

TD Ameritrade Institutional Break Away To Independence Spring 2020 Survey

July 2020

About the Survey

- TD Ameritrade Institutional set out to understand what motivates financial professionals at full-service broker-dealers and independent broker-dealers to consider a move to the independent RIA channel.
- From April to May 2020, 120 brokers who indicated they planned to go independent within two to three years -- referred to as "potential breakaways" -- 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 roughly \$100 million in client assets. Respondents averaged 20 years of experience, including 11 years with their current employer.
- In addition, we surveyed 330 advisors who are already at an independent RIA. This group was, on average, 50 years old and managed \$320 million in client assets. These respondents, on average, worked as financial advisors for 16 years and were with their current firm for 13 years.
- The margin of error for this survey is +/- 5.8%.
- This Spring 2020 Survey follows up on a similar survey conducted by Escalent, on behalf of TD Ameritrade Institutional, in Fall 2019 (referred herein as "the fall survey")

TD Ameritrade Institutional and Escalent are separate and unaffiliated and not responsible for each other's services and policies.

Executive summary

More potential breakaways explore joining an RIA, versus launching a new firm

- More brokers are open to joining an existing RIA firm (19% vs. 9% in Fall 2019)
- More brokers, 17%, would partner with a firm that provides technology vs. 7% six months ago.
- 25% want to launch their own firm, compared with 29% in the fall.

Potential breakaways are more confident, less worried about a move to RIA

- Fewer brokers worry that the transition will be too difficult (48% vs. 69% in the Fall)
- Fewer brokers, 47%, express concerns about legal/compliance issues vs. 60% in the Fall.
- Potential breakaways are confident they have the support of all their clients.

RIAs continue to endorse making the move to independence.

- 77% of RIAs say their quality of life is better
- 80% say the transition was easier than expected.
- 78% transitioned all the clients they wanted after becoming an RIA.
- 73% say removing their employer's national brand helped the bottom line
- 72% say RIA technology is better than expected
- 66% say managing their own business is easier than they thought.

Executive summary

Brokers continue to believe in the benefits of RIA independence.

- Greater control remains the primary driver for brokers considering a move to the RIA channel.
- 3 in 4 believe they'll earn more as independent RIAs.

COVID-19 and market volatility added to the challenges that brokerages face.

- Around 1 in 3 prospective breakaways cite the COVID-19 pandemic and financial market turbulence as key challenges
- Concerns about regulations, pricing pressure and attracting new clients remain top-of-mind.

Not surprisingly, flights to independence were delayed – but not cancelled.

- 33% of prospective breakaways are likely to move in the next 12 months, down from 55% in the Fall 2019 survey.
- Still, 40% say they are more likely to break away than they were 6 months earlier

Brokers: Current sentiment

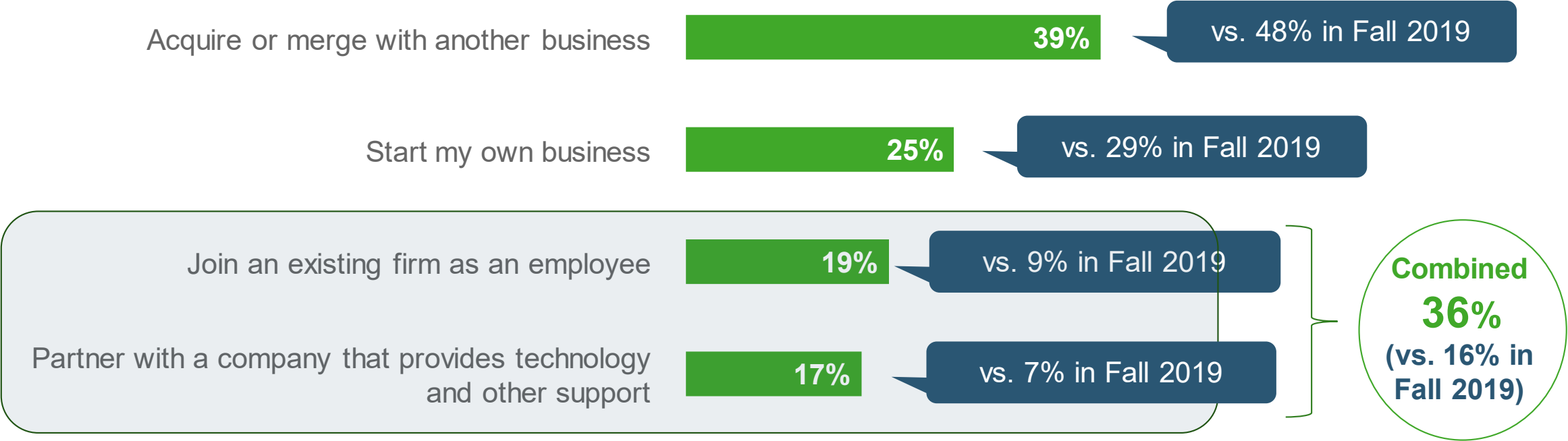
Brokers' interest in the independent RIA model remains high

Brokers' likelihood of breaking away, compared with 6 months ago



More brokers are open to alternative paths to independence

What is your ideal path to becoming an Independent RIA?



Breakaways are confident they can succeed as RIAs

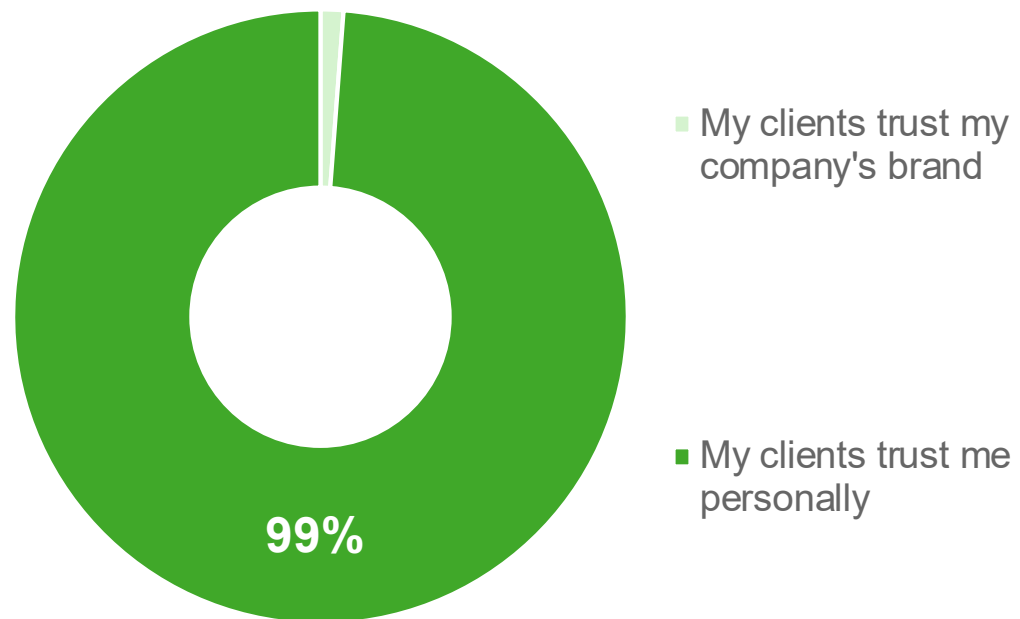
Perceptions about the independent RIA path are positive

Potential Breakaways Who Agree

I will make more money as an independent advisor	87%
I will be able to grow without a big national brand name	80%
Managing my own business won't be too difficult	79%
I don't worry that I will have to give up my securities licenses	72%
I don't worry that my employer will sue me if I leave	70%
I don't worry that I will have to give up my commissions-based income	59%

Brokers are confident clients are loyal to them as individuals.

Potential breakaways: My clients trust *me*



Meanwhile, many worries that hold back brokers have eased



Why Potential Breakaways Delay Independence

Potential Breakaways Who Agree

	Spring '20	Fall '19
I put my own plans on hold during periods of heightened market volatility or a market downturn	51%	55%
.....		
The transition to independence seems to be too difficult	48%	69%
.....		
Managing legal/compliance issues will be too difficult	47%	60%
.....		
My practice isn't large enough to become an RIA	40%	56%
.....		

BSM11. For each of the following statements on making a move to independence, please indicate whether you agree or disagree? (Base: Potential Breakaways; n=120)

Brokers: Priorities and concerns

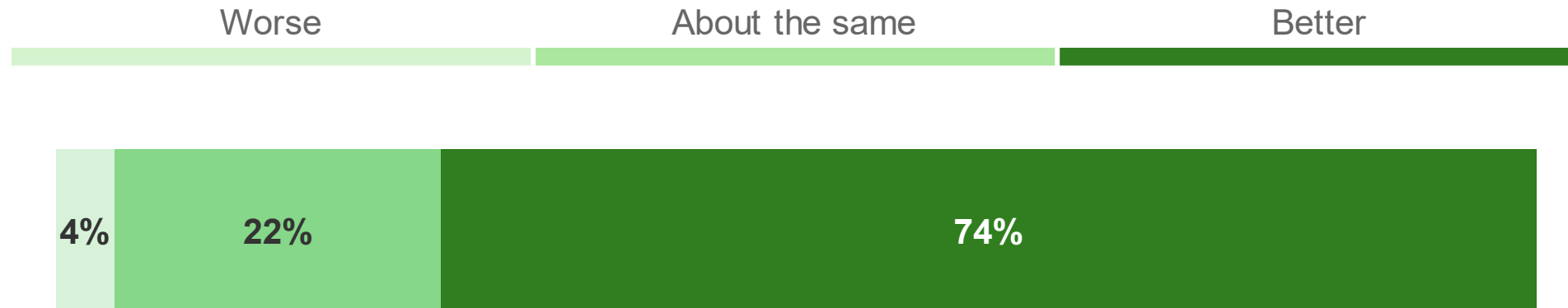
Brokers want greater control and potential to earn more

Top Reasons To Go Independent



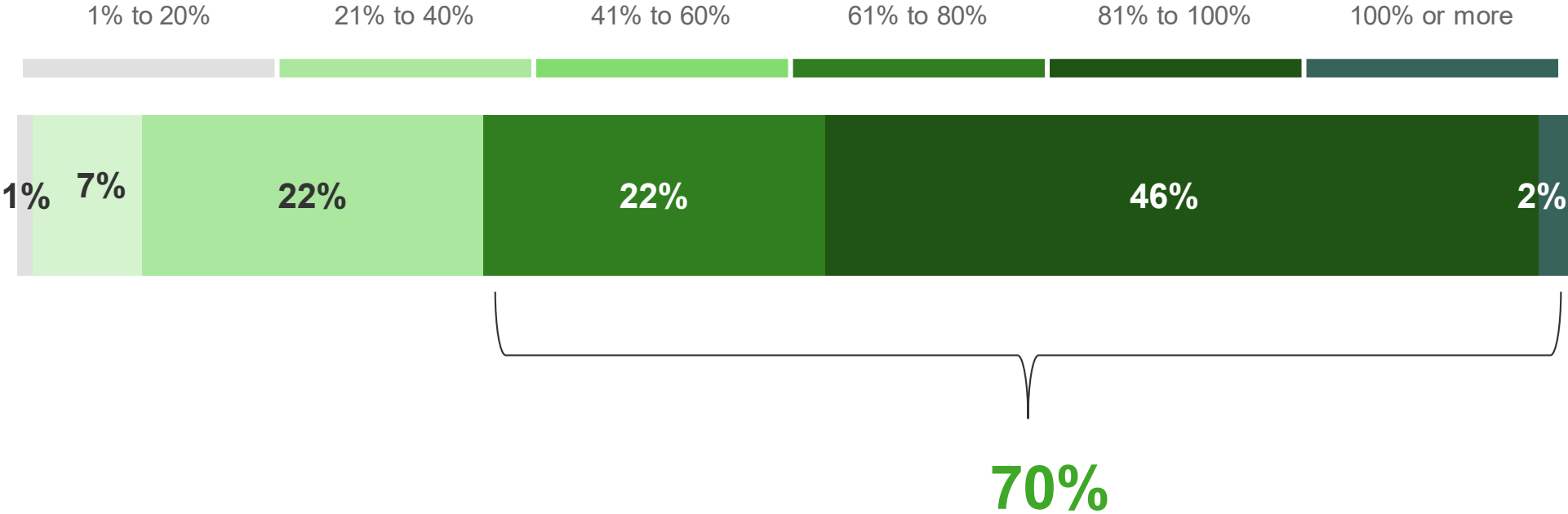
Brokers expect they can earn more as RIAs

Expected RIA Compensation vs. Their Payout at Current Firm



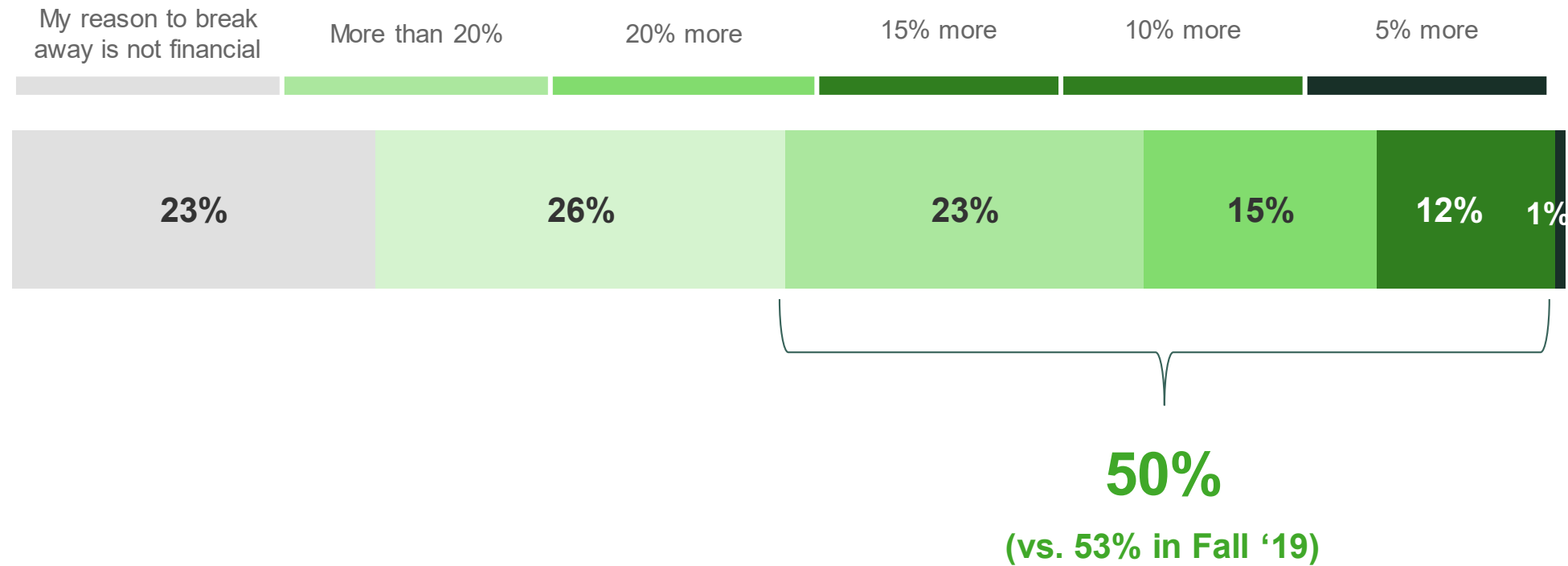
Brokers expect they can earn more as RIAs

Compensation in the RIA Channel as a Percentage Payout



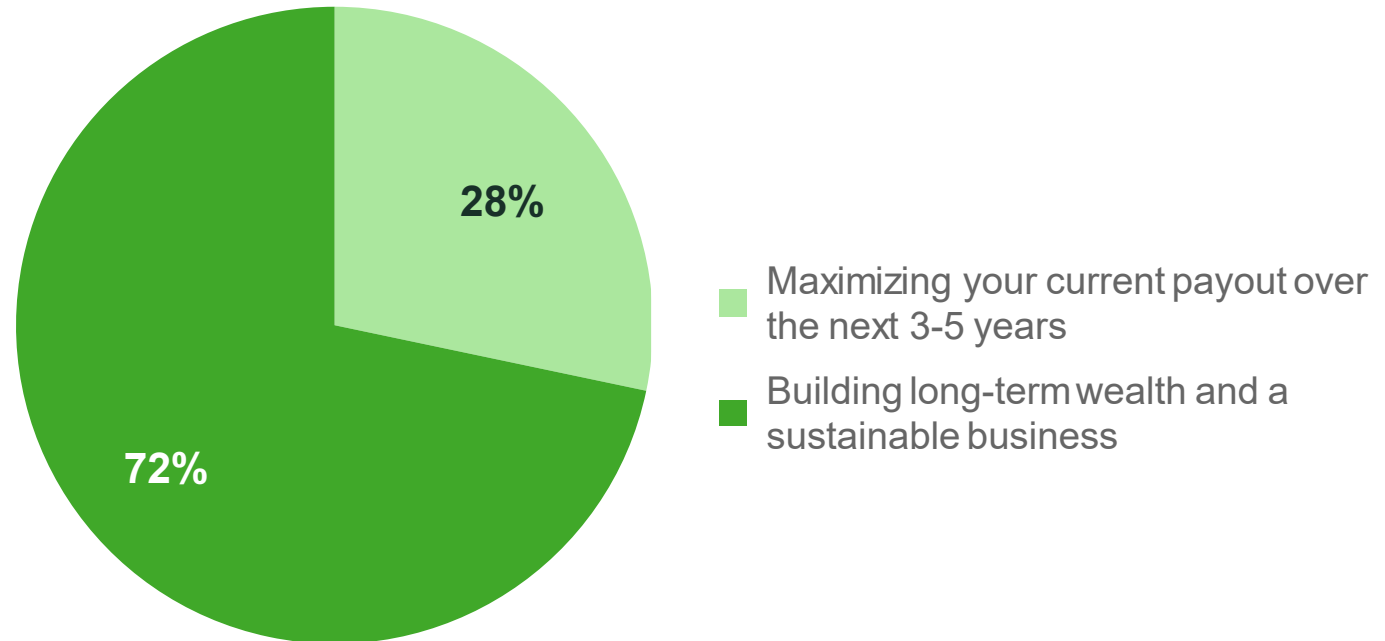
Many brokers would break away for a 15% increase

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



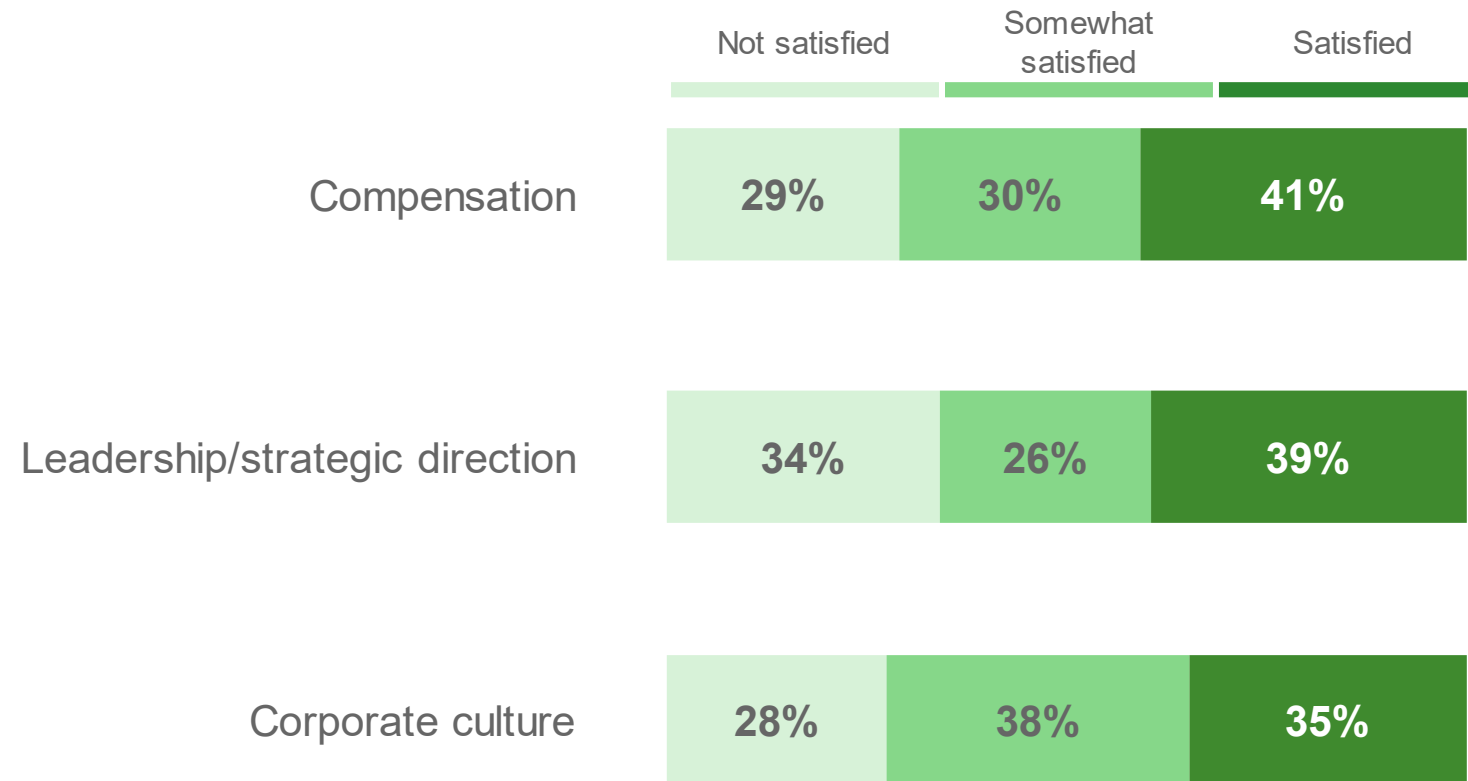
Breakaways are more committed to long-term goals than short-term gains.

Potential breakaways say they're focused on the long run



Brokers give their employers mixed reviews.

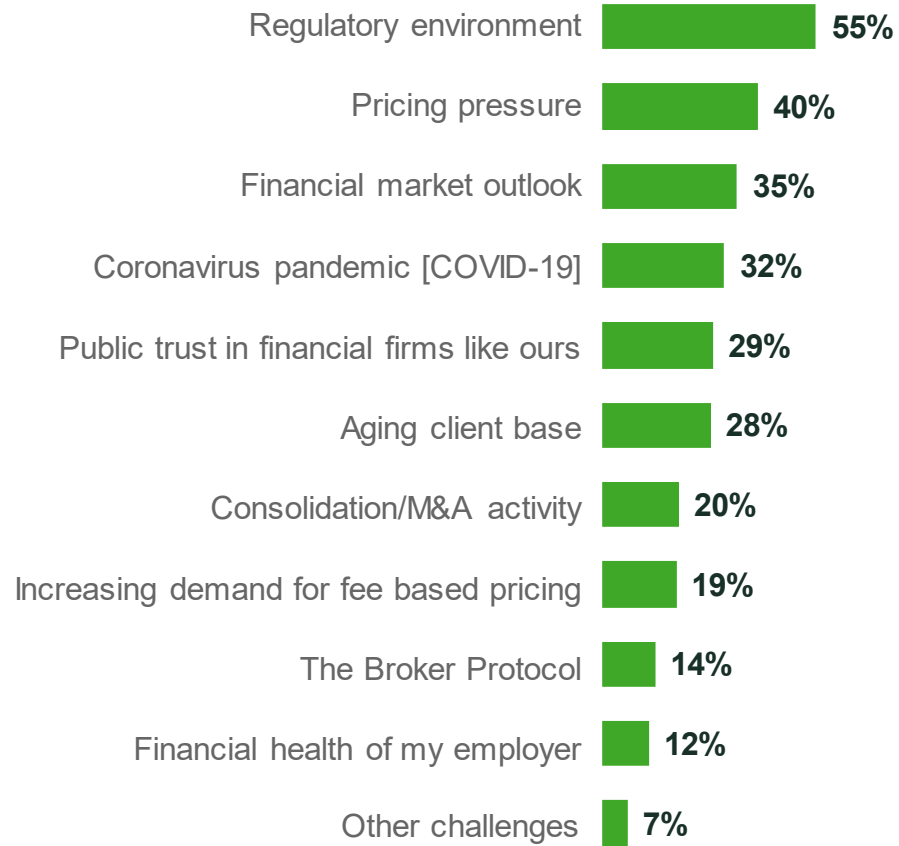
Biggest Dissatisfactions With Current Firm



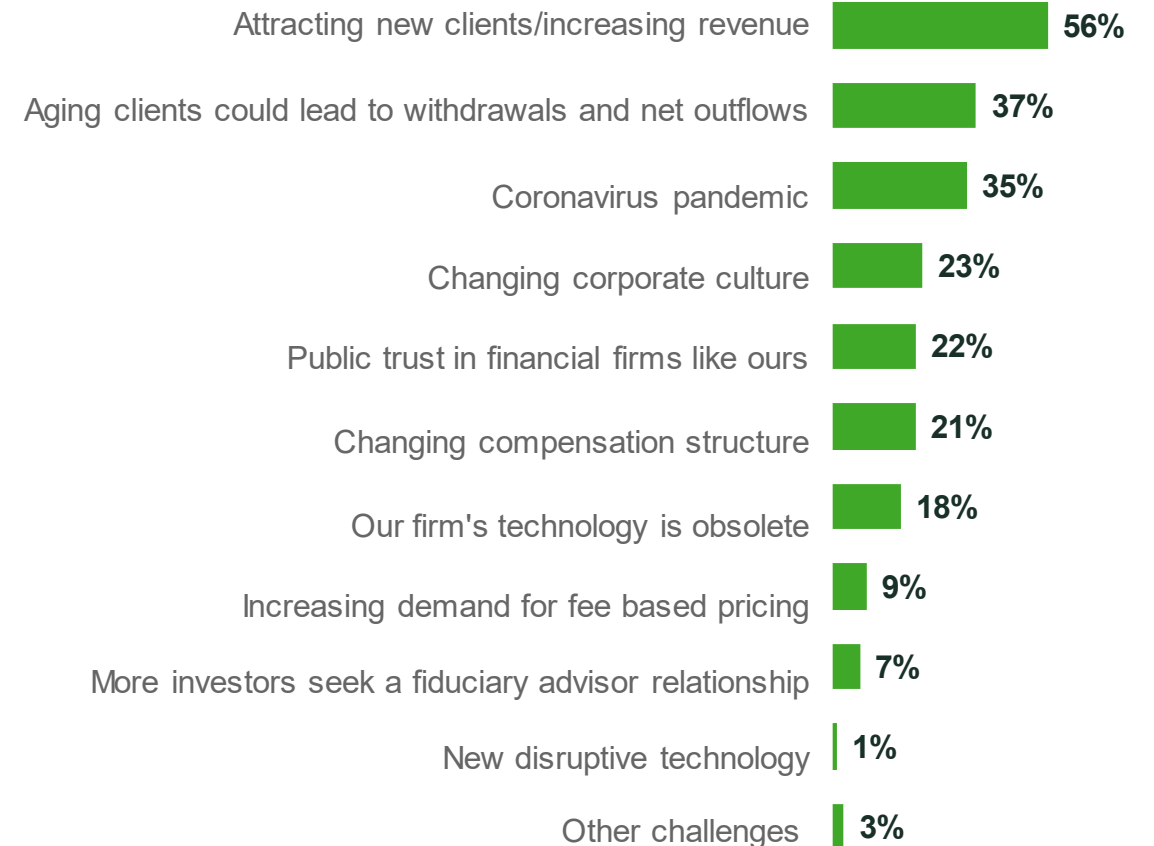
↑/↓ indicate significant difference versus Fall 2019 at 95% confidence level
BSM1. How satisfied are you with each of the following aspects at your current firm? (Base: Potential Breakaways; n=120)

Regulation, pricing are stumbling blocks for brokerages

Top Challenges Facing Their Employer



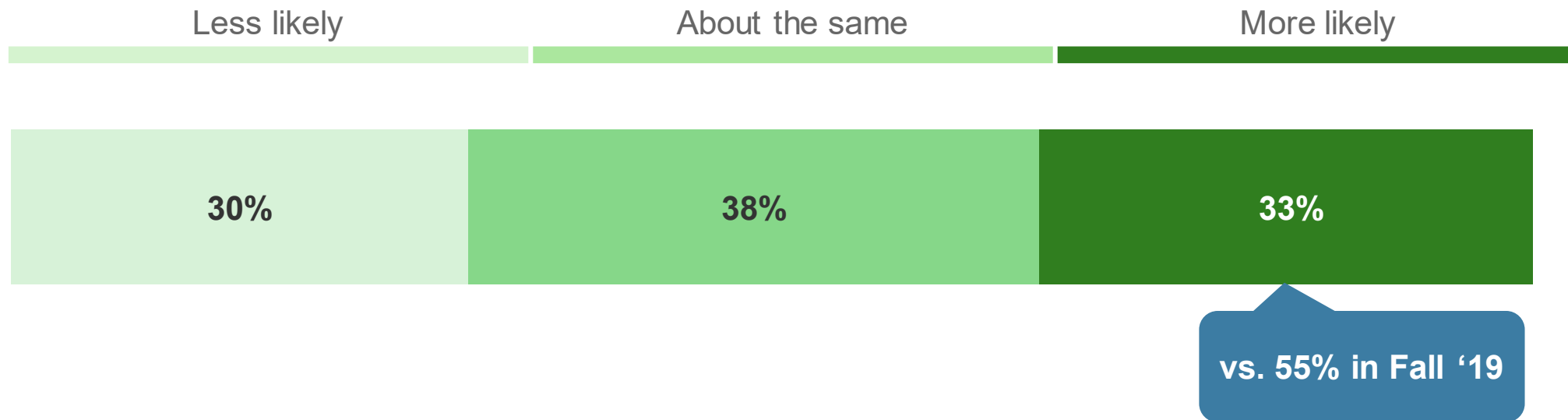
Top Challenges Facing Their Practice



Brokers: Breakaway plans on hold





As in past periods of turbulence, breakaway plans are on hold

Likelihood of moving to a new firm in the next 12 months







Uncertainty spawned by COVID-19 and financial market turmoil joins top broker challenges.

Top Challenges Facing Current Firm

	Spring '20	Fall '19
 Regulatory environment	55%	72%
 Pricing pressure	40%	56%
 Financial market outlook	35%	7%
 Coronavirus pandemic	32%	-
 Public trust in financial firms like ours	29%	33%

Top Challenges Facing Practice

	Spring '20	Fall '19
 Attracting new clients/increasing revenue	56%	66%
 Aging clients could lead to withdrawals and net outflows	37%	55%
 Coronavirus pandemic	35%	-
 Changing corporate culture	23%	21%
 Public trust in financial firms like ours	22%	18%

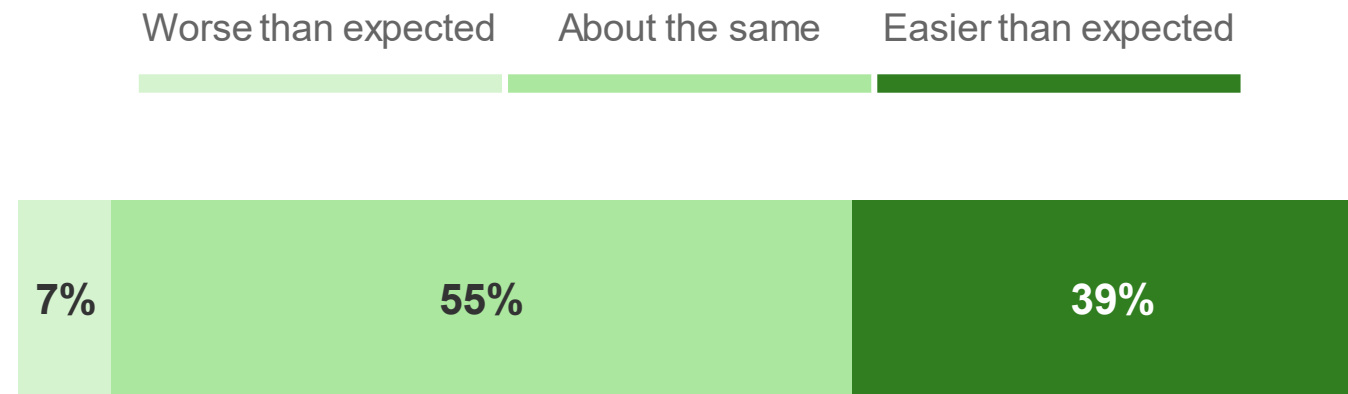
BSM2. In your opinion, what are some of the most important challenges facing your employer? (Base: Potential Breakaways; n=120)

BSM3. In your opinion, what are some of the most important challenges facing your practice? (Base: Potential Breakaways; n=120)

RIAs: Views on Independence

Nearly 4 in 10 RIAs found their experience of transitioning to independence easier than anticipated.

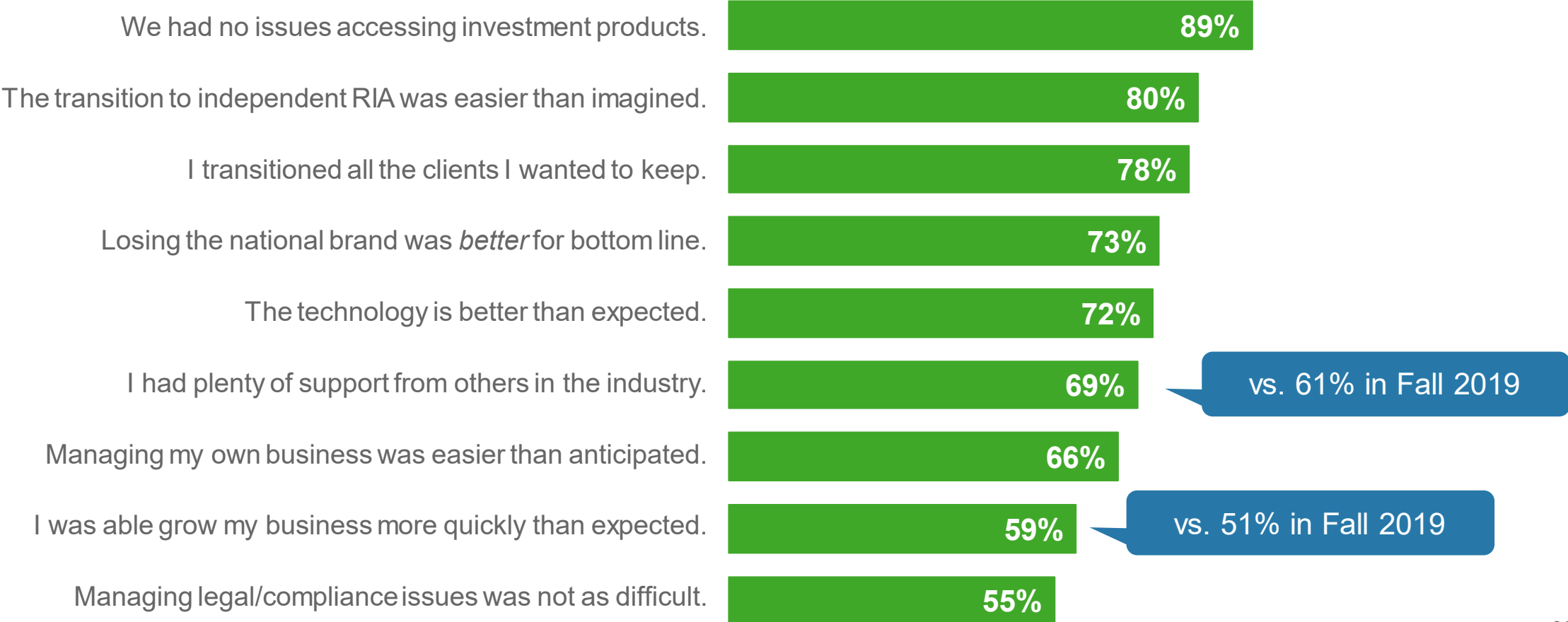
Experience of becoming and independent RIA



RIAs say moving to independence was a positive.

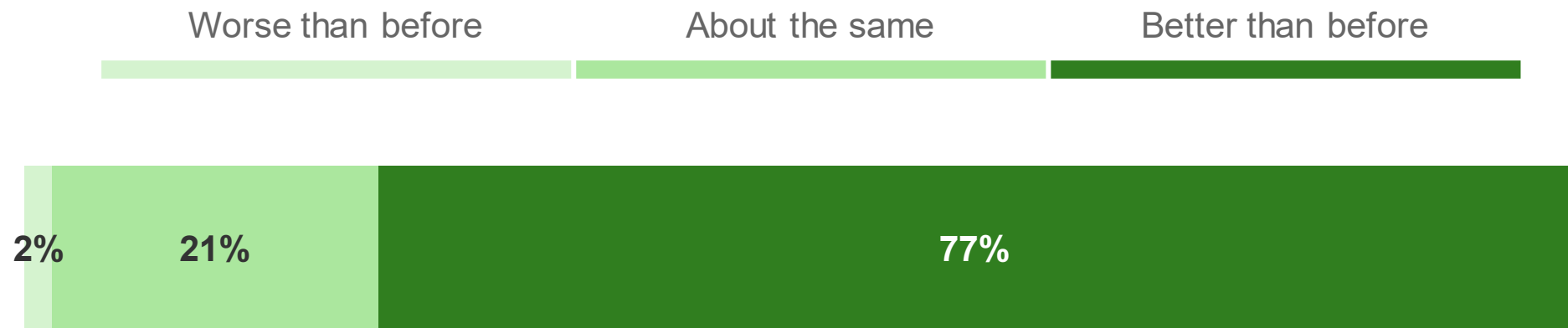
RIAs endorse benefits of going independent

RIAs in Agreement



Bottom line: The grass is greener for RIAs

Quality Of Life After Becoming An Independent RIA



Appendix

Survey Demographics

Potential Breakaway to Independent Channel



120

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



Average AUM **\$100M**



Average Age **50 yrs.**



Average Tenure At Current Firm **11 yrs.**



Average Tenure As An Advisor **20 yrs.**



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



Discovered Current Firm Yourself (vs. recruiter, friends etc.) **30%**

Survey Demographics



330

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



Average Firm AUM **\$320M**



Average Age **50 yrs.**



Average Tenure At Current Firm **13 yrs.**



Average Tenure As An Advisor **16 yrs.**



Average Number Of Weekly Working Hours **42 hrs.**



Discovered Current Firm Yourself (vs. recruiter, friends etc.) **67%**

Important information



About TD Ameritrade Institutional

TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 5,000 fee-based, independent registered investment advisors and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows investment advisors to run their practices more efficiently and effectively while optimizing time with clients. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., a brokerage subsidiary of TD Ameritrade Holding Corporation.

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