Cerulli Quantitative Update

Advisor Metrics 2012:

Behaviors, Preferences, and Channel Movement

CERULLI ASSOCIATES
Global Analytics

Overview

This annual subscription, in its eighth iteration, provides in-depth analysis of the U.S. financial advisor landscape. It offers comprehensive sizing by headcount and AUM across channels, including firm-specific insight. This report gives detailed analysis of advisor attributes, books of business, practices, and portfolio construction processes to help asset managers and other service providers serve advisors' needs. It also addresses advisor movement between channels, quantifying both headcounts and assets in movement.

Data included in this report is compiled from three proprietary surveys, including a survey of more than 9,500 financial advisors and RIAs, a survey of asset managers, and a survey of variable-annuity-focused wholesalers.

Key Reasons to Buy This Report:

- Understand how advisors are operating their practices
- Build actionable business plans for addressing individual advisors, firms, and channels
- Discover which services are most important to advisors
- Examine how to best position products for increased advisor adoption
- In-depth analysis of portfolio construction decision-making processes
- Understand the impact of advisor movement on channel outlook

Answer These and Other Critical Questions:

1. Which channels offer the most appeal to advisors in transition?
2. Which firms and channels are most likely to see the greatest asset growth?
3. How are advisors allocating their time?
4. What challenges pose the greatest risk to advisor practices?
5. How are advisors incorporating fee-based managed accounts into their practices?
6. How are advisors addressing retirement planning for their clients?
7. How many client relationships do advisors manage, and what level of contact is necessary to maintain these relationships?
8. How are aspects like teaming, fee revenue, specialization, and financial planning changing advisor service?

Research Included with Subscription

A subscription to this report remains active through 12/7/2013 and includes online access to the following related Cerulli research:

- Eight years of ***Cerulli Quantitative Update: Advisor Metrics***
- Advisor Migration: The Changing Landscape of Retail Distribution 2009
- Financial Planning: Trends in Advice Delivery 2008
- Value of Advice 2003
- Transitioning from Commissions to Fee-Based Pricing: Issues and Strategies 2003

218 pages, 171 exhibits

TO PURCHASE

Contact your account management team

+1 617-437-0084
CAmarketing@cerulli.com

Or have us contact you:
http://clients.cerulli.com/tiny/hkhx

Subscription Information

Price: $15,000

- 5 hardcopies
- Softcopy in color
- Unlimited online firmwide access
- Exhibits in Excel
- Analyst access

LOOK INSIDE
10 pages of report content

Table of Contents - *Expanded*

Key Questions Answered **15**
1. Which channels are most likely to see the greatest asset growth? *15*
2. How is advisor movement impacting each channel? *16*
3. How satisfied are advisors with the services that their B/Ds offer? *17*
4. How are advisors incorporating fee-based managed accounts into their practices? *18*
5. How are advisors focusing on retirement planning? *19*
6. How is teaming changing advisor service? *20*

Chapter 1: Intermediary Distribution: Unlocking Opportunities in a Flat Market **21**
Exhibit 1.01. Asset Growth by Distribution Channel, 2007-2011 21
Exhibit 1.02. Historical Change in Total Advisors by Channel, 2004-2011 22
Exhibit 1.03. Intermediary Assets by Channel, 2007-2011 23
Reassessing the Decline: The Wirehouse Model Going Forward
Exhibit 1.04. Projected Asset Marketshare by Channel, 2011-2014E 24
Diverging Fortunes: The Regionals
Set Back, but Not Derailed: An Update on Independence
Dually Registered
RIA-Only Growth
Exhibit 1.05. Retail-Focused RIA Firm and Asset Marketshare Change by AUM Segment, 2008-2011 27
IBD-Only Growth
Content to Stay the Course: The Bank and Insurance Distribution Channels
Calm After the Storm: Reassessing Advisor Movement

Chapter 2: Improving Advisor Practices **30**
Marketing
Exhibit 2.01. Advisor Rating of B/D Sales and Service Support, 2012 31
Exhibit 2.02. Most Effective Type of Marketing to Use with Advisors, 2012 32
Financial Planning
Exhibit 2.03. Importance of Written Financial Plan by Investable Asset Range, 2012 33
Teaming
Exhibit 2.04. Potential Benefits of Extending Financial Planning Services to Clients, 2012 34
Exhibit 2.05. Advisor Business Model by Practice Type, 2012 34
Exhibit 2.06. Advisor Team Staffing by Client Investable Assets, 2012 35

Chapter 3: The Advisor-Centric Model **36**
Exhibit 3.01. Marketshare of Employee and Independent Advisors, 2007-2014E 37
Exhibit 3.02. Investors' Perception of Primary Provider Responsibility by Channel, 2012 38

Exhibit 3.03. Advisor Flow, 2012 39
Exhibit 3.04. Advisor Skill Sets, 2012 41

Chapter 4: Financial Advisor Market Sizing 43

All Broker/Dealer Channels
Exhibit 4.01. Intermediary Matrix, 2011 44
Exhibit 4.02. Assets by Channel, 2007-2011 45
Exhibit 4.03. Assets by Product by Channel, 2011 46
Exhibit 4.04. Historical Change in Total Advisors by Channel, 2004-2011 47
Exhibit 4.05. Marketshare of Advisors and Assets by Channel, 2011 48
Exhibit 4.06. Projected Asset Marketshare by Channel, 2011-2014E 49
Exhibit 4.07. Advisor Headcount Marketshare and Projections by Channel, 2004-2016E 50
Exhibit 4.08. Average Advisor AUM and Productivity Index (PX) by Channel, 2007-2011 51
Exhibit 4.09. Top-25 Broker/Dealers by Advisor Headcount, 2004-2011 52
Exhibit 4.10. Single Channel Networks, 2011 53
Exhibit 4.11. Multi-Channel Networks, 2011 54
Exhibit 4.12. Broker/Dealer Sub-Segments, 2011 55
Exhibit 4.13. Average Branch Concentration by Channel, 2009-2011 56

Wirehouse Broker/Dealers
Exhibit 4.14. Wirehouse Broker/Dealers by Advisor Headcount, 2004-2011 57

Bank Broker/Dealers
Exhibit 4.15. Top-15 Bank Broker/Dealer Programs by Advisor Headcount, 2004-2011 58
Exhibit 4.16. Selected Bank Third-Party Marketers by Advisor Headcount, 2004-2011 59
Exhibit 4.17. Selected Bank Broker/Dealer Program Platform Reps, 2011 60

Independent Broker/Dealers
Exhibit 4.18. Top-35 Independent Broker/Dealers by Advisor Headcount, 2004-2011 61
Exhibit 4.19. Advisors by Independent Broker/Dealer Segment, 2004-2011 62

Insurance Broker/Dealers
Exhibit 4.20. Top-15 Insurance Broker/Dealers by Advisor Headcount, 2004-2011 63

Regional Broker/Dealers
Exhibit 4.21. Top-15 Regional Broker/Dealers by Advisor Headcount, 2004-2011 64
Exhibit 4.22. Advisors by Regional Segment, 2004-2011 65

Registered Investment Advisors
Exhibit 4.23. Retail-Focused RIA Firms by Segment, 2004-2011 66
Exhibit 4.24. Retail-Focused RIA Firms, Assets, and Advisors by Affiliation Model, 2007-2011 67

Chapter 5: Advisor Attributes 68

Exhibit 5.01. Advisor Age by Channel, 2012 70
Exhibit 5.02. Advisor Age Databank, 2012 71
Exhibit 5.03. Advisor Experience by Channel, 2012 72
Exhibit 5.04. Advisor Experience Databank, 2012 73
Exhibit 5.05. Advisor Channel by Investable Assets, 2012 74
Exhibit 5.06. Advisor Channel Databank, 2012 75
Exhibit 5.07. Advisor Practice Assets Under Management by Channel, 2012 76
Exhibit 5.08. Advisor Assets Under Management Databank, 2012 77

Exhibit 5.09. Licenses and Designations Advisors Currently Hold by Channel, 2012 78
Exhibit 5.10-Part 1. Licenses and Designations Databank, 2012 79
Exhibit 5.10-Part 2. Licenses and Designations Databank, 2012 80
Exhibit 5.11. Advisors by Revenue Source, 2003-2012 81
Exhibit 5.12. Advisor Revenue Source Databank, 2012 82
Exhibit 5.13. Advisor Compensation by Channel, 2012 83
Exhibit 5.14. Advisor Compensation Databank, 2012 84
Exhibit 5.15. Advisor Time Allocation by Channel, 2012 85
Exhibit 5.16-Part 1. Advisor Time Allocation Databank, 2012 86
Exhibit 5.16-Part 2. Advisor Time Allocation Databank, 2012 87
Exhibit 5.17. Advisor Business Mix by Channel, 2012 88
Exhibit 5.18. Advisor Business Mix Databank, 2012 89

Chapter 6: Advisor Practices 90

Exhibit 6.01. Practice Type Definitions, 2012 91
Exhibit 6.02. Advisor Perceived vs. Actual Practice Type, 2012 92
Exhibit 6.03. Advisor Practice Type by Channel, 2012 93
Exhibit 6.04. Advisor Practice Type by Investable Assets, 2012 94
Exhibit 6.05. Advisor Practice Type by Compensation Type, 2012 95
Exhibit 6.06. Advisor Business Model Comparison, 2012 96
Exhibit 6.07. Advisor Team Staffing by Channel, 2012 97
Exhibit 6.08. Advisor Team Staffing Databank, 2012 98

Chapter 7: Advisor Client Relationships 99

Exhibit 7.01. Cerulli Wealth Tiers, 2011E 101
Exhibit 7.02. Change in Aggregate Net Worth, 2007-2011E 102
Exhibit 7.03. Distribution of Households and Investable Assets by Investable Assets Range and Age Range, 2011E 103
Exhibit 7.04. Distribution of Household Investable Assets by Age Range, 2011E 104
Exhibit 7.05. Household and Asset Distribution by Investable Asset Range, 2011E 105
Exhibit 7.06. Distribution of Household Investable Assets by Type of Asset and Investable Asset Range, 2011E 106
Exhibit 7.07. Household Non-Financial Assets by Type of Asset and Investable Asset Range, 2011E 107
Exhibit 7.08. Household Debt by Type of Debt and Investable Asset Range, 2011E 108
Exhibit 7.09. Advisor Core Market by Channel, 2012 109
Exhibit 7.10. Advisor Core Market Databank, 2012 110
Exhibit 7.11. Number of Clients Per Advisor Practice by Channel, 2012 111
Exhibit 7.12. Total Number of Client Relationships by Channel, 2011E 112
Exhibit 7.13. Average Asset per Advisory Relationship by Channel, 2011 113
Exhibit 7.14. Client Age Demographics by Channel, 2012 114
Exhibit 7.15. Client Age Demographics Databank, 2012 115
Exhibit 7.16. Services Currently Provided by Channel, 2012 116
Exhibit 7.17. Percent of Clients Receiving Services by Channel, 2012 117
Exhibit 7.18. Reasons for Client Acquisitions, 2012 118
Exhibit 7.19. Reasons for Client Departures, 2012 119
Exhibit 7.20. Advisor and Investor Concerns for Financial Well-Being, 2012 120
Exhibit 7.21. Advisor and Investor Economic Concerns, 2012 121
Exhibit 7.22. Percentage of Clients Who Retain a Discount Brokerage Account, 2012 122
Exhibit 7.23. Perceived Fiduciary Responsibility, 2012 123
Exhibit 7.24. Typical Annual Advisor Touchpoints by Channel, 2012 124
Exhibit 7.25. Advisor Use of Technology for Client Communication, 2012 125
Exhibit 7.26. Advisor Website Presence by Channel, 2012 126

Chapter 8: Broker/Dealer Support 127

Exhibit 8.01. Advisor Rating of B/D Sales and Service Support, 2012 128
Exhibit 8.02. Advisor Rating of B/D Professional Development Support, 2012 129
Exhibit 8.03. Advisor Rating of B/D Technology, 2012 130
Exhibit 8.04. Advisor Rating of B/D Product Access and Support, 2012 131
Exhibit 8.05. Advisor Rating of B/D Compensation and Benefits, 2012 132
Exhibit 8.06. Advisor Rating of B/D Compliance, 2012 133
Exhibit 8.07. Advisor Rating of B/D Management, 2012 134
Exhibit 8.08. Impact of M&A on Business, Productivity and Clients, 2012 135
Exhibit 8.09. Impact of Dodd-Frank on Business, Productivity, and Clients, 2012 136
Exhibit 8.10. Cross-Selling Impact on Business, 2012 137
Exhibit 8.11. Morgan Stanley Smith Barney Merger Analysis, 2012 138
Exhibit 8.12. Wells Fargo Advisors Merger Analysis, 2012 139
Exhibit 8.13. Opinion on Impact of M&A at My Firm, 2012 140
Exhibit 8.14. Selected Firms Advisor Satisfaction, 2012 141

Chapter 9: Advisor Movement and Succession 142

Exhibit 9.01. Net Flows into the Bank Channel, 2011 143
Exhibit 9.02. Net Flows into the Wirehouse Channel, 2011 144
Exhibit 9.03. Net Flows into the Regional Channel, 2011 145
Exhibit 9.04. Net Flows into the Insurance Channel, 2011 146
Exhibit 9.05. Net Flows into the IBD Channel, 2011 147
Exhibit 9.06. Net Flows into the Dually Registered Channel, 2011 148
Exhibit 9.07. Net Flows into the RIA Channel, 2011 149
Exhibit 9.08. Organic Growth by Channel, 2011 150
Exhibit 9.09. Advisor's Preferred Channel if Advisor Left Current B/D, 2012 151
Exhibit 9.10. Breakdown of Clients Moving with Advisor by Channel, 2012 152
Exhibit 9.11. Likelihood to Remain with Firm Next Year, 2012 153
Exhibit 9.12. Existing Retention Deal Expiration Dates, 2012 154
Exhibit 9.13. Wirehouse/Regional Retention Expiration and Independence, 2012 155
Exhibit 9.14. Advisor Perceived Value of Practice by Channel, 2012 156
Exhibit 9.15. Projected Buyer of Practice, 2011-2012 157
Exhibit 9.16. Advisor Perceived Best National Firm, 2012 158

Chapter 10: Portfolio Construction 159

Exhibit 10.01. Advisor-Reported Portfolio Discretion Breakdown, 2Q 2012 vs. 2015E 161
Exhibit 10.02. Advisor Portfolio Construction Strategy, 2012 162
Exhibit 10.03. Advisor Portfolio Construction Process, 2012 163
Exhibit 10.04. Max Allocation to Tactical Allocation Opportunity by Channel, 2012 164
Exhibit 10.05. Preferred Source of Portfolio Construction Support, 2012 165
Exhibit 10.06. Advisor Allocation to Investment Products, 2007-2013E 166
Exhibit 10.07. Percent of Advisors Using Investment Products by Channel, 2011 vs. 2Q 2012 167
Exhibit 10.08. Advisor Reported Expected Changes in Product Use, 2012 168
Exhibit 10.09. Advisor-Reported Product Mix by Channel, 2012 169
Exhibit 10.10-Part 1. Advisor Product Mix Databank, 2012 170
Exhibit 10.10-Part 2. Advisor Product Mix Databank, 2012 171
Exhibit 10.11. Primary Asset Manager Relationship, 2012 172
Exhibit 10.12. Advisor Beliefs on Active and Passive Management, 2010-2012 173
Exhibit 10.13. Advisor Reported Allocation to Active and Passive Products by Channel, 2012 174

Exhibit 10.14. Most Important Factors in Choosing to Invest with an Asset Manager by Channel, 2012 175
Exhibit 10.15. Number of Asset Managers Used by Advisors, 2008-2012 176
Exhibit 10.16. Means Used by Advisor Teams to Make Product Decisions, 2012 177
Exhibit 10.17. Average Number of Positions in a Retail Account, 2012 178
Exhibit 10.18. Product That Caused Unsolicited Client Inquiries, 2012 179
Exhibit 10.19. Investor Concerns by Product, 2012 180
Exhibit 10.20. Advisor Requested Changes to Product Marketing Material, 2012 181

Chapter 11: Managed Accounts 182

Exhibit 11.01. Managed Account Definitions, 2012 183
Exhibit 11.02. Total Managed Accounts Assets, 2003-3Q 2012 184
Exhibit 11.03. Importance of Managed Account Platform Attributes, 2012 185
Exhibit 11.04. Advisor Opinion of Investment Flexibility in Managed Accounts Programs, 2012 186
Exhibit 11.05. Interest in Managed Account Program by Attribute, 2012 187
Exhibit 11.06. Advisor Perception of UMAs, 2012 188
Exhibit 11.07. Advisor Likelihood to Allow B/D Discretion by Situation, 2012 189
Exhibit 11.08. Advisor Satisfaction with B/D Supplied Program, 2012 190
Exhibit 11.09. Advisory Fee by Client Assets, 2012 191

Chapter 12: Financial Planning 192

Exhibit 12.01. Potential Benefits of Extending Financial Planning Services to Clients, 2012 193
Exhibit 12.02. Major Challenges to Increasing Financial Planning Engagements, 2012 194
Exhibit 12.03. Percentage of Clients Receiving Modular or Comprehensive Planning Advice, 2012 vs. 2015E 195
Exhibit 12.04. Financial Planning Fees, 2012 196
Exhibit 12.05. Comprehensive Financial Planning Fee Range, 2012 197

Chapter 13: Retirement 198

Exhibit 13.01. Practice Change from Providing Retirement Income Advice by Channel, 2Q 2012 200
Exhibit 13.02. Advisor Methods to Target Rollovers, 2012 201
Exhibit 13.03. Advisor Obstacles to Providing Retirement Income Advice, 2012 202
Exhibit 13.04. Advisor Use of Retirement Income Products and Strategies, 2012 203
Exhibit 13.05. Advisor Use of Retirement Income Products and Strategies by Channel, 2Q 2012 204
Exhibit 13.06. Elements Addressed In Retirement Income Plans, 2010-2012 205
Exhibit 13.07. Advisor Use of Variable Annuities for Retirement Income, 2012 206
Exhibit 13.08. Advisor View of Annuities as Rollover Vehicle by Channel, 2012 207
Exhibit 13.09. Active Annuity Sellers by Tier, 2012 208
Exhibit 13.10. Factors Impacting the Decision to Place Client Assets into an Annuity, 2012 209
Exhibit 13.11. Importance in Underlying Funds for a Variable Life or Variable Annuity Contract, 2012 210
Exhibit 13.12. Average Retirement Specialists' Assets Under Administration by Plan Type, 2012 211
Exhibit 13.13. Most Important Factors for Choosing a Defined Contribution Plan Provider, 2012 212
Exhibit 13.14. Advisor Expected Investment Changes to DCIO Plans, 2012 213
Exhibit 13.15. Plan Sponsor Criteria when Considering Investment Recommendations, 2012 214
Exhibit 13.16. Retirement Specialists' Profit Margin by Business Model, 2012 215
Exhibit 13.17. Advisor Services Provided to Plan Sponsors by Fee Structure, 2012 216

Company Index 217

SAMPLE SECTION
from

CERULLI QUANTITATIVE UPDATE:
ADVISOR METRICS 2012:
BEHAVIORS, PREFERENCES, AND CHANNEL MOVEMENT

EXHIBIT 5.03

Advisor Experience by Channel, 2012

Sources: Cerulli Associates, in partnership with the Investment Management Consultants Association, the Financial Planning Association, WealthManagement.com, Morningstar, and Bill Good Marketing

Experience Range (Years)	Bank	Wirehouse	Regional	Insurance	IBD	Dually Registered	RIA	All Advisors
≤5	12%	7%	13%	21%	9%	12%	18%	14%
6 to 10	19%	8%	14%	17%	14%	13%	16%	14%
11 to 15	21%	15%	23%	13%	19%	12%	18%	17%
16 to 20	15%	19%	16%	16%	19%	19%	15%	17%
>20	33%	51%	34%	33%	38%	45%	33%	38%
Average experience	**16.2**	**21.5**	**17.2**	**15.9**	**18.2**	**19.7**	**16.3**	**18.9**

- Wirehouse advisors have the longest average tenure of 21.5 years, followed by dually registered advisors at 19.7 years. Dual registration is often a route taken by experienced wirehouse advisors who wish to take their practice independent, and helps account for the high experience levels seen in this channel.

Key Implication: As the traditional training of new advisors has proven difficult in all channels, home-office executives and consulting firms alike have recognized the greater need for young advisors to find other ways of developing their skill sets. Advisors who pair up and work in teams have had success by capitalizing on each team member's strengths and becoming more specialized in the services they provide. The same concept can be applied with young advisors. Teaming up with more senior personnel helps junior advisors to learn the ropes and contribute in areas such as business development and marketing. Those B/Ds that are looking to improve their organic growth ought to provide services that help connect junior and senior advisors. For those advisors who are skeptical of the matchup idea, B/Ds should help document "test runs" of six or 12 months to verify the compatibility and viability of the team.

EXHIBIT 8.07

Advisor Rating of B/D Management, 2012

Sources: Cerulli Associates, in partnership with the Financial Planning Association, the Investment Management Consultant Association, WealthManagement.com, Bill Good Marketing, and Morningstar

Management Support	Bank	Wirehouse	Regional	Insurance	IBD
Access to senior management	85%	N/A	75%	66%	88%
Strategic focus	82%	73%	92%	64%	88%
Ethics	90%	82%	96%	84%	94%
Brand/public image	80%	80%	94%	70%	86%
Your branch manager	N/A	82%	92%	N/A	N/A
Morale	86%	71%	93%	68%	90%
Leadership and stability/senior management	86%	73%	92%	71%	91%
Firm culture	86%	N/A	74%	69%	91%
Firm's financial performance	87%	N/A	82%	78%	92%
Overall rating of your broker/dealer's management	**86%**	**75%**	**93%**	**71%**	**91%**

- Regional and IBD advisors hold the highest opinion of their firm's management while executives at wirehouse and insurance B/Ds received the lowest ratings.

Key Implication: The ethics of B/D management received the highest ratings from B/D advisors. Regional and IBD firms escaped the financial crisis with their public images largely unscathed. Since much of the focus was on Wall Street and banks, IBD advisors were able to use their independence to their advantage. Bank advisors, on the other hand, were affected by the bad publicity and were least satisfied with the public image of their firm, likely due to the perception associated with large banks.

Company Index

A.G. Edwards 139
American Funds 29, 172
Ameriprise 22, 25, 49
Ameritas 63
Bank of America 23, 60, 113, 137
Bank of America Merrill Lynch 23, 24, 36, 57, 113, 137, 158
Bear Stearns 36
Cetera Financial Group 50, 53, 59
Charles Schwab 26
Citigroup 28, 58
Commonwealth Financial Network 28
Convergent Wealth Advisors 27
Dimensional Fund Advisors 172
Edelman Financial Services 27
Edward Jones 22, 24, 25, 49, 64
Envestnet 30
Farmers Financial Solutions 63
Fidelity 12, 19, 21, 22, 26, 152, 201
Fisher Investments 26
Franklin Templeton 29
GenSpring Family Offices 27
Genworth 53
H.D. Vest 52
HighTower Advisors 29
Hirtle Callaghan 27
Invesco 29
J.P. Morgan 31, 58
Jackson National 26
KeyCorp 58
Ladenburg Thalmann 53
Legg Mason 29
Lehman Brothers 36
Lincoln Financial 63
LPL Financial 26, 28, 41, 50, 59, 62, 131
MassMutual 207

Medical Capital 37
MetLife 207
Morgan Keegan 25, 127, 135, 140
Morgan Stanley Wealth Management 17, 23, 57, 130, 135, 137, 138, 152
Morgan Stanley Smith Barney 36, 135, 138
New York Life 207
Oxford Financial Group 27
PIMCO 172
Primerica 29, 52
PrimeVest 59
Provident 37
Raymond James 25, 26, 28, 41, 50, 54, 62, 127, 135, 140, 157
RBC 24, 64
Robert W. Baird 24, 64, 158
Securities America 53
Signator Investors 63
Stifel Nicolaus 24, 64
TD Ameritrade 26
The Advisor Group 53
TIAA-CREF 21
U.S. Trust 24, 152
UBS 23, 31
United Capital 27, 29
Uvest 59
Vanguard 12, 19, 159, 172, 174, 201
Wachovia 36, 139
Waddell & Reed 24, 25, 64
Wells Fargo 23, 28, 50, 52, 54, 58, 60, 137, 139