

TD Ameritrade Institutional

2020 RIA Sentiment Survey Mid-Year Update

August 2020



*This material is designed for an investment professional audience, primarily Registered Investment Advisors (RIAs).
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Executive Summary

Covid-19 may have dampened near-term outlooks, but RIAs remain optimistic about the future.

- Advisors are twice as optimistic about the prospects for the economy and stock market in 2021, compared to the rest of this year.
- They are watching headlines about U.S. economy, presidential election and corporate earnings for their impact on client portfolios.

2020 has brought many positives for RIAs: new clients, higher AUMs, increased revenue.

- Since the pandemic, 58% of RIAs have new clients, nearly 6% more on average, and 40% report increases in both AUM and revenues.
- Though 60% have returned to the office, it's not business as usual: more than a third have implemented a split or remote schedules.
- Concerns about a resurgence in the number Covid-19 cases is the #1 issue keeping staff from coming back in the office.

Executive Summary

Technology and client communications have gotten a boost.

- RIAs have spent more this year on tech than they originally anticipated, with 33% of firms doing tech upgrades because of Covid-19.
- More than two-thirds have increased the frequency of client communications since the beginning of the pandemic.
- Advisors are relying heavily on video-conferencing to stay connected with clients during the pandemic, nearly 40 percent of firms started using these tools because of Covid-19.
- Ninety-one percent of RIAs expect their usage of virtual meeting tools to continue at a high level when social distancing restrictions ease.

RIAs have adjusted spending as they continue to grow.

- Advisors are spending less on marketing, professional development and M&A than expected at the top of the year.
- Roughly a third are hiring advisors right now, but 66% are holding off on active recruiting.
- Nearly four in 10 are planning some type of M&A transaction for the coming year.
- Though 73% of advisors say their M&A appetite remains unchanged since the pandemic, 40% expect an uptick in deals this year.

Methodology

- Results for the TD Ameritrade Institutional 2020 RIA Sentiment Survey Mid-Year Update are based on a nine-minute email survey, conducted by True North Market Insights, on behalf of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., between July 14 through July 29, 2020.
- 158 independent registered investment advisors (RIAs) with an average of \$234 million in assets under management participated in this study. Participants, both clients of TD Ameritrade Institutional and non-clients, were asked to share their views on the economy, their outlook for their firms and the RIIA market overall. The margin of error is +/- 6%.
- TD Ameritrade Institutional was identified as the sponsor of the study. TD Ameritrade donated \$10, in aggregate, for each complete to Feed America.
- True North and TD Ameritrade are separate and not affiliated and not responsible for each other's services or policies.

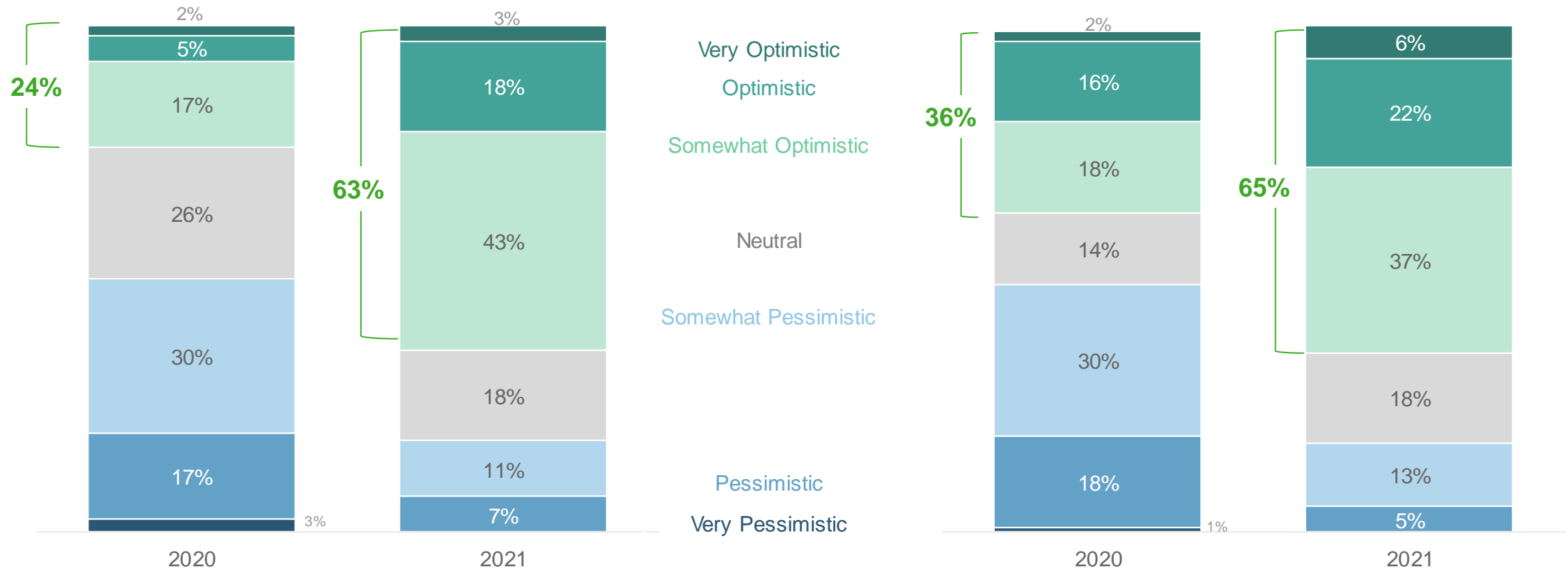
Investing and Economic Outlook

Advisors are optimistic in their 2021 economic outlook, less so for the remainder of this year

RIA Economic Outlook through the End of 2020 and 2021

Global Economy

U.S. Economy



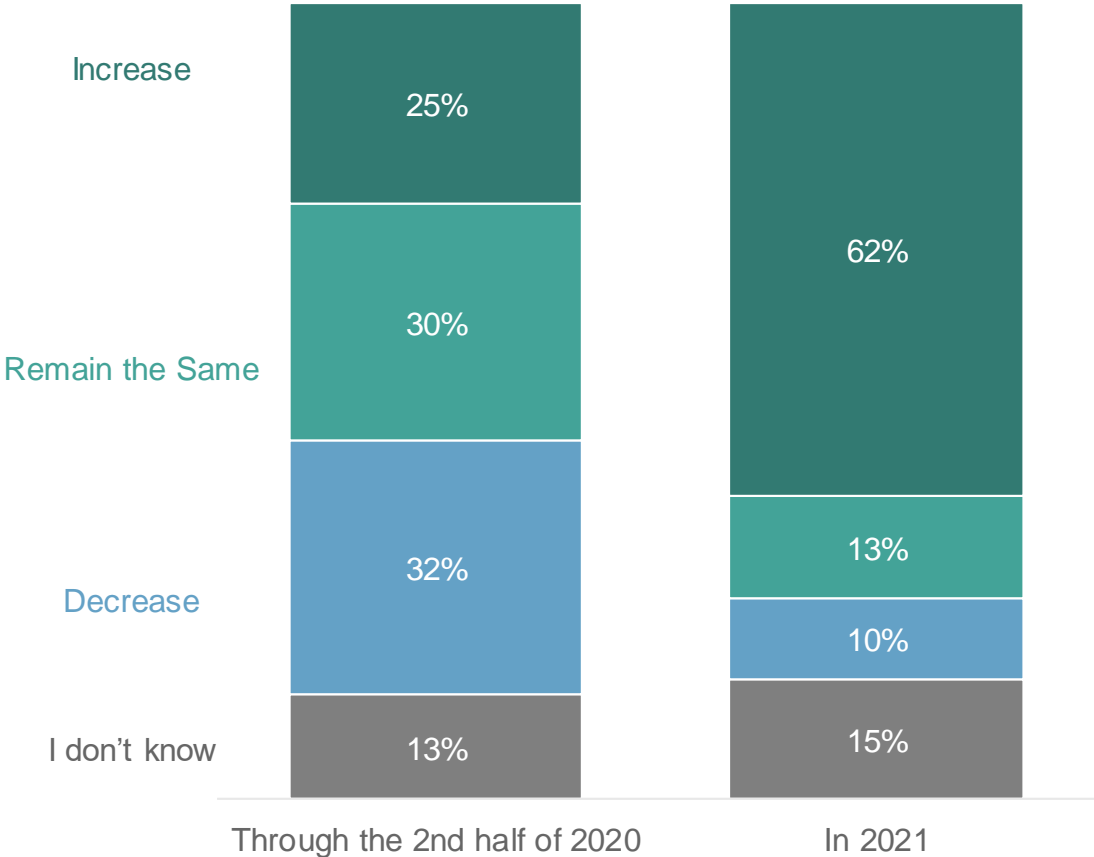
Base: total n=158

Q1. For each of the following, please choose the response that best describe your outlook through the end of 2020.

Q2. For each of the following, please choose the response that best describe your outlook for 2021.

RIAs are overwhelmingly bullish on stocks in 2021

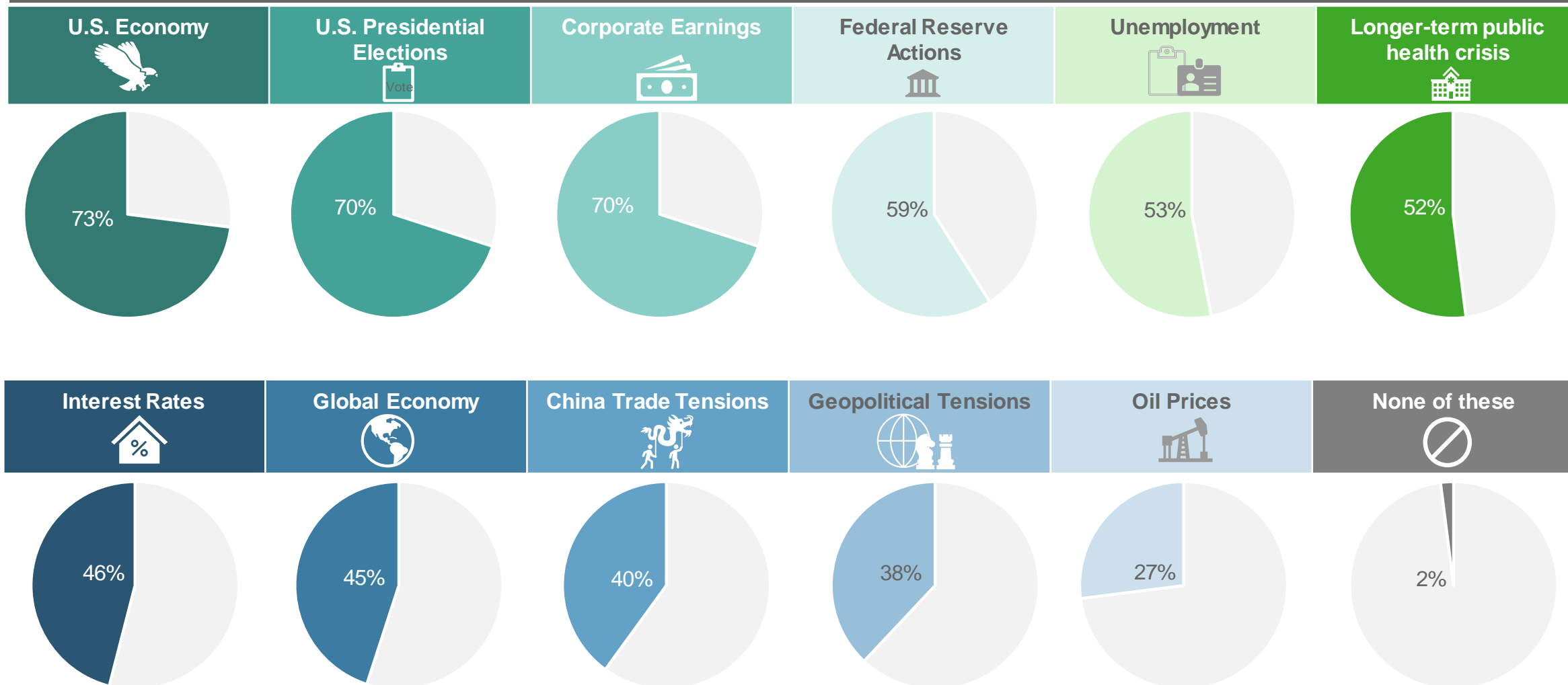
U.S. Stock Market Performance Outlook



Base: total n=158
Q3. Please choose the response that best describe your outlook for the performance of the U.S. stockmarket (S&P) overall. Will the stockmarket...?

They are watching the 3Es for their impact on portfolios: economy, election and earnings

Headlines That May Impact Clients' Portfolios

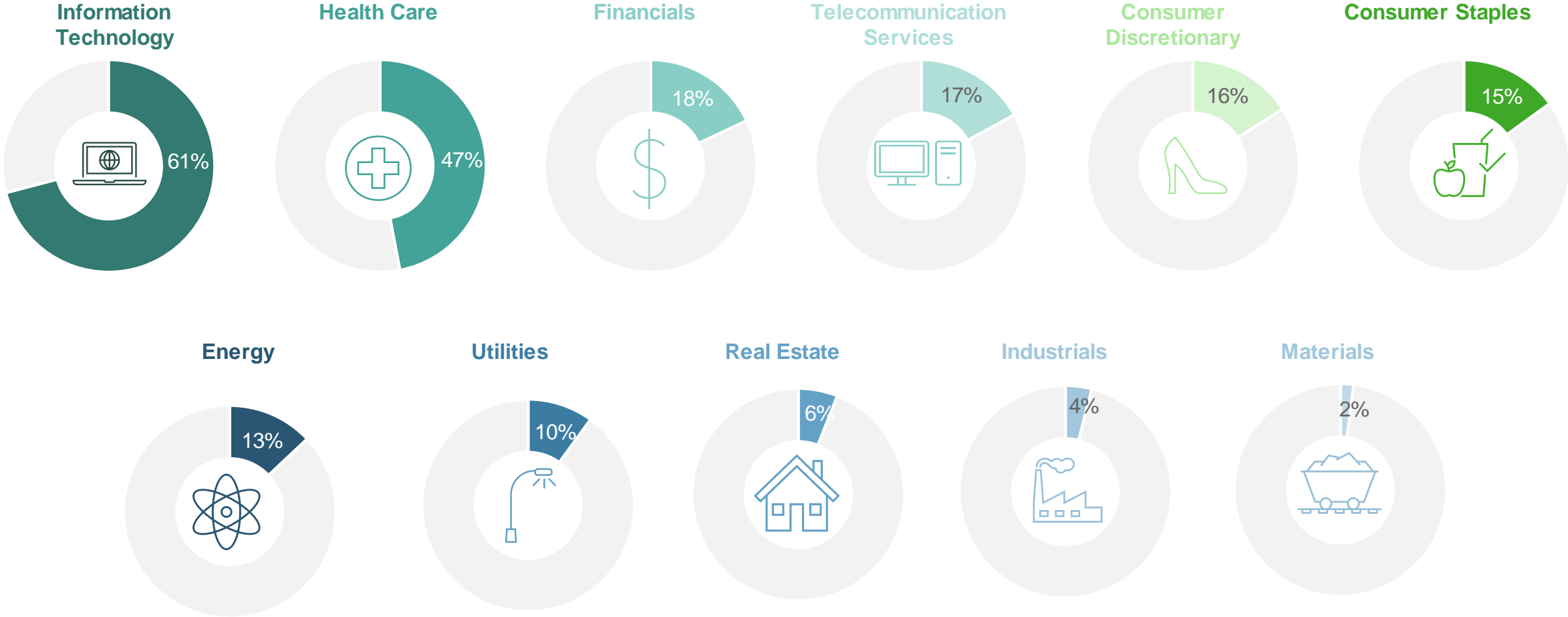


Base: total n=158

Q4. Which of the following headlines are you watching for their potential impact on your clients' portfolios? (Please select all that apply.)

Advisors expect Tech and Health Care to outperform this year

Sectors Expected to Outperform the S&P 500 Index in the Second Half of 2020



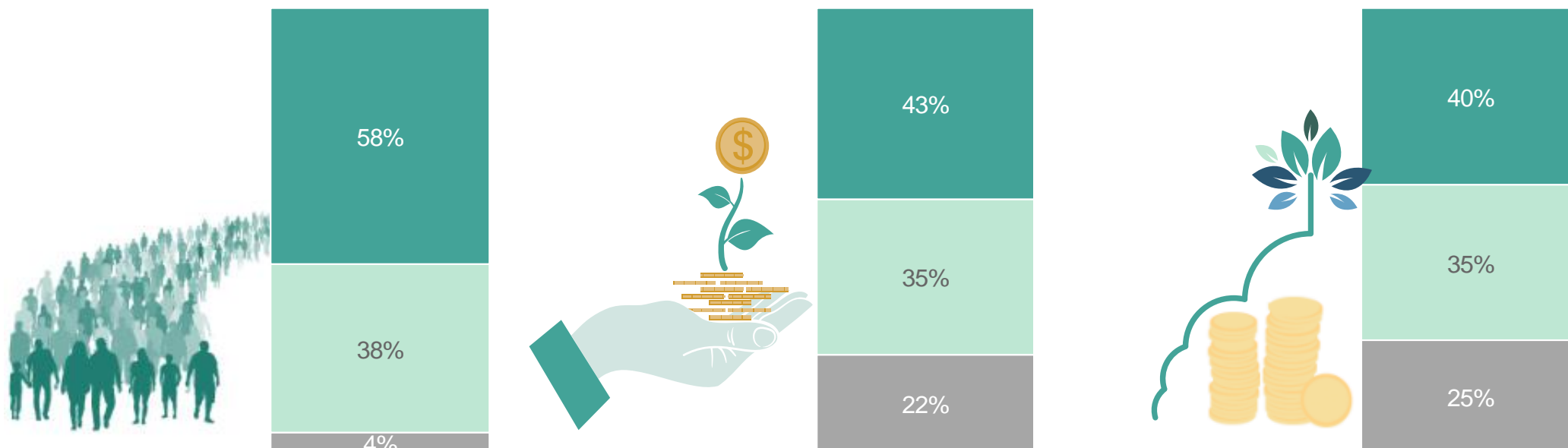
Base: total n=158
Q5. Which of the sectors do you expect to outperform the S&P 500 index in the second half of 2020? (Please select up to 3 responses.)

Pandemic Impact & Business Sentiment

Firms report increases in clients, AUM and revenue amid Covid-19

Impact of US Coronavirus Pandemic on RIAs

■ Decreased ■ Remained the Same ■ Increased



Percentage Grown
(Average)

5.75%

8.40%

8.45%

Base: total n=158

Q6. Since the Covid-19 pandemic reached the U.S., please indicate how your business has changed in each of the following areas.

Q7. [IF # OF CLIENTS HAD INCREASED, FIRM AUM HAD INCREASED AND FIRM REVENUE HAD INCREASED]

Q7a. [IF Q6A = 3] By approximately what percentage has your firm's client base grown? (Please estimate as best you can.)

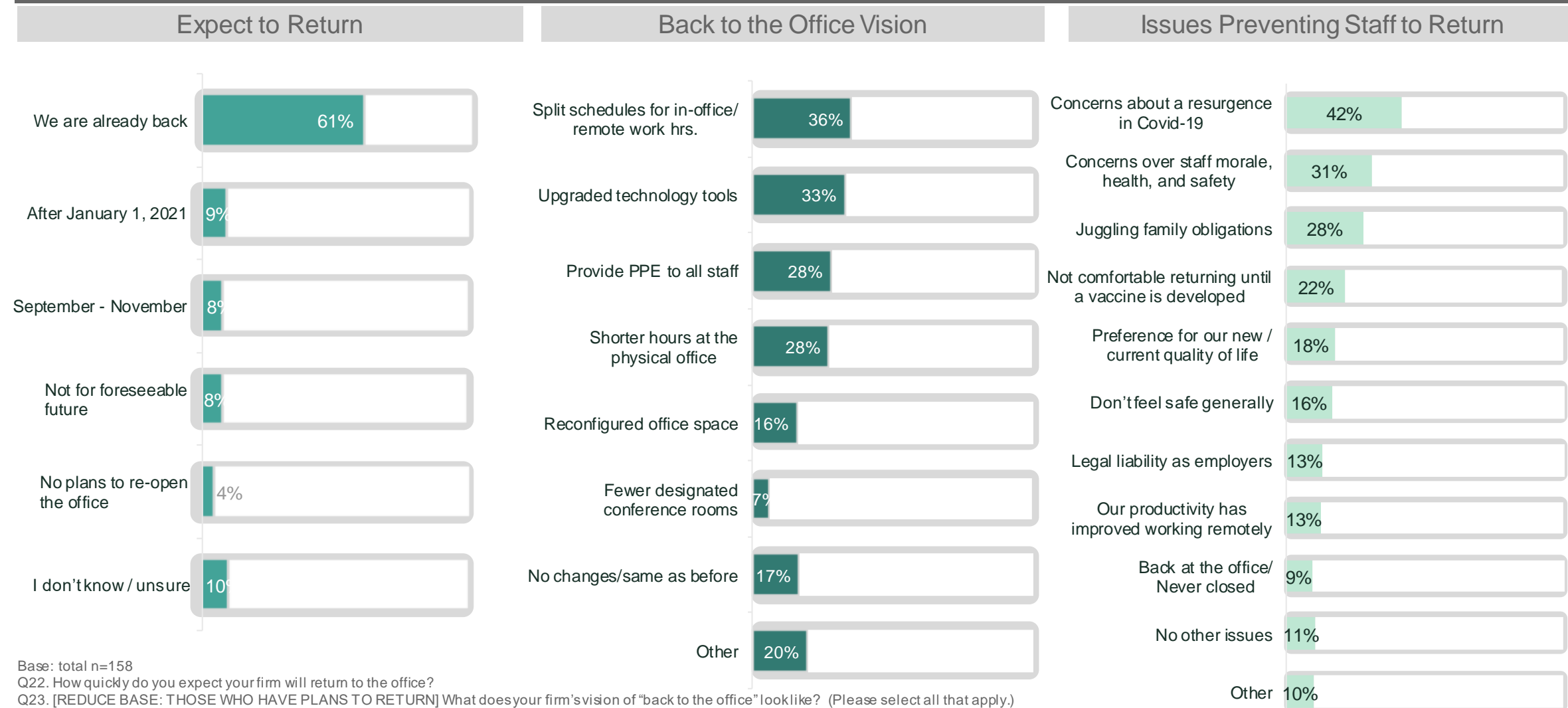
Q7b. [IF Q6B = 3] By approximately what percentage has your firm's AUM grown over the past six months? (Please estimate as best you can.)

Q7c. [IF Q6C = 3] By approximately what percentage has your firm's revenue grown over the past six months? (Please estimate as best you can.)

Most advisors are going back to the office in some form, though Covid-19 concerns remain



What Does "Back to the Office" Look Like for Your Firm?



Base: total n=158

Q22. How quickly do you expect your firm will return to the office?

Q23. [REDUCE BASE: THOSE WHO HAVE PLANS TO RETURN] What does your firm's vision of "back to the office" look like? (Please select all that apply.)

Q24. What other issues are/were preventing you or your staff from returning to work? (Please select all that apply.)

Covid-19 has meant and increase in the quality and quantity of client communications

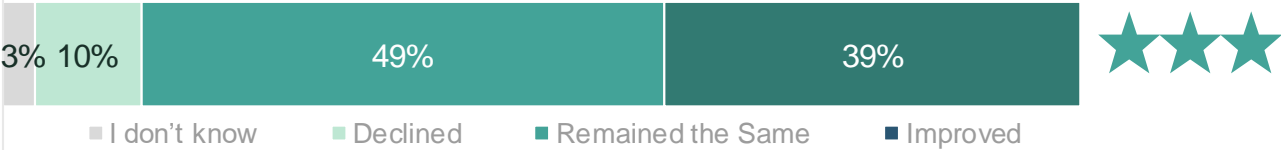
Client Communications Since the Covid-19 Pandemic Began



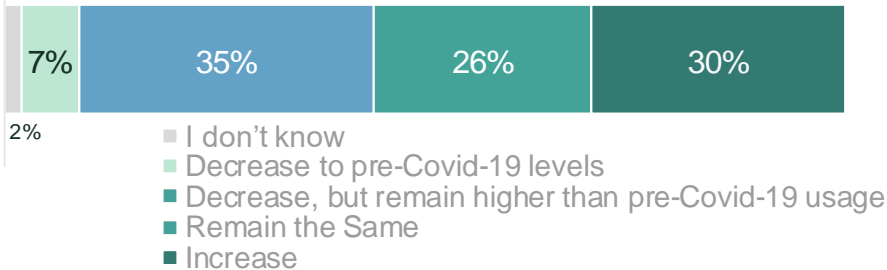
Frequency of client communications



Quality of client interactions



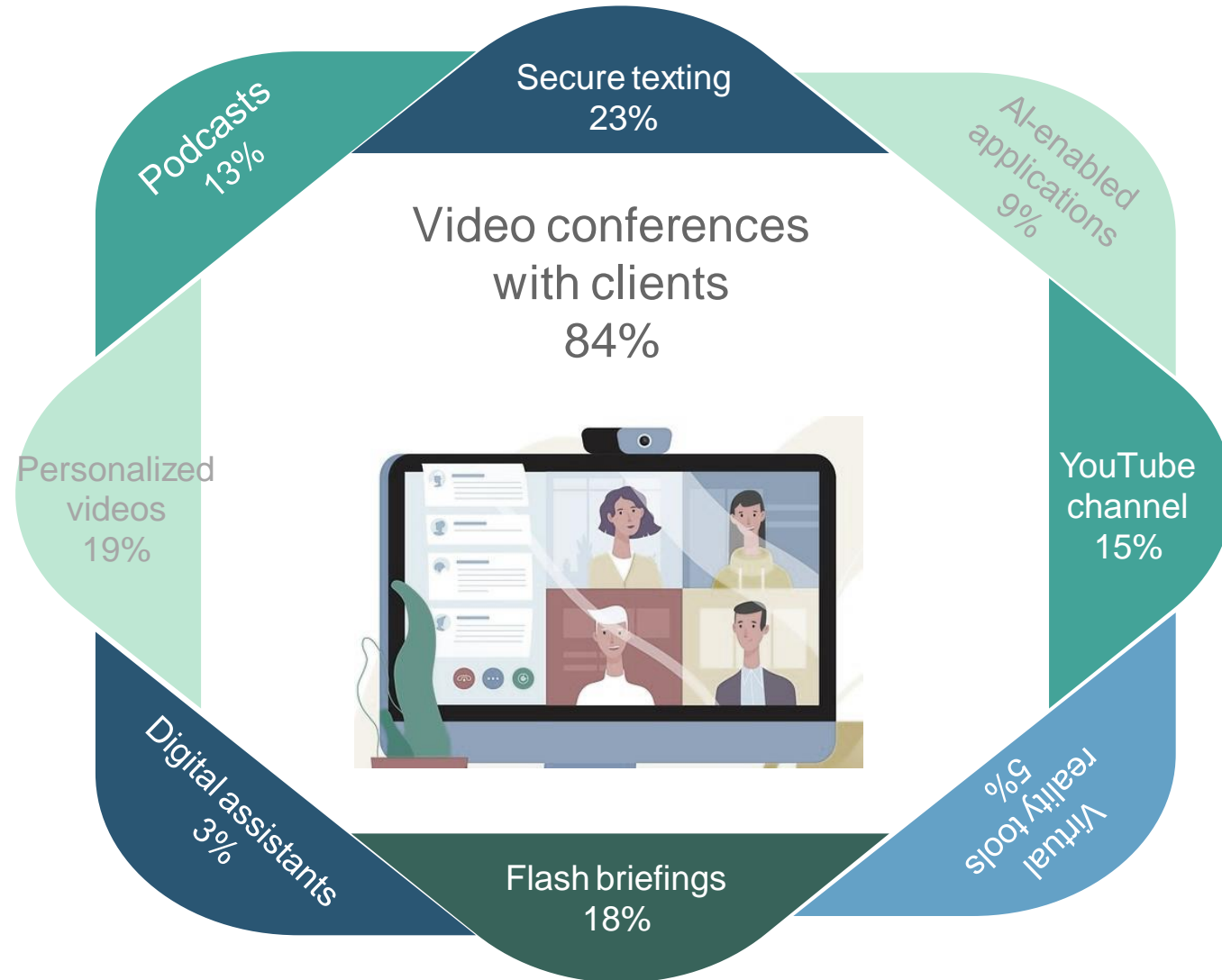
Use of virtual meeting / video chat tools after social distancing and restrictions are lifted



Base: total n=158
 Q19. How has the frequency of your client communications changed as a result of the Covid-19 pandemic?
 Q20. How has the quality of your client interactions changed as a result of the Covid-19 pandemic?
 Q21. How do you expect your use of virtual meeting / video chat tools to change once Covid-19 social distancing and travel restrictions are lifted?

RIAs have embraced client video conferences in 2020

Client-Facing Technology Usage in 2020



Base: total n=158

Q15. For each of the following activities, indicate whether this is something your firm currently does today, plans to do this year or is not doing or considering for this year. (Please select one per row.)

Four in 10 RIAs started to do video-conferences with clients because of Covid-19

When did you begin using the client-facing technology that you use today?

Ranked in order of usage by RIAs	Using prior to the pandemic	Started because of Covid-19
Video conferences with clients	60%	39%
Secure texting	81%	19%
Personalized videos	68%	31%
Flash briefings	56%	44%
YouTube channel	85%	15%
Podcasts	74%	26%
AI-enabled applications or devices	89%	11%
Augmented reality or virtual reality tools	20%	80%
Digital assistants for customer service	84%	17%

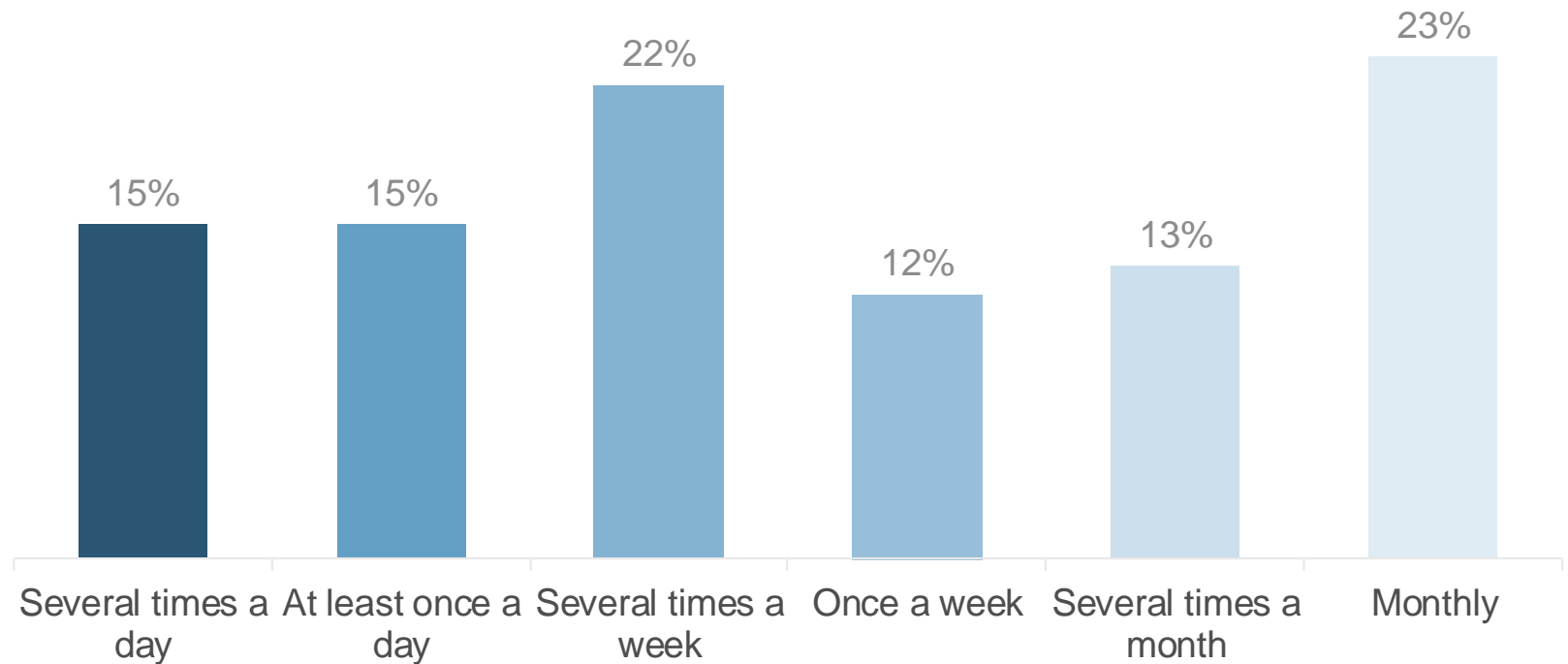
Base: total n=158

Q15. For each of the following activities, indicate whether this is something your firm currently does today, plans to do this year or is not doing or considering for this year. (Please select one per row.)

Q16. [REDUCED BASE: Q15 = THOSE CURRENTLY DO OR PLAN TO DO ACTIVITIES] Please indicate when your firm began each of the activities that you are currently or planning to do this year. (Please select one per row.)

When the Covid-19 pandemic hit the U.S., RIAs doing client video conferences at least once a week

RIA usage of video-conferencing with clients in the early days of the pandemic









Base: total n=158

Q18. During the beginning of the Covid-19 pandemic in the U.S., how frequently did your firm use virtual / video-conferencing tools to "meet" with individual clients face-to-face?

Even in a pandemic, Boomers prefer in-person meetings with their advisors, others prefer email, phone and text

Preferred Form of Communication by Generation Since Pandemic Started

	Telephone 	Email 	In-person 	Text/Instant Message 	Video Chat 	Regular Mail 
Gen Z (age 8 - 23) 1997-2012	9%	29%	4%	41%	17%	--
Millennials (age 24 - 39) 1981-1996	8%	36%	5%	30%	22%	--
Gen Xers (age 40 - 55) 1965-1980	17%	40%	12%	6%	25%	1%
Baby Boomers (age 56 - 74) 1946-1964	23%	23%	32%	1%	21%	1%
Seniors (75 - 92) and older Pre-1945	44%	8%	34%	--	9%	5%

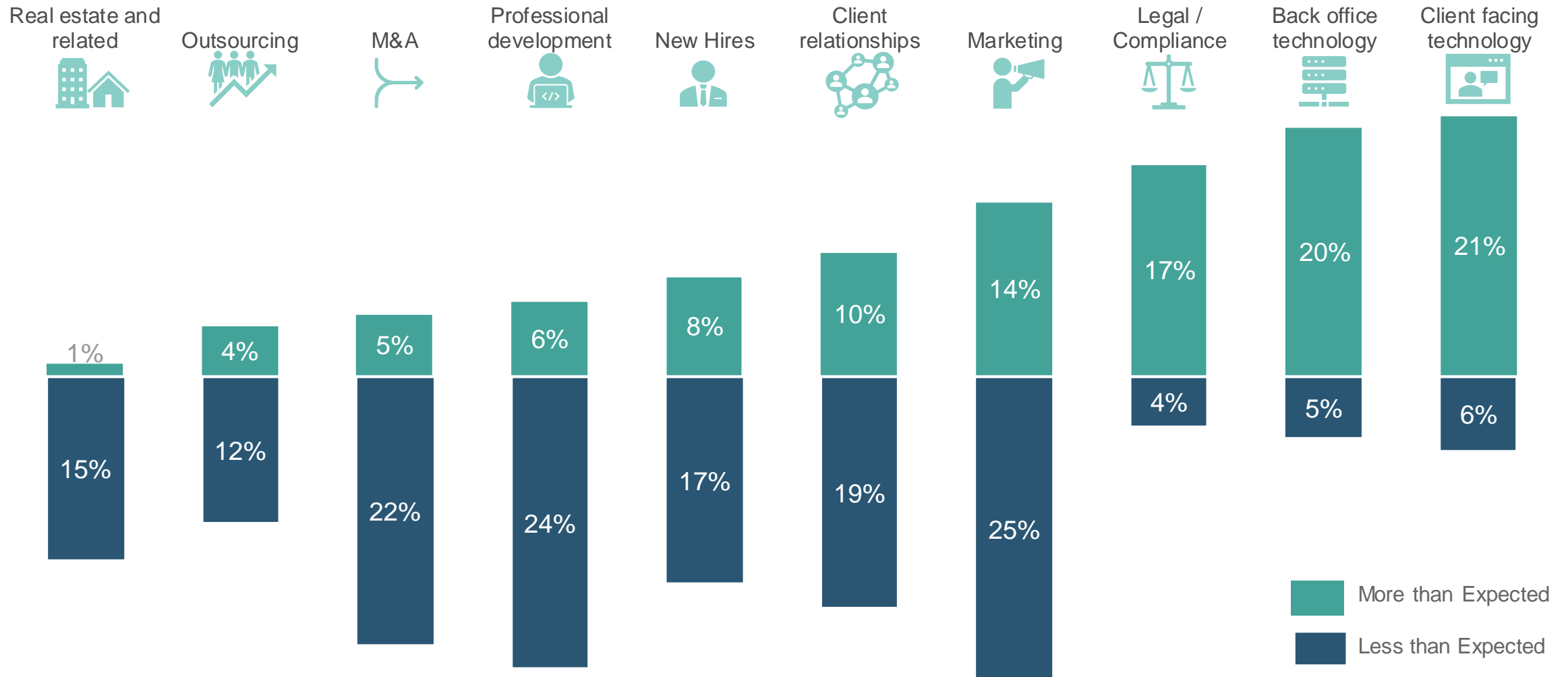
Base: total n=158

Q17. For each demographic group of clients, please choose ONE of the following to indicate their preferred form of communication with you or the firm since the Covid-19 pandemic began and continuing to today. (Please select one per row.)

Set to Grow

RIAs have spent more than expected on tech, but made cuts in marketing and professional development

Actual Spending Versus Expectations Heading into 2020

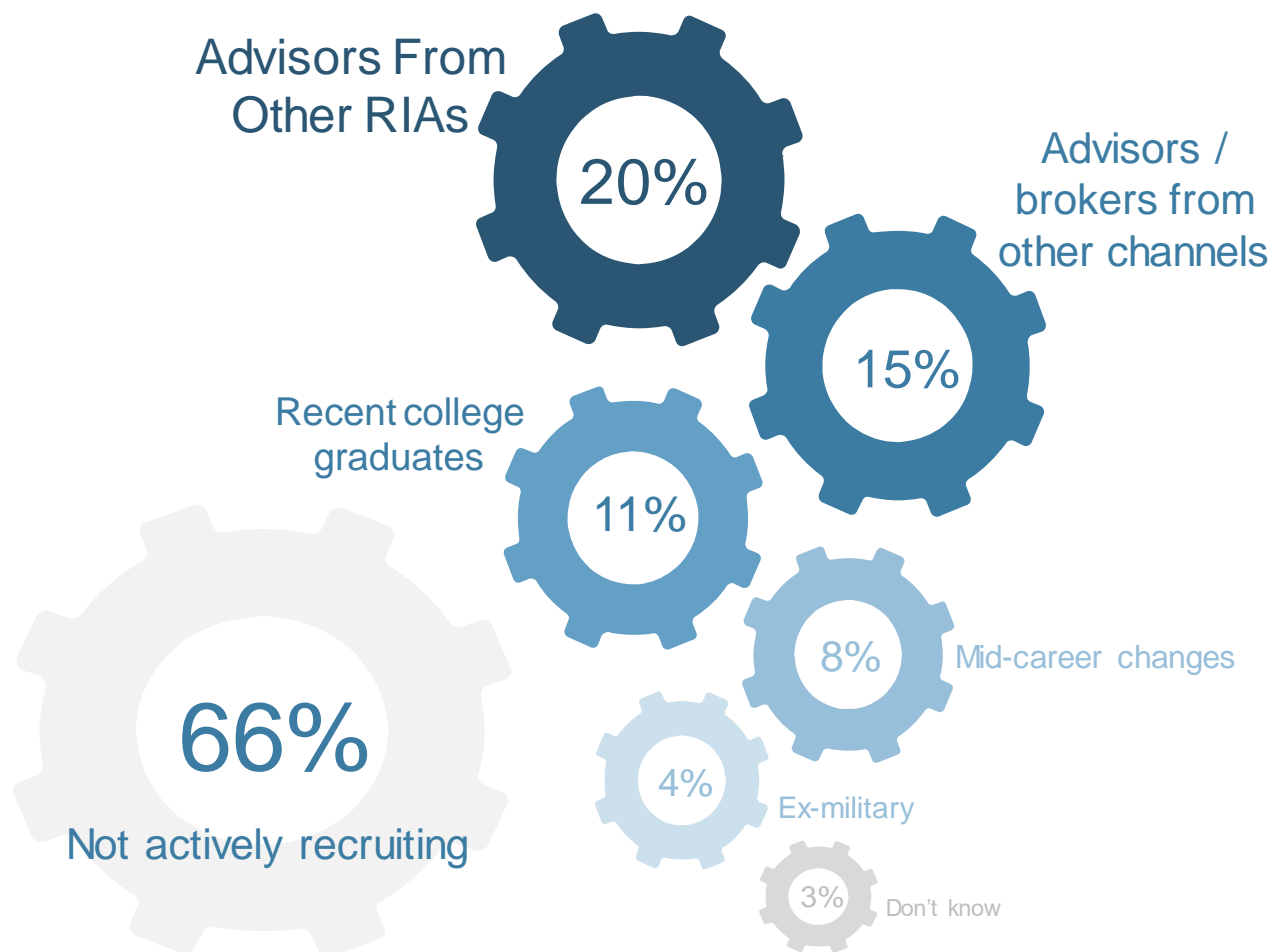


Base: Total n=158

Q9. [Reduced based – those answering – base sizes varied by category]. For each of the following, indicate how your firm's spending has changed versus expectations heading into 2020.

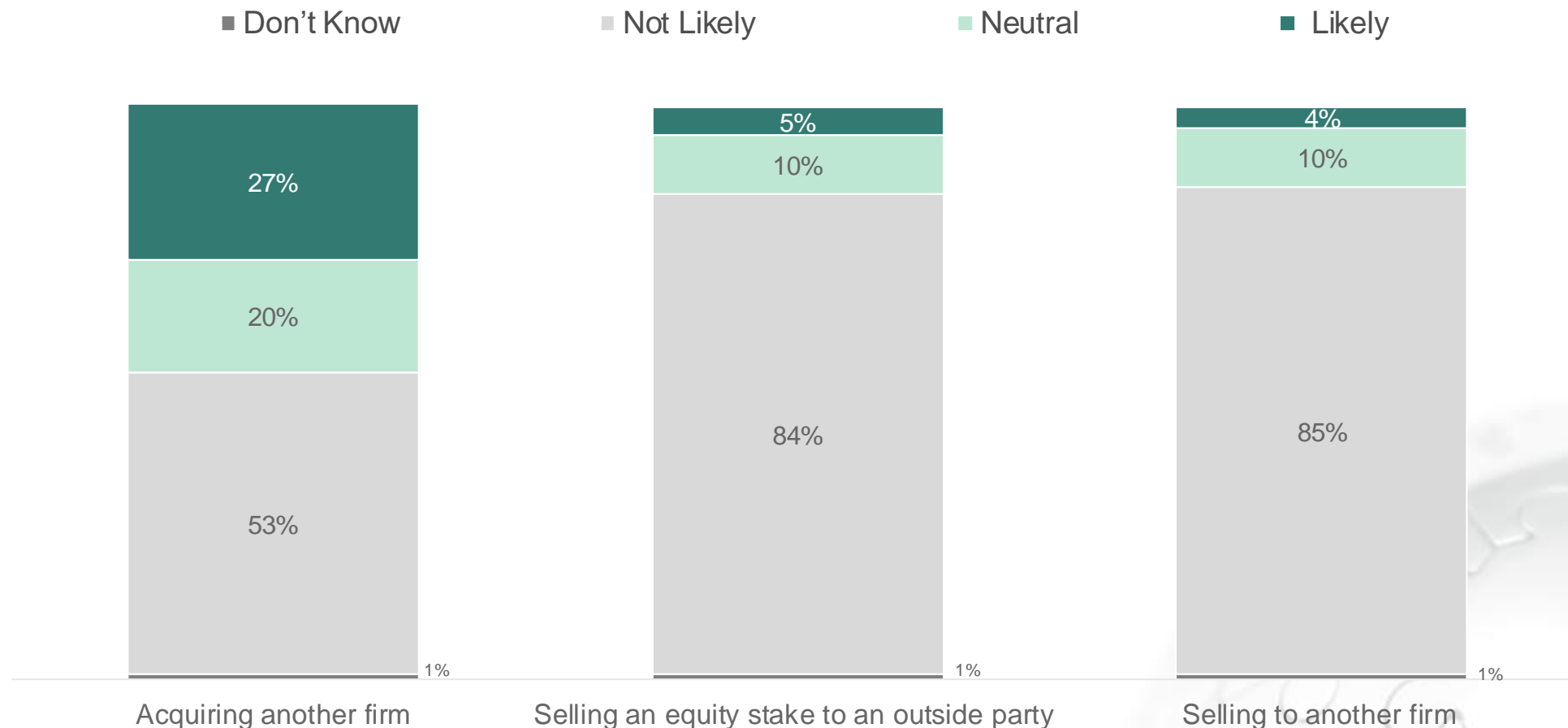
Right now, roughly two-thirds of RIAs are not hiring

Currently Hiring



Thirty-six percent of firms are considering some kind of M&A deal for the coming year

M&A Strategies Considered for 2021

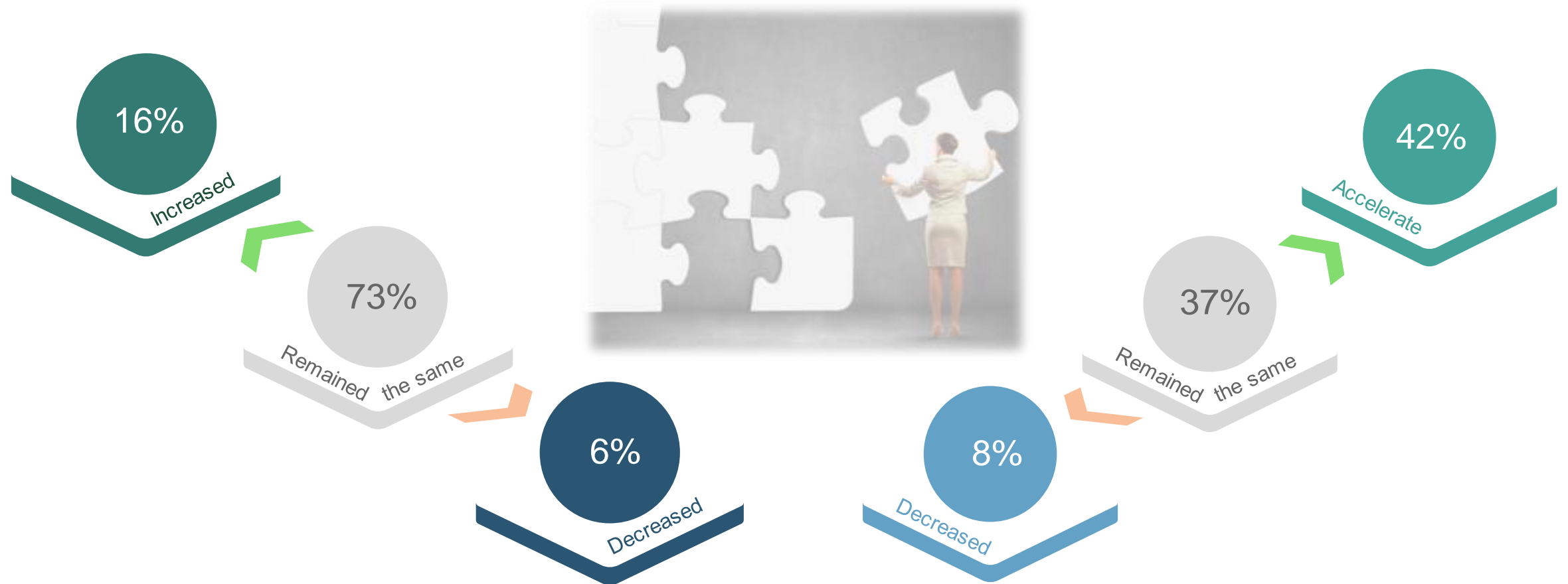


RIAs expect a rise in M&A deals for the remainder of 2020

RIA Outlook on Mergers and Acquisitions

Change in My Appetite for M&A as a Result of Covid-19

Outlook for Pace of M&A in the RIA for the 2nd Half of 2020



Base: Total n=158

Q13. [BASE: ALL] How has your appetite for M&A changed as a result of Covid-19? Has it....

Q14. [BASE: ALL] What is your outlook for the pace of M&A in the RIA industry for the second half of 2020?

Demographics

Survey Demographics

		Total
Gender	Male	82%
	Female	14%
Title	Owner, President, CEO, Partner, Principal	74%
	Vice President	4%
	Financial Advisor, Investment Manager, Portfolio Manager	3%
	Registered Investment Advisor (RIA), Investment Advisor	13%
	Chief Investment Officer	4%
	CFP/Financial Planner	3%
Assets Under Management (AUM)	Under \$230M	48%
	\$230M+	52%
	Median AUM	\$234M

		Total
Age	Gen Z	1%
	Millennials	6%
	Gen X	41%
	Baby Boomers	50%
	Seniors	3%
	Average Age	56
Ethnicity	Caucasian (non-Hispanic)	87%
	African American (non-Hispanic)	2%
	Latino or Hispanic	2%
	Asian/Pacific Islander	1%
	Other	3%

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About TD Ameritrade Institutional

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