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2015 RIA Benchmarking Study

Peer Report

Money Manager Peer Group
$25MM-$100MM AUM

Report prepared for

KENSINGTON INVESTMENT COUNSEL

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About the 2014 RIA Benchmarking Study from Charles Schwab

Schwab designed its study to provide detailed information and insights on a wide range of topics that are important to advisors. Since the inception of the study in 2006, nearly 2,800 firms have participated, more than half year after year. With 1,132 participants representing $743 billion in assets under management (AUM), Schwab's 2014 RIA Benchmarking Study is the leading source of information about the RIA industry.

Peer groups other than yours are occasionally mentioned. Also mentioned are Best-Managed Firms, the top 20% of qualifying firms from all peer groups ranked by productivity, profitability, revenue growth, and net asset growth as reported in the study. For more information on the peer groups and Best-Managed Firms, please see the Methodology & Disclosures section.

Schwab's annual RIA Benchmarking Study is just one of a full suite of resources and support that Schwab Business Consulting Services provides to help you address your business issues. Talk to your Schwab Relationship Manager to learn more.

Overview

The power of the independent model

More than one-third of firms participating in the 2014 study have doubled their AUM and revenues since 2009, and an additional 56% of firms are on track to double by the end of 2019.[1] However, if you think back to the post-2008 environment, RIAs entered uncharted territory. The pundits were predicting that many RIAs would not survive due to the difficult operating environment. Nothing could have been further from the truth. Over the past five years, RIAs have not only survived—they have thrived. In 2013, the median firm realized a 12.8% compound annual growth rate (CAGR)[2] in AUM and 13.6% in revenues.

Today, skeptics may point out that the last five years of RIA growth coincided with a steady run-up in the market from record lows to record highs. While market returns do play an important role, RIAs in every peer group have increased their standardized operating margin and showed consistency in adding new clients.

These results highlight the strength of the RIA model—not only the client-first values advisors bring to every client relationship, but also significant operating discipline and management expertise. A clear trend has emerged over five years of Schwab's RIA Benchmarking Studies: The firms that outperform are those that institutionalize their business, make growth an imperative, and create a cycle of opportunity to attract and retain top talent.

Enduring practices drive growth

As independent advisory firms have evolved through their life cycle, many firms have adopted best practices that yield results. Over the past five years, the median standardized operating margin increased 38%, reaching 25% at the median, and revenue per professional jumped 37%, reaching $530,000 at the median. For firms that manage more than $1 billion in AUM, revenue per professional increased considerably to more than $637,000 at the median. However, this is not a result of managing more relationships per professional or spending more time per client—both remain consistent regardless of firm size. The data shows that larger firms serve larger clients.

Contrast in performance

The fastest-growing firms—top 20% of firms surveyed as determined by 5-year net organic CAGR—appear in every peer group, showing that superior growth is not dependent on firm size.

The median firm in the study grew at a 12.8% CAGR, which translates to a 62% increase in AUM over the prior four years. Nearly 50% of this AUM growth was the result of new client acquisitions and existing client share-of-wallet increases, and the other half is a result of asset appreciation. These results include firms that grew much faster than the median firm. The top 20% of firms saw AUM growth of 18.7%. This translates to a doubling in AUM over the prior four years.

Adding new clients through effective execution of a referral marketing strategy remains the top way that firms outperform relative to their peers. The fastest-growing firms added approximately 30% more new clients and experienced 3.6 times more organic growth than all other firms at the median.

The virtuous cycle of growth

The leaders of Best-Managed Firms—the top 20% of firms surveyed that excelled in growth, productivity, and profitability—told us what was important to them in building an enduring and thriving enterprise. They spoke about institutionalizing client relationships, creating scalable operations, establishing a strategic approach to attracting new clients, and creating a cycle of opportunity that would allow talented employees to share in the growth of the firm. This translated in most cases to a formal path to equity ownership for key employees.

Institutionalizing the business

Since 2009, a substantial number of firms have recognized the need to build a sustainable structure for their business that includes disciplined processes and dedicated management.

Planning is now part of the fabric of most well-managed RIAs—61% of firms have a written strategic plan, up from 52% last year. The percentage climbs to nearly 75% of firms with $500 million to $750 million in assets. These firms recognize that managing growth and maximizing profitability require documented business planning to better prepare for a changing competitive landscape.

Firms are also creating long-term opportunities and building enduring businesses through succession planning. The percentage of firms with a written succession plan continues to increase each year, reaching nearly 50% in 2013. The majority of firms in the study plan to add or promote principals from within and are documenting the path to partnership to retain and incent their people. This path to partnership creates an owner-operated or shared ownership model that can supercharge a firm's growth. It is one of the most important value drivers a firm can put into place to ensure continuity, and when in place, valuations can be higher for firms seeking third-party funding or participation in a merger.

Operational discipline is another important feature of successful firms. One-third of firms in the study report they are focused on implementing a client segmentation strategy this year. This will enable them to create a more productive operating environment and continue to deliver their high-touch client experience to more people while they continue growing.

As a business matures, it is challenged to simultaneously maximize performance against client needs and against the firm's goals for operational and financial performance. Best-Managed Firms meet those challenges, serving an average of 58 clients per professional (compared with 46 at all other firms), managing $98 million per professional (versus $68 million), and spending approximately one-quarter fewer hours per client on client service.

For many firms, building a foundation of efficiency starts with bringing on dedicated management to run the business. Forty-seven percent of firms with more than $1 billion in assets have a chief operating officer to manage day-to-day operations, allowing firm principals to focus on managing clients and growing the business.

Technology is more than an enabler of productivity and efficiency. It has evolved into an essential part of the client and service experience. Many more firms are addressing how they can improve the client experience through technology. In fact, as compared with the previous year, twice as many firms are investing in online portals to share information with clients, and significantly more are investing in mobile account access. As firms face more competition, many are thinking about evolving their client experience to meet changing client expectations.

Relentless focus on growth

Nearly all advisory firms rank “acquiring new clients” as their top strategic business priority. Yet, despite widespread agreement that referrals are the main driver of growth, many firms do not dedicate the time and resources required to create a formalized initiative. Outperforming firms excel at relationship marketing. They distinguish themselves by training their entire team to recognize, create, and capitalize on referable moments. Many are remarkably successful at bringing on more and larger new clients than the norm, owing mainly to their success with centers of influence (lawyers, tax advisors, and other professionals that serve clients similar to yours), generating 3.6 times more organic growth than all other firms at the median.

Creating a cycle of opportunity

The RIA channel continues to outpace the industry average in asset and headcount growth.[3] As a result, we have witnessed a large migration of talent from other channels and adjacent industries. The business model is resonating with talented professionals who want to participate in a growing and profitable business.

In many cases, RIAs are tapping ancillary professions to find talent. For firms in the $500 million to $750 million peer group, 45% have at least one CPA on staff, and 32% have at least one JD on staff. At firms over $1 billion in assets, these numbers jump to 70% and 53%, respectively. Many of these professionals are not providing legal and tax work as their primary job responsibilities. They are attracted to what an RIA firm has to offer the well-trained professional.

Sustaining from within

Talent is a strategic asset. Best-Managed Firms take measures to attract and retain the best talent and prevent their top performers from wandering. (Other RIA firms are a top source of new hires: 50% of new hires in 2013 left one RIA firm to join another.) They do so by creating a path to equity ownership. At firms with more than $1 billion in assets, twice as many professional staff hold equity, compared with firms with $250 million to $500 million in assets. Growth firms tend to address this as they surpass $500 million in assets.

Many firms are putting into place the second and third generations of principals who are emerging as the future leaders for their businesses. Most founders wish to transfer ownership gradually to insiders, rather than transfer control and ownership to third parties. This suggests that founders and principals not only want their firms to endure, but also want continuity of the firms' people, culture, and values.

The future is bright

We believe the independent advice model will continue to attract talent from other industries and other models, helping to fuel ongoing growth. Many firms are becoming enduring enterprises with well-documented strategic and succession plans in place.

A profitable industry with high margins will continue to attract new entrants, and advisors are aware that competition will change the landscape. Among the challenges advisory firms will likely face are pricing pressures and more choices for the investor. Perhaps more important, firms will experience greater competition for seasoned employees who want to join well-managed, growing firms that present the greatest opportunities. As a result, firms that wish to grow need to establish enduring practices and operational efficiency, develop a firm-wide process to generate referrals, and attract and retain high-quality professionals.

Using this report

Thank you for participating with 1,132 other RIA firms in the 2014 RIA Benchmarking Study from Charles Schwab. Your participation is evidence of your interest in marshaling the information you need to chart a successful course for your firm.

The data in this report is customized to allow you to compare your firm's performance with that of your peers. The report retains critical benchmarks and comparisons from our previous study so that you can track performance over time and develop an informed perspective on the 2013 advisor experience. All data reported in charts is from firms participating in our 2014 study. Use this report to start a fact-based discussion of your firm's strategic opportunities and map out your priorities for action. Your Schwab Relationship Manager can meet with you to discuss your results and develop an action plan. The insights you gain can serve as the foundation for a larger effort to reignite growth and scale your firm.

The report is organized into nine sections:

Introduction—Review the study's results, and learn more about your peer group for comparison with your firm.

Leadership Perspectives—Gain perspective on other firms' priorities and objectives.

Firm Growth—Compare your firm's growth in assets and clients over the last four years.

Marketing and Business Development—Use the information about sources of clients and growth rate from new clients as you look for ways to increase referrals or refine your firm's message.

Service Offering and Pricing—Discover opportunities to manage your business effectively, including data on pricing and asset allocation.

Staffing and Productivity—Compare the way your firm uses its time with the way peer firms do. Self-reported time allocations have been translated into dollar-equivalent costs.

Technology and Operations—See how your firm's approach to technology compares with that of similar firms. Technology use, investments, standardization, and outsourcing are all covered.

Firm Profitability—See how your group stacks up in terms of revenue, expenses, and profit.

Looking Ahead—Learn how your peer group compares with the next larger group.

Endnotes

1. All firms in the study that manage $250 million or more in assets were examined as a group with regard to their self-reported AUM compound annual growth rate (CAGR) over the 5-year period from 2010 through 2013. Firms with a historical 4-year CAGR of 7% or greater—representing both market performance and organic growth—are projected to double in size by the end of 2019 if they continue a similar trajectory to what they experienced from 2010 through 2013. Past performance is no guarantee of future results. From 2010 through 2013, the 4-year asset-allocated CAGR was 7.7% at the median.
2. Median 5-year CAGR for period 2010–2014.
3. Cerulli Associates Inc.

Peer Group Profile

Participants in the 2015 RIA Benchmarking Study

Wealth Manager

126 firms	232 firms	163 firms	72 firms	43 firms	83 firms	46 firms
Under $100MM	$100MM-$250MM	$250MM-$500MM	$500MM-$750MM	$750MM-$1B	$1B-$2.5B	Over $2.5B

Money Manager

62 firms	58 firms	47 firms	40 firms	35 firms
Under $100MM	$100MM-$250MM	$250MM-$500MM	$500MM-$1B	Over $1B

Attributes of Your Peer Group

Attribute	Your Firm	Peer Group: 20th Percentile	Median	80th Percentile
2014 Ending AUM (in millions)	$51	$41	$61	$82
2014 Revenue (in thousands)	$510	$269	$410	$600
2014 Ending number of clients	45	39	65	121
Number of principals	3	1	1	2
Number of professional staff	3	1	2	2
Number of total staff	4	2	2	3
Age of firm (in years)	21	5	12	22

With 1,132 participants, Schwab's 2014 RIA Benchmarking Study compares many of the RIA industry's leading metrics.

We analyzed results separately for 12 peer groups based on size and type of firm, including 7 wealth manager groups and 5 money manager groups. Peer groups range from those that manage less than $100 million in assets to those that manage more than $1 billion. The participation numbers for each peer group are highlighted in the spectrum at left.

Your peer group is money managers with less than $100 million in AUM, which includes 64 participating firms. Firms in your group indicated that they offer discretionary investment management to achieve investment performance for individual client households or institutions. The median firm served 65 clients and managed $61 million in assets, generating $409,923 in revenue in 2013. A typical firm in this group consists of 1 principal, 1 other professional, and 0 administration and operations staff.

Executive Summary

Summary of Your Results

Metric	Your Rank in Peer Group	Results: Your Firm	Results: Peer Group Median
Firm Growth (5-Year CAGR)			
Change in revenue	Lowest	8.6%	11.5%
Change in AUM	2	6.6%	11.1%
Change in clients	4	9.2%	4.7%
Change in AUM from new asset flows only	Lowest	0.5%	4.4%
Client attrition (2014)	Lowest	7.7%	2.8%
Staffing and Productivity			
Revenue per professional (in thousands)	2	$170	$244
AUM per professional (in millions)	Lowest	$17	$34
Clients per professional	Lowest	14	39
Client service productivity (cost of staff time per $1MM)	Lowest	$4,650	$2,280
Business development productivity (cost of staff time per $1MM new assets)	Lowest	$18,290	$3,430
Technology and Operations			
Technology adoption score (out of 6 technologies)	3	2	2
Firm Profitability			
Revenue bps on assets	Highest	102	86
Standardized operating margin	Lowest	-28.8%	17.3%

The executive summary provides an overview of how your firm compares with your peer group according to 13 business metrics.

In each category, firms are divided into five equal groups (the top 20%, the next 20%, and so on). The blue box indicates your firm's rank.

Firm Growth: Change in revenue (page 10) and change in AUM (page 10) give a snapshot of growth over the past four years. Change in clients (page 11) and change in AUM from net asset flows only (page 11) are better indicators of organic growth, because they set aside recent climbs in asset values. Client attrition (page 16) is an important leading indicator of business health.

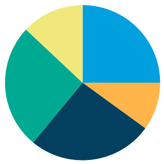
Staffing and Productivity: Productivity metrics provide insight into how efficiently a firm uses its resources. Revenue, AUM, and clients per professional (page 23) give three different perspectives on professional staff productivity. A detailed view of staff efficiency can be found in client service productivity (page 26) and business development productivity (page 30).

Technology and Operations: The technology adoption score (page 32) ranks firms' progress in adopting six key technologies.

Firm Profitability: Revenue basis points (bps) on assets (page 37) and standardized operating margin (pages 36 and 39) are summary financial indicators.

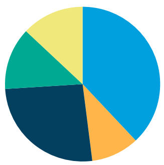
Growth Plans

AUM: Annual Growth Plans Over the Next Five Years



- 20 percent growth or more - **25%**
- 15 to 20 percent growth - **10%**
- 10 to 15 percent growth - **26%**
- 5 to 10 percent growth - **26%**
- Your Firm 0 to 5 percent growth - **13%**

Revenue: Annual Growth Plans Over the Next Five Years



- 20 percent growth or more - **38%**
- 15 to 20 percent growth - **10%**
- 10 to 15 percent growth - **26%**
- 5 to 10 percent growth - **13%**
- Your Firm 0 to 5 percent growth - **13%**

Growth Strategy	Your Firm	Peer Group
Our firm is seeking to bring on an individual advisor with transferable client assets		38%
Our firm is seeking to buy another RIA firm		22%
Our firm is seeking to bring on a new principal with transferable client assets		20%

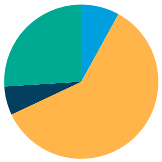
Growth is essential to creating a cycle of opportunity.

The firms in your peer group have significant growth goals for the coming five years. Sixty-two percent of firms expect to grow AUM by 10% or more annually and 74% expect to grow revenue by 10% or more annually. At that level of AUM growth, 36% in your peer group would approximately double in size over the next five years.

While firms seek to boost organic growth—the change in assets from existing clients, new clients and clients lost to client attrition—many also are pursuing non-organic means to bolster growth. Twenty-two percent are actively seeking to buy another RIA firm, 20% are seeking to bring on a new principal with transferable client assets, and 38% are seeking to bring on an advisor with transferable client assets. In the next larger peer group, those numbers are 13%, 20%, and 25%, respectively.

Top Strategic Initiatives

Percentage of Top Priority Strategic Initiatives for 2015



- Strategy and Planning - **8%**
- Your Firm Marketing and Business Development/Growth - **60%**
- Staff and Organization - **6%**
- Operations and Client Service - **26%**

Top Strategic Initiatives for 2015	Your Firm Priority	Peer Group #1 Priority	Peer Group Top 3 Priorities
Strategy and Planning			
Address or improve strategic planning and execution	#3 Priority	8%	24%
Evaluate and potentially change pricing level or structure		0%	6%
Marketing and Business Development/Growth			
Acquire new clients through client referrals	#2 Priority	36%	70%
Acquire new clients through professional referrals	#1 Priority	16%	42%
Acquire new clients through digital channels		0%	8%
Acquire new clients through other marketing channels		2%	14%
Acquire new clients through a merger		2%	12%
Bring on a new principal or advisor with assets		4%	10%
Staff and Organization			
Make organizational changes		4%	4%
Recruit new staff		0%	12%
Make changes to compensation structure or plan		0%	2%
Develop or revise a succession plan		2%	10%
Operations and Client Service			
Improve satisfaction for existing clients		12%	34%
Modify client-service offer to enhance service level		4%	14%
Implement a client segmentation plan		0%	4%
Improve productivity through a new technology investment		4%	16%
Improve productivity through process changes		6%	10%
Improve productivity through staff training		0%	2%

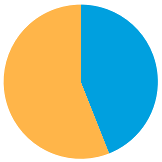
Generating referrals is a priority for firms seeking growth.

RIA firms are pursuing a variety of strategic initiatives in 2014. In your peer group, 58% chose some aspect of marketing and business development as their top strategic initiative, while the remaining responses were concentrated in operations and client service.

As growth is paramount for many firms, marketing efforts, specifically acquiring new clients through referrals, consistently emerge as a top initiative. This is seen across all peer groups. In your peer group, targeting client referrals was the number one strategic priority for 36% of firms, and 70% placed it in their top three. Another 16% cited referrals from business partners as their top priority, and 42% put it in their top three.

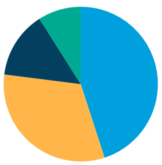
Strategic and Succession Planning

Written Strategic Plan



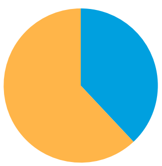
Your Firm With a written strategic plan - **44%**
Without a written strategic plan - **56%**

Time Horizon of Strategic Plan



Your Firm 5 years or more - **45%**
3 to 4 years - **32%**
2 years - **14%**
1 year or less - **9%**

Written Succession Plan



Your Firm With a written succession plan - **38%**
Without a written succession plan - **62%**

Strategies Under Consideration for Succession	Your Firm	Peer Group
Internal succession	✓	70%
Merging with or acquiring another firm		43%
Selling the firm		41%
Recruiting external successor(s)		33%
Other		4%

Advisors continue to emphasize long-term strategic planning.

Managing your firm's future growth and profitability requires smart strategic planning. To stay competitive in the years to come, you need a critical assessment of the internal and external forces affecting your firm. The key is to identify a vision for the future and the tactics you'll use to get there.

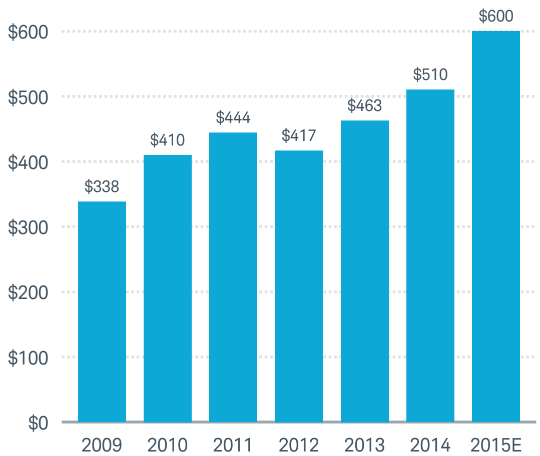
A written strategic plan can serve as the road map to help you achieve your objectives. In your peer group, 44% of firms reported having a written strategic plan with 45% of plans having a time horizon of five years or more. Across the study, larger firms are most likely to have a written strategic plan in place.

A formal written succession plan can help create business continuity and help owners extract the value they created with their firm. In your peer group, 38% have documented their plan in writing. As with strategic plans, succession plans are more common at larger firms—52% of firms with $1 billion or more in AUM have a written plan. Among the range of options for future firm ownership, internal succession was by far the most common approach, with 70% of firms in your peer group considering it. Many firms are exploring more than one strategy.

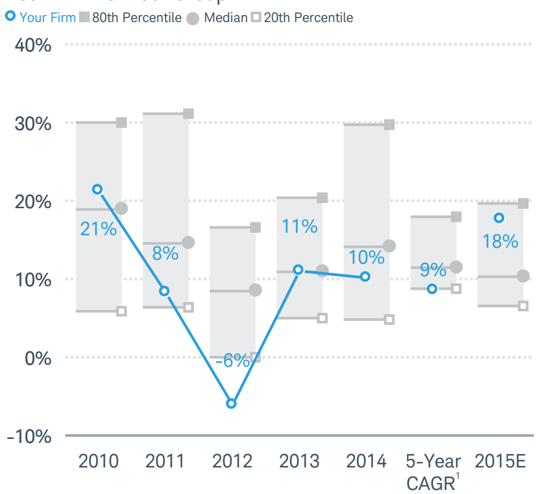
For more information about strategic business planning and succession planning resources from Schwab, speak with your Schwab Relationship Manager.

Revenue and Assets Under Management (AUM)

Your Firm: Revenue
In Thousands



Revenue Growth Rate
Your Firm vs. Peer Group



Consistent client acquisition drives strong asset and revenue growth.

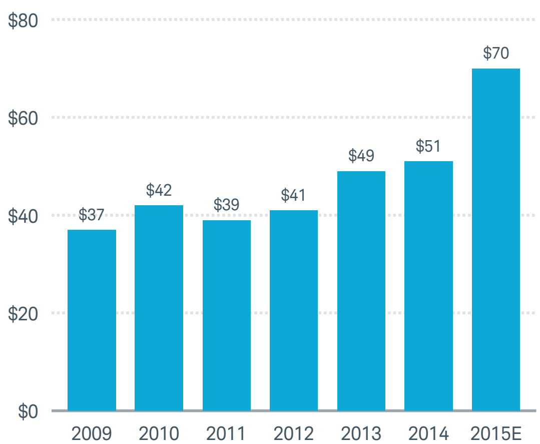
Firms in your peer group saw continued revenue growth in 2013. The median firm reported revenue growth of 14%. The top 20% of firms saw revenue growth of 30% or greater.

The four-year trend has been one of solid growth, with the median firm among your peers increasing revenues by -32768% annually. Your group anticipates 10% revenue growth at the median in 2014.

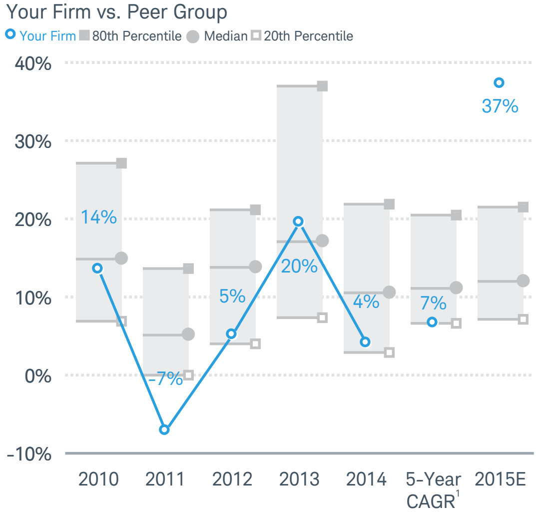
For the median firm in your group, AUM increased by 11% in 2013, following increases of 17% in 2012 and 14% in 2011. New clients added 5% in 2013, while markets were a strong factor with 4% growth. When surveyed in February and March, firms anticipated that AUM would grow 12% in 2014.

Please note that in establishing growth rates, we excluded firms that merged with other firms or brought on new partners with clients.

Your Firm: Assets Under Management
In Millions, Year End



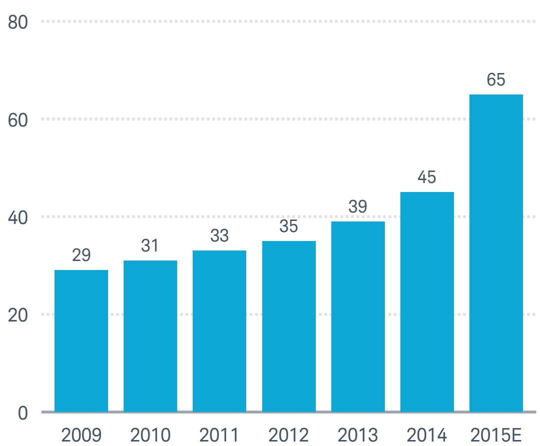
Assets Under Management Growth Rate
Your Firm vs. Peer Group



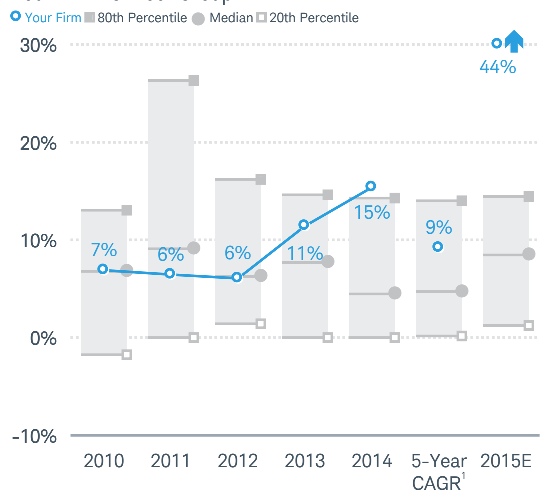
1 CAGR 2010-2014

Clients and Net Asset Flows

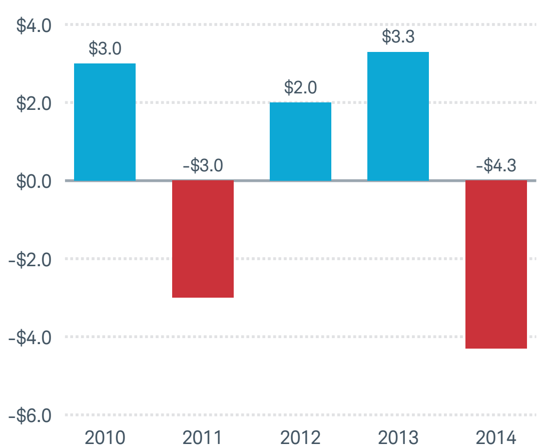
Your Firm: Total Clients
Year End



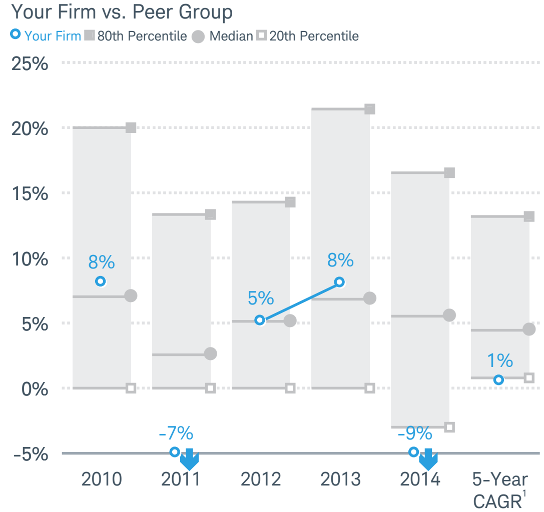
Client Growth Rate
Your Firm vs. Peer Group



Your Firm: Net Asset Flows
In Millions



Growth Rate From Net Asset Flows
Your Firm vs. Peer Group



The rate of increase in the client base for firms in your group was slightly slower that of recent years.

Overall client growth at the median firm was 4.5% in 2013, compared with 7.7% in 2012 and 6.3% in 2011. Firms in your peer group in the 80th percentile and above added 14.3% or more to their client base in 2013. Not including client attrition, firms added new clients at a rate of 8.8% in 2013.

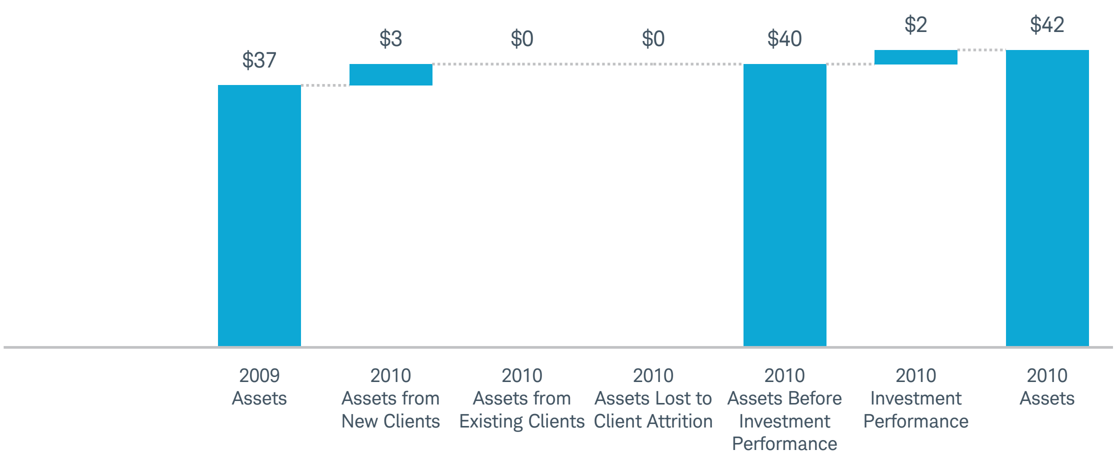
Organic growth from net asset flows is the change in a firm's assets from new, existing, and lost clients, before investment performance is taken into account. The median firm in your peer group added $2.2 million from net asset flows in 2013, down from $3.2 million in 2012. This contributed 5.5% to the asset base from net asset flows, compared with 6.8% in 2012. The top 20% of your peer group grew by 16.5% or more from net asset flows in 2013.

The next four pages provide further details about asset flows and their contribution to firms' overall growth.

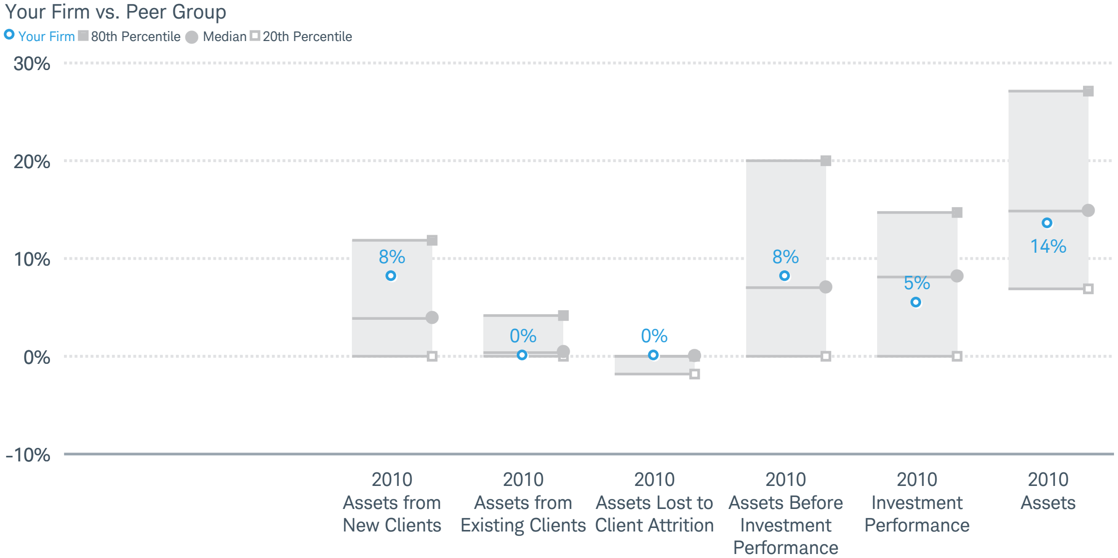
1 CAGR 2010-2014

2010 Sources of Assets

Your Firm: Change in Assets Under Management in 2010
In Millions



2010 Growth Rate
Your Firm vs. Peer Group



Sources of Assets: 2010

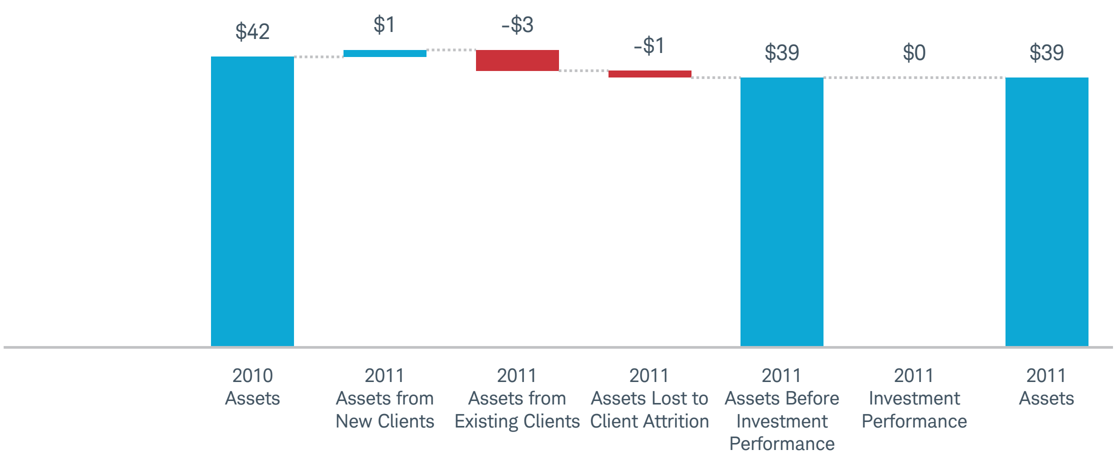
With the markets continuing to make gains in 2010, firms increased their total AUM at a notable rate—from 5.1% at the median to 13.6% or greater for the top 20% of firms in your peer group. The market brought investment values up by 1.7% at the median for your peer group and by 3.6% at the 80th percentile.

New clients added 3.4% to assets at the median, and retained clients were neutral with no positive or negative asset flows.

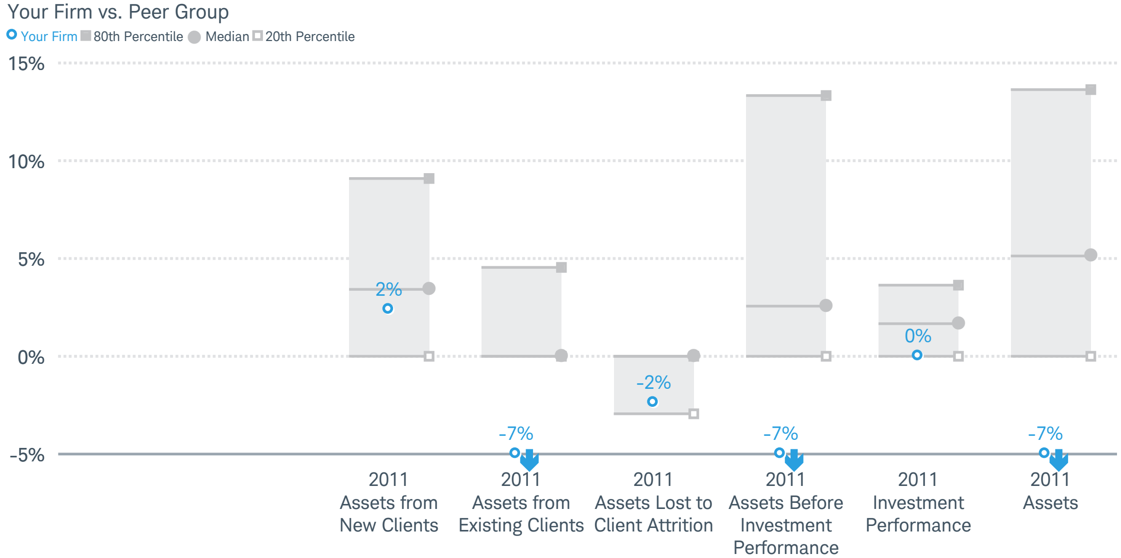
There were no asset outflows from loss of clients.

2011 Sources of Assets

Your Firm: Change in Assets Under Management in 2011
In Millions



2011 Growth Rate
Your Firm vs. Peer Group



Sources of Assets: 2010

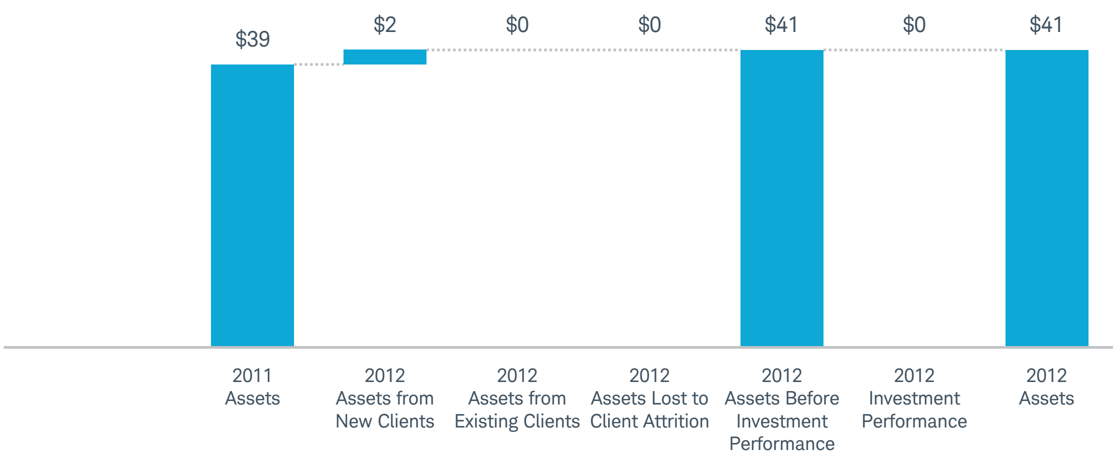
With the markets continuing to make gains in 2010, firms increased their total AUM at a notable rate—from 5.1% at the median to 13.6% or greater for the top 20% of firms in your peer group. The market brought investment values up by 1.7% at the median for your peer group and by 3.6% at the 80th percentile.

New clients added 3.4% to assets at the median, and retained clients were neutral with no positive or negative asset flows.

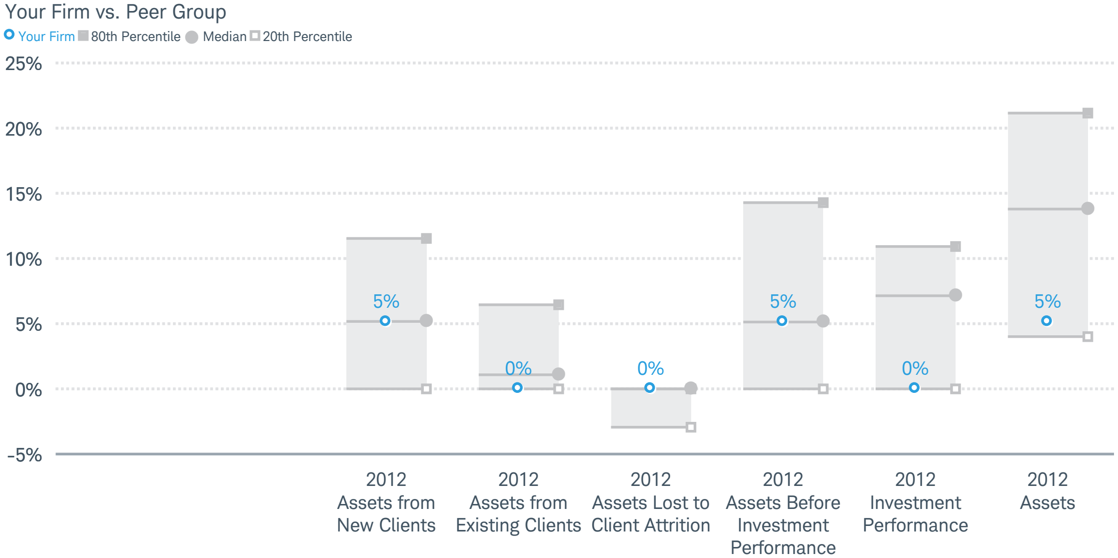
There were no asset outflows from loss of clients.

2012 Sources of Assets

Your Firm: Change in Assets Under Management in 2012
In Millions

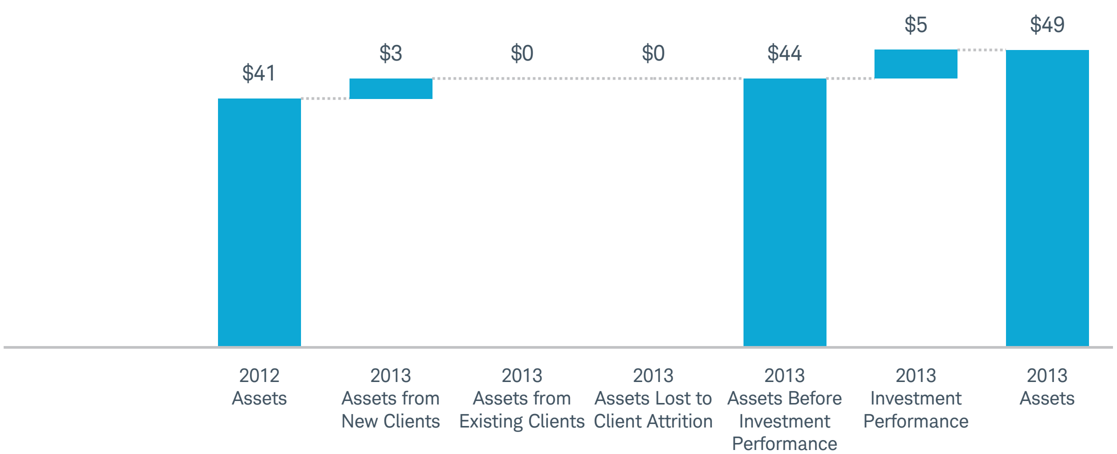


2012 Growth Rate
Your Firm vs. Peer Group

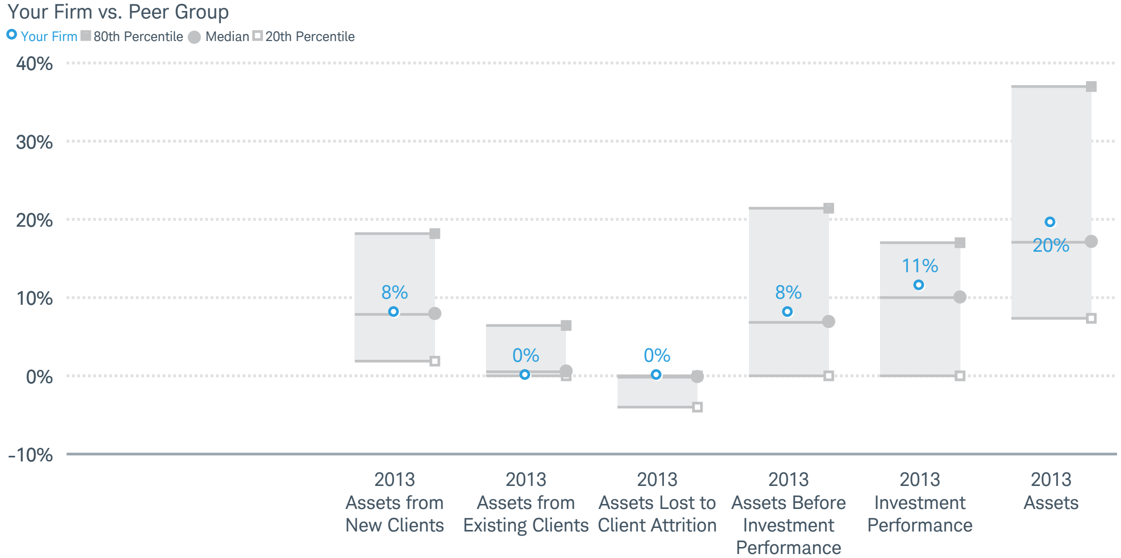


2013 Sources of Assets

Your Firm: Change in Assets Under Management in 2013
In Millions

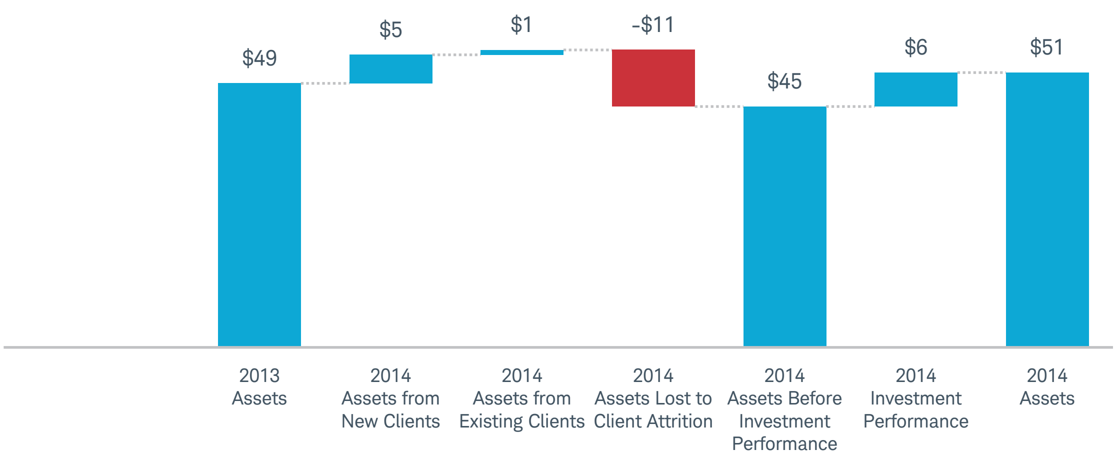


2013 Growth Rate
Your Firm vs. Peer Group

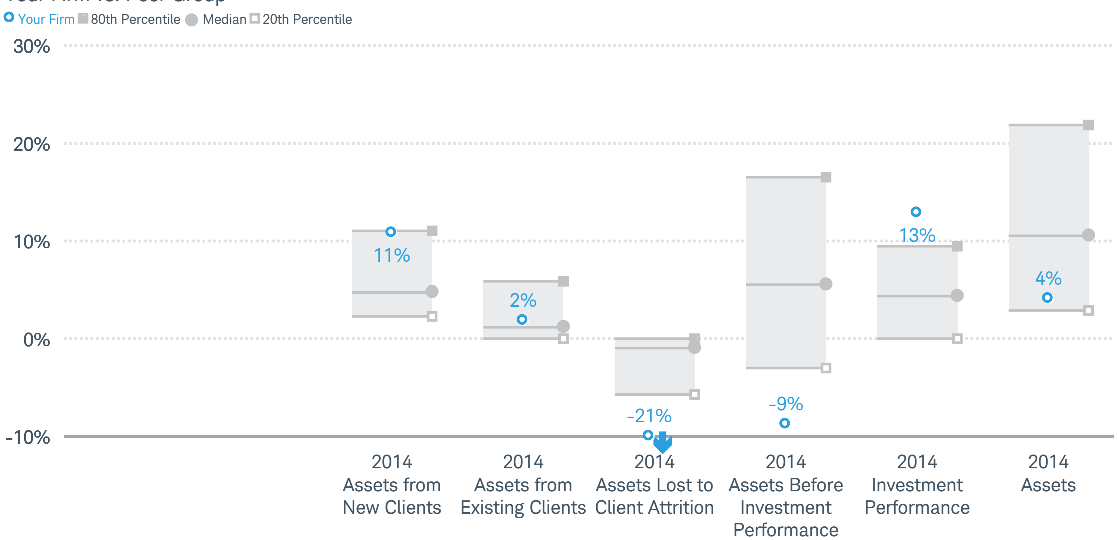


2014 Sources of Assets

Your Firm: Change in Assets Under Management in 2014
In Millions



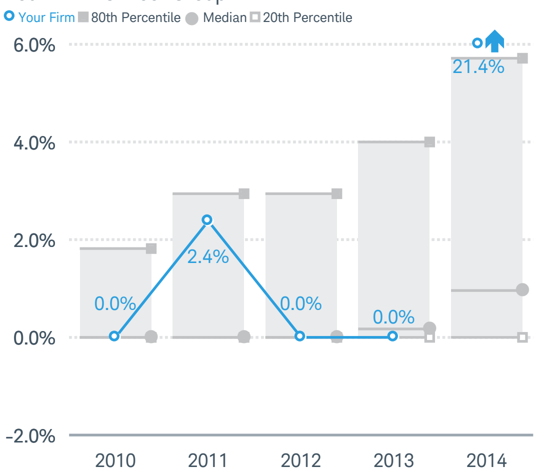
2014 Growth Rate
Your Firm vs. Peer Group



Client Attrition and Growth

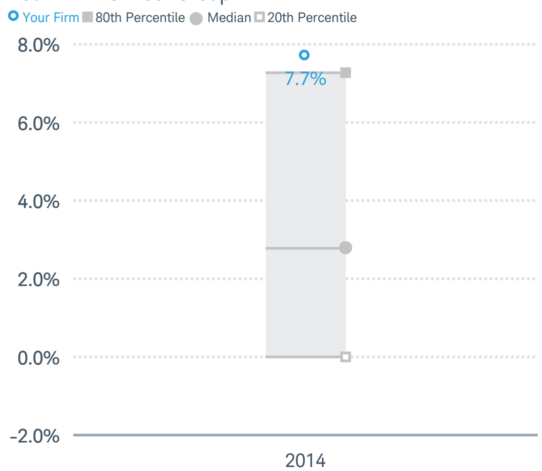
Asset Attrition Rate

Your Firm vs. Peer Group



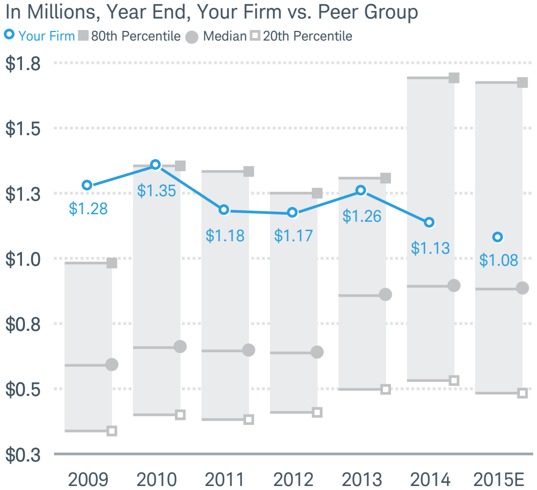
Client Attrition Rate

Your Firm vs. Peer Group



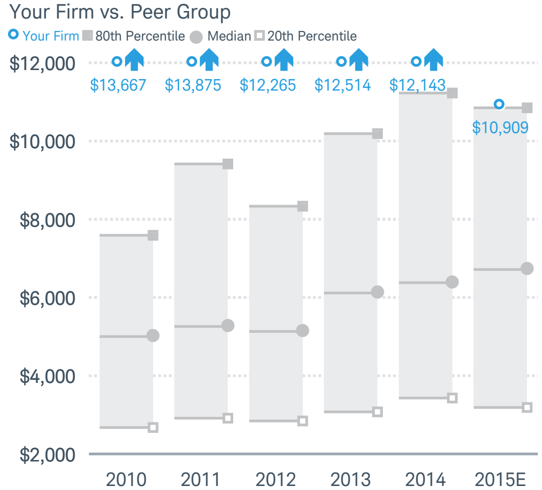
Assets per Client

In Millions, Year End, Your Firm vs. Peer Group



Revenue per Client

Your Firm vs. Peer Group



Client attrition remains low, and assets per client continue to grow.

RIA firms are known for their high-touch approach to client service. As a result, most RIAs experience little client and asset attrition each year, including last year.

The median rate of asset attrition from client departures in your peer group was 1.0% in 2013, up from 0.2% in 2012. One-fifth of firms with the most significant asset attrition saw rates of 5.7%, compared with 4.0% the previous year. For your peer group, client attrition also was low at 2.8% in 2013.

The difference between client attrition and asset attrition suggests that firms lost more clients with limited assets than clients with substantial assets. As expected, firms most likely were focused on retaining clients with larger portfolios, while perhaps helping those who did not meet minimums find a more suitable solution.

Assets per client at the median increased to $0.89 million in 2013, compared with $0.86 million in 2012.

Median revenue per client grew in 2014 to $6,378. Based on the growth of client rosters, per-client revenue is growing more slowly than firm revenue as a whole. Following an increase of 4.5% at the median from 2011 to 2012, per-client revenue increased 6.9% last year.

For the next larger peer group, assets per client were $1.03 million and revenue per client was $6,970 at the median.

Sources of New Clients

	Your Firm			Peer Group — Advisors pursuing source		
	Pursued source	Percent new clients	Percent assets from new clients	Percent pursuing source	Average percent new clients	Average percent new assets
Client referrals	✓	67%	76%	85%	63%	60%
Professional referrals (Centers of influence)	✓	33%	25%	60%	39%	45%
Seminars and events				8%	15%	2%
Direct mail and email campaigns				0%	NA	NA
Social media				0%	NA	NA
Website presence				15%	12%	11%
Advertising, sponsorships, public relations, or articles				6%	19%	2%
Networking and community involvement				40%	36%	44%
Merger or acquisition of a firm				0%	NA	NA
Advisor with transferable assets				4%	39%	40%

Clients and centers of influence are the leading sources of new clients.

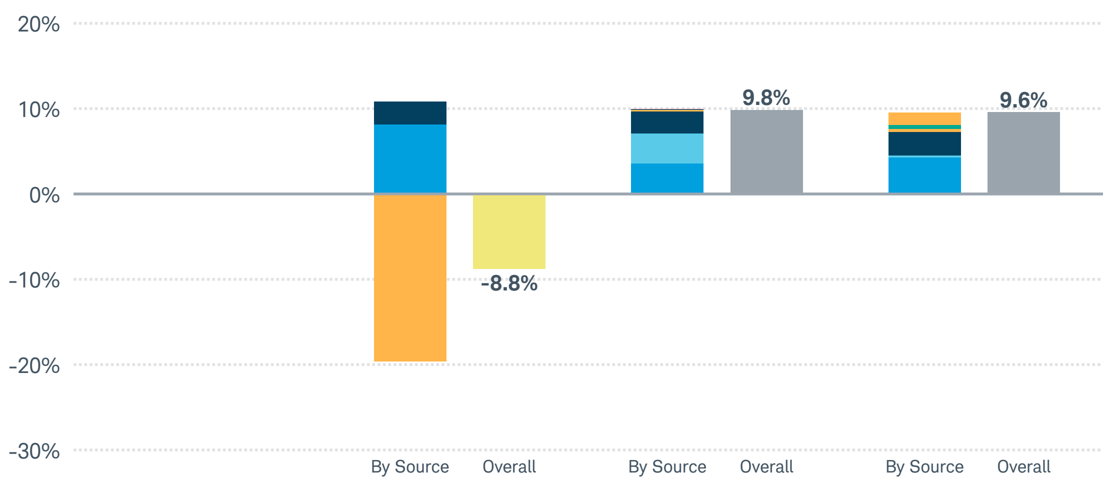
Referrals continue to drive new client acquisition across all peer groups. In 2013, 85% of firms in your peer group pursued referrals from clients and 60% pursued referrals from centers of influence. Together these sources accounted for a 102% average increase in new clients and a 105% average increase in new client assets.

While traditional approaches to marketing and business development remain dominant, firms are looking at new technologies to help cultivate prospects. In your peer group, 15% of firms have a web presence to expand their reach.

For more information about Schwab resources that can help with referrals and marketing efforts, speak with your Schwab Relationship Manager.

Net Asset Flow Growth by Source

2014 Growth Rate From New Asset Flows by Source of New Clients
Excludes investment performance



	Your Firm	Peer Group Average	Best-Managed Firms Average
Client referrals	8.2%	3.6%	4.3%
Networking and community involvement	0.0%	3.5%	0.2%
Professional referrals	2.7%	2.5%	2.7%
Other prospecting[2]	0.0%	0.2%	0.4%
Marketing programs[1]	0.0%	0.1%	0.5%
Seminars and events	0.0%	0.0%	0.0%
Merger/acquisition or partner	--	0.0%	0.0%
Net growth from existing clients[3]	-19.6%	-0.1%	1.4%
Total	**-8.8%**	**9.8%**	**9.6%**

1 Direct mail and email campaigns, social media, website presence, advertising and sponsorships, public relations, and articles.
2 Other prospecting includes a custodian referral program, cold calls, etc.
3 Includes contributions to growth of net flows from existing clients and assets lost to client attrition.

The fastest-growing firms excel at referral marketing.

Organic asset growth is the total change in a firm's assets stemming from new, existing, and lost clients before investment performance is taken into account. Growth rates shown in this section are group averages, unlike the median growth rates stated on other pages. The averages tend to skew higher because of a small number of rapidly growing firms.

Your peer group's total growth from net asset flows in 2013 averaged 9.8%. Firms at the 80th percentile in your group averaged 16.5% organic asset growth.

Net asset flows from existing and lost clients increased firm assets by an average of 0.7%.

For firms at the 80th percentile, client referrals contributed 6.9% to net asset growth in 2013, versus the 3.6% average shown on the chart.

The Best-Managed Firms cross all peer groups and display high performance in revenue growth, productivity, profitability, and net asset growth. These firms organically grew 9.6% on average, versus -32768.0% for all other firms. See the Methodology & Disclosures section of this report for more information on how Best-Managed Firms were identified.

Services and Pricing Policy

Service Offering	Your Firm	Peer Group	Peer Group: Pricing policy as a percent offering each service				
	Service offered	Service offered	Included in asset management fee	Hourly rate	Quoted or flat rate	Additional percentage of assets or balances	Commission or product-based revenue
Asset allocation	✓	90%	98%	0%	2%	0%	0%
Selecting individual securities to maximize performance	✓	82%	98%	0%	2%	0%	0%
Selecting third-party managers and funds		48%	92%	0%	4%	4%	0%
Comprehensive financial planning	✓	38%	74%	5%	21%	0%	0%
Family education	✓	28%	79%	0%	14%	7%	0%
Tax planning and strategy		22%	82%	0%	9%	9%	0%
Charitable planning		18%	67%	0%	22%	11%	0%
Annuity products		16%	75%	0%	0%	0%	25%
Estate planning		12%	67%	17%	0%	17%	0%
Traditional life insurance products		12%	0%	0%	0%	0%	100%
Bank deposits		8%	100%	0%	0%	0%	0%
Lifestyle management		8%	75%	0%	0%	25%	0%
Trustee services		8%	25%	25%	25%	25%	0%
Bill payment		6%	33%	0%	33%	33%	0%
Lending		2%	100%	0%	0%	0%	0%

Firms increasingly offer more comprehensive services to clients.

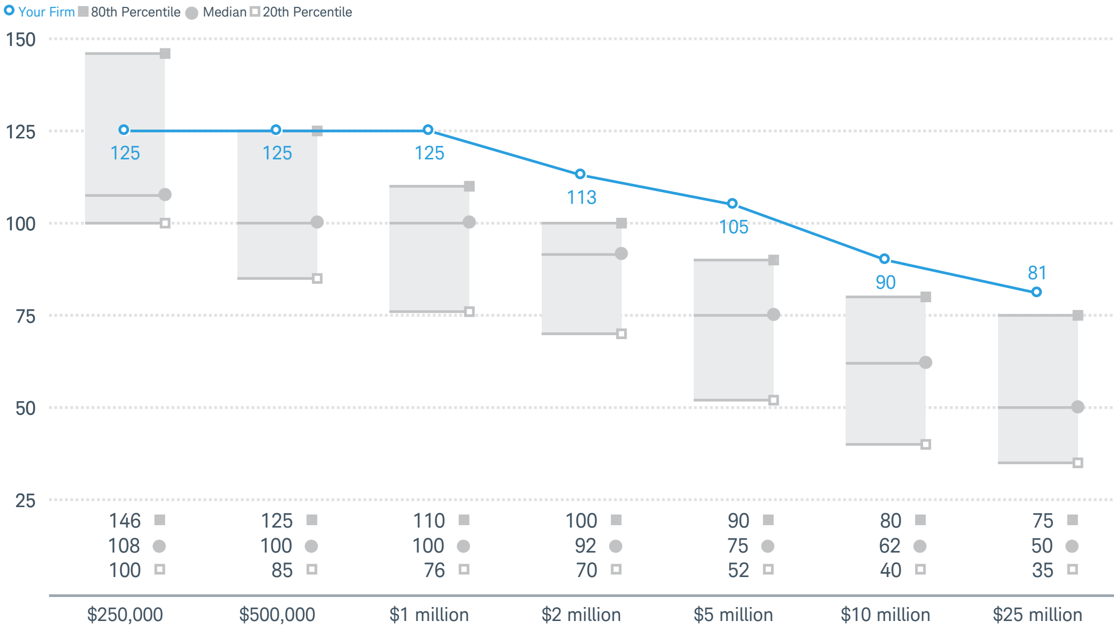
In recent years, many firms have added services to meet the needs of larger and more sophisticated clients. The table at left indicates which services are among your peer group's core offerings and which are available at a premium.

The vast majority of firms in your peer group reported offering asset allocation, and 82% offered individual security selection. Both services are almost always covered in the asset management fee. Selection of fund managers was offered by 48% of advisors. When offered, this service is nearly always included in the fee.

Other services offered include financial planning, family education, and tax planning. Less common services are trustee services, bill payment, and lending. As could be expected, planning services (financial, estate, tax, and charitable) and family education are much more frequently offered by wealth management firms.

Fee for Asset Management

BPS on Assets by Client Assets in Relationship
Your Firm vs. Peer Group

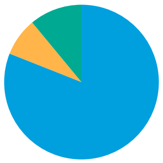


Client Relationship Size	Your Firm			Peer Group	
	Number of clients	Percent of clients	Estimated percent of revenue	Average percent of clients	Average percent of revenue
Less than $250,000	8	17.8%	4.0%	31.7%	13.9%
$250,000 to $500,000	6	13.3%	4.5%	18.5%	9.4%
$500,000 to $1 million	10	22.2%	15.0%	19.5%	16.2%
$1 million to $2 million	17	37.8%	51.1%	17.3%	21.8%
$2 million to $5 million	4	8.9%	25.4%	9.9%	21.3%
$5 million to $10 million				2.0%	8.5%
$10 million to $25 million				0.9%	5.7%
$25 million or more				0.3%	3.2%

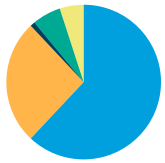
Portfolio Asset Allocation

Percentage of Assets by Class

Your Firm



Peer Group



	Your Firm					Peer Group				
		Percent by investment vehicle				Average percent of client assets[1]	Average percent by investment vehicle			
	Assets	Mutual funds	Individual securities	ETFs	Other		Mutual funds	Individual securities	ETFs	Other
Equity										
Domestic	81%	0%	100%	0%	0%	51%	29%	52%	19%	0%
International						NA	47%	34%	19%	0%
Emerging markets						5%	48%	9%	43%	0%
Fixed Income										
Government						8%	59%	13%	28%	0%
Corporate	8%	100%	0%	0%	0%	14%	44%	35%	20%	0%
Municipal						10%	41%	52%	7%	0%
International						NA	1%	0%	0%	NA
Emerging markets						3%	45%	0%	55%	0%
Alternative Investments										
Hedge funds						8%	59%	20%	5%	16%
Private equity						30%	0%	0%	0%	100%
Other										
Commodities						3%	36%	0%	64%	0%
REITs						5%	28%	47%	21%	4%
Other						10%	42%	33%	1%	25%
Cash	11%	100%	0%	0%	0%	7%	55%	5%	1%	38%

1 Users of asset class

Staff and Time Use

	Your Firm		Peer Group			
Staff Role	Staffing	Time investment	Average staffing	Percent with role	Median base and bonus	Average time investment
Professional						
Principal	3.0	55% 5% 5% 10% 25%	1.5	100%	$138,000	64% 11% 7% 8% 10%
Relationship Manager			0.1	6%	$35,000	58% 18% 8% 8% 8%
Investment Professional			0.2	20%	$61,000	79% 11% 4% 2% 4%
Business Development Officer (BDO)			0.1	10%	$40,000	43% 2% 1% 1% 53%
Non-Professional						
Other Management				4%		30% 22% 28% 10% 10%
Back-Office and Administration Staff	1.0	10% 50% 10% 10% 20%	0.7	54%	$47,000	20% 62% 8% 6% 4%
Total						
Total Professional Staff	3.0		1.8			
Total Non-Professional Staff	1.0		0.7			
Total Staff	4.0		2.5			

Client Service (direct service and meetings, financial planning, and investment management)
Operations & Administration   Compliance   Business Management   Marketing & Business Development

Human capital at a glance.

Firm-reported staffing, compensation, and time use went into calculating the productivity benchmarks in this section (pages 22 to 30).

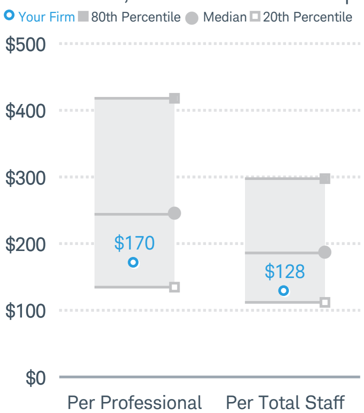
To simplify the comparison of time investments across firms, this report uses a single "client service" category. Client service includes direct service and meetings, financial planning, and investment management. Of course, different firms may offer these services to varying degrees.

Firms in your peer group employed, on average, 2.5 staff members in 2013, including 1.8 professionals, of whom 1.5 are principals. Fifty-four percent of firms reported employing back-office or administration staff. Relationship managers were found in 6% of firms, and investment managers or planners in 20%.

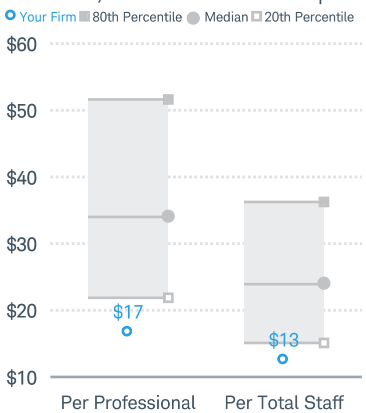
Staff Productivity Ratios

Staff Productivity for Existing Clients

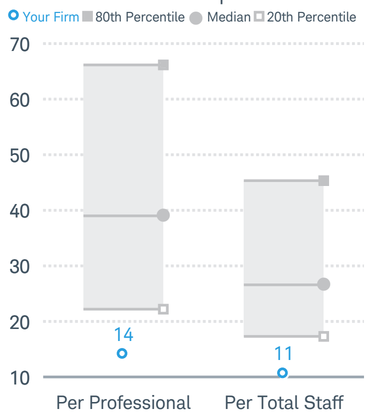
Total Revenue per Staff Member
In Thousands, Your Firm vs. Peer Group



AUM per Staff Member
In Millions, Your Firm vs. Peer Group



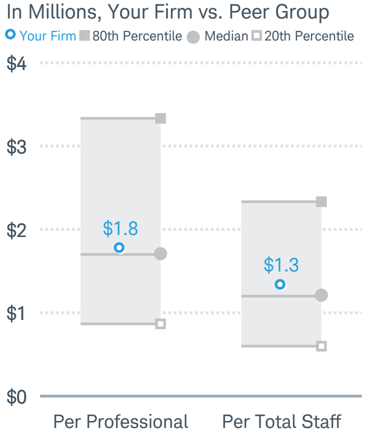
Clients per Staff Member
Your Firm vs. Peer Group



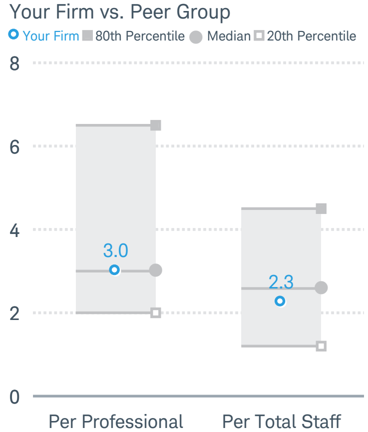
Staff Productivity for New Clients

New Revenue per Staff Member
In Thousands, Your Firm vs. Peer Group

New AUM per Staff Member
In Millions, Your Firm vs. Peer Group



New Clients per Staff Member
Your Firm vs. Peer Group



Every member of your staff plays a role in your firm's productivity.

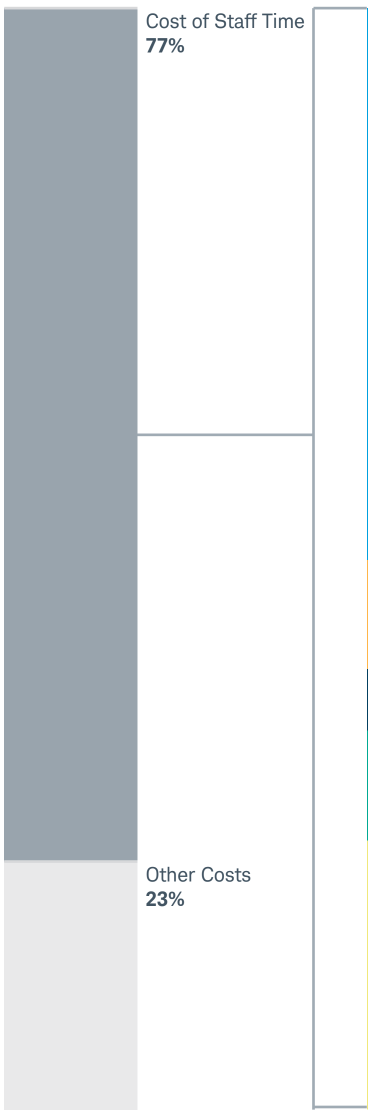
Per-professional ratios are powerful productivity measures because they provide a broad basis for comparison among firms and focus on the costliest labor resources. The charts at left show revenue, assets, and clients as a ratio to labor resources. Subsequent pages highlight additional details.

In your group, each professional at the median firm managed 39 clients and $34 million in assets, generating $244,000 in revenue. The 80th percentile in your group generated about 71% more revenue per professional at $418,000.

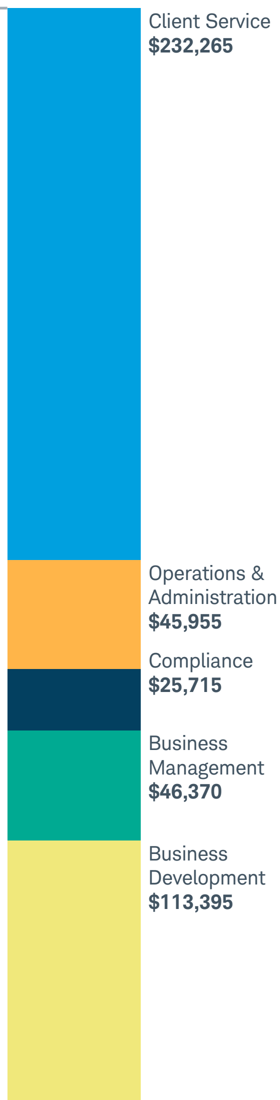
At the median of your group, each professional acquired 3.0 new clients with a total of $1.7 million in assets, generating $19,000 in new revenue.

Summary of Staff Productivity

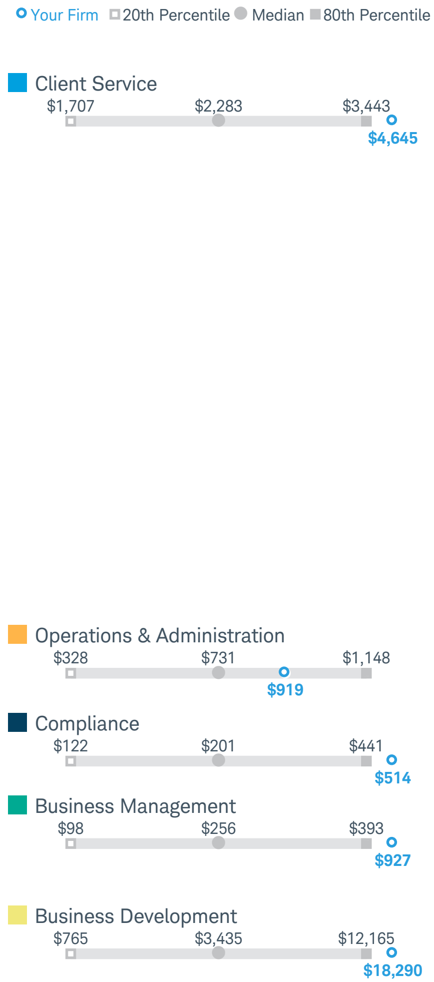
Your Firm: Standardized Cost Analysis



Your Firm: Standardized Cost of Staff Time



Cost of Staff Time per $1MM AUM



Your staff productivity

Your firm's total costs can be broken into two main categories: cost of staff time and other costs. Cost of staff time includes standardized principal compensation, professional and non-professional compensation, retirement and healthcare benefits, and payroll taxes. To standardize results across different principal compensation structures, all productivity calculations use median principal compensation (base and bonus) from your peer group overall in place of each firm's reported principal compensation. Refer to the Methodology & Disclosures at the end of this report for your group's median.

Other costs include payment for referred business and overhead expenses, such as rent, IT investment, marketing expenses, and outsourcing.

On average, staff time accounted for 75% of your peer group's costs, while other costs accounted for 25%. You can see a breakout of your firm's costs at the far left.

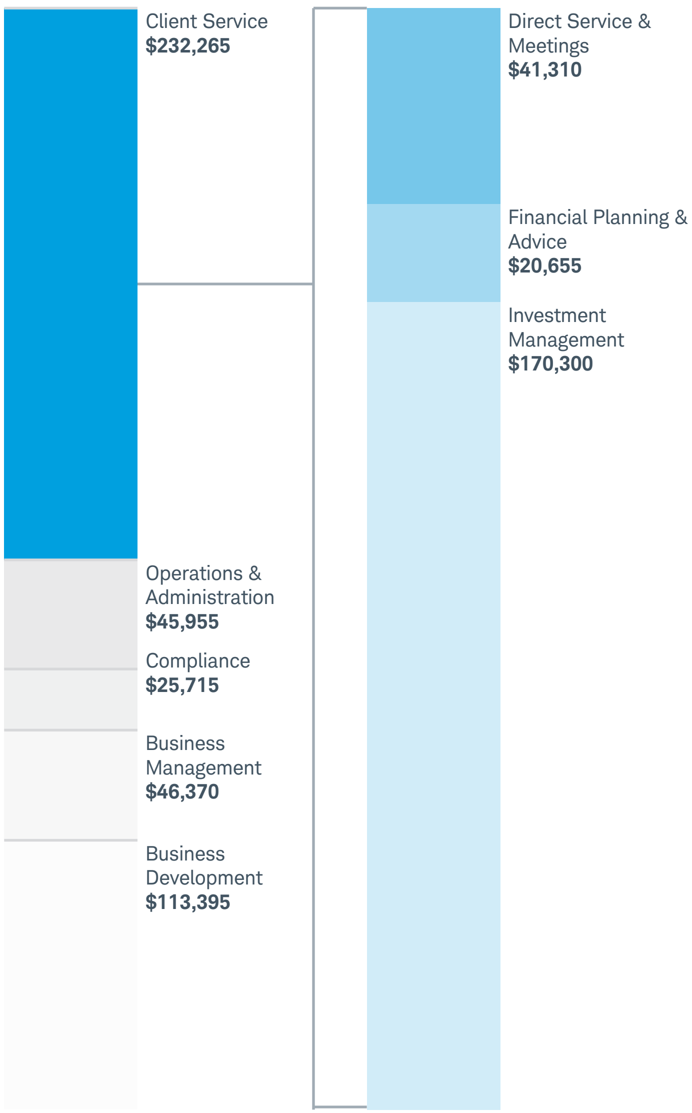
In the middle chart, the cost of staff time at your firm is further divided into five categories: client service, operations and administration, compliance, business management, and business development. Cost of staff time is calculated by allocating your firm's reported compensation, including benefits and taxes, according to time spent.

At the near left, you can compare the cost of your firm's staff time per $1 million in AUM in each category. The figures indicate your performance relative to your peers' at the 20th percentile, median, and 80th percentile. Page 25 breaks out the client service component. Pages 26 to 30 illustrate each of the five categories in more detail.

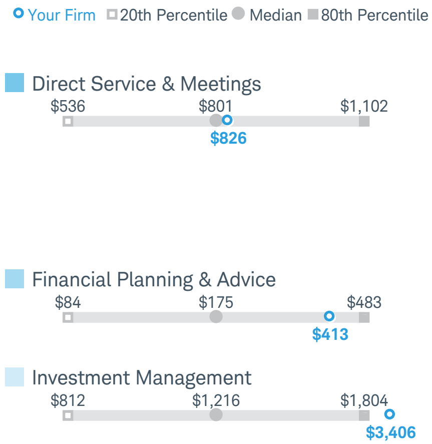
Summary of Staff Productivity

Your Firm: Standardized Cost of Staff Time

Your Firm: Standardized Cost of Client Service



Cost of Staff Time per $1MM AUM



For all firms in the study, client service is the single largest staff expense.

The three components of client service—direct service and meetings, financial planning and advice preparation, and investment management—combine to give you an idea of what it costs to serve clients. By breaking down the cost, you can get a better idea of what you spend to provide each component relative to your peers and can examine opportunities for greater efficiency.

Starting with the 75% average cost of staff time for your group, 60% of that staff cost went toward client service, or 44% of the total costs at the average firm. Your firm's breakout is shown at the far left.

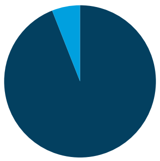
The bar chart in the middle shows the total cost for each of the three components of client service. On average for your peer group, client service costs were: 35% direct service and meetings, 10% financial planning and advice preparation, and 54% investment management.

At the immediate left, the cost of staff time is represented as cost per $1 million in AUM. Combined, these three components total your cost per $1 million in AUM for client service, as represented on the previous page.

Staff Productivity for Client Service

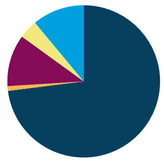
Annual Time Spent per Client

Your Firm



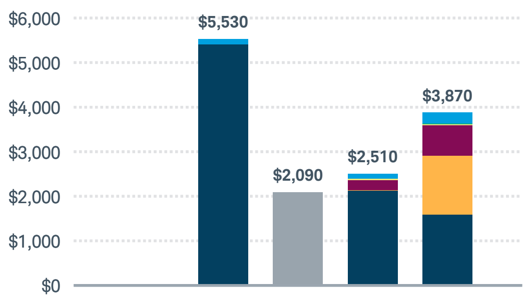
Role	Hours
Principal	75.4
Relationship Manager	0.0
Investment Professional	0.0
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	4.6
Total	**80.0**

Peer Group Average



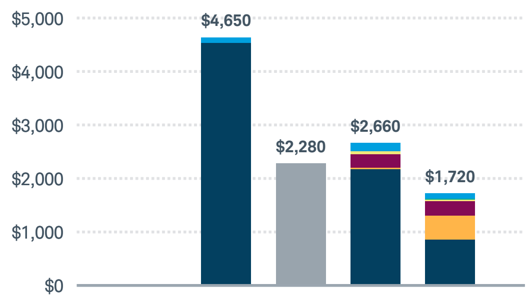
Role	Hours
Principal	29.7
Relationship Manager	0.4
Investment Professional	4.5
Bus. Dev. Officer (BDO)	1.4
Other Management	0.0
Back-Office/Admin Staff	4.4
Total	**40.5**

Cost of Staff Time per Client



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$5,410	$1,600	$2,130	$1,590
Relationship Manager	--	$150	$10	$1,320
Investment Professional	--	$560	$220	$680
Bus. Dev. Officer (BDO)	--	$720	$40	$30
Other Management	--	$0	$0	$20
Back-Office/ Admin Staff	$120	$150	$110	$240
Total	**$5,530**	**$2,090**	**$2,510**	**$3,870**

Cost of Staff Time per $1MM AUM



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$4,540	$1,950	$2,180	$860
Relationship Manager	--	$300	$20	$440
Investment Professional	--	$1,160	$260	$280
Bus. Dev. Officer (BDO)	--	$960	$50	$30
Other Management	--	$0	$0	$10
Back-Office/ Admin Staff	$100	$190	$150	$100
Total	**$4,650**	**$2,280**	**$2,660**	**$1,720**

Staff productivity for client service

This page shows the value of time spent on all client service activities. The top chart indicates the average number of hours spent serving one client for a year. Total hours are broken down by role, for your firm and your peer group average. The median firm in your peer group spent 33.9 hours in 2013, while the average firm spent 40.5 hours.

The chart at bottom left converts hours spent per client into the cost of staff time by role. The total cost of staff time in 2013 was $2,510 per client on average and $2,090 per client at the median.

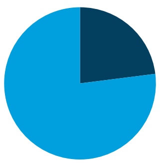
The chart at bottom right displays the average staff cost of client service per $1 million in assets for the year. Your group's average was $2,660. As firms grow in size, client service productivity often increases. In the next larger peer group, the cost of client service per $1 million in AUM was $2,530.

Firms of all sizes and business models can achieve high productivity, as demonstrated by Best-Managed Firms. The average cost of client service for Best-Managed Firms per $1 million in assets was $1,720.

Staff Productivity for Operations and Administration

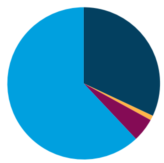
Annual Time Spent per Client

Your Firm



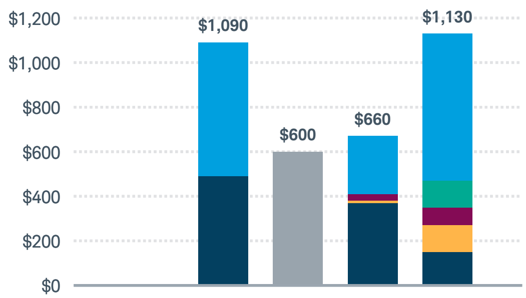
Role	Hours
Principal	6.9
Relationship Manager	0.0
Investment Professional	0.0
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	22.9
Total	**29.7**

Peer Group Average



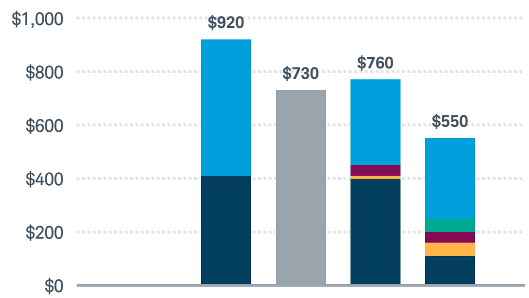
Role	Hours
Principal	5.1
Relationship Manager	0.2
Investment Professional	0.8
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	9.8
Total	**16.0**

Cost of Staff Time per Client



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$490	$250	$370	$150
Relationship Manager	--	$100	$10	$120
Investment Professional	--	$50	$30	$80
Bus. Dev. Officer (BDO)	--	$0	$0	$0
Other Management	--	$0	$0	$120
Back-Office/ Admin Staff	$600	$350	$260	$660
Total	**$1,090**	**$600**	**$660**	**$1,130**

Cost of Staff Time per $1MM AUM



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$410	$270	$400	$110
Relationship Manager	--	$100	$10	$50
Investment Professional	--	$110	$40	$40
Bus. Dev. Officer (BDO)	--	$0	$0	$0
Other Management	--	$0	$0	$50
Back-Office/ Admin Staff	$510	$510	$320	$300
Total	**$920**	**$730**	**$760**	**$550**

Staff productivity for operations and administration

This page details staff time spent on operational and administrative activities. These activities include quarter-end processing, client reporting, setting up client accounts, generating invoices, and rebalancing portfolios.

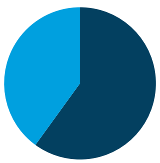
On average, each firm in your peer group invested 16.0 hours of operational activity per client in 2013. Administrative staff accounted for most of this time, spending 9.8 hours per client. Total costs associated with operational activity averaged $660 per client and $760 per $1 million in AUM.

The cost of operational activities per $1 million in assets was higher for smaller RIA firms. As firms gain scale and efficiencies, costs decline. However, similar to the findings in client service, the Best-Managed Firms group demonstrates that firms of every size can achieve superior productivity in operations. For Best-Managed Firms, the cost of operations per $1 million in assets averaged $550.

Staff Productivity for Compliance

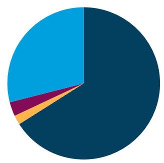
Annual Time Spent per Client

Your Firm



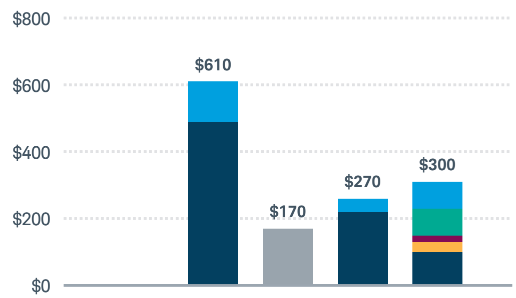
Role	Hours
Principal	6.9
Relationship Manager	0.0
Investment Professional	0.0
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	4.6
Total	**11.4**

Peer Group Average



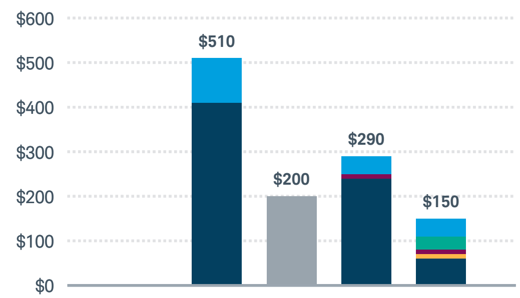
Role	Hours
Principal	3.1
Relationship Manager	0.1
Investment Professional	0.2
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	1.3
Total	**4.7**

Cost of Staff Time per Client



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$490	$150	$220	$100
Relationship Manager	--	$60	$0	$30
Investment Professional	--	$10	$0	$20
Bus. Dev. Officer (BDO)	--	$0	$0	$0
Other Management	--	$0	$0	$80
Back-Office/ Admin Staff	$120	$30	$40	$80
Total	**$610**	**$170**	**$270**	**$300**

Cost of Staff Time per $1MM AUM



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$410	$160	$240	$60
Relationship Manager	--	$50	$0	$10
Investment Professional	--	$20	$10	$10
Bus. Dev. Officer (BDO)	--	$0	$0	$0
Other Management	--	$0	$0	$30
Back-Office/ Admin Staff	$100	$40	$40	$40
Total	**$510**	**$200**	**$290**	**$150**

Staff productivity for compliance

This page summarizes the cost of time spent on compliance activities by any member of a firm. Compliance-related time includes establishing and managing a firm's compliance program, preparing and submitting filings, reviewing sales materials, developing confidentiality policies, and other activities.

On average, firms in your peer group invested 4.7 hours per client in compliance-specific activity in 2013. Principals and administrative staff accounted for most of the hours spent. The total cost of this time averaged $270 per client and $290 per $1 million in AUM.

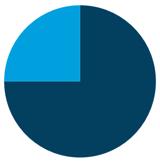
Compliance costs dropped as firms grew, ranging from more than $200 per $1 million in AUM at the median for the smallest firms to $110 for the largest firms. Of course, as a small portion of overall costs, this difference had only a modest effect on the bottom line.

For Best-Managed Firms, the cost of compliance per $1 million in assets averaged $150.

Staff Productivity for Business Management

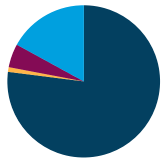
Annual Time Spent per Client

Your Firm



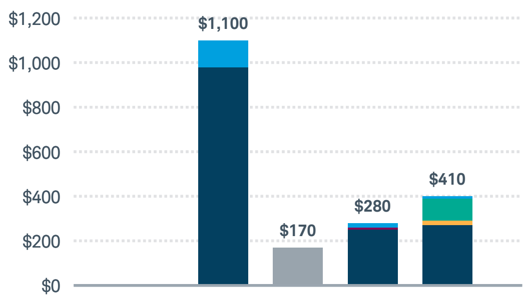
Role	Hours
Principal	13.7
Relationship Manager	0.0
Investment Professional	0.0
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	4.6
Total	**18.3**

Peer Group Average



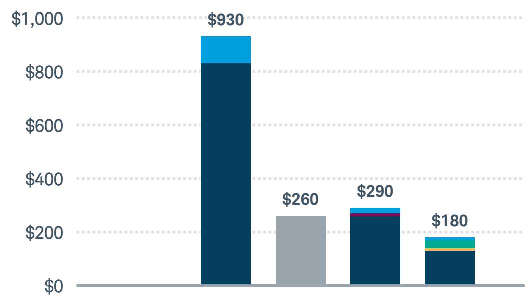
Role	Hours
Principal	3.5
Relationship Manager	0.1
Investment Professional	0.2
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	0.8
Total	**4.6**

Cost of Staff Time per Client



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$980	$170	$250	$270
Relationship Manager	--	$30	$0	$20
Investment Professional	--	$0	$10	$0
Bus. Dev. Officer (BDO)	--	$0	$0	$0
Other Management	--	$0	$0	$100
Back-Office/ Admin Staff	$120	$0	$20	$10
Total	**$1,100**	**$170**	**$280**	**$410**

Cost of Staff Time per $1MM AUM



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$830	$220	$260	$130
Relationship Manager	--	$20	$0	$10
Investment Professional	--	$0	$10	$0
Bus. Dev. Officer (BDO)	--	$0	$0	$0
Other Management	--	$0	$0	$30
Back-Office/ Admin Staff	$100	$0	$20	$10
Total	**$930**	**$260**	**$290**	**$180**

Staff productivity for business management

This page summarizes the cost of time spent on business management by any firm member. Business management includes providing firm leadership and strategic direction, overseeing financials, and coaching and developing staff.

On average, firms in your group invested 4.6 hours of business management time per client at a total average cost of $280 per client and $290 per $1 million in AUM. For Best-Managed Firms, the cost of business management functions per $1 million in assets averaged $180.

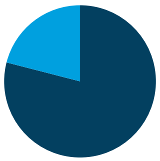
Total cost per client: Totaling the time investment from pages 26 to 29 indicates that each firm in your peer group invested an average of 65.7 hours of staff time—approximately 1.5 weeks in 2013—per client relationship. Client service accounted for 61% of those hours, operations for 24%, compliance for 8%, and business management for 7%.

The total cost per client was $3,720 in 2013, of which 66% applied to client service, 19% to operations and administration, 7% to compliance, and 8% to business management.

Staff Productivity for Business Development

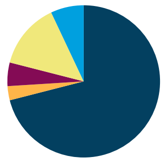
Annual Time Spent per New Client

Your Firm



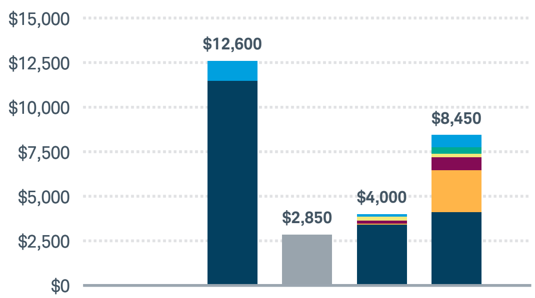
Role	Hours
Principal	160.0
Relationship Manager	0.0
Investment Professional	0.0
Bus. Dev. Officer (BDO)	0.0
Other Management	0.0
Back-Office/Admin Staff	42.7
Total	**202.7**

Peer Group Average



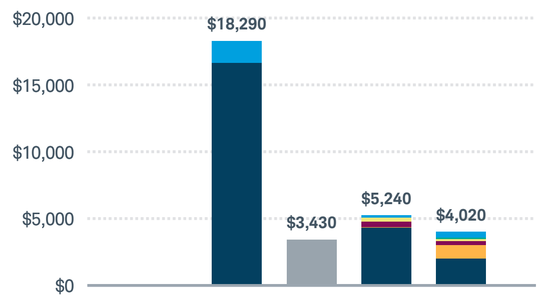
Role	Hours
Principal	47.6
Relationship Manager	2.0
Investment Professional	3.6
Bus. Dev. Officer (BDO)	9.4
Other Management	0.0
Back-Office/Admin Staff	4.6
Total	**67.1**

Cost of Staff Time per New Client



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$11,480	$2,130	$3,420	$4,100
Relationship Manager	--	$830	$50	$2,380
Investment Professional	--	$310	$170	$720
Bus. Dev. Officer (BDO)	--	$3,830	$230	$200
Other Management	--	$0	$0	$340
Back-Office/ Admin Staff	$1,120	$0	$130	$700
Total	**$12,600**	**$2,850**	**$4,000**	**$8,450**

Cost of Staff Time per New $1MM AUM



Role	Your Firm	Peer Group Median	Peer Group Average	Best-Managed Firms Average
Principal	$16,660	$3,100	$4,340	$2,020
Relationship Manager	--	$280	$20	$1,010
Investment Professional	--	$680	$420	$310
Bus. Dev. Officer (BDO)	--	$5,110	$300	$130
Other Management	--	$0	$0	$100
Back-Office/ Admin Staff	$1,630	$0	$160	$440
Total	**$18,290**	**$3,430**	**$5,240**	**$4,020**

Staff productivity for business development

The charts on this page show staff costs related to acquiring new clients. Values are presented as staff hours, costs per new client, and costs per $1 million in new AUM. On average, your peers spent 67.1 hours of staff time to acquire a new client in 2013. The median acquisition time was 41.9 hours. Staff costs per new client were $4,000 on average and $2,850 at the median.

The costs per $1 million in new AUM averaged $5,240 in your peer group. For the next larger peer group, staff costs were higher at $7,160. The Best-Managed Firms achieved an average staff cost of $4,020 per $1 million in new client assets.

In your peer group, 10% of firms have a dedicated business development officer. Those firms can benchmark the work of business development officers against the median values.

2014 Hiring Activities

Staff Role	Your Firm: Staff promoted	Your Firm: Staff added	Your Firm: Source of addition	Peer Group: Percent of firms promoted staff	Peer Group: Percent of firms added staff	Peer Group: Average staff added or promoted	Peer Group: Average staff added or promoted by source
Professional							
Principal				4.0%	4.0%	1.0	50% 50% 0%
Relationship Manager							
Investment Professional				0.0%		1.0	100% 0% 0%
Business Development Officer (BDO)					4.0%	1.0	100% 0% 0%
Non-Professional							
Other Management Staff					2.0%	1.0	100% 0% 0%
Back-Office and Administration Staff					12.0%	1.3	100% 0% 0%
Total							
Total Professional Staff Added or Promoted				16.0%	16.0%	1.3	88% 13% 0%
Total Staff Added or Promoted					24.0%	1.6	92% 8% 0%

External hire with no transferable assets · External hire with transferable assets · Joined via merger or acquisition

Technology in Use Today

	Your Firm			Peer Group		
	Product	Percent of staff using	2014 spend	Top 3 products	Average staff using	2014 spend
Technology System						
Client relationship management system (CRM)	None			Other ACT! Redtail CRM	88%	$200
Document management system	None			Other Microsoft Sharepoint Nuance PaperPort	93%	$100
Financial planning system	None			Other Money Tree MoneyGuidePro	69%	$550
Portal or vault to share information with clients and third parties	ShareFile	100%	$3,000	Morningstar Office Other Advisor Products	90%	$150
Portfolio management system (PMS)	Advent Axys	100%	$1,000	Schwab PortfolioCenter Morningstar Office Advent Axys	88%	$3,900
Rebalancing system	None			Schwab Rebalancer Other RedBlack Rebalance Express	60%	$0

Advisors still place the highest value on their portfolio management system.

Today, firms want more from their technology than efficiency, productivity, and accuracy. They want technology that helps them advance their strategic goals. To meet this demand, technology choices have evolved to help firms reduce operational risks, streamline compliance, and differentiate themselves through superior client service.

Some technology systems are showing a greater ROI than others. In your peer group, 65% of firms identified their portfolio management system as having the greatest ROI, followed by a client relationship management (CRM) system at 19% of firms. Of the portfolio management systems identified by firms as having the greatest ROI, Schwab PortfolioCenter is the most commonly used product. Firms reported that, on average, 88% of staff use this system.

Technology Investments

	Your Firm		Peer Group	
	New investment in 2014	Plan to invest in 2015	New investment in 2014	Plan to invest in 2015
Technology System				
Client relationship management system (CRM)			10%	15%
Document management system			4%	6%
Financial planning system			6%	13%
Portal or vault to share information with clients and third parties			2%	9%
Rebalancing system			0%	13%
Mobile				
Mobile account access for clients			0%	9%
Mobile access to internal systems for staff			2%	6%
Infrastructure				
Local/in-office current server infrastructure	✓		11%	6%
Outsourced server infrastructure			2%	4%
A cloud environment for office applications			13%	8%

Firms work to keep pace with technological advances and client demands.

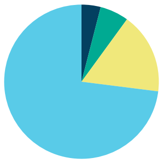
As technology advances more rapidly each year, advisory firms strive to make critical decisions about where to invest to gain the most advantage. Many advisors find the economics of cloud computing especially compelling, as 1 in 3 of all firms in the study have made or are planning to make an investment in a cloud environment in the next year.

Client relationship management (CRM) systems are also getting attention as a powerful way to increase operational efficiency and improve functionality. Across the study, more than one-third of firms have either upgraded their CRM system or plan to in the next 12 months.

Technology is important to client service as well. Clients are more accustomed to getting information on demand, and as a result, 2% of firms in your peer group reported investing in a portal or vault to share information with clients. In the year ahead, 9% more firms plan to make this investment. The main reason cited for adding this technology is to improve the client experience. Firms are also investing in mobile strategies to enable on-demand account access. Across the study, 1 in 5 firms has invested in mobile account access for clients or plans to in the next 12 months.

CRM and Standardization of Procedures

Data Source Integration With CRM



- 5 or more data sources - **0%**
- 4 data sources - **0%**
- 3 data sources - **4%**
- 2 data sources - **6%**
- 1 data sources - **17%**
- Your Firm No integration - **73%**

Standardization of Procedures	Your Firm	Peer Group As a percentage that use a CRM system
Highly standardized workflows within a CRM for over 75% of operational tasks		6%
Highly standardized workflows within a CRM for 50% to 75% of operational tasks		0%
Highly standardized workflows within a CRM for 25% to 50% of operational tasks		6%
Standardized and documented procedures but not within a CRM	✓	58%
Do not rely on workflows or documented procedures to manage operational tasks		29%

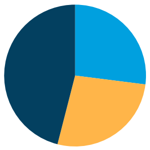
In most firms, technology revolves around the CRM system.

The client relationship management (CRM) system is the firm's information hub. It plays an essential role in improving front- and back-office efficiency and facilitating the consistent, high-quality client service for which independent advisory firms are known. Moreover, standardized workflows within CRM systems can bring added value by increasing operational efficiency.

In your peer group, 24% of firms reported that their CRM system is the central point of system and process integration. In addition, 23% of firms reported integrating up to two data sources or other systems with their CRM system, and 4% had three data sources integrated.

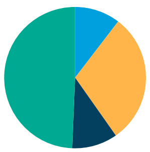
Operational Complexity and Outsourcing

Portfolio Recommendations



- Your Firm Highly standardized—Standard models to 90% of clients - **27%**
- Moderately customized—Standard models to 50% to 90% of clients - **27%**
- Very customized—Standard models to less than 50% of clients - **46%**

Rebalancing Frequency



- Monthly - **10.3896103896104%**
- Quarterly - **29.8701298701299%**
- Annually - **10.3896103896104%**
- Based on percentage deviation from target - **49.3506493506493%**
- Your Firm Other - **0%**

Performance Reporting	Your Firm	Peer Group
Report Delivery Method		
Hard copy via an in-person meeting		41%
Hard copy through the mail	√	61%
Soft copy via electronic delivery	√	39%
Report Delivery Frequency		
Monthly	√	10%
Quarterly		67%
Annually		8%
Upon request		12%
Never		2%

Outsourcing of Technology Systems	Your Firm		Peer Group	
	Approach in 2014	Forecast for 2015	Approach in 2014	Forecast for 2015
Full outsourcing			8%	8%
Operational and data management outsourcing			18%	24%
Infrastructure outsourcing			18%	16%
No outsourcing	√	√	55%	51%

Firms pursue greater efficiency through standardized processes and outsourcing.

Advisors seek to strike the right balance between personalized service and the efficiencies to be gained from standardized approaches. In your peer group, 38% rebalance client portfolios based on the percentage of deviation from a target. The number of hours spent rebalancing in 2013 was 98 at the median and 142 on average.

Outsourcing continues to gain favor as a way to increase efficiency while keeping advisors focused on clients and activities that grow business. This is partly because outsourcing solutions have improved in quality in the last decade, and also because many advisors are simply happy to unload the technical and administrative burdens. Forty-four percent of firms in your peer group reported some level of outsourcing, and the number is likely to grow based on plans for the coming year.

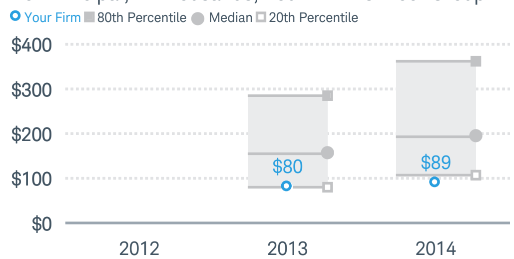
Standardized Operating Income

Your Firm: 2014 Total Principal Income

Total Revenue	**$510,000**
Direct Expenses	
Professional Compensation (Reported)[1]	$0
Other Direct Expenses	$0
Total Direct Expenses	**$0**
Without Subtracting Principal Compensation	
Total Overhead Expenses	**$244,000**
Total Principal Income	**$266,000**
Total Principal Income per Principal	$89,000

Total Principal Income

Per Principal, In Thousands, Your Firm vs. Peer Group

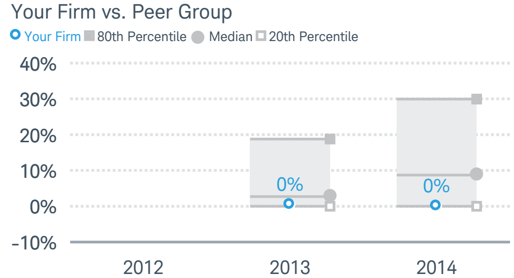


Your Firm: 2014 Operating Income (Reported)

Total Revenue	**$510,000**
Direct Expenses	
Principal Compensation (Reported)	$266,000
Professional Compensation (Reported)[1]	$0
Other Direct Expenses	$0
Total Direct Expenses (Reported)	**$266,000**
Total Overhead Expenses	**$244,000**
Operating Income (Reported)	**$0**
Operating Margin (Reported)	0.0%

Operating Margin (Reported)

Your Firm vs. Peer Group

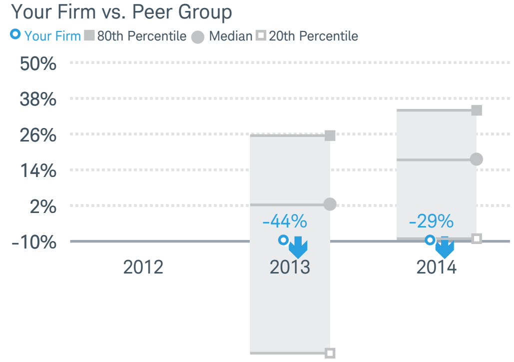


Your Firm: 2014 Operating Income (Standardized)

Total Revenue	**$510,000**
Direct Expenses	
Principal Compensation (Standardized)	$413,000
Professional Compensation (Reported)[1]	$0
Other Direct Expenses	$0
Total Direct Expenses (Standardized)	**$413,000**
Total Overhead Expenses	**$244,000**
Operating Income (Standardized)	**$-147,000**
Operating Margin (Standardized)	-28.8%

Operating Margin (Standardized)

Your Firm vs. Peer Group



1 Excludes Principal Compensation

Your peer group's standardized operating margin fell in 2013.

The first table at the far left shows the total economic benefit to principals at your firm in 2013, including salary, bonus, and firm profit. Because firms make different decisions about salary versus non-salary compensation, this calculation is a reasonable measure of principal income across firms. The graph at the near left shows income per principal for your peer group. For your group, principal income was $193,000 in 2013.

The middle table at the far left shows reported operating income and summarizes your firm's profit and loss statement, based on principal compensation as reported by your firm. For your peer group, the median operating margin was 8.7%.

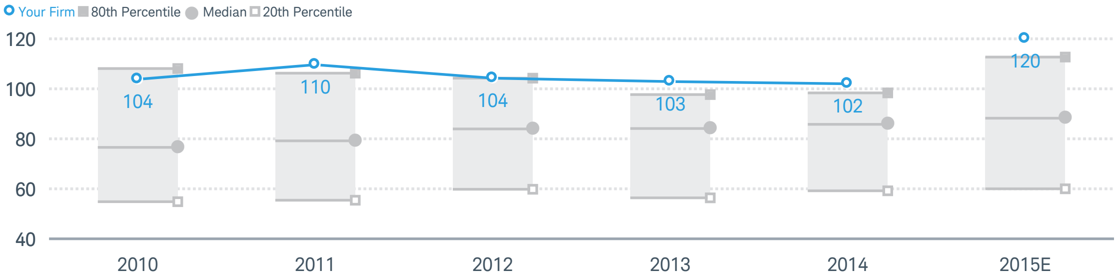
The summary profit and loss statement in the bottom table at far left uses values standardized across your group's firms. For peer firms, principal pay was standardized at the group's median of $137,700. We used standardized principal pay to calculate the standardized operating margin shown in the bottom table. Your group's standardized operating margin was 17.3% at the median, down from 223.0% last year.

For a more detailed look at profits and losses, see pages 37 through 39.

Profit and Loss Statement

Total Revenue as BPS on Total Assets

Your Firm vs. Peer Group



2014 Profit and Loss (Page 1 of 3)	Your Firm		Peer Group				Best-Managed Firms
	P&L Entry	Percent of Revenue	Average	20th Percentile	Median	80th Percentile	Average
Revenue							
Asset management fees	$510,000	100.0%	99.5%	99.6%	100.0%	100.0%	97.0%
Project or hourly fees	$0	0.0%	0.3%	0.0%	0.0%	0.0%	0.6%
Securities commissions	$0	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Insurance commissions	$0	0.0%	0.1%	0.0%	0.0%	0.0%	1.0%
Other revenues	$0	0.0%	0.2%	0.0%	0.0%	0.0%	0.9%
Total Revenue	$510,000	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct Expenses							
Professional salaries							
Principals	$266,000	52.2%	37.9%	22.6%	33.3%	53.5%	20.8%
Other professionals	$0	0.0%	5.6%	0.0%	0.0%	11.6%	10.7%
Professional bonuses							
Principals	$0	0.0%	10.4%	0.0%	0.0%	21.5%	7.3%
Other professionals	$0	0.0%	0.4%	0.0%	0.0%	0.0%	2.4%
Fees paid for referred business	$0	0.0%	0.5%	0.0%	0.0%	0.0%	1.3%
Total Direct Expenses	$266,000	52.2%	54.8%	38.5%	54.9%	72.8%	42.5%
Gross Profit							
Total Revenue less Direct Expenses	$244,000	47.8%	45.2%	27.2%	45.1%	61.5%	57.5%

Profit and loss statement: revenue, direct expenses, and gross profit

For each line of the profit and loss statement, the percentile ranges account for all peer firms. No single firm falls into the 80th percentile across the board.

The median firm in your group realized revenue of 86 bps on total assets in 2013. Asset management fees as basis points on discretionary assets only, relevant if your firm has a high proportion of nondiscretionary assets, was 89.

Your peers achieved median revenues of $409,923 in 2013, up 14.1% from 2012. Asset management fees accounted for 100.0% of revenue for the median firm in your group.

Direct expenses include compensation for non-owner professional staff, including payments for referred business and excluding dividends or profit sharing. In 2013, average expenses for your peers were 54.8% of revenue.

Gross profit margins were 45.2% on average in 2013. For the next larger peer group, gross margins were 46.3%. The average firm in the Best-Managed Firms group realized gross margins of 57.5%.

The Best-Managed Firms column represents a group of top-performing firms from all peer groups; see the Methodology & Disclosures section for more information.

Profit and Loss Statement

2014 Profit and Loss (Page 2 of 3)	Your Firm		Peer Group				Best-Managed Firms
	P&L Entry	Percent of Revenue	Average	20th Percentile	Median	80th Percentile	Average
Overhead Expenses							
Salaries and bonuses—administrative and support staff	$44,000	8.6%	4.7%	0.0%	2.2%	9.2%	7.8%
Retirement benefits							
Principals	$0	0.0%	2.9%	0.0%	0.0%	6.7%	1.7%
All other staff	$0	0.0%	0.6%	0.0%	0.0%	0.0%	1.1%
Health and other employee insurance benefits	$40,000	7.8%	2.0%	0.0%	0.7%	3.7%	1.5%
Payroll taxes	$12,000	2.4%	2.5%	0.0%	2.2%	3.7%	1.9%
Office rent and maintenance	$30,000	5.9%	4.9%	2.4%	4.5%	7.2%	2.6%
Marketing and business development expenses	$2,000	0.4%	1.9%	0.0%	0.7%	2.8%	1.3%
Compliance (outsourcing)	$0	0.0%	0.4%	0.0%	0.2%	0.8%	0.2%
Information technology (equipment and outsourcing)	$11,000	2.2%	1.9%	0.2%	1.6%	3.0%	1.4%
Equipment (leases, purchases and maintenance)	$0	0.0%	0.4%	0.0%	0.0%	0.7%	0.2%
Outsourcing (excluding compliance and IT)	$0	0.0%	0.6%	0.0%	0.0%	1.5%	0.5%
Office expenses (supplies, copies)	$0	0.0%	1.1%	0.3%	0.8%	2.2%	0.9%
Utilities, phone, and internet	$10,000	2.0%	1.4%	0.5%	1.3%	2.0%	0.4%
Research expenses	$6,000	1.2%	1.3%	0.0%	0.4%	2.6%	0.7%
Professional services (excluding compliance and IT)	$7,000	1.4%	0.6%	0.0%	0.2%	1.1%	1.1%
Travel and auto expenses	$0	0.0%	1.6%	0.0%	0.8%	2.8%	0.8%
Training, education, and professional dues or licensing	$20,000	3.9%	0.5%	0.0%	0.2%	0.7%	0.4%
Business insurance (P&C, E&O, etc.)	$4,000	0.8%	0.8%	0.2%	0.5%	1.5%	0.6%
Depreciation and amortization	$7,000	1.4%	0.2%	0.0%	0.0%	0.4%	0.4%
Taxes and licenses (excl. payroll tax)	$0	0.0%	0.5%	0.0%	0.1%	0.9%	0.3%
Other overhead	$51,000	10.0%	1.5%	0.0%	0.0%	1.3%	1.2%
Total Overhead Expenses	$244,000	47.8%	32.4%	24.2%	34.0%	41.4%	27.0%
Operating Income							
Gross Profit less Overhead Expenses	$0	0.0%	12.8%	0.0%	8.7%	29.9%	30.5%

Profit and loss statement: overhead expenses and operating income

In 2013, firms across the study kept overhead expenses low even as revenues increased. As a percentage of revenue, overhead was 32.4%. In the next larger peer group, overhead margins were 31.7%. Across the study, back-office and administrative staff, and office rent and maintenance were the most significant overhead expenses.

Taking into account these expenses, the average operating margin was 12.8% in 2013. The next larger peer group reported a 14.7% operating margin.

Profit and Loss Statement

2014 Profit and Loss (Page 3 of 3)	Your Firm		Peer Group				Best-Managed Firms
	P&L Entry	Percent of Revenue	Average	20th Percentile	Median	80th Percentile	Average
Other Income							
Other income	$0	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
Other expenses	$0	0.0%	0.5%	0.0%	0.0%	0.0%	1.0%
Total Other Income	$0	0.0%	-0.4%	0.0%	0.0%	0.0%	-1.0%
Profit before Tax							
Operating Income plus Total Other Income and Expenses	$0	0.0%	12.4%	0.0%	8.7%	29.9%	29.6%
Dividends to Shareholders	$0	0.0%	2.0%	0.0%	0.0%	4.9%	18.1%
Profit Distributions							
Principals	$0	0.0%	10.2%	0.0%	0.0%	22.3%	18.4%
All other staff	$0	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Total Profit Distributions	$0	0.0%	10.2%	0.0%	0.0%	22.3%	18.7%
Standardized Operating Income	$-147,000	-28.8%	13.6%	-9.1%	17.3%	34.0%	39.6%

Profit and loss statement: Profitability and standardized operating income

Average profit before tax for your peers was 12.4%. In the next larger peer group, it was 13.1%.

For the purpose of reporting dividends and profit sharing, we distinguish C corporations, which distribute dividends to shareholders, from other organizational structures, such as S corporations and limited liability companies (LLCs), in which owners share profits. For C corporations, which included seven firms in your group, dividends to shareholders averaged 2.0% of revenue. For other types of firms, such as S corporations and LLCs, owner profit sharing amounted to 10.2% of revenue on average.

Standardized operating income, shown on the bottom row of the table at left, sets principal base salary at a standard value for all firms within each peer group. For your group, that value was $137,700 per principal, but ranged from $137,700 for the smallest money managers to $403,904 for the largest. When comparing standardized operating income across peer groups, keep this difference in mind as a measure of the market cost of obtaining partner-level talent.

The standardized operating margin for your group was 13.6% on average and 17.3% at the median. For the next larger peer group, it averaged 14.4%. The Best-Managed Firms had an average standardized operating margin of 39.6%.

Key Metrics for Your Peer Group

Firm Growth

	Peer Group 20th Percentile	Peer Group Median	Peer Group 80th Percentile
2014 Revenue (in thousands)	$269	$410	$600
5-Year Revenue CAGR (2010-2014)	8.8%	11.5%	18.0%
2014 AUM (in millions, year end)	$41	$61	$82
5-Year AUM CAGR (2010-2014)	6.6%	11.1%	20.5%
2014 Asset attrition	0.0%	1.0%	5.7%
2014 Client attrition	0.0%	2.8%	7.3%
2014 Assets per client (in millions)	$0.5	$0.9	$1.7
2014 Revenue per client	$3,430	$6,378	$11,227
2014 Total clients (year end)	39	65	121
5-Year client CAGR (2010-2014)	0.2%	4.7%	14.0%
2014 Net asset flows (in millions)	$0	$2	$8
5-Year net asset flows CAGR (2010-2014)			

Firm Productivity

	20th Percentile	Median	80th Percentile
Total revenue per staff member	$112	$186	$298
AUM per staff member	$15	$24	$36
Clients per staff member	17	27	45
New revenue per staff member	$7	$14	$40
New AUM per staff member	$1	$1	$2
New clients per staff member	1	3	5
Client service: Cost of staff time per $1MM AUM	$1,707	$2,283	$3,443
Operations & administration: Cost of staff time per $1MM AUM	$328	$731	$1,148
Compliance: Cost of staff time per $1MM AUM	$122	$201	$441
Business management: Cost of staff time per $1MM AUM	$98	$256	$393
Business development: Cost of staff time per new $1MM AUM	$765	$3,435	$12,165

Pricing

BPS on assets by client assets in relationship	20th Percentile	Median	80th Percentile
$250,000	100	108	146
$500,000	85	100	125
$1 million	76	100	110
$2 million	70	92	100
$5 million	52	75	90
$10 million	40	62	80
$25 million	35	50	75

Staffing

	Peer Group Average staffing	Peer Group Percent of firms with role	Peer Group Median base and bonus
Principal	1	100.0%	$138,000
Relationship Manager	0	6.0%	$35,000
Investment Professional	0	20.0%	$61,000
Business Development Officer (BDO)	0	10.0%	$40,000
Other Management Staff	0	4.0%	
Back-Office and Administration Staff	1	54.0%	$47,000
Total Professional Staff	2		
Total Staff	3		

Clients

Relationship size	Average number of clients	Average percent of clients	Average percent of revenue
Less than $250,000	43	31.7%	13.9%
$250,000 to $500,000	17	18.5%	9.4%
$500,000 to $1 million	15	19.5%	16.2%
$1 million to $2 million	11	17.3%	21.8%
$2 million to $5 million	5	9.9%	21.3%
$5 million to $10 million	1	2.0%	8.5%
$10 million to $25 million	1	0.9%	5.7%
$25 million or more	0	0.3%	3.2%

Firm Profitability

	20th Percentile	Median	80th Percentile
Gross Profit Margin	27.2%	45.1%	61.5%
Operating Margin (Reported)	0.0%	8.7%	29.9%
Operating Margin (Standardized)	-9.1%	17.3%	34.0%
Principal Compensation (Reported)	$120,000	$200,000	$300,000
Professional Compensation – excluding Principals (Reported)	$0	$0	$105,000
Total Direct Expenses (Reported)	$167,000	$230,313	$321,000
Overhead Expenses			
Administrative and Support Staff Compensation	$0	$7,500	$55,000
Health and Other Insurance Benefits	$0	$2,980	$20,000
Marketing and Business Development	$0	$3,000	$12,500
Information Technology (Equipment and Outsourcing)	$655	$7,000	$14,343
Total Overhead Expenses (Reported)	$93,766	$145,556	$221,649

1 Next larger peer group: $100MM-$250MM AUM.

Key Metrics for the Next Larger Peer Group[1]

Firm Growth

	Peer Group 20th Percentile	Median	80th Percentile
2014 Revenue (in thousands)	$750	$1,103	$1,431
5-Year Revenue CAGR (2010-2014)	8.1%	13.8%	20.6%
2014 AUM (in millions, year end)	$107	$162	$205
5-Year AUM CAGR (2010-2014)	8.5%	13.0%	22.7%
2014 Asset attrition	0.0%	1.0%	2.6%
2014 Client attrition	0.9%	3.0%	4.9%
2014 Assets per client (in millions)	$0.5	$1.0	$2.4
2014 Revenue per client	$3,922	$6,970	$12,532
2014 Total clients (year end)	71	163	237
5-Year client CAGR (2010-2014)	1.0%	5.3%	13.9%
2014 Net asset flows (in millions)	$0	$9	$18
5-Year net asset flows CAGR (2010-2014)			

Firm Productivity

	20th Percentile	Median	80th Percentile
Total revenue per staff member	$199	$286	$422
AUM per staff member	$27	$37	$61
Clients per staff member	24	39	62
New revenue per staff member	$8	$21	$39
New AUM per staff member	$1	$2	$3
New clients per staff member	1	4	6
Client service: Cost of staff time per $1MM AUM	$1,792	$2,239	$3,409
Operations & administration: Cost of staff time per $1MM AUM	$389	$688	$1,048
Compliance: Cost of staff time per $1MM AUM	$108	$203	$529
Business management: Cost of staff time per $1MM AUM	$132	$282	$469
Business development: Cost of staff time per new $1MM AUM	$1,184	$3,309	$10,526

Pricing

BPS on assets by client assets in relationship	20th Percentile	Median	80th Percentile
$250,000	100	100	150
$500,000	92	100	125
$1 million	90	100	105
$2 million	80	90	100
$5 million	60	75	92
$10 million	50	65	80
$25 million	40	56	75

Staffing

	Peer Group Average staffing	Percent of firms with role	Median base and bonus
Principal	2	100.0%	$250,000
Relationship Manager	0	25.0%	$80,000
Investment Professional	1	39.3%	$122,000
Business Development Officer (BDO)	0	5.4%	$106,000
Other Management Staff	0	16.1%	$75,000
Back-Office and Administration Staff	1	73.2%	$55,000
Total Professional Staff	3		
Total Staff	4		

Clients

Relationship size	Average number of clients	Average percent of clients	Average percent of revenue
Less than $250,000	64	27.6%	10.2%
$250,000 to $500,000	45	19.7%	9.9%
$500,000 to $1 million	34	18.9%	14.2%
$1 million to $2 million	20	14.8%	15.6%
$2 million to $5 million	14	11.3%	22.4%
$5 million to $10 million	4	4.7%	11.7%
$10 million to $25 million	2	1.7%	9.4%
$25 million or more	0	1.3%	6.6%

Firm Profitability

	20th Percentile	Median	80th Percentile
Gross Profit Margin	32.6%	46.6%	61.3%
Operating Margin (Reported)	0.0%	9.9%	30.3%
Operating Margin (Standardized)	-4.9%	19.4%	35.2%
Principal Compensation (Reported)	$240,000	$407,500	$681,000
Professional Compensation – excluding Principals (Reported)	$0	$24,000	$140,000
Total Direct Expenses (Reported)	$302,000	$520,500	$700,000
Overhead Expenses			
Administrative and Support Staff Compensation	$0	$66,208	$110,000
Health and Other Insurance Benefits	$0	$10,967	$35,827
Marketing and Business Development	$1,200	$9,000	$21,000
Information Technology (Equipment and Outsourcing)	$2,300	$6,505	$24,162
Total Overhead Expenses (Reported)	$166,000	$314,620	$441,390

1 Next larger peer group: $100MM-$250MM AUM.

Methodology, Disclosures, and Terms of Use

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Questions on Your Peer Benchmarking Report

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Overall Methodology

- Responses were collected from January through March of 2015.
- All data is self-reported by study participants and is not verified or validated. Each participating advisory firm submitted only one set of responses.
- Peer group results relating to firm growth (e.g., revenues, assets, new clients) do not include those firms that experienced a merger or added a new partner during the 2009 to 2014 study period.
- A given individual firm report will display only the individual firm data for which the survey responses were sufficient to perform the required calculation. If insufficient data was provided to include an individual firm in a peer group result, only the group result will appear. Benchmarks related to firm profitability do not follow this approach, and the Profit and Loss Statement is included only for those firms that chose to participate in that portion of the study.
- Multiple-year growth rates are calculated as compound annual growth rates (CAGRs). All other multiple-year percentage rates are a straight average of individual values.
- All calculated averages count each firm equally and are not weighted by firm assets, firm revenues, number of new clients, or similar factors.
- Throughout the report, median and average values are reported in various settings. Median values are the best indicator of a "typical" firm, because they are in the middle of the group. Averages can give a good indication of performance of the group as a whole, but are subject to influence by a few high or low peer values. Average values are also necessary when a whole quantity is broken into parts, such as the Growth Rate From Net Asset Flows (page 19) and the Profit and Loss Statement (pages 38–40). Extreme outliers have been excluded, yet firm values that are not a normal distribution and small numbers of firms do influence the average values.
- In some cases, values on the charts and graphs are rounded to the closest integer, but plotted taking into account one decimal place.
- Throughout the report, "MM" is used to represent millions of dollars, and "B" represents billions of dollars.

Peer Group Selection

The peer groups were selected to provide a comparison with firms similar in size and business model. Each participant's self-assessment on its business model, along with 2014 year-end total AUM, was used to identify 12 peer groups:

- Wealth manager firms focus primarily on providing integrated advice and asset management services to address the broad financial needs of individual clients. Please note that because only a small number of firms in the study identified themselves as financial planners—and because their business model is similar to that of wealth managers—these firms are included in the wealth manager peer groups. We calculated data for seven wealth manager peer groups:
  - $25MM–$100MM AUM
  - $100MM–$250MM AUM
  - $250MM–$500MM AUM
  - $500MM–$750MM AUM
  - $750MM–$1B AUM
  - $1B–$2.5B AUM
  - Over $2.5B AUM

  Firms with less than $25 million in AUM will receive the $25MM–$100MM AUM Wealth Manager Peer Group report
- Money manager firms focus primarily on discretionary investment management for investment performance on behalf of individual client households or institutions. Please note that because the number of institutional investment participants was small and had varying business models and responses, those firms will receive the money manager peer group results. However, institutional investment consultant data is not averaged into the calculations and reporting of the peer results. We calculated data for five money manager peer groups:
  - $25MM–$100MM AUM
  - $100MM–$250MM AUM
  - $250MM–$500MM AUM
  - $500MM–$1B AUM
  - Over $1B AUM

  Firms with less than $25 million in AUM will receive the $25MM–$100MM AUM Money Manager Peer Group report.

Best-Managed Firms

This group represents advisors in the study who are in the top 20% of qualifying firms, ranked by productivity (2014 revenue per professional), profitability (2014 standardized operating margin), revenue growth (2009–2014 compound annual growth rate in revenue) and net asset growth (2009–2014 compound annual growth rate from net asset flows). The top 20% of firms was calculated after removing those with less than $1 million in revenue or fewer than two professional staff. Best-Managed Firms were selected without regard to peer group, and most groups are represented in the Best-Managed Firms group.

Specific Notes by Page

Page 8

- Responding firms were able to choose up to a maximum of three initiatives prioritized for 2015.
- Percentages in the peer group columns are expressed as a percentage of peer group firms that chose one or more top strategic initiatives.
- Top Priority (#1) is the percentage of firms that selected the related initiative as their number one priority.
- Top 3 Priorities is the percentage of firms that selected the related initiative as either their #1, #2, or #3 top priority.

Page 9

- Peer group data related to time horizon of strategic plan is expressed as a percentage of peer group firms that indicated they had a written strategic plan.

Pages 10-11

- 2015 expected data (2015E) was self-reported as each firm's "estimated" value for the full year at the time of the survey.
- Net Asset Flows include assets from new client additions, net flows from retained clients, and assets lost to client attrition.
- Growth Rate From Net Asset Flows is calculated as net flows each year as a percentage of the starting firm AUM for the year.
- Growth results do not include firms that experienced a merger or added a new advisor with assets or partner during the 2009 to 2014 study period.

Pages 12–16

- Each growth rate is reported as the percentage change on beginning assets if a firm only grew (or declined) from that single source of change.
- **Important Note on Investment Performance:** Investment Performance is the average annual net change in value of the investments over the stated period, as a percentage of the starting assets. Because new clients were added throughout this period, and values are estimated and self-reported, it should not be viewed as the average performance of an individual client portfolio over this time.
- Growth results do not include firms that experienced a merger or added a new partner during the 2009 to 2014 study period

Page 17

- Asset Attrition Rate is calculated as assets lost because of client departures during each year as a percentage of the starting firm AUM for the year.
- Client Attrition Rate is calculated as the number of departing clients as a percentage of the starting total clients for the year.
- Assets per Client is calculated as average assets during the year divided by the average number of clients during the year.
- Revenue per Client is calculated as revenue for the year divided by the average number of clients during the year.

Page 18

- Average Percent New Clients and Average Percent New Assets are calculated on a base of only those firms that are pursuing that source.

Page 19

- Data for Your Firm is your firm's 2014 Growth Rate From Net Asset Flows (page 16), divided proportionally among each of the listed sources of growth.
- Peer Group Average and Best-Managed Firms Average display the average percentage growth rate value for each source of growth across the peer group or Best-Managed Firms.

Page 21

- Firms were asked to report a total effective fee for a client of each size, given their pricing policies. Data does not represent a tiered pricing schedule used to calculate a price.
- Your firm's Estimated Percent of Revenue is calculated as follows: The midpoint of the relationship-size range is designated as a given asset level. (For example, $1.5 million is picked for the range of "$1 million to $2 million." The exceptions are (1) $250,000 is set as the midpoint for the first range of "less than $250,000" and (2) for the last range of "$25 million or more" the midpoint is the value between $25 million and the size of the largest client relationship indicated.) The percentage of revenue for each relationship-size range is then estimated by multiplying the given asset level by the percentage of clients, adjusted by the effective basis points (bps) fee reported by your firm. If your firm did not provide a total effective fee for every client relationship size for which you have clients, the median bps fee of your peer group for each relationship size is substituted. Your firm's actual experience may differ from these estimates.

Page 22

- Average Percent of Client Assets is calculated on a base of only those firms that use that asset class.

Page 23

- Client Service as reported on this page is a total of three distinct time categories from the survey: direct service and meetings, financial planning, and investment management. Combined here and on page 25, the three categories are broken out in some detail on page 26.

Page 24

- For productivity ratios, Per Total Staff includes all reported staff including principals. Per Professional includes all reported staff including principals but excluding back-office, administration, and other management staff.
- New Revenue is calculated by multiplying assets from new clients by the result of firm total revenue divided by total assets. The assumption is that revenue as a percentage of assets is the same for new clients and all clients, or the same bps on assets for new clients and for all clients.

Page 25

- Total cost is adjusted with standardized principal compensation broken down into two parts: Cost of Staff Time and Other Costs. Standardized principal compensation is the standard labor cost per principal used to account for opportunity cost and to mitigate differences in compensation structured as base versus profit sharing. The value is set at the group median. (See note for pages 27–31 below.)
- Cost of Staff Time includes standardized principal compensation plus benefits; non-principal professionals' salary, bonus, and benefits; administrative staff's salary, bonus, and benefits; and payroll taxes. All staff time values are grossed up by 15% as a standard measure of the cost of insurance, benefits, and payroll taxes.
- Other Costs includes payments for referred business, and all non-staff-related overhead expenses.
- The individual components of Cost of Staff Time are determined by the provided salary and bonus information by role, multiplied by the percentage of time that each staff member dedicates to a given component.

Pages 27–31

- Hours are based on reported staffing and percentage of time dedicated to each activity, multiplied by an assumed annual value of 1,920 hours per year per staff member, which reflects standard eight-hour workdays minus holidays, vacations, and sick time.
- Best-Managed Firms data in the charts reflects averages for each role.
- Staff costs for each role are based on each firm's reported compensation by role. The standardized principal compensation for each peer group is set at the group median as follows:
  - $128,867 for Wealth Managers $25MM–$100MM AUM
  - $195,000 for Wealth Managers $100MM–$250MM AUM
  - $262,917 for Wealth Managers $250MM–$500MM AUM
  - $279,375 for Wealth Managers $500MM–$750MM AUM
  - $307,389 for Wealth Managers $750MM–$1B AUM
  - $346,315 for Wealth Managers $1B–$2.5B AUM
  - $432,381 for Wealth Managers over $2.5B AUM
  - $137,700 for Money Managers $25MM–$100MM AUM
  - $250,000 for Money Managers $100MM–$250MM AUM
  - $231,814 for Money Managers $250MM–$500MM AUM
  - $300,000 for Money Managers $500MM–$1B AUM
  - $403,904 for Money Managers over $1B AUM

  All staff time values are grossed up by 15% as a standard measure of the cost of insurance, benefits, and payroll taxes.
- A note on medians and averages: Not every firm has staff in every role. Averages have been calculated across all firms without regard to which firms have a given role. Median values, by contrast, represent only firms with a given role. For instance, if only some firms in your group have a business development officer, the median value shown is only for those firms with that role.

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- Average Staff Added or Promoted is calculated on a base of only those firms that added or promoted staff.

Page 33

- Average Staff Using each technology system is calculated on a base of only those firms that are using each technology system.

Page 35

- Peer group data related to standardization of procedures is expressed as a percentage of peer group firms that indicated they use a CRM system.

Page 37

- Reported Operating Margin is simply the operating margin as stated by survey participants given staff and non-staff expenses in their Profit and Loss Statement.
- Standardized Operating Margin is calculated for each peer group using the values for principal compensation indicated in the notes for pages 27–31. The standardized principal compensation figure is substituted in place of the reported principal salary and bonus figures for each firm's Profit and Loss Statement.
- Income per Principal represents the total economic benefit to each principal, including salary, bonuses, and profit earned by the firm. Some profits earned are typically reinvested in the firm each year, so take-home pay is less than this figure.

Pages 38–40

- Detailed Profit and Loss pages are included in this report only for those firms that completed this section of the study.
- For peer group results, percentile and median results are provided for each line item individually. As a result, individual line items for percentile and median results do not sum to the total line. For average values, line items do sum to the total line.
- Averages of Best-Managed Firms are presented as a benchmark of a group of firms with higher than average profitability.
- Standardized Operating Margin is calculated for each peer group using the values for principal compensation indicated in the notes for pages 27–31.
- Bps is calculated as revenue for the year divided by average assets for the year (average of starting assets and ending assets).