Position Descriptions

Revenue Roles

Revenue roles have direct and primary responsibility for client relationship management, advice delivery or developing new business. The revenue roles are the key revenue-generating roles within the firm. These positions can range from very experienced advisors with responsibilities for both client management and business development to less experienced advisors with client advice responsibilities. Three revenue role positions are categorized within this study, varying according to level of responsibility and business development orientation.

Business Development Specialist (Rainmaker): Responsible for the business development within the firm, specifically developing and introducing new client relationships to the business through building centers of influence and actively networking within the firm's target market. This role introduces new prospects to other advisors within the business and is not responsible for the delivery of advice to clients. Typically less than 10% of the incumbent's time would be spent delivering advice to prospects or existing clients.

Lead Advisor (Senior Advisor): This is the most senior advisory position within the firm. Typically Lead Advisors are actively involved in generating new client relationships and converting prospective clients into clients. The Lead Advisor also manages ongoing client relationships—in particular, more complex ongoing relationships. Additionally, this role mentors less senior advisors and provides leadership within the advice function of the business. Actual position title may vary across firms. Other common titles include Principal Advisor and Senior Planner.

Associate Advisor: Responsible for the ongoing management of existing client relationships and the retention of clients. The role may work in conjunction with the Lead Advisor or other technical specialists to develop advice for clients. This role mentors more junior positions and may also be building business development skills. The Associate Advisor is not typically expected to develop new relationships.

Management

Management roles oversee the successful operation and growth of the firm. These positions cover a broad range of business management disciplines. Positions include those responsible for business strategy, human resources, marketing and compliance. Depending upon the size of a firm, it is possible that revenue roles are also assuming management responsibilities. For the purposes of this study, only individuals devoting more than 50% of their time to management should be categorized under a management role.

Chief Executive Officer (CEO): The most senior dedicated management position within the firm, the CEO has broad executive authority and is responsible for providing strategic leadership to the firm. The position manages other senior roles in the firm such as the Operations Manager and Chief Investment Officer.

Chief Operating Officer (COO): Responsible for firmwide operations, developing operating procedures, enhancing efficiency and managing firm resources effectively. This is a senior dedicated management position that reports directly to the CEO.

Chief Investment Officer (CIO) or Director of Research: Directs and manages the investment or research function of the business. Provides recommendations to the firm regarding investment selection. Develops firmwide investment philosophy and drives consistency in the investment process.

Chief Financial Officer (CFO): Responsible for financial performance management including the collection and analysis of firm financial data, financial reporting and delivery of financial results to the CEO and firm's Executive Board.

Chief Compliance Officer (CCO): Responsible for the firm's compliance function, ensuring the firm is meeting all regulatory requirements. The CCO develops compliance standards, supervises the implementation of policies, manages complaint resolution and liaises with regulators.

Director of Marketing: This role develops the firm's marketing strategy, manages the marketing budget and is responsible for the execution and implementation of the marketing plan.

Director of Human Resources: Responsible for the recruitment and retention of talent. Manages the performance management framework and professional development of staff. Responsible for the firm's compensation and benefits plan and developing the firm's people policies.

Operations Manager: Manages the firm's technology and day-to-day operations function including the trading team. Assists in the development of operating procedures and supervises their implementation to drive consistency and efficiency. This role typically serves as an intermediary between the operations function and top management.

Technical Specialists

Technical specialists bring expert capabilities to a firm in a given area such as taxation, estate planning or investments. They work collaboratively with the firm's advisors to support the delivery of advice to clients. Technical specialists often participate in client meetings but do not have direct responsibility for the client relationship or development of new business.

Financial Planning Specialist: An internal technical expert responsible for delivering financial planning advice to clients but without primary servicing responsibility. This is the firm's point person on all financial planning issues.

Tax Planner: An internal technical expert responsible for delivering taxation advice to clients but without primary servicing responsibility. This is the firm's point person on all tax-related issues.

Estate Planner: An internal technical expert responsible for delivering estate planning advice to clients but without primary servicing responsibility. This is the firm's point person on all estate planning issues.

Senior Investment Manager or Senior Portfolio Manager: Responsible for the management of individual client portfolios, security or manager selection, and asset allocation and rebalancing. Minimum of five years of experience. This role does not have primary servicing responsibility for the client.

Investment Manager or Portfolio Manager: Responsible for the management of individual client portfolios, security or manager selection, and asset allocation and rebalancing. Less than five years of experience. This role does not have primary servicing responsibility for the client.

Senior Research Analyst: Researches and analyzes investment alternatives and makes recommendations to the Director of Research or to advisors directly. Minimum of five years of experience. May have responsibility for managing the Research Analyst.

Research Analyst: Supports the Senior Research Analyst. Researches and analyzes investment alternatives and assists with recommendations to the Director of Research or advisors. Less than five years of experience.

Support Staff

Support roles back up the firm's advisors and technical specialists by providing advice-related support. Support staff, for example, may organize client data, conduct trades or manage the administration of portfolios. While support staff enhance delivery of advice to clients, they are not directly responsible for the delivery of advice or working directly with clients.

Support Advisor or Paraplanner: Responsible for providing support to both the Lead and Associate Advisor in the delivery of advice to clients. Prepares financial modeling and financial advice documents under guidance of more senior advisors. Participates in client meetings with more senior advisors and completes follow-up work from client meetings. Does not have actual accountability for the advice delivered.

Trader: Part of the operations team, this role places buy/sell orders for individual clients under the direction of the CIO or Investment Manager.

Senior Portfolio Administrator: Manages the administrative work related to all client accounts. Minimum of two years of experience. Responsible for establishing new accounts, managing client and custodian paperwork, and generating client portfolio reports.

Portfolio Administrator: Similar to the Senior Portfolio Administrator, manages the administrative work related to all client accounts. Responsible for establishing new accounts, managing client and custodian paperwork, and generating client portfolio reports. Less than two years of experience.

Client Services Associate: Provides non-advice-related support to clients including organizing client meetings, collecting client data, responding to administrative client queries and preparing client letters and standard reports.

Administrative Staff

Administrative staff members provide general business administration support to the firm. Examples include clerical duties, managing office supplies or bookkeeping. These roles support the firm in general and are not linked to serving specific clients. Some of these positions, however (e.g., receptionist), will have regular contact with clients; others (e.g., bookkeeper) will have minimal contact.

Office Manager: A broad/general administrative position that typically manages activities such as procurement and distribution of office supplies, office maintenance and accounts payable/receivable.

Marketing Assistant: Supports the business with the implementation of marketing or sales-related initiatives. Responsibilities will typically include event coordination, seminar arrangement and preparation of marketing materials.

Administrative Assistant: Provides general administrative support to the business such as filing, preparing letters, arranging appointments, managing calendars and other clerical duties.

Executive Assistant: Provides direct administrative support to a senior manager or senior advisor within the firm, including a number of clerical responsibilities. Typically a more experienced individual than the Administrative Assistant.

Bookkeeper: Basic accounting support including entering financial data into accounting software and preparing financial reports for the firm.

Technology Support: Responsible for managing day-to-day technology issues, supporting the implementation of new software and hardware, troubleshooting and managing the firm's computer network.

Receptionist: Greets all clients on arrival, manages incoming phone calls and messages, and performs other secretarial work as required.

Income Statement Tables

Average Income Statement, Fiscal Year 2016

All Firms

Revenue

Asset Management Fees	\$2,774,647
Advice Fees (per Hour or per Project)	\$70,434
Advice Retainers (Flat Fee)	\$90,032
Other Fees	\$44,808
Securities and Mutual Funds—New Sales	\$38,497
Mutual Fund Trails	\$57,338
Insurance—First-Year Sales	\$49,913
Insurance Renewals	\$41,467
Gross Revenue	\$3,167,135

Direct Expenses

Salaries and Commissions Paid to Revenue Roles	
Primary Owners	\$428,875
Others	\$511,625
Incentive Compensation Paid to Revenue Roles	
Primary Owners	\$113,086
Others	\$65,789
Fees Paid for Referrals	\$31,971
Total Direct Expenses	\$1,151,345
Gross Profit	\$2,015,790

Overhead Expenses

Employee Insurance Benefits	\$67,528
Payroll Taxes	\$68,515
Personnel Development	\$17,365
Retirement-Related Benefits	
Primary Owners	\$33,685
Others	\$27,456
Salaries for Administrative, Technical and Support Staff	\$301,147
Incentive Comp. for Admin., Technical and Support Staff	\$23,640
Salaries for Management	
Primary Owners	\$59,747
Others	\$44,293
Incentive Compensation for Management	
Primary Owners	\$19,327
Others	\$14,557
Other Overhead Expenses	\$506,753
Total Overhead Expenses	\$1,184,013
Operating Profit	\$831,777

Other Income or Expenses

Other Income	\$13,236
Other Expenses	\$72,592
Total Other Income or Expenses	-\$59,356
Profit Before Tax	\$772,421

Firm Count

388

Average Income Statement, Fiscal Year 2016

Firms by Stage

Revenue	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Asset Management Fees	\$226,916	\$740,376	\$2,305,152	\$4,923,026	\$15,855,028
Advice Fees (per Hour or per Project)	\$17,750	\$26,646	\$32,372	\$70,219	\$462,359
Advice Retainers (Flat Fee)	\$19,492	\$82,791	\$109,554	\$128,666	\$201,766
Other Fees	\$1,927	\$5,873	\$24,532	\$72,628	\$322,163
Securities and Mutual Funds—New Sales	\$8,255	\$8,379	\$12,256	\$147,357	\$184,719
Mutual Fund Trails	\$8,576	\$30,462	\$26,791	\$138,240	\$274,310
Insurance—First-Year Sales	\$9,530	\$10,152	\$11,202	\$57,511	\$390,230
Insurance Renewals	\$3,731	\$5,269	\$17,580	\$77,867	\$296,089
Gross Revenue	\$296,177	\$909,947	\$2,539,440	\$5,615,514	\$17,986,663

Direct Expenses

Salaries and Commissions Paid to Revenue Roles					
Primary Owners	\$99,468	\$214,261	\$391,777	\$812,428	\$1,767,708
Others	\$14,236	\$58,362	\$296,222	\$754,044	\$3,766,440
Incentive Compensation Paid to Revenue Roles					
Primary Owners	\$15,209	\$40,646	\$84,596	\$306,478	\$508,382
Others	\$2,316	\$8,085	\$74,072	\$103,616	\$385,283
Fees Paid for Referrals	\$566	\$1,326	\$20,609	\$98,540	\$188,558
Total Direct Expenses	\$131,794	\$322,679	\$867,276	\$2,075,106	\$6,616,371
Gross Profit	\$164,383	\$587,268	\$1,672,164	\$3,540,408	\$11,370,293

Overhead Expenses

Employee Insurance Benefits	\$4,914	\$15,009	\$54,563	\$110,069	\$412,597
Payroll Taxes	\$9,599	\$28,247	\$67,646	\$142,989	\$295,165
Personnel Development	\$3,150	\$8,006	\$15,701	\$27,896	\$81,699
Retirement-Related Benefits					
Primary Owners	\$5,258	\$22,468	\$42,154	\$48,460	\$110,296
Others	\$661	\$8,391	\$35,132	\$52,522	\$122,308
Salaries for Administrative, Technical and Support Staff	\$18,598	\$94,040	\$272,296	\$607,748	\$1,554,113
Incentive Comp. for Admin., Technical and Support Staff	\$475	\$4,860	\$22,831	\$44,879	\$133,415
Salaries for Management					
Primary Owners	\$2,045	\$17,262	\$41,026	\$112,779	\$357,662
Others	\$3,734	\$13,741	\$56,570	\$118,854	\$156,218
Incentive Compensation for Management					
Primary Owners	\$1,684	\$3,764	\$16,775	\$37,125	\$110,998
Others	\$0	\$1,385	\$9,969	\$21,005	\$105,851
Other Overhead Expenses	\$30,267	\$125,451	\$340,025	\$892,666	\$3,167,381
Total Overhead Expenses	\$80,385	\$342,623	\$974,690	\$2,216,992	\$6,607,702
Operating Profit	\$83,998	\$244,645	\$697,474	\$1,323,416	\$4,762,591

Other Income or Expenses

Other Income	\$2,979	\$1,229	\$12,462	\$46,083	\$53,784
Other Expenses	\$11,247	\$41,163	\$99,017	\$114,272	\$236,058
Total Other Income or Expenses	-\$8,268	-\$39,934	-\$86,556	-\$68,188	-\$182,275
Profit Before Tax	\$75,730	\$204,711	\$610,918	\$1,255,228	\$4,580,316

Firm Count	87	140	89	36	36
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Average Income Statement, Fiscal Year 2016

Standout Firms and Others

Revenue	Standout Operators	Other Operators	Standout Cultivators	Other Cultivators
Asset Management Fees	\$234,334	\$226,317	\$712,732	\$748,555
Advice Fees (per Hour or per Project)	\$13,198	\$20,430	\$46,282	\$21,354
Advice Retainers (Flat Fee)	\$5,796	\$25,978	\$56,149	\$95,277
Other Fees	\$711	\$2,527	\$4,867	\$6,379
Securities and Mutual Funds—New Sales	\$12,553	\$7,864	\$3,567	\$8,833
Mutual Fund Trails	\$5,884	\$10,398	\$22,772	\$32,438
Insurance—First-Year Sales	\$17,267	\$7,801	\$10,788	\$10,044
Insurance Renewals	\$3,947	\$4,091	\$2,056	\$6,558
Gross Revenue	\$293,689	\$305,406	\$859,211	\$929,438
Direct Expenses				
Salaries and Commissions Paid to Revenue Roles				
Primary Owners	\$130,483	\$89,910	\$249,097	\$208,612
Others	\$2,368	\$18,218	\$32,610	\$68,966
Incentive Compensation Paid to Revenue Roles				
Primary Owners	\$27,474	\$11,085	\$52,375	\$31,941
Others	\$0	\$3,303	\$5,259	\$8,279
Fees Paid for Referrals	\$2,301	\$90	\$0	\$1,530
Total Direct Expenses	\$162,626	\$122,606	\$339,341	\$319,329
Gross Profit	\$131,063	\$182,800	\$519,870	\$610,110
Overhead Expenses				
Employee Insurance Benefits	\$4,935	\$5,305	\$11,873	\$16,274
Payroll Taxes	\$6,671	\$11,178	\$21,861	\$31,049
Personnel Development	\$1,519	\$3,930	\$6,880	\$8,476
Retirement-Related Benefits				
Primary Owners	\$2,289	\$6,679	\$14,924	\$24,943
Others	\$0	\$853	\$2,266	\$10,780
Salaries for Administrative, Technical and Support Staff	\$9,534	\$21,638	\$55,614	\$108,890
Incentive Comp. for Admin., Technical and Support Staff	\$53	\$621	\$2,686	\$5,801
Salaries for Management				
Primary Owners	\$0	\$2,916	\$11,061	\$11,310
Others	\$1,316	\$4,387	\$14,269	\$14,243
Incentive Compensation for Management				
Primary Owners	\$0	\$2,402	\$15,970	\$0
Others	\$0	\$0	\$3,394	\$803
Other Overhead Expenses	\$822	\$42,665	\$38,273	\$153,784
Total Overhead Expenses	\$27,139	\$102,573	\$199,070	\$386,355
Operating Profit	\$103,924	\$80,227	\$320,800	\$223,755
Other Income or Expenses				
Other Income	\$0	\$4,249	\$1,431	\$1,224
Other Expenses	\$21,330	\$8,114	\$56,295	\$38,285
Total Other Income or Expenses	-\$21,330	-\$3,865	-\$54,864	-\$37,061
Profit Before Tax	\$82,594	\$76,361	\$265,937	\$186,694

Firm Count	19	61	33	102
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Average Income Statement, Fiscal Year 2016

Standout Firms and Others

Revenue	Standout Accelerators	Other Accelerators	Standout Innovators	Other Innovators
Asset Management Fees	\$2,412,496	\$2,266,829	\$4,521,990	\$5,075,140
Advice Fees (per Hour or per Project)	\$13,793	\$34,325	\$14,646	\$89,258
Advice Retainers (Flat Fee)	\$200,499	\$83,937	\$0	\$171,555
Other Fees	\$2,967	\$28,078	\$69,031	\$76,384
Securities and Mutual Funds—New Sales	\$0	\$15,019	\$565,392	\$28,952
Mutual Fund Trails	\$0	\$36,127	\$176,775	\$131,942
Insurance—First-Year Sales	\$6,405	\$5,846	\$25,000	\$69,274
Insurance Renewals	\$9,111	\$16,546	\$137,976	\$62,941
Gross Revenue	\$2,645,273	\$2,486,706	\$5,510,810	\$5,705,446
Direct Expenses				
Salaries and Commissions Paid to Revenue Roles				
Primary Owners	\$435,030	\$377,765	\$1,072,034	\$747,900
Others	\$252,800	\$319,015	\$307,447	\$914,296
Incentive Compensation Paid to Revenue Roles				
Primary Owners	\$100,886	\$81,976	\$765,038	\$181,959
Others	\$84,378	\$73,037	\$46,091	\$124,336
Fees Paid for Referrals	\$17,217	\$22,237	\$10,731	\$128,207
Total Direct Expenses	\$890,311	\$874,031	\$2,201,340	\$2,096,698
Gross Profit	\$1,754,962	\$1,612,675	\$3,309,470	\$3,608,748
Overhead Expenses				
Employee Insurance Benefits	\$38,102	\$61,151	\$91,437	\$117,827
Payroll Taxes	\$50,575	\$75,128	\$110,272	\$155,489
Personnel Development	\$14,697	\$16,497	\$28,534	\$28,551
Retirement-Related Benefits				
Primary Owners	\$59,139	\$38,027	\$86,456	\$38,997
Others	\$31,767	\$37,268	\$40,094	\$58,068
Salaries for Administrative, Technical and Support Staff	\$190,290	\$306,640	\$233,712	\$702,649
Incentive Comp. for Admin., Technical and Support Staff	\$28,909	\$21,589	\$20,375	\$53,802
Salaries for Management				
Primary Owners	\$29,883	\$27,632	\$104,055	\$103,721
Others	\$22,816	\$69,024	\$24,331	\$151,263
Incentive Compensation for Management				
Primary Owners	\$51,410	\$6,263	\$17,109	\$44,430
Others	\$4,757	\$11,930	\$5,260	\$26,448
Other Overhead Expenses	\$201,607	\$394,371	\$535,535	\$1,000,604
Total Overhead Expenses	\$723,953	\$1,065,521	\$1,297,170	\$2,481,849
Operating Profit	\$1,031,009	\$547,154	\$2,012,300	\$1,126,899
Other Income or Expenses				
Other Income	\$3,457	\$15,704	\$3,005	\$60,554
Other Expenses	\$171,522	\$78,948	\$13,625	\$148,325
Total Other Income or Expenses	-\$168,064	-\$63,244	-\$10,620	-\$87,771
Profit Before Tax	\$862,945	\$483,910	\$2,001,680	\$1,039,128
Firm Count	21	66	8	27

Average Income Statement, Fiscal Year 2016

Standout Firms and Others

	Standout Pacesetters	Other Pacesetters
Revenue		
Asset Management Fees	\$11,442,725	\$16,946,834
Advice Fees (per Hour or per Project)	\$52,472	\$624,044
Advice Retainers (Flat Fee)	\$61,050	\$260,584
Other Fees	\$101,935	\$381,806
Securities and Mutual Funds—New Sales	\$0	\$248,471
Mutual Fund Trails	\$0	\$346,417
Insurance—First-Year Sales	\$0	\$539,301
Insurance Renewals	\$0	\$404,711
Gross Revenue	\$11,658,182	\$19,752,167
Direct Expenses		
Salaries and Commissions Paid to Revenue Roles		
Primary Owners	\$2,311,453	\$1,629,066
Others	\$1,233,701	\$4,764,745
Incentive Compensation Paid to Revenue Roles		
Primary Owners	\$257,216	\$570,250
Others	\$98,166	\$469,575
Fees Paid for Referrals	\$41,553	\$248,295
Total Direct Expenses	\$3,942,089	\$7,681,931
Gross Profit	\$7,716,093	\$12,070,236
Overhead Expenses		
Employee Insurance Benefits	\$255,873	\$459,036
Payroll Taxes	\$234,379	\$307,887
Personnel Development	\$56,233	\$89,217
Retirement-Related Benefits		
Primary Owners	\$164,957	\$89,846
Others	\$145,016	\$93,373
Salaries for Administrative, Technical and Support Staff	\$1,036,073	\$1,602,226
Incentive Comp. for Admin., Technical and Support Staff	\$125,662	\$139,794
Salaries for Management		
Primary Owners	\$288,200	\$406,547
Others	\$68,304	\$171,833
Incentive Compensation for Management		
Primary Owners	\$194,559	\$93,824
Others	\$12,254	\$60,307
Other Overhead Expenses	\$1,543,481	\$3,566,666
Total Overhead Expenses	\$4,124,991	\$7,080,556
Operating Profit	\$3,591,102	\$4,989,680
Other Income or Expenses		
Other Income	\$3,934	\$58,937
Other Expenses	\$219,621	\$259,561
Total Other Income or Expenses	-\$215,687	-\$200,624
Profit Before Tax	\$3,375,415	\$4,789,056

Firm Count

8

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Common-Sized Income Statement Tables

Common-Sized Income Statement, Fiscal Year 2016

All Firms

Revenue

Asset Management Fees	87.6%
Advice Fees (per Hour or per Project)	2.2%
Advice Retainers (Flat Fee)	2.8%
Other Fees	1.4%
Securities and Mutual Funds—New Sales	1.2%
Mutual Fund Trails	1.8%
Insurance—First-Year Sales	1.6%
Insurance Renewals	1.3%
Gross Revenue	100.0%

Direct Expenses

Salaries and Commissions Paid to Revenue Roles	
Primary Owners	13.5%
Others	16.2%
Incentive Compensation Paid to Revenue Roles	
Primary Owners	3.6%
Others	2.1%
Fees Paid for Referrals	1.0%
Total Direct Expenses	36.4%
Gross Profit	63.6%

Overhead Expenses

Employee Insurance Benefits	2.1%
Payroll Taxes	2.2%
Personnel Development	0.5%
Retirement-Related Benefits	
Primary Owners	1.1%
Others	0.9%
Salaries for Administrative, Technical and Support Staff	9.5%
Incentive Comp. for Admin., Technical and Support Staff	0.7%
Salaries for Management	
Primary Owners	1.9%
Others	1.4%
Incentive Compensation for Management	
Primary Owners	0.6%
Others	0.5%
Other Overhead Expenses	16.0%
Total Overhead Expenses	37.4%
Operating Profit	26.3%

Other Income or Expenses

Other Income	0.4%
Other Expenses	2.3%
Total Other Income or Expenses	-1.9%
Profit Before Tax	24.4%

Firm Count

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Common-Sized Income Statement, Fiscal Year 2016

Firms by Stage

Revenue	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Asset Management Fees	76.6%	81.4%	90.8%	87.7%	88.1%
Advice Fees (per Hour or per Project)	6.0%	2.9%	1.3%	1.3%	2.6%
Advice Retainers (Flat Fee)	6.6%	9.1%	4.3%	2.3%	1.1%
Other Fees	0.7%	0.6%	1.0%	1.3%	1.8%
Securities and Mutual Funds—New Sales	2.8%	0.9%	0.5%	2.6%	1.0%
Mutual Fund Trails	2.9%	3.3%	1.1%	2.5%	1.5%
Insurance—First-Year Sales	3.2%	1.1%	0.4%	1.0%	2.2%
Insurance Renewals	1.3%	0.6%	0.7%	1.4%	1.6%
Gross Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Direct Expenses					
Salaries and Commissions Paid to Revenue Roles					
Primary Owners	33.6%	23.5%	15.4%	14.5%	9.8%
Others	4.8%	6.4%	11.7%	13.4%	20.9%
Incentive Compensation Paid to Revenue Roles					
Primary Owners	5.1%	4.5%	3.3%	5.5%	2.8%
Others	0.8%	0.9%	2.9%	1.8%	2.1%
Fees Paid for Referrals	0.2%	0.1%	0.8%	1.8%	1.0%
Total Direct Expenses	44.5%	35.5%	34.2%	37.0%	36.8%
Gross Profit	55.5%	64.5%	65.8%	63.0%	63.2%
Overhead Expenses					
Employee Insurance Benefits	1.7%	1.6%	2.1%	2.0%	2.3%
Payroll Taxes	3.2%	3.1%	2.7%	2.5%	1.6%
Personnel Development	1.1%	0.9%	0.6%	0.5%	0.5%
Retirement-Related Benefits					
Primary Owners	1.8%	2.5%	1.7%	0.9%	0.6%
Others	0.2%	0.9%	1.4%	0.9%	0.7%
Salaries for Administrative, Technical and Support Staff	6.3%	10.3%	10.7%	10.8%	8.6%
Incentive Comp. for Admin., Technical and Support Staff	0.2%	0.5%	0.9%	0.8%	0.7%
Salaries for Management					
Primary Owners	0.7%	1.9%	1.6%	2.0%	2.0%
Others	1.3%	1.5%	2.2%	2.1%	0.9%
Incentive Compensation for Management					
Primary Owners	0.6%	0.4%	0.7%	0.7%	0.6%
Others	0.0%	0.2%	0.4%	0.4%	0.6%
Other Overhead Expenses	10.2%	13.8%	13.4%	15.9%	17.6%
Total Overhead Expenses	27.1%	37.7%	38.4%	39.5%	36.7%
Operating Profit	28.4%	26.9%	27.5%	23.6%	26.5%
Other Income or Expenses					
Other Income	1.0%	0.1%	0.5%	0.8%	0.3%
Other Expenses	3.8%	4.5%	3.9%	2.0%	1.3%
Total Other Income or Expenses	-2.8%	-4.4%	-3.4%	-1.2%	-1.0%
Profit Before Tax	25.6%	22.5%	24.1%	22.4%	25.5%
Firm Count	87	140	89	36	36

Common-Sized Income Statement, Fiscal Year 2016

Standout Firms and Others

	Standout Operators	Other Operators	Standout Cultivators	Other Cultivators
Revenue				
Asset Management Fees	79.8%	74.1%	83.0%	80.5%
Advice Fees (per Hour or per Project)	4.5%	6.7%	5.4%	2.3%
Advice Retainers (Flat Fee)	2.0%	8.5%	6.5%	10.3%
Other Fees	0.2%	0.8%	0.6%	0.7%
Securities and Mutual Funds—New Sales	4.3%	2.6%	0.4%	1.0%
Mutual Fund Trails	2.0%	3.4%	2.7%	3.5%
Insurance—First-Year Sales	5.9%	2.6%	1.3%	1.1%
Insurance Renewals	1.3%	1.3%	0.2%	0.7%
Gross Revenue	100.0%	100.0%	100.0%	100.0%
Direct Expenses				
Salaries and Commissions Paid to Revenue Roles				
Primary Owners	44.4%	29.4%	29.0%	22.4%
Others	0.8%	6.0%	3.8%	7.4%
Incentive Compensation Paid to Revenue Roles				
Primary Owners	9.4%	3.6%	6.1%	3.4%
Others	0.0%	1.1%	0.6%	0.9%
Fees Paid for Referrals	0.8%	0.0%	0.0%	0.2%
Total Direct Expenses	55.4%	40.1%	39.5%	34.4%
Gross Profit	44.6%	59.9%	60.5%	65.6%
Overhead Expenses				
Employee Insurance Benefits	1.7%	1.7%	1.4%	1.8%
Payroll Taxes	2.3%	3.7%	2.5%	3.3%
Personnel Development	0.5%	1.3%	0.8%	0.9%
Retirement-Related Benefits				
Primary Owners	0.8%	2.2%	1.7%	2.7%
Others	0.0%	0.3%	0.3%	1.2%
Salaries for Administrative, Technical and Support Staff	3.2%	7.1%	6.5%	11.7%
Incentive Comp. for Admin., Technical and Support Staff	0.0%	0.2%	0.3%	0.6%
Salaries for Management				
Primary Owners	0.0%	1.0%	1.3%	1.2%
Others	0.4%	1.4%	1.7%	1.5%
Incentive Compensation for Management				
Primary Owners	0.0%	0.8%	1.9%	0.0%
Others	0.0%	0.0%	0.4%	0.1%
Other Overhead Expenses	0.3%	14.0%	4.5%	16.5%
Total Overhead Expenses	9.2%	33.6%	23.2%	41.6%
Operating Profit	35.4%	26.3%	37.3%	24.1%
Other Income or Expenses				
Other Income	0.0%	1.4%	0.2%	0.1%
Other Expenses	7.3%	2.7%	6.6%	4.1%
Total Other Income or Expenses	-7.3%	-1.3%	-6.4%	-4.0%
Profit Before Tax	28.1%	25.0%	31.0%	20.1%
Firm Count	19	61	33	102

Common-Sized Income Statement, Fiscal Year 2016

Standout Firms and Others

	Standout Accelerators	Other Accelerators	Standout Innovators	Other Innovators
Revenue				
Asset Management Fees	91.2%	91.2%	82.1%	89.0%
Advice Fees (per Hour or per Project)	0.5%	1.4%	0.3%	1.6%
Advice Retainers (Flat Fee)	7.6%	3.4%	0.0%	3.0%
Other Fees	0.1%	1.1%	1.3%	1.3%
Securities and Mutual Funds—New Sales	0.0%	0.6%	10.3%	0.5%
Mutual Fund Trails	0.0%	1.5%	3.2%	2.3%
Insurance—First-Year Sales	0.2%	0.2%	0.5%	1.2%
Insurance Renewals	0.3%	0.7%	2.5%	1.1%
Gross Revenue	100.0%	100.0%	100.0%	100.0%
Direct Expenses				
Salaries and Commissions Paid to Revenue Roles				
Primary Owners	16.4%	15.2%	19.5%	13.1%
Others	9.6%	12.8%	5.6%	16.0%
Incentive Compensation Paid to Revenue Roles				
Primary Owners	3.8%	3.3%	13.9%	3.2%
Others	3.2%	2.9%	0.8%	2.2%
Fees Paid for Referrals	0.7%	0.9%	0.2%	2.2%
Total Direct Expenses	33.7%	35.1%	39.9%	36.7%
Gross Profit	66.3%	64.9%	60.1%	63.3%
Overhead Expenses				
Employee Insurance Benefits	1.4%	2.5%	1.7%	2.1%
Payroll Taxes	1.9%	3.0%	2.0%	2.7%
Personnel Development	0.6%	0.7%	0.5%	0.5%
Retirement-Related Benefits				
Primary Owners	2.2%	1.5%	1.6%	0.7%
Others	1.2%	1.5%	0.7%	1.0%
Salaries for Administrative, Technical and Support Staff	7.2%	12.3%	4.2%	12.3%
Incentive Comp. for Admin., Technical and Support Staff	1.1%	0.9%	0.4%	0.9%
Salaries for Management				
Primary Owners	1.1%	1.1%	1.9%	1.8%
Others	0.9%	2.8%	0.4%	2.7%
Incentive Compensation for Management				
Primary Owners	1.9%	0.3%	0.3%	0.8%
Others	0.2%	0.5%	0.1%	0.5%
Other Overhead Expenses	7.6%	15.9%	9.7%	17.5%
Total Overhead Expenses	27.4%	42.8%	23.5%	43.5%
Operating Profit	39.0%	22.0%	36.5%	19.8%
Other Income or Expenses				
Other Income	0.1%	0.6%	0.1%	1.1%
Other Expenses	6.5%	3.2%	0.2%	2.6%
Total Other Income or Expenses	-6.4%	-2.5%	-0.2%	-1.5%
Profit Before Tax	32.6%	19.5%	36.3%	18.2%
Firm Count	21	66	8	27

Common-Sized Income Statement, Fiscal Year 2016

Standout Firms and Others

	Standout Pacesetters	Other Pacesetters
Revenue		
Asset Management Fees	98.2%	85.8%
Advice Fees (per Hour or per Project)	0.5%	3.2%
Advice Retainers (Flat Fee)	0.5%	1.3%
Other Fees	0.9%	1.9%
Securities and Mutual Funds—New Sales	0.0%	1.3%
Mutual Fund Trails	0.0%	1.8%
Insurance—First-Year Sales	0.0%	2.7%
Insurance Renewals	0.0%	2.0%
Gross Revenue	100.0%	100.0%
Direct Expenses		
Salaries and Commissions Paid to Revenue Roles		
Primary Owners	19.8%	8.2%
Others	10.6%	24.1%
Incentive Compensation Paid to Revenue Roles		
Primary Owners	2.2%	2.9%
Others	0.8%	2.4%
Fees Paid for Referrals	0.4%	1.3%
Total Direct Expenses	33.8%	38.9%
Gross Profit	66.2%	61.1%
Overhead Expenses		
Employee Insurance Benefits	2.2%	2.3%
Payroll Taxes	2.0%	1.6%
Personnel Development	0.5%	0.5%
Retirement-Related Benefits		
Primary Owners	1.4%	0.5%
Others	1.2%	0.5%
Salaries for Administrative, Technical and Support Staff	8.9%	8.1%
Incentive Comp. for Admin., Technical and Support Staff	1.1%	0.7%
Salaries for Management		
Primary Owners	2.5%	2.1%
Others	0.6%	0.9%
Incentive Compensation for Management		
Primary Owners	1.7%	0.5%
Others	0.1%	0.3%
Other Overhead Expenses	13.2%	18.1%
Total Overhead Expenses	35.4%	35.8%
Operating Profit	30.8%	25.3%
Other Income or Expenses		
Other Income	0.0%	0.3%
Other Expenses	1.9%	1.3%
Total Other Income or Expenses	-1.9%	-1.0%
Profit Before Tax	29.0%	24.2%
Firm Count	8	26

Performance Indicator Tables

Median Performance Indicators, Fiscal Year 2016

All Firms

Baseline Metrics

Active Clients	191
Revenue	\$1,156,800
Assets Under Management	\$159,266,875
Number of Service Offerings	16
Overhead Expense Margin	35.7%
Operating Profit Margin	24.4%
Owner Income	\$581,025

People

Total Full-Time Equivalents (FTEs)	6.0
Revenue Roles	2.0
Dedicated Management	1.0
Technical Specialists	0.0
Support Staff	1.0
Administrative Staff	1.0
Non-Revenue Roles per Revenue Role	1.3
Total Owners	2.0

Ratios

Revenue per Revenue Role	\$479,936
Clients per Revenue Role	72
AUM per Revenue Role	\$62,719,334
Revenue per FTE	\$202,056
Clients per FTE	30
AUM per FTE	\$28,103,673
Revenue per Client	\$6,667
AUM per Client	\$911,837
Operating Profit per Client	\$1,404
Overhead Expense per Client	\$2,233
Revenue per AUM Dollar (Basis Points)	75
Owner Income per Revenue Dollar	\$0.56

Annual Growth, 2016

Active Clients	6.4%
Revenue	6.7%
AUM	12.5%
Staff	0.9%

Firm Count

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Median Performance Indicators, Fiscal Year 2016

Firms by Stage

Baseline Metrics	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Active Clients	80	142	265	677	1000
Revenue	\$300,000	\$894,000	\$2,400,000	\$5,572,090	\$13,459,234
Assets Under Management	\$35,500,000	\$110,773,896	\$368,568,191	\$795,000,000	\$2,003,860,297
Number of Service Offerings	14	17	16	17	16
Overhead Expense Margin	21.4%	36.6%	38.8%	36.6%	40.7%
Operating Profit Margin	28.7%	24.7%	22.7%	17.8%	27.5%
Owner Income	\$175,500	\$488,573	\$1,066,138	\$2,401,426	\$6,409,628

People	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Total Full-Time Equivalents (FTEs)	2.0	4.6	9.3	17.5	45.2
Revenue Roles	1.0	2.0	3.8	7.0	17.0
Dedicated Management	0.0	0.0	1.0	2.0	4.0
Technical Specialists	0.0	0.0	0.8	2.0	3.0
Support Staff	0.0	1.0	2.0	5.0	11.5
Administrative Staff	0.5	1.0	1.0	2.5	6.0
Non-Revenue Roles per Revenue Role	1.0	1.3	1.5	1.6	1.7
Total Owners	1.0	1.0	2.0	5.0	9.0

Ratios	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Revenue per Revenue Role	\$213,000	\$454,565	\$638,333	\$803,644	\$767,066
Clients per Revenue Role	60	71	80	85	65
AUM per Revenue Role	\$28,000,000	\$59,672,822	\$86,139,168	\$109,860,772	\$123,303,644
Revenue per FTE	\$120,393	\$184,744	\$248,312	\$301,425	\$282,227
Clients per FTE	33	31	29	32	24
AUM per FTE	\$14,968,724	\$25,000,000	\$35,555,556	\$45,324,234	\$44,147,812
Revenue per Client	\$3,234	\$6,205	\$9,657	\$8,544	\$13,565
AUM per Client	\$384,111	\$808,167	\$1,333,333	\$1,253,579	\$1,986,779
Operating Profit per Client	\$643	\$1,312	\$1,772	\$1,549	\$3,115
Overhead Expense per Client	\$617	\$2,176	\$3,366	\$3,194	\$5,182
Revenue per AUM Dollar (Basis Points)	88	77	72	68	70
Owner Income per Revenue Dollar	\$0.73	\$0.60	\$0.47	\$0.43	\$0.49

Annual Growth, 2016	Operators	Cultivators	Accelerators	Innovators	Pacesetters
Active Clients	14.3%	6.9%	3.8%	5.5%	6.5%
Revenue	14.3%	6.9%	3.9%	4.0%	6.1%
AUM	18.5%	12.5%	10.9%	8.2%	12.6%
Staff	0.0%	1.2%	0.8%	0.0%	5.5%

Firm Count	Operators	Cultivators	Accelerators	Innovators	Pacesetters
	87	140	89	36	36

Median Performance Indicators, Fiscal Year 2016

Standout Firms and Others

Baseline Metrics	Standout Operators	Other Operators	Standout Cultivators	Other Cultivators
Active Clients	84	80	146	140
Revenue	\$300,000	\$313,500	\$800,000	\$910,786
Assets Under Management	\$30,000,000	\$36,033,764	\$100,000,000	\$112,308,893
Number of Service Offerings	14	15	15	17
Overhead Expense Margin	8.2%	31.2%	20.7%	40.9%
Operating Profit Margin	33.6%	25.0%	30.4%	21.9%
Owner Income	\$275,900	\$163,464	\$591,554	\$463,686

People

Total Full-Time Equivalents (FTEs)	2.5	2.0	4.0	5.0
Revenue Roles	1.0	1.0	2.0	2.0
Dedicated Management	0.0	0.0	0.0	0.0
Technical Specialists	0.0	0.0	0.0	0.0
Support Staff	0.0	0.0	1.0	1.0
Administrative Staff	0.0	0.5	1.0	1.0
Non-Revenue Roles per Revenue Role	1.0	1.0	1.0	1.3
Total Owners	1.0	1.0	2.0	1.0

Ratios

Revenue per Revenue Role	\$198,000	\$221,036	\$455,000	\$448,732
Clients per Revenue Role	60	65	74	71
AUM per Revenue Role	\$23,500,000	\$31,500,000	\$59,415,512	\$59,395,220
Revenue per FTE	\$140,000	\$115,873	\$182,004	\$186,148
Clients per FTE	31	33	32	30
AUM per FTE	\$15,000,000	\$14,968,724	\$25,000,000	\$25,000,000
Revenue per Client	\$3,335	\$3,226	\$5,326	\$6,402
AUM per Client	\$288,344	\$400,000	\$720,308	\$839,959
Operating Profit per Client	\$1,322	\$608	\$1,506	\$1,293
Overhead Expense per Client	\$228	\$909	\$1,027	\$2,505
Revenue per AUM Dollar (Basis Points)	101	84	80	77
Owner Income per Revenue Dollar	\$0.90	\$0.63	\$0.72	\$0.52

Annual Growth, 2016

Active Clients	22.6%	11.1%	10.5%	5.4%
Revenue	34.8%	12.2%	15.9%	4.9%
AUM	37.3%	15.2%	17.0%	12.3%
Staff	0.0%	0.0%	20.0%	0.0%

Firm Count	19	61	33	102
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Median Performance Indicators, Fiscal Year 2016

Standout Firms and Others

Baseline Metrics	Standout Accelerators	Other Accelerators	Standout Innovators	Other Innovators
Active Clients	255	265	875	568
Revenue	\$2,804,417	\$2,260,403	\$5,346,560	\$5,616,223
Assets Under Management	\$406,076,551	\$347,479,691	\$742,500,000	\$805,210,000
Number of Service Offerings	18	16	18	16
Overhead Expense Margin	25.8%	44.3%	23.1%	44.9%
Operating Profit Margin	39.6%	19.2%	32.9%	16.4%
Owner Income	\$1,466,865	\$937,143	\$3,805,700	\$2,288,000

People

Total Full-Time Equivalents (FTEs)	8.5	9.2	16.8	21.0
Revenue Roles	3.0	3.9	7.0	7.0
Dedicated Management	1.0	1.0	1.5	2.0
Technical Specialists	0.0	1.0	1.0	2.0
Support Staff	2.0	2.0	3.5	5.0
Administrative Staff	1.0	1.0	2.0	3.0
Non-Revenue Roles per Revenue Role	1.2	1.6	1.4	1.7
Total Owners	2.0	2.0	4.5	5.0

Ratios

Revenue per Revenue Role	\$637,192	\$641,496	\$840,631	\$802,295
Clients per Revenue Role	82	78	134	83
AUM per Revenue Role	\$120,000,000	\$84,713,696	\$111,637,500	\$114,721,544
Revenue per FTE	\$313,086	\$243,293	\$353,019	\$278,386
Clients per FTE	34	28	67	29
AUM per FTE	\$46,083,332	\$32,973,038	\$54,398,486	\$44,924,332
Revenue per Client	\$10,182	\$9,536	\$5,601	\$10,375
AUM per Client	\$1,324,111	\$1,338,095	\$828,366	\$1,396,456
Operating Profit per Client	\$3,620	\$1,537	\$1,358	\$1,696
Overhead Expense per Client	\$2,194	\$3,690	\$1,353	\$4,016
Revenue per AUM Dollar (Basis Points)	70	72	68	67
Owner Income per Revenue Dollar	\$0.65	\$0.40	\$0.71	\$0.40

Annual Growth, 2016

Active Clients	7.1%	2.8%	7.6%	4.2%
Revenue	10.2%	1.7%	8.8%	0.2%
AUM	15.3%	9.5%	13.5%	7.8%
Staff	11.1%	0.0%	10.0%	0.0%

Firm Count	21	66	8	27
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Median Performance Indicators, Fiscal Year 2016

Standout Firms and Others

Baseline Metrics	Standout Pacesetters	Other Pacesetters
Active Clients	839	1063
Revenue	\$12,581,534	\$13,867,021
Assets Under Management	\$1,917,000,000	\$1,985,866,809
Number of Service Offerings	16	16
Overhead Expense Margin	35.7%	43.0%
Operating Profit Margin	30.6%	24.0%
Owner Income	\$6,902,657	\$5,279,581

People

Total Full-Time Equivalents (FTEs)	37.5	47.0
Revenue Roles	14.2	17.0
Dedicated Management	2.5	5.0
Technical Specialists	1.5	3.0
Support Staff	9.0	14.5
Administrative Staff	4.5	6.5
Non-Revenue Roles per Revenue Role	1.7	1.7
Total Owners	10.5	9.0

Ratios

Revenue per Revenue Role	\$759,759	\$767,066
Clients per Revenue Role	79	65
AUM per Revenue Role	\$137,601,432	\$120,396,756
Revenue per FTE	\$295,686	\$275,582
Clients per FTE	31	24
AUM per FTE	\$48,698,570	\$41,328,718
Revenue per Client	\$14,535	\$11,384
AUM per Client	\$2,316,614	\$1,884,751
Operating Profit per Client	\$4,723	\$2,641
Overhead Expense per Client	\$6,104	\$5,037
Revenue per AUM Dollar (Basis Points)	66	72
Owner Income per Revenue Dollar	\$0.56	\$0.44

Annual Growth, 2016

Active Clients	5.9%	8.9%
Revenue	8.4%	4.8%
AUM	13.9%	12.6%
Staff	3.6%	8.5%

Firm Count

8

26

Survey Details

Count of Participating Firms

388

Firm Background

Year Established

Median	2002
Average	2000

Current Affiliation Model

RIA only	76%
Primarily RIA	11%
IBD with insurance	4%
IBD with planning RIA	3%
IBD only	3%
Bank or independent trust company	2%
Other	2%

Primary Custodian (If Applicable)

Fidelity	10%
LPL	2%
Pershing	4%
Raymond James	1%
Schwab	21%
Scottrade	1%
SEI	1%
Shareholder Services	1%
TD Ameritrade	53%
TradePMR	1%
Other	6%

Other Custodians Used

Fidelity	29%
LPL	2%
Pershing	10%
Raymond James	3%
Schwab	33%
Scottrade	3%
SEI	6%
Shareholder Services	1%
TD Ameritrade	30%
Other	33%

Service Positioning

Wealth management	67%
Financial planning	16%
Investment management	12%
Investment advisory	3%
Other	2%

Service Areas Regularly Delivered to Clients	Provided Directly	Use Strategic Partner	Not Provided
Financial planning	95%	1%	4%
Retirement planning	95%	2%	4%
Investment management—discretionary	90%	2%	8%
Cash-flow analysis	87%	1%	11%
Estate planning	54%	34%	12%
Tax planning	69%	16%	15%
College savings plans	75%	10%	15%
Risk management—life, disability, LTC, health	44%	39%	17%
Philanthropic/charitable giving	67%	7%	26%
Investment consulting	68%	2%	30%
Income tax preparation	17%	48%	35%
Major purchase assistance	50%	15%	36%
Executive stock options and benefits planning	57%	6%	37%
Elder care planning	39%	23%	38%
Risk management—property and casualty insurance	16%	46%	38%
Debt management	54%	7%	39%
Brokerage	42%	18%	40%
Investment management—nondiscretionary	56%	4%	40%
Life planning	56%	4%	41%
Corporate employee benefits	42%	13%	45%
Strategic business planning	39%	9%	52%
Bill payment and check writing	7%	16%	77%
Other services	4%	1%	95%

Median Number of Services Provided

Provided directly	13
Provide through strategic partner	3
Total	16

Growth Rates

Median Percent Change 2014–2017	Revenue	Clients	AUM	FTEs
2014–2015	8.3%	7.4%	5.5%	0.0%
2015–2016	6.7%	6.4%	12.5%	0.9%
2016–2017 (expected)	9.3%	7.2%	11.1%	5.1%
2014–2016 (compound annual growth rate)	7.0%	6.8%	8.9%	7.4%
2014–2017 (compound annual growth rate)	7.7%	7.1%	9.1%	8.4%

Revenue

Median Annual Gross Revenue 2014–2017

2014	\$1,006,188
2015	\$1,054,135
2016	\$1,156,800
2017 (expected)	\$1,250,000

Clients and Assets

Median Number of Clients 2014–2017

Active clients as of 12/31/2014	168
Active clients as of 12/31/2015	181
Active clients as of 12/31/2016	191
Expected active clients as of 12/31/2017	210

Median Assets Under Management 2014–2017

AUM as of 12/31/2014	\$132,959,784
AUM as of 12/31/2015	\$144,188,087
AUM as of 12/31/2016	\$159,266,875
Expected AUM as of 12/31/2017	\$172,500,000

Percentage of Clients Who Are Individual Investors 95%

Percentage of Assets Managed That Are from Individual Investors 89%

Average Client Assets by Investment Type

Mutual funds	58%
Individual securities	12%
Wrap accounts	10%
Turnkey asset management programs	5%
Separate accounts	4%
Money market, deposits accounts or cash	4%
Fixed, variable or immediate annuities	3%
Alternatives	3%
Variable life/VUL/whole life/term/LTC	1%
Other products	1%

Staffing

Average Staffing Changes 2016–2017	FTEs as of 12/31/16	Expected New Hires 2017	Expected Departures 2017	Expected FTEs as of 12/31/17
Revenue roles	5.6	0.7	0.1	6.1
Management	1.1	0.0	0.0	1.1
Technical specialists	1.4	0.2	0.0	1.5
Support staff	2.9	0.5	0.1	3.3
Administrative staff	1.8	0.3	0.1	1.9

Median Total FTEs 2014–2017

Total FTEs as of 12/31/2014	5.0
Total FTEs as of 12/31/2015	5.0
Total FTEs as of 12/31/2016	6.0
Expected total FTEs as of 12/31/2017	7.0

Perception of Difficulty in Hiring	Less Difficult to Hire	No Difference	More Difficult to Hire
Revenue roles	7%	25%	68%
Management	5%	46%	50%
Technical specialists	12%	45%	43%
Support staff	20%	45%	34%
Administrative staff	24%	54%	22%

If Hiring in 2017, Primary Sources of New Hires	Revenue Roles	Dedicated Management	All Other Positions
Independent RIA firm	66%	36%	40%
Independent or insurance broker-dealer	26%	9%	14%
National full-service brokerage (wirehouse)	28%	18%	13%
Bank	20%	18%	20%
Elsewhere in financial services	33%	36%	44%
Non-financial services company	9%	18%	36%
Recent college graduate	31%	0%	62%
Other	3%	0%	7%

Effect of Outsourcing on Need for Permanent Team Members

Little or no impact	39%
Labor savings of less than one FTE	23%
Labor savings of 1–2 FTEs	31%
Labor savings of 3–5 FTEs	5%
Labor savings of more than 5 FTEs	1%

Business Functions Outsourced

Compliance	57%
Back office	50%
Human resources	39%
Marketing, bus. dev. or sales support	22%
Investment management	13%
Other	28%

Ownership

Average Number of Firm Owners by Ownership Share	Active Owners	Passive Owners
Less than 5% share; share value is less than \$50,000	0.39	0.16
Less than 5% share; share value is \$50,000 or more	0.65	0.18
5–10% share	0.39	0.06
10–25% share	0.36	0.07
25–50% share	0.33	0.03
50–75% share	0.23	0.02
>75% share	0.62	0.03
Total	2.98	0.55

Number of Primary Owners	Median	Average
Primary owners	1.0	2.6
Passive owners	0.0	0.4

Owner Income	Median	Average
Total owner income	\$581,025	\$1,452,812
Income per owner	\$352,150	\$524,774
Owner income as percent of revenue	\$0.56	\$0.46

Percentage of Firms with Ownership Buy-In Programs	34%
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Of Firms with Ownership Programs, Forms of Ownership Offered

Capital interests	47%
Profits interests	27%
Unrestricted stock	14%
Stock options	11%
Phantom stock or phantom LLC units	11%
Restricted stock	10%
Capital or profits interest options	9%
Stock or unit appreciation rights	2%

Process for Acquiring Firm Ownership

Purchased through formal purchase or firm retirement plan	50%
Purchased on ad hoc basis	38%
Granted by the firm at no cost to team member	19%
Provided in lieu of compensation	8%
Other	7%

Profit Distribution Method

Profit distributions are strictly proportionate to ownership shares	74%
Profit distributions are loosely aligned with ownership shares but involve other factors	12%
Profit distributions are proportionate to an owner's contribution to firm growth	9%
Neither ownership share nor contribution is primary determinant	5%

Method of Primary Owner Payment

Primary owners receive base salaries based on market rates but are also eligible for incentive compensation	33%
Primary owners receive base salaries based on market rates	19%
Primary owners receive no salaries; pay is incentive compensation or profits	16%
Salaries are determined by combination of prior-year revenue and other contributions	10%
Salaries are determined yearly based on prior-year revenue contribution (draw)	8%
Salaries for all of the firm's active owners are equal irrespective of their roles and not based on market rates	6%

New Primary Owner Admitted in Past Two Years

Yes, our last new primary owner was an internal promotion.	12%
Yes, our last new primary owner was brought in from outside the firm.	7%
No, our firm has not had a new primary owner in the last two years.	81%

If New Owner, Primary Payment for Ownership

Purchased through seller financing	24%
Ownership was granted (no payment)	16%
Purchased through bank financing	15%
Contributed a book of business	15%
Purchased with cash upfront	7%
Purchased through third-party financing	6%
Purchased through personal debt	6%
Earned as part of incentive plan	3%
Other	9%

Methodology for Valuing Shares Exchanged

Valuations specialist prepared customized valuations analysis	40%
Informal estimates	26%
Internally prepared customized valuations analysis	21%
No attempt made to estimate share value	4%
Online or automated estimation tools	1%
Other	7%

If Ownership Purchased, Price Paid Relative to Market Rate

Market rate price	50%
Discounted price less than market	42%
Premium price greater than market	8%

If Discounted Purchase, Level of Discount

1–10% less than market rate	24%
11–25% less than market rate	52%
26–50% less than market rate	19%
Over 50% less than market rate	5%

Current Primary Owner(s) Exit Time Frame *(Respondents could select more than one if they have multiple owners who will exit at different times)*

0–3 years	12%
4–7 years	19%
8–12 years	33%
More than 12 years out	57%

Succession Plan Readiness

No succession plan and not currently preparing one	13%
No succession plan but we are preparing one	21%
Plan exists but concerns regarding suitable successor	12%
Plan exists but concerns regarding succession-related financing	10%
Plan exists but is inadequate for reasons other than successor or financing	7%
Adequate plan exists and is awaiting implementation	20%
Adequate plan exists and our process for succession is underway	17%

Intended Succession Solution When Primary Owners Retire

Successor will be developed internally	69%
Firm will sell to an external buyer	9%
Firm will merge into or acquire another firm	6%
Owners will close firm upon retirement	1%
Other	4%
Not sure	11%

Organizational Structure and Career Paths

Organizational Structure Characteristics

Staff members are aware of job descriptions and understand responsibilities	71%
Current organizational structure is clearly documented	68%
Current reporting lines and role titles are clear	61%
Each job position within the firm is documented and up to date	46%
Organizational structure documentation effectively supports current and future hiring decisions	34%
Documented plan for future structure exists, including projected role titles and reporting lines	19%
None of the above	10%

Organizational Structure for Servicing Clients

Solo practitioner with little or no support or aid of other revenue roles	9%
Solo practitioner with support advisor or client services associate	20%
Multiple advisors, each servicing distinct client base, aided by technical specialist or support positions	17%
Multiple advisors collaboratively service common client base, using technical specialist or support staff	42%
Multiple teams, each servicing distinct client base or specialty service	12%

Associate Advisor Business Development

No expectation for associate advisor to develop business	30%
Associate advisor learns business development skills over time with guidance from lead advisor	64%
Associate advisor develops business with limited support or guidance from others	6%

Organizational Structure Support of Internal Career Paths

Firm encourages development coaching conversations	51%
Senior team members mentor junior members	49%
Firm offers informal on-the-job professional dev. opportunities	42%
Team members understand skills required for career progression	37%
Firm offers formal training that facilitates career growth	33%
Documented career paths exist for key role types	29%
Development plans detail team member career advancement priorities	28%
Designated individual manages professional development for firm	21%
None of the above	22%

Incenting and Managing Performance

Use of Job-Related Variable Compensation	Base Salary Only	Base and Discretionary Bonus	Base and Performance-Based Incentive	Base, Disc. Bonus and Performance-Based	Variable Comp. Only
Revenue roles	11%	23%	32%	20%	14%
Management	21%	29%	32%	15%	4%
Technical specialists	16%	37%	26%	17%	4%
Support staff	14%	44%	26%	12%	3%
Administrative staff	21%	43%	22%	13%	2%

Basis for Allocating Incentive Pay for Revenue Roles

Share of revenue individual manages	46%
Share of new revenue individual generates	35%
Share of firmwide incentive pool	35%
Net new assets individual generates	17%
Share of individual's base pay	12%
Total assets individual manages	11%
Other	5%

Performance-Based Incentive Pay Drivers	Revenue Roles	Dedicated Management	All Other Positions
Firmwide performance	68%	89%	85%
Team-related performance (subset of firm)	20%	22%	17%
Individual-related performance	73%	54%	56%
Other	2%	5%	2%
Percentage of Firms Conducting Performance Evaluations At Least Annually			74%

Performance Evaluation Characteristics, If Conducted

Feedback includes specific guidance on priorities for improvement	82%
Evaluations consider ability to demonstrate firm values	72%
Evaluations adhere to a standard process	67%
Performance is measured against documented goals	61%
"Action items" are proactively monitored for follow-up	51%
Evaluation feedback extends beyond the lead evaluator	50%
Evaluation results directly influence incentive pay	35%
Evaluation results include a specific score or rank	32%
Participants receive training on effective evaluations	17%
None of the above	4%

Benefits**Benefit Options Funded Partially or Fully for All Staff Members**

Qualified retirement plan such as 401(k)	75%
Medical insurance	66%
Retirement plan "company match" contribution	56%
Dental insurance	36%
Profit-sharing plan	34%
Life insurance	33%
None of the above	11%

Typical Level of Paid Time (PTO) by Role Type	2 Weeks or Less Off	3 Weeks Off	4 Weeks Off	5 Weeks Off	6+ Weeks Off
Revenue roles	13%	25%	33%	14%	15%
Management	9%	23%	37%	20%	12%
Technical specialists	14%	40%	29%	11%	6%
Support staff	22%	42%	25%	6%	4%
Administrative staff	28%	40%	23%	6%	3%

Nontraditional Benefit Offerings

Flex-time work schedules	64%
Free or subsidized training programs	45%
Telecommuting	41%
Maternity or paternity leave	36%
Free or subsidized meals	20%
"Bonus" days off for exemplary performance	16%
Wellness benefits	15%
Free or subsidized college tuition	10%
Vacation travel awards	5%
Free or subsidized child care	1%
Other	13%
None of the above	13%

Position Data

Revenue Roles

Business Development Specialist (Rainmaker)

Description

Responsible for the business development within the firm, specifically developing and introducing new client relationships to the business through building centers of influence and actively networking within the firm's target market. This role introduces new prospects to other advisors within the business and is not responsible for the delivery of advice to clients. Typically less than 10% of the incumbent's time would be spent delivering advice to prospects or existing clients.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	11	18	25
Base Salary	\$82,000	\$125,000	\$201,630
Variable Compensation	\$20,000	\$75,000	\$170,500
Total Compensation	\$115,000	\$180,500	\$300,000
Percentage with More Than 5% Firm Ownership	50%	Median Age	50
Percentage Who Earn Variable Compensation	74%	Percent Male	76%
Number in Sample	223		

Lead Advisor (Senior Advisor)

Description

This is the most senior advisory position within the firm. Typically Lead Advisors are actively involved in generating new client relationships and converting prospective clients into clients. The Lead Advisor also manages ongoing client relationships—in particular, more complex ongoing relationships. Additionally, this role mentors less senior advisors and provides leadership within the advice function of the business. Actual position title may vary across firms. Other common titles include Principal Advisor and Senior Planner.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	11	18	25
Base Salary	\$96,750	\$130,000	\$194,825
Variable Compensation	\$14,565	\$36,967	\$110,000
Total Compensation	\$117,600	\$168,050	\$260,000
Percentage with More Than 5% Firm Ownership	53%	Median Age	47
Percentage Who Earn Variable Compensation	77%	Percent Male	78%
Number in Sample	891		

Associate Advisor

Description

Responsible for the ongoing management of existing client relationships and the retention of clients. The role may work in conjunction with the Lead Advisor or other technical specialists to develop advice for clients. This role mentors more junior positions and may also be building business development skills. The Associate Advisor is not typically expected to develop new relationships.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	4	8	12
Base Salary	\$60,000	\$78,200	\$100,000
Variable Compensation	\$5,000	\$10,873	\$20,000
Total Compensation	\$65,600	\$90,720	\$114,240
Percentage with More Than 5% Firm Ownership	5%	Median Age	35
Percentage Who Earn Variable Compensation	80%	Percent Male	63%
Number in Sample	341		

Management

Chief Executive Officer (CEO)

Description

The most senior dedicated management position within the firm, the CEO has broad executive authority and is responsible for providing strategic leadership to the firm. The position manages other senior roles in the firm such as the Operations Manager and Chief Investment Officer. Management responsibilities account for more than 50% of the individual's work day.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	18	25	31
Base Salary	\$140,000	\$240,000	\$325,500
Variable Compensation	\$50,000	\$99,692	\$210,792
Total Compensation	\$166,500	\$300,800	\$475,337
Percentage with More Than 5% Firm Ownership	84%	Median Age	54
Percentage Who Earn Variable Compensation	60%	Percent Male	83%
Number in Sample	96		

Chief Operating Officer (COO)

Description

Responsible for firmwide operations, developing operating procedures, enhancing efficiency and managing firm resources effectively. This is a senior dedicated management position that reports directly to the CEO.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	10	17	22
Base Salary	\$100,000	\$156,000	\$198,000
Variable Compensation	\$15,000	\$34,835	\$71,800
Total Compensation	\$124,000	\$184,182	\$233,814
Percentage with More Than 5% Firm Ownership	36%	Median Age	59
Percentage Who Earn Variable Compensation	76%	Percent Male	58%
Number in Sample	66		

Chief Investment Officer (CIO) or Director of Research

Description

Directs and manages the investment or research function of the business. Provides recommendations to the firm regarding investment selection. Develops firmwide investment philosophy and drives consistency in the investment process.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	14	17	25
Base Salary	\$140,834	\$191,850	\$240,000
Variable Compensation	\$16,257	\$40,266	\$83,613
Total Compensation	\$160,000	\$216,500	\$282,900
Percentage with More Than 5% Firm Ownership	71%	Median Age	46
Percentage Who Earn Variable Compensation	74%	Percent Male	97%
Number in Sample	38		

Chief Financial Officer (CFO)

Description

Responsible for financial performance management including the collection and analysis of firm financial data, financial reporting and delivery of financial results to the CEO and firm's Executive Board.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	13	18	26
Base Salary	\$107,852	\$143,000	\$170,000
Variable Compensation	\$12,062	\$24,313	\$35,150
Total Compensation	\$119,975	\$158,977	\$185,810
Percentage with More Than 5% Firm Ownership	45%	Median Age	50
Percentage Who Earn Variable Compensation	80%	Percent Male	39%
Number in Sample	30		

Chief Compliance Officer (CCO)

Description

Responsible for the firm's compliance function, ensuring the firm is meeting all regulatory requirements. The CCO develops compliance standards, supervises the implementation of policies, manages complaint resolution and liaises with regulators.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	11	20	24
Base Salary	\$75,000	\$100,000	\$129,840
Variable Compensation	\$8,500	\$14,961	\$27,300
Total Compensation	\$90,000	\$117,481	\$160,000
Percentage with More Than 5% Firm Ownership	26%	Median Age	48
Percentage Who Earn Variable Compensation	74%	Percent Male	49%
Number in Sample	46		

Director of Marketing

Description

This role develops the firm's marketing strategy, manages the marketing budget and is responsible for the execution and implementation of the marketing plan.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	4	9	11
Base Salary	\$55,350	\$87,500	\$130,250
Variable Compensation	\$9,100	\$12,000	\$20,947
Total Compensation	\$56,520	\$97,019	\$134,316
Percentage with More Than 5% Firm Ownership	17%	Median Age	48
Percentage Who Earn Variable Compensation	63%	Percent Male	30%
Number in Sample	24		

Director of Human Resources

Description

Responsible for the recruitment and retention of talent. Manages the performance management framework and professional development of staff. Responsible for the firm's compensation and benefits plan and developing the firm's people policies.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	3	10	20
Base Salary	\$79,277	\$100,363	\$159,375
Variable Compensation	\$3,160	\$10,000	\$46,519
Total Compensation	\$82,845	\$123,622	\$178,519
Percentage with More Than 5% Firm Ownership	25%	Median Age	45
Percentage Who Earn Variable Compensation	92%	Percent Male	27%
Number in Sample	12		

Operations Manager

Description

Manages the firm's technology and day-to-day operations function including the trading team. Assists in the development of operating procedures and supervises their implementation to drive consistency and efficiency. This role typically serves as an intermediary between the operations function and top management.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	5	10	17
Base Salary	\$60,780	\$82,500	\$106,000
Variable Compensation	\$4,500	\$8,053	\$13,000
Total Compensation	\$65,000	\$90,000	\$120,000
Percentage with More Than 5% Firm Ownership	8%	Median Age	39
Percentage Who Earn Variable Compensation	79%	Percent Male	30%
Number in Sample	81		

Technical Specialists

Financial Planning Specialist

Description

An internal technical expert responsible for delivering financial planning advice to clients but without primary servicing responsibility. This is the firm's point person on all financial planning issues.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	4	6	15
Base Salary	\$55,140	\$65,000	\$77,000
Variable Compensation	\$4,500	\$7,550	\$14,000
Total Compensation	\$60,000	\$70,377	\$91,360
Percentage with More Than 5% Firm Ownership	6%	Median Age	32
Percentage Who Earn Variable Compensation	81%	Percent Male	64%
Number in Sample	83		

Tax Planner

Description

An internal technical expert responsible for delivering taxation advice to clients but without primary servicing responsibility. This is the firm's point person on all tax-related issues.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	6	20	30
Base Salary	\$67,626	\$86,027	\$124,642
Variable Compensation	\$3,000	\$10,311	\$30,682
Total Compensation	\$77,937	\$100,416	\$178,500
Percentage with More Than 5% Firm Ownership	21%	Median Age	42
Percentage Who Earn Variable Compensation	90%	Percent Male	47%
Number in Sample	21		

Estate Planner

Description

An internal technical expert responsible for delivering estate planning advice to clients but without primary servicing responsibility. This is the firm's point person on all estate planning issues.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	5	19	20
Base Salary	\$90,000	\$125,000	\$170,250
Variable Compensation	\$10,267	\$25,000	\$28,800
Total Compensation	\$113,626	\$153,800	\$176,283
Percentage with More Than 5% Firm Ownership	20%	Median Age	46
Percentage Who Earn Variable Compensation	82%	Percent Male	70%
Number in Sample	11		

Senior Investment Manager or Senior Portfolio Manager

Description

Responsible for the management of individual client portfolios, security or manager selection, and asset allocation and rebalancing. Minimum of five years of experience. This role does not have primary servicing responsibility for the client.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	4	8	15
Base Salary	\$73,000	\$82,500	\$135,000
Variable Compensation	\$2,920	\$8,806	\$24,000
Total Compensation	\$75,920	\$88,560	\$155,320
Percentage with More Than 5% Firm Ownership	5%	Median Age	42
Percentage Who Earn Variable Compensation	86%	Percent Male	85%
Number in Sample	59		

Investment Manager or Portfolio Manager

Description

Responsible for the management of individual client portfolios, security or manager selection, and asset allocation and rebalancing. Less than five years of experience. This role does not have primary servicing responsibility for the client.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	3	6
Base Salary	\$53,000	\$60,000	\$66,000
Variable Compensation	\$5,000	\$10,000	\$16,500
Total Compensation	\$54,000	\$60,000	\$72,000
Percentage with More Than 5% Firm Ownership	3%	Median Age	34
Percentage Who Earn Variable Compensation	35%	Percent Male	72%
Number in Sample	83		

Senior Research Analyst

Description

Researches and analyzes investment alternatives and makes recommendations to the Director of Research or to advisors directly. Minimum of five years of experience. May have responsibility for managing the Research Analyst.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	8	10	16
Base Salary	\$82,000	\$93,788	\$110,500
Variable Compensation	\$7,000	\$10,000	\$15,000
Total Compensation	\$87,000	\$100,000	\$124,200
Percentage with More Than 5% Firm Ownership	11%	Median Age	41
Percentage Who Earn Variable Compensation	79%	Percent Male	77%
Number in Sample	29		

Research Analyst

Description

Supports the Senior Research Analyst. Researches and analyzes investment alternatives and assists with recommendations to the Director of Research or advisors. Less than five years of experience.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	3	5
Base Salary	\$47,500	\$58,801	\$70,000
Variable Compensation	\$2,800	\$4,096	\$6,250
Total Compensation	\$47,685	\$60,000	\$73,840
Percentage with More Than 5% Firm Ownership	2%	Median Age	29
Percentage Who Earn Variable Compensation	53%	Percent Male	90%
Number in Sample	55		

Support Staff

Support Advisor or Paraplanner

Description

Responsible for providing support to both the Senior and Associate Advisor in the delivery of advice to clients. Prepares financial modeling and financial advice documents under guidance of more senior advisors. Participates in client meetings with more senior advisors and completes follow-up work from client meetings. Does not have actual accountability for the advice delivered.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	4	8
Base Salary	\$49,000	\$56,000	\$64,500
Variable Compensation	\$2,534	\$5,000	\$10,000
Total Compensation	\$52,477	\$62,000	\$72,000
Percentage with More Than 5% Firm Ownership	1%	Median Age	28
Percentage Who Earn Variable Compensation	82%	Percent Male	50%
Number in Sample	255		

Trader

Description

Part of the operations team, this role places buy/sell orders for individual clients under the direction of the CIO or Investment Manager.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	3	7	13
Base Salary	\$47,000	\$58,554	\$67,672
Variable Compensation	\$2,040	\$4,458	\$9,605
Total Compensation	\$49,381	\$64,096	\$75,395
Percentage with More Than 5% Firm Ownership	2%	Median Age	38
Percentage Who Earn Variable Compensation	73%	Percent Male	53%
Number in Sample	56		

Senior Portfolio Administrator

Description

Manages the administrative work related to all client accounts. Minimum of two years of experience. Responsible for establishing new accounts, managing client and custodian paperwork, and generating client portfolio reports.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	7	14	18
Base Salary	\$54,500	\$62,250	\$77,355
Variable Compensation	\$2,180	\$5,000	\$12,000
Total Compensation	\$61,700	\$67,150	\$82,595
Percentage with More Than 5% Firm Ownership	4%	Median Age	49
Percentage Who Earn Variable Compensation	77%	Percent Male	15%
Number in Sample	61		

Portfolio Administrator

Description

Similar to the Senior Portfolio Administrator, manages the administrative work related to all client accounts. Responsible for establishing new accounts, managing client and custodian paperwork, and generating client portfolio reports. Less than two years of experience.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	3	7
Base Salary	\$44,854	\$50,224	\$59,500
Variable Compensation	\$3,000	\$5,000	\$13,200
Total Compensation	\$46,710	\$54,125	\$64,275
Percentage with More Than 5% Firm Ownership	1%	Median Age	34
Percentage Who Earn Variable Compensation	51%	Percent Male	33%
Number in Sample	80		

Client Services Associate

Description

Provides non-advice-related support to clients including organizing client meetings, collecting client data, responding to administrative client queries, and preparing client letters and standard reports.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	3	6	13
Base Salary	\$42,971	\$50,000	\$60,000
Variable Compensation	\$1,796	\$3,900	\$6,887
Total Compensation	\$45,896	\$54,343	\$65,530
Percentage with More Than 5% Firm Ownership	1%	Median Age	37
Percentage Who Earn Variable Compensation	73%	Percent Male	13%
Number in Sample	360		

Administrative Staff

Office Manager

Description

A broad/general administrative position that typically manages activities such as procurement and distribution of office supplies, office maintenance and accounts payable/receivable.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	4	10	15
Base Salary	\$44,200	\$53,000	\$72,642
Variable Compensation	\$3,000	\$5,223	\$10,000
Total Compensation	\$45,000	\$60,000	\$80,000
Percentage with More Than 5% Firm Ownership	3%	Median Age	47
Percentage Who Earn Variable Compensation	66%	Percent Male	5%
Number in Sample	117		

Marketing Assistant

Description

Supports the business with the implementation of marketing or sales-related initiatives. Responsibilities will typically include event coordination, seminar arrangement and preparation of marketing materials.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	3	7
Base Salary	\$41,000	\$47,840	\$58,500
Variable Compensation	\$2,000	\$3,730	\$5,885
Total Compensation	\$41,777	\$49,000	\$60,000
Percentage with More Than 5% Firm Ownership	0%	Median Age	30
Percentage Who Earn Variable Compensation	53%	Percent Male	9%
Number in Sample	159		

Administrative Assistant

Description

Provides general administrative support to the business such as filing, preparing letters, arranging appointments, managing calendars and performing other clerical duties.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	5	12
Base Salary	\$35,000	\$42,000	\$49,400
Variable Compensation	\$1,661	\$3,000	\$5,300
Total Compensation	\$35,000	\$45,000	\$52,000
Percentage with More Than 5% Firm Ownership	0%	Median Age	43
Percentage Who Earn Variable Compensation	70%	Percent Male	7%
Number in Sample	145		

Executive Assistant

Description

Provides direct administrative support to a senior manager or senior advisor within the firm, including a number of clerical responsibilities. Typically a more experienced individual than the Administrative Assistant.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	9	20
Base Salary	\$50,700	\$61,000	\$75,500
Variable Compensation	\$2,370	\$5,000	\$7,500
Total Compensation	\$52,325	\$68,393	\$80,000
Percentage with More Than 5% Firm Ownership	0%	Median Age	46
Percentage Who Earn Variable Compensation	78%	Percent Male	9%
Number in Sample	37		

Bookkeeper

Description

Basic accounting support including entering financial data into accounting software and preparing financial reports for the firm.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	5	10	20
Base Salary	\$39,085	\$57,248	\$65,000
Variable Compensation	\$1,491	\$3,555	\$5,900
Total Compensation	\$41,950	\$58,680	\$74,000
Percentage with More Than 5% Firm Ownership	5%	Median Age	52
Percentage Who Earn Variable Compensation	76%	Percent Male	18%
Number in Sample	42		

Technology Support

Description

Responsible for managing day-to-day technology issues, supporting the implementation of new software and hardware, troubleshooting and managing the firm's computer network.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	5	10	18
Base Salary	\$51,750	\$69,513	\$101,000
Variable Compensation	\$1,751	\$3,258	\$5,500
Total Compensation	\$56,205	\$71,925	\$103,005
Percentage with More Than 5% Firm Ownership	0%	Median Age	35
Percentage Who Earn Variable Compensation	91%	Percent Male	58%
Number in Sample	32		

Receptionist

Description

Greets all clients on arrival, manages incoming phone calls and messages, and performs other secretarial work as required.

	Lower Quartile	Median	Upper Quartile
Years of Related Experience	2	5	14
Base Salary	\$30,000	\$37,720	\$46,000
Variable Compensation	\$1,371	\$2,500	\$4,000
Total Compensation	\$30,000	\$39,645	\$49,500
Percentage with More Than 5% Firm Ownership	3%	Median Age	54
Percentage Who Earn Variable Compensation	68%	Percent Male	1%
Number in Sample	68		

The FA Insight Study of Advisory Firms

The FA Insight Study of Advisory Firms attracts more participants than any other industry-wide benchmarking study. The study is widely recognized as an industry-leading resource for insights into trends, challenges and opportunities impacting advisory firms today.

The series strives to translate research findings into actionable insight and is composed of two studies, each produced biennially: *Growth by Design* and *People and Pay*.

Growth by Design

A big difference exists between simply growing and growing well. Mastering sustainable growth requires growth by design, where purposeful growth takes precedent over growth at any cost. *Growth by Design* aims to guide the many firm owners who struggle with growth, whether it is in terms of how to achieve it, how to manage it or how to sustain it.

People and Pay

Firms often overlook the specific activities that must take place in order to achieve a firm's overarching business goals. A prime example is people practices, where putting the right people in place and incenting them to work in alignment with the overall vision of the firm are vital stepping stones for implementing any firm's growth strategy. *People and Pay* offers insight into the best practices related to organizing, motivating, developing and retaining people.

Methodology and Participant Profile

Data Collection and Compilation

Of the nearly 1,000 firms initially responding to our survey, 388 met our standards for a complete submission. These standards included grossing a minimum of \$150,000 in annual revenue and being in business for at least 12 months. (The \$150,000 revenue threshold is an increase over the \$100,000 minimum used in previous studies.) The 388 complete submissions in 2017 represent the highest-ever annual total across the nine years of the FA Insight studies.

Participating firms included a range of firm sizes and affiliation types as summarized in **Figures 40 and 41**.

Figure 40
Participating Firms by Gross Annual Revenue

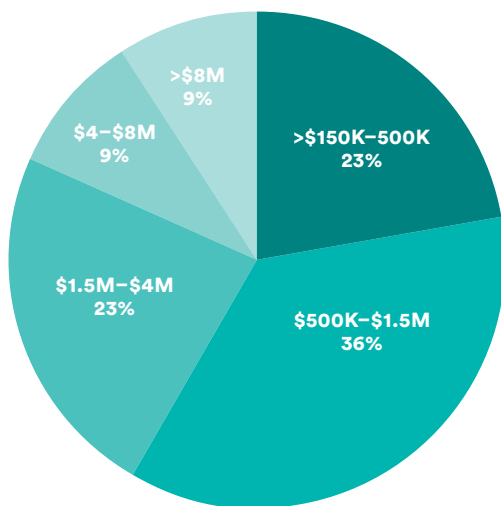
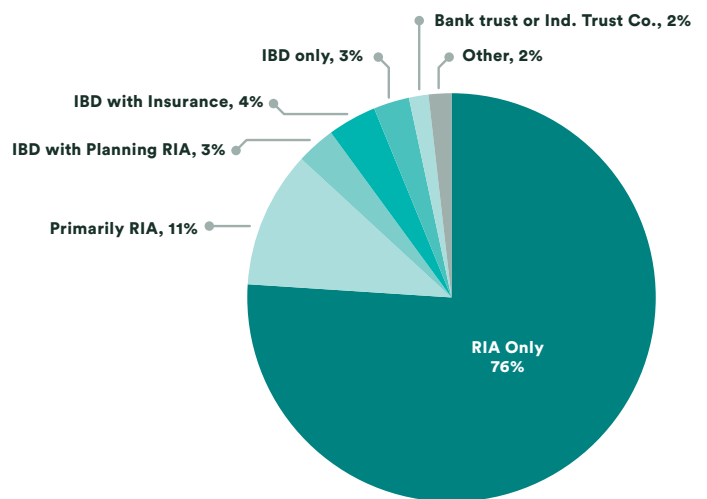


Figure 41
Participating Firms by Affiliation Model



The majority of questions related to advisory firm human capital practices. The survey also requested information on firms’ basic financial performance and operating characteristics. Information provided by firms for this study is confidential. All data presented in this report is the aggregate of participant firms.

The study draws from data received by financial advisory firms that responded to our survey, which fielded between February 2 and March 30, 2017. The survey was administered exclusively online. All survey responses were screened for data accuracy utilizing a combination of automated and manual review methods. In cases where discrepancies were found, follow-ups were conducted with the firms to clarify their information.

Note: “RIA Only” are independent RIAs (filing own form ADV) with no broker-dealer affiliation. “Primarily RIA” are independent RIAs with broker-dealer affiliation for conducting limited commission-based business. “IBD with planning RIA” are primarily independent broker-dealer-affiliated firms that maintain their own RIA for the purpose of providing planning services only. “IBD only” are independent broker-dealer-affiliated firms with no insurance agent contract. All fee business is conducted through the broker-dealer’s corporate RIA. “IBD with insurance” are independent broker-dealer-affiliated firms with insurance agent contract. “Bank trust or independent trust company” includes any trust division of a bank or independent trust company, with or without their own RIA.

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TD Ameritrade
Institutional Benchmarking



This material is designed for a financial professional audience, primarily Registered Investment Advisors.

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