

# 2018 RIA Sentiment Survey

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Independent RIAs Look Ahead to 2018

January 9, 2018

# Executive Summary

## RIAs like what's ahead in 2018

- The tax plan is the #1 item to impact client portfolios, say independent registered investment advisors (“RIAs”), who are also watching earnings and interest rates.
- Seventy percent of RIAs expect to see economic growth in the US and abroad this year.
- Roughly half are bullish on equities, with financials, materials and industrials expected to perform better in 2018.
- Their own optimism aside, RIAs say that money in retirement, taxes and estate planning top clients’ biggest concerns.

## RIAs opt for ETFs in client portfolios

- About 55 percent of RIAs use ETFs more than mutual funds or stocks in client portfolios.
- A third of RIAs use cash to fund clients’ new ETF investments, while 27 percent say the sale of mutual funds will fund new ETFs in 2018.
- The top reasons advisors like to use ETFs are: asset allocation, lower costs and liquidity.
- The construction of the underlying index is the #1 reason to choose a particular ETF, followed by performance and total cost.

# Executive Summary

## To keep up 2017's momentum, RIAs look to marketing, not M&A

- More than three-quarters of RIAs say firm assets will rise in 2018; nearly half expect assets to grow faster than 2017.
- RIAs ended 2017 with revenue growth averaging 15 percent, and with full-service brokerage firms supplying a third of their new clients.
- RIAs say they will spend more on marketing in 2018, as they consider it the #1 way to drive growth.
- Tech investments in 2018 will focus on improving client experience, a top strategic priority for RIAs.
- Though M&A is not in the cards for most, RIAs who are considering it want to acquire or add to their firms, versus merge or sell.
- Regulations and lack of client awareness are biggest threats to RIA growth in 2018 - only 1 percent are extremely concerned about the threat of robo-advisors.

# Methodology

Results for the TD Ameritrade Institutional 2018 RIA Sentiment Survey are based on a telephone survey, conducted by MaritzCX on behalf of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., between Nov. 27 and Dec. 7, 2017.

300 independent registered investment advisors (RIAs) participated in this study. Participants, both clients of TD Ameritrade Institutional and non-clients, were asked to share their views on economy, the outlook for their firms and the RIA market overall. The margin of error is  $\pm 5.6\%$

MaritzCX and TD Ameritrade are separate and not affiliated and not responsible for each other's services or policies.

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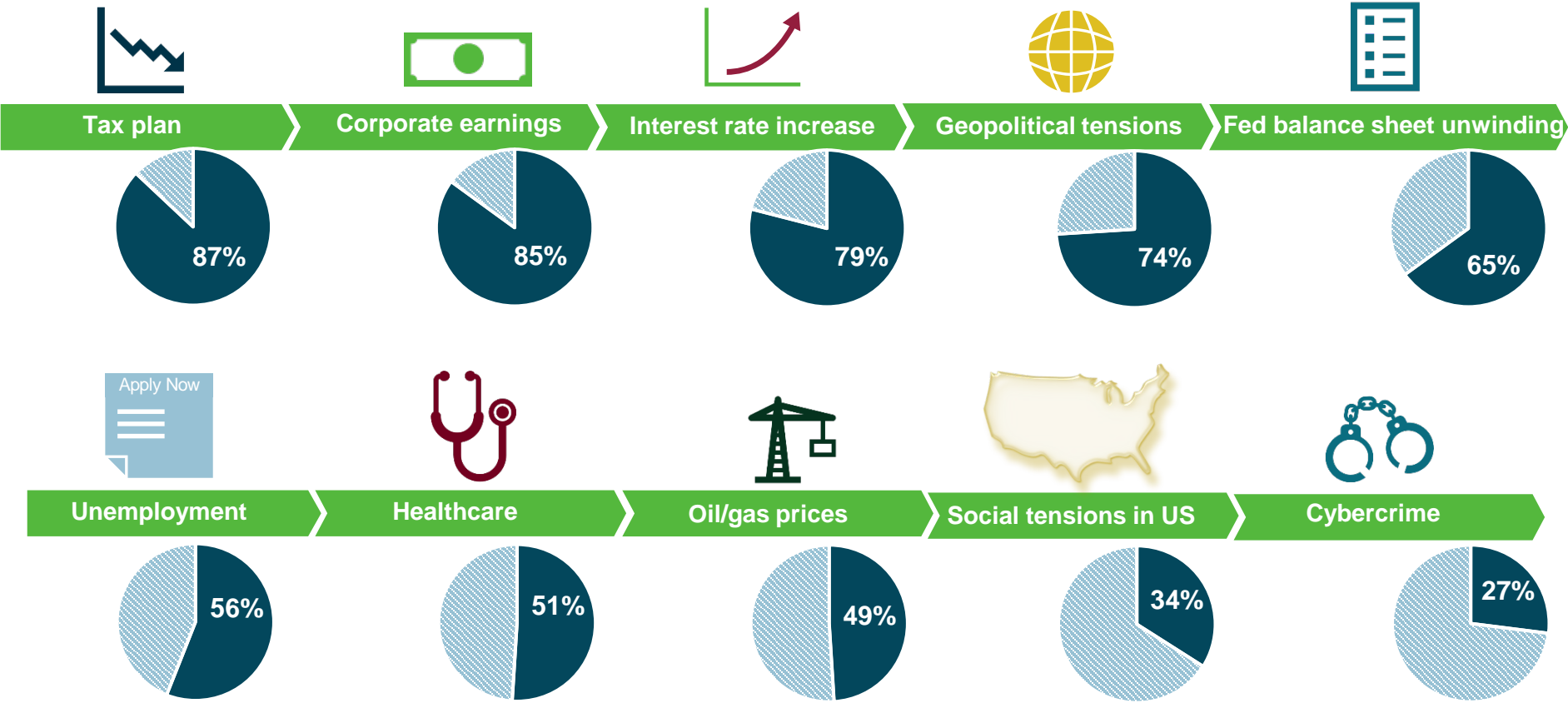
# RIAs on the Economy and Markets

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# Taxes and earnings are top of mind for RIAs

## Top Potential Influencers on Client Portfolios

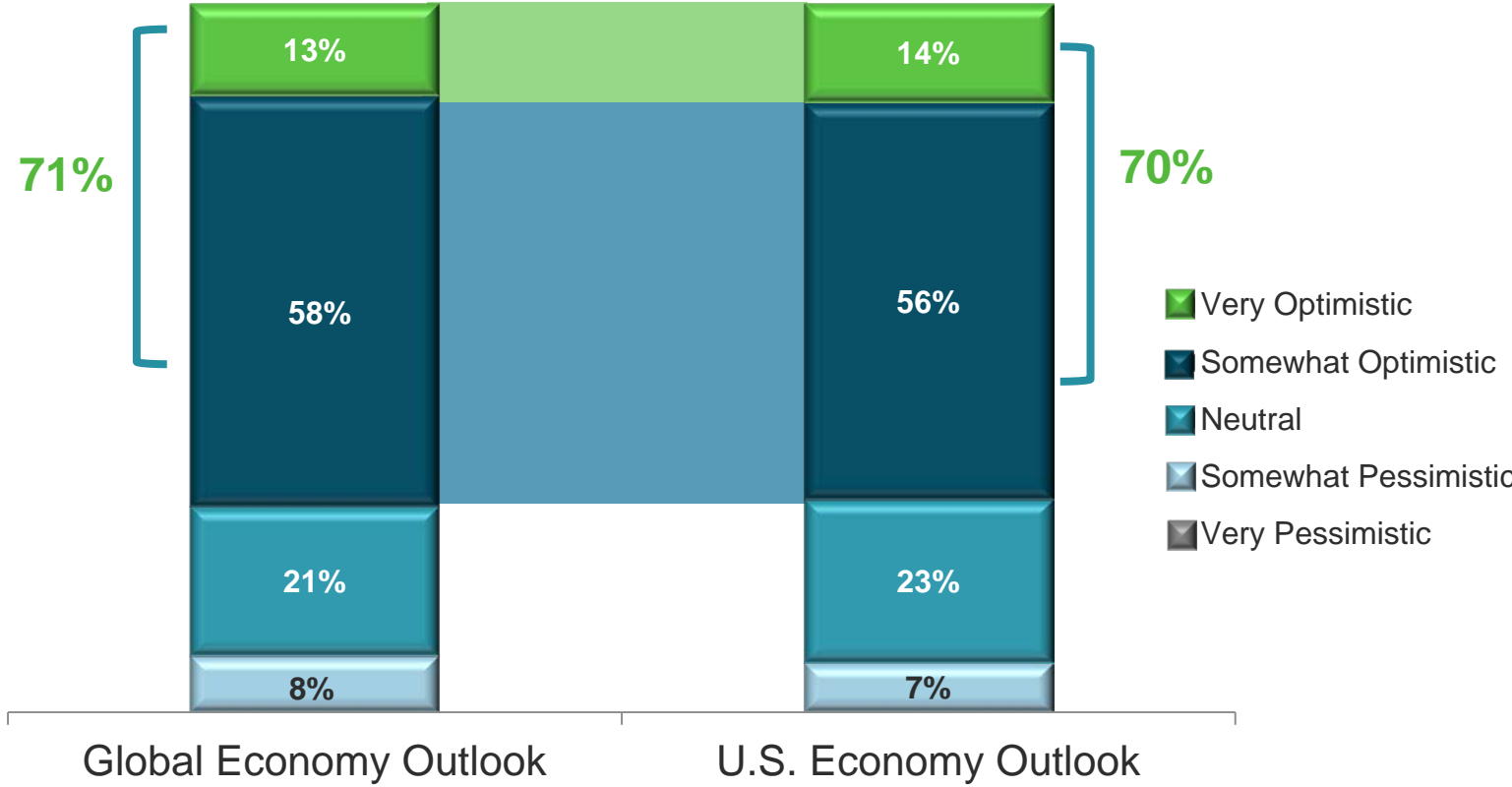
■ Watching for impact



Base: Total (n=300)  
 Q7. Which of the following headlines are you watching for their potential impact on clients' portfolios? (Multiple responses accepted)

# RIAs expect a strong start to 2018

## Economic Outlook

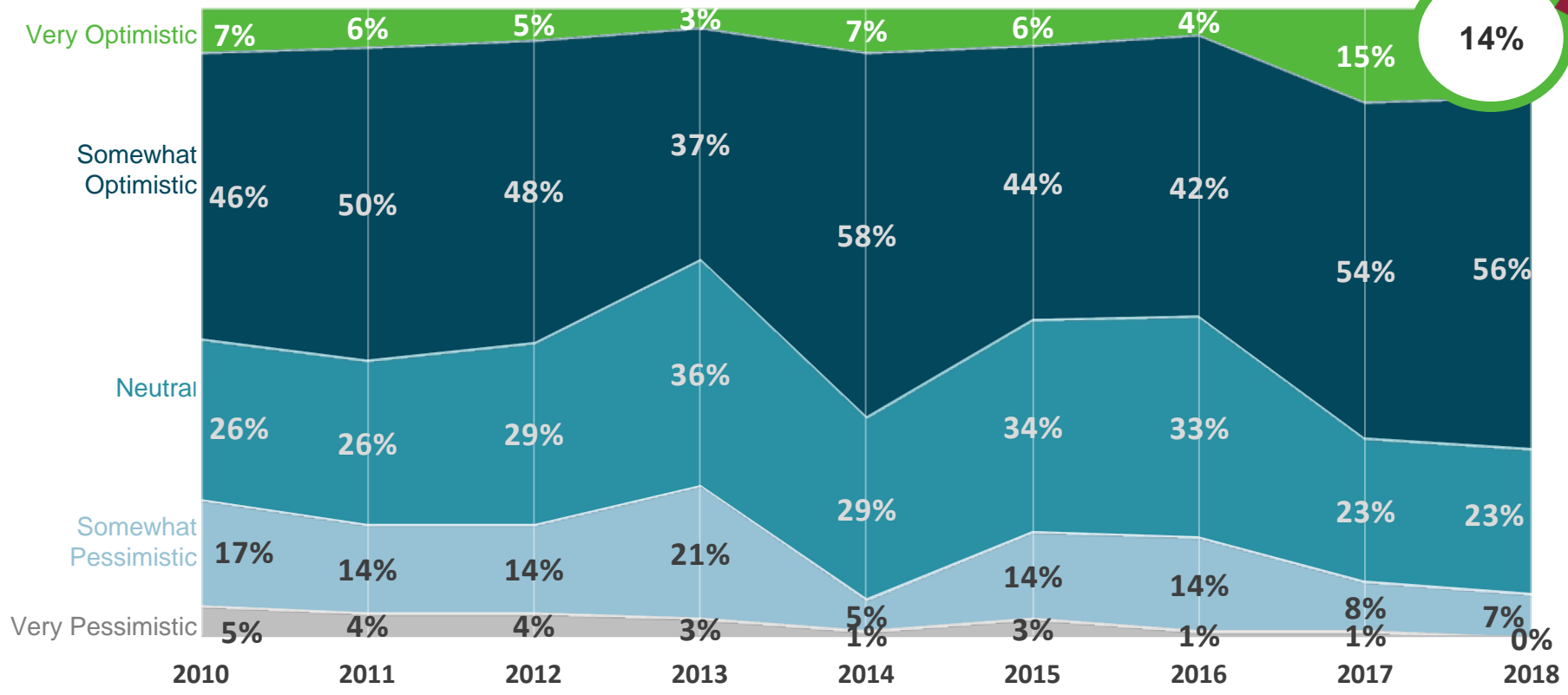


Base: Total Respondents (n=300)  
 Q3. Looking ahead to the next six months, what is your outlook for the **global economy** through the first half of 2018? Would you say it is very pessimistic, somewhat pessimistic, neutral, somewhat optimistic or very optimistic?  
 Q4. Again, looking ahead to the next six months, what is your outlook for the **U.S. Economy** through the first half of 2018?

# Optimism for the US economy remains high

Trend in U.S. Economic Outlook

In 2018, "Very Optimistic" remains high at 14%

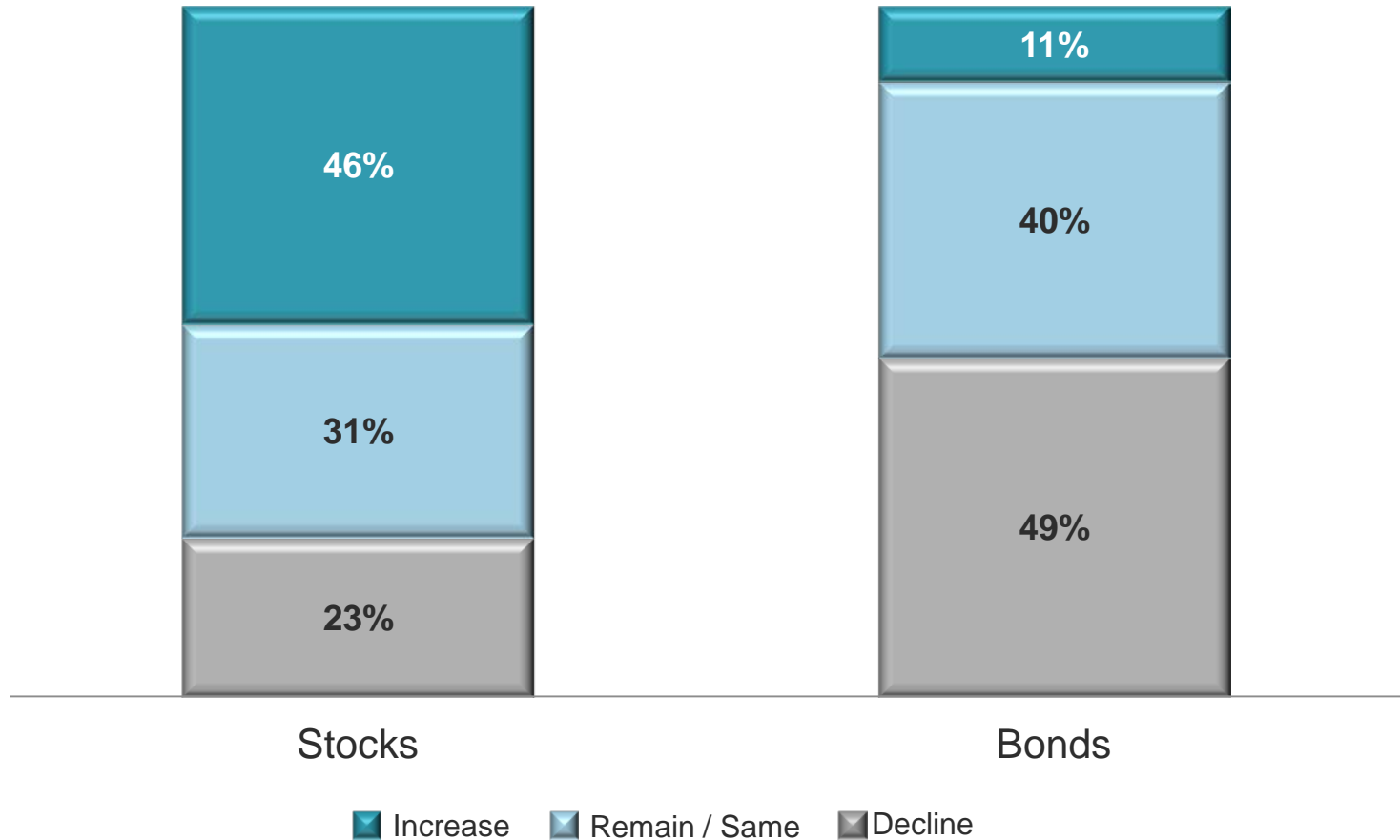


Base: Total Respondents (n=300)  
 Q4. Again, looking ahead to the next six months, what is your outlook for the U.S. Economy through the first half of 2018?



# RIAs expect stocks to move even higher in 2018

## Stocks vs. Fixed Income



Base: Total Respondents (n=300)

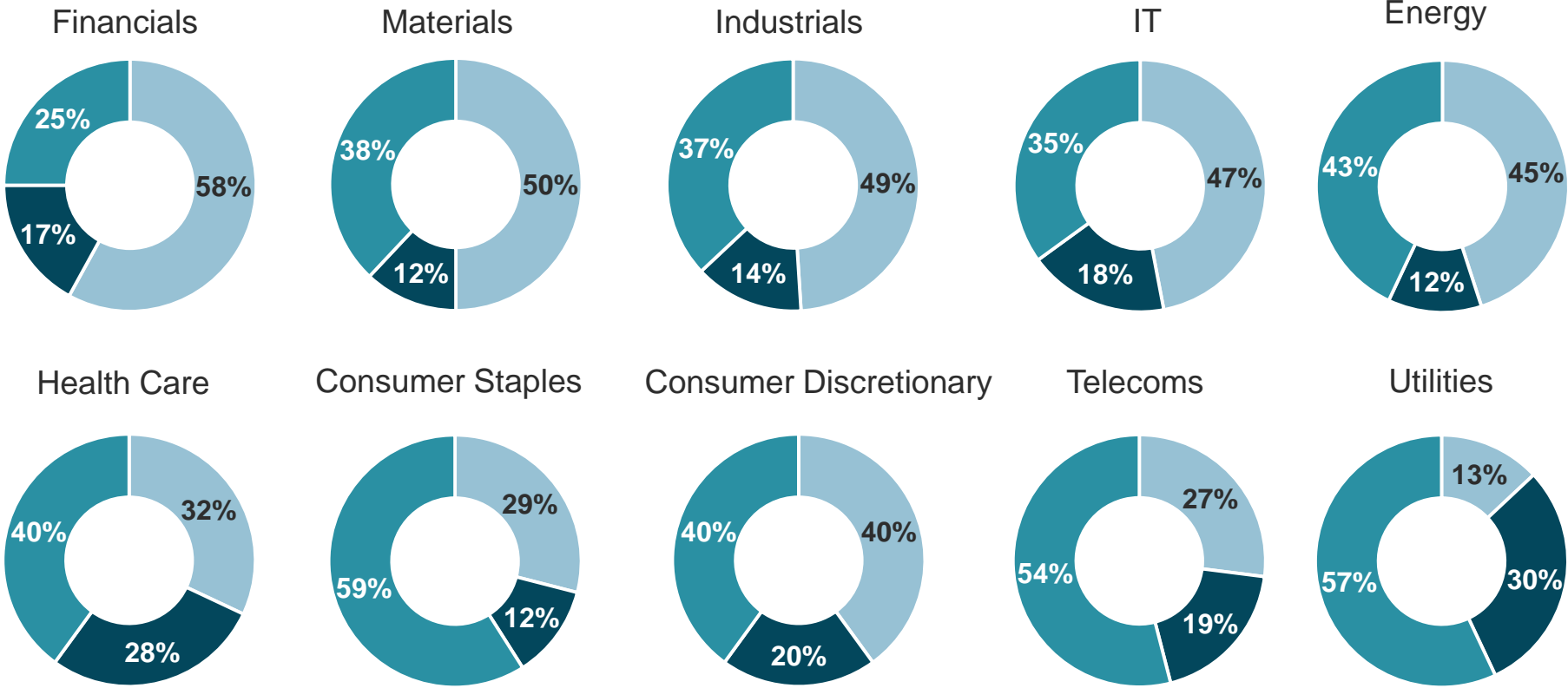
Q5. What is your outlook on the **U.S. stock market** through the first half of 2018? Do you think the stock market will... ?

Q6. What is your outlook on the **U.S. bond market** through the first half of 2018? Do you think the bond market will...?

# RIAs expect financials to see biggest gains

## Sector Outlook for First Half of 2018

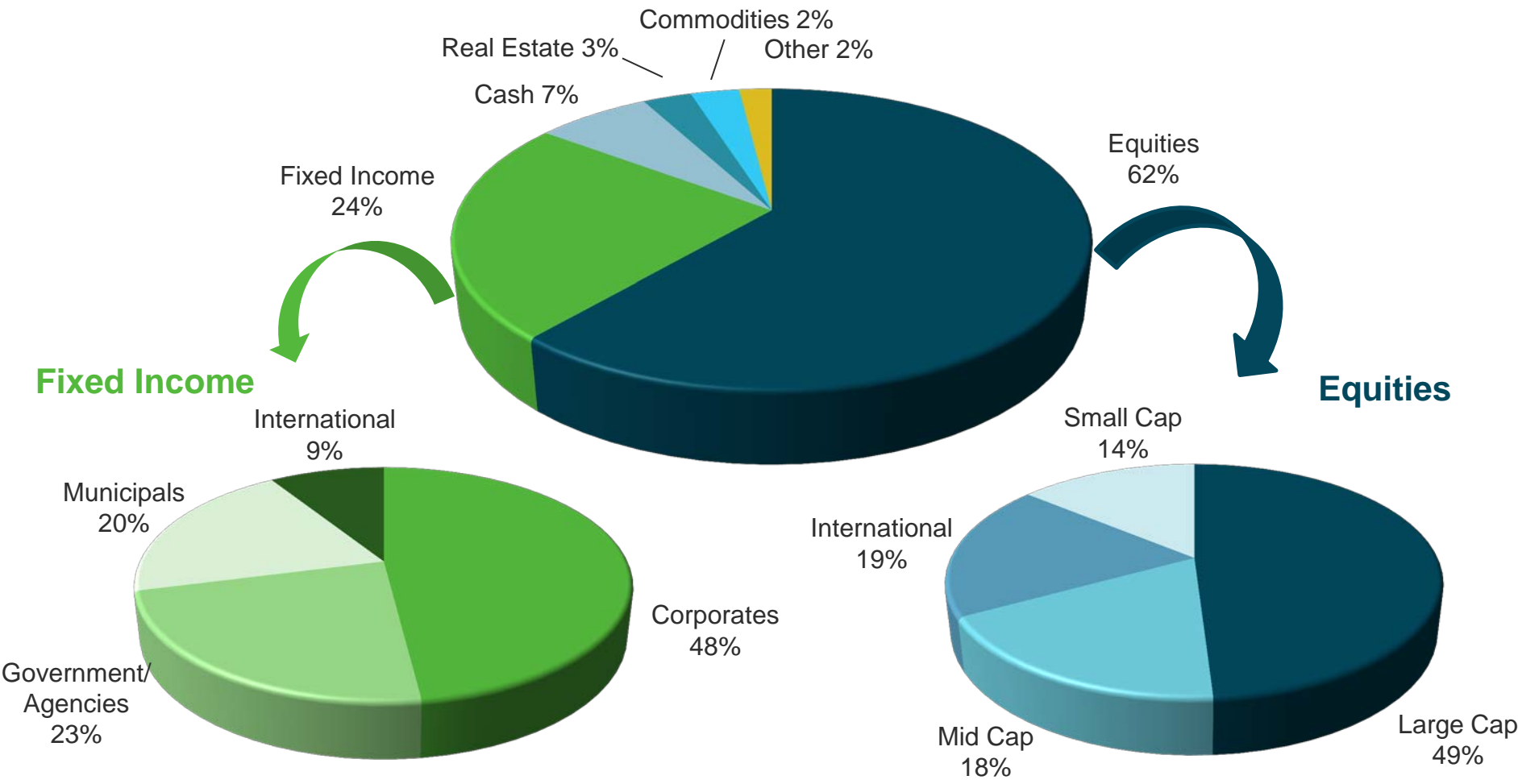
■ Better    
 ■ Same    
 ■ Worse



Base: Total (n=300)  
 Q8. What's your outlook for the performance of these sectors for the first half of 2018, compared to 2017? (Better, Worse, or Same)

# RIAs like large cap equities and corporate bonds

## Asset Allocation in Client Portfolios

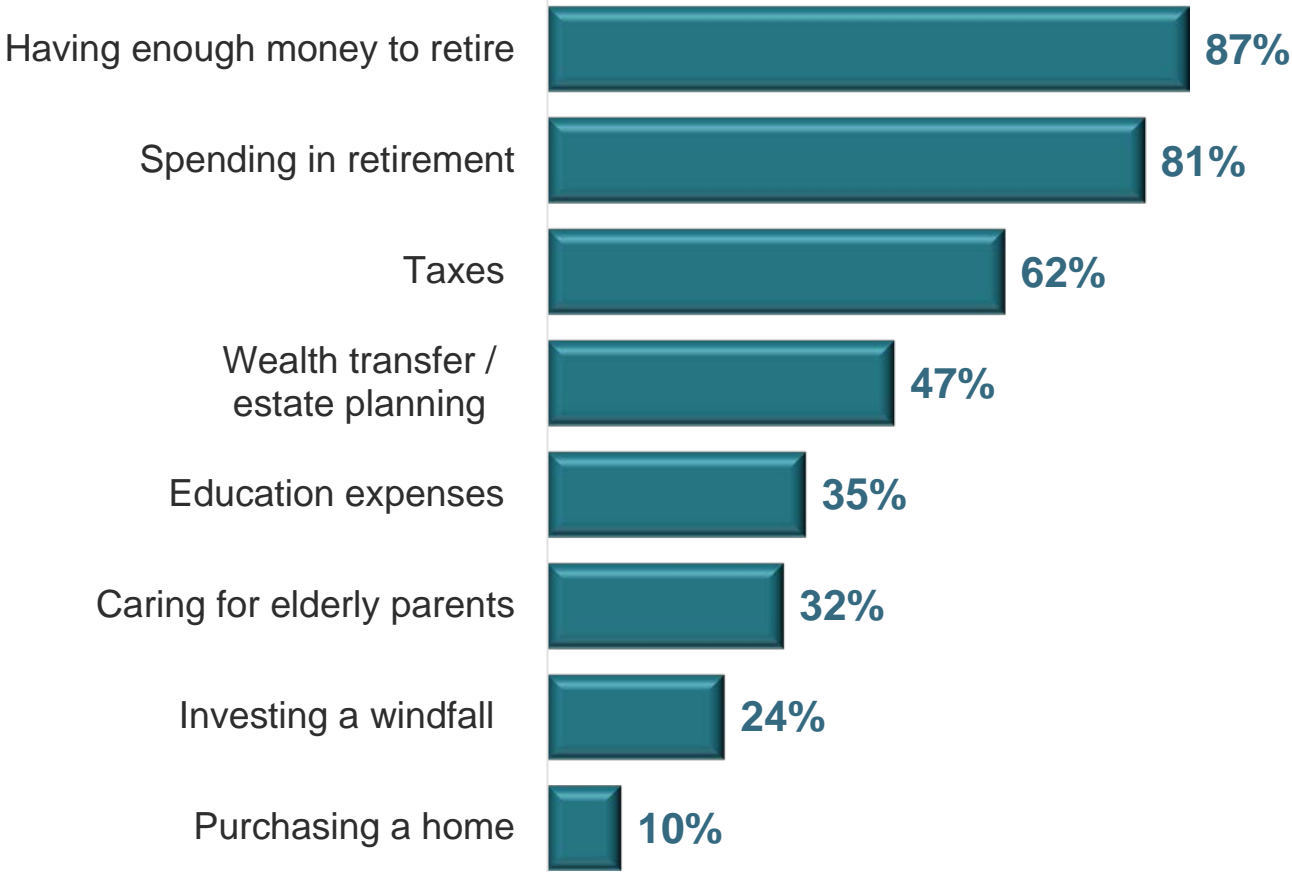


Base: Total Respondents (n=300)

Q9. Approximately what percentage of assets that you manage for clients today is allocated to the following asset categories? (Mean with zero included)  
 Q10. Approximately what percentage of assets that you manage for clients today is allocated to the following asset categories Equities? (Mean with zero included)  
 Q11. Approximately what percentage of assets that you manage for clients today is allocated to the following asset categories Fixed Income? (Mean with zero included)

# Retirement issues concern clients the most

## Biggest Investing Concerns for Clients



Base: Total (n=300)  
Q79. What are clients biggest investing concerns these days?

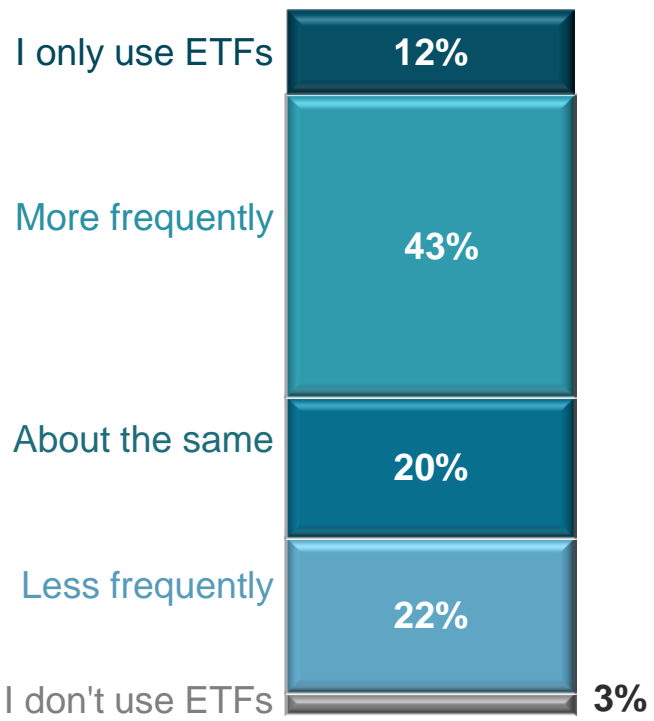
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# Spotlight on Exchange-Traded Funds (ETFs)

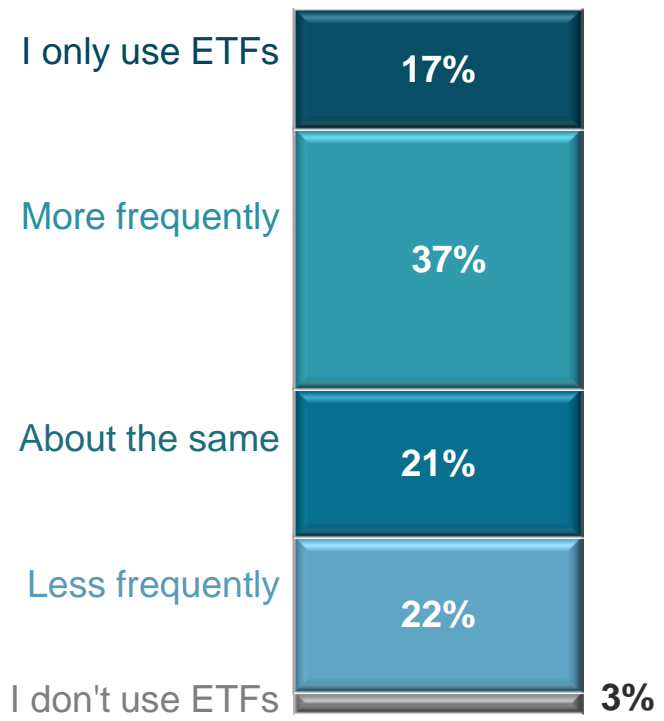
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# RIAs choose ETFs over stocks and mutual funds

## Use of ETFs vs Individual Securities



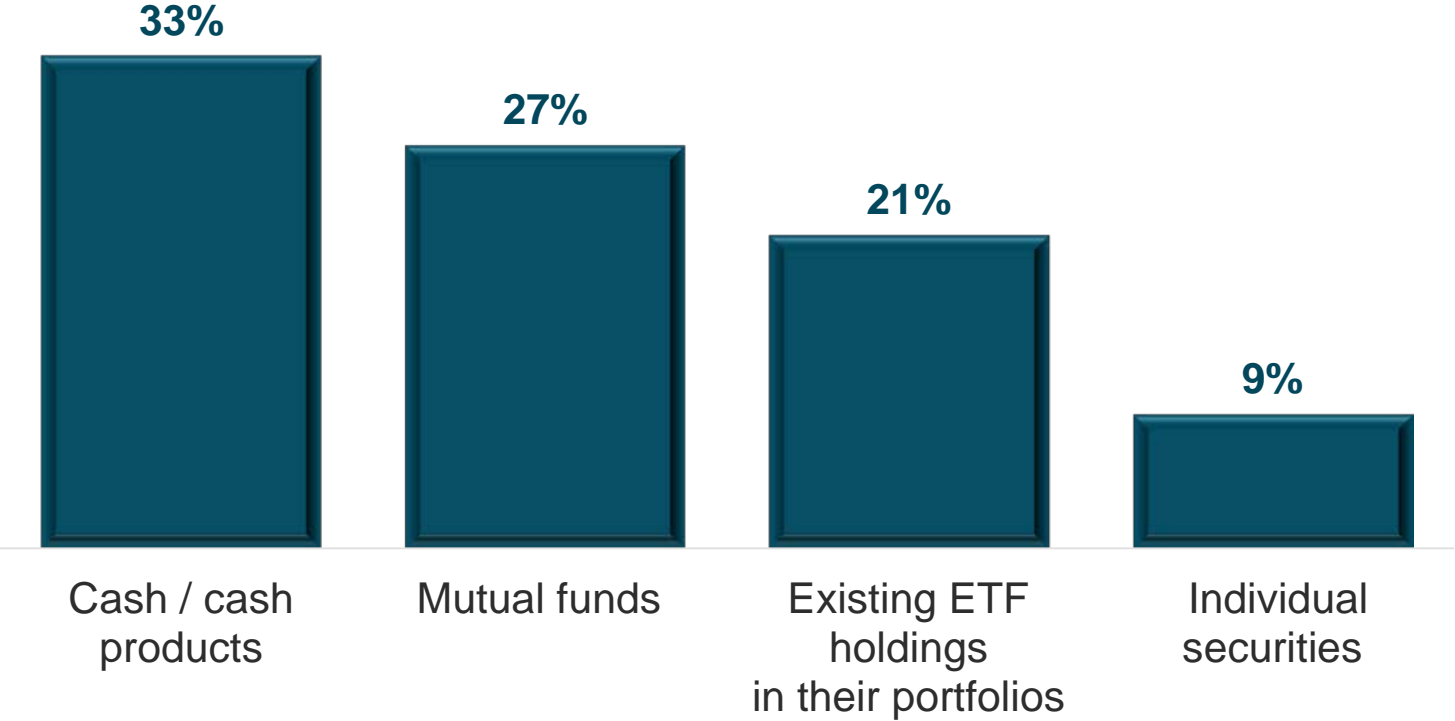
## Use of ETFs vs Mutual Funds



Base: Total (n=300)  
 Q76a. How frequently do you use ETFs in client portfolios compared to individual securities?  
 Q76b. How frequently do you use ETFs in client portfolios compared to Mutual Funds?

# A third will use cash to fund new ETF investments

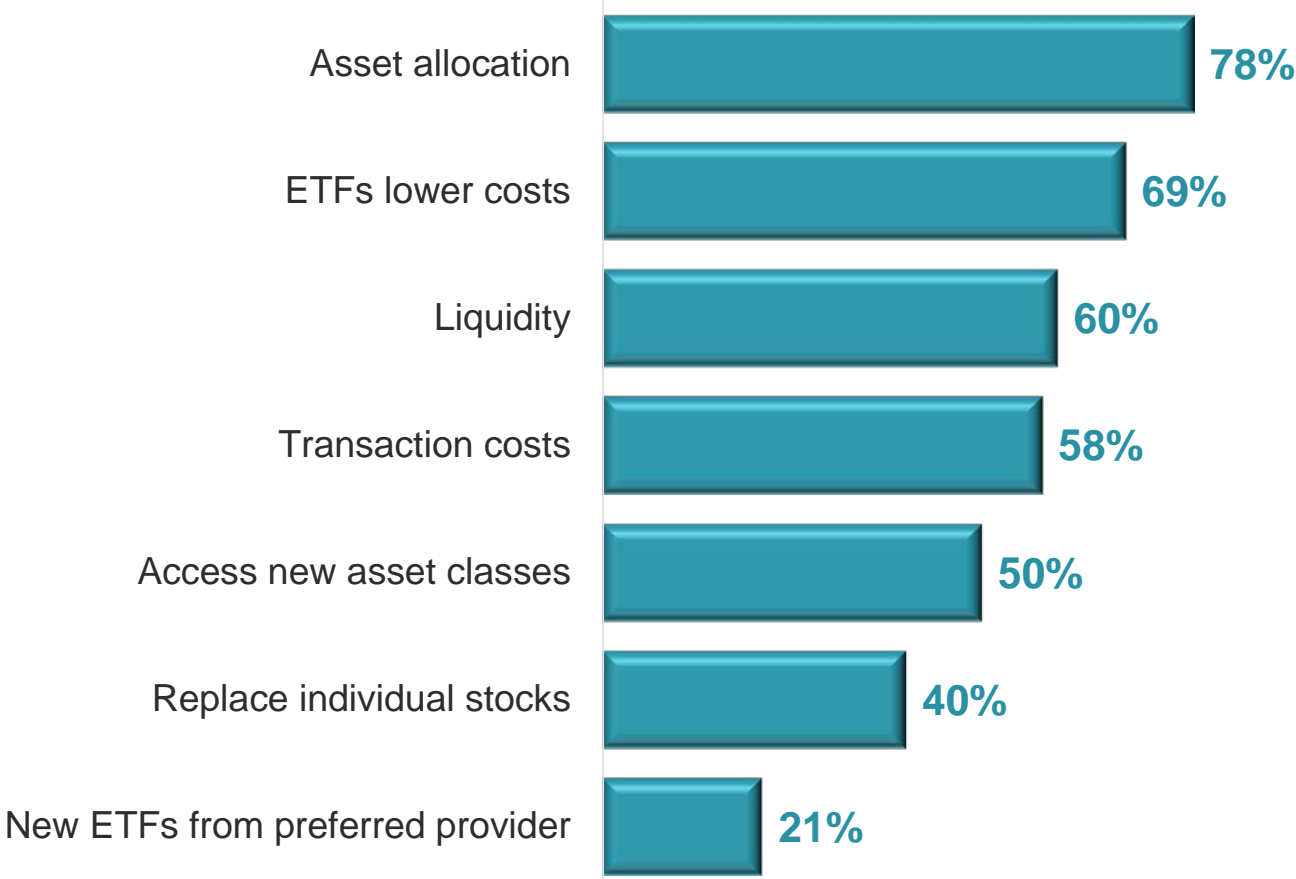
## Main Source of New ETF Assets In 2018



Base: Total (n=253)  
Q77. From where do you expect the majority of your clients' new assets for future ETF investments in 2018 to come?

# Asset allocation is #1 reason RIAs use ETFs

## Top Reasons RIAs Use ETFs

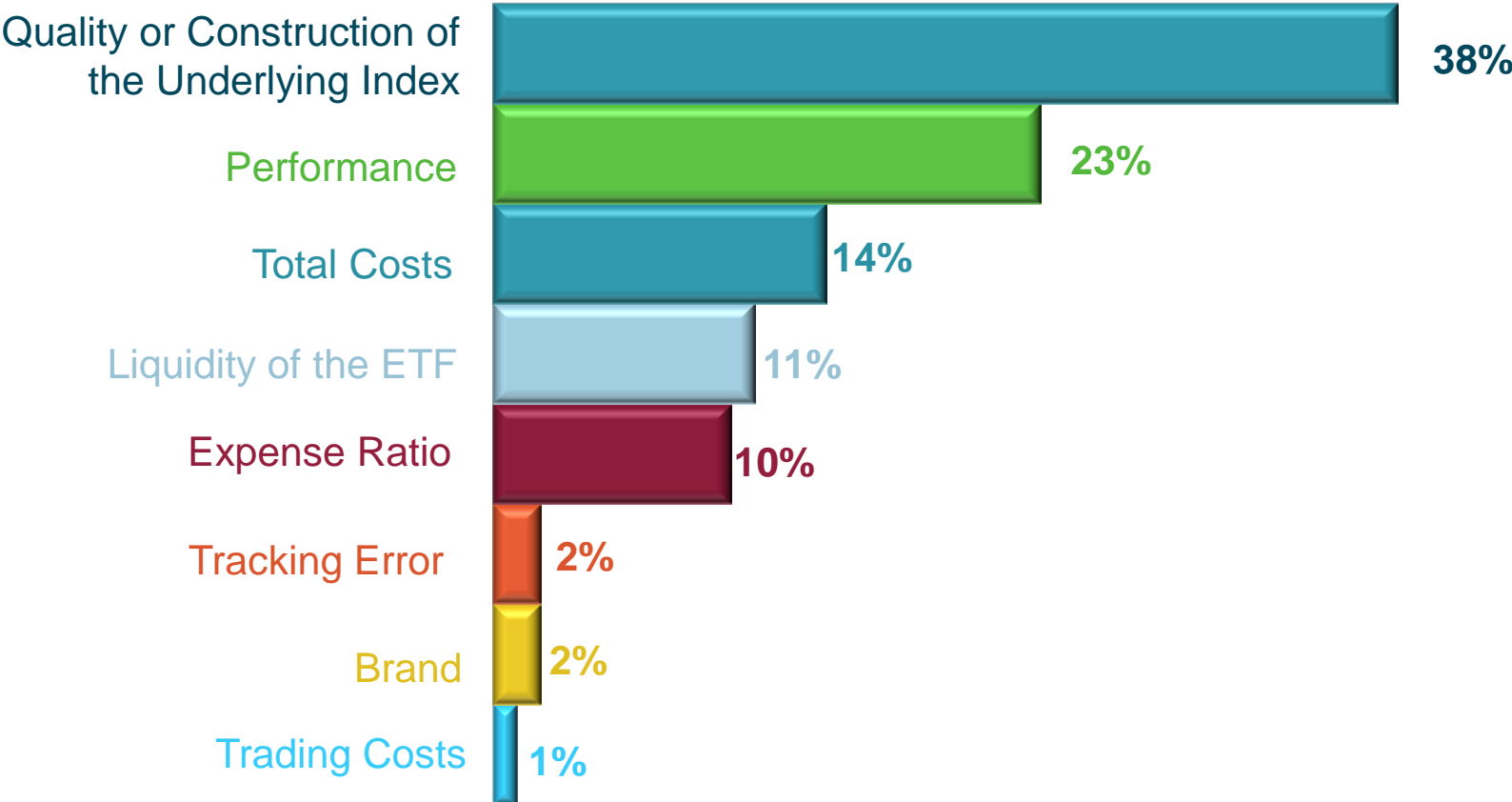


Base: Total (n=253)  
Q48. What are your top reasons for buying or switching ETFs?



# Index quality is deciding factor in ETF selection

## The Biggest Influencer on RIA Purchasing Decisions for ETFs



Base: Total (n=253)  
Q49: What's the #1 factor influencing your decision to purchase a specific ETF?

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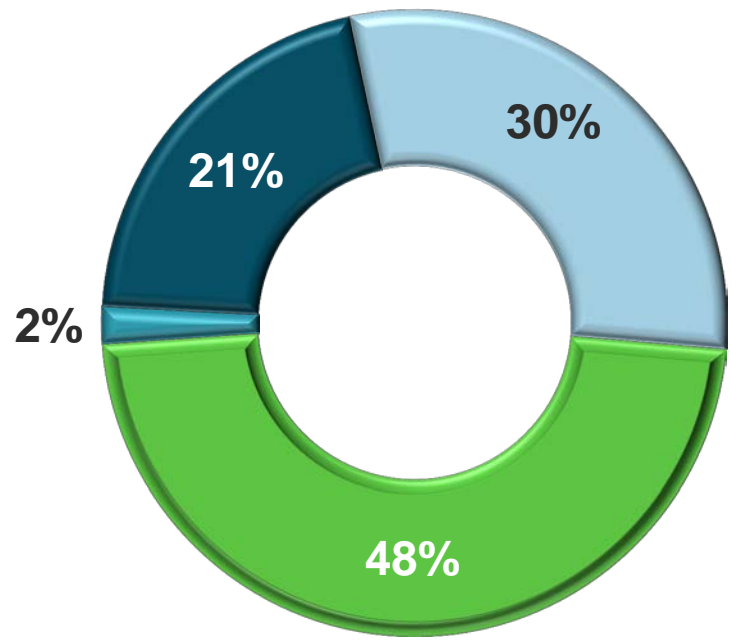
# RIAs on Growth and Industry Landscape

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# RIAs say AUM will grow faster than 2017

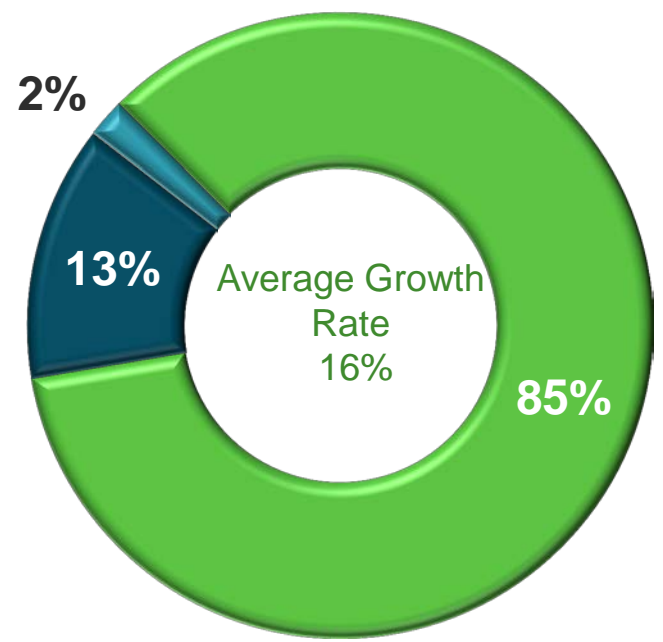
## 2018 AUM Outlook

- Decline
- Remain about the same
- Slower growth rate
- Faster growth rate



## AUM Growth in Past Six Months

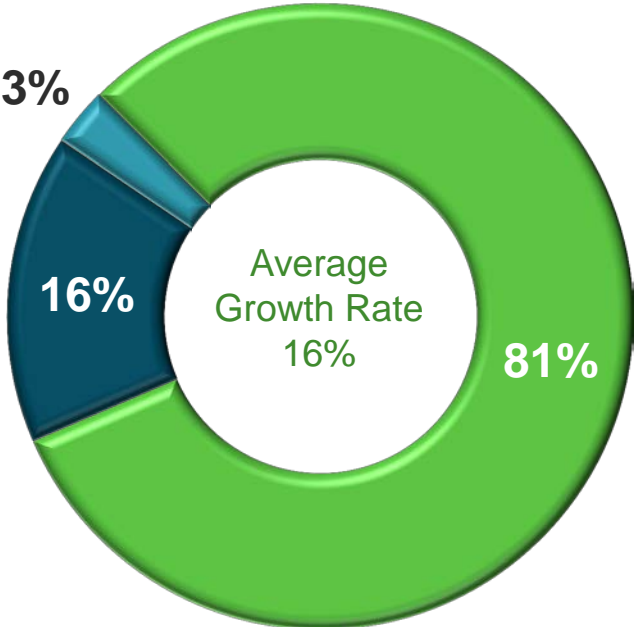
- Increased
- Remained the Same
- Decreased



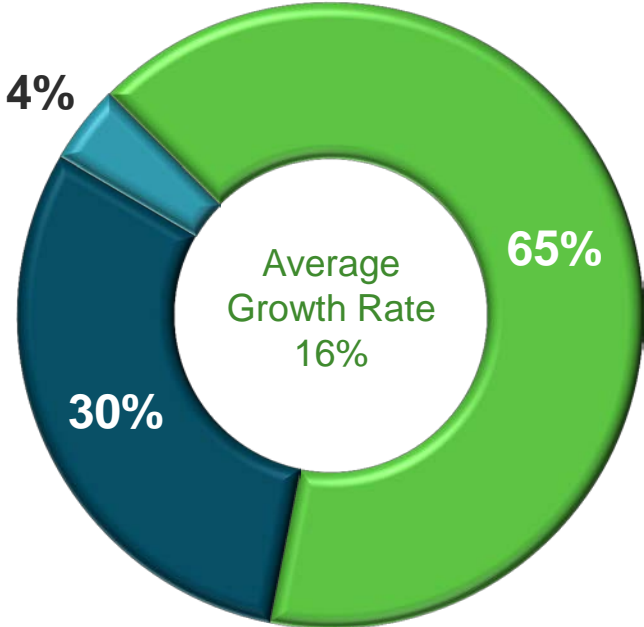
Q18. Have your firm's total assets under management decreased, increased, or remained about the same over the past six months? (n=300)  
 Q19. You mentioned your firm has experienced AUM growth over the past six months. By approximately what percentage has your firm's AUM grown? (Base: those who Experienced AUM growth n=256)  
 Q25. In 2018, what is your outlook for your firm's assets under management relative to 2017? (n=300)

# RIAs saw year end gains in clients and revenue

Revenue Growth - Past Six Months



New Client Growth - Past Six Months



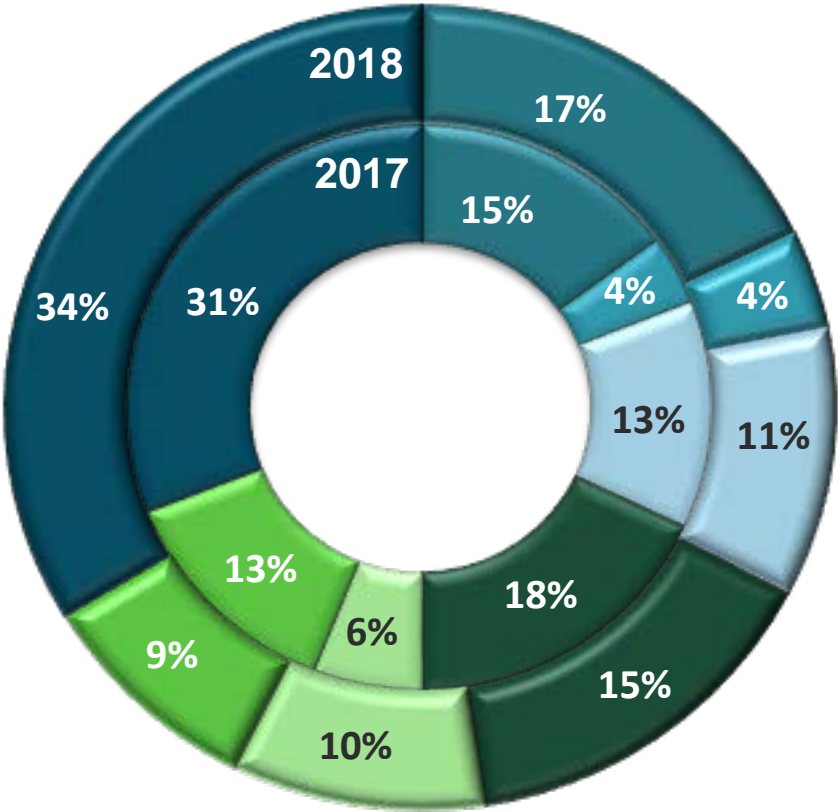
- Increased
- Remained about the same
- Decreased

Q15: Has the total **number of clients** served by your firm decreased, increased, or remained about the same over the past 6 months? (n=300)  
 Q16: ...By approximately what percentage has your firm's client base grown? Base: Those who increased clients (n=196)

Q21: Over the past six months, has your firm's **revenue** decreased, increased or remained the same? (n=300)  
 Q22: ...By approximately what percentage has your firm's revenue grown? Base: Those who increased revenue (n=241)

# Most new clients are from full-commission brokers

Sources of New Clients – 2017

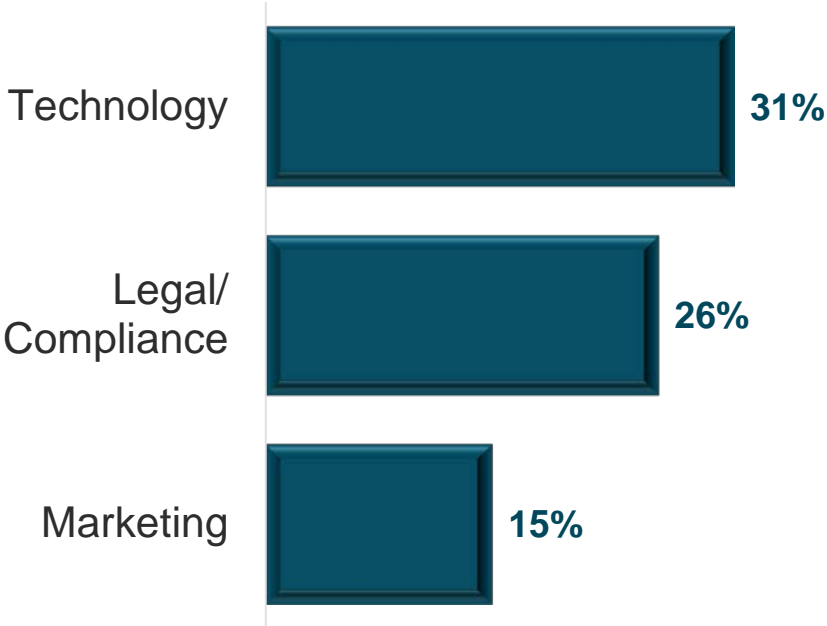


- Full-commission brokers
- Other RIAs
- Banks
- Self-directed investors
- Clients who are new to investing
- Merger, acquisition, or new advisor onboarding
- Independent broker-dealers or other places

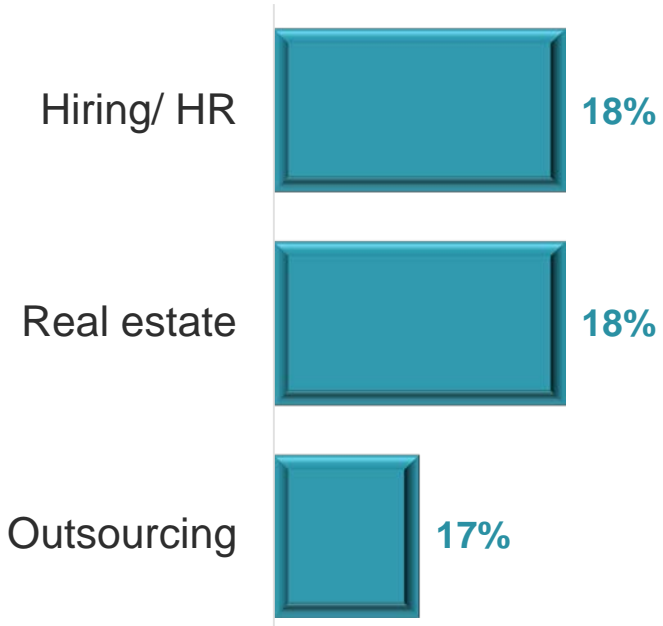
Base: Total (n=300)  
 Q24: Over the past year, from which type of competitor did the majority of your firm's new client assets come?

# In 2017, RIAs spent more on tech, less on hiring

### 2017 Biggest Increases in Spending



### 2017 Biggest Decreases in Spending

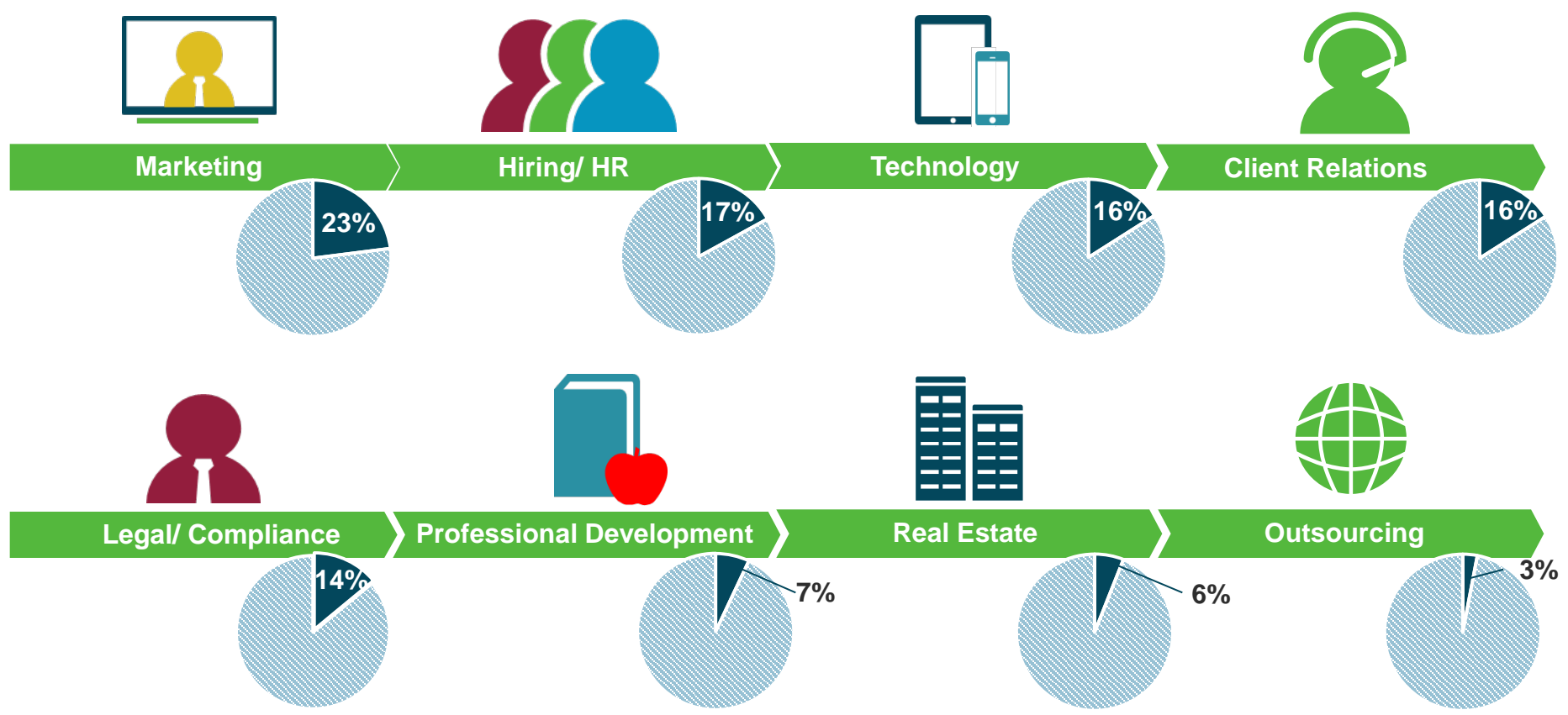


Base: Total (n=300)  
Q33: In 2017, in which of the following areas did your firm see the biggest increase in spending?  
Q34: In 2017, in which of the following areas did your firm see the biggest decrease in spending?

# This year, RIAs will boost their marketing spend

## Where RIAs Intend to Spend More in 2018

■ Plan to increase spending



Base: Total (n=300)  
 Q35: In 2018, in which of the following areas do you expect your firm will realize the biggest increase in spending?

# Marketing is the #1 way RIAs plan to fuel growth

## Growth Initiatives Planned for 2018

■ Top growth initiative



Base: Total (n=300)  
Q32: What's your top initiative to fuel growth in 2018?



# RIAs invest in tech to improve client experience

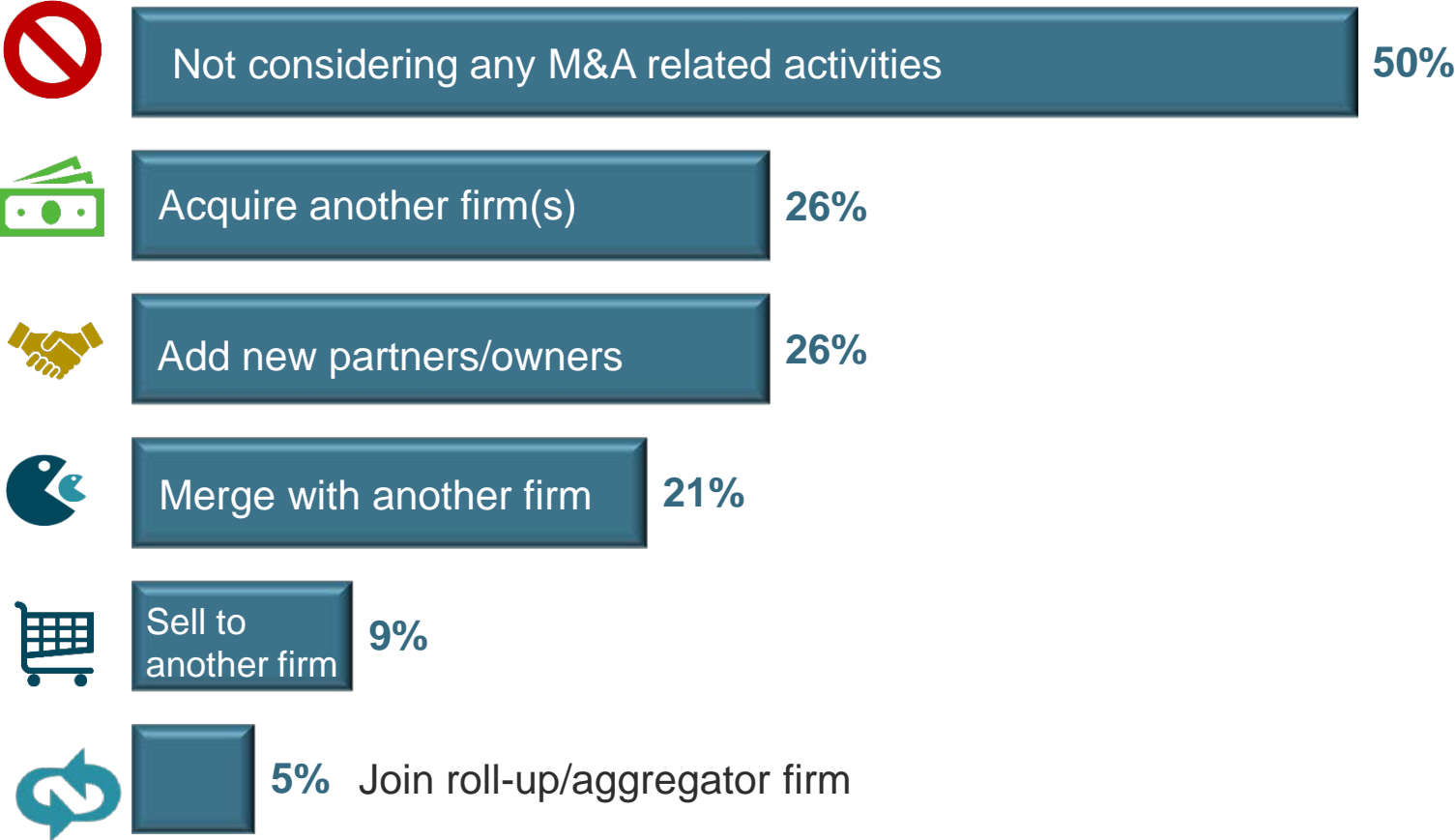
## Technologies Under Consideration in 2018



Base: Total (n=300)  
Q39: Which ONE of the following technologies are you considering investing in most to help drive your growth in 2018?

# RIAs interested in M&A want to acquire, not merge

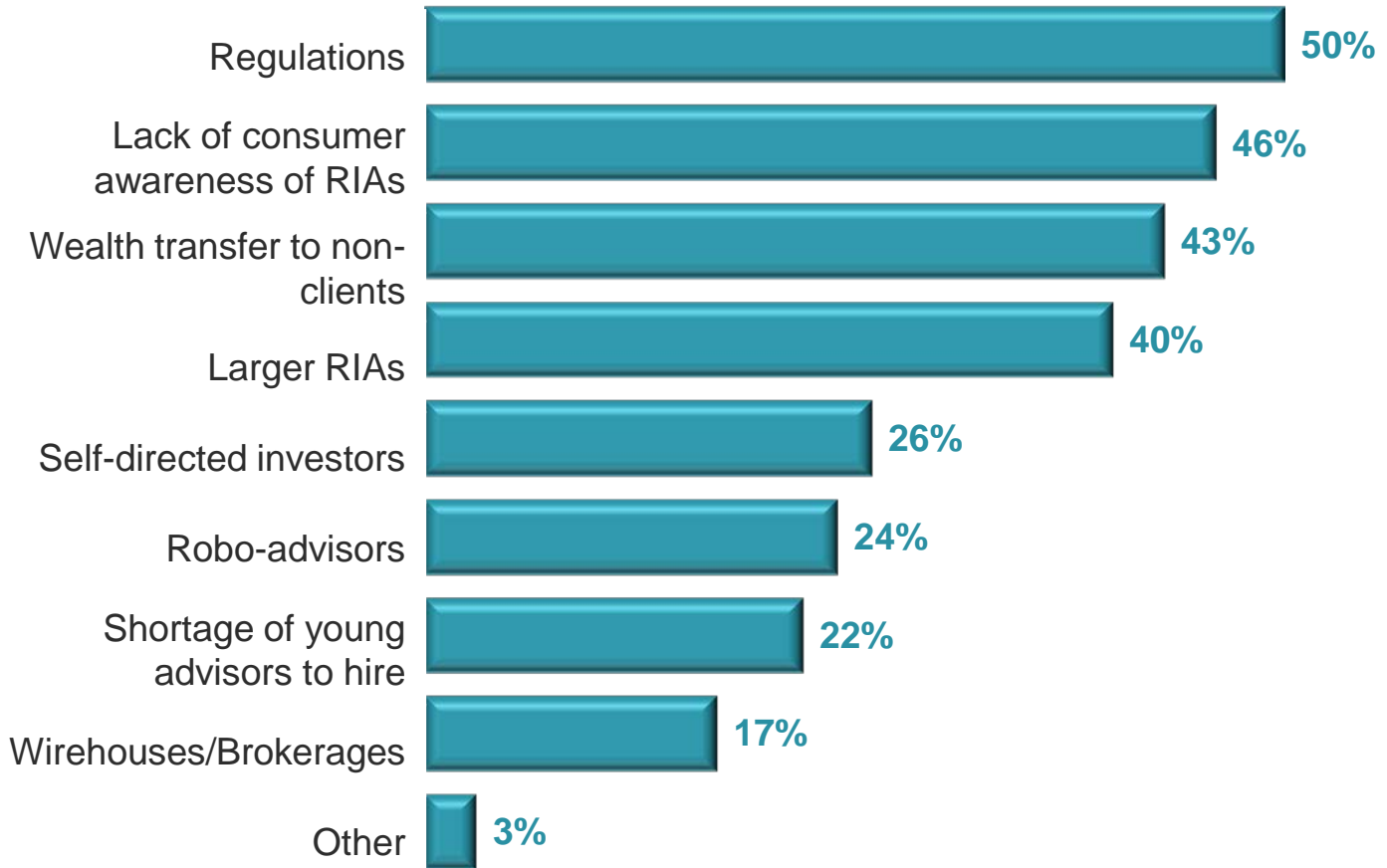
## 2018 Merger and Acquisition Activities



Base: Total (n=300)  
Q38. Which of the following merger and acquisition activities are you considering for 2018?

# Regulations, lack of awareness are top obstacles to growth

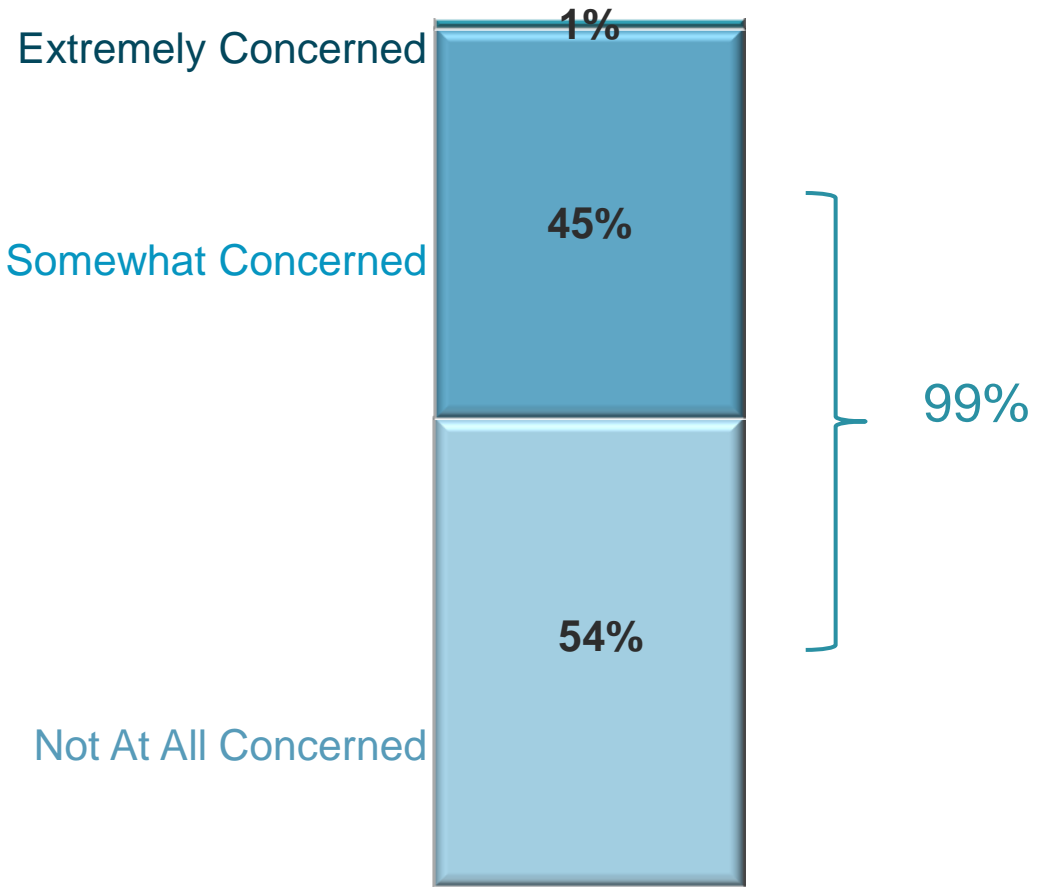
## Top competitive threats to RIA growth in 2018



Base: Total (n=300)  
Q14. What are the top competitive threats to your business growth in 2017?

# Majority of RIAs are not alarmed by robo-advisors

RIA Concern Over Robo-Advisors



Base: Total (n=300)  
Q43: How concerned are you that "robo-advisors" pose a threat to your firm?

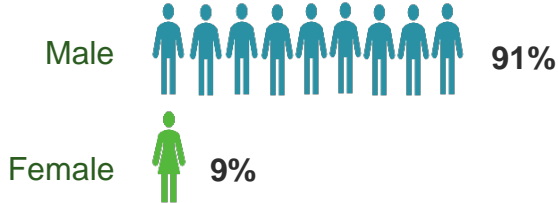
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# Survey Demographics

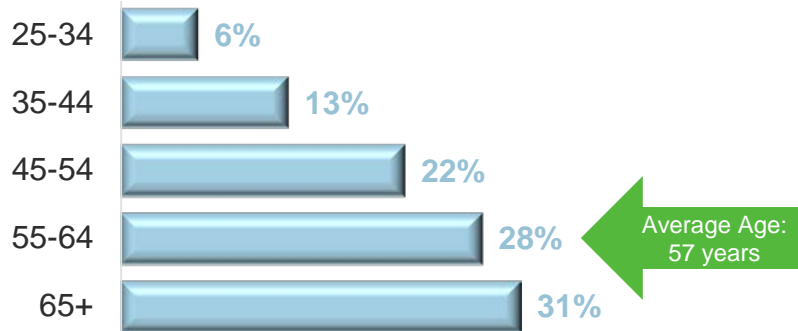
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# Survey demographics

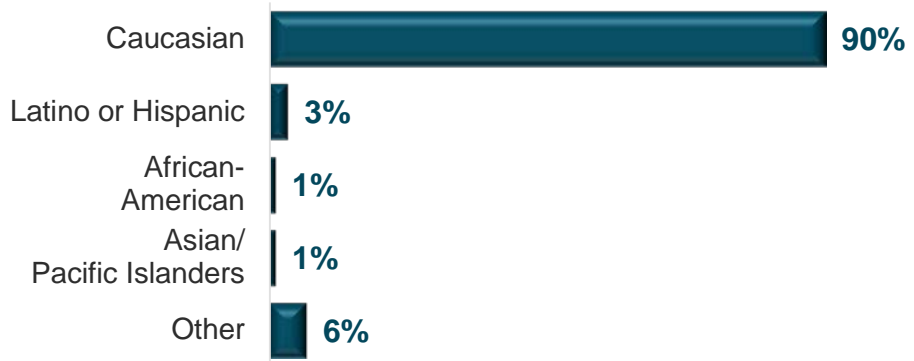
## Gender



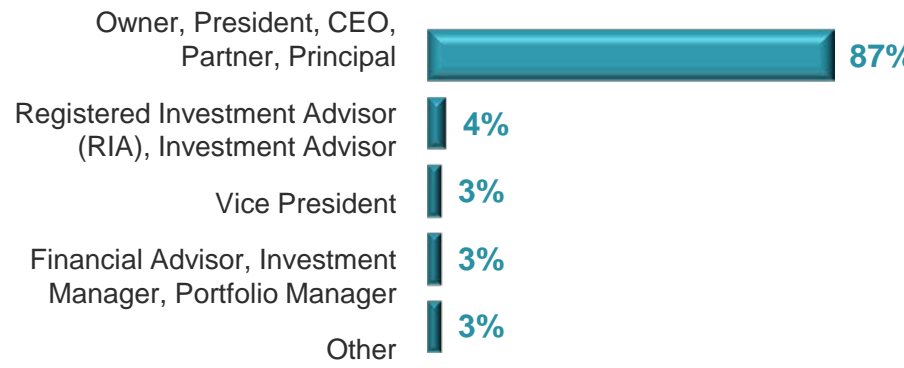
## Age



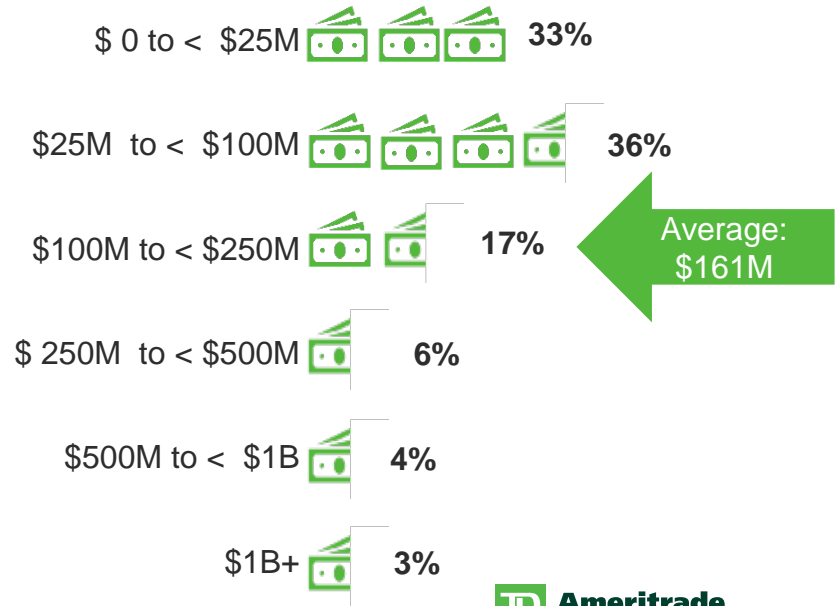
## Ethnicity



## Job Title



## Assets Under Management



Base: Total (n=253)  
 Q77. From where do you expect the majority of your clients' new assets for future ETF investments in 2018 to come?

# About TD Ameritrade Institutional

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TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 6,000 fee-based, independent registered investment advisors (RIAs) and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows investment advisors to run their practices more efficiently and effectively while optimizing time with clients.

TD Ameritrade Institutional is a division of TD Ameritrade, Inc., a brokerage subsidiary of TD Ameritrade Holding Corporation.

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# Important Disclosures

*Carefully consider the investment objectives, risks, charges and expenses before investing in ETFs. A prospectus, obtained by calling 866-766-4015, contains this and other important information about an investment company. Read carefully before investing.*

ETFs can entail risks similar to direct stock ownership, including market, sector, or industry risks. Some ETFs may involve international risk, currency risk, commodity risk, leverage risk, credit risk and interest rate risk. Trading prices may not reflect the net asset value of the underlying securities. Commission fees typically apply.

Past performance does not predict future results.



