

2017 Break Away to Independence Survey

December 18, 2017

About the Survey

TD Ameritrade Institutional set out to understand what motivates and influences seasoned financial advisors at full service broker-dealers to consider a move to the independent registered investment advisor (RIA) channel. While those who have already 'broken away' have been surveyed and analyzed repeatedly, little attention has been paid to the group that is seriously considering a move, but has not pulled the trigger, in part because these individuals are more difficult to access.

TD Ameritrade Institutional worked with Market Strategies International (MSI) to seek out these individuals and ask them to clarify the allure of the independent RIA channel, what might be holding them back from making a move, and what would motivate them to make a change.

In September 2017, 134 brokers averaging 18 years of experience participated in an online survey with MSI. These individuals on average oversaw \$274 million in client assets and had been with their current employer for 12 years. The margin of error for this survey is +/- 5.8 percent.

Market Strategies International is separate from and not affiliated with TD Ameritrade, which is not responsible for their services or policies.

Survey Demographics

Potential Breakaways



134

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



Average AUM **\$273.8M**



Average Age **46 yrs.**



Average Tenure At Current Firm **12 yrs.**



Average Tenure As An Advisor **18 yrs.**



Margin Of Error **5.8%**

Executive Summary

Breakaway brokers (breakaways) predict challenging times ahead for the brokerage industry.

- 46% expect the state of the industry to deteriorate significantly.
- The regulatory environment presents the biggest hurdle for brokerage firms.
- The DOL Fiduciary Rule is a factor for breakaways deciding to stay or go.

Breakaways want more than what their employers offer.

- Greater independence is #1 on breakaways' wish lists.
- Breakaways say they'll start their own firms to get the control they crave.
- Just 12% of breakaways are satisfied with their current employers.
- More than half dislike their employer's culture, leadership and career opportunities.

Executive Summary

Breakaways say they'll go independent with a little help from their friends.

- #1 source for information on going independent? Former colleagues who switched, followed by RIA custodians.
- 78% are confident they'll get support they need once independent.
- Most breakaways plan to make a move with a team of their colleagues.

Breakaways say they'll start their own firms to get the flexibility and control they crave.

- 65% of breakaways will either start their own firm or merge with another business.
- Seven in 10 are extremely confident their clients will follow them.

Executive Summary

To be sure, going independent is not a quick decision.

- Going independent is a life-changing decision: 38% have considered making a move in the past, but ultimately stayed put.
- What holds some brokers back? Nearly half cite concerns about managing regulatory compliance.

Still, independent RIAs affirm that the grass really is greener.

- Breakaways say they're told it's a good idea that can lead to more income and more control over their careers.
- After talking to those who have done it, more than half of breakaways are even more determined to go independent.

The Rationale for Independence



Breakaways see storm clouds ahead for brokerage industry

Nearly half expect the brokerage industry to deteriorate

Brokerage Industry Top 3 Challenges



Regulations/ Regulatory environment **85%**



Changing Compensation Structure **54%**



Public Trust/ Reputation **46%**

Future State of the Brokerage Industry

Significantly
Deteriorate

Stay the
Same

Significantly
Improve

46%

41%

12%

OUT3. In your opinion, what are some of the most important challenges that the brokerage/financial services industry is facing today?

OUT1. Overall, how would you characterize the current state of the brokerage/financial services industry?

OUT2. And thinking about the next 12 months, do you expect the state of the brokerage/financial services industry to...?

Why consider independence: culture, career, compensation

Breakaways are not happy with their prospects at their current employers



Breakaways say their employers fall short on many fronts

Overall satisfaction with current firm



Corporate Environment (% satisfied)



Ability to offer a superior service



Control over your practice



Work/Life balance



Opportunity (% satisfied)



Career advancement



Compensation



Ability to expand client base



CF1. Overall, how satisfied are you with the firm you are currently working?
CF2. How satisfied are you with each of the following aspects at your current firm?

Independence offers what breakaways crave: freedom, control, ownership

Breakaways Seek...

Greater independence/flexibility

34%

Opportunity to earn more money

26%

Control over day-to-day decisions/operations

16%

Equity ownership

12%

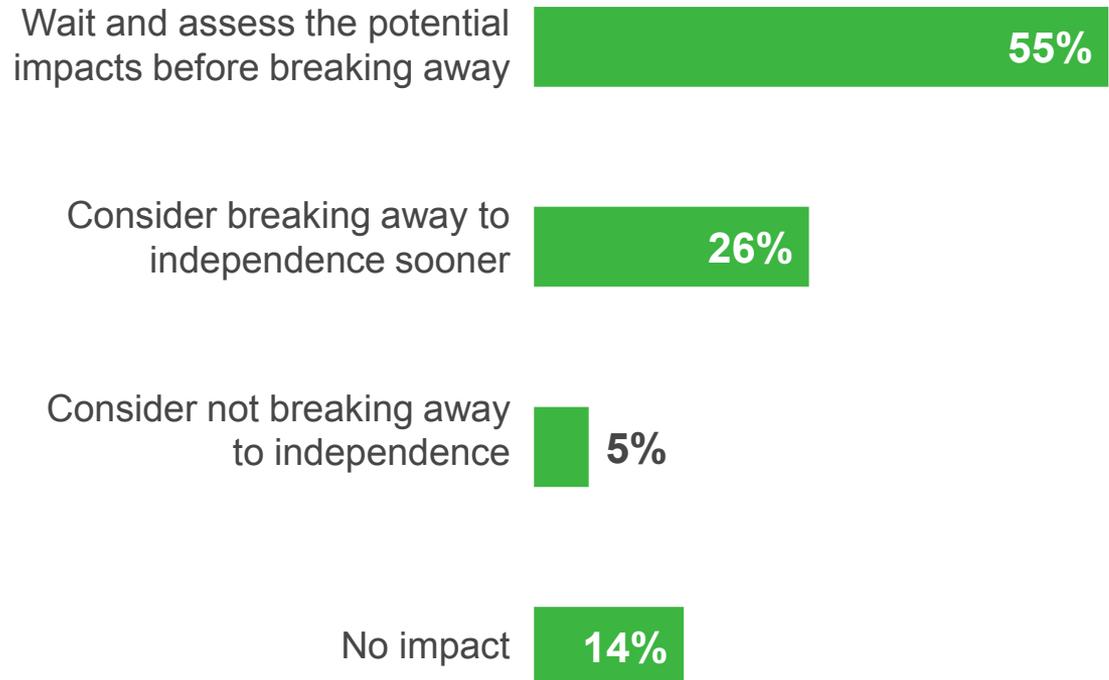
"I don't want to jump through hoops to hit compensation payout numbers and would rather manage assets, which a RIA would allow me to do."

- Survey Respondent

DOL Fiduciary Rule is impacting timing on when to move

“Not if, but when” say the majority of breakaways

DOL Fiduciary Rule Impact On Breaking Away

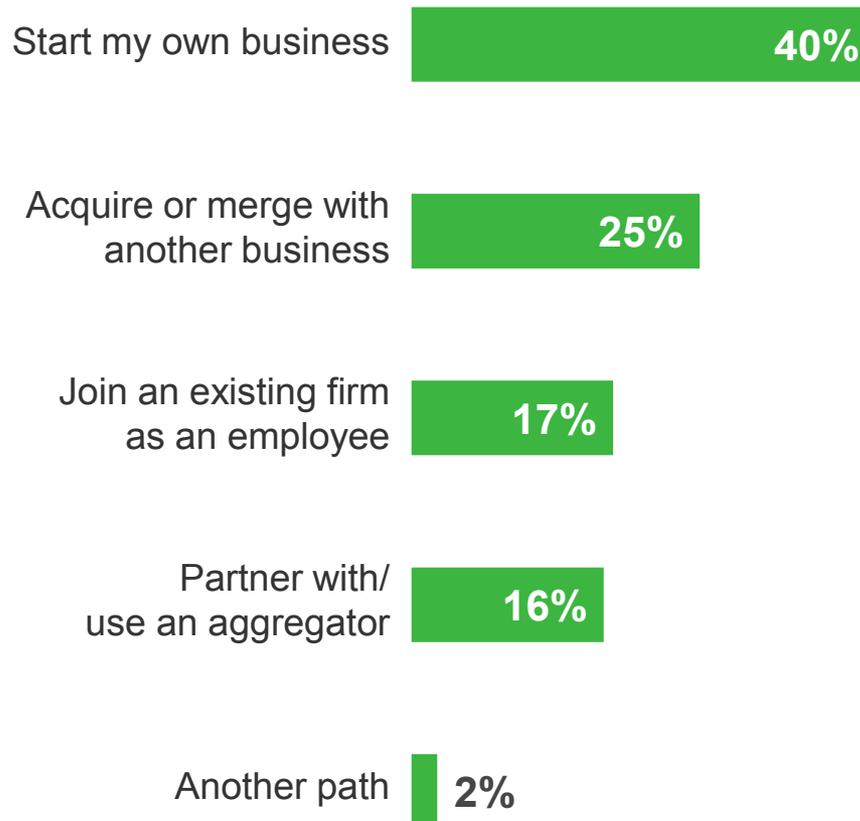


The Path to Independence



Most breakaways anticipate starting a business

Ideal Transition Path to Becoming an Independent RIA



Most view breaking away as a team effort

Breakaways prefer a team transition, and expect clients and colleagues to follow



Break away with a team 58%



Break away by myself 42%

Confidence in Creating a Following

Not at all confident Somewhat confident Extremely confident

Confidence in team/colleagues



Confidence in clients



PM4. Which of the following best describes your situation regarding becoming independent or an independent RIA?

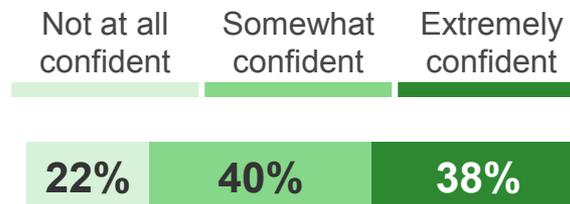
PM5. How confident are you that your team/colleagues will follow you when you leave your current firm?

PM6. How confident are you that your current clients will follow you when you leave your current firm?

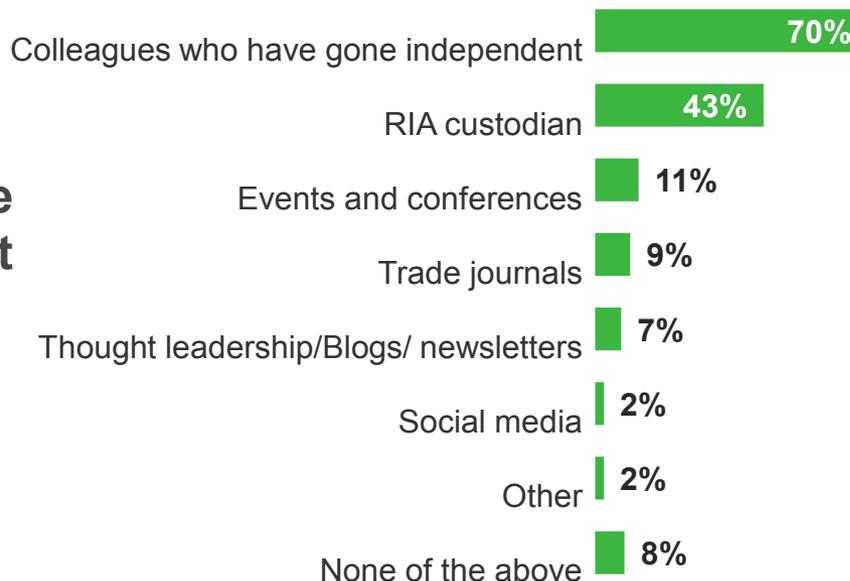
Most breakaways expect to have support once independent

They'll rely on their network and the RIA industry to get going

Ability to Get Support/Guidance as an Independent RIA



Sources for Support/Guidance After Going Independent

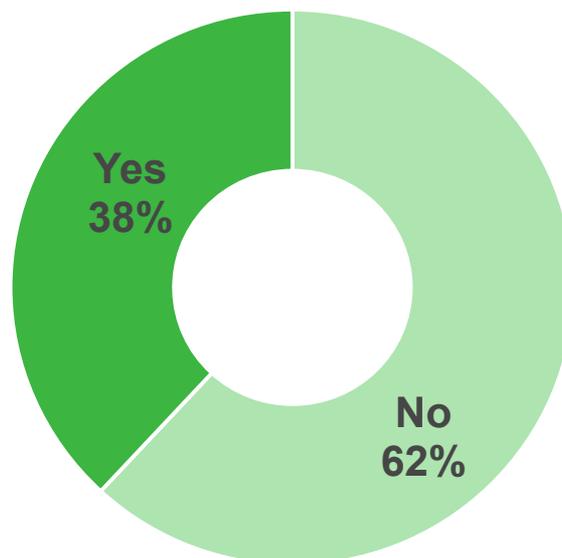


PCT7. How confident are you that you will be able to receive support/guidance after becoming independent/an independent RIA?
PCT8. Which of the following sources are you likely to utilize for support/guidance after becoming independent/an independent RIA?

Some breakaways have thought about moving before

The desire for independence does not always translate into making a move

Considered Becoming Independent/ RIA Before?



"Wasn't a good market environment."
- Survey Respondent

"Too risky considering the stage of my life and responsibilities at home."
- Survey Respondent

Legal/compliance is a top concern for some breakaways

What Holds Some Brokers Back From Going Independent?

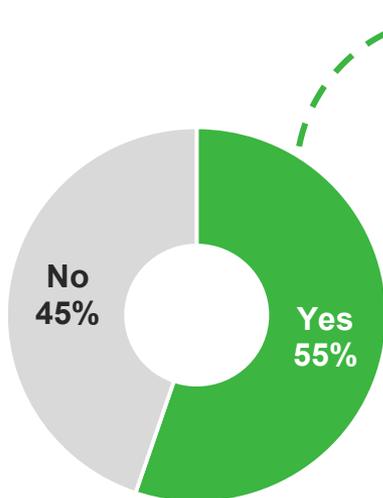


BR1. How important is the following factor for you in terms of preventing you from considering becoming an independent RIA...?
BR2. Which is the MOST important factor for you in terms of preventing you from considering becoming an independent RIA?

Motivation to move rises after talking with those who did it

Talking with advisors who are already independent motivates breakaways

Have You Interacted With Others Who Have Gone Independent?



Impact After Hearing Advice

More motivated to leave your current firm

57%

Did not have any impact

28%

Less motivated to leave your current firm

15%

PCT4. Have you had any interactions with friends, colleagues or industry contacts who recently turned independent about their transition or about your own?

PCT6. Did this interaction make you....?

Independent RIAs say the grass really is greener

Breakaways are hearing that the compensation and control they are seeking is possible through independence

Fewer fees
Good idea
Many considering
Less regulation
Better for clients
Better compensation
More control over practice

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