

ADVISOR AUTHORITY 2018

The Innovation and Issues that RIAs, Fee-Based Advisors
and Investors Care About Most

CHAPTER 2 PATH TO SUCCESS:

Adapt—or Be Left Behind

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ADVISOR AUTHORITY: The Innovation and Issues that RIAs, Fee-Based Advisors and Investors Care About Most

Letter from Craig Hawley, Head of Nationwide Advisory Solutions

Change is a constant in our fast-moving industry and innovation continues to surge at an unprecedented rate, driven by the power of consumer demand, advances in technology, the rapidly expanding digital economy and regulatory reform. The race is on—and there is no turning back. The most successful advisors—those who earn more or manage more AUM than their peers—are already a step ahead. To keep pace, all advisors must adapt—or be left behind.

You can win by recognizing that the very same trends that are driving change in our industry are not your obstacles—but are your allies. This is one of the most important findings of our latest *Advisor Authority* Special Report on successful advisors. As we studied the characteristics of top performers—how they build and run their practice, leverage technology and serve their clients—our findings reveal that they are true change agents with the skill to adapt in ways that drive their success. We believe that advisors at every level can learn from these actionable insights to build a more successful practice and establish a viable franchise for the future.

As markets are moving faster and the world around us is becoming increasingly complex, we have made it our mission to help advisors at every level tap into the tremendous potential of the independent fee-based channel, by continuing our annual *Advisor Authority* study, now in its fourth year. Conducted for us by The Harris Poll, *Advisor Authority* surveys more than 970 advisors nationwide, including the most successful who are setting the trends in our industry, as well as over 800 individual investors, from the Mass Affluent to the Ultra High Net Worth. Based on these findings, we will continue to provide you with an ongoing series of Special Reports in the months ahead, exploring the many issues and innovative solutions that matter most to RIAs, fee-based advisors and their clients.

Nationwide Advisory Solutions got its start as Jefferson National, a company built from the ground up with a singular focus on serving RIAs and fee-based advisors. We believe in the tremendous potential of the fee-based channel to drive new innovation, disrupt the status quo and transform the future of our industry. We have never stopped in our efforts to develop a deeper understanding of the challenges you face—and the solutions that you need to succeed. We will continue taking the pulse of RIAs, fee-based advisors and their clients, to establish benchmarks and provide you with the actionable insights that are so important for your success.

We believe you'll find our research insightful. As always, we welcome your feedback about this year's findings and your suggestions for next year's study.



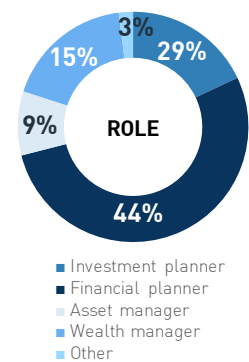
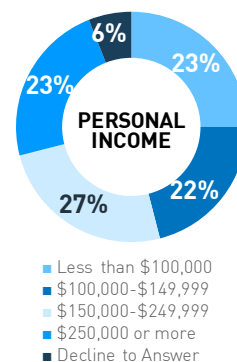
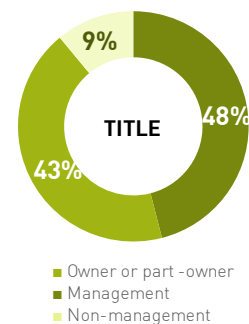
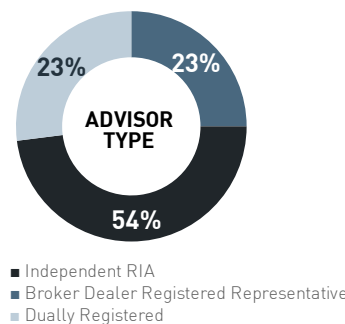
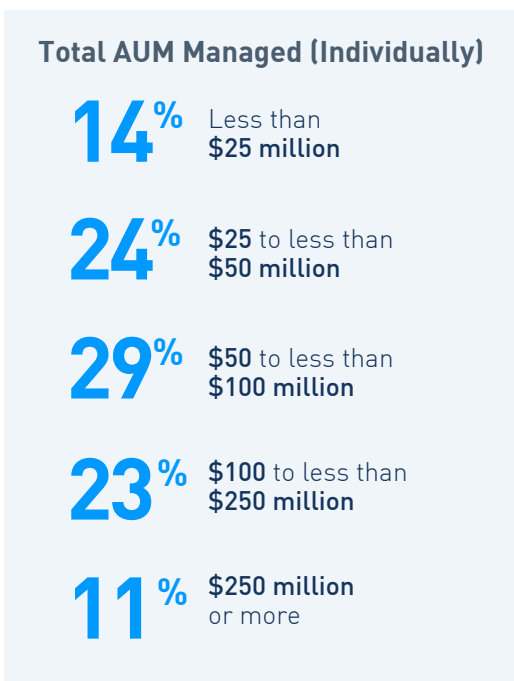
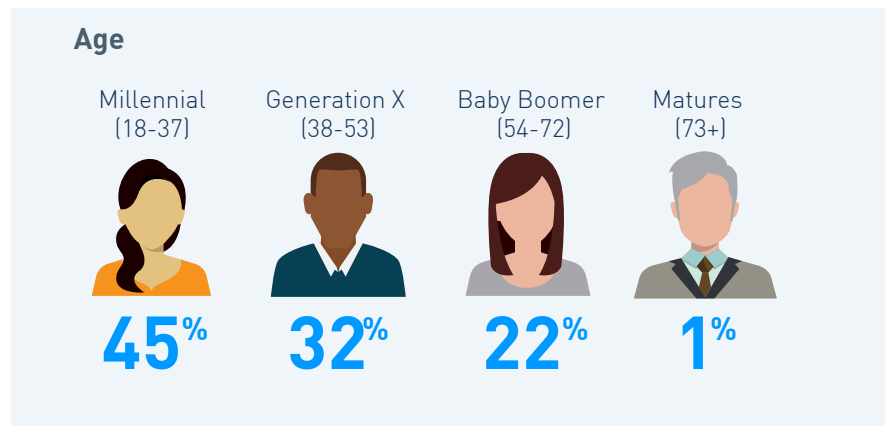
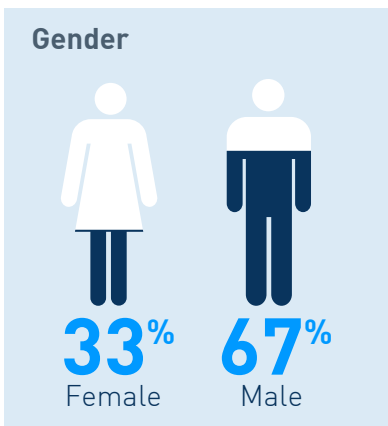
Sincerely,
Craig Hawley

Demographics & Methodology

This is our fourth annual *Advisor Authority* study on the issues and innovative solutions that RIAs and fee-based advisors care about most. It was conceived as a tool that takes the pulse of RIAs and fee-based advisors of all sizes and at every level of experience, to establish benchmarks that you can use to measure your progress relative your peers—as well as to learn from recognized leaders and industry innovators. As in previous years, we will publish a series of ongoing Special Reports that will be released from now through year-end 2018.

Conducted on behalf of Nationwide Advisory Solutions by The Harris Poll, a leading independent market research firm, the online survey was fielded from January 3 – February 21, 2018 using a sample from the Harris Poll Panel of Financial Advisors and Investors and its partners. It reflects the viewpoints of more than 1,700 financial advisors and individual investors who reside in the U.S. This year’s study includes 972 advisors in total. Among these respondents, we survey a “trended group” of 760 RIAs and fee-based advisors, who meet the same qualification criteria as in prior years of our *Advisor Authority* research and will continue to be the primary focus in this year’s series of Special Reports.

“Trended” RIAs and Fee-Based Advisors



Among the **827 Investors**, we surveyed:



208
Mass Affluent



206
Emerging High Net Worth



208
High Net Worth



205
Ultra High Net Worth

Investors are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online in order to bring them in line with their actual proportions in the population.

Gender



47%
Female



53%
Male

Age

Millennial
(18-37)



25%

Generation X
(38-53)



21%

Baby Boomer
(54-72)



42%

Matures
(73+)



12%

Financial Decision Maker

59%
Primary Financial Decision Maker



41%
Joint Financial Decision Maker

Household Investable Assets



58%
Mass Affluent
\$100,000 to less than \$500,000



18%
Emerging HNW
\$500,000 to less than \$1 Million



14%
HNW
\$1 Million to less than \$5 Million



10%
Ultra HNW
\$5 Million or more

Advisor Relationship Status

60%
Have a financial advisor



40%
Do not have a financial advisor

HOW TO USE THIS SPECIAL REPORT

To help you recognize unseen opportunities and learn more from the high performers who are driving innovation in our industry, this *Advisor Authority* Special Report examines the group we call “Successful Advisors”—the RIAs and fee-based advisors who earn more or manage more AUM than their peers:



The High Earning Advisor:

Those with personal yearly income from advisor business of \$500,000 or more.



The Advisor with High AUM:

Those who individually manage a total AUM of \$250 million or more.

Three-fifths of the successful advisors (60%) in our study earn income of \$500,000 or more from their advisory business, while the vast majority of other RIAs and fee-based advisors (94%) earn income of less than \$500,000. Likewise, three-fifths of these successful advisors (60%) individually manage \$250 million or more, while all other RIAs and fee-based advisors (100%) individually manage less than \$250 million. Successful advisors are more likely to work with over 100 clients (62%) while the majority of other RIAs and fee-based advisors are more likely to work with less than 100 clients (63%).

These successful advisors, when compared to all other RIAs and fee-based advisors, are far more likely to say their profitability will increase substantially in 2018 (35% vs 19%)—and are somewhat more likely to say their financial outlook for 2018 is very optimistic (32% vs 24%). To help you understand why, we will explore the ways that these successful advisors look ahead and adapt to change so they can build an enduring franchise for the future.

Profiling Successful Advisors

AUM Individually Managed	Successful Advisors	All Other RIAs/Fee-Based Advisors
\$0 to less than \$25 million	2%	16%
\$25 to less than \$50 million	5%	28%
\$50 to less than \$100 million	13%	32%
\$100 to less than \$250 million	20%	24%
\$250 million or more (HIGH AUM)	60%	0%
Personal Income		
Less than \$100,000	5%	27%
\$100,000 - \$149,999	7%	25%
\$150,000 - \$249,999	17%	29%
\$250,000 - \$499,999	8%	13%
\$500,000 or More (HIGH EARNING)	60%	0%
Decline to answer	3%	6%
Number of Clients		
0 - 50	8%	21%
51 - 100	30%	42%
101 - 250	33%	28%
Over 250	29%	9%

Profitability in 2018	Successful Advisors	All Other RIAs/Fee-Based Advisors
Increase substantially	35%	19%
Somewhat increase	54%	64%
Stay flat	6%	13%
Somewhat decrease	4%	3%
Decrease substantially	1%	<.5%
Don't know/Not Sure	0%	1%
Financial Outlook for 2018		
Very optimistic	32%	24%
Somewhat optimistic	32%	42%
Neutral	12%	13%
Somewhat pessimistic	9%	13%
Very pessimistic	15%	8%
Age		
Millennial: 18-37 years	41%	46%
Generation X: 38-53 years	40%	30%
Baby Boom: 54-72 years	18%	22%
Matures: 73+ years	0%	2%
MEAN	41	42
Segment Size	n=136	n=624

INTRODUCING OUR SUBJECT MATTER EXPERTS:

We interview leading subject matter experts to provide you with a deeper understanding of the innovation and issues that matter most. In this *Advisor Authority* Special Report, our experts reveal what differentiates the successful advisors who earn more and manage more AUM. They discuss their approach for balancing short-term initiatives with long-term investments, and they share strategies for driving growth and enhancing profitability.

You'll find their expert commentary at various points throughout our Special Report, as well as a more in-depth interview with each expert in a dedicated section at the end of this report. Through their innovative solutions and actionable insights, you can adapt to change, stay a step ahead and define your own path to success.



Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

Alexander J. Gross is a Managing Director at Daintree Advisors. In his role as a Senior Client Advisor, Mr. Gross provides holistic financial planning to clients in the context of their investment management, estate and income tax planning, philanthropy, insurance, and cash flow management. Prior to joining Daintree Advisors, Mr. Gross was an Associate Director of Client Management at Wells Fargo Family Wealth (and its predecessors Wachovia and Tanager Financial Services). Before Wells Fargo, he provided financial and tax planning services at Arthur Andersen LLP. Mr. Gross earned a B.A. in Financial Accounting from Bryant University and a Masters in Taxation from Bentley University. He is a Certified Public Accountant and a CERTIFIED FINANCIAL PLANNER™ practitioner.



Maria A. Staffiere

RLP

Principal Financial Counselor, Weston Financial Group, Inc.

Maria A. Staffiere, RLP, is a Principal Financial Counselor and has been with Weston Financial since 1985. Staffiere provides financial counsel to senior executives and their families to develop and implement their personalized financial plan. She specializes in aligning clients' life goals with their financial goals while designing long-term strategic tax, risk management techniques, asset allocation, and investment solutions. In addition, Staffiere works extensively with founders and executives of pre and post-IPO companies to design tax efficient exit strategies that allow for the diversification of their stock proceeds. She graduated from Suffolk University, Cum Laude, with a B.S. in Business Administration. Staffiere volunteers her time with Junior Achievement.

Executive Summary

TEN TRAITS OF SUCCESSFUL ADVISORS: Adapt—or Be Left Behind

Change is a constant in the fast-moving financial advisory space. The race is on—and there is no turning back. The most successful advisors are already a step ahead. To keep pace, all advisors must adapt—or be left behind. You can win by recognizing that the very same trends that are driving change in our industry are not your obstacles—but are your allies.

Successful advisors are the true change agents of our industry. By studying the ways they adapt and leverage their competitive advantages, we discovered ten traits of successful advisors that will help you define and ruthlessly refine your own path to success.

- 1. BE A TECH INNOVATOR** One factor which sets successful advisors apart from all other advisors is their focus on technology. They make it a practice management priority, use it to improve efficiencies and accuracy, enhance client relationships, attract the next generation of clients—and ultimately to drive profitability.
- 2. HARNESS THE COMPETITIVE EDGE OF ARTIFICIAL INTELLIGENCE** The most successful advisors are adapting their practice by adopting Artificial Intelligence (AI). They use AI to transform every aspect of the customer experience, from the front-end to the back office, opening the door to a new category of client, offering a new universe of products and solutions—and ultimately gaining an edge over the competition.
- 3. PUT CLIENTS FIRST** Successful advisors know that putting clients first is the foundation for a thriving practice. It all begins with a fiduciary standard. By aligning with their clients' best interest, successful advisors earn their trust, deepen the advisor/investor relationship—and bring more assets under management.
- 4. TARGET AN EMERGING MARKET OF NEW CLIENTS** Year-over-year, the pursuit of profitability is a top priority—and the push for new clients remains a top driver of profits for successful advisors. To drive greater growth and build a strong base for the future of their practice, successful advisors are targeting Generation X and Millennial investors.
- 5. BE A MARKETING INNOVATOR** The most successful advisors are more likely to have a strategy to attract the next generation of investor. Go mobile, use social media and work with every member of the family to build a foundation for the future.
- 6. RETAIN HEIRS** The most successful advisors are far more likely to have an actionable strategy in place to retain clients' heirs—and to retain their share of the \$30 trillion that Baby Boomers will transfer to the next generation.
- 7. TAKE ACTION ON TAXES** Taxes continue to be the single biggest investment expense many clients will face, especially the High Net Worth. In response to new tax reforms, successful advisors are adapting their approach to tax-advantaged investing and expanding their services to drive more tax planning business.
- 8. BE BULLISH ON M&A** Successful advisors understand how to adapt to industry trends like M&A to benefit the growth of their firm. They are optimistic about the impact of M&A and consolidation as a way to tap into greater resources.
- 9. BEAT FEE COMPRESSION** As fees “race to the bottom,” driven by consumer demand for lower costs and transparency, increasing use of technology and increasing competition, there are significant pricing pressure on all advisors. Successful advisors are better prepared to adapt—by putting clients first, seeing tech as an ally and focusing on the best ways to create a competitive edge.
- 10. PLAN YOUR SUCCESSION** Successful advisors understand the importance of establishing a succession plan for their firm. To ensure their firms are not tied to a single generation of advisors—or a single generation of clients—they develop and promote talent to cultivate a future generation of leadership.

OPTIMISM AND PROFITABILITY STRONG

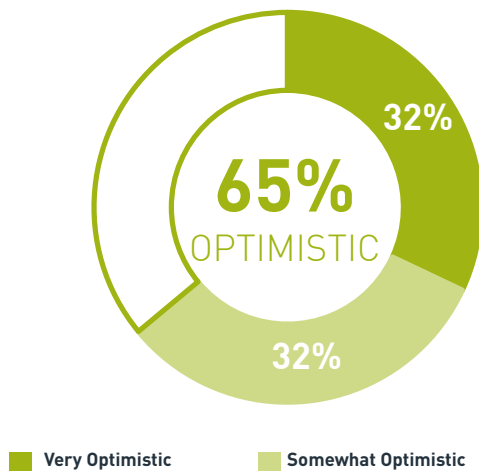
Successful advisors, when compared to all other RIAs and fee-based advisors, are somewhat more likely to describe their financial outlook for 2018 as very optimistic (32% vs 24%). Likewise, they are also far more likely to expect the profitability of their practice to increase substantially in the next 12 months (35% vs 19%).

Year-over-year, both successful advisors and all other advisors say that adding new clients is the number one thing they will do to enhance the profitability of their practice over the next 12 months (49% and 55%). This year both groups also say top factors include targeting High Net Worth clients (26% and 33%), attracting and retaining clients heirs (26% and 30%) and adding a younger generation of clients (26% and 26%).

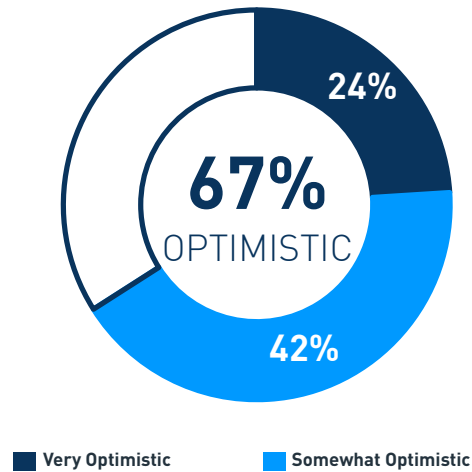
For driving profitability, there is one factor which sets successful advisors apart from all other advisors. Successful advisors are somewhat more likely to focus on the importance of adding new technology, rating it second among the most important factors for driving profitability, while all other advisors rate it fourth (35% vs 28%).

FINANCIAL OUTLOOK

 **SUCCESSFUL ADVISORS**



 **ALL OTHER ADVISORS**



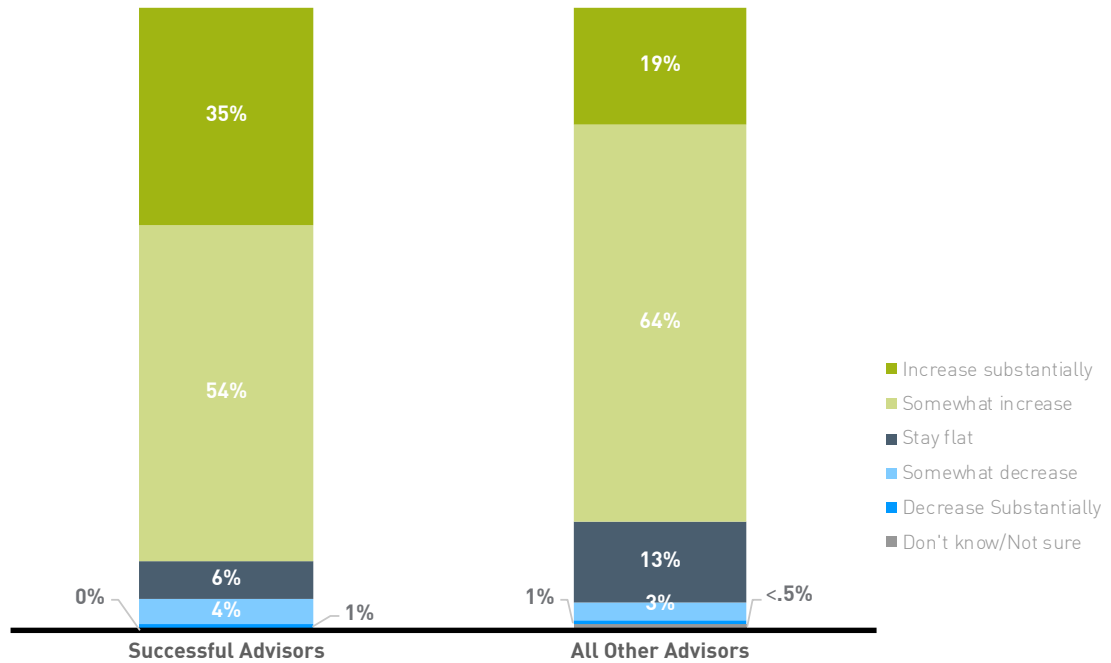
“Keep looking to the future, thinking about your next stage and preparing to grow your practice. You have to accept change, you have to work on it, or else you’re going to be left behind.”

Alexander J. Gross

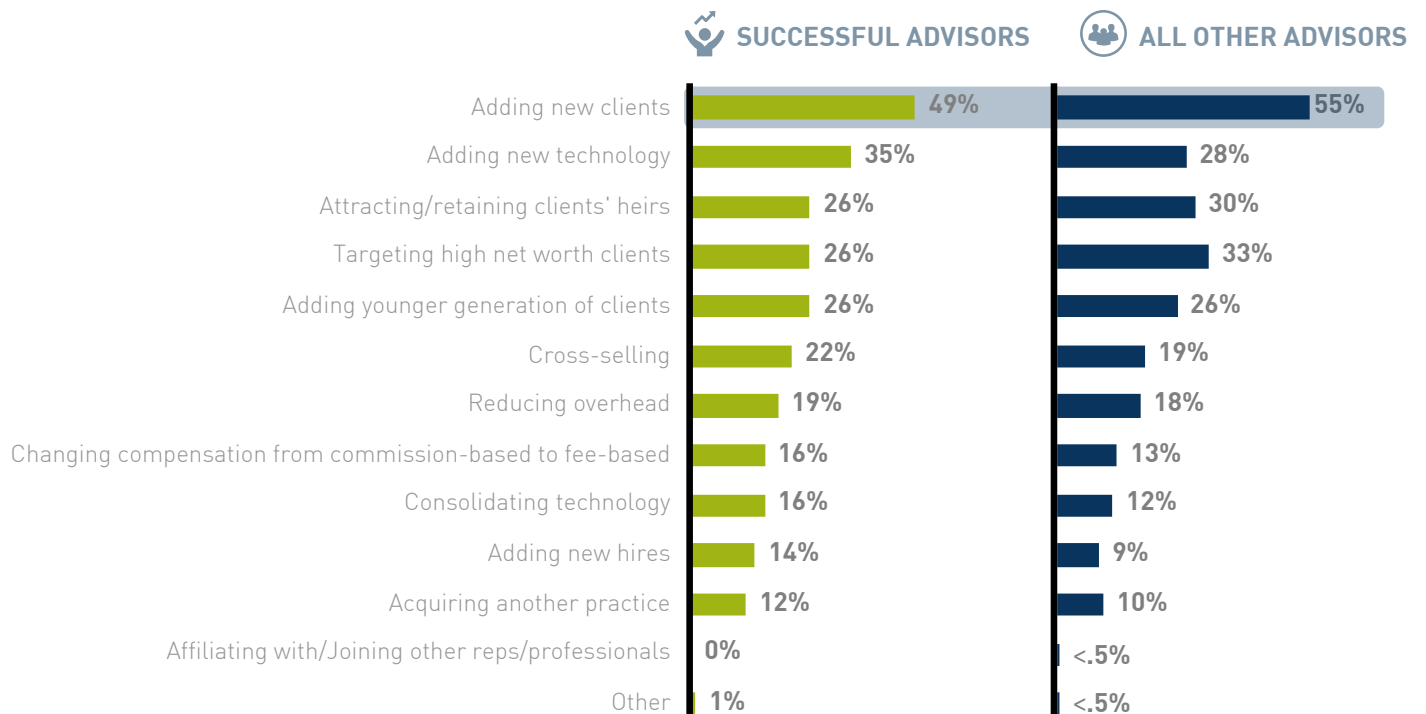
CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

**PROFITABILITY OF PRACTICE
(OVER NEXT 12 MONTHS)**



MOST IMPORTANT SOLUTION TO ENHANCE PROFITABILITY OVER NEXT 12 MONTHS

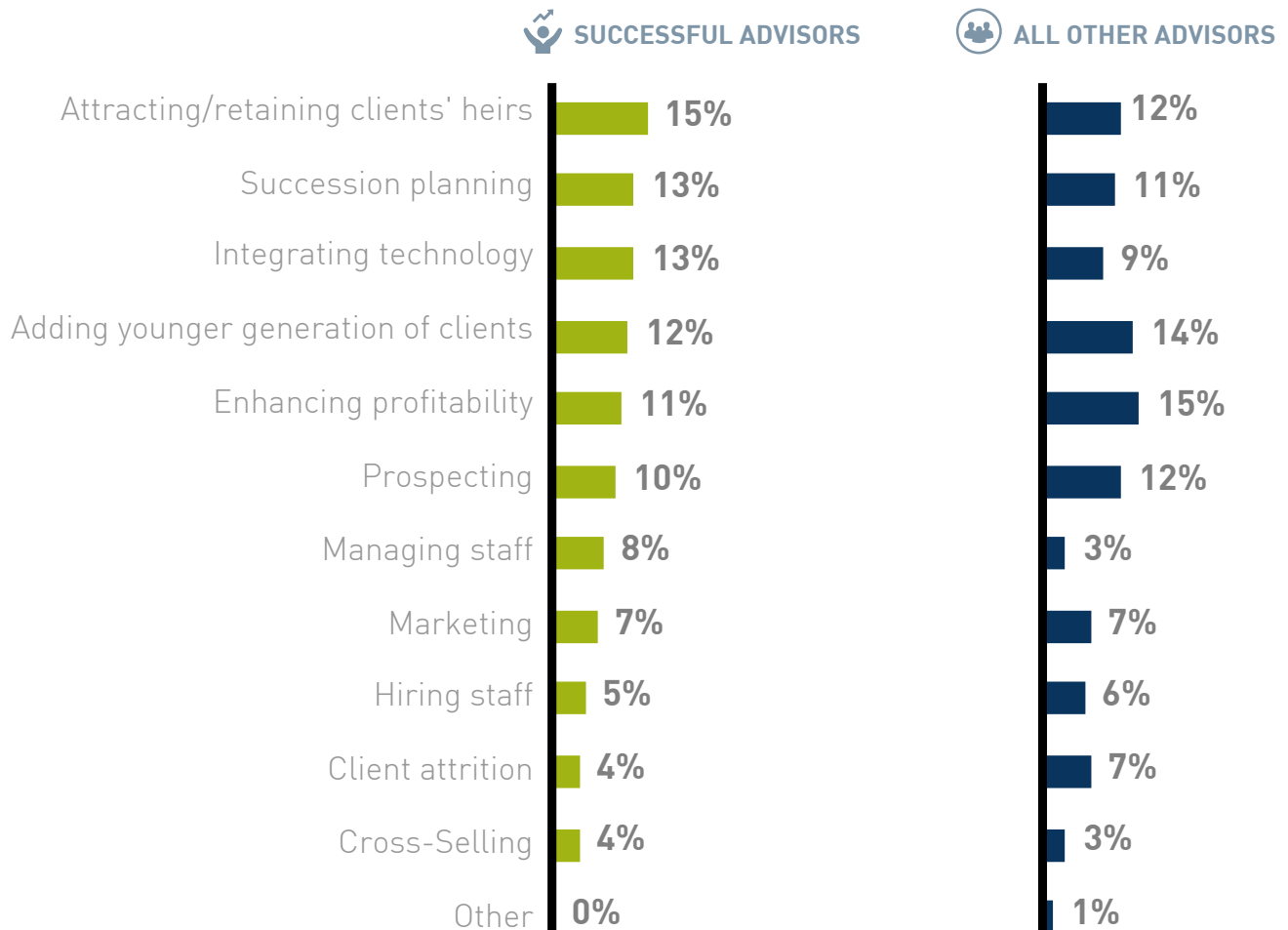


Just as successful advisors say that adding new clients is the number one factor for driving profitability, they also say that attracting/retaining clients' heirs is their number one practice management concern (15%) and adding a younger generation of clients is third (12%). Likewise, all other advisors say that adding a younger generation of clients is second (14%), while attracting/retaining clients' heirs and prospecting are tied for third (both 12%).

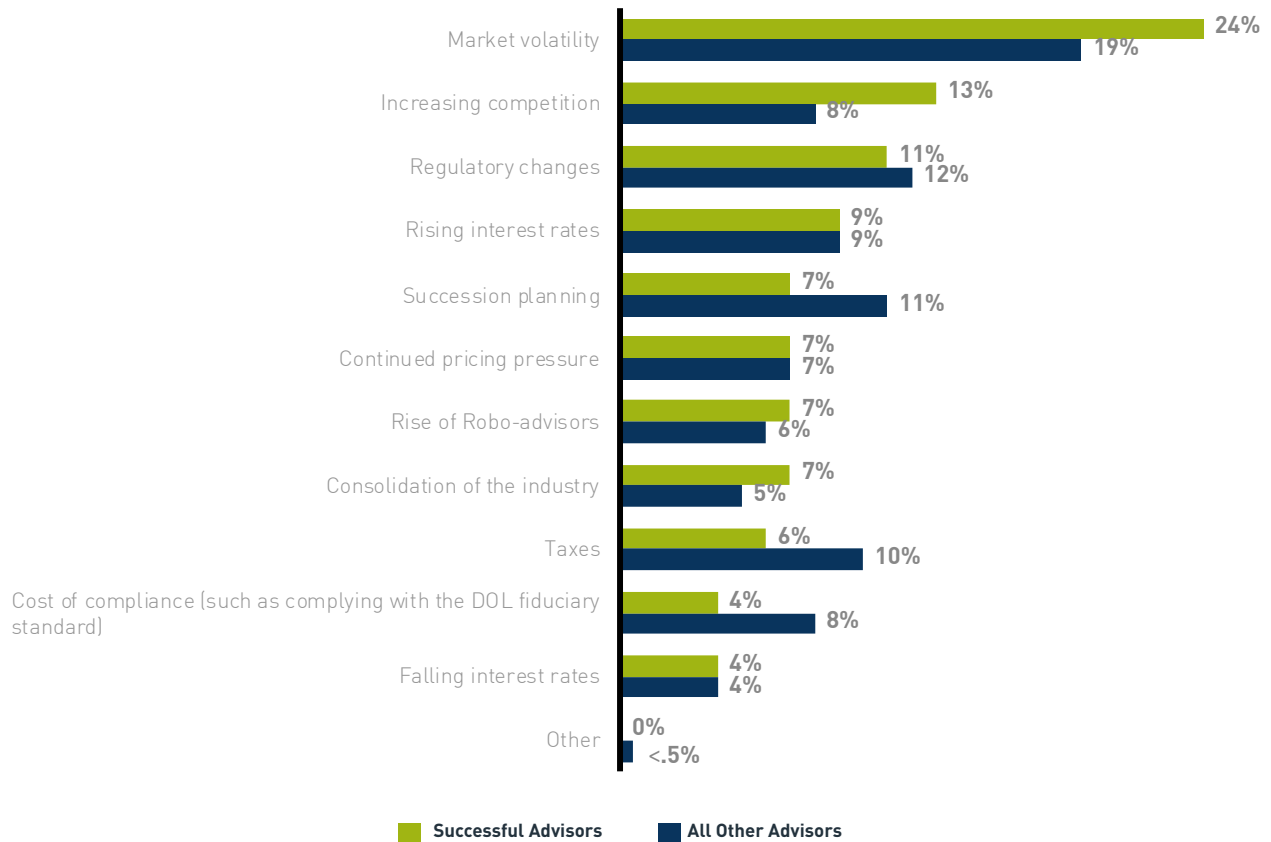
Again, what sets successful advisors apart from all other advisors is their focus on integrating technology, tied with succession planning for second (both 13%). Successful advisors are already more profitable—and more likely to say that their profitability will increase substantially—while all other advisors say that enhancing profitability (15%) is their number one practice management concern.

When asked what macro factors will impact the success of their practice over the next 12 months, both successful advisors and all other advisors say market volatility is their number one concern (24% and 19%). With an eye on maintaining their market share, successful advisors cite increasing competition second (13%), and regulatory changes third (11%).

PRACTICE MANAGEMENT ISSUE OF MOST CONCERN OVER NEXT 12 MONTHS



MACRO FACTOR OF MOST CONCERN OVER NEXT 12 MONTHS



“The relationship is everything. The relationship is the beginning, the middle and the end for the success of our firm. It is the core, and it must be backed with trust... When clients trust you, when they know you’re on the same side of the table, you almost become like a family member. You’re the first person outside of the family they call with good news and bad news.”

Maria A. Staffiere

RLP

Principal Financial Counselor, Weston Financial Group, Inc.

“We don’t have revenue goals, or AUM goals, or goals around adding a certain number of new clients. For our success, service is everything. Our number-one goal is to make sure that the clients we serve are satisfied clients.”

Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

BE A TECH INNOVATOR

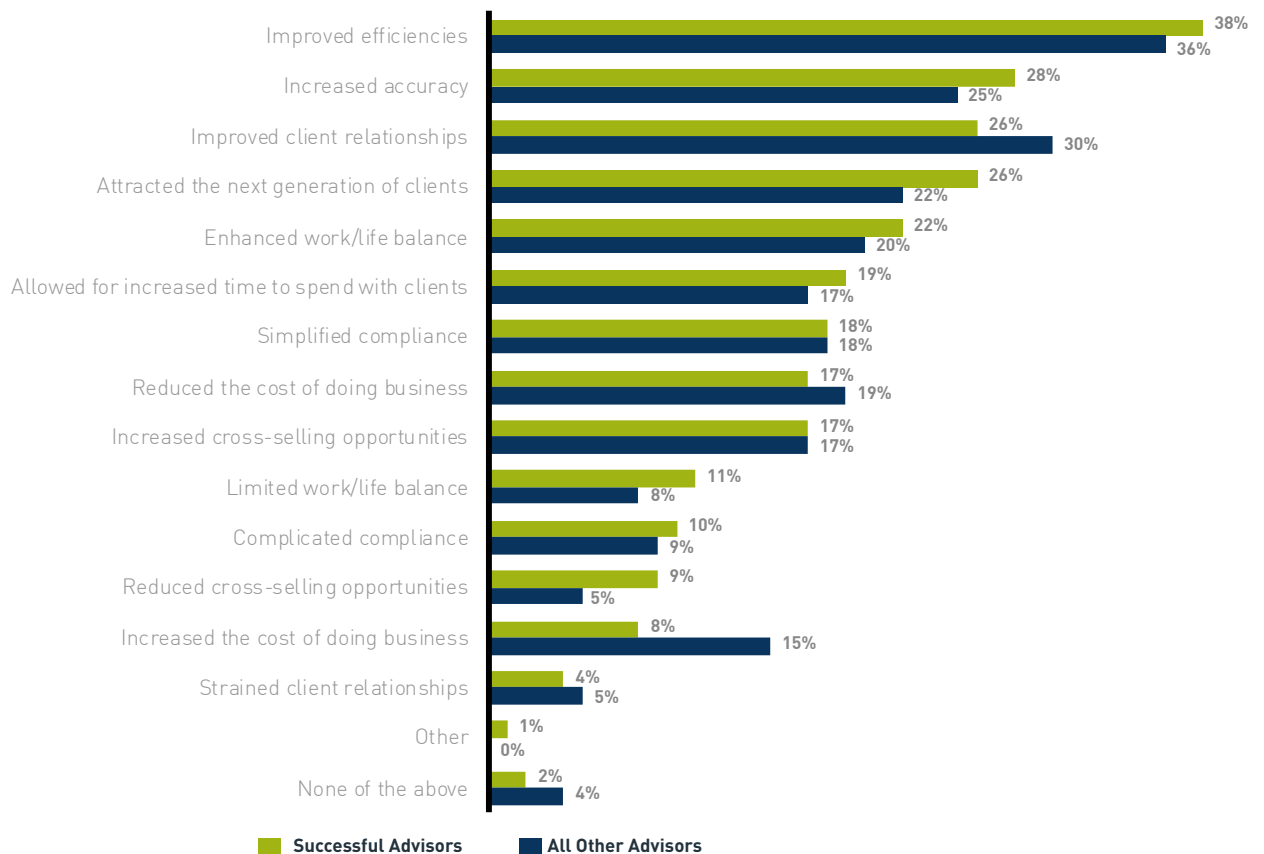
As the industry becomes more competitive and commoditized, successful advisors are ready to adapt—and their approach to using technology sets them apart. Successful advisors are somewhat more likely to say technology is a top factor to enhance profits—and somewhat more likely to say that integrating technology is a top practice management priority.

When asked the top ways that technology has impacted their business over the past 12 months, the most successful advisors and all other advisors are aligned. Both cite improved efficiencies (38% and 36%), increased accuracy (28% and 25%), improved client relationships (26% and 30%) and attracted the next generation of clients (26% and 22%).

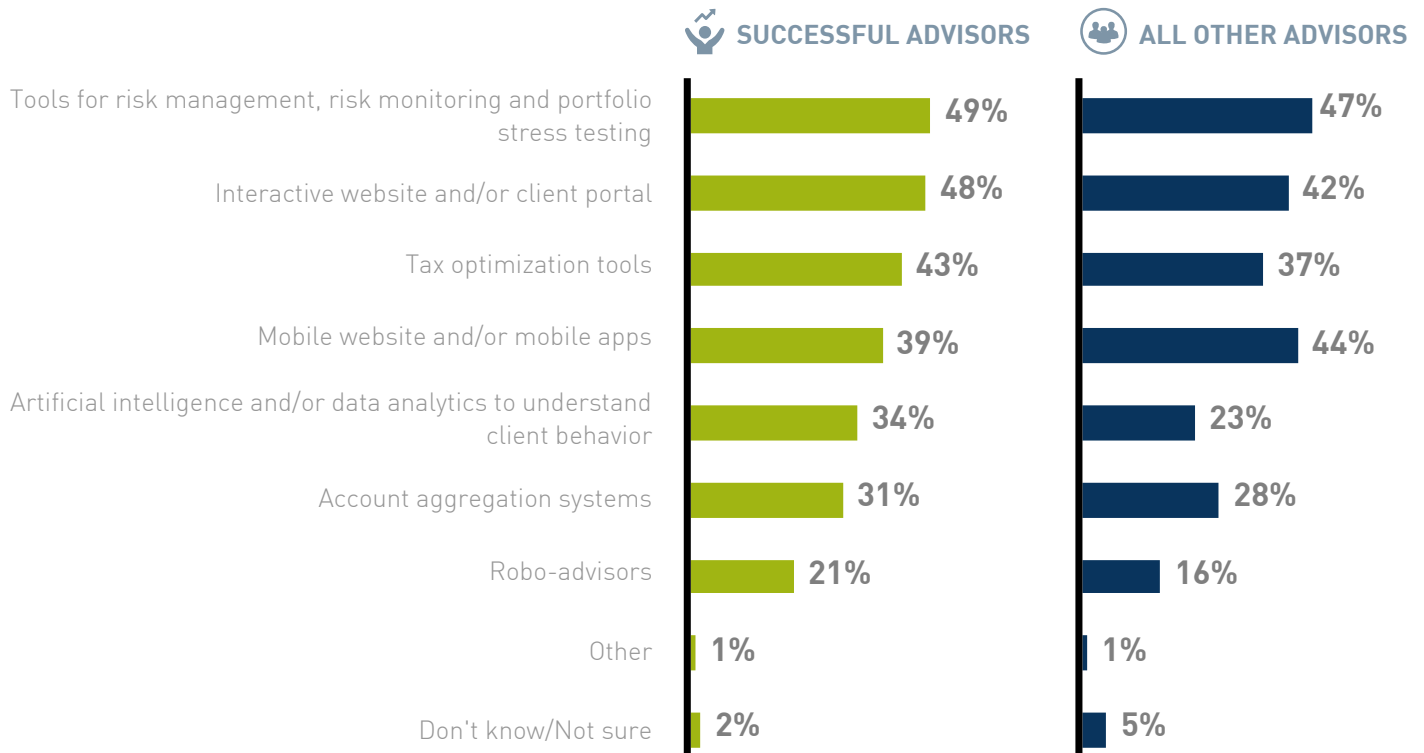
Perhaps because market volatility is the macro factor that concerns them most, both successful advisors and all other advisors agree tools for risk management, risk monitoring and portfolio stress testing (49% and 47%) is the number one type of technology they will integrate into their practice in the next 12 months. Successful advisors are also somewhat more likely to select interactive website and/or client portal (48% vs 42%) and tax optimization tools (43% vs 37%).

It is also worth noting that successful advisors are far more likely to select Artificial Intelligence and/or data analytics to understand client behavior (34% vs 23%). As these findings show, successful advisors are more likely to adapt their practice by adopting AI.

IMPACT OF TECHNOLOGY OVER PAST 12 MONTHS



TECHNOLOGY MOST LIKELY TO BE INTEGRATED IN NEXT 12 MONTHS



"I think it does include a commitment and an investment by the firm to the right technology, both for creating the back office efficiencies and also for the client-facing experience."

Maria A. Staffiere

RLP

Principal Financial Counselor, Weston Financial Group, Inc.

"Growth, profitability and technology are completely interrelated. Leverage technology to be more efficient, so you can drive growth and be more profitable."

Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

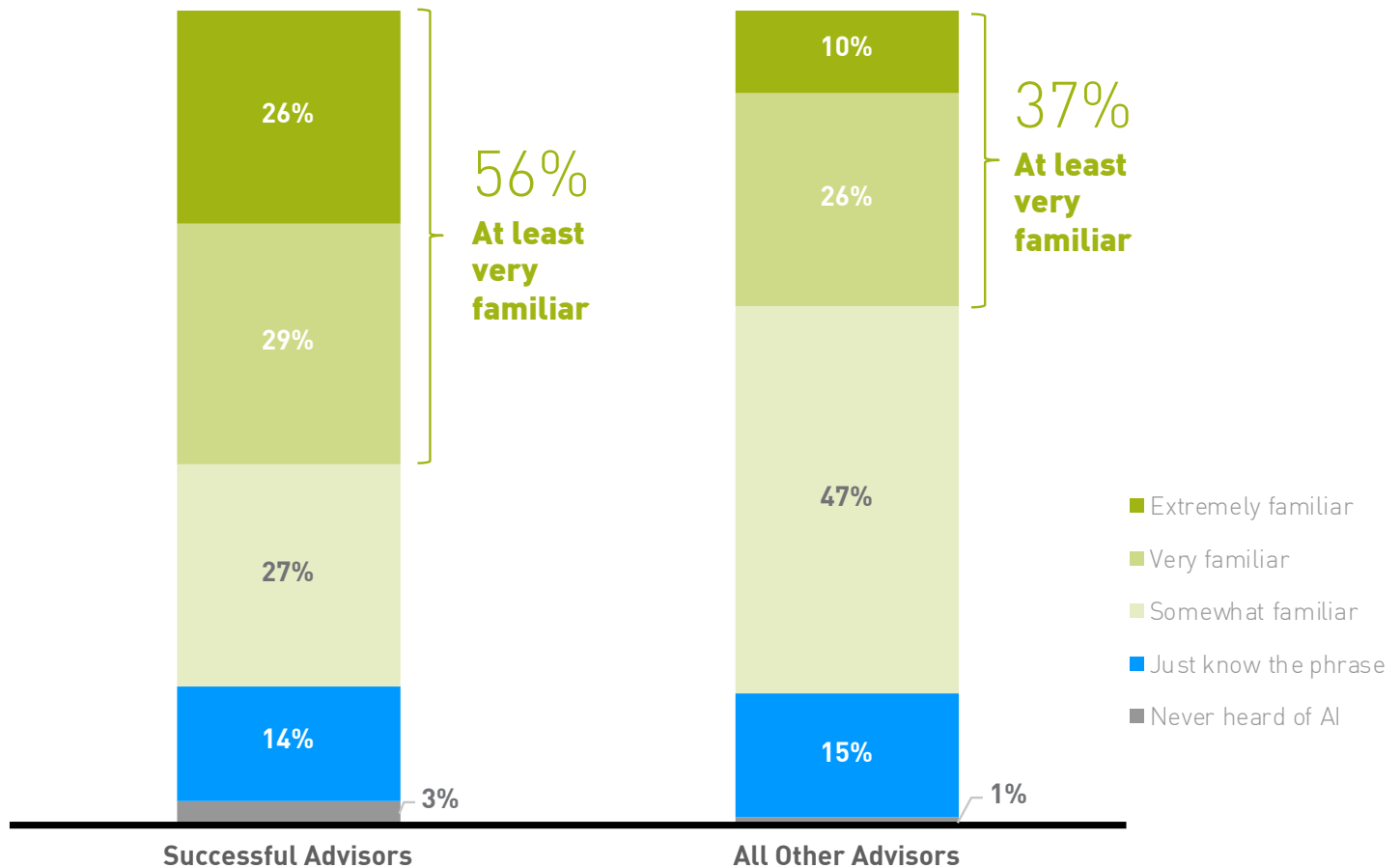
HARNESS THE COMPETITIVE EDGE OF ARTIFICIAL INTELLIGENCE

Once the domain of large institutions with deep pockets, [Artificial Intelligence has been known for its use by retail giants](#) like Amazon, Apple and Google to gain insight into consumer behavior, and by top portfolio managers and hedge funds to gain an edge over the market.

Now, the most successful advisors are adapting their practice by adopting Artificial Intelligence to gain an edge over the competition—transforming every aspect of the customer experience, from the front-end to the back office, opening the door to a new category of clients and offering a new universe of products and solutions.

Among advisors who are at least somewhat familiar with AI, successful advisors, as compared to all other advisors, are far more optimistic about AI’s impact on financial planning (68% vs 54%), far more likely to use AI in their practice (49% vs 30%), and far more likely to add more AI in the next 12 months (65% vs 47%). In turn, successful advisors are also far more likely to believe integrating AI will give their firm a competitive edge (79% vs 63%).

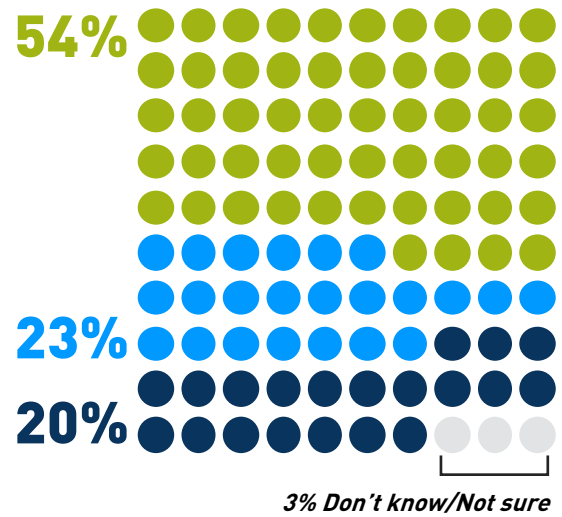
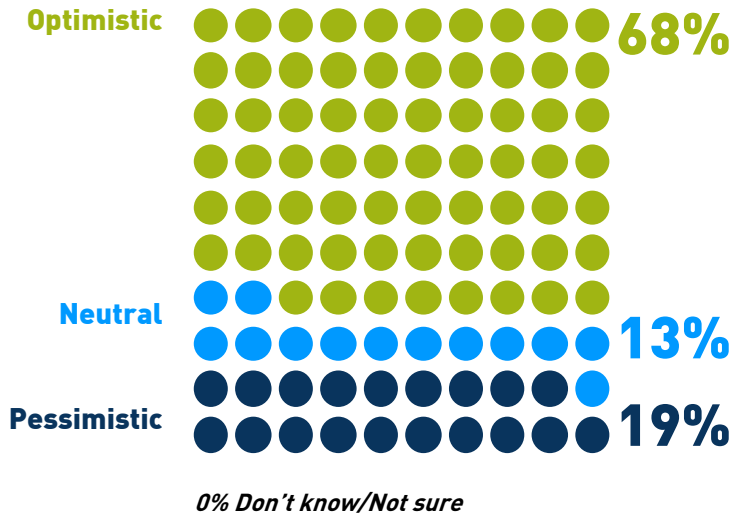
SUCCESSFUL ADVISORS MORE FAMILIAR WITH AI



SUCCESSFUL ADVISORS MORE OPTIMISTIC ABOUT AI

 **SUCCESSFUL ADVISORS**

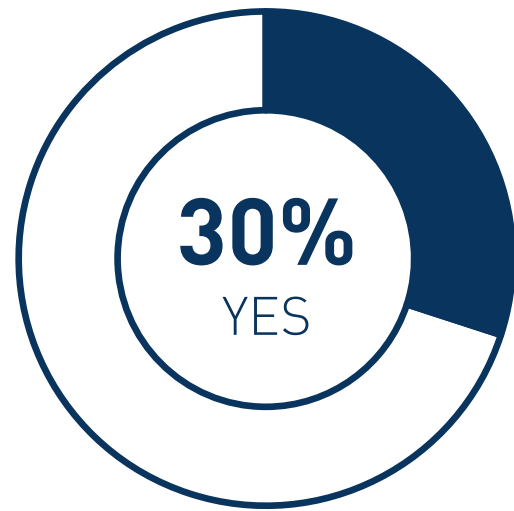
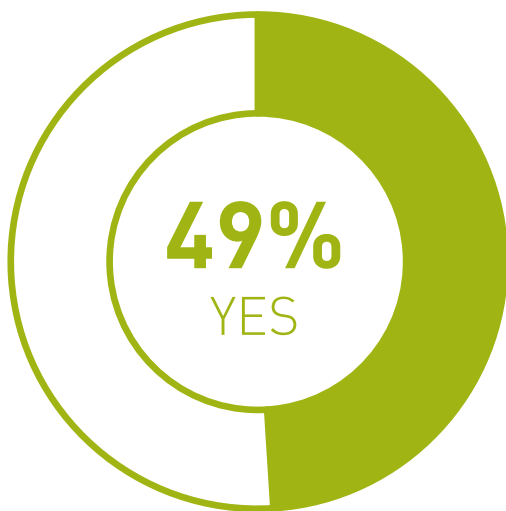
 **ALL OTHER ADVISORS**



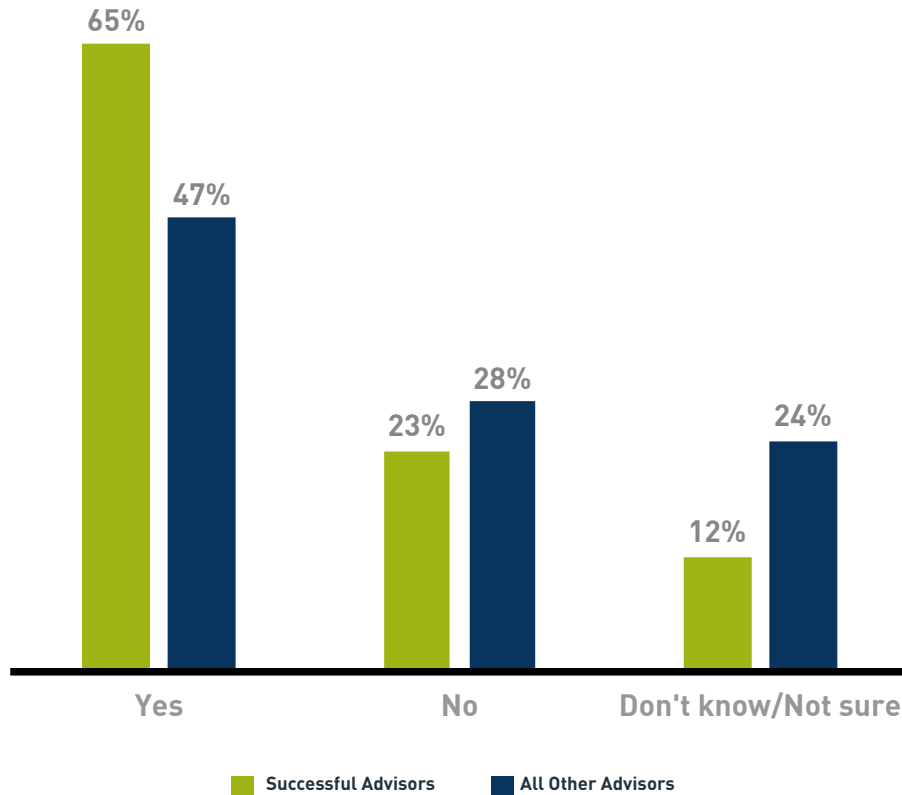
MORE SUCCESSFUL ADVISORS USE AI

 **SUCCESSFUL ADVISORS**

 **ALL OTHER ADVISORS**

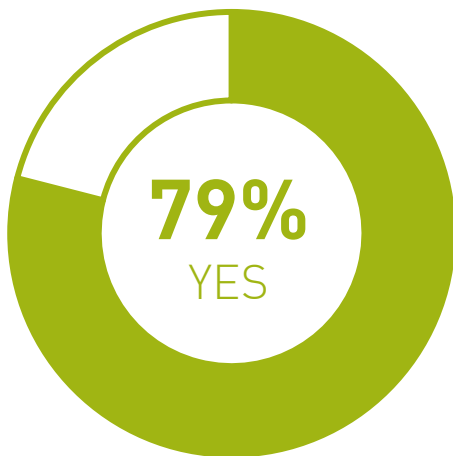


SUCCESSFUL ADVISORS WILL ADD MORE AI

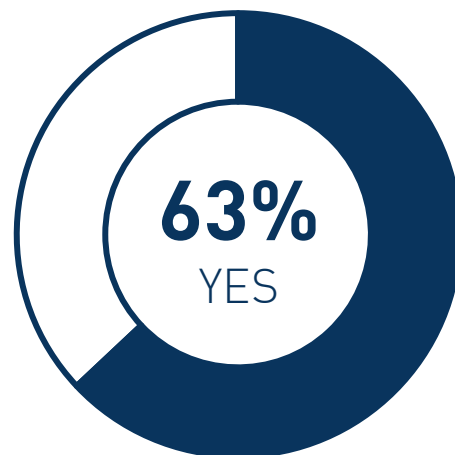


AI CREATES A COMPETITIVE ADVANTAGE

SUCCESSFUL ADVISORS



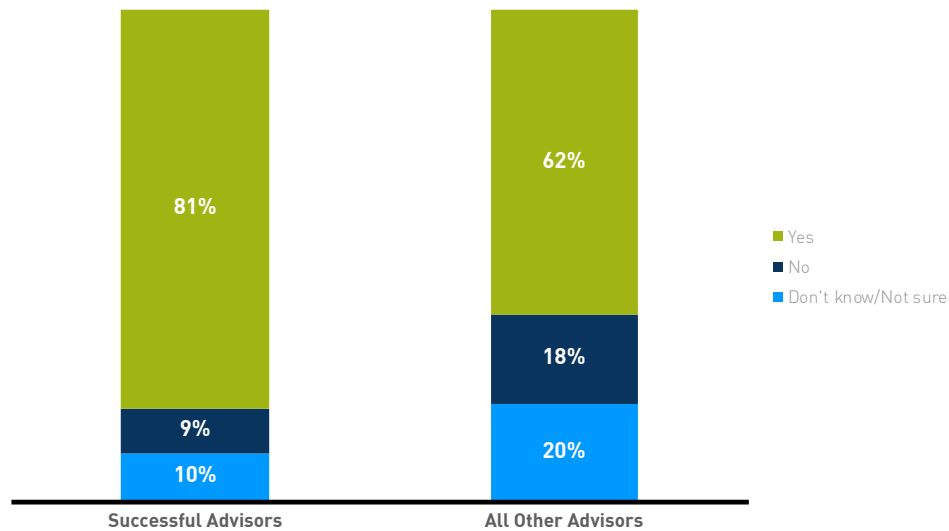
ALL OTHER ADVISORS



Among advisors who are at least somewhat familiar with AI, successful advisors, as compared to all other advisors, are far more likely to believe that Artificial Intelligence will improve the advisor/investor relationship (81% vs 62%). This is important, because a strong advisor/investor relationship is the foundation for creating a unique customer experience and a distinct competitive advantage according to last year’s *Advisor Authority* study.

Among those who believe AI will improve this relationship, successful advisors are somewhat more likely than all other advisors to say the number one way is by helping them provide for more personalized, holistic planning strategies (45% vs 35%). This is noteworthy, because year-over-year *Advisor Authority* has shown that investors consistently rate personalized holistic planning among the top three factors for choosing an advisor.

AI WILL IMPROVE THE ADVISOR/INVESTOR RELATIONSHIP



TOP THREE WAYS AI WILL IMPROVE THE ADVISOR/INVESTOR RELATIONSHIP

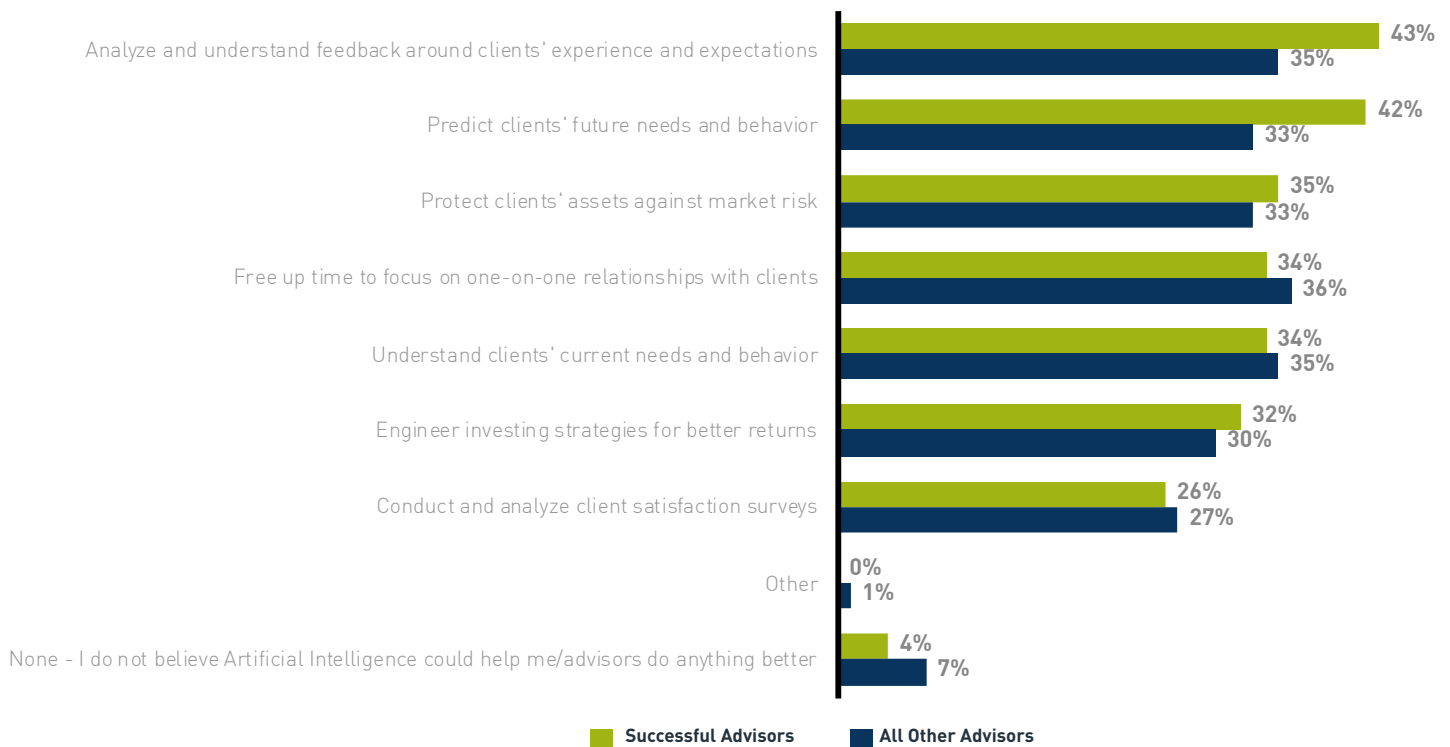


*Caution: Small base size (<100) for successful advisors; Interpret results with caution.

Successful advisors are squarely focused on using Artificial Intelligence to better understand and better serve their clients. When asked what AI could help them do better, among those who are at least somewhat familiar with AI, successful advisors are slightly more likely than all other advisors to say the top three ways include: analyze and understand feedback around clients' experience and expectations (45% vs 35%), predict clients' future needs and behavior (42% vs 33%) and protect clients' assets against market risk (35% vs 33%).

Successful advisors are also far more likely than all other advisors to strongly agree that AI will help them select products to achieve clients' financial goals (35% vs 15%). But even in an age of Artificial Intelligence, instantaneous digital communications and anywhere/anytime technology, this year's findings confirm that successful advisors and all other advisors still agree that face-to-face meetings are their preferred form of communication with clients (40% and 36%).

TOP WAYS AI HELPS ADVISORS WORK BETTER



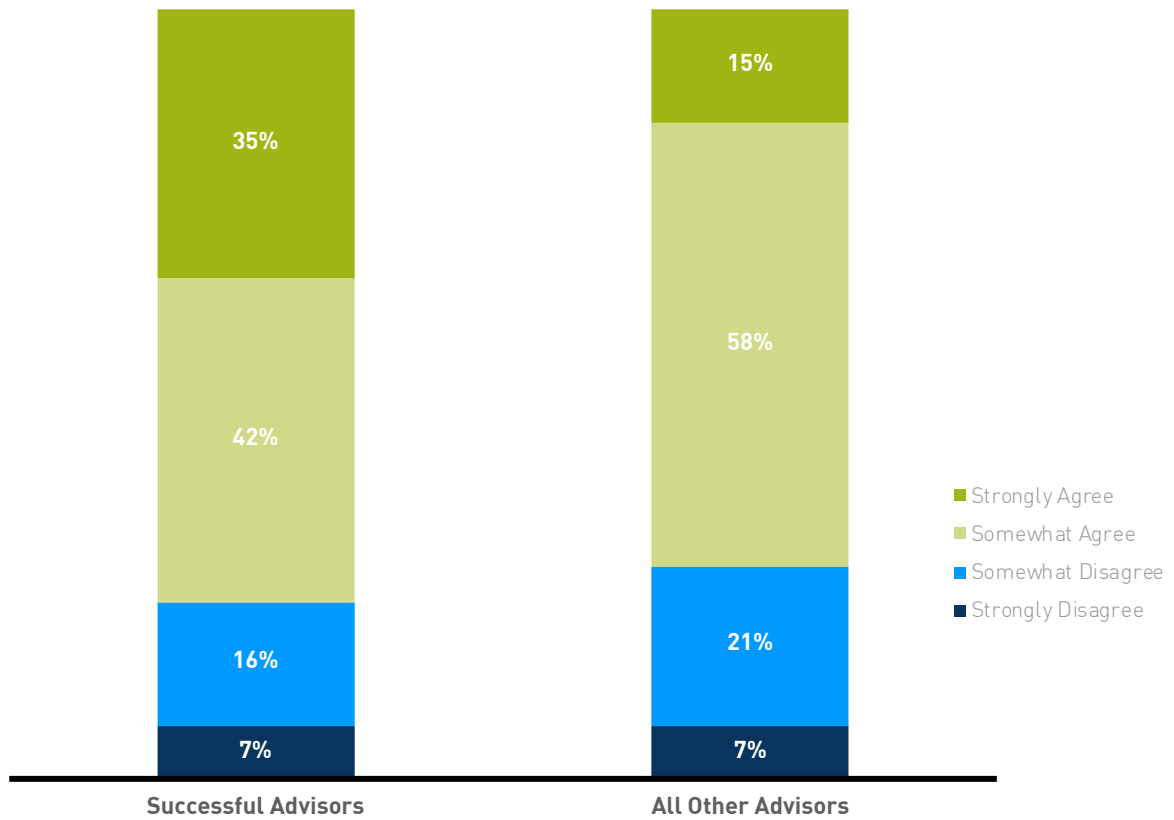
“Automate operations so you can actually spend more time with your clients, to deepen the relationship and meet more of their needs. There’s always a cost up front, both time and money, but you’ll see a lot of dividends.”

Alexander J. Gross

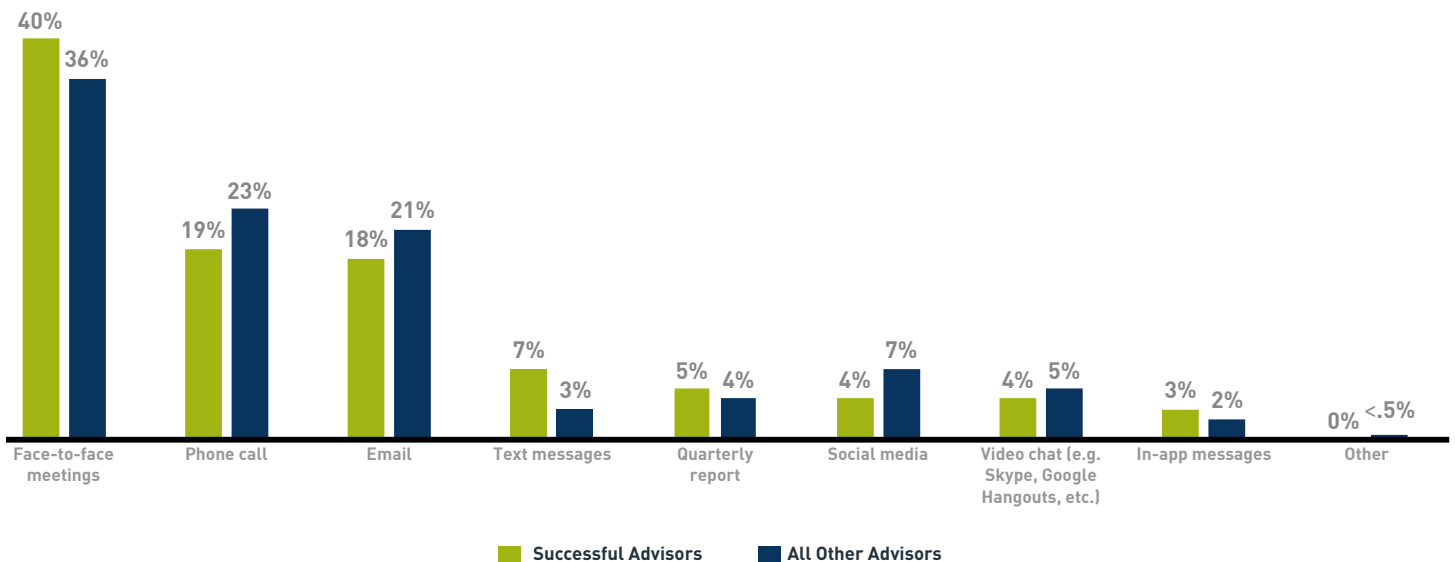
CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

ADVISORS USE AI TO HELP CLIENTS ACHIEVE FINANCIAL GOALS



NOTHING CAN REPLACE FACE TO FACE



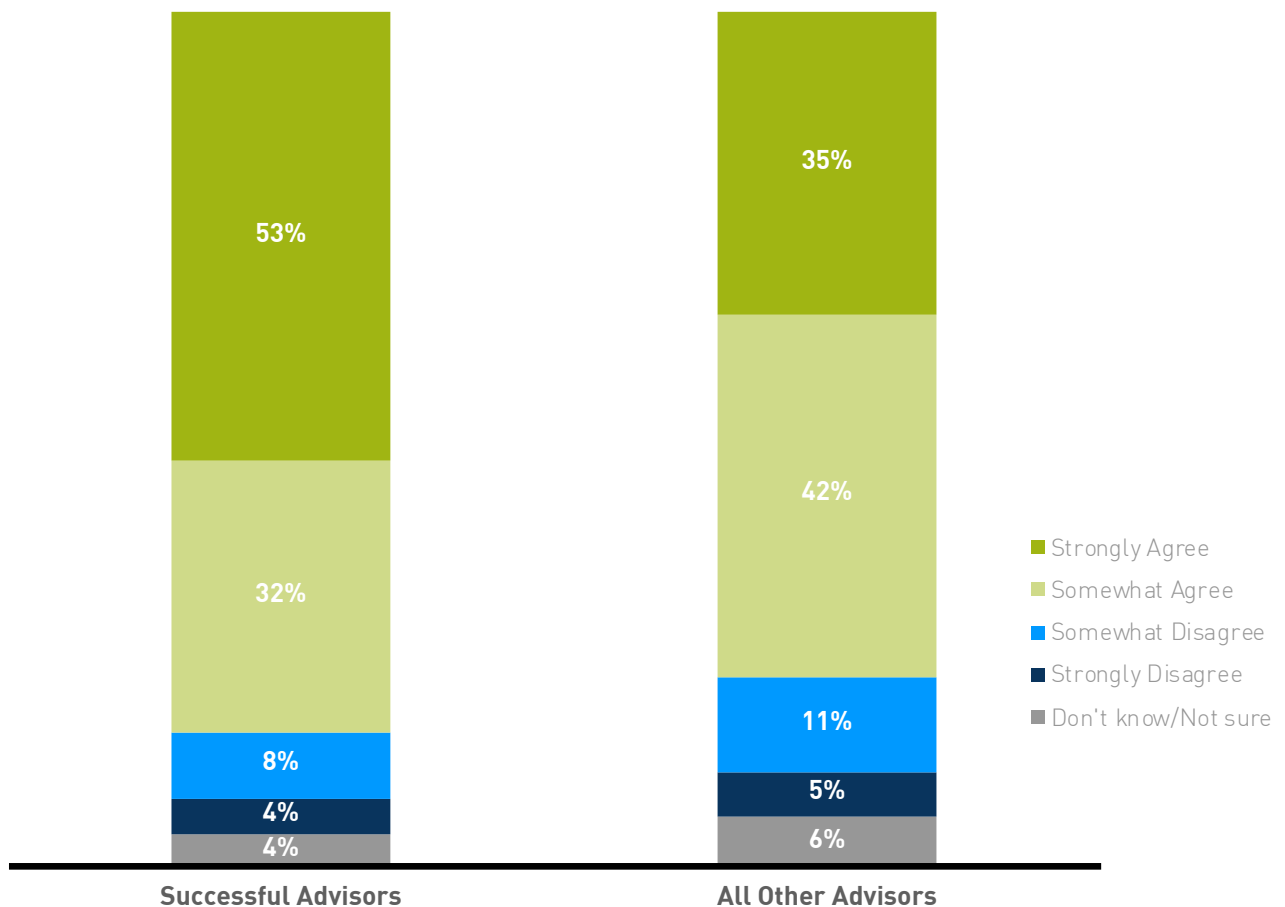
PUT CLIENTS FIRST

Successful advisors know that putting clients first is fundamental for the growth, health and profitability of their practice. By understanding clients’ needs and aligning with their best interest, successful advisors earn their clients’ trust, deepen the advisor/investor relationship—and ultimately bring more assets under management.

It all begins with a fiduciary standard. [Year-over-year](#) *Advisor Authority* has shown that investors consistently rate a fiduciary standard among the top three most important factors for choosing an advisor. And as last year’s study has shown, nearly half of investors (48%) say they would stop working with an advisor who is not required by law to serve in their clients’ best interest.

While the DOL, the SEC and various states are all engaged in defining and implementing their own version of a fiduciary standard, successful advisors, as compared to all other advisors, are far more likely to strongly agree that there should be one federal fiduciary standard across the financial industry (53% vs 35%). The simplicity and transparency of a uniform standard of care allows successful advisors and their clients to make more informed decisions when working towards financial goals.

"THERE SHOULD BE ONE FEDERAL FIDUCIARY STANDARD"



TARGET AN EMERGING MARKET OF NEW CLIENTS

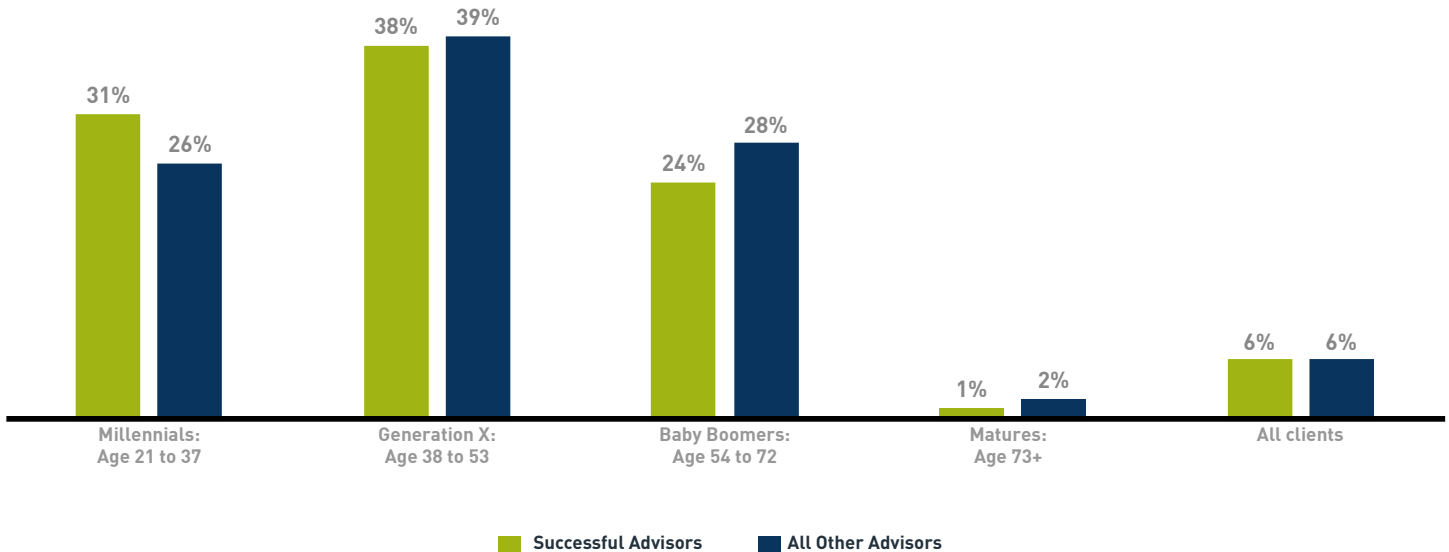
Year-over-year, advisors say the push for new clients remains a top driver of profits. Successful advisors take the extra measure to define their ideal client—identifying who they are, what they do and their top concerns. In this way, successful advisors can customize their practice to understand and anticipate their clients’ wants—and specialize their services to meet their clients’ most important needs.

To drive greater growth, the most successful advisors and all other advisors are most likely to focus on Generation X investors as their primary target (38% and 39%). Gen Xers are in their prime earning years, poised to build more wealth over the next two decades and also positioned to inherit more wealth.

With an eye to building the future foundation for their firm, successful advisors are slightly more likely than all other advisors to target the emerging market of Millennials (31% vs 26%). In recent years, this generation has grown to replace Baby Boomers as the largest cohort—and they are likely to present tremendous potential in the future. While many Millennials are still burdened with debt as they embark on the early stages of establishing a career, studies also show that they are very proactive in preparing for their financial future.

Meanwhile, successful advisors are somewhat less likely than all other advisors to focus on Baby Boomers, as this generation is transitioning away from accumulating assets and shifting into retirement at a rate of 10,000 per day. However, it should be noted that Boomers continue to [control the largest percentage of assets overall](#).

GENERATION OF INVESTORS THAT WILL BE PRIMARY TARGET (OVER NEXT 12 MONTHS)



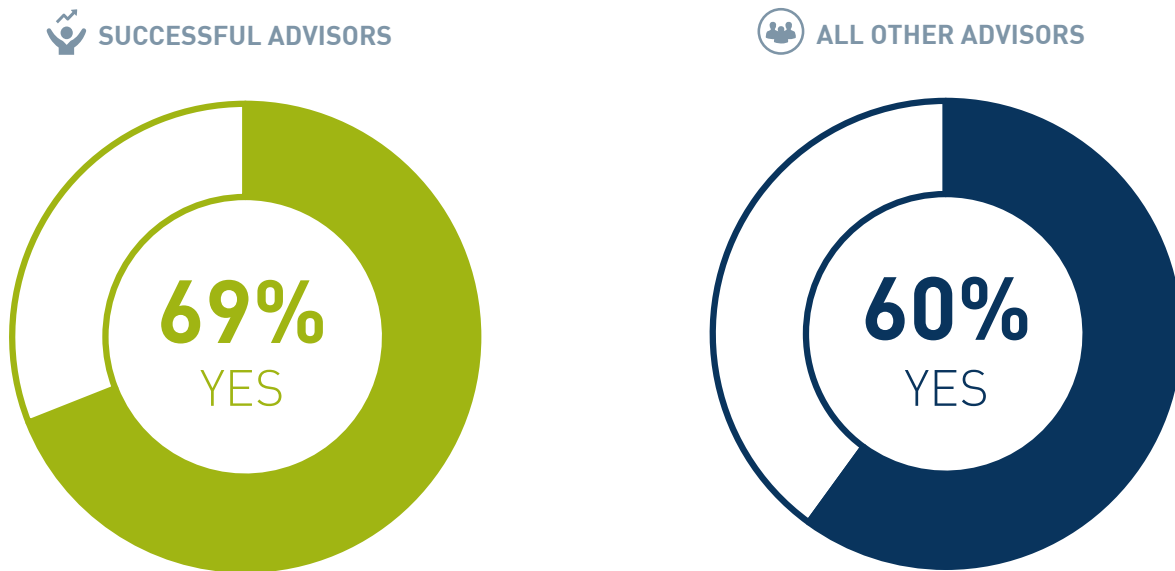
BE A MARKETING INNOVATOR

To extend their reach, build brand equity and capture their share of the emerging market of new clients, successful advisors are far more likely than all other advisors to change their marketing strategies to attract the next generation of investors (69% vs 60%).

This year, successful advisors say increased use of mobile technology is their top solution to attract the next generation of investors (33%), followed by increased use of social media (30%) and working more with a client's family and children (28%).

Given their greater focus on technology, it is noteworthy that successful advisors, when compared to all other advisors, are somewhat more likely to enhance their current website and/or client portal (16% vs 14%), and are slightly more likely to cite the use of robo advisors (12% vs 8%) and robust cyber security procedures (12% vs 8%).

HAS CHANGED STRATEGY TO ATTRACT NEXT GENERATION OF INVESTORS



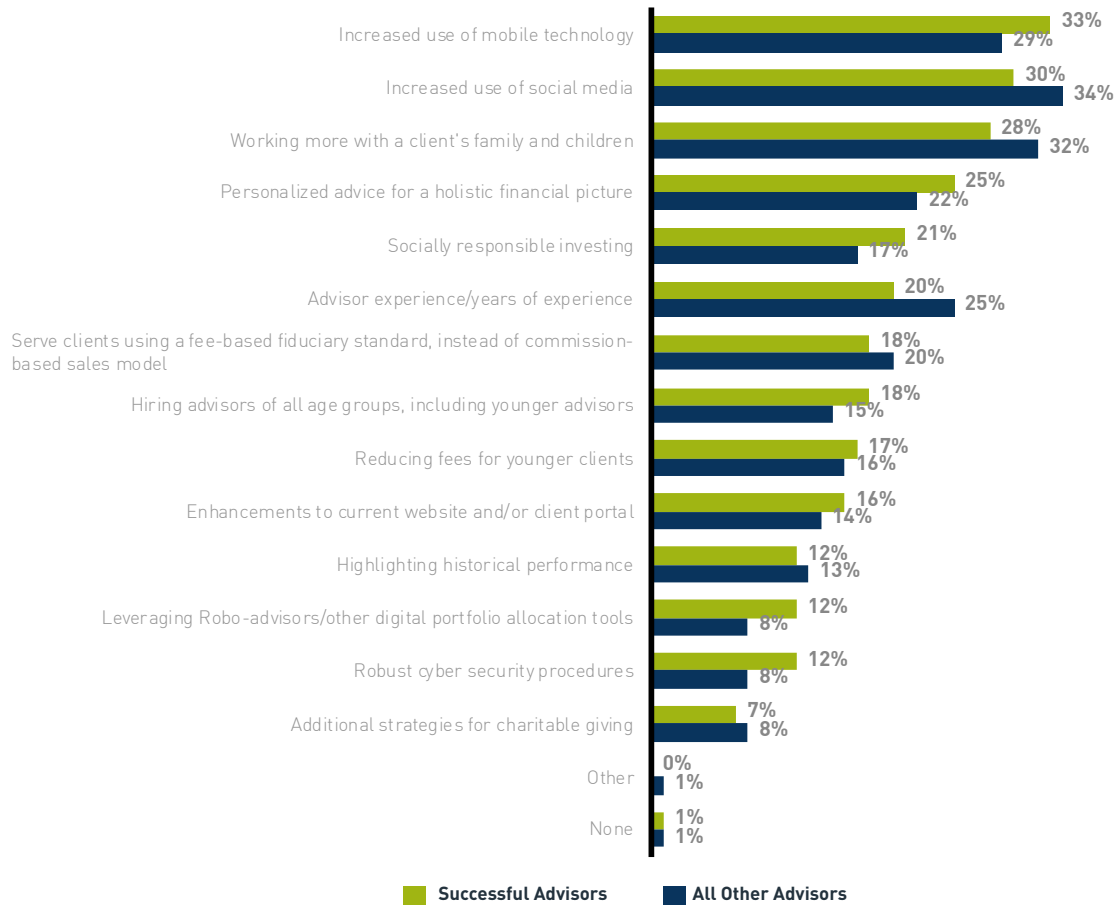
“It’s surprising that some firms haven’t grasped the idea of focusing on the whole family, including the children. Working with clients and their children, educating their children on how to manage wealth, has always been second nature to us. We’ve always done it.”

Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

SOLUTIONS TO ATTRACT NEXT GENERATION OF INVESTORS



“Clients often tell us that what they value most is the work we do with their children and grandchildren. The children rarely leave, because we’ve already been working with them.”

Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

“It includes more innovative tools such as the approach to right social media and mobile technology.”

Maria A. Staffiere

RLP

Principal Financial Counselor, Weston Financial Group, Inc.

RETAIN HEIRS

A great transfer of wealth is taking place over the next three decades. Roughly **\$30 trillion**—almost twice the GDP of the United States—will pass from Baby Boomers to their Gen X and Millennial heirs. Yet, recent studies have revealed that advisors face a tremendous challenge retaining clients’ heirs—with drop-off rates ranging from **65%** to as much as **90%**.

This “Great Wealth Transfer” has become a priority for advisors—especially the most successful, who are determined to retain the next generation of clients as wealth changes hands. Year-over-year, the most successful advisors are far more likely than all other advisors to have a strategy in place to retain clients’ heirs (84% vs 71%).

A proactive strategy to retain heirs may include building a multi-generational team, engaging clients’ heirs in the planning process, offering innovative wealth transfer solutions and partnering with experts such as estate attorneys. By connecting across generations to help clients build and transfer wealth, while also helping their heirs to preserve this inheritance, successful advisors can earn heirs’ trust, keep their business in house and ensure the long-term success of their firm.

HAVE A STRATEGY FOR RETAINING HEIRS

 **SUCCESSFUL ADVISORS**

84%
Yes



 **ALL OTHER ADVISORS**

71%
Yes



“We have a lot of family meetings with the whole family so that the younger generation gets to know us and we get to know them. The family mission statement can be communicated to everyone. When clients pass away, in most cases we have already been advising their children for years—often since they were teenagers. The heirs rarely leave. The transition is seamless.”

Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

TAKE ACTION ON TAXES

Washington politics have been anything but usual, and gridlock over many key issues is causing headaches on both sides of the aisle, but the decisive passage of the Tax Reform and Jobs Act late last year is seen as the most dramatic tax reform package in nearly three decades.

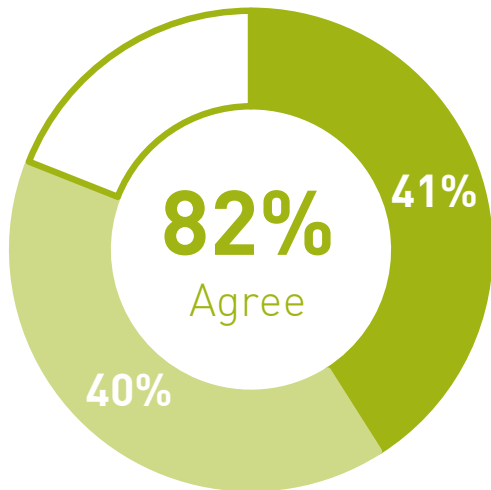
While these reforms may cut taxes for certain clients, taxes continue to be the **single biggest investment expense many will face, especially the High Net Worth**. Taxes can still be as much as 40 percent or more of client’s earnings every single year, when Federal and State taxes are combined.

Successful advisors are taking action. When compared to all other advisors, successful advisors are slightly more likely to agree that they are already adapting their approach to tax-advantaged investing for their clients (82% vs 79%)—and are far more likely to strongly agree (41% vs 23%). Successful advisors are slightly more likely to agree that the majority of their clients will benefit from tax reform (83% vs 79%)—and are far more likely to strongly agree (45% vs 28%).

In turn, successful advisors, as compared to all other advisors, are far more likely to say tax reform will provide them with the opportunity to expand their services and generate more business related to tax planning (74% vs 57%). Successful advisors are also somewhat more likely to agree they will benefit from tax reform (82% vs 76%)—and are far more likely to strongly agree (43% vs 28%).

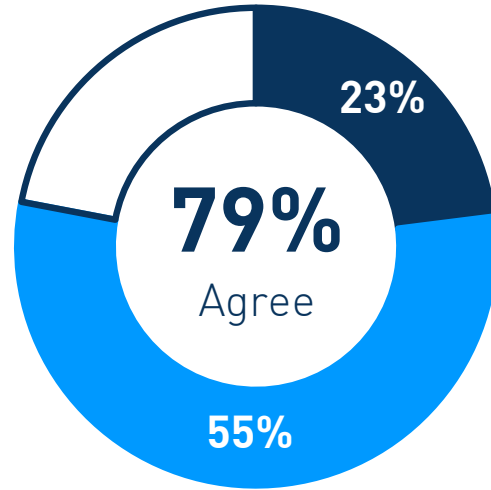
ADAPTING INVESTING APPROACH BASED ON TAX REFORM

 **SUCCESSFUL ADVISORS**



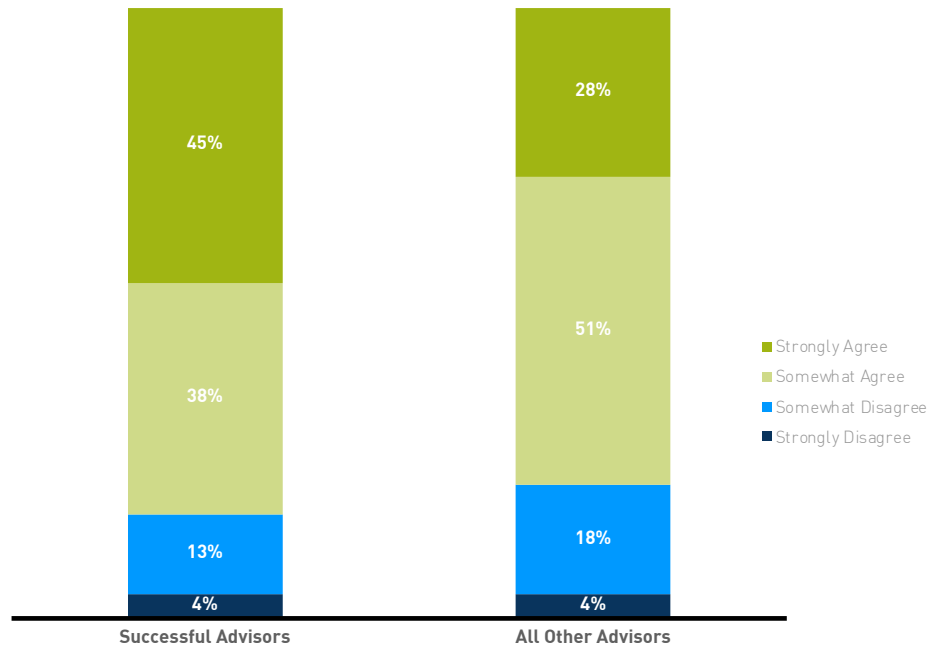
■ Strongly Agree ■ Somewhat Agree

 **ALL OTHER ADVISORS**

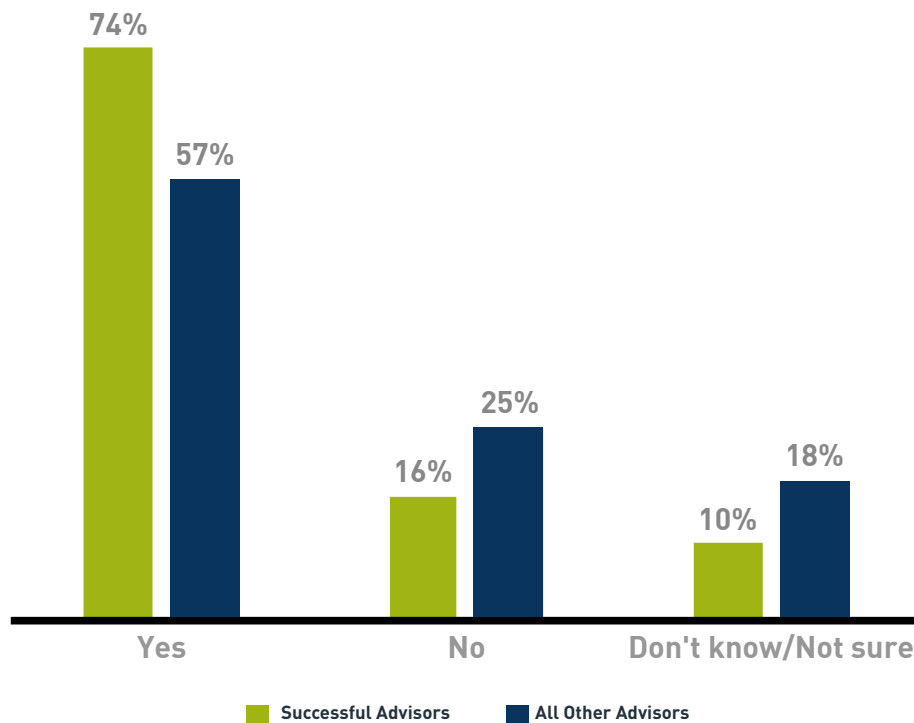


■ Strongly Agree ■ Somewhat Agree

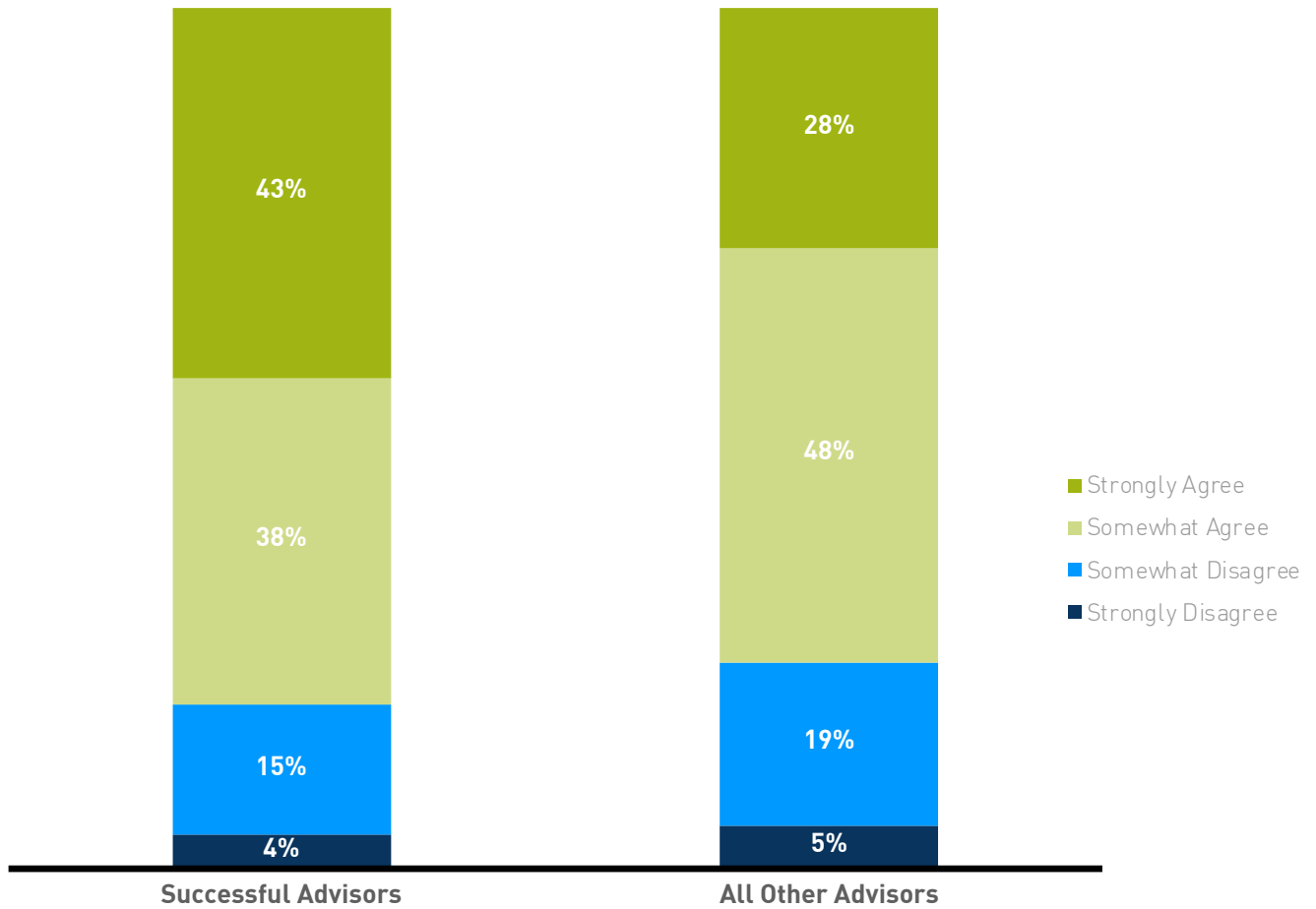
MAJORITY OF CLIENTS WILL BENEFIT FROM TAX REFORM



TAX REFORM PROVIDES OPPORTUNITY TO EXPAND SERVICES



ADVISORS WILL BENEFIT FROM TAX REFORM



“We go beyond investment management, to get a clear view of assets, income and expenses; optimizing income taxes, estate taxes and tax-advantaged investing; strategies for risk management; educating their children on how to manage wealth; working with multiple generations of the family to create the optimal estate plan; bringing in estate attorneys, insurance agents and other outside experts when the time is right.”

Alexander J. Gross

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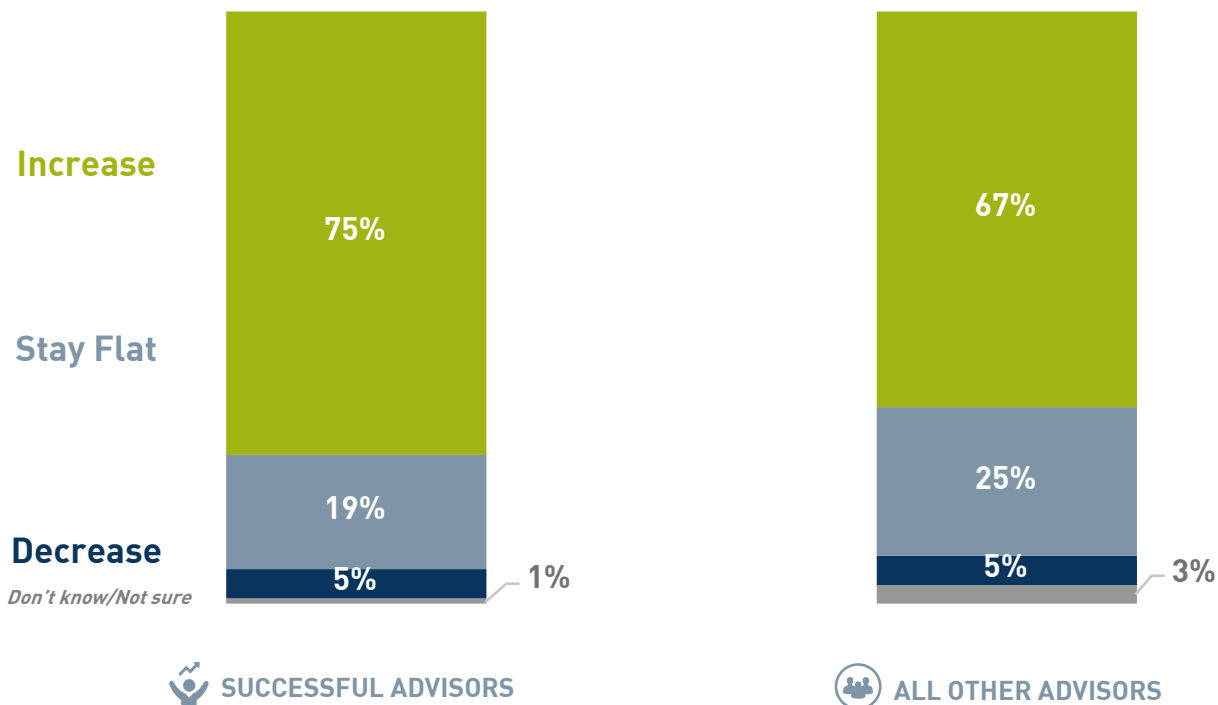
BE BULLISH ON M&A

Successful advisors understand how to adapt to industry trends like M&A to benefit the growth of their firm. Year-over-year, successful advisors compared to all other advisors are somewhat more likely to say M&A activity in the RIA industry will increase (75% vs 67%).

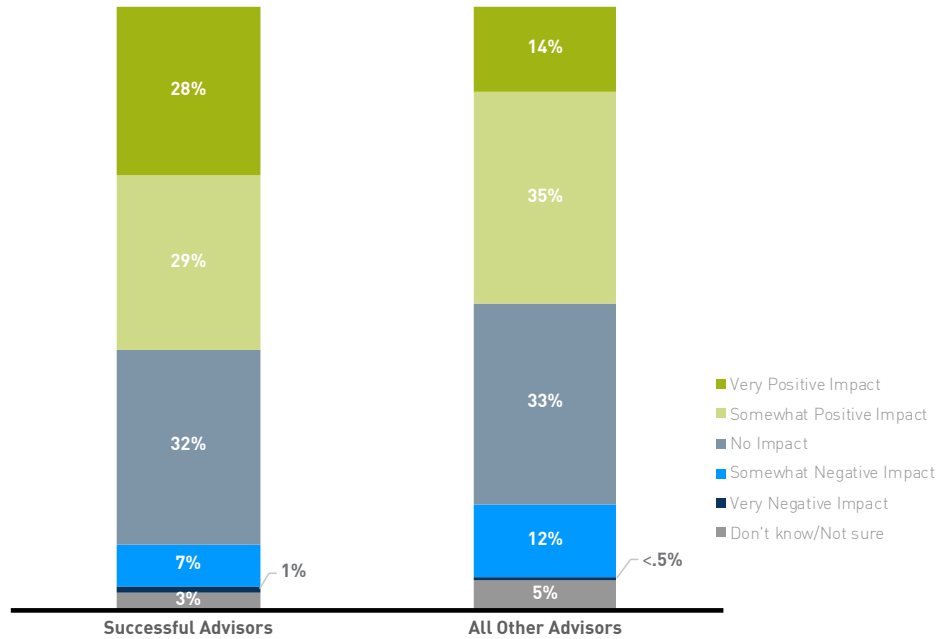
Likewise, **year-over-year** they are bullish about the impact on their business. This year, successful advisors, as compared to all other advisors, are slightly more likely to say M&A will have a positive impact on their business over the next 12 months (57% vs 49%)—and twice as likely to say it will have a very positive impact (28% vs 14%).

Successful advisors see M&A and consolidation as a way to adapt by tapping into greater resources. From the perspective of those who feel positively about the impact of M&A on the RIA industry, successful advisors, as compared to all other advisors, are somewhat more likely to say the number one benefit of M&A is that scale allows increased investments in technology (38% vs 27%). They are also somewhat more likely to say that say M&A gives them increased opportunities to sell their business (34% vs 23%) and far more likely to say increased opportunities to merge with another practice (34% vs 20%).

EXPECTED CHANGE IN CONSOLIDATION/M&A ACTIVITY IN RIA INDUSTRY (OVER NEXT 12 MONTHS)



**IMPACT OF CONSOLIDATION/M&A ACTIVITY IN RIA INDUSTRY
(OVER NEXT 12 MONTHS)**



WHY POSITIVE ABOUT CONSOLIDATION/M&A ACTIVITY IN RIA INDUSTRY



*Caution: Small base size (<100) for successful advisors. Interpret results with caution.

BEAT FEE COMPRESSION

Fee compression is pushing downward, as the cost for transactions and services continue declining to unprecedented lows. Clients benefit as these savings go right back into their portfolios—or straight into their pockets. But as fees “race to the bottom,” it places significant pricing pressure on advisors. All will be forced to reengineer their current business models to remain viable.

Nearly two-thirds of successful advisors (63%) and seven in ten of all other advisors (70%) are concerned about fee compression. When asked which factor is most responsible for driving more fee compression, both successful advisors and all other advisors say consumer demand for lower costs and transparency is number one (25% and 21%).

As this year’s study shows, successful advisors are better prepared to adapt to consumer demand, more likely to put clients first with a focus on a fee-based fiduciary standard and better prepared to offer comprehensive holistic planning. It’s important to remember that advisors can’t win on performance alone. They must specialize to align with clients’ needs. Become the trusted counselor on volatility, protecting clients from emotions and keeping them focused on long-term goals. Become the subject matter expert, with a unique specialty based on clients’ generation, profession or lifestyle. As many experts say, the advisor who tries to serve all clients ends up serving no one.

Successful advisors, as compared to all other advisors, are also more likely to recognize that technology has a major impact on fee compression (38% vs 29%). At the same time, successful advisors are more prepared to leverage technology as an ally—not an adversary—to beat fee compression by cutting their costs, driving greater efficiencies and achieving scale. Likewise, successful advisors are more likely to be bullish on M&A as a method to beat fee compression by increasing their size and scale and having greater resources to invest in technology.

CONCERNED ABOUT FEE COMPRESSION

 **SUCCESSFUL ADVISORS**

63%
Very/Somewhat Concerned



 **ALL OTHER ADVISORS**

70%
Very/Somewhat Concerned



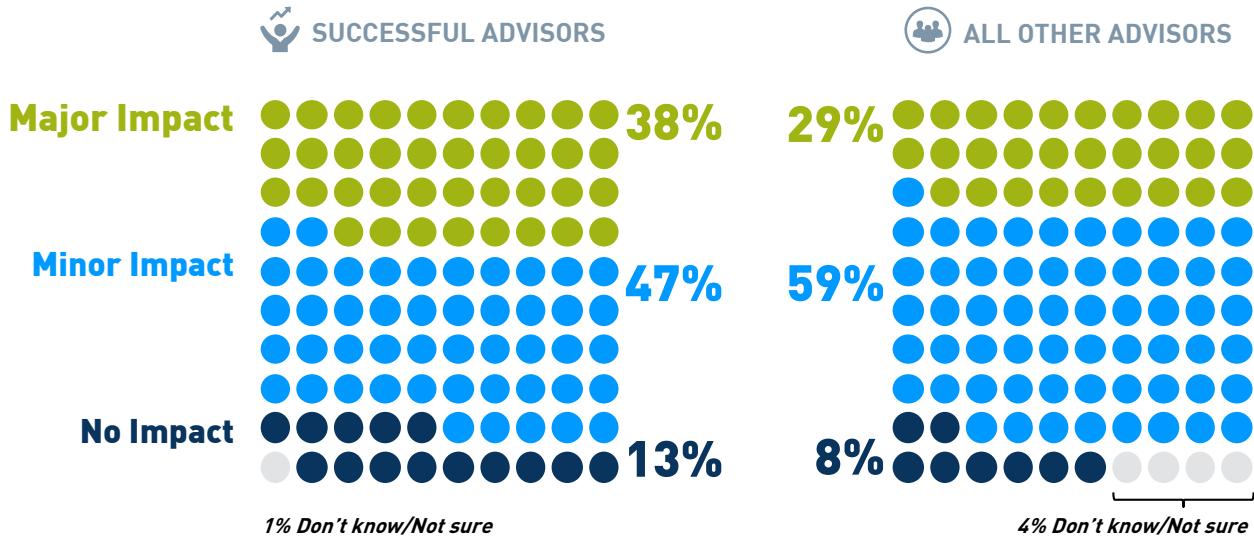
“Specialization is important for success”

Maria A. Staffiere

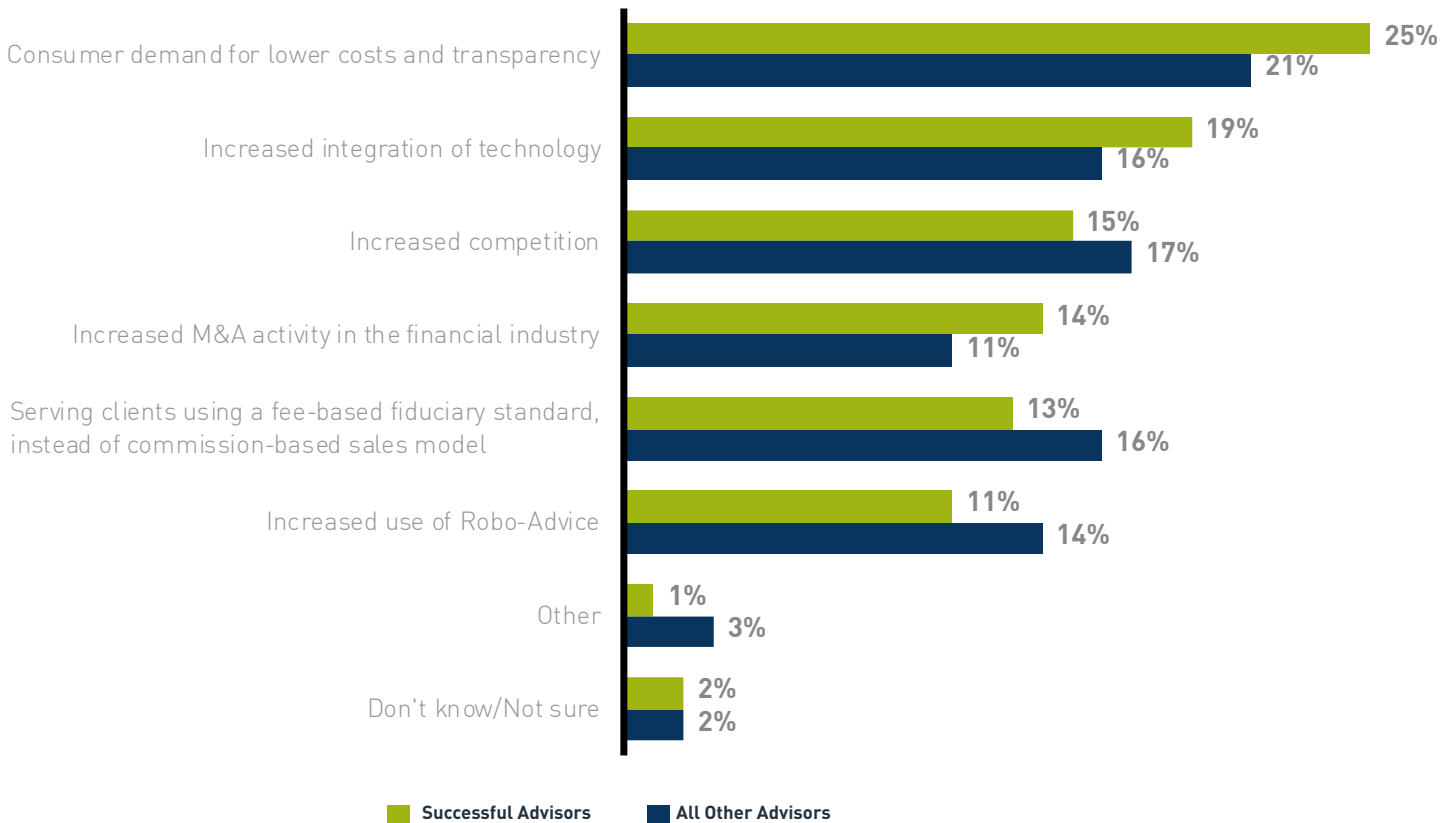
RLP

Principal Financial Counselor, Weston Financial Group, Inc.

IMPACT OF TECHNOLOGY ON FEE COMPRESSION
(OVER NEXT 12 MONTHS)



FACTORS DRIVING FEE COMPRESSION



PLAN YOUR SUCCESSION

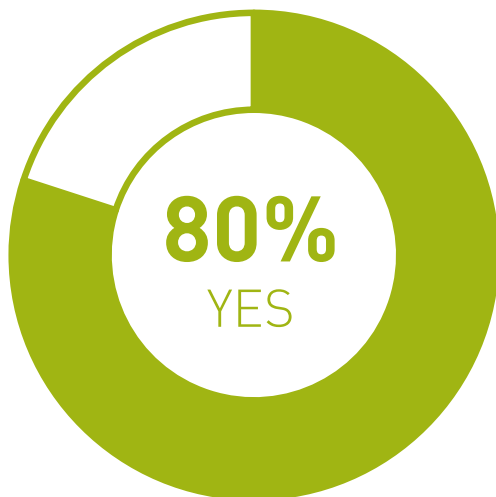
Year-over-year, our study has shown that an important element of building a successful practice is having a plan for your succession. In this year’s study, successful advisors are far more likely than all other advisors to have a succession plan in place (80% vs 69%).

Of those who have a succession plan in place, both successful advisors and all other advisors are aligned on what it takes to create an effective succession plan. Their firms are not tied to a single generation of advisors—or a single generation of clients. Both say that building a multi-generational advisory team is the number one factor for an effective succession plan (32% and 37%). By pairing investors with advisors of a similar age, they can attract a new generation of clients, as well as retain current clients and their heirs, keeping their practice viable for the long-term.

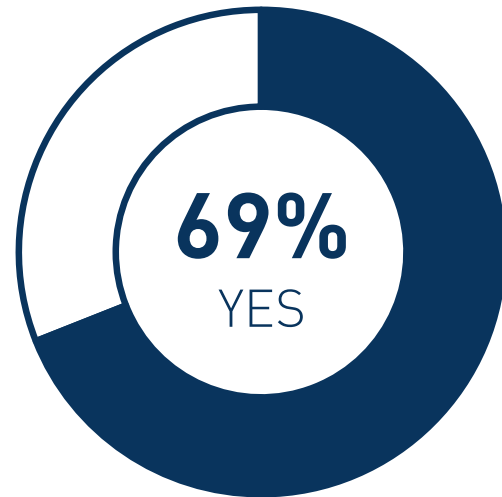
Likewise, to build a truly lasting, long-term franchise, advisors’ practice and their brand can’t be tied to just one or two individuals. Successful advisors and all other advisors agree that an effective succession plan means establishing ongoing continuity by developing and promoting internal talent (25% and 29%). Meanwhile, successful advisors are somewhat more focused on developing their firm’s C-Suite, by grooming replacements for their CEO and other top executives (15% vs 10%) and recruiting a new CEO and other top executives (15% vs 9%).

HAS A SUCCESSION PLAN IN PLACE

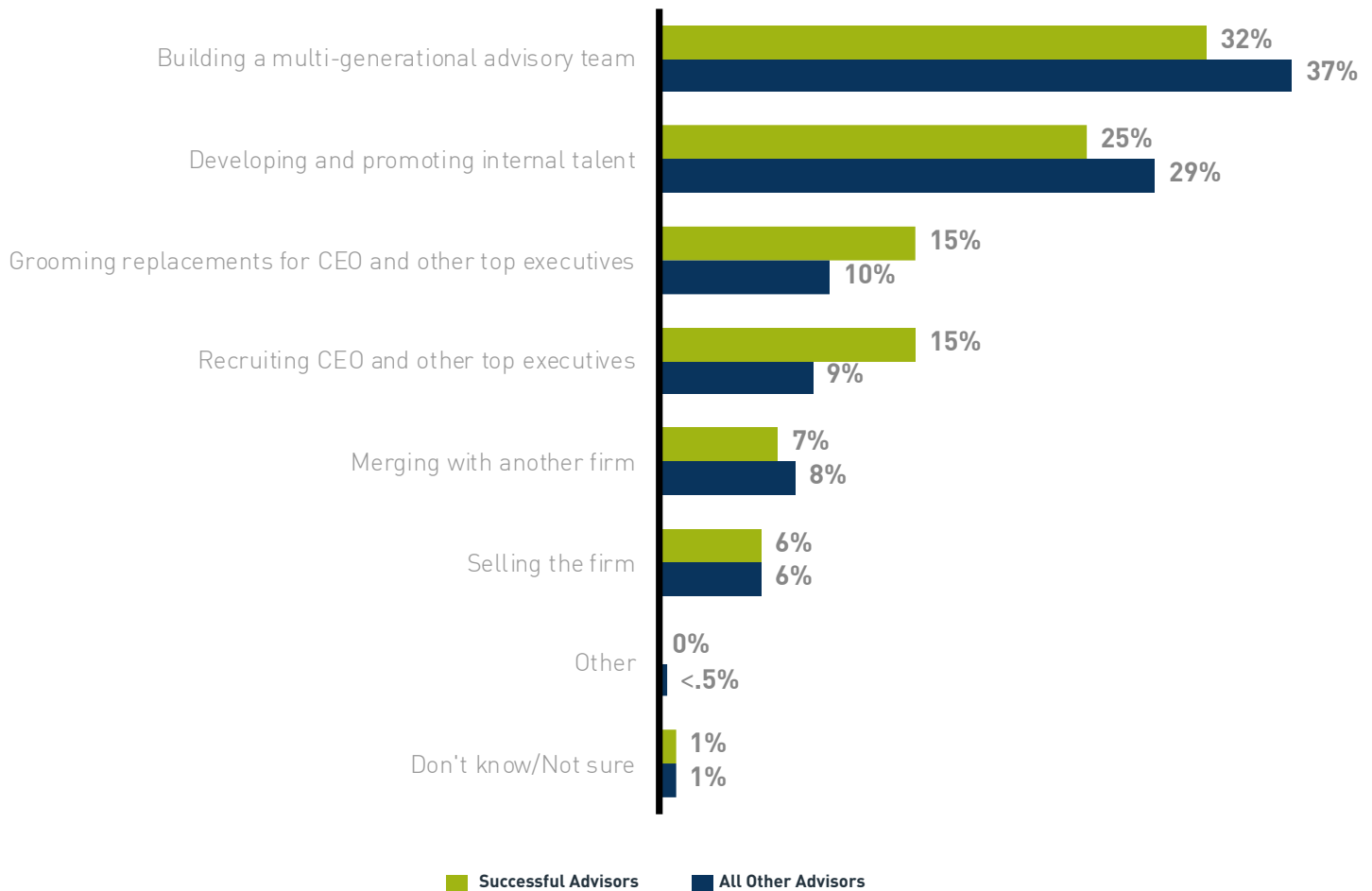
 **SUCCESSFUL ADVISORS**



 **ALL OTHER ADVISORS**



MOST IMPORTANT FACTORS FOR AN EFFECTIVE SUCCESSION PLAN



“Staying employee-owned is a core tenant of our succession plan. Working in teams is also key. So if a senior staff member leaves or retires, the client is already comfortable with all the members of the team, including the younger staff. That creates stickier relationships to help with our firm’s succession.”

Alexander J. Gross

CPA, CFP®, MST

Managing Director and Senior Client Advisor, Daintree Advisors

“Staffing is so important. Your firm needs that next generation of advisors in their late 30s and 40s. It’s not just the type and the quality of the younger advisor, but also the right numbers of younger advisors.”

Maria A. Staffiere

RLP

Principal Financial Counselor, Weston Financial Group, Inc.



Nationwide®
is on your side



PATH TO SUCCESS: ADAPT—OR BE LEFT BEHIND

SUBJECT MATTER EXPERT INTERVIEWS

We interview leading subject matter experts to provide you with a deeper understanding of the innovations and issues that matter most. In this *Advisor Authority* Special Report, our experts reveal what differentiates the successful advisors who earn more and manage more AUM than their peers. These top performers are the change agents who are always a step ahead. They recognize that the very same trends that are driving change in our industry are not obstacles—but are allies—in the pursuit of greater growth and greater profitability. They offer you innovative solutions and actionable insights for every aspect of managing your practice, to create greater value for your clients and for your firm to build a viable long-term franchise for the future. By studying the ways these top performers proactively adapt to achieve greater growth and leave the competition behind, you can define and ruthlessly refine your own path to success in an increasingly competitive industry.

Alexander J. Gross CPA, CFP®, MST
 Managing Director and Senior Client Advisor, Daintree Advisors

Advisor Authority: What makes your firm unique and helps keep you ahead of the competition?

GROSS: Our firm is named for the Daintree Rainforest in Australia. It's one of the largest rainforests in the world, full of diverse, complex and interconnected ecosystems. In the same way, our clients' lives are diverse and complex. The personal and the professional, the financial and the family, don't exist in isolation. Everything is interrelated. We've developed a deliberate and structured annual review process for clients called "See the Forest" to help them identify their goals, their dreams, their values, for themselves and for their families. We use it to prepare a complete picture of their financial life, a comprehensive financial plan and a clear roadmap to achieve their goals.

AA: What is most important when it comes to holistic planning?

GROSS: What our clients value most from us is our approach to holistic planning. It all starts with one important question: What is the money for? Because if you don't understand what the money is for, it's very hard to serve clients and help them meet their goals. I think this is something that many firms miss when they do holistic planning. We go beyond investment management, to get a clear view of assets, income and expenses; optimize income taxes, estate taxes and tax-advantaged investing; strategize for risk management; educate clients' children on how to manage wealth; work with multiple generations of the family to create the optimal estate plan; bring in estate attorneys, insurance agents and other outside experts when the time is right.

AA: You talk a lot about family. Why is working with the family so important for your clients and for your firm?

GROSS: It's surprising that some firms haven't grasped the idea of focusing on the whole family, including the children. Working with clients and their children, educating their children on how to manage wealth, has always been second nature to us. We've always done it. At one point, I was working with four different generations of a family at once. Our larger clients have a net worth of well over \$100 million and one of their top concerns is passing money and family values down to future generations. We have a lot of family meetings with the whole family so that the younger generation gets to know us and we get to know them. The family mission statement can be communicated to everyone. When clients pass away, in most cases we have already been advising their children for years—often since they were teenagers. The heirs rarely leave. The transition is seamless.

AA: What does it take to drive growth and greater profitability?

GROSS: First, it comes down to hiring good people who are truly motivated to serve clients well and who believe in the value of working as a team. Profitability starts with making sure everyone knows their role and the right people are doing the right work. You're optimizing your resources, with associate planners learning the intricacies of serving complex clients and supporting senior advisors, so that senior advisors are freed up to network and grow the business. To gain economies of scale, put in the time up front to train people. It's an investment that provides a lot of efficiencies down the road. Our team-based approach serves as our training ground—staffers roll up their sleeves and learn every aspect of the job, behind the scenes and in front of the client. To really create energy and drive growth in your firm, you also need to give younger staff the opportunities to do challenging work and actually interact with clients. Connecting with clients is such a powerful motivator.

AA: How does technology factor into your success?

GROSS: Growth, profitability and technology are completely interrelated. Leverage technology to be more efficient, so you can drive growth and be more profitable. Automate operations so you can actually spend more time with your clients, to deepen the relationship and meet more of their needs. There's always a cost up front, both time and money, but you'll see a lot of dividends. Most recently, we've added new financial planning software and focused on better utilizing our CRM system. And now we're seeing the payoff. It allows us to accomplish more in less time, be more responsive to client needs and makes meetings more interactive.

AA: What is most important for adapting and managing change?

GROSS: Change is a constant. To get ahead, you need to take hold of change and make the most of it. The whole firm has to believe in the change and fully commit to it. Some people are always less comfortable with change, so as a leader it's about stressing the importance of accepting change—that you have to change to grow. Keep looking to the future, thinking about your next stage and preparing to grow your practice. You have to accept change, you have to work on it, or else you're going to be left behind.

Maria A. Staffiere, RLP

Principal Financial Counselor, Weston Financial Group, Inc.

Advisor Authority: What makes your firm unique, and helps you to stay ahead of the competition?

STAFFIERE: Our company, Weston Financial, has nearly a 40-year history. We have the advantage of being an early adopter of the RIA approach, back when it was still a cottage industry. Our philosophy is to put clients first, and our strategy is to lead with the plan. So we spend a lot of rich, deep time with the client, understanding them as people first and foremost. Not just their financial goals, but also their life goals, family goals, and career goals. It begins with several meetings to understand them from a qualitative standpoint as people, before we move to the quantitative standpoint of what their numbers say about them.

AA: Could you talk more about putting the client first and what that means?

STAFFIERE: What we think it means is first of all to engage the client and build the relationship from the ground up. Start with the major breadwinner, male or female, bring them to the table with their spouse or significant other, create space and time for them to talk to each other, with me, the advisor, helping to guide them. We start with three questions: If you had all the money in the world, what would you do with the rest of your life? How would you live your life? What have you always wanted to do with your life if money wasn't an issue? Then we funnel this down in time: What would you do if you knew you only had 10 years to live? What if you only had 5 years? And finally: If you had 25 hours to live, what would go through your mind—What didn't you get to do? Who didn't you get to be? What didn't you get to say? We distill this down to learn about the heart, the core of the person. To understand the client so that we can put their best interest first. Only then, are we ready to do the numbers.

AA: Do you believe the client relationship is important for success?

STAFFIERE: The relationship is everything. The relationship is the beginning, the middle and the end for the success of our firm. It is the core, and it must be backed with trust. It takes a deep understanding of the client, caring for the client, knowing when to talk and when to be quiet. When the client knows you sit on the same side of the table, the money is very sticky. The dollars stay invested with you through both good times and bad times, through the ups and downs in the market, and in their life. I know the term "trusted advisor" may be overused, but really, without trust it just won't work. When clients trust you, when they know you're on the same side of the table, you almost become like a family member. You're the first person outside of the family they call with good news and bad news.

AA: Do you specialize by focusing on a certain type of client, and how does that contribute to your success?

STAFFIERE: Specialization is important for success. Our clients are typically senior executives of publicly traded companies. Generally an alpha person, who is hard-working and hard-driving. They're often the alpha in their family as well, financially responsible for their parents and possibly a sibling, in addition to their own children. They are also delegators. They're used to formulating strategy, then delegating the work to a staff of experts. So the client is really the CEO of their own life, we're the Chief Financial Officer, and we gather these other experts around the client—the legal experts, the estate planning attorney, the CPA. We're also there to assist the significant other, who might be managing the household, making sure taxes are done on time, helping with the children's education and college planning, making sure that the aging parents are okay. We're there to assist the busy executive, and also assist their partner, who is handling the day-to-day.

AA: Is it important to work with the spouse and heirs to retain their business?

STAFFIERE: Given our approach of engaging the client and their significant other from the very start of the process, we have been successful at retaining the relationship with the surviving spouse when a client passes away. While it is important to build that relationship with other members of the family, the reality is that it is often more difficult to keep the relationship with the next generation. The client might have three or four children. One is successful, the other one or two are doing well, and there might be one that is not okay at all. So once the spouse passes away, in the division of the assets, the more successful heir might gift or disclaim their portion of the assets to the others heirs, who are less focused on investing because they really need to use that money to live or to survive.

AA: Do you think it is important to have a succession plan in place, and what is most effective?

STAFFIERE: Succession planning matters for continuity. The most effective solution is multifaceted. It's technology, it's staff and it's time. I think it does include a commitment and an investment by the firm to the right technology, both for creating the back office efficiencies and also for the client-facing experience. That also includes more innovative tools such as the approach to right social media and mobile technology. Staffing is so important. Your firm needs that next generation of advisors in their late 30s and 40s. It's not just the type and the quality of the younger advisor, but also the right numbers of younger advisors.

Methodology

The fourth annual Advisory Authority Survey was conducted online within the United States by The Harris Poll on behalf of Nationwide Advisory Solutions from January 3 – February 21, 2018 among 972 financial advisors and 827 investors, ages 18+. Among the 972 financial advisors, there were 508 Registered Investment Advisors and 464 Broker/Dealers. Included in this group of financial advisors is a new segment of 212 Wirehouse Broker/Dealers that is excluded from trended data to allow for year-over-year comparisons. Among the 827 investors, there were 208 Mass Affluent, 206 Emerging High Net Worth, 208 High Net Worth and 205 Ultra High Net Worth. Investors are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online to bring them in line with their actual proportions in the population.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. Because the sample is based on those who were invited to participate in the Harris Poll online research panel, no estimates of theoretical sampling error can be calculated.

Field Periods:

2018	January 3 – February 21
2017	March 13 – April 7
2016	March 3 – March 28
2015	April 13 – April 24

Reading the Data in this Report

Responses may not add up to 100% due to weighting, computer rounding, or the acceptance of multiple responses.

About The Harris Poll

The Harris Poll is one of the longest running surveys in the U.S. tracking public opinion, motivations and social sentiment since 1963 that is now part of Harris Insights & Analytics, a global consulting and market research firm that delivers social intelligence for transformational times. We work with clients in three primary areas; building twenty-first-century corporate reputation, crafting brand strategy and performance tracking, and earning organic media through public relations research. Our mission is to provide insights and advisory to help leaders make the best decisions possible. To learn more, please visit www.TheHarrisPoll.com.

About Nationwide Advisory Solutions

Nationwide Advisory Solutions, formerly known as Jefferson National, is a recognized innovator with a mission to help RIAs and fee-based advisors build their practice by helping their clients to potentially accumulate more wealth and reach their financial goals. The company does this by developing and delivering value-added investment products, services and technologies built from the ground up to fit the fiduciary standard—with more simplicity, transparency, choice and consumer value wrapped in an industry-leading customer experience. To learn more, please visit www.nationwideadvisory.com

About Nationwide

Nationwide, a Fortune 100 company based in Columbus, Ohio, is one of the largest and strongest diversified insurance and financial services organizations in the U.S. and is rated A+ by both A.M. Best and Standard & Poor's. The company provides a full range of insurance and financial services, including auto, commercial, homeowners, farm and life insurance; public and private sector retirement plans, annuities and mutual funds; banking and mortgages; excess & surplus, specialty and surety; pet, motorcycle and boat insurance. For more information, visit www.nationwide.com.

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