

2019 Breakaway To Independence Survey

TD Ameritrade Institutional

July 2019

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About the survey

- TD Ameritrade Institutional set out to learn what motivates seasoned financial professionals at full-service broker-dealers and independent broker dealers to consider a move to the independent RIA channel.
- From April to May 2019, 118 brokers who indicated they planned to go independent within two to three years, also referred to as "potential breakaways" throughout this report, completed an online survey conducted by Escalent, on behalf of TD Ameritrade Institutional. Broker respondents were, on average, 50 years old and indicated they were handling close to \$95 million in client assets. These respondents indicated they had an average of 18 years' experience, and were with their current employer for 10 years on average.
- In addition, 337 advisors who were already at an independent RIA, referred to as "breakaways" in this report, completed the Escalent online survey. Breakaway respondents were, on average, 50 years old and indicated they were handling \$213.5 million in client assets. These respondents indicated they had worked as financial advisors for an average of 15 years and were with their current firm for 12 years, on average.
- The margin of error for this survey is +/- 5.8%.

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Executive summary

The breakaway broker movement is alive and well

- Overall, 44% of prospective breakaways say they are likely to move in the next 12 months.
- Nearly half of prospective breakaway brokers are more interested in moving than they were at the end of 2018.

Regulatory issues and pricing pressures negatively impact brokerage life

- The regulatory environment and pricing pressure are the top challenges facing the brokerage industry.
- Potential breakaways say attracting new clients at their current firms is a top challenge.

Greater control and higher earnings are top reasons to pursue independence

- The opportunity to build wealth and more control drive potential breakaways to independence.
- Two-thirds believe they'll earn more as independent RIAs.

More potential breakaways want to join or merge with existing firms

- Thirty-six percent plan to acquire or merge with an existing firm.
- Thirty-three percent want to join an existing RIA.

Despite their confidence, potential breakaways still need assurances to go independent

- Nearly all potential breakaways say that their clients trust them personally.
- But 54% worry that the transition will be too difficult, with legal/compliance issues a a top concern.

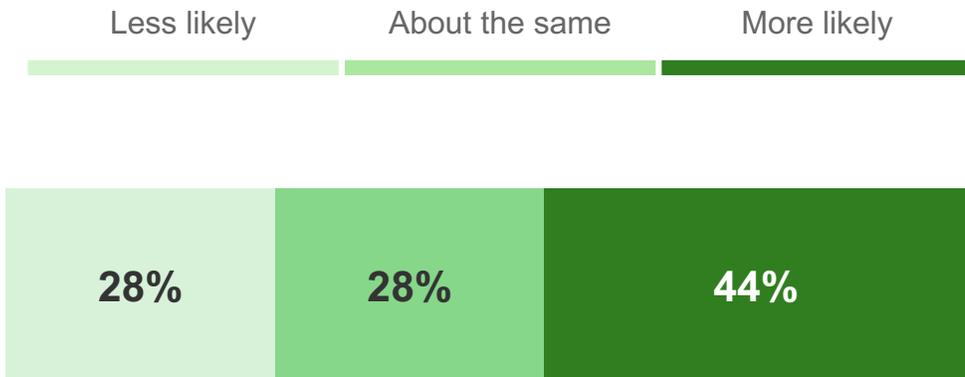
Those who are in independent RIA channel are its biggest champions

- Eighty percent say the transition was easier than expected.
- More than 90% had no issues accessing a broad range of investment products.
- Nearly 70% say losing their employer's national brand helped their bottom line
- And 69% say the technology is better than expected, while 64% say managing their own business is easier than they had thought.

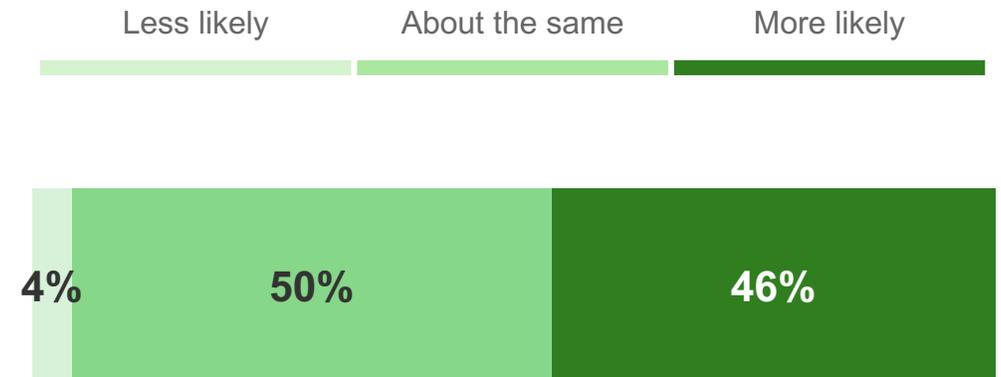
The Rationale For Independence

The appeal of independence is still stronger

Likelihood to move to a new firm in the next 12 months



Likelihood of breaking away vs. end of 2018



Potential breakaways and their current firms grapple with long-standing challenges

Top Challenges Facing Current Firm

	Regulatory environment	65%
	Pricing pressure	46%
	Consolidation/M&A activity	29%
	Aging client base	29%
	Public trust in financial firms like ours	28%

Top Challenges Facing Practice

	Attracting new clients/increasing revenue	57%
	Aging clients could lead to withdrawals and net outflows	53%
	Our firm's technology is obsolete	40%
	Changing compensation structure	27%
	Public trust in financial firms like ours	22%

Brokers are disappointed with their current firm's culture and leadership

Biggest Dissatisfactions With Current Firm



BSM1. How satisfied are you with each of the following aspects at your current firm? (Base: Potential Breakaways; n=118)

Potential breakaways want more control and better compensation

Top Reasons To Go Independent

More control over my business  34%

Higher compensation  34%

Better quality of life  13% 

83% RIAs say that their current quality of life is better than when they were working at a brokerage.

Freedom to work with clients how I want  11%

Freedom to select the investments that I believe are best for my clients  9%

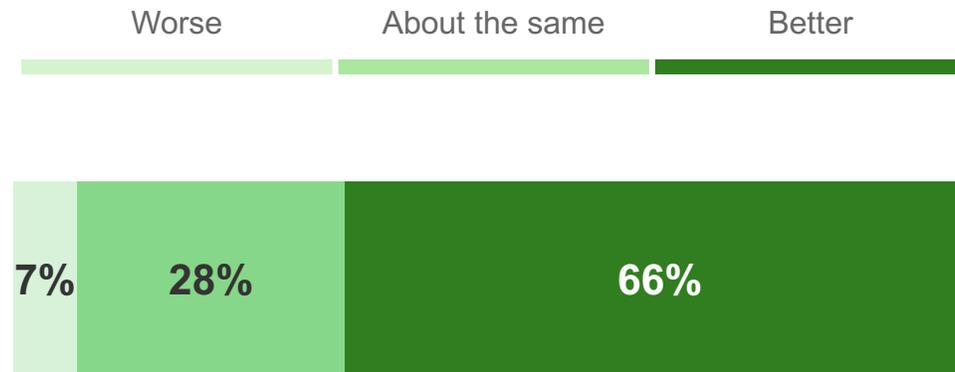


92% RIAs say that they did not have issues accessing a broad range of investment products after making the move.

Potential breakaways believe there is more money to be made in the independent RIA channel

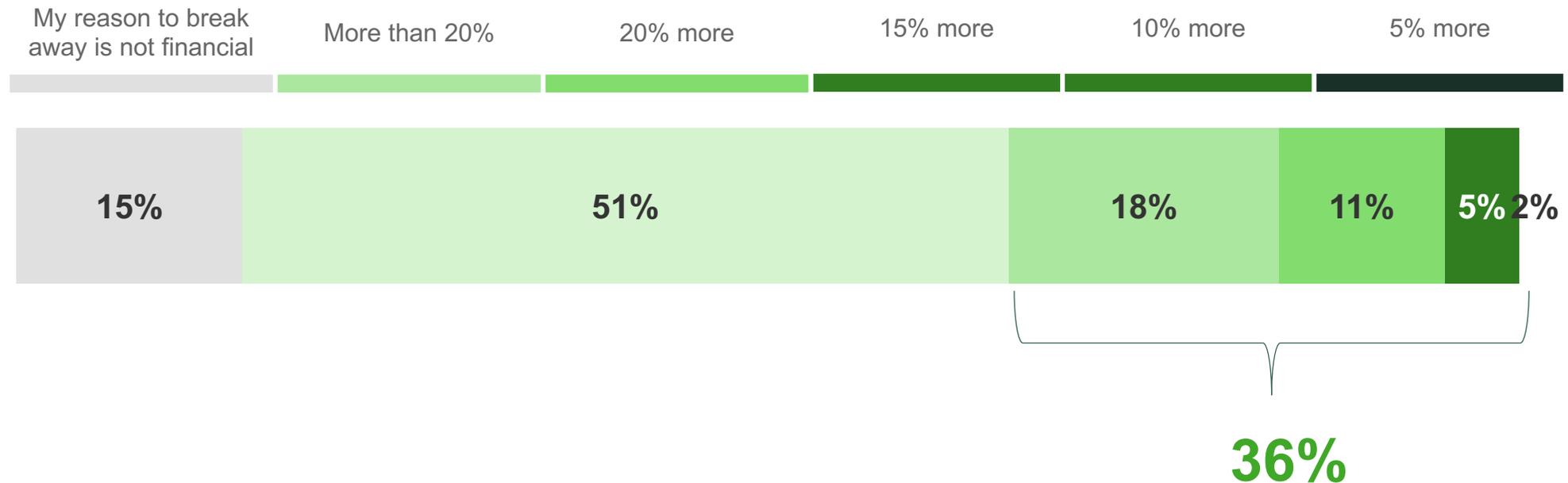
Most believe they personally would fare better in the independent RIA channel

Expected RIA Compensation vs. Payout at Current Firm



More than a third would move for a modest bump

To move to independence now, my income would need to be...

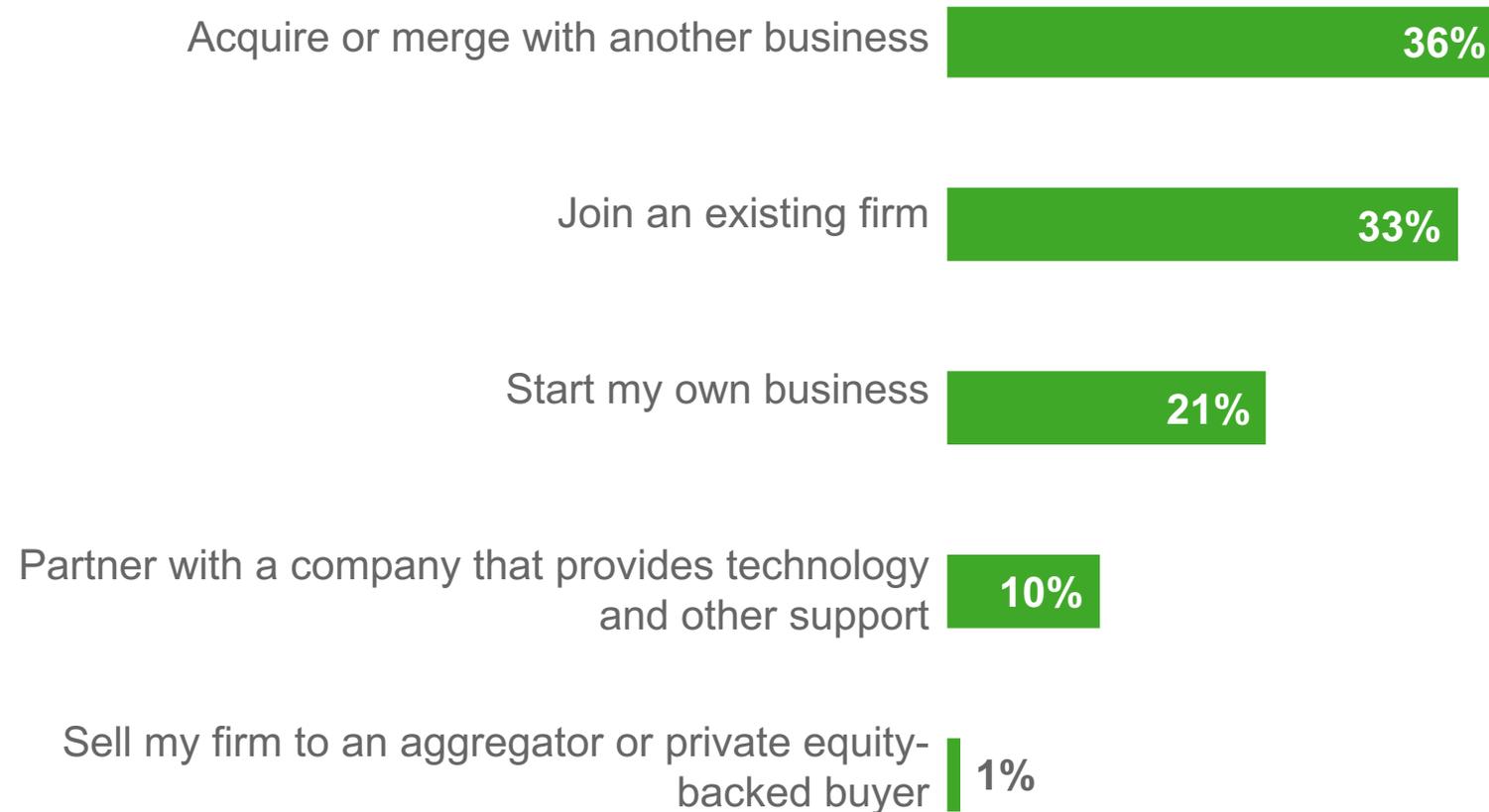


The Path To Independence

Independence does not mean going it alone

Potential breakaways are looking for established foundations when they move

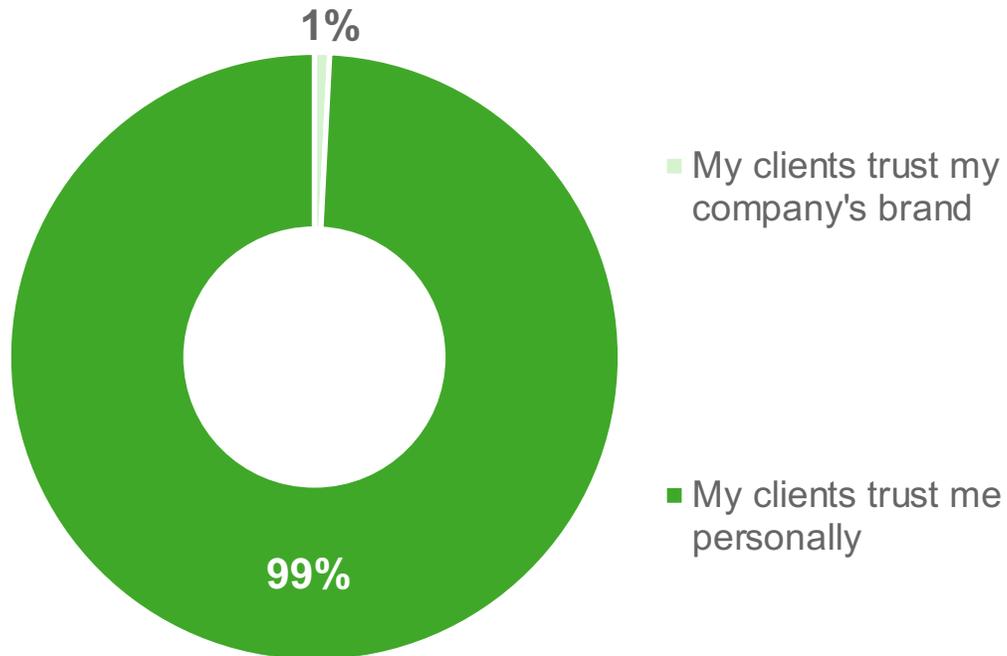
Ideal Path To Becoming an Independent RIA



We've got this: Potential breakaways expect success when independent

They believe that clients trust them personally, not their current firm's national brand

Potential breakaways: My clients trust me



Perceptions about the independent path

	Potential Breakaways Who Agree
I will make more money as an independent advisor	88%
I will be able to grow without a big national brand name	75%
I don't worry that I will have to give up my securities licenses	75%
I don't worry that I will have to give up my commissions-based income	68%
My practice is large enough to be an RIA	56%

BSM1A. Which of the following is closer to your views? (Base: Potential Breakaways; n=118)

BSM11. For each of the following statements on making a move to independence, please indicate whether you agree or disagree? (Base: Potential Breakaways; n=118)

Roadblocks To Independence

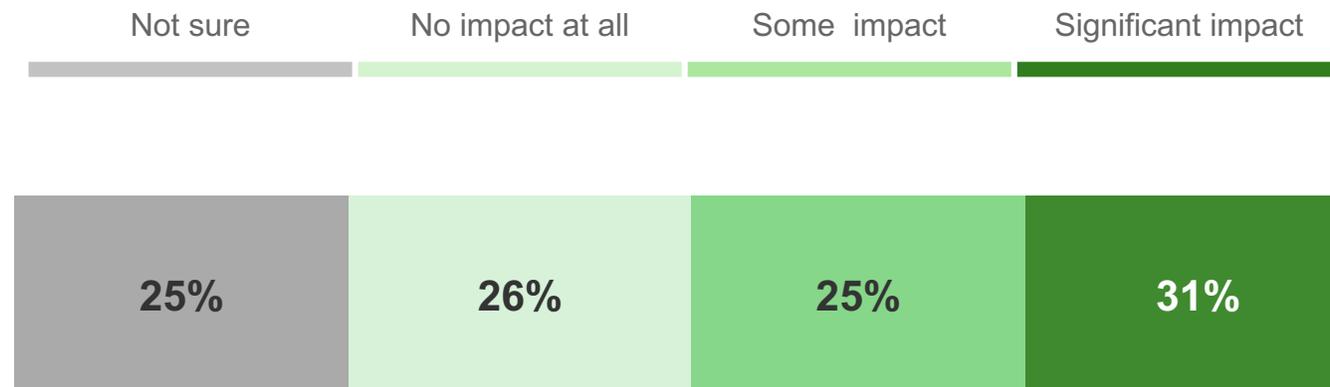
Fear of the unknown holds potential breakaways back

Why Potential Breakaways Delay Independence

	<i>Potential Breakaways Who Agree</i>
I put my own plans on hold during periods of heightened market volatility or a market downturn	57%
.....	
The transition to independence seems be too difficult	54%
.....	
Managing legal/compliance issues will be too difficult	51%
.....	
Managing my own business will be too difficult	23%
.....	

For some, the Broker Protocol Agreement is a big factor

How does your current firm's stance on the Broker Protocol Agreement impact your decision to move?



RIA Landscape

RIAs say: The transition is smoother and the grass is greener than you expect

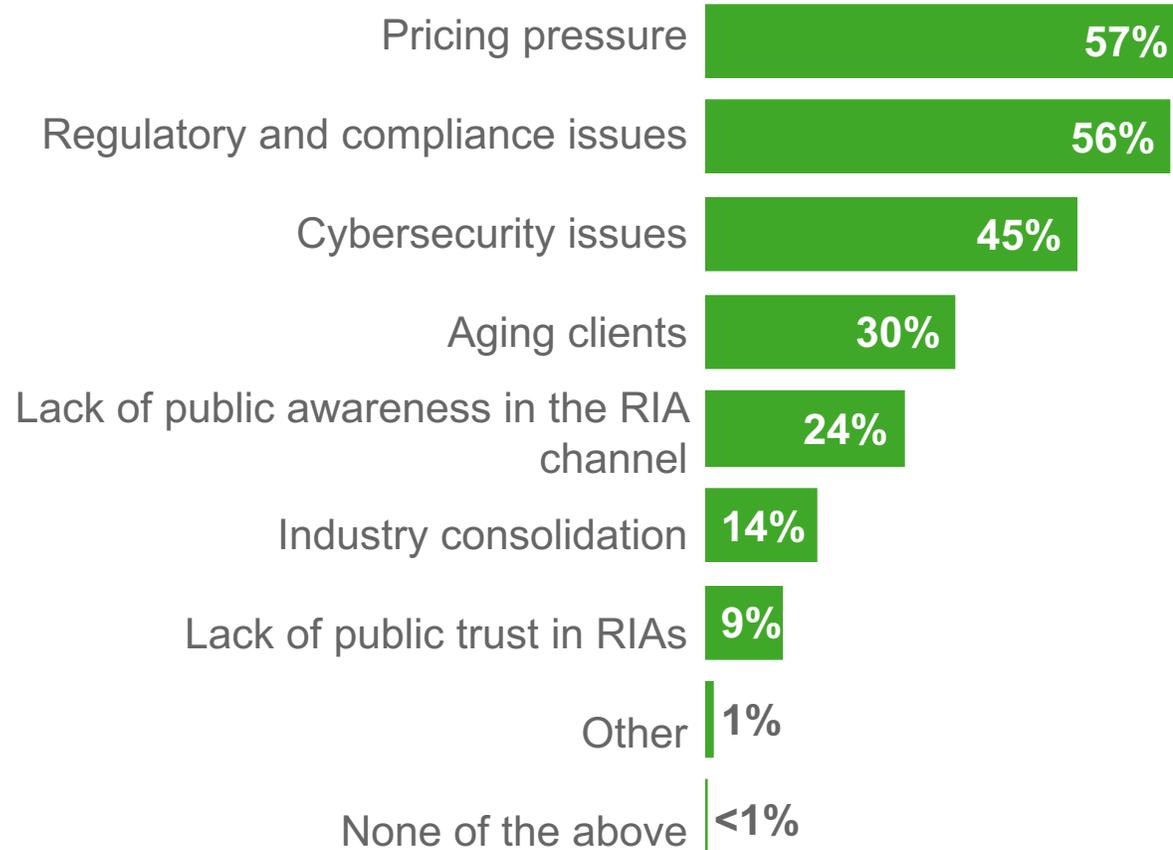
RIAs weigh in on going independent

RIAs in Agreement



RIAs are not immune to industry issues

Top Industry Challenges

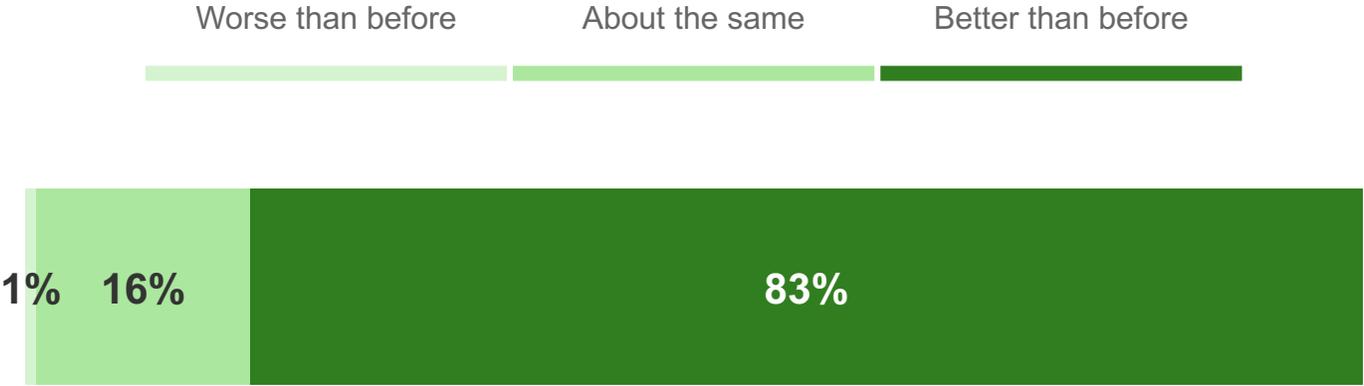


Top Firm Challenges



RIAs say life got better once they went independent

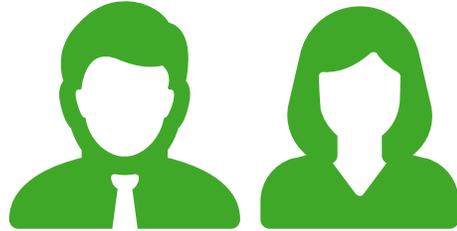
Quality Of Life After Becoming An Independent RIA



Appendix

Survey Demographics

Potential Breakaway to Independent Channel



118

Broker who is likely to
transition to independence in
the next 2-3 years



Average AUM **\$91M**



Average Age **50 yrs.**



Average Tenure At
Current Firm **10 yrs.**



Average Tenure As
An Advisor **18 yrs.**



Average Number Of
Weekly Working
Hours **44 hrs.**

Survey Demographics

RIA



337

Advisor who already transitioned to the independent RIA channel – either as an owner, partner or employee



Average Firm AUM **\$213.5M**



Average Age **50 yrs.**



Average Tenure At Current Firm **12 yrs.**



Average Tenure As An Advisor **15 yrs.**



Average Number Of Weekly Working Hours **41 hrs.**



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