Cerulli Quantitative Update

Intermediary Distribution 2012:

Optimizing Channel Strategies, Product Focus, and Sales Team Effectiveness

CERULLI ASSOCIATES
Global Analytics

Overview

This annual report, in its ninth iteration, provides comprehensive data analysis of the current state of financial product distribution through intermediaries. Analysis includes Cerulli's annual advisor market sizing, and analysis of the distribution dynamics and advisor preferences and behaviors related to retirement plans, 529 plans, insurance, managed account programs, mutual funds, annuities, and alternative investments. There is also data and analysis on national sales managers, key account managers, and wholesaling teams.

Advisor data for this report comes from a survey of 6,000 intermediaries across channels. Sales management surveys provide benchmarking and competitive insight into structure, activities, and staffing trends.

This is a product distribution sourcebook critical to manufacturers seeking to fine-tune, expand, or build their distribution through intermediaries across channels in the United States.

Key Reasons to Buy This Report:

- Reliable advisor market sizing, including projections, by channel, assets (to 2014), and headcount (to 2016)
- Leaderboards of top broker/dealers and RIAs by headcount and assets
- Product usage trends and manager selection criteria
- Product market sizing by channel
- Revenue sharing paid by asset managers, by product sold
- Key account benchmarking

Answer These and Other Critical Questions:

1. Should your firm drop distributor relationships due to declining profitability?
2. Which channels and advisors are best to focus on given unique product capabilities?
3. Given the shrinking advisor base, how do firms find new distribution opportunities?
4. What is the future of the advisor channels?
5. How should national sales managers adjust their resource allocation in the next year?
6. How are manufacturers altering their product development efforts given advisor portfolio construction trends?

Research Included with Subscription

A subscription to this report remains active through 9/28/2013 and includes online access to the following related Cerulli research:

- 9 years of ***Cerulli Quantitative Update: Intermediary Distribution***
- Market Update: RIA Channel Sizing and Assessment 2009
- State of the Wirehouses 2009
- State of Independent Broker/Dealers 2008
- Registered Investment Advisors 2007
- State of Wholesaling: Next-Generation Coverage Models 2006
- Retail Registered Investment Advisors in Transition 2005
- Transitioning from Commissions to Fee-Based Pricing 2003
- The State of Retail Registered Investment Advisor Market 2003

264 pages, 174 exhibits

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LOOK INSIDE
12 pages of report content

Table of Contents - *Expanded*

Key Questions Answered **16**
1. Why is the industry losing advisors? *17*
2. What is the future of the wirehouse channel? *18*
3. What is the current state of advisor transition? *19*
4. How is advisor product allocation changing? *20*
5. How much influence does the home office have over security selection? *21*
6. How should national sales managers adjust their resource allocation in the next year? *22*
7. What do asset managers view as the main drivers of future growth? *23*
8. How do advisors choose managers and how does this differ from wholesaler perception? *24*

Chapter 1: Intermediary Distribution: Unlocking Opportunities in a Flat Market **24**
Exhibit 1.01. Asset Growth by Distribution Channel, 2007-2011 24
Exhibit 1.02. Historical Change in Total Advisors by Channel, 2004-2011 25
Exhibit 1.03. Intermediary Assets by Channel, 2007-2011 26
Reassessing the Decline: The Wirehouse Model Going Forward *27*
Exhibit 1.04. Projected Asset Marketshare by Channel, 2011-2014E 27
Diverging Fortunes: The Regionals *28*
Set Back, but Not Derailed: An Update on Independence *29*
Exhibit 1.05. Marketshare of Employee and Independent Advisors, 2007-2014E 30
Dually Registered *30*
Dual Registration in the Longer Term *31*
New Entrants *32*
Asset Managers and the Dually Registered *32*
RIA-Only Growth *32*
Exhibit 1.06. Retail-Focused RIA Firm and Asset Marketshare Change by AUM Segment, 2008-2011 33
IBD-Only Growth *33*
Long-Term IBD Projections *34*
Asset Managers and IBDs *35*
Content to Stay the Course: The Bank and Insurance Distribution Channels *35*
Is Bigger, in Fact, Better: The Effects of Scale on Future Distribution *37*
Exhibit 1.07. IBD Marketshare Consolidation, 2008-2011 37
Business-Model-Agnostic *38*
Calm after the Storm: Reassessing Advisor Movement *38*
Exhibit 1.08. Projected Experienced Advisor Moves, 2011 39

Chapter 2: Optimizing Distribution for 2013 41

Challenges Facing Asset Management Distribution 41
Exhibit 2.01. Greatest Challenge for Asset Managers, 2012 42

Advisor Demands: Quants and Consultants 43
Exhibit 2.02. Drivers of Future Asset Manager Growth, 2012 43

Pay to Play: The Increasing Cost of Distribution 44
Exhibit 2.03. Number of Target firms and Average Revenue Sharing Paid, 2012 45

Restructuring Sales Organizations for Future Performance 46
Exhibit 2.04. National Sales Manager: Salesforce Resource Allocation by Channel, 2012 and 2015E 46

Section I: Advisor Market Sizing
Chapter 3: Advisor Sizing 49
Exhibit 3.01. Intermediary Matrix, 2011 51
Exhibit 3.02. Number and Percentage of Advisors by Channel, 2011 52
Exhibit 3.03. Historical Change in Total Advisors by Channel, 2004-2011 53
Exhibit 3.04. Assets by Channel, 2007-2011 54
Exhibit 3.05. Asset Marketshare by Channel, 2007-2011-Part 1 55
Exhibit 3.06. Asset Marketshare by Channel, 2008-2011-Part 2 56
Exhibit 3.07. Marketshare of Advisors and Assets by Channel, 2011 57
Exhibit 3.08. Average Advisor AUM and Productivity Index (PX) by Channel, 2007-2011 58
Exhibit 3.09. Projected Advisor Headcount by Channel, 2011-2016E 59
Exhibit 3.10. Projected Advisor Headcount Marketshare by Channel, 2011-2016E 60
Exhibit 3.11. Projected Asset Marketshare by Channel, 2011-2014E 61
Exhibit 3.12. Marketshare of Employee and Independent Advisors, 2007-2014E 62
Exhibit 3.13. Average Branch Concentration by Channel, 2009-2011 63
Exhibit 3.14. Projected Experienced Advisor Moves, 2011 64

Chapter 4: Distribution Channels 65
Exhibit 4.01. Top-25 Broker/Dealers by Advisor Headcount, 2004-2011 67
Exhibit 4.02. Top-25 Retail-Focused RIA Firms by AUM, 2011 68
Exhibit 4.03. Top-25 Broker/Dealers by Assets Under Management, 2011 69
Exhibit 4.04. Top Broker/Dealers by Advisor Productivity, 2011 70
Exhibit 4.05. Single Channel Networks, 2011 71
Exhibit 4.06. Multi-Channel Networks, 2011 72
Exhibit 4.07. Top-25 Broker/Dealers as a Percentage of Industry Headcount and Assets, 2004-2011 73
Exhibit 4.08. Top-15 Bank Broker/Dealer Programs by Advisor Headcount, 2004-2011 74
Exhibit 4.09. Selected Bank Third-Party Marketers by Advisor Headcount, 2004-2011 75
Exhibit 4.10. Selected Bank Broker/Dealer Program Platform Reps, 2011 76
Exhibit 4.11. Broker/Dealer Sub-Segments, 2011 77
Exhibit 4.12. Top-35 Independent Broker/Dealers by Advisor Headcount, 2004-2011 78
Exhibit 4.13. Top-15 Independent Broker/Dealers by Assets, 2008-2011 79
Exhibit 4.14. Advisors by Independent Broker/Dealer Segment, 2004-2011 80
Exhibit 4.15. Top-15 Insurance Broker/Dealers by Advisor Headcount, 2004-2011 81
Exhibit 4.16. Advisors by Insurance Segment, 2004-2011 82
Exhibit 4.17. Top-15 Regional Broker/Dealers by Advisor Headcount, 2004-2011 83
Exhibit 4.18. Advisors by Regional Segment, 2004-2011 84
Exhibit 4.19. Wirehouse Broker/Dealers by Advisor Headcount, 2004-2011 85

Exhibit 4.20. Wirehouse Advisor Productivity Index by Firm, 2011 86
Exhibit 4.21. Retail-Focused RIA Market Segmentation by Practice Type, 2011 87
Exhibit 4.22. Retail-Focused RIA Practice Type Definitions, 2011 88
Exhibit 4.23. Retail-Focused RIA Assets by Segment, 2004-2011 89
Exhibit 4.24. Retail-Focused RIA Firms by Segment, 2004-2011 90
Exhibit 4.25. Retail-Focused RIA Firm and Asset Marketshare Change by AUM Segment, 2008-2011 91
Exhibit 4.26. Retail-Focused RIA Firms, Assets, and Advisors by Affiliation Model, 2007-2011 92

Chapter 5: Product Sizing 93
Exhibit 5.01. Assets by Product by Channel, 2011 94
Exhibit 5.02. Advisor-Sold Products, 2007-2011 95
Exhibit 5.03. Marketshare of Advisor-Sold Products, 2007-2011 96
Exhibit 5.04. Bank Broker/Dealer Assets by Product, 2007-2011 97
Exhibit 5.05. Wirehouse Assets by Product, 2007-2011 98
Exhibit 5.06. Regional Broker/Dealer Assets by Product, 2007-2011 99
Exhibit 5.07. Insurance Broker/Dealer Assets by Product, 2007-2011 100
Exhibit 5.08. Independent Broker/Dealer Assets by Product, 2007-2011 101
Exhibit 5.09. Dually Registered Assets by Product, 2007-2011 102
Exhibit 5.10. RIA Assets by Product, 2008-2011 103

Chapter 6: Platforms and Providers 104
Exhibit 6.01. Managed Account Definitions, 2012 105
Exhibit 6.02. Program Type Comparison: Managed Account Marketshare, 2010 vs. 2011 106
Exhibit 6.03. Channel Comparison: Managed Account Marketshare, 2010 vs. 2011 107
Exhibit 6.04. Advisor Opinion of Managed Account Types, 2012 108
Exhibit 6.05. Service Agent Asset Marketshare, 2006-1Q 2012 109
Exhibit 6.06. Service Agent Comparison: Average RIA Client Assets by Service Agent, 1Q 2012 110
Exhibit 6.07. Transaction Fee vs. No-Transaction-Fee Mutual Funds Offered, 1Q 2012 111

Section II: Advisor Products and Portfolios
Chapter 7: Portfolio Construction 113
Exhibit 7.01. Portfolio Construction Strategy, 2Q 2012 115
Exhibit 7.02. Mutual Fund Turnover per Year, 2012 116
Exhibit 7.03. Advisor Portfolio Construction Process, 2012 117
Exhibit 7.04. Advisor-Reported Portfolio Discretion Breakdown, 2Q 2012 vs. 2015E 118
Exhibit 7.05. Advisor Reported Product Mix by Channel, 2Q 2012 119
Exhibit 7.06. Percent of Advisors Using Investment Products by Channel, 2011, 2Q 2012 120
Exhibit 7.07. Advisor Allocation to Investment Products, 2007-2013E 121
Exhibit 7.08. Advisor Reported Expected Changes in Product Use, 2Q 2012 122
Exhibit 7.09. Moderate Risk Investor Allocation by Client Investable Assets, 2012 123
Exhibit 7.10. Preferred Source of Portfolio Support by Subject, 2012 124
Exhibit 7.11. Most Important Factors in Choosing to Invest with an Asset Manager by Channel, 2012 125
Exhibit 7.12. Advisor Beliefs on Active and Passive Management, 2010-2012 126
Exhibit 7.13. Advisor Reported Allocation to Active and Passive Products by Channel, 2012 127
Exhibit 7.14. Number of Asset Managers Used by Advisors, 2008-2012 128
Exhibit 7.15. Selection Process for Third-Party Managed Assets, 2012 129
Exhibit 7.16. Means Used by Advisor Teams to Make Product Decisions, 2012 130

Chapter 8: Mutual Funds and SMAs 131
Exhibit 8.01. Long-Term Mutual Fund Assets and Number of Funds, 2002-2Q 2012 132
Exhibit 8.02. Long-Term Mutual Fund Net Flows, 2002-2Q 2012 YTD 133
Exhibit 8.03. Mutual Fund Assets by Fund Type, 2002-2Q 2012 134
Exhibit 8.04. Mutual Fund Net Flows by Fund Type, 2002-2Q 2012 YTD 135
Exhibit 8.05. Largest Mutual Fund Asset Managers, 2010-2Q 2012 136
Exhibit 8.06. Largest Mutual Fund Asset Managers by Net New Flows, 2010-2Q 2012 YTD 137
Exhibit 8.07. Largest Long-Term Mutual Fund Asset Managers, 2010-2Q 2012 138
Exhibit 8.08. Largest Short-Term Mutual Fund Asset Managers, 2010-2Q 2012 139
Exhibit 8.09. Total Closed-End Mutual Fund AUM and Growth, 2002-2Q 2012 140
Exhibit 8.10. Closed-End Mutual Fund Net New Flows and Number of Funds, 2002-2Q 2012 YTD 141
Exhibit 8.11. Largest Closed-End Mutual Fund Asset Managers, 2010-2Q 2012 142
Exhibit 8.12. Top-Tier Broker-Sold Fund Companies, 2Q 2012 143
Exhibit 8.13. Persistence of Flows and Assets for Top-10 Broker-Sold Fund Companies, 2009-2Q 2012 144
Exhibit 8.14. Mutual Fund Assets by Share Class, 2002-2Q 2012 145
Exhibit 8.15. Largest Separate Account Consultant Program Asset Management Groups, 2011 146
Exhibit 8.16. Separate Account Industry Sales, Redemptions, and Net Cash Flows, 2006-2011 147
Exhibit 8.17. Top-20 Separate Account Strategies by 1-Year Performance, 2011 148
Exhibit 8.18. Top-15 Model Portfolio Managers, 2011 149
Exhibit 8.19. Model Portfolio Asset Allocation, 2Q 2009-4Q 2011 150

Chapter 9: ETFs and Alternatives 151
Exhibit 9.01. ETF Assets and Growth, 2001-2Q 2012 153
Exhibit 9.02. ETF Assets and Net Flows by Fund Type, 2003-2Q 2012 154
Exhibit 9.03. ETF Sponsors: Assets and Marketshare, 2Q 2012 155
Exhibit 9.04. Top-15 ETFs by Assets, 2Q 2012 156
Exhibit 9.05. Alternative Mutual Fund Assets, 2003-2Q 2012 157
Exhibit 9.06. Alternative Mutual Fund Assets by Category, 2003-2Q 2012 158
Exhibit 9.07. Top-10 Alternative Mutual Funds by Assets, 2Q 2012 159
Exhibit 9.08. Advisors Select Most Helpful Method for Increased Adoption of Alternatives, 2011 160
Exhibit 9.09. Reasons Advisors Employ Alternative Investments, 2011 161
Exhibit 9.10. Global Single-Manager and Fund-of-Hedge-Fund Assets, 2003-2011 162
Exhibit 9.11. Number and Market Capitalization of Public REITs, 2000-2011 163
Exhibit 9.12. Private Equity Funds by Year, 2000-2011 164
Exhibit 9.13. Managed Futures Funds Databank, 2006-2011 165
Exhibit 9.14. Commodity Funds Databank, 2006-2011 166
Exhibit 9.15. Master Limited Partnership Fund Databank, 2006-2011 167

Chapter 10: Annuities and Insurance 168
Exhibit 10.01. Total Annuity Industry Sales Mix by Product Type, 2003-2011 170
Exhibit 10.02. Variable Annuity Total Flows by Distribution Channel, 2001-2011 171
Exhibit 10.03. Variable Annuity Net Sales as Percentage of Gross Sales, 2001-2011 172
Exhibit 10.04. Variable Annuity Sales by Share Class, 2005-2011 173
Exhibit 10.05. Top-25 Variable Annuity Issuers by Assets, 2010-2011 174
Exhibit 10.06. Top-25 Variable Insurance Asset Managers, 2011 175
Exhibit 10.07. Key Variable Annuity Fund Management Metrics, 2001-2011 176
Exhibit 10.08. Percentage of VA Contracts That Impose Investment Restrictions by Rider, 2Q 2012 177
Exhibit 10.09. Variable Insurance Embedded-Advice Fund Assets and Net Sales as Percentage of Variable Insurance Industry Total, 2005-2011 178
Exhibit 10.10. Asset Managers: VA Subadvisory and VIT AUM Attributable to VA Asset Allocation Models or Fund of Funds, 2012 179
Exhibit 10.11. Fixed Annuity Sales by Distribution Channel, 2003-2011 180

Exhibit 10.12. Fixed-Indexed Annuity Sales as Percentage of Total Fixed Annuity Sales, 2001-2011 181
Exhibit 10.13. Immediate Annuity Sales as a Percentage of Total Annuity Sales, 2003-2011 182
Exhibit 10.14. Life Insurance Sales Growth Rates, 2007-2011 183
Exhibit 10.15. Largest and Top-Selling Variable Universal Life and Variable Life Insurance Providers, Variable Subaccounts Only, 2011 184

Chapter 11: Advisor-Sold Retirement and Institutional 185
Exhibit 11.01. Total Defined Contribution Market Assets, 2000-2016E 187
Exhibit 11.02. Private DC Contributions and Distributions, 2000-2016E 188
Exhibit 11.03. Advisor-Sold Defined Contribution Marketshare, 2007-2011 189
Exhibit 11.04. IRA Rollover Contributions, 2000-2016E 190
Exhibit 11.05. Rollover Sizing, 2010 191
Exhibit 11.06. Top-15 IRA Providers by AUA, 3Q 2011-4Q 2011 192
Exhibit 11.07. Marketshare of Advisor Sold Institutional Business by Channel, 2Q 2012 193
Exhibit 11.08. Advisor Share of the Total Institutional Marketplace, 2007-2010 194
Exhibit 11.09. 529 Savings Plan Assets, 1999-2011 195

Section III: Sales Organizations and Distribution Strategy
Chapter 12: Sales Management 197
Exhibit 12.01. Greatest Challenge for Asset Managers, 2012 199
Exhibit 12.02. National Sales Manager: Salesforce Resource Allocation by Channel, 2012 and 2015E 200
Exhibit 12.03. Drivers of Future Asset Manager Growth, 2012 201
Exhibit 12.04. Trends and Issues Driving Organizational Changes within the Sales Department, 2012 202
Exhibit 12.05. Other Departments with the Most Influence on Sales Success, 2012 203
Exhibit 12.06. Greatest Concerns for Sales Managers, 2012 204
Exhibit 12.07. Sales Organization Time and Resource Consumption by Activity, 2012 205
Exhibit 12.08. Sales Manager Time Allocation, 2008-2012 206
Exhibit 12.09. Average Sales Company Personnel/Staffing by Firm AUM, 2012 207
Exhibit 12.10. Actual and Expected Changes in Salesforce Headcount by Functional Role, 2011-2013 208
Exhibit 12.11. Salesforce Channelization, 2011 vs. 2012 209
Exhibit 12.12. Sales Organization Compensation Comparison, 2012 210
Exhibit 12.13. Wholesaler Satisfaction with Firm Support Services, 2012 211
Exhibit 12.14. Activity Metric Tracking for Wholesalers, 2012 212
Exhibit 12.15. Source of Newly Hired Field Wholesalers, 2009-2012 213
Exhibit 12.16. Sales Manager Expectations: New and Experienced Wholesalers, 2012 214
Exhibit 12.17. Select Distribution Partners, 2012 215

Chapter 13: Key Accounts 216
Exhibit 13.01. Greatest Challenges for Key/National Account Managers, 2Q 2012 218
Exhibit 13.02. Percentage of Mutual Fund and Separate Account Sales Influenced by B/D Professional Buyers, 2008-2012 219
Exhibit 13.03. Factors That Determine of Focus Firms, 2Q 2012 220
Exhibit 13.04. Number of Target Firms and Average Revenue Sharing Paid, 2012 221
Exhibit 13.05. Primary Method for Differentiation at Focus B/Ds, 2012 222
Exhibit 13.06. Most Important Elements in Developing Relationships with Professional Buyers, 2012 223
Exhibit 13.07. Location of B/D Professional Buyer Support Team, 2012 224
Exhibit 13.08. Key Account Manager Time Allocation, 2008-2012 225
Exhibit 13.09. Professional Buyer Support Team Time Allocation, 2011-2012 226
Exhibit 13.10. Wholesalers' Most Desired Information from Key Accounts Team, 2010-2Q 2012 227
Exhibit 13.11. Key Account Assistance Supplied to Field Wholesalers, 2012 228

Chapter 14: Field Wholesaling 229
Exhibit 14.01. Greatest Challenge as a Wholesaler by Distribution Channel Focus, 2012 230
Exhibit 14.02. Wholesaler Time Allocation, 2012 231
Exhibit 14.03. Wholesalers vs. Advisors: Reasons Advisors Choose Asset Managers, 2012 232
Exhibit 14.04. Wholesalers vs. Advisors: Reasons Advisors Choose Variable Annuity Providers, 2012 234
Exhibit 14.05. Primary Value Wholesalers Provided to Advisors by Product Sold, 2012 235
Exhibit 14.06. Wholesaler and Sales Manager Years Experience by Function, 2012 236
Exhibit 14.07. Average Basis Point Commission Rate on Gross Sales, 2012 237
Exhibit 14.08. Wholesalers' Annual Expense Budget, 2008-2012 238
Exhibit 14.09. Number of Advisors in Territory by Production Levels, 2012 239
Exhibit 14.10. Number of Products Used by Advisor by Production Level, 2012 240
Exhibit 14.11. Number of Wholesaler Contacts by Advisor Type, 2012 241
Exhibit 14.12. Source of Wholesaler Prospects, 2012 242
Exhibit 14.13. Advisor/Wholesaler Contact Levels, 2012 243
Exhibit 14.14. Metrics Used for Profiling an Advisor, 2012 244
Exhibit 14.15. Advisor Perceived Value of Wholesaler Services, 2012 245

Chapter 15: Sales Support 246
Exhibit 15.01. Satisfaction with Organizational Areas by Role, 2012 248
Exhibit 15.02. Desired Improvement in Communications by Role, 2012 249
Exhibit 15.03. Wholesaler Opinion of Internal Wholesalers, 2012 250
Exhibit 15.04. Hybrid Wholesalers Focus Segments, 2012 251
Exhibit 15.05. Hybrid Wholesaler Time Allocation, 2011-2012 252
Exhibit 15.06. Elements of Successful Marketing, 2012 253
Exhibit 15.07. National Sales Manager Reported Effectiveness of Marketing Programs, 2012 254
Exhibit 15.08. Most Effective Type of Marketing to Use with Advisors, 2012 255
Exhibit 15.09. Wholesaler and Sales Manager Level of Satisfaction with Technology Tools, 2012 256
Exhibit 15.10. Wholesaler Level of Satisfaction with CRM System by Function, 2012 257
Exhibit 15.11. Wholesaler Tablet Computer Use by Task, 2011-2012 258
Exhibit 15.12. Wholesaler Opinion of Business Planning, 2012 259
Exhibit 15.13. Top Wholesaler Training Priorities Ranked, 2012 260
Exhibit 15.14. Sales Managers: Effectiveness of Wholesaler Training Methods, 2012 261

Index of Companies 262

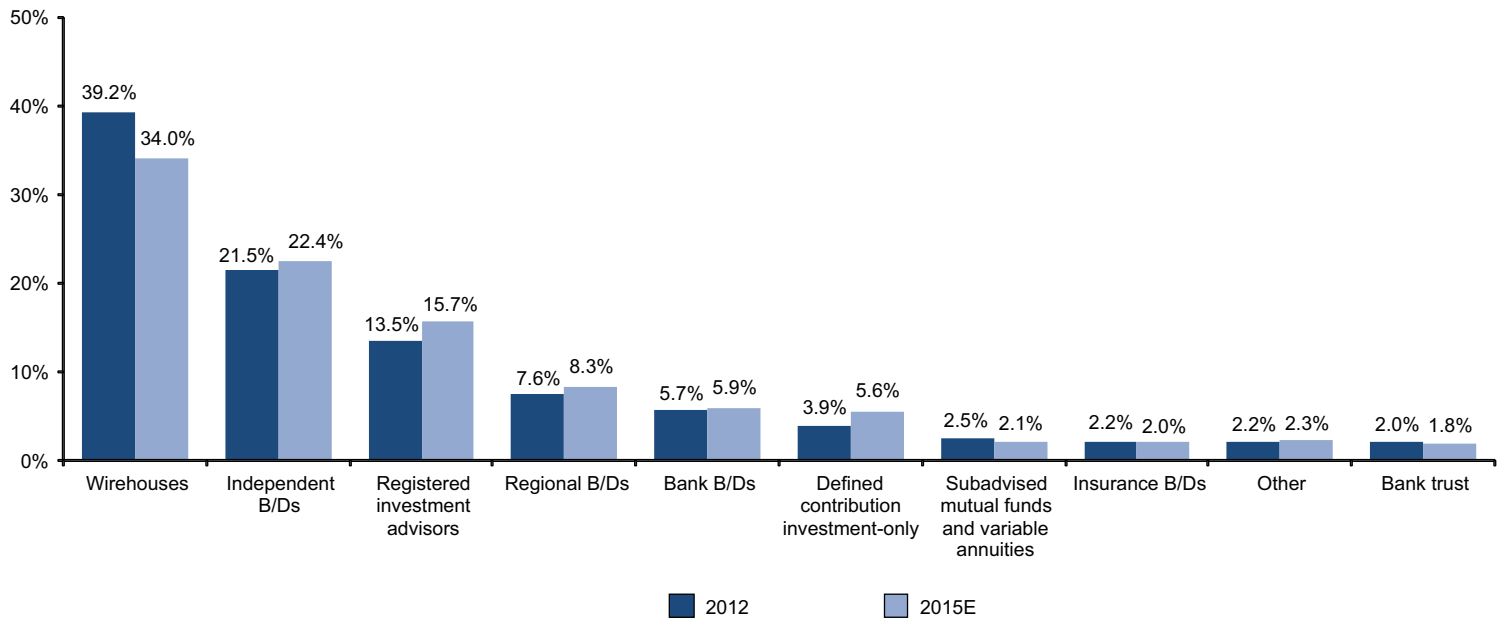
SAMPLE SECTION
from

INTERMEDIARY DISTRIBUTION 2012: OPTIMIZING CHANNEL STRATEGIES, PRODUCT FOCUS, AND SALES TEAM EFFECTIVENESS

EXHIBIT 12.02

National Sales Manager: Salesforce Resource Allocation by Channel, 2012 and 2015E

Source: Cerulli Associates



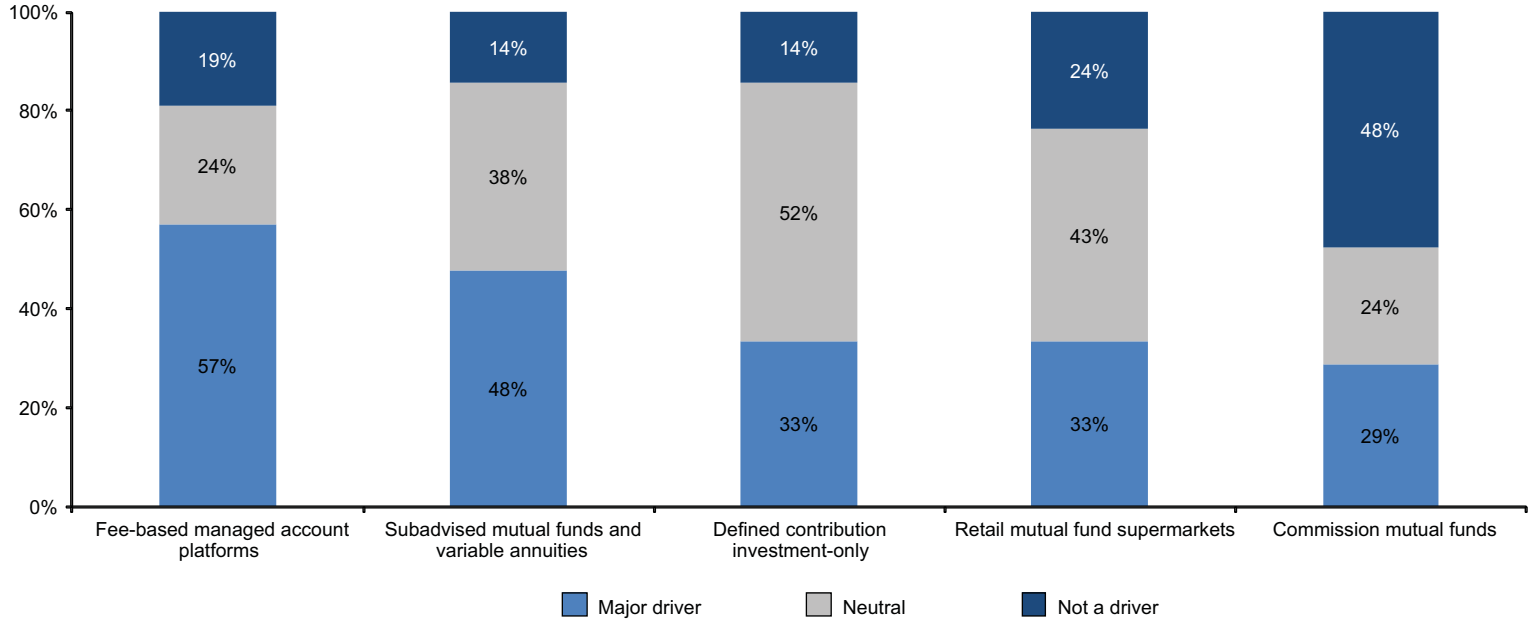
- Further projected reductions in asset marketshare at wirehouses have led sales managers to anticipate reductions in their resource allocation to the channel, down 5% in the coming three years. These resources are anticipated to be re-directed to the registered investment advisor (RIA) channel, which has shown strong growth amidst a stagnant market.

Key Implication: Asset managers have recognized the waning influence of the wirehouses on distribution and are adjusting accordingly over the coming years. Resources are flowing toward growth segments within the third-party distribution marketplace, notably RIAs and defined contribution investment-only (DCIO). Though some group dually registered advisors with the independent broker/dealer (IBD) segment, asset managers should reconsider their future projections for the channel due to large draw downs in advisors and assets. Conversely, despite control of nearly the same amount of assets as IBDs, regional B/Ds are under-allocated, awarded 14% less resources by asset managers.

EXHIBIT 12.03

Drivers of Future Asset Manager Growth, 2012

Source: Cerulli Associates



- Advisor demand for investment options within variable annuities supported the rise of subadvised funds and annuities as an opportunity for asset managers. Commission mutual funds were not a growth driver for nearly half of asset managers.

Key Implication: Fee-based managed account programs are viewed by national sales managers as the biggest growth opportunity over the next five years. Increased advisor use of fee based programs allows asset managers to tap into a growing pool of assets. National sales managers indicate that these groups control 44% of sales, on average, at B/Ds. Continual growth of fee-based programs adds to the power of centralized due diligence groups within B/D home offices. To capitalize, asset managers must develop partnerships with the professional buyers, as well as understand the extent of their power over the buying habits of the advisor.

Company Index

AIG 71
Allianz 168, 175
Allstate 82
Altegris 151, 165
American Century 136
American Funds 36, 138
Ameriprise 14, 25, 29, 49, 61, 69
Ameritas 81
AXA 184
Baird 28, 83
Bank of America/Merrill Lynch 27, 66, 70, 74, 76, 85
BlackRock 136, 142, 146, 150
Cambridge Investment Research 79
Cetera 35, 71, 75
Charles Schwab 18, 31, 56, 109, 110, 190
Citigroup 36, 60, 74
Commonwealth Financial Network 34, 79
Convergent 33
Dynasty 18, 32, 64
Eaton Vance 148
Edward Jones 14, 25, 28, 29, 49, 61, 83, 99, 169, 173
Edelman Financial Services 33
Envestnet 38, 148
Farmers Financial 81
Focus 40
Fidelity 18, 24, 25, 31, 56, 109, 110, 138, 139, 186, 190, 192
Fisher Investments 33, 69
Franklin Templeton 36, 144
Gannett Welsh & Kotler 148
GenSpring 33
Genworth 71
H.D. Vest 67, 78, 79
Hartford, 168 ..... 171, 174
HighTower 18, 32, 40, 64
ING 79, 168, 174

Invesco 36
iShares 155, 156
Jackson National 31, 176, 184
John Hancock 171
JPMorgan 74, 138
Kayne Anderson Rudnick 148
Keycorp 74
Ladenburg Thalmann 71
Legg Mason 36
Lincoln Financial 81
Lord Abbett 136, 138, 144
LPL Financial 31, 34, 35, 38, 60, 62, 75, 78, 80, 110, 111, 192, 215, 223
Mercer, ... 194
MetLife 171, 174, 179, 184, 223, 234
MFS 136, 144
Morgan Keegan 29, 38, 69
Morgan Stanley Smith Barney (MSSB) 17, 27, 28, 85, 86
Nationwide 171
Neuberger Berman 149
Nuveen 137, 142, 146
Oxford Financial Group 33
Pershing 110, 111
PIMCO 28, 41, 144, 149, 150, 159, 168, 175, 217, 222
Purshe Kaplan 32
Primerica 36, 67, 82
PrimeVest 75
Prudential 174, 184
Raymond James 29, 31, 34, 35, 38, 60, 65, 69, 72, 80
RBC 28, 83
Russell 151, 155
SagePoint 79
Securities America 71
Signator 81
SSgA 155, 156
Stifel Nicolaus 28, 83
Sun Life 171
T. Rowe Price 136

Company Index

TD Ameritrade 109, 110, 111
TIAA-CREF 24, 174, 175
Transamerica 78, 177
Triad 32
Trust Company of America 111
U.S. Trust 28
UBS 27, 47, 66, 70, 86
UVest 75
United Capital 33, 40
VALIC 82
Vanguard 127, 136, 137, 138, 155, 156, 186, 191, 192
Waddell and Reed 28, 29, 83
Wells Fargo 27, 34, 60, 65, 67, 72, 74, 76, 78, 79, 85, 86