

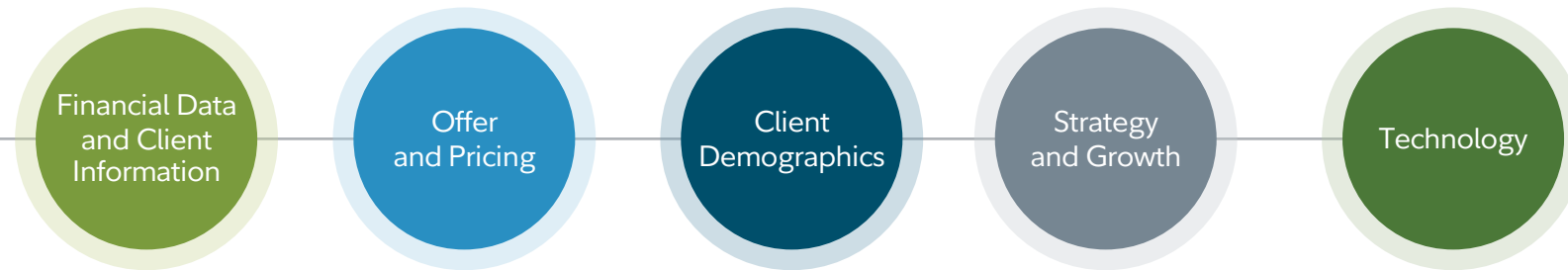
The 2020 Fidelity RIA Benchmarking Study

Initial Findings Report

September 2020

2020 Fidelity RIA Benchmarking Study

The **2020 Fidelity RIA Benchmarking Study** examined key metrics to help RIAs understand their performance in comparison with their peers and to help them advance their business. The 2020 study, which includes data through 2019, focused on driving growth through business development activities, as well as other key areas of interest, including:



The online survey was conducted from March 10 through May 20, 2020, and was administered by an independent third-party research firm not affiliated with Fidelity. Fidelity was identified as the study sponsor. A total of 188 RIA firms participated in the study. The results may not be representative of the experiences of all firms or indicative of future success.

Please note that this survey was fielded during the initial outbreak of the COVID-19 pandemic, resulting in a different participation mix than previous years, more heavily weighted toward larger firms. While this has impacted the magnitude of some of the year-over-year changes in the data—including AUM and productivity metrics—the general trends demonstrated in this report appear to hold true for firms of all sizes. We've included some trend analysis for \$1B+ AUM firms in the appendix of this document, as a point of reference for the scale of this impact, and we encourage our clients to view their own results against their peer groups on our results site:

www.fidelityriabenchmarking.com.

Total AUM	# of firms
<\$50M	7
\$50–\$99M	7
\$100–\$249M	31
\$250–\$499M	38
\$500–\$999M	36
\$1B+	69

2020 Key Findings



Growth

- Median organic AUM growth remains strong at 6%.
- Over time, the composition of this growth has shifted, from a reliance on new clients for the majority of new assets, to an even split between new and existing clients.
- Firms have also benefited from a decrease in withdrawals—both from existing and departing clients.



Strategic focus

- Firms have revived their focus on core business development.
- Interest in succession planning is on the rise, but only about a third of firms have a plan.
- The COVID-19 pandemic has forced technology back into the spotlight. Two-thirds of advisors who responded to Fidelity's COVID Series–Technology Study said that the COVID-19 crisis has prompted their firms to explore new fintech options.



Business development

- In-person events are still seen as the most effective way to generate new business.
- During the pandemic, firms have been working to devise creative ways to network and build relationships. Though only 13% of advisors responding to our 2020 Technology Survey indicated that they had used video conferencing technology with groups during the pandemic, virtual events appear to be well suited to help fill the gap of traditional networking and event marketing in this environment.



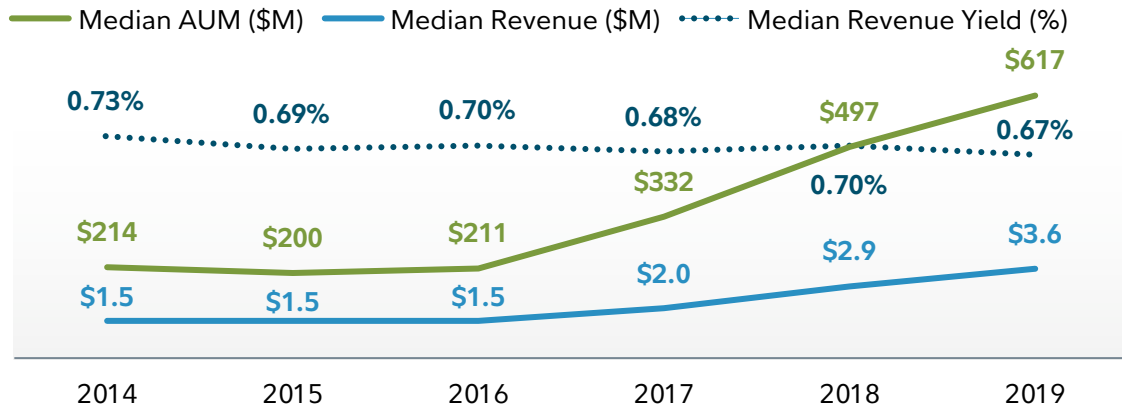
Client focus

- Assets remain concentrated among the baby boomer and silent generations, with 76% of firm clients over the age of 50, and 85% of firm assets attributable to those clients.
- Mean share of wallet for all clients is 74%, and the distribution across different age ranges is fairly consistent, up until the pre-retirement years when asset consolidation can play an important role in clients' efforts to simplify their finances.

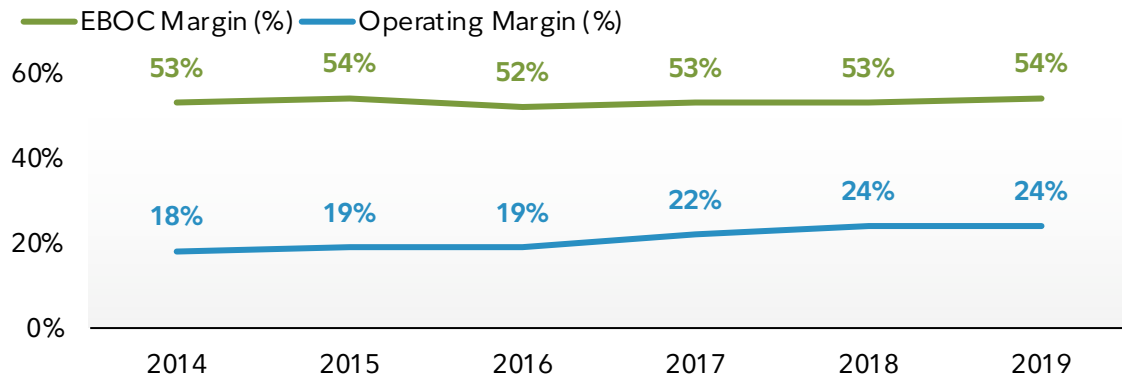
In the years since we've been fielding this study, we've never seen a force so disruptive to the industry as the COVID-19 pandemic. More importantly, this experience has had an enormous impact on people's lives. And yet, the changes we've seen in how firms are adapting to this environment and supporting their clients have largely been either continuations or accelerations of established trends. Assets and revenues are rising with the market, and through the addition of new clients and assets. Margins and expenses remain steady, buoyed by increased advisor productivity. Firms are diving deeper into client segmentation, but without clear alignment of services and fees to client needs. While growth initiatives took a back seat to technology and client engagement during the onset of the pandemic, firms are refocused on how to grow their business in this environment. This has been a time of tremendous stress and change, but also opportunity: for firms to catalyze real change within their organizations, to enhance their capabilities, hone their focus, and build on their competitive advantage. This report reflects many of these long-standing trends and will help firms as they prepare to emerge from the pandemic well positioned for the next phase of growth.

Financial Data: Overview

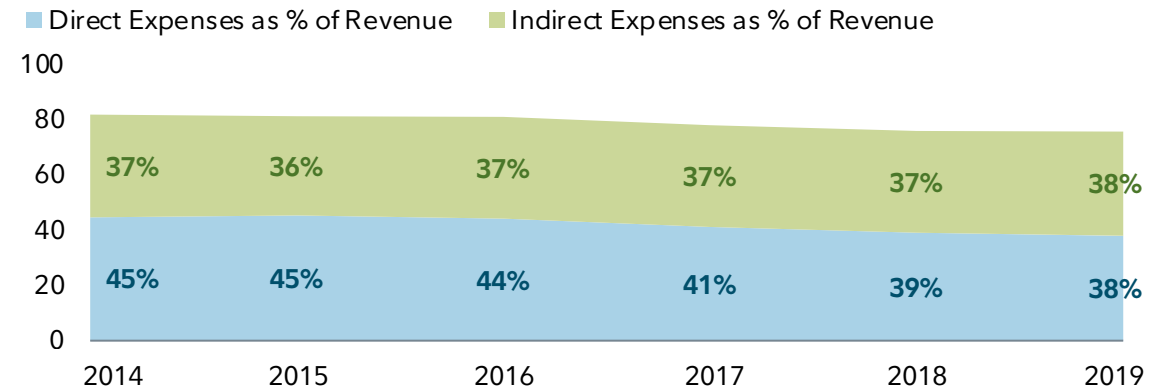
ASSETS AND REVENUE (median)



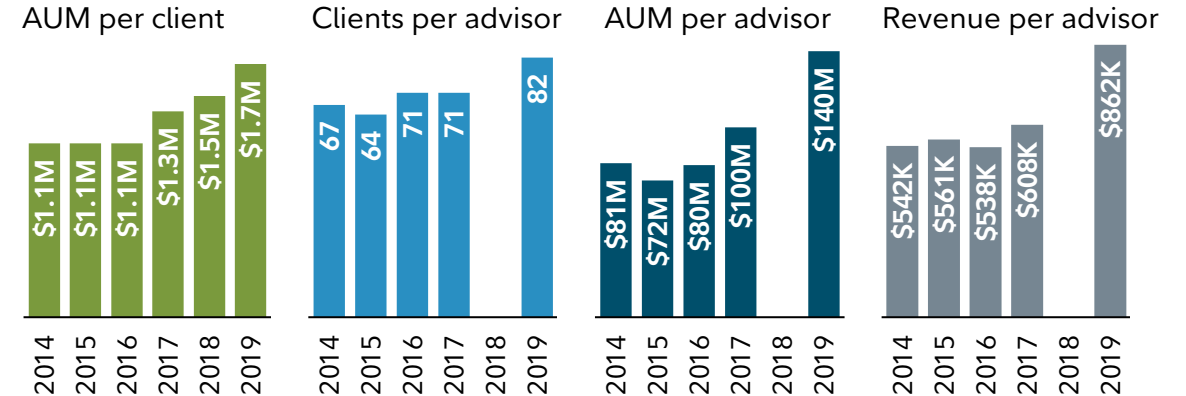
PROFITABILITY (mean)



EXPENSES (mean)



PRODUCTIVITY (median)*



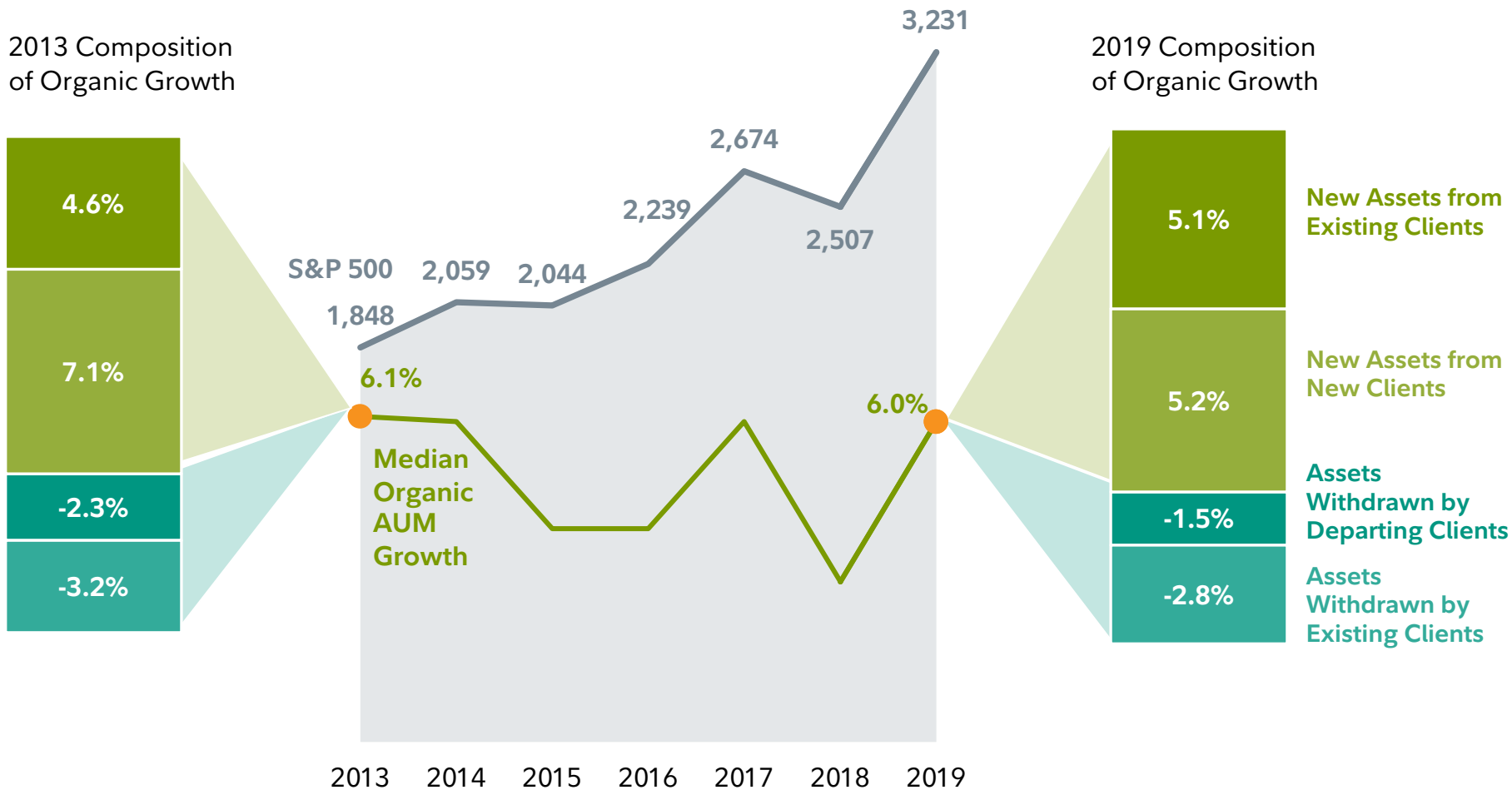
Insights

- We've seen a dramatic rise in AUM, lifting revenues. While this is likely influenced by the shifting mix of firm sizes within our respondent base, wider trends such as market growth, organic growth, and M&A activity are all likely potential drivers as well.
- We've seen a similar rise in productivity, across all metrics. While this is also influenced by AUM, it holds true for our largest clients (see appendix for a breakout of clients with \$1B+ in AUM).

* Please note that 2018 data is unavailable for "per advisor" metrics.

Strategy & Growth: Sources of Organic Growth

CONTRIBUTORS TO MEDIAN ORGANIC AUM GROWTH



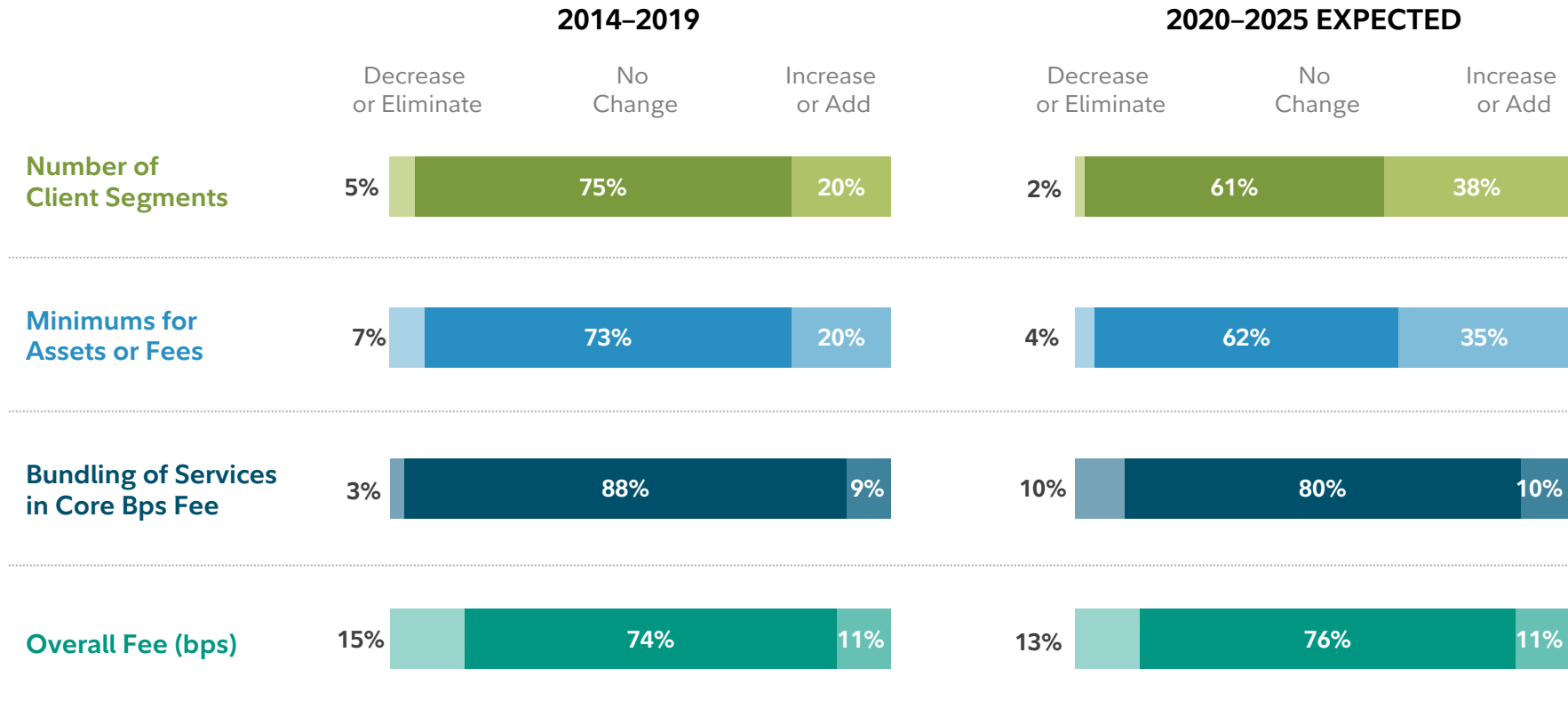
Insights

- Median organic AUM growth remains strong at 6%.
- Over time, the composition of this growth has shifted from a majority of new assets coming from new clients to an even split between new and existing clients. Firms have also benefited from a decrease in withdrawals.
- The top sources of new clients remain fairly consistent, with 47% coming from existing client referrals, 16% from center of influence referrals, and 6% from custodial referral programs. The remaining 31% encompasses all other sources, including business development and marketing activities.

Please note that 2013 composition figures do not sum to 6.1% due to rounding.

Offer & Pricing: Pricing Model Changes

CHANGES IN USAGE OF COMMON PRICING MODEL LEVERS



5% Changing fees or pricing structure is a top-5 priority

2% Agree/strongly agree firm is receiving increasing pressure from our *clients* to justify our fees

4% Agree/strongly agree firm is receiving increasing pressure from our *prospects* to justify our fees

Insights

- While most firms are leaving these levers unchanged, the biggest changes have been increases to both number of client segments and fee/asset minimums. Firms expect future iterations of their pricing models to continue to focus on these components.
- From 2015–2019, the percentage of firms that use client segments has increased from 31% to 37%, and their average number of segments has increased from 2.9 to 3.6 segments.
- Very few firms indicate increasing pressure to justify fees. Yet, a quarter of firms have changed their fees, another quarter plan to do so, and most of these changes are reductions.

Offer & Pricing: Service Offering, Bundling, and Usage

2019 SNAPSHOT

- % of firms offering
- % of firms offering and including in overall BPS fee
- % of end clients at firms offering the service who receive it

	2019 vs. 2015				
	% of firms offering	% of firms offering and including in overall bps fee	% of end clients at firms offering the service who receive it		
Investment management	93% 99%	98%	-0.03%	-3.18%	12.94%
Financial planning	79% 92%	63%	-0.77%	3.63%	11.43%
Tax planning and strategy	69% 78%	53%	-1.20%	-0.79%	3.96%
Philanthropic planning	56% 65%	27%	22.39%	18.57%	-0.12%
Estate planning	50% 64%	46%	-6.82%	-9.70%	5.37%
Risk/insurance planning	40% 61%	41%	-5.53%	-8.86%	4.13%
Retirement plan servicing	41% 60%	33%	-1.34%	-9.75%	1.25%
Concierge services	21% 28%	27%	5.27%	2.34%	7.58%
Trust services	12% 19%	15%	-7.47%	-7.42%	0.32%
Tax preparation	7% 20%	35%	-0.93%	-0.26%	-10.80%
Life planning/coaching services*	20% 23%	35%			

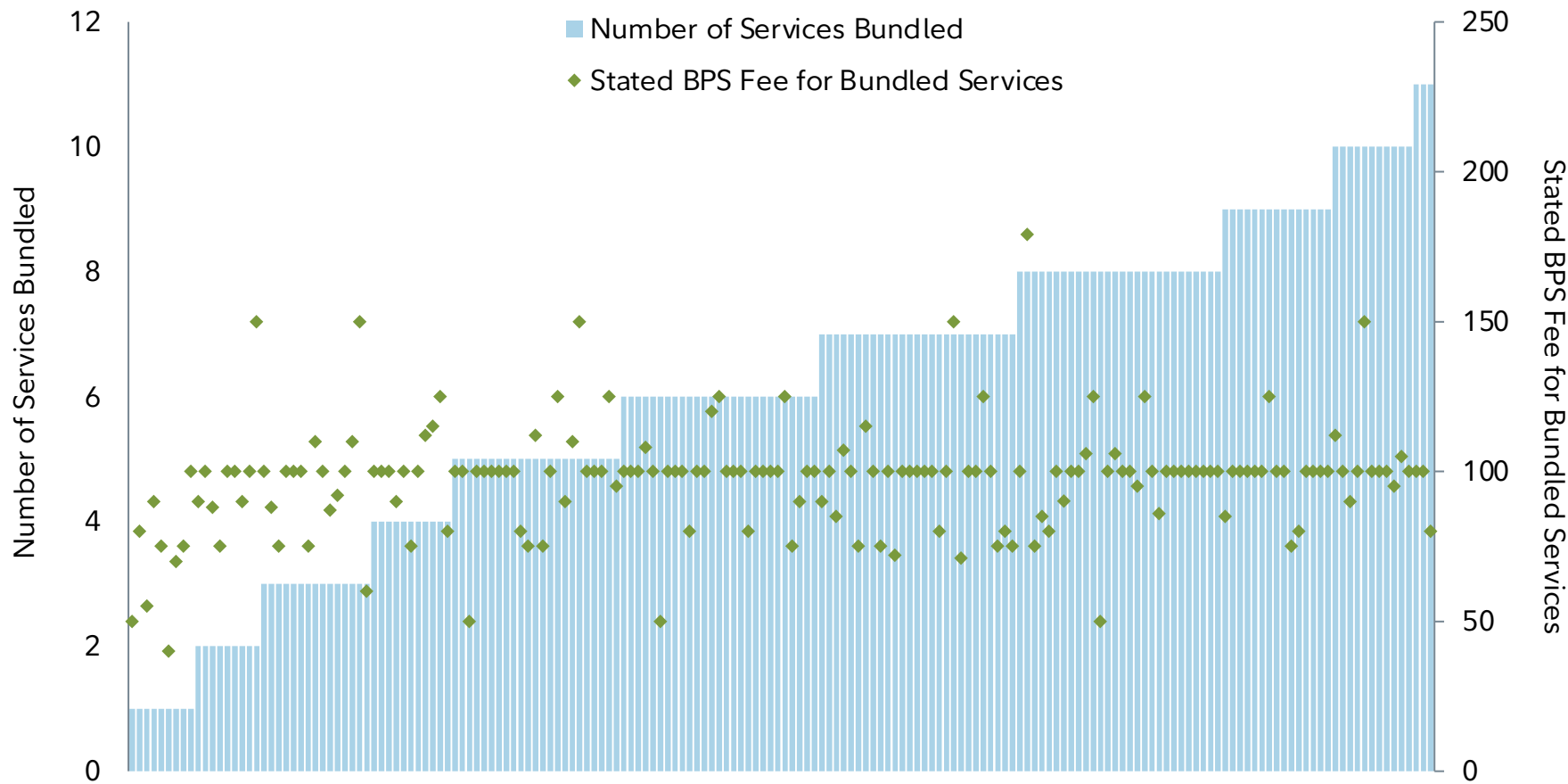
Insights

- Significantly more firms are offering philanthropic planning, while fewer are offering estate planning and trust services.
- More investors are utilizing investment management and financial planning services, while fewer are utilizing tax preparation.
- Firms are more likely to bundle services such as philanthropic and financial planning, while they are less likely to bundle services such as estate planning, retirement plan servicing, risk/insurance planning, and trust services.

* Please note that 2019 is the first year we asked about life planning/coaching services

Offer & Pricing: Aligning Pricing and Value

EFFECTIVE BASIS POINT FEE FOR A \$1M CLIENT, BY FIRM, BY NUMBER OF BUNDLED SERVICES



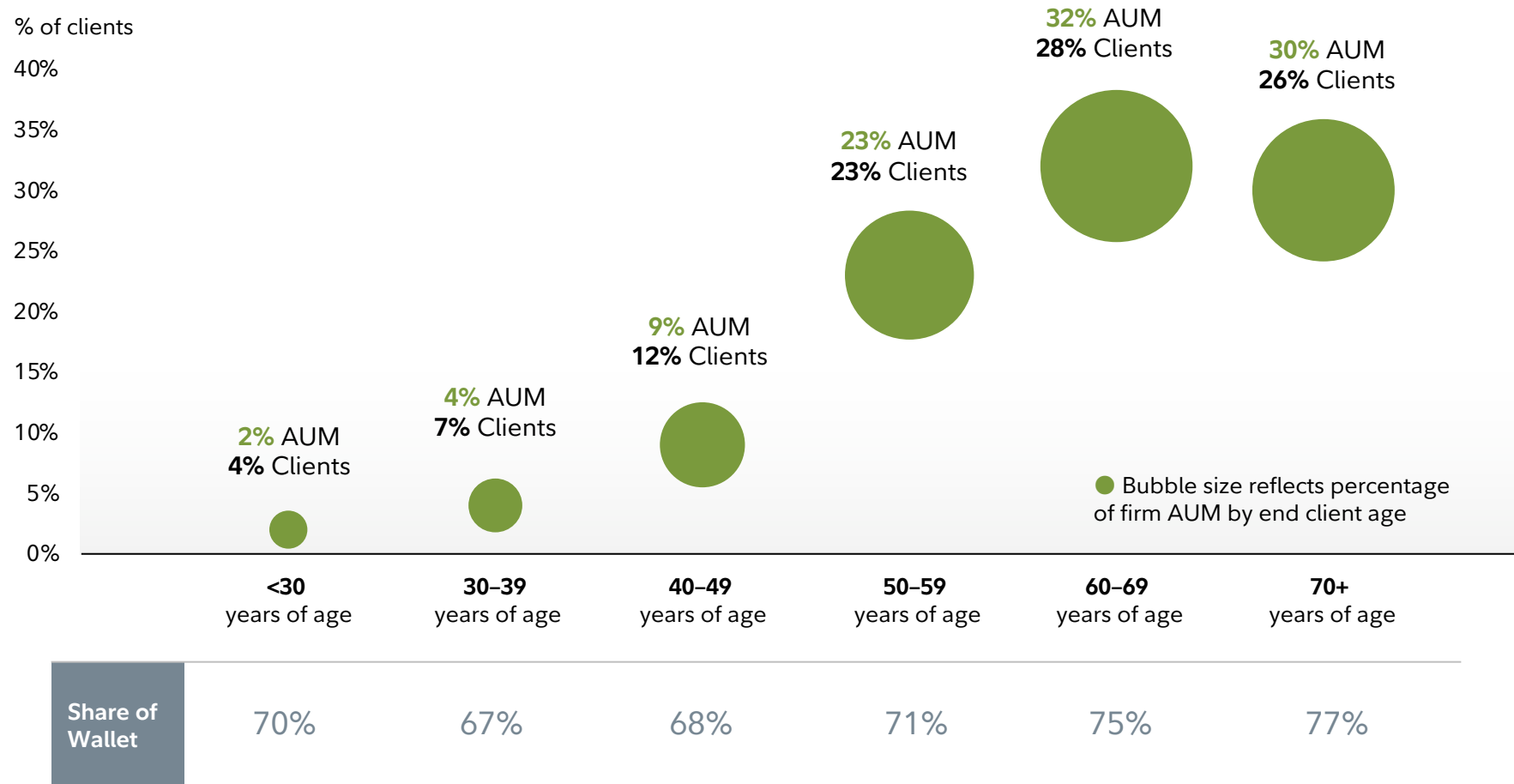
Insights

- The most common effective fee for a \$1M client is 100 bps, regardless of the number of bundled services that they offer for that fee.
- Further, there's no clear relationship between the number of bundled services a firm provides and the fees that they charge.
- The median minimum fee firms charge is \$5,000, and 80% of clients pay at least that much.

Please note that each column and marker represent the response of one firm in our study, arranged by number of bundled services.

Client Demographics: Generational Wealth

PERCENTAGE OF FIRM CLIENTS AND AUM BY CLIENT AGE



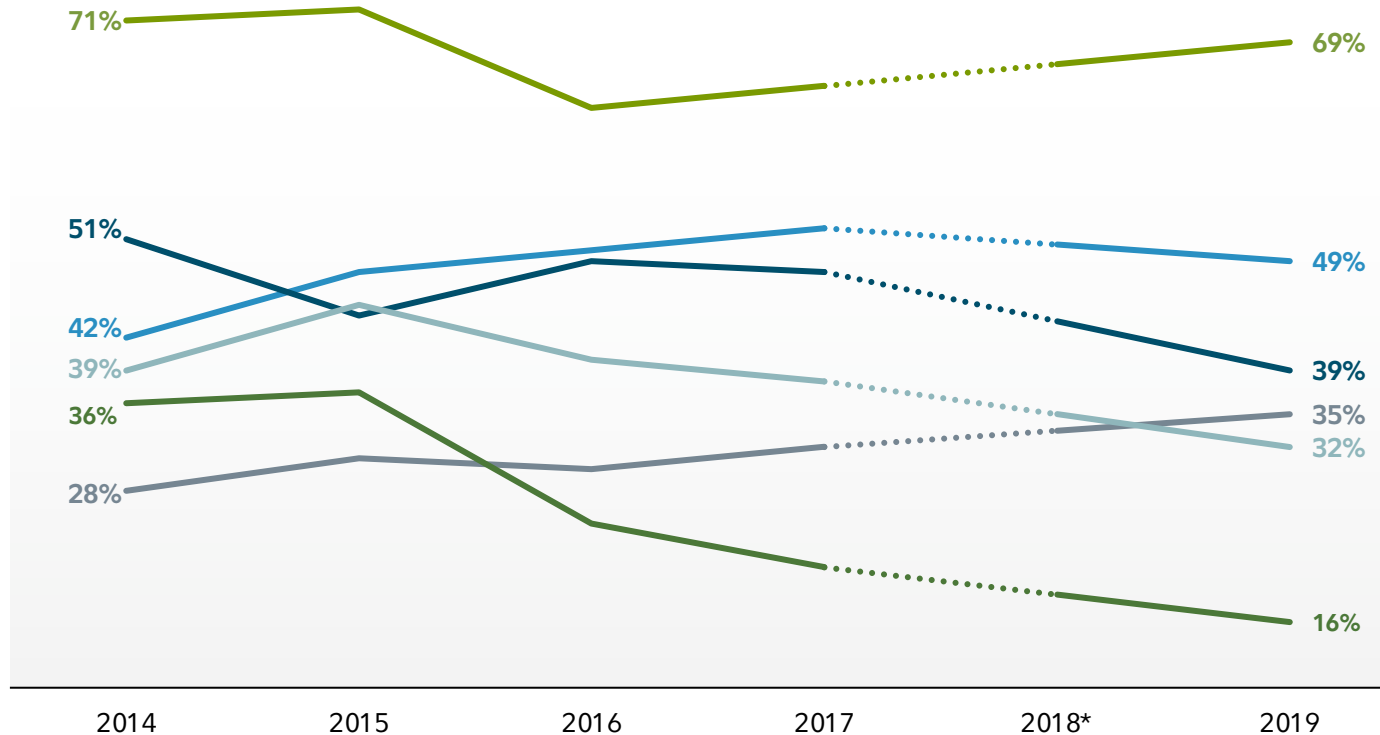
Insights

- Assets remain concentrated among the baby boomer and silent generations, with 76% of clients over the age of 50, and 85% of assets attributable to those clients. Firms should consider serious steps to better engage younger investors and diversify their client base.
- Mean share of wallet for all clients is 74%, and the distribution across different age ranges is fairly consistent, up until the pre-retirement years when asset consolidation can play an important role in clients' efforts to simplify their finances.

Strategy & Growth: Top Strategic Initiatives

TOP FIVE STRATEGIC INITIATIVES FOR 2020

- Improve the firm's **marketing** and business development efforts
- Invest in new or existing **technology**
- Improve **strategic business planning** and execution
- Improve **client satisfaction**
- Improve **investment performance**
- Develop or enhance a **succession plan**



Insights

- Though growth took a bit of a backset during the pandemic, firms have since revived their increasing focus on core business development—a trend in place for several years.
- Interest in succession planning is on the rise, but the percentage of firms that have a clearly defined and implementation-ready succession plan has increased only incrementally over the last several years, remaining around one-third of all firms.
- While investment in technology has been deprioritized over the last several years, the COVID-19 pandemic has forced this priority back into the spotlight. In fact, two-thirds of advisors who responded to Fidelity's COVID Series—Technology Study said that the COVID-19 crisis has prompted their firms to explore new fintech options.

This chart shows the percentage of respondents selecting each initiative as top five for the year.

* Please note that the dotted line represents an implied trend, as we do not have this data for 2018.

Strategy & Growth: Business Development Activities

USAGE OF VARIOUS BUSINESS DEVELOPMENT ACTIVITIES

		Perceived Effectiveness of Those Activities, Among Firms That Use Them		
		Very Effective	Somewhat Effective	Not Effective
Networking	81%	27%	63%	11%
Content marketing	74%	24%	71%	5%
Collateral	73%	22%	70%	9%
In-person events	64%	42%	53%	5%
Social media	60%	4%	60%	36%
Other digital marketing (excluding social media)	60%	9%	68%	23%
Traditional advertising	32%	7%	55%	38%
Public relations	22%	14%	62%	24%
Online advertising	18%	6%	59%	35%
Online events	18%	21%	61%	18%
Direct mail	13%	17%*	63%*	21%*
Cold calling	7%	0%*	79%*	21%*
Purchased lists	5%	10%*	80%*	10%*

Insights

- As we found in our 2019 Digital Marketing Survey, in-person events are still seen as the most effective way to generate new business.
- During the COVID-19 pandemic, firms have been working to devise creative ways to network and build relationships. Though only 13% of advisors responding to our 2020 Technology Survey indicated that they had used video conferencing technology with groups during the pandemic, virtual events appear to be well suited to help fill the gap of traditional networking and event marketing in this environment.

* Please note that effectiveness ratings for these activities reflect a small sample of firms, given the low usage of those activities.

Top Technology Solutions

Technology Solution	RIA Firm Use	Top Three Most Frequently Used Providers		
		1st	2nd	3rd
Portfolio/Performance Reporting	100%	Investnet Tamarac	Black Diamond	Orion Advisor
Portfolio Modeling/Rebalancing/Trading	93%	Fidelity Wealthscape SM	Investnet Tamarac	Orion Advisor
Client Relationship Management (CRM)	93%	Redtail Technology	Salesforce	Investnet Tamarac
Billing	92%	Investnet Tamarac	Black Diamond	Orion Advisor
Financial Planning	89%	eMoney Advisor	Investnet Money Guide	(tie) Naviplan by Advicent/ RightCapital
Online Client Portal	85%	eMoney Advisor	Investnet Tamarac	Black Diamond
Aggregation	80%	eMoney Advisor	ByAllAccounts	Black Diamond
Document Management	78%	ShareFile	Laserfiche	Proprietary/Built internally
Compliance/Risk	76%	SMARSH	Global Relay	NRS
Workflow System	65%	Redtail Technology	Salesforce	Investnet Tamarac
Proposal Generation	42%	Morningstar	Riskalyze	Finametrica
Digital/Robo Advice	11%	Fidelity AMP (Automated Managed Platform)	(tie) Schwab Institutional Intelligent Portfolios/ Betterment	Proprietary/Built internally

Insights

- While the percentage of clients using certain solutions does change each year, the top three solutions in each category have largely remained intact.
- Surprisingly, while 20% of firms have added client segments, and nearly double that amount expect to do so over the next five years, only 11% of firms are using digital advice to scale their offerings for certain segments.

Please note that inclusion of third-party solutions does not constitute an endorsement of those solutions by Fidelity.

Appendix

Financial Metrics by Firm Size

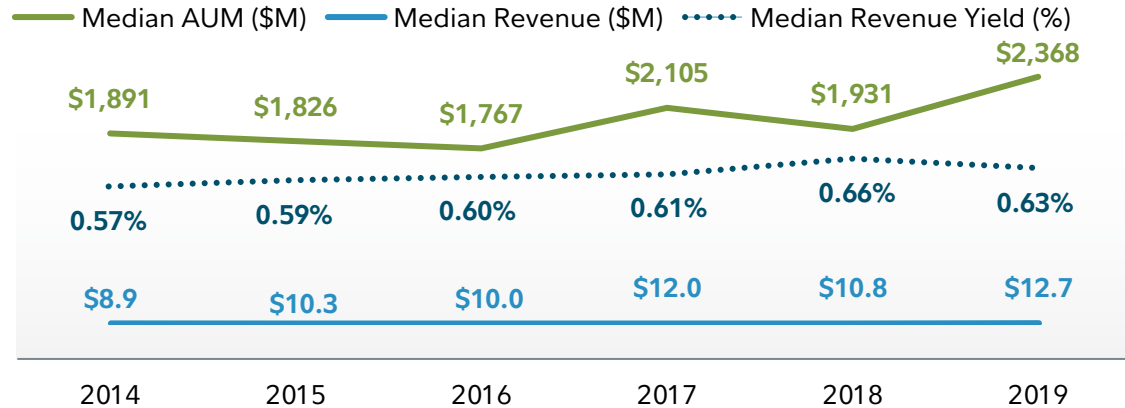
Metric	All Firms	Firms by Total AUM Ranges					
		<\$50M	\$50M–\$99M	\$100M–\$249M	\$250M–\$499M	\$500M–\$999M	\$1B+
Number of Clients ¹	348	57	91	142	257	404	937
Assets Under Management (Millions) ¹	\$617	\$41	\$84	\$169	\$372	\$683	\$2,368
Total Revenue (Thousands) ¹	\$3,630	\$257	\$578	\$1,234	\$2,113	\$4,161	\$12,735
Revenue Yield (Basis Points) ¹	67	72	81	74	68	65	63
Marketing and Business Development Expense (Thousands) ²	\$58	\$5	\$21	\$15	\$18	\$72	\$249
Marketing and Business Development Expense (% of Revenue) ²	1.6%	2.0%	3.7%	1.2%	0.9%	1.7%	2.0%
Earnings Before Owners' Compensation (EBOC) (Thousands) ²	\$1,960	\$216	\$348	\$727	\$1,211	\$2,086	\$6,089
EBOC Margin ²	54%	84%	60%	59%	57%	50%	48%
Number of FTEs ¹	12.0	2.0	3.0	4.0	6.5	12.0	32.0
% of Total FTEs Who Are Female	38%	0%	22%	32%	38%	44%	42%
Number of Owners ¹	2.0	1.0	1.0	2.0	2.0	3.0	6.0
% of Individual Owners Actively Working at the Firm Who Are Female	13%	6%	29%	12%	9%	13%	15%
Revenue per Client ¹	\$10,153	\$3,648	\$6,748	\$8,207	\$8,231	\$9,832	\$15,180
Total Clients per Advisor ¹	82	51	84	73	105	87	75

¹ Median.

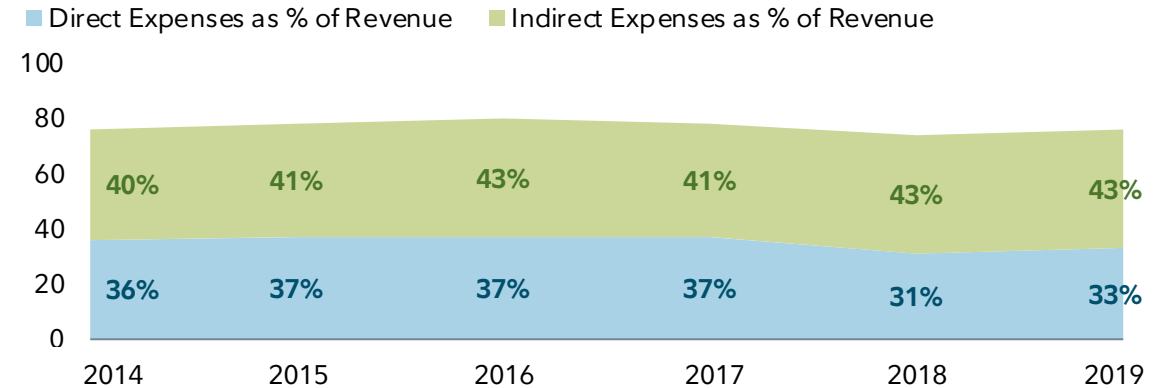
² Mean.

Financial Data: Overview for Firms with \$1B+ in AUM

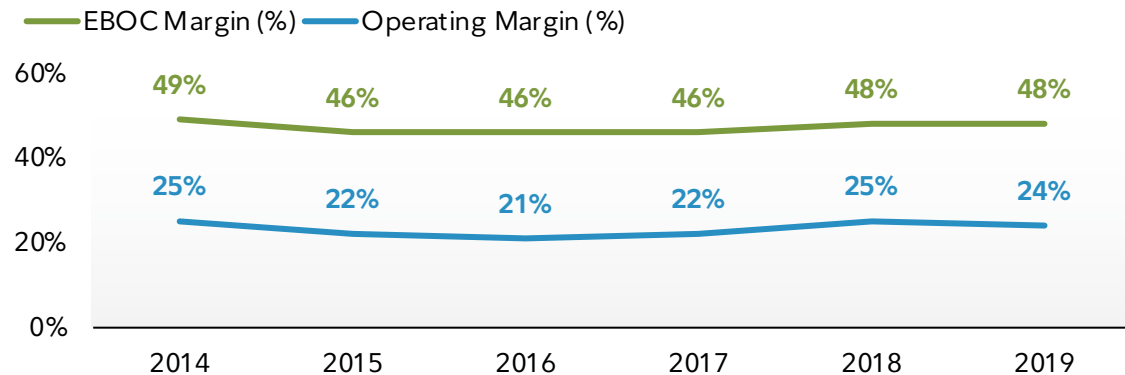
ASSETS AND REVENUE (median)



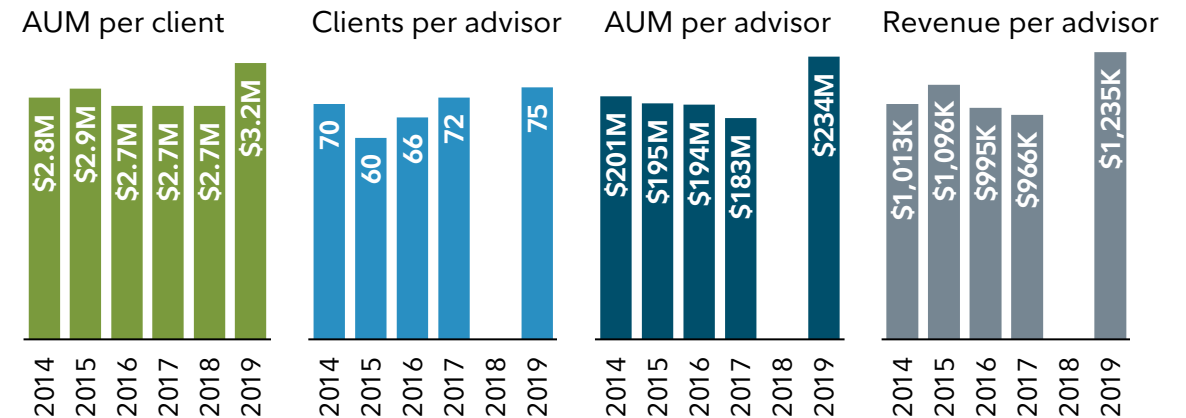
EXPENSES (mean)



PROFITABILITY (mean)



PRODUCTIVITY (median)*



* Please note that 2018 data is unavailable for "per advisor" metrics.



The 2020 Fidelity RIA Benchmarking Study was conducted between March 10 and May 20, 2020; 188 firms participated. The 2018 Fidelity RIA Benchmarking Study was conducted between July 24 and September 24, 2018; 355 firms participated. The 2017 Fidelity RIA Benchmarking Study was conducted between April 19 and June 6, 2017; 408 firms participated. The 2016 Fidelity RIA Benchmarking Study was conducted between April 27 and June 16, 2016; 402 firms participated. The 2015 Fidelity RIA Benchmarking Study was conducted between April 21 and June 15, 2015; 441 firms participated. The 2014 Fidelity RIA Benchmarking Study was conducted between May 6 and June 30, 2014; 411 firms participated. The 2013 Fidelity RIA Benchmarking Study was conducted between May 1 and June 28, 2013; 325 firms participated.

All benchmarking studies were conducted in collaboration with independent third-party research firms unaffiliated with Fidelity Investments. The experiences of the RIAs who responded to these studies may not be representative of the experiences of other RIAs and are not an indication of future success. Registering for, completing, and accessing these studies required access to and use of third-party websites, operated by independent third-party research firms unaffiliated with Fidelity Investments.

The 2020 Fidelity Financial Advisor Community COVID Series—Technology Study: 2020 Technology Study was fielded during the period July 10 through July 16, 2020; 422 advisors participated. The 2020 Fidelity Financial Advisor Community—May COVID Crisis Study: The study was fielded during the period May 15 through May 21, 2020; 408 advisors participated. The 2019 Fidelity Financial Advisor Community—Digital Marketing Study: 2019 Digital Marketing Study was fielded during the period June 10 through June 24, 2019; 474 advisors participated. All the Fidelity Financial Advisor Community studies were online blind survey (Fidelity not identified). Participating advisors managed or advised on client assets either individually or as a team, and worked primarily with individual investors. Advisory firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The studies were conducted by an independent firm not affiliated with Fidelity Investments.

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