

TD Ameritrade Institutional 2019 RIA Sentiment Survey

January 8, 2019

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Executive summary

RIAs are upbeat on stocks and the U.S. economy in 2019

- 62% are positive about the U.S. economy, though optimism for the global economic outlook has slipped.
- 47% of advisors believe stock prices will increase, on par with 2018 expectations
- They are closely following interest rates, company earnings and trade tensions for their impact on client investment portfolios.
- Advisors expect the Health Care, Staples and IT sectors to get the biggest boost from the new Congress

Clients are asking questions about non-traditional investments

- 48% of advisors say clients are asking about cannabis-related stocks, and 45% say clients have questions about ESG investments.
- Just 15% of RIAs say clients have any interest in cryptocurrencies.
- Real estate is RIA clients' #1 alternative asset, followed by commodities and private equity. Cryptocurrencies ranked last.
- Though the majority of RIAs keep all investment management in-house, usage of third party managers has more than doubled.

Executive summary

Following a robust 2018, bullish RIAs expect more of the same in 2019

- Closing out 2018, RIAs report, on average, revenues up 18%, 14% increase in new clients and AUM growth of 18%
- 78% of advisors predict more growth in 2019, and 48% say they'll grow faster.
- A quarter of new clients are self-directed; 33% are from commissioned brokers.
- To grow, RIAs will offer new areas of expertise and hire advisors from other RIAs.
- Digital is now a part of the RIA marketing toolkit, as online tactics gain popularity.

RIAs continue to invest in tech to keep pace with clients

- RIA tech budgets will get the biggest increase in 2019.
- Most RIAs will invest heavily in cybersecurity, their biggest operational challenge and an area they consider to be a top priority for regulators.
- Though technology keeps advisors connected to more clients, they still approach newer ideas with caution.
- RIAs rely on email to communicate with clients, but older clients still prefer the phone and younger generations like texting.

Methodology

Results for the TD Ameritrade Institutional 2019 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. 13, 2018.

302 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 $\pm 5.6\%$

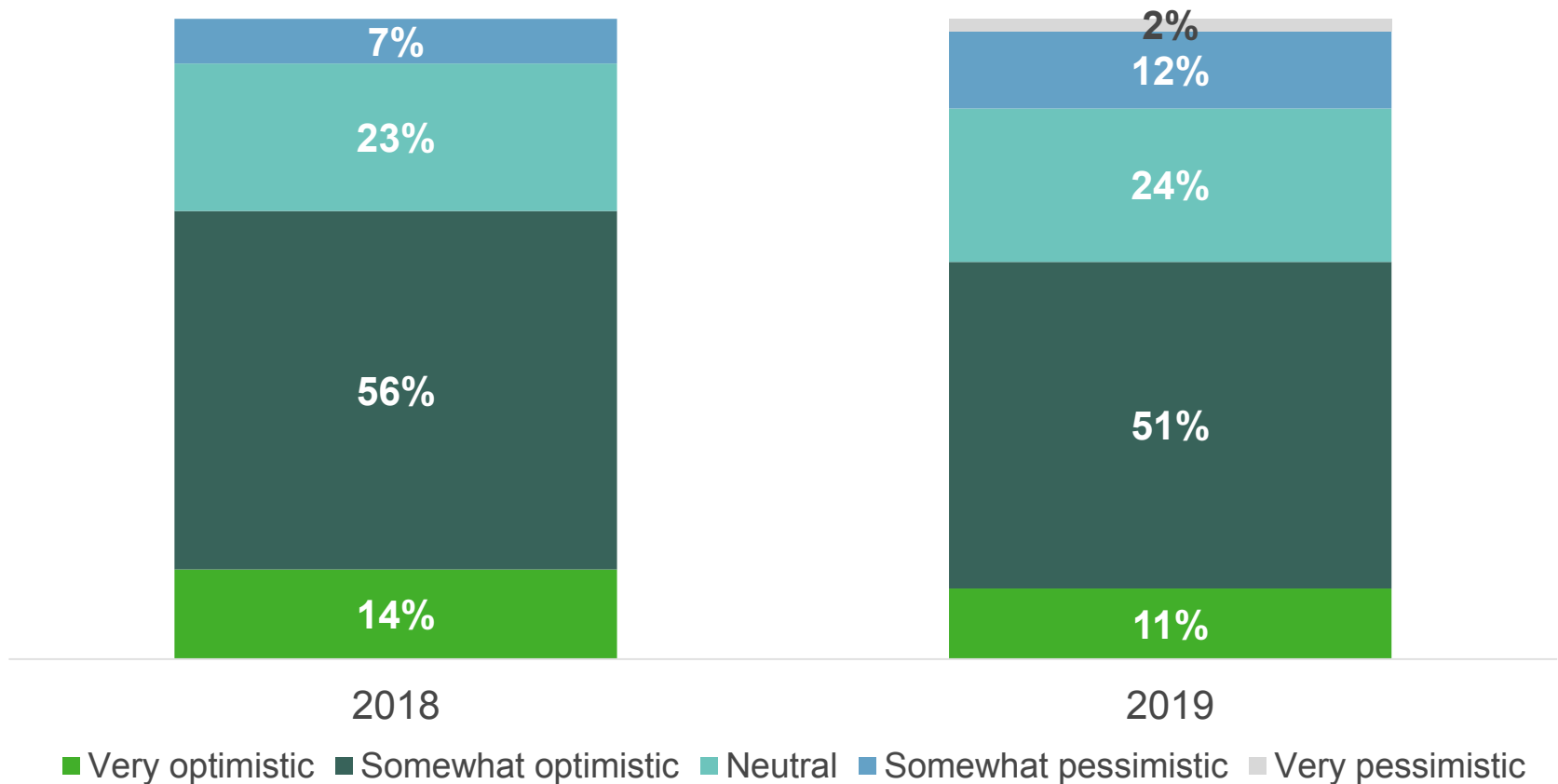
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RIA Outlook for 2019



RIAs are upbeat on the U.S. economy

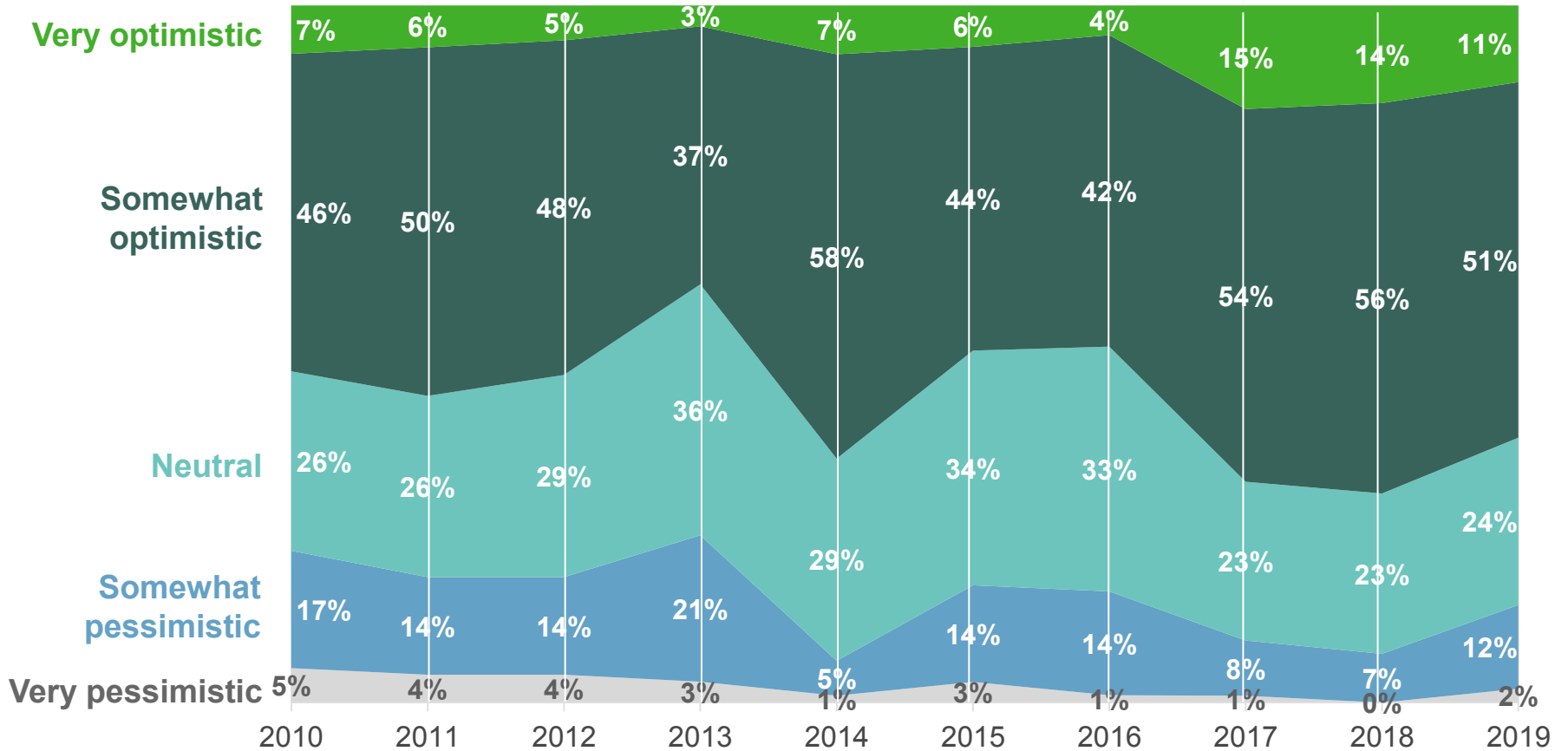
RIA Outlook for U.S. Economy



Q4. N= 302. Again looking ahead to the next six months, what is your outlook for the U.S. economy through the first half of 2019?
(ONE RESPONSE)

RIAs optimism hovers near all-time highs

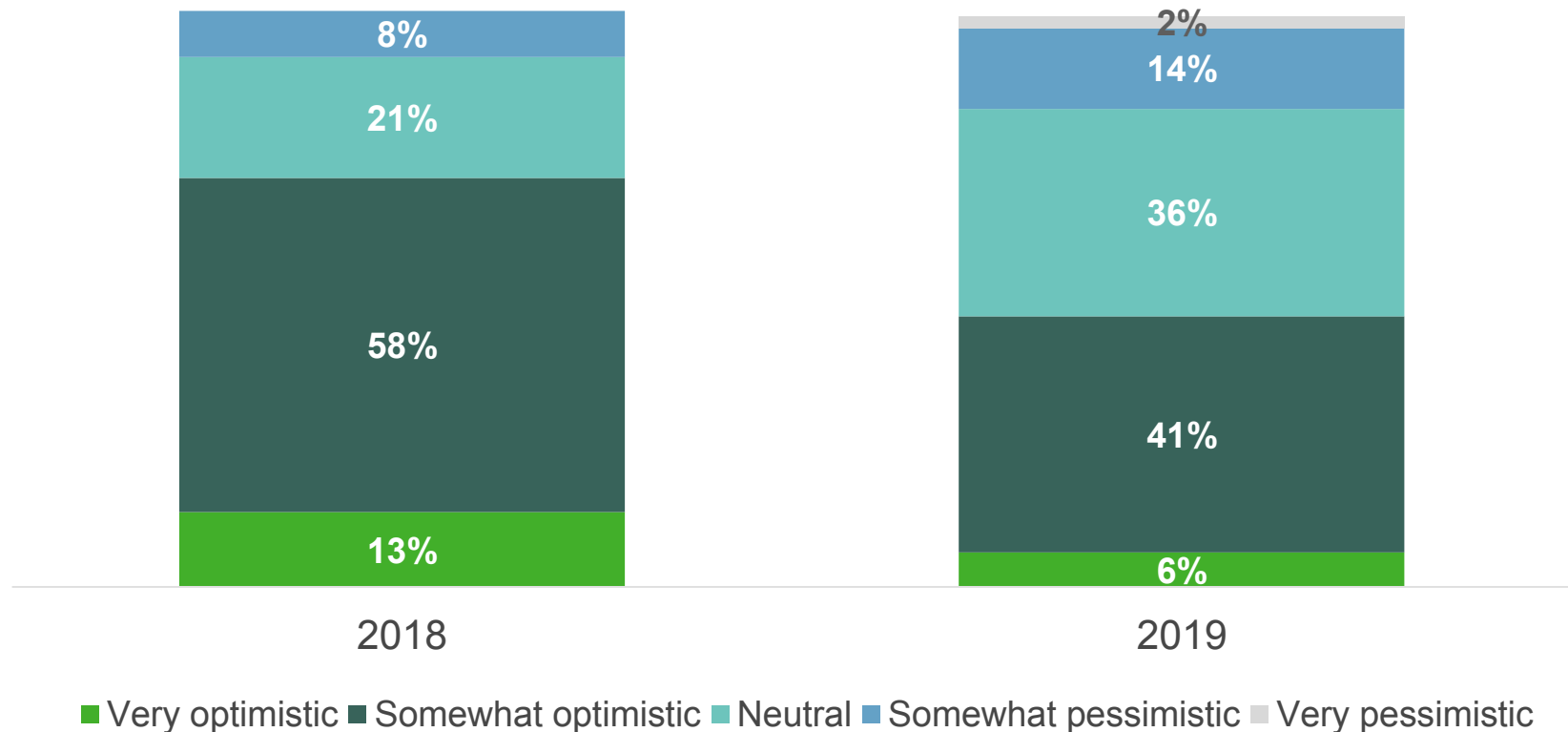
Trend in RIA U.S. Economic Outlook



Q4. N= 302. Again looking ahead to the next six months, what is your outlook for the U.S. economy through the first half of 2019?
(ONE RESPONSE)

Optimism for global economy has waned

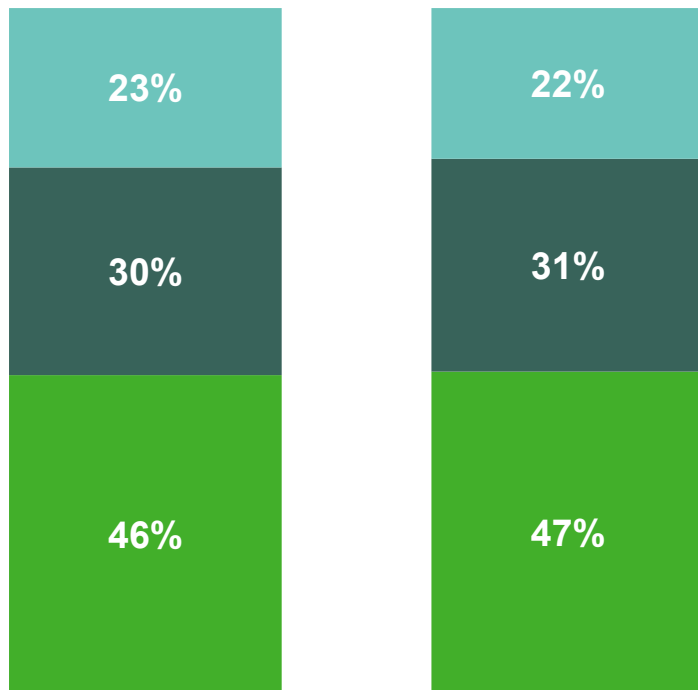
RIA Outlook for Global Economy



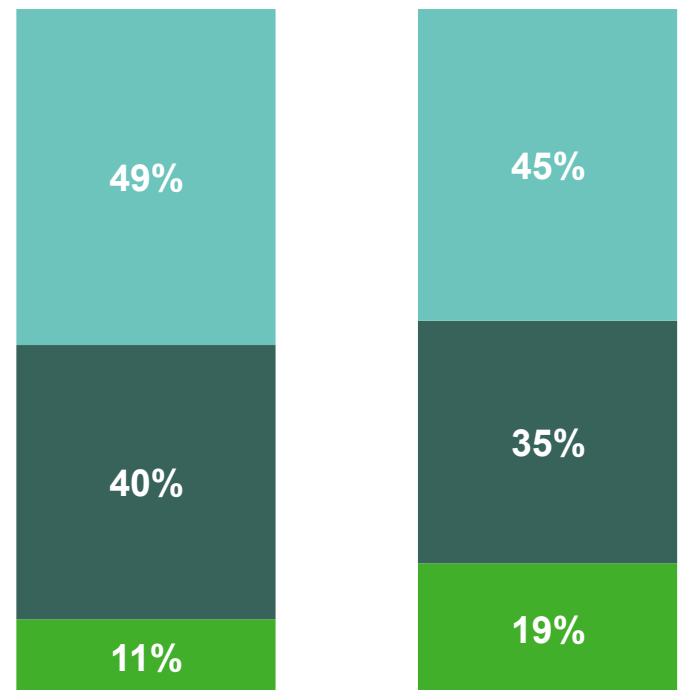
Q3. N= 302. Looking ahead to the next six months, what is your outlook for the global economy through the first half of 2019?
(ONE RESPONSE)

RIAs stay mostly bullish on equities for 2019

Outlook for Stocks



Outlook for Bonds



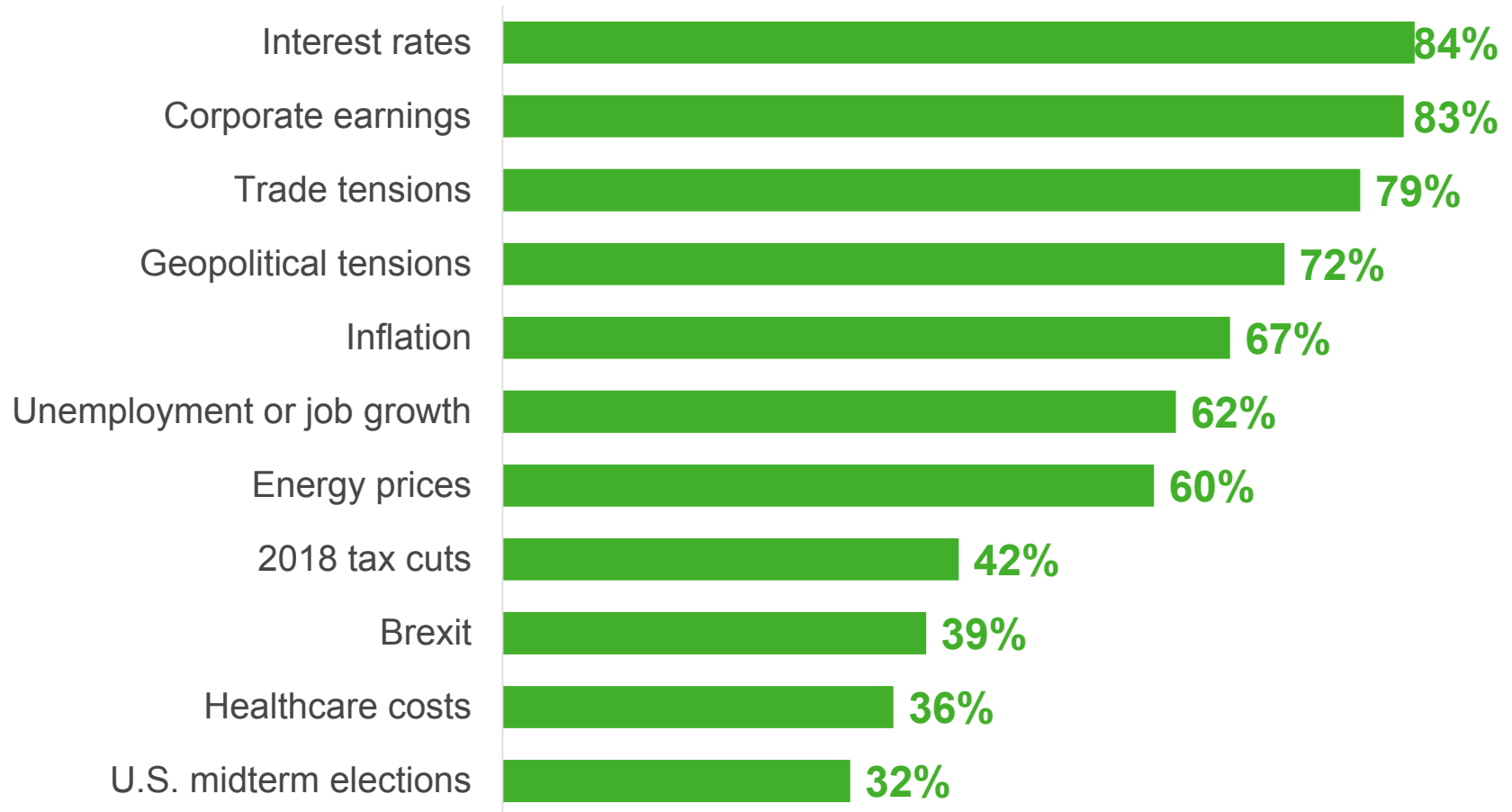
■ Increase ■ Stay the same ■ Decrease

Q5. N= 302. What is your outlook on the U.S. stock market overall through the first half of 2019? Do you think the stock market will... (ONE RESPONSE)

Q6. N= 302. What is your outlook on the U.S. bond market through the first half of 2019? Do you think benchmark government bond prices will... (ONE RESPONSE)

RIAs say interest rates, company earnings matter most to investment portfolios

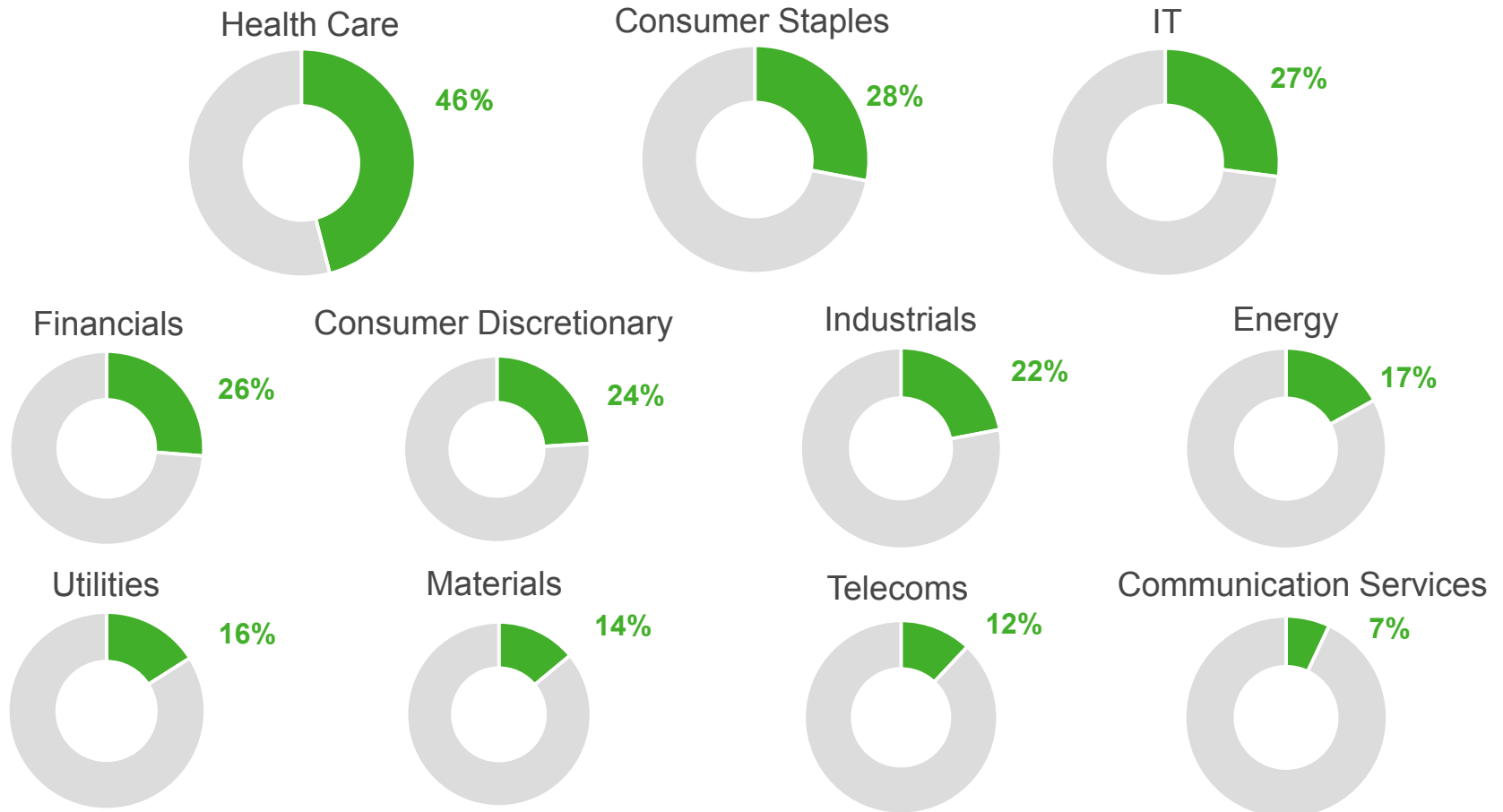
Headlines Impacting Client Portfolios



Q7. N= 302. Which of the following headlines are you watching for their potential impact on your clients' portfolios?
(CHOOSE ALL THAT APPLY)

Health Care, Staples and IT seen as sectors to benefit most from the new Congress

Sectors to Benefit Most from Midterm Elections



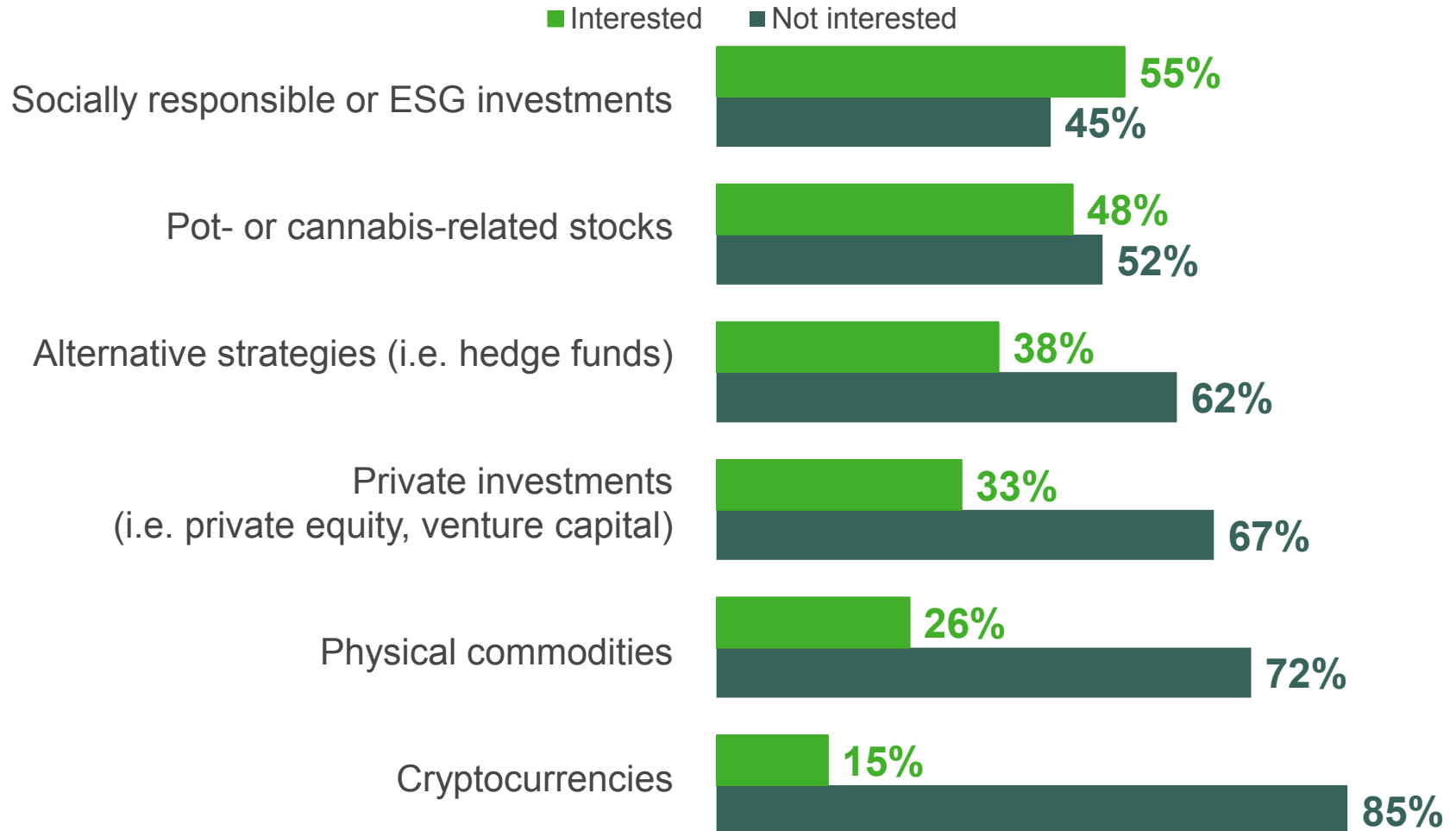
Q8a. N= 302. Which of the sectors do you expect will benefit most from the outcome of the recent midterm elections?
(ACCEPT THREE -3- RESPONSES)

Investing



Investors ask about cannabis-related and ESG stocks, not cryptocurrencies

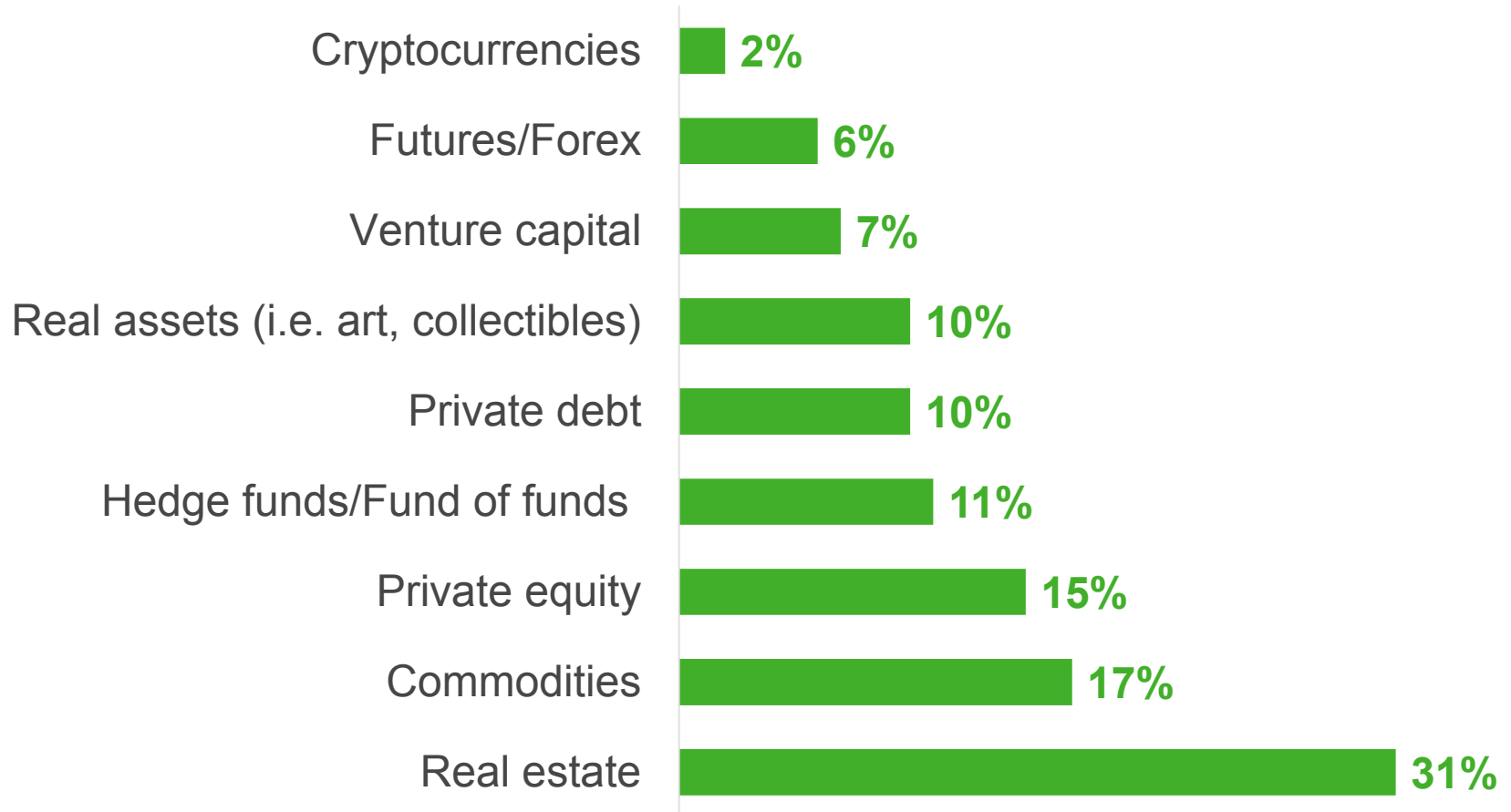
Client Interest in Asset Categories



Q11b. N= 302. Please characterize your clients' overall level of interest in the following asset categories as either not at all interested, somewhat interested, or very interested.

For alternative investments, real estate and commodities outweigh crypto

Alternative Assets Held in Client Portfolios

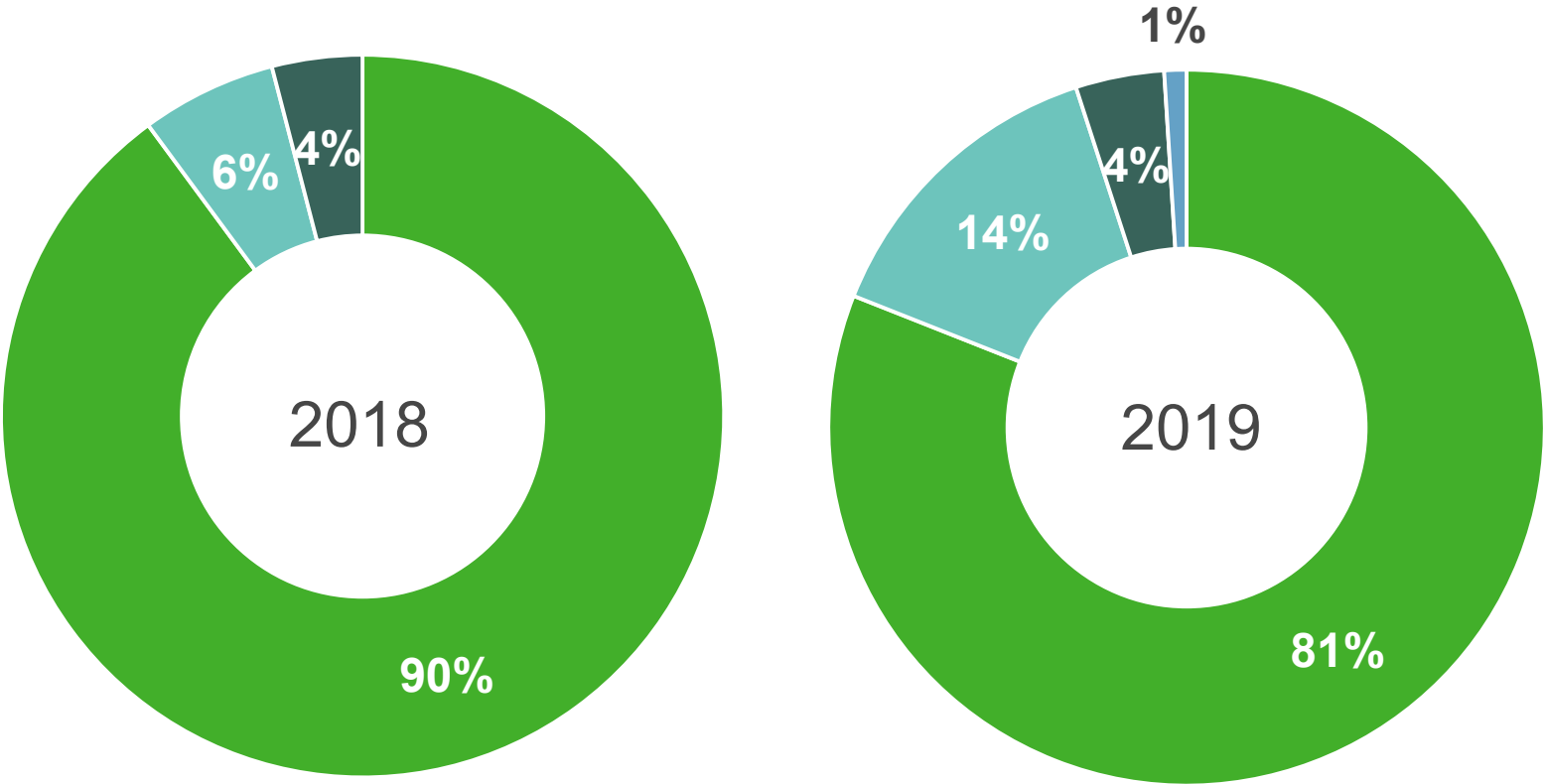


Q11a. N= 104. Please indicate whether your clients hold the following alternative assets in their investment portfolio, to the best of your knowledge. Please select "yes" or "no" to each of the following:

More RIAs outsource investment management

RIA Usage of Third Party Investment Managers

- Do it all in-house
- Use an investment manager
- Use a TAMP
- Use a robo



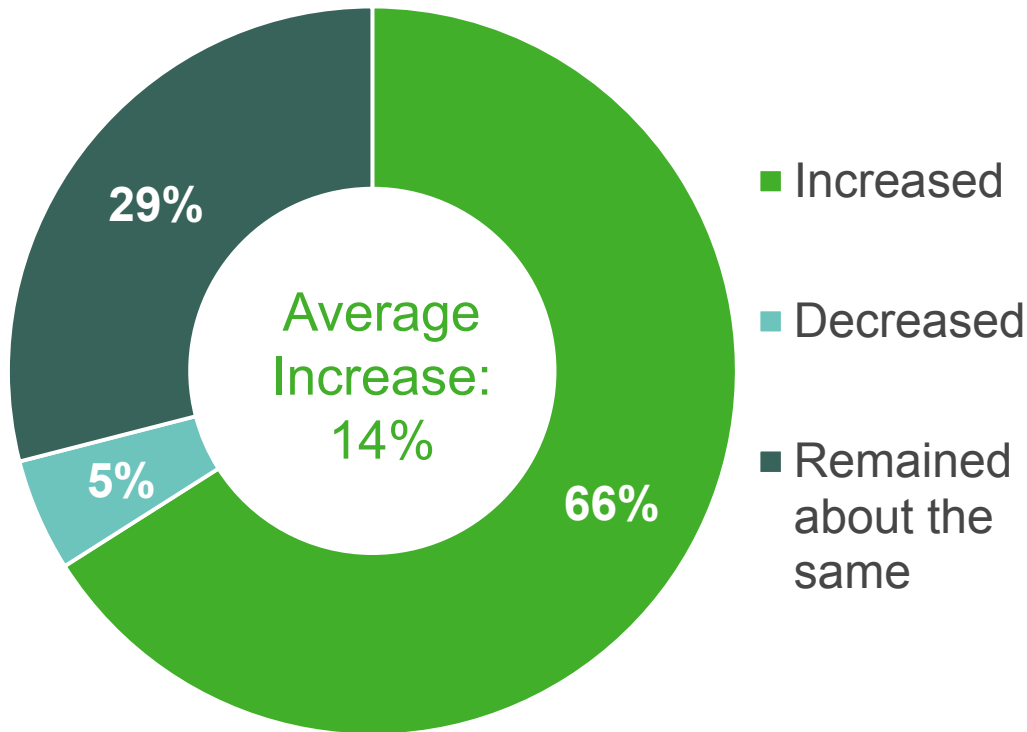
Q12. N= 302. Does your firm delegate investment selection to a third party? (ONE RESPONSE)

Firm Growth

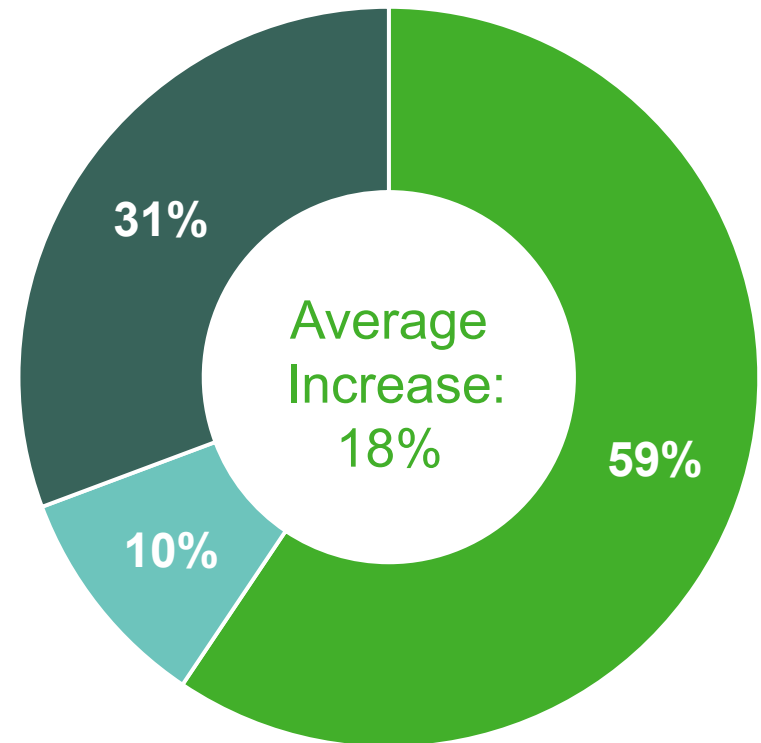


RIAs enjoyed robust growth in 2018

2018 New Client Growth



Revenue Growth



Q15. N= 302. Has the total number of clients served by your firm decreased, increased or remained about the same over the past six months?

Q16. N= 199. You mentioned your firm has experienced client growth over the past six months. By approximately what percentage has your firm's client base grown?

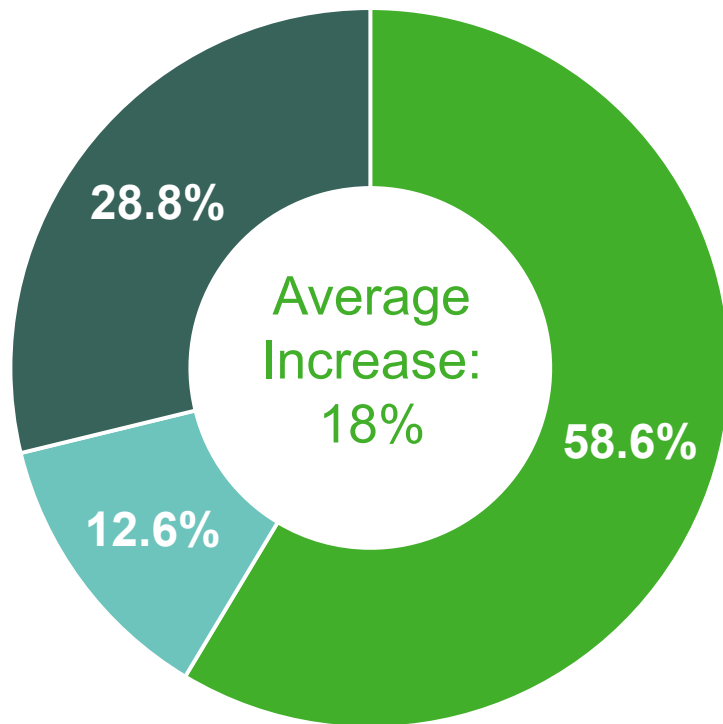
Q21. N= 302. Over the past six months, has your firm's revenue decreased, increased or remained about the same?

Q22. N=180. You mentioned your firm has experienced revenue growth over the past six months. By approximately what percentage has your firm's revenue grown?

Most RIAs expect 2018's AUM growth to continue

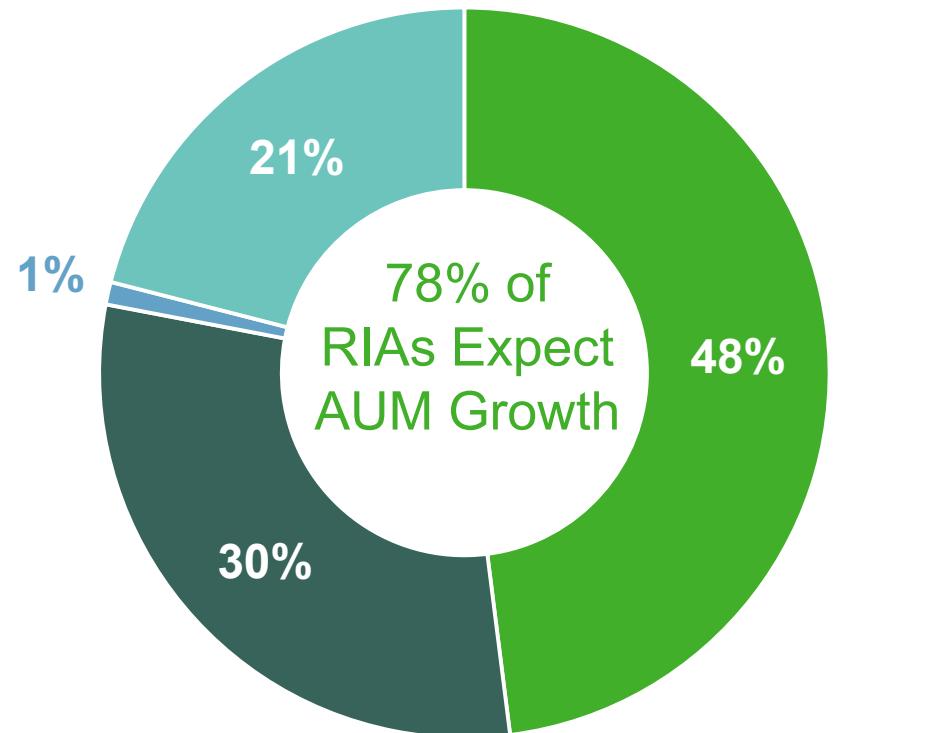
AUM Growth in Past Six Months

■ Increased ■ Decreased ■ Remained about the same



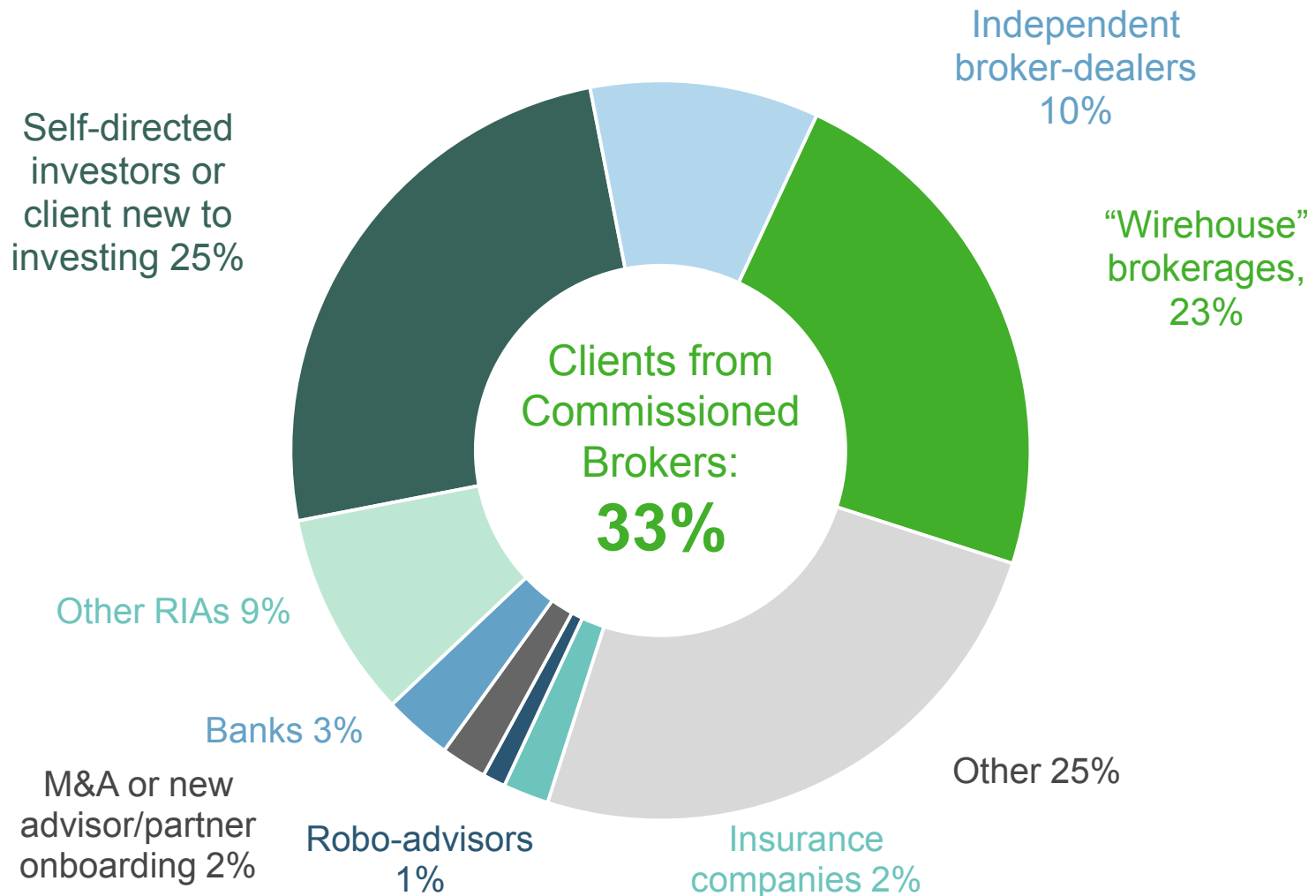
2019 AUM Outlook

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



Q18. N= 302. Have your firm's total assets under management decreased, increased, or remained about the same over the past six months?
 Q19. N=177. You mentioned your firm has experienced AUM growth over the past six months. By approximately what percentage has your firm's AUM grown?
 Q25. N= 302. In 2019, what is your outlook for your firm's assets under management relative to 2018?

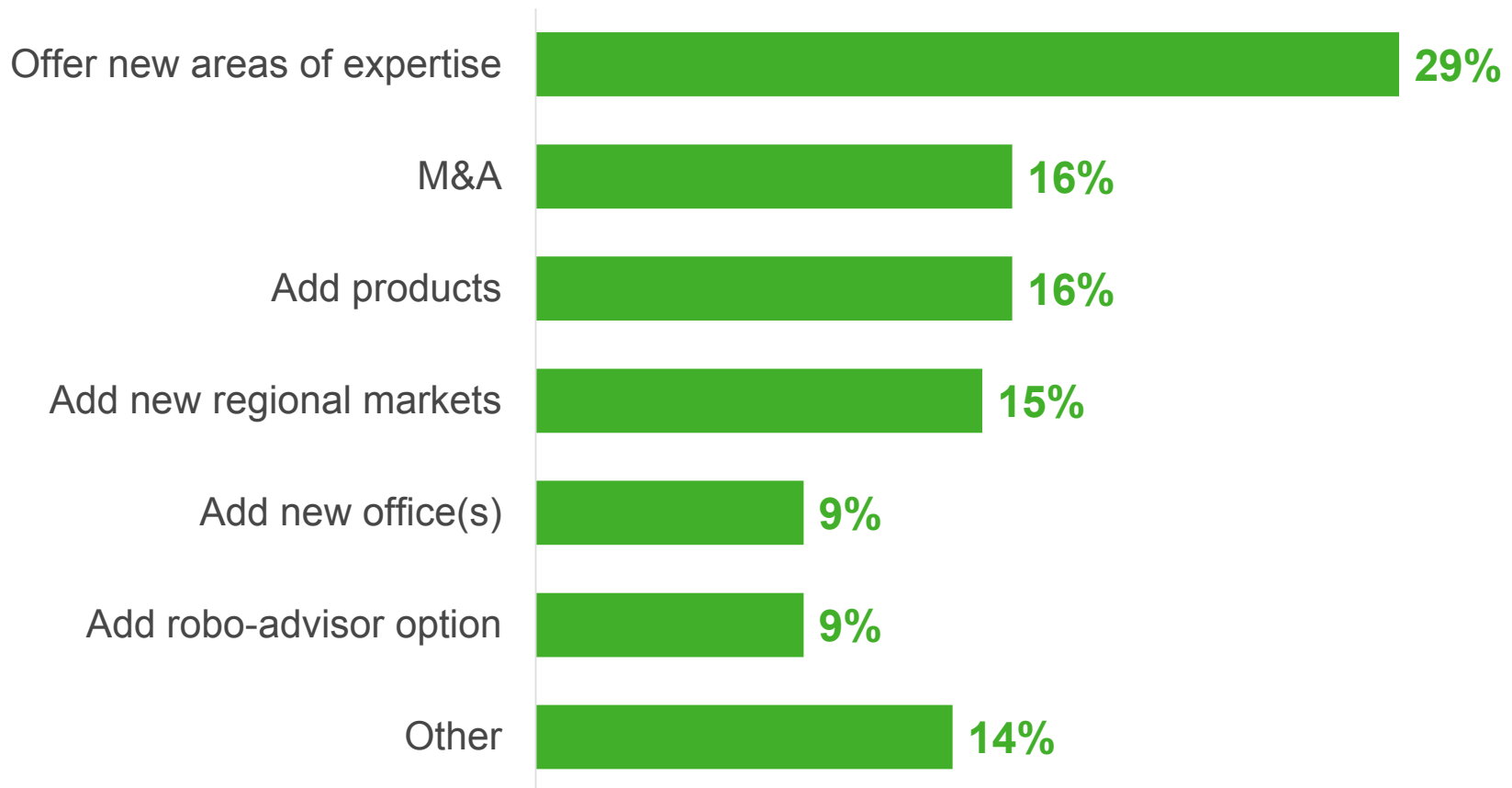
Many investors chose RIAs amid market chop



Q24. N= 302. Over the past year, from where did the majority of your firm's new client assets come? (ONE RESPONSE)

Firms offer new services to attract new clients

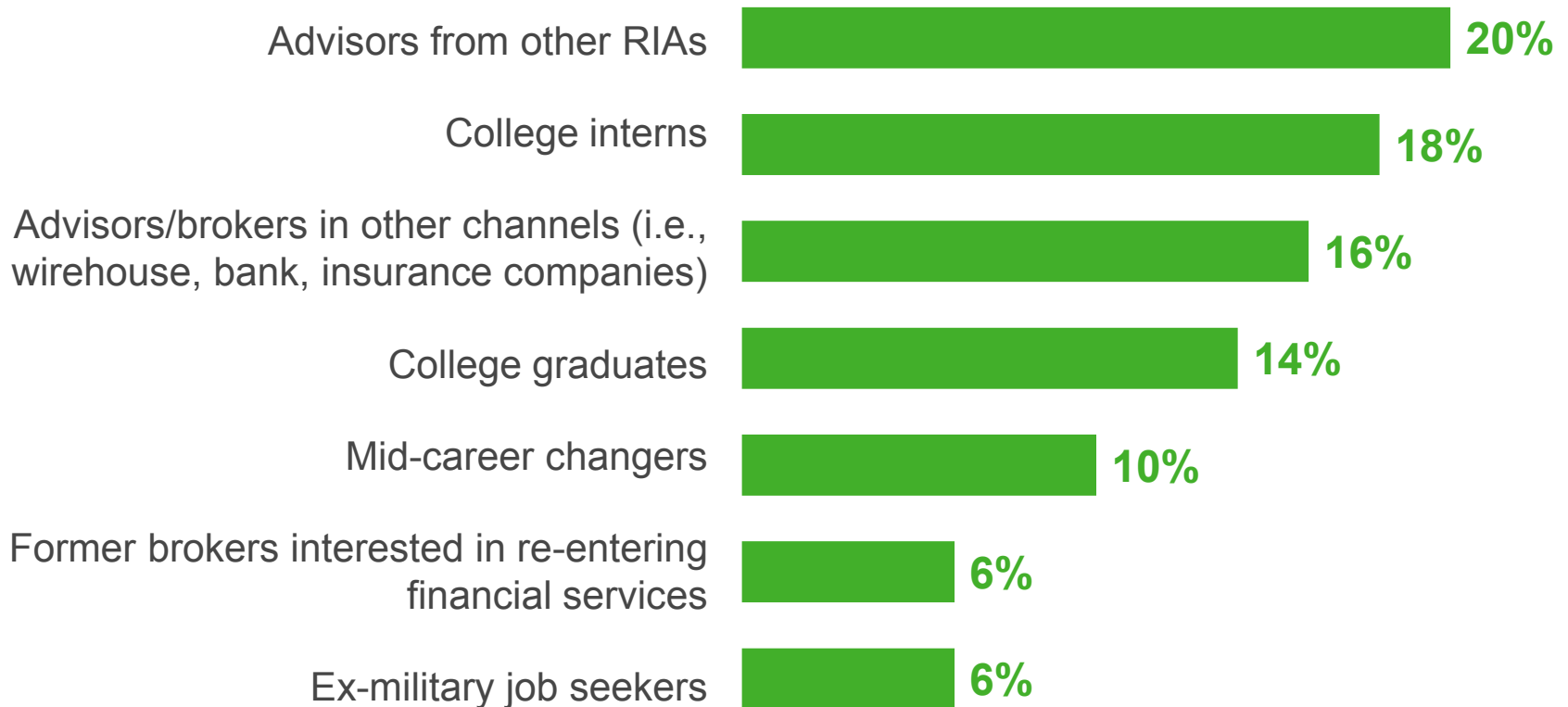
Top Strategies for Attracting New Clients



Q36. N= 302. In 2019, which of the following strategies do you plan to pursue to attract new clients? (SELECT ALL THAT APPLY)

RIAs want experienced and young advisor talent

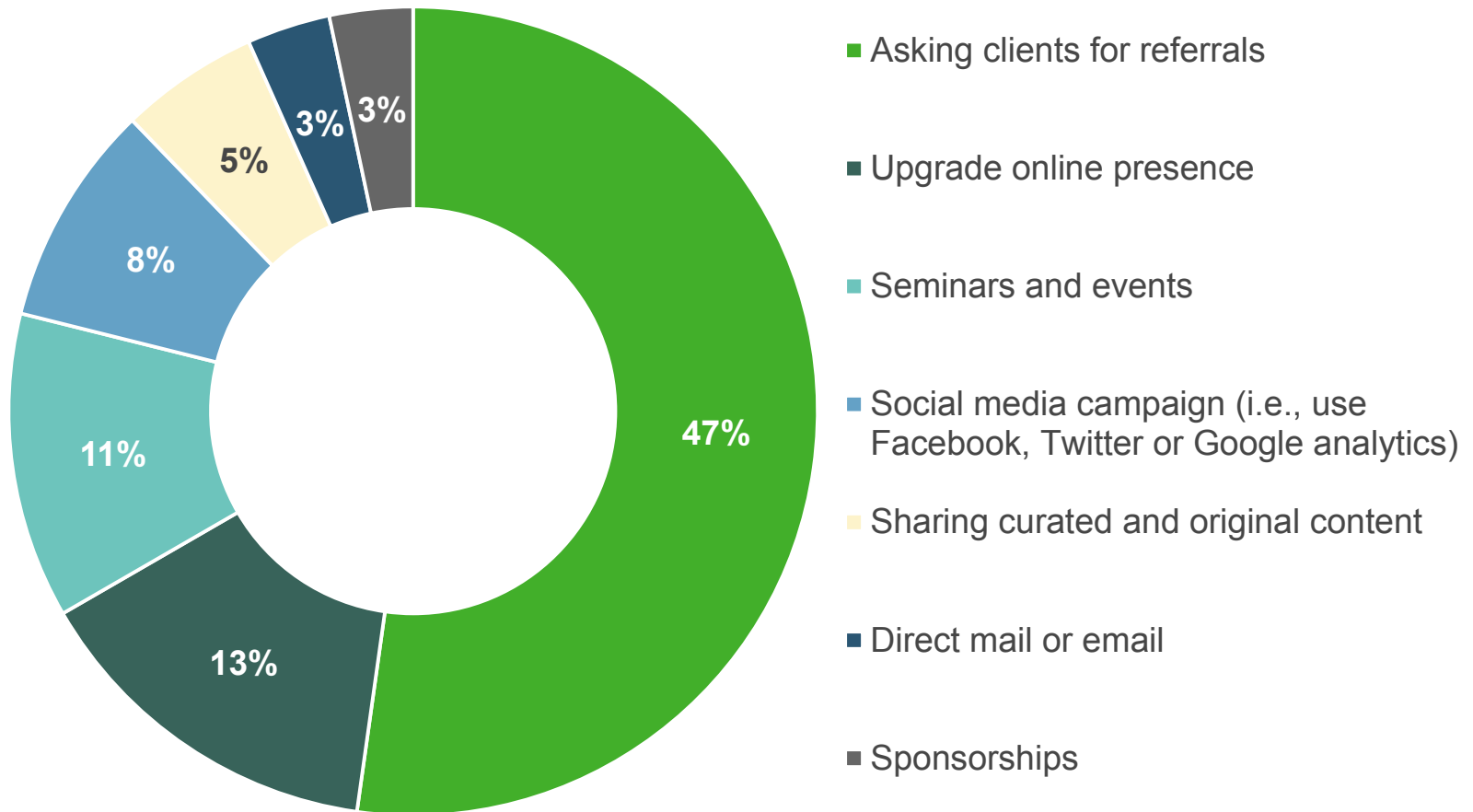
Most Sought-After Hires by RIAs



Q82. N= 302. Are you actively recruiting any of the following? (SELECT ALL THAT APPLY)

RIAs lean into digital marketing along with traditional tactics

Top Marketing Initiatives in 2019

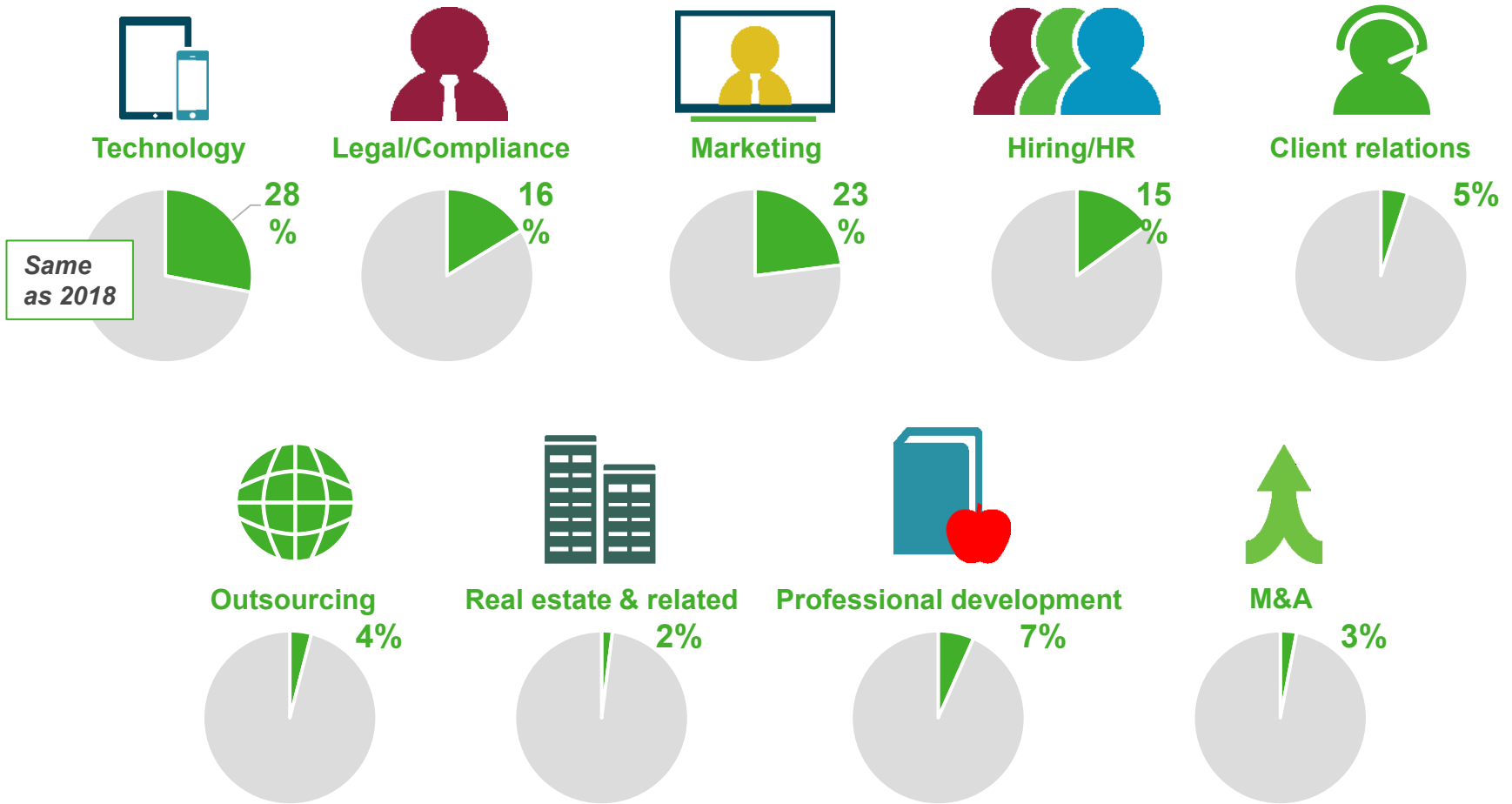


Q32b. N= 302. What's your top marketing initiative to drive growth in 2019? (SELECT ONE)

Spotlight on: Technology



Technology dominates RIA spending

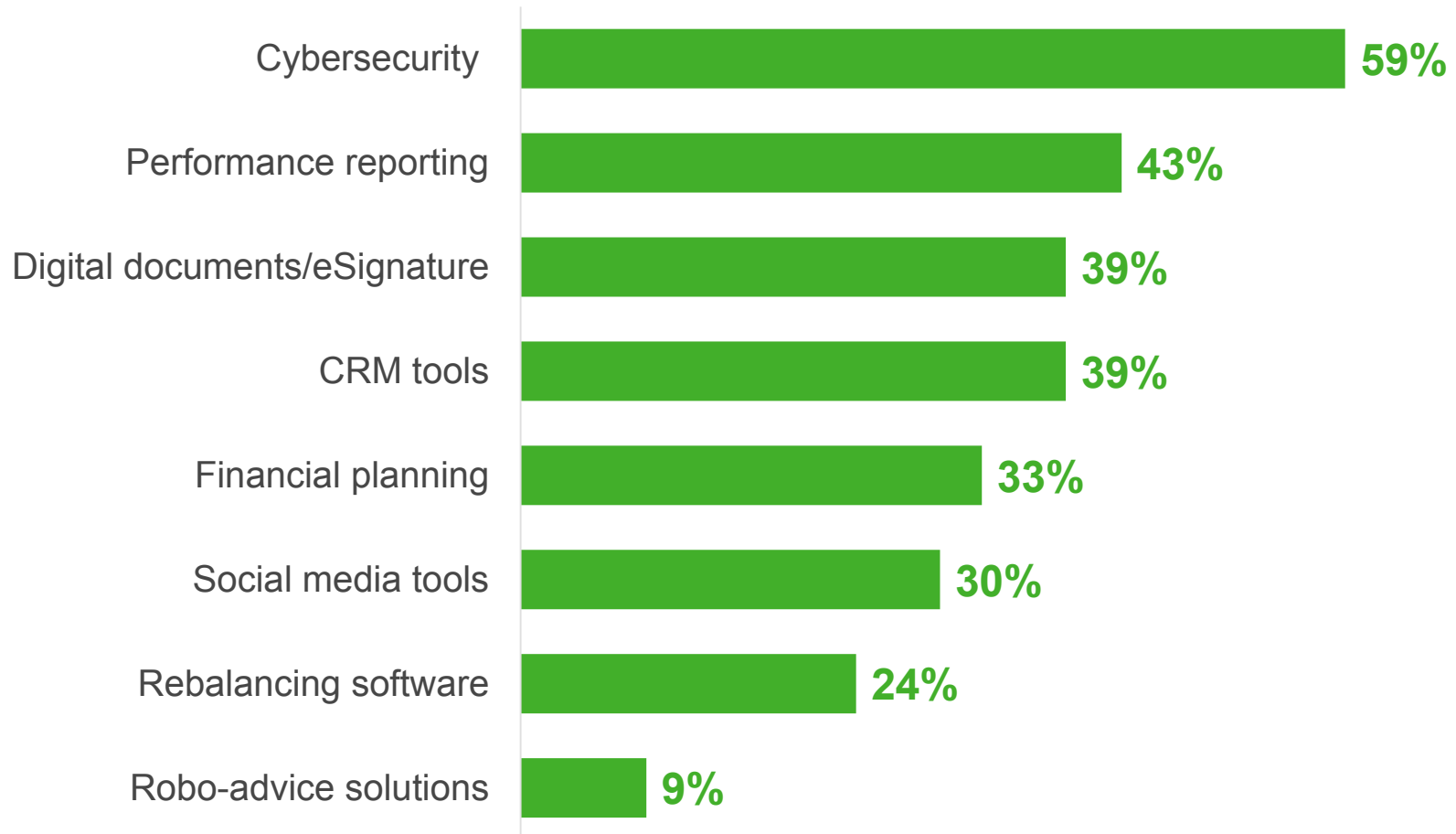


Q33. N= 302. In 2018, where did your firm realize the biggest increase in spending? (ONE RESPONSE)

Q35. N= 302. In 2019, where do you expect your firm will realize the biggest increase in spending? (ONE RESPONSE)

Cybersecurity is the biggest tech investment

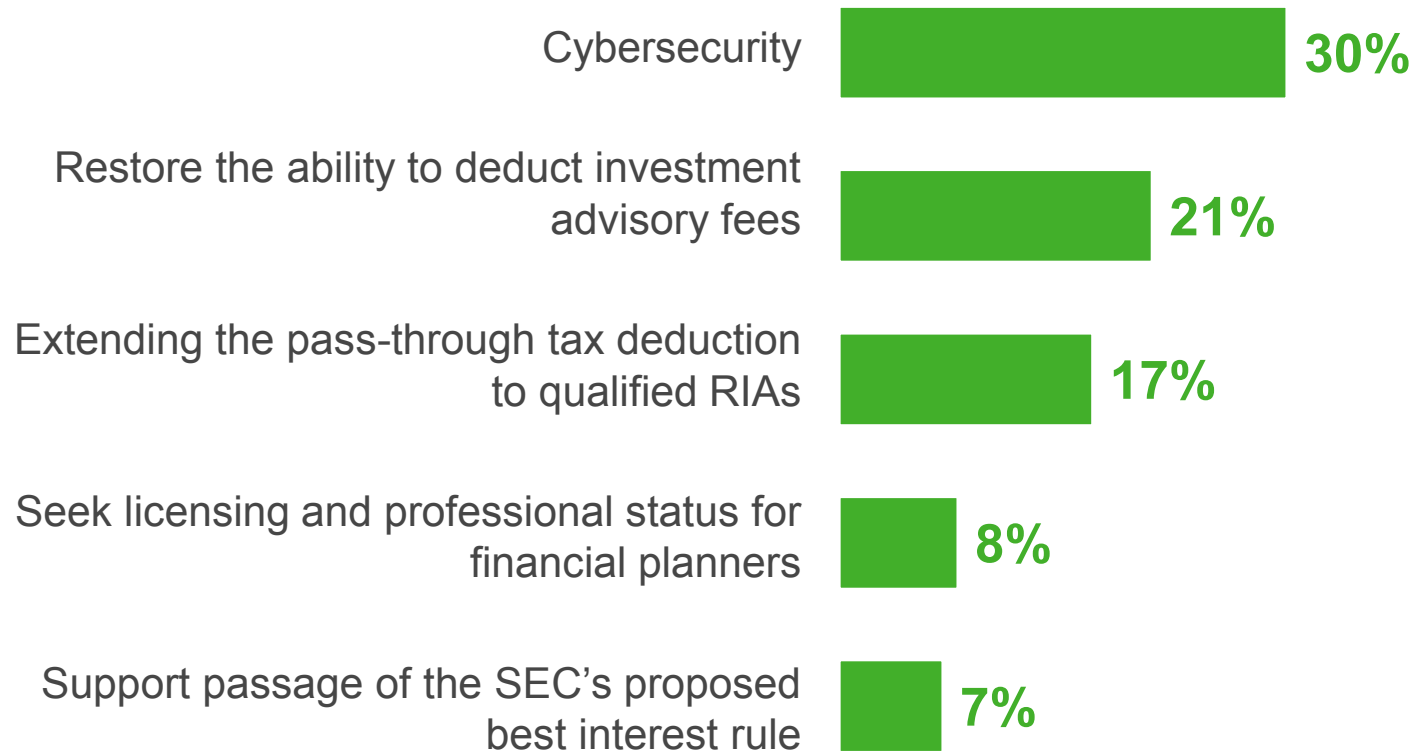
Biggest RIA Technology Investments in 2019



Q39a. N= 302. Where are you making significant technology investments in 2019? (SELECT ALL THAT APPLY)

RIAs: Cybersecurity is a top regulatory issue

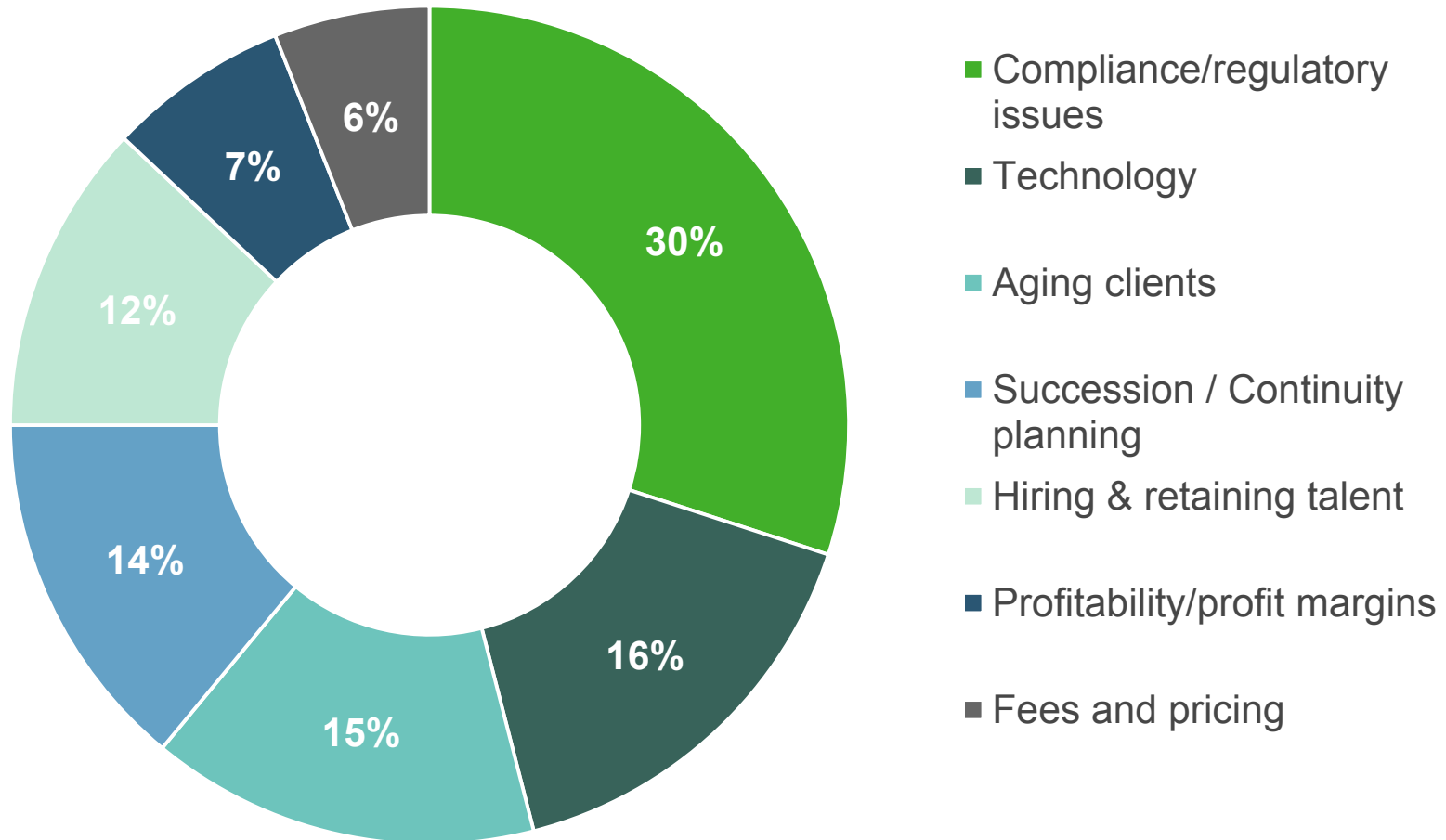
Top Regulatory Concerns for RIAs



Q87. N= 302. Which of the following issues is most important to you? (ONE RESPONSE)

Tech is a top RIA management challenge

Biggest Management / Operational Challenge for RIAs



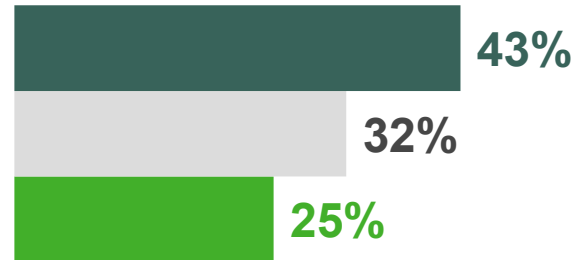
Q13. N= 302. Which of following is your biggest firm management or operational challenge right now? (ONE RESPONSE)

Tech enhances client relationships, but RIAs are cautious

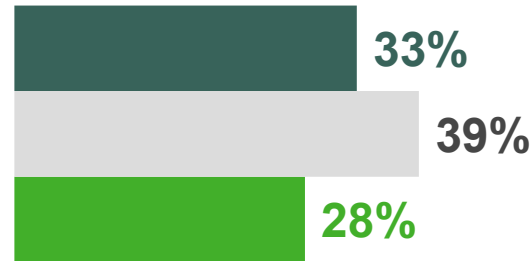


■ Agree ■ Neutral ■ Disagree

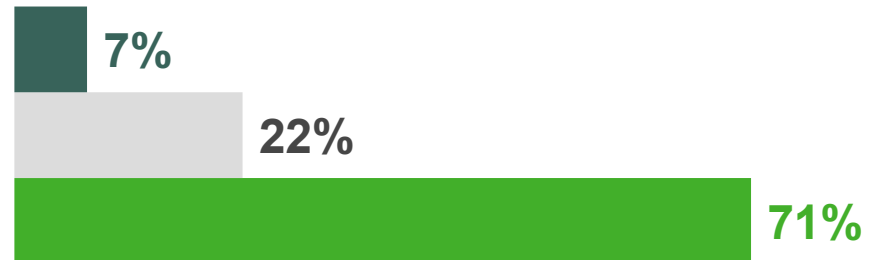
Thanks to technology, I feel more connected to more clients than I did 3 years ago.



I can tell you what blockchain is and its potential for my firm and clients.



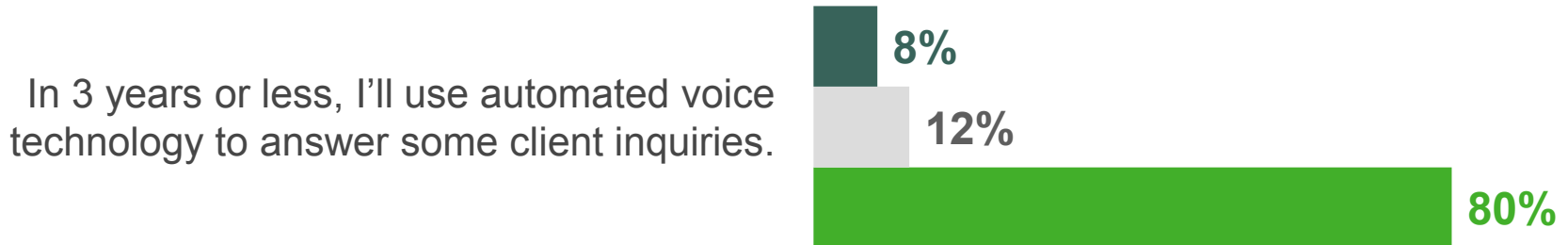
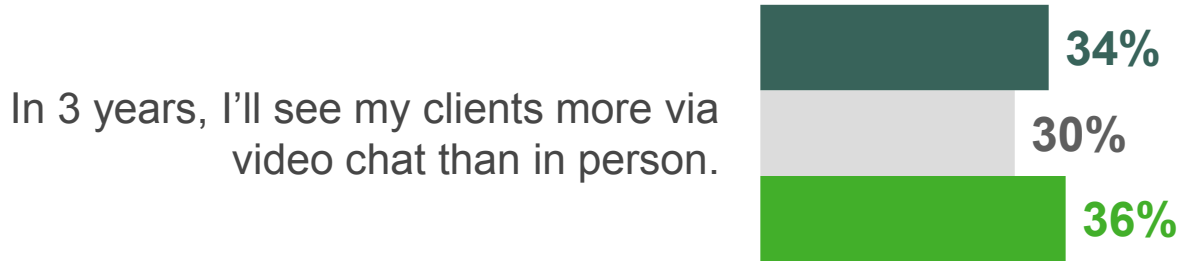
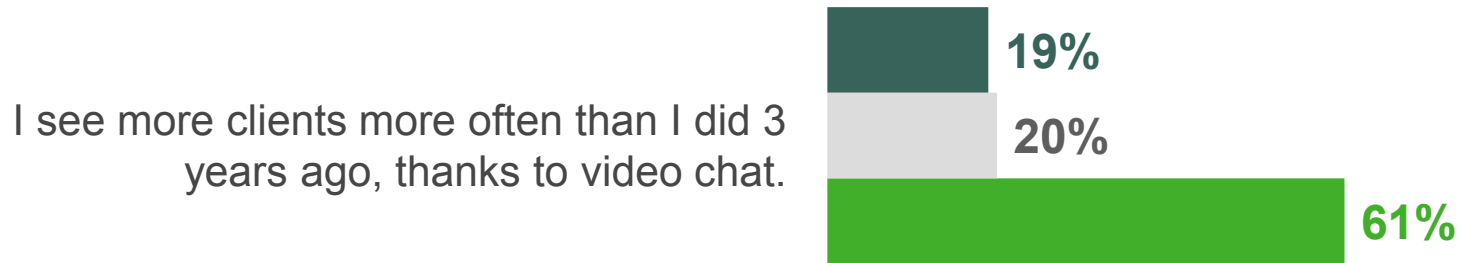
In 3 years or less, Augmented Reality or Virtual Reality will be a part of my firm.



Q39b. N= 302. Using a scale of 1 – 5, where 1 is Disagree strongly, 5 is Agree strongly and 3 is Neutral, please react to the following statements: [ONE ANSWER PER ROW]

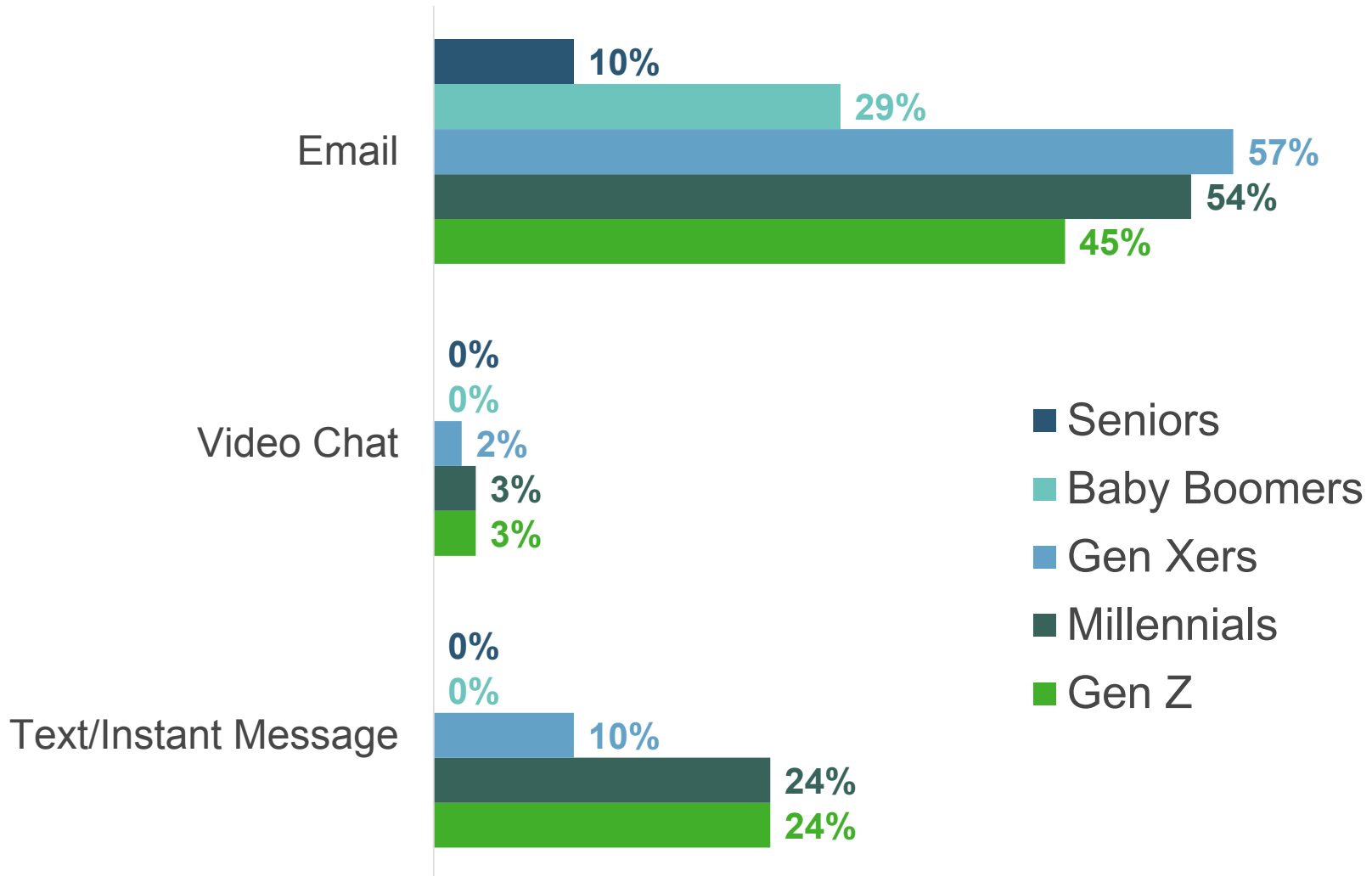
RIAs are still evaluating emerging tech

■ Agree ■ Neutral ■ Disagree



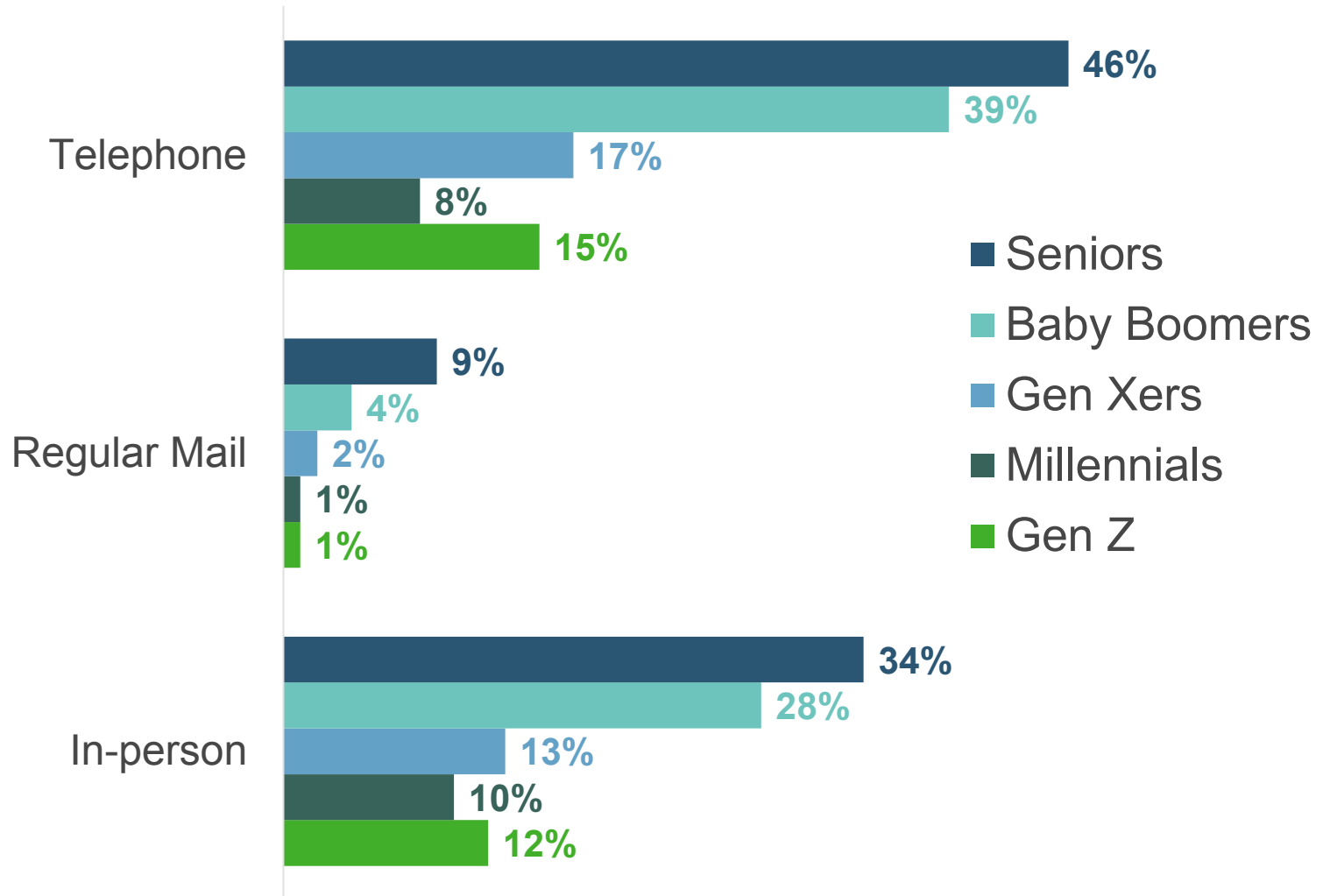
Q39b. N= 302. Using a scale of 1 – 5, where 1 is Disagree strongly, 5 is Agree strongly and 3 is Neutral, please react to the following statements: [ONE ANSWER PER ROW]

Younger clients favor a tech-enabled experience



Q81b. N= 302. For each demographic group of clients, please choose ONE of the following to indicate their preferred form of communication with you or the firm. (ONE RESPONSE PER ROW)

Older clients prefer connecting with traditional communication channels



Q81b. N= 302. For each demographic group of clients, please choose ONE of the following to indicate their preferred form of communication with you or the firm. (ONE RESPONSE PER ROW)

About the Survey

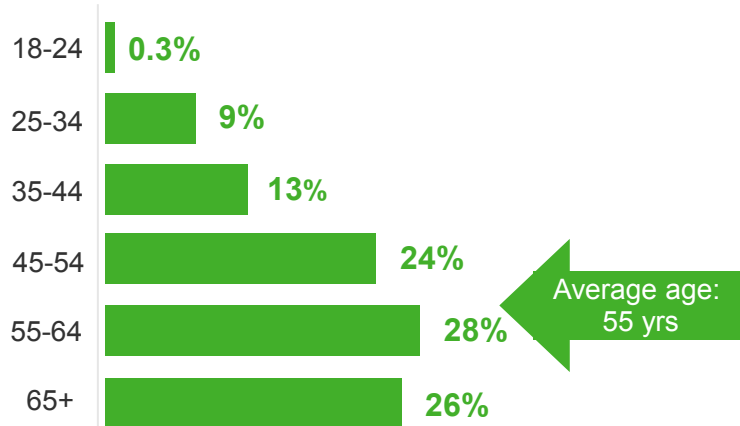


Survey demographics

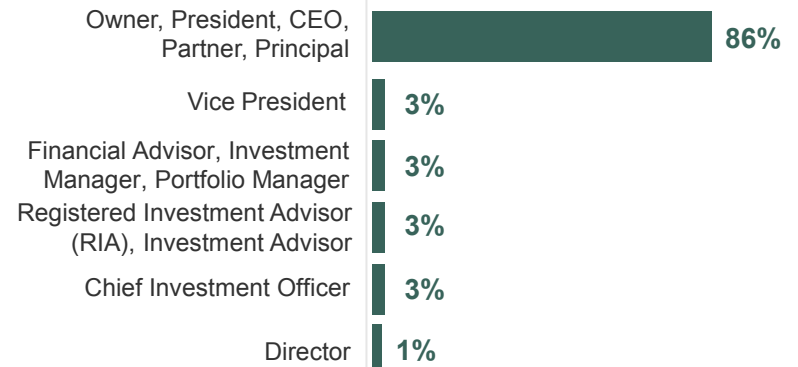
Gender



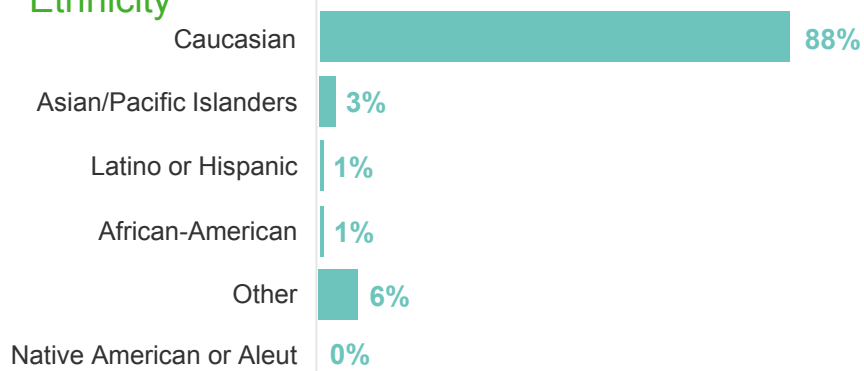
Age



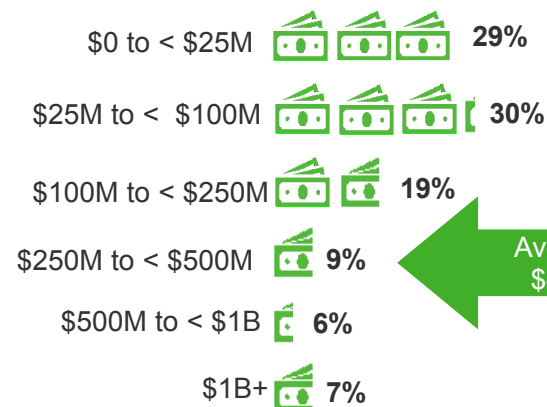
Job title



Ethnicity



Assets Under Management



About TD Ameritrade Institutional

About TD Ameritrade Institutional

TD Ameritrade Institutional empowers more than 6,000 independent registered investment advisors to transform the lives of their clients. We provide powerful technology and resources that help simplify running a business and let advisors do what matters most — spend time serving their clients. Through meaningful innovation, steadfast advocacy and unwavering service, we support RIAs as they build businesses that positively impact their clients and communities. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC, a brokerage subsidiary of TD Ameritrade Holding Corporation.

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