CAPITAL GROUP®

Pathways to Growth

2023 Advisor Benchmark Study

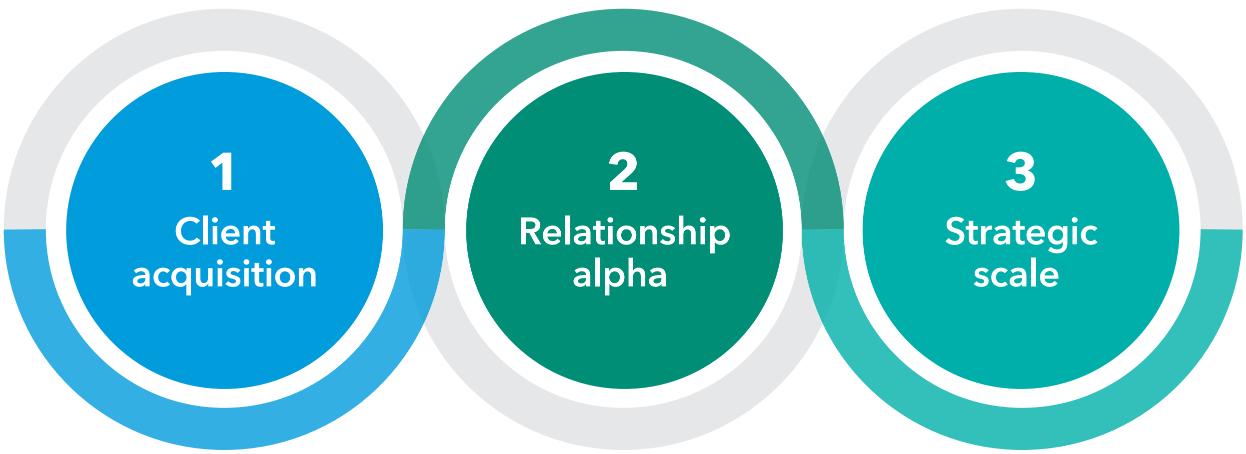
What does a successful advisory practice look like today?

For one thing, it's growing.

Not by leaps and bounds, but growing. Despite a year of uncertainty and volatility in both stock and bond investments, the average advisor in our survey managed to grow revenue by 7%.

An elite segment of practices did even better – growing 2.5 times as much over the same period, facing the same market headwinds. So what are these high-growth advisors* doing more or less of?

Three areas of focus have remained consistent among the fastest growing practices.



Successful practices make client acquisition a focus, are confident in their branding and have established procedures for marketing, acquisition and client onboarding.

Delivering products and services that support clients in reaching a range of life goals builds confidence, loyalty and deeper engagement. It also helps garner referrals.

Building a business takes thinking like a CEO, which includes planning, strategizing and spending more time on the activities correlated to growth.

In Capital Group's latest advisor benchmarking study, we set out to shed more light on our initial findings about what the highest growth advisors do differently, and which behaviors and skills prompted their exceptional growth.

*High-growth advisors or fastest-growing advisors = Top quintile in terms of growth as measured by a composite of assets, revenue and number of clients.

Success traits of the highest growth practices

Since our first advisor benchmark survey in 2020, we have seen an overall shift toward the practice management behaviors that lead to growth. Still, the highest growth practices are differentiated in certain key areas.

Client acquisition

More than
40%
more growth from new clients

Brand centered
The highest growth practices were more likely than the average advisor to have a distinct brand identity and claim expertise in branding.

Marketing mindset
They had 64% greater confidence in their marketing skills and used select marketing-based strategies at a 59% higher rate.

Procedural prospecting
They were almost twice as likely to have standard procedures in place for prospecting and 17% more likely to have clearly defined acquisition goals.

Relationship alpha

Nearly
3X
the number of referrals

Enhanced planning
The highest growth practices are more likely to offer services beyond investment management, including educational planning, charitable planning and family wealth transfer.

Satisfaction and referrals
While these practices don't rely solely on referrals for acquisition, they garnered three times the referrals of the average advisor.

Retirement plans
They were more likely to have 25% or more AUM in defined contribution assets.

Strategic scale

More than
70%
use models

Enterprise-like efficiency
These practices are more likely to define and measure productivity, efficiency and return on marketing and technology investments. They are also 24% more likely to use model portfolios.

Leveraging teams
They spent 35% more time and are 75% more likely to claim expertise in team management.

Standard operating procedures
They are nearly 20% more likely to have standard operating procedures in place for a range of activities.

Service offerings may vary by firm. Financial professionals should consult firm guidelines for more information.

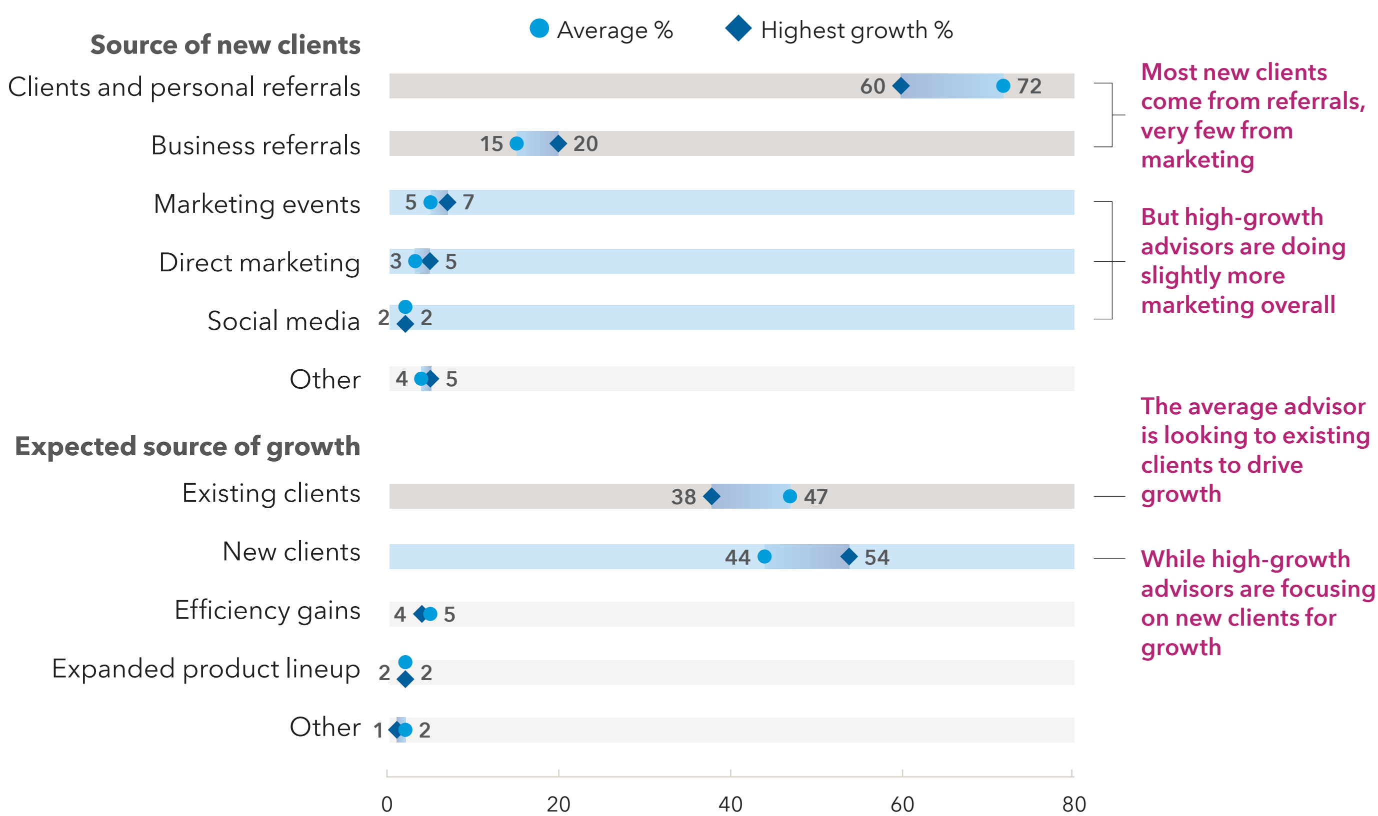
Client acquisition

An intentional approach to finding new clients

For all advisors in our study, assets under management (AUM) from new clients increased in 2022. When asked to predict sources of future practice growth, **44%** of respondents cited new clients as a primary driver.

Referrals remain the greatest source of new business – representing **87%** of new client acquisition. But our survey findings continue to confirm the opportunities for all advisors who focus on marketing, branding and acquisition efforts. Median spend on marketing increased in 2022, and advisors overall seem to be more likely to have a clear and well-defined client profile, a carefully crafted brand story and a clear expression of the value they add to clients. An overall increase in event marketing from the prior year suggests that advisors and clients are getting back to face-to-face interactions after years of social distancing.

Among the highest growth advisors in our study, more than **60% of AUM** growth in 2022 came from new clients, and more than half identify new clients as a primary plan for future growth. These practices received three times the referrals, and they were also more likely to use marketing as a new client channel and to have prospecting procedures in place.



Highest growth practices have greater confidence in their marketing

Refining your approach to client acquisition

Here are a few specific behaviors associated with highest growth practices:

A distinctive and defined brand story

When you understand your "why" and position in the marketplace, you can better articulate your brand to clients and prospects. Having a brand story can help prospects understand the perspective, coaching and impact you provide in client relationships. You can build an identity around this story, if you make sure your brand name, colors, promise and messaging are clear at every client touchpoint (including your physical surroundings).

Multichannel marketing

A marketing strategy that leverages multiple channels can show you where your investment yields the greatest return. For example, high-growth advisors spent less than average on local ads and direct mail and more on email, webinars and referral programs.

Targeted prospecting

Successful prospecting leads to more clients, which leads to less time for prospecting. It can be a vicious cycle, but build prospecting into your productivity goals to find a balance. Once you have defined your ideal clients, you can take a more targeted approach to finding them.

Measured effectiveness

Whatever the approach, tracking progress through select key performance indicators can help you see the payoff of brand power over time.

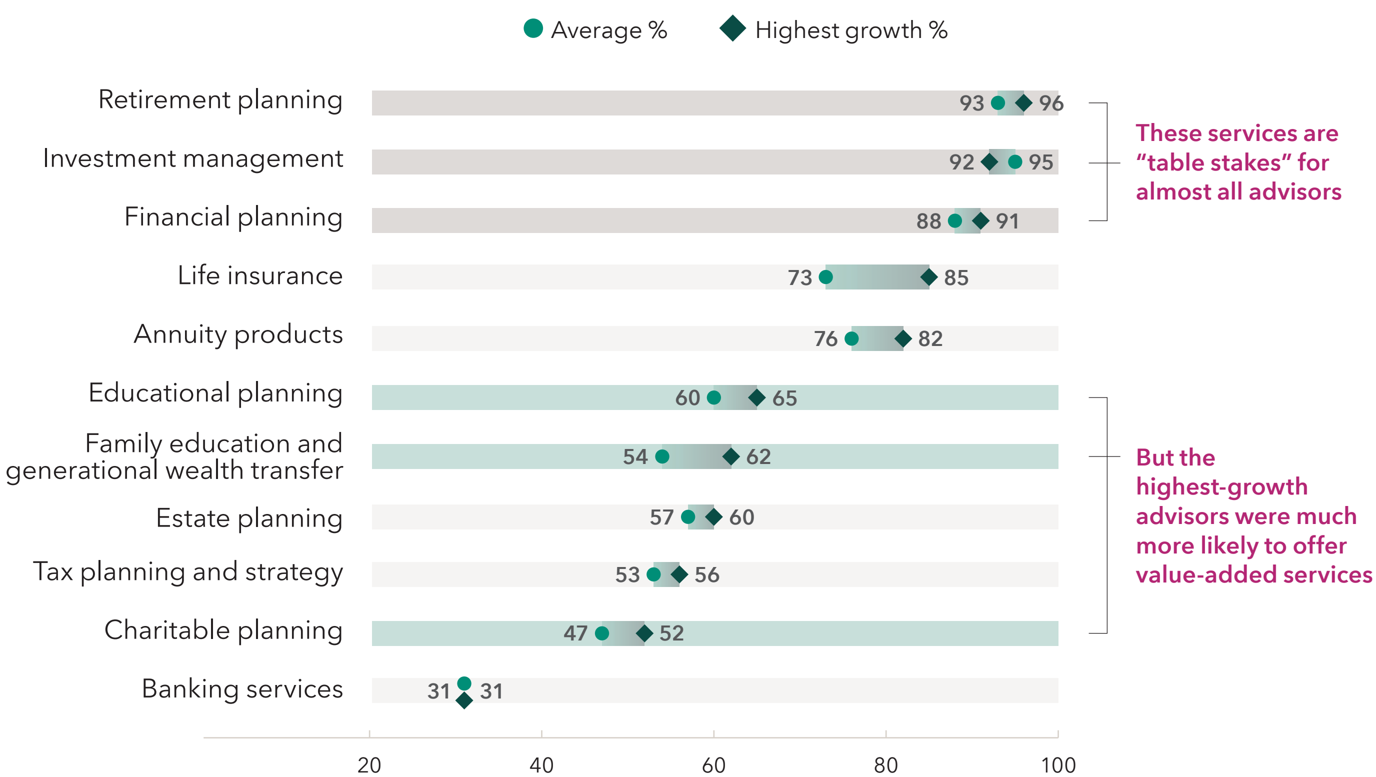
Relationship alpha

Broad service offerings that deepen engagement

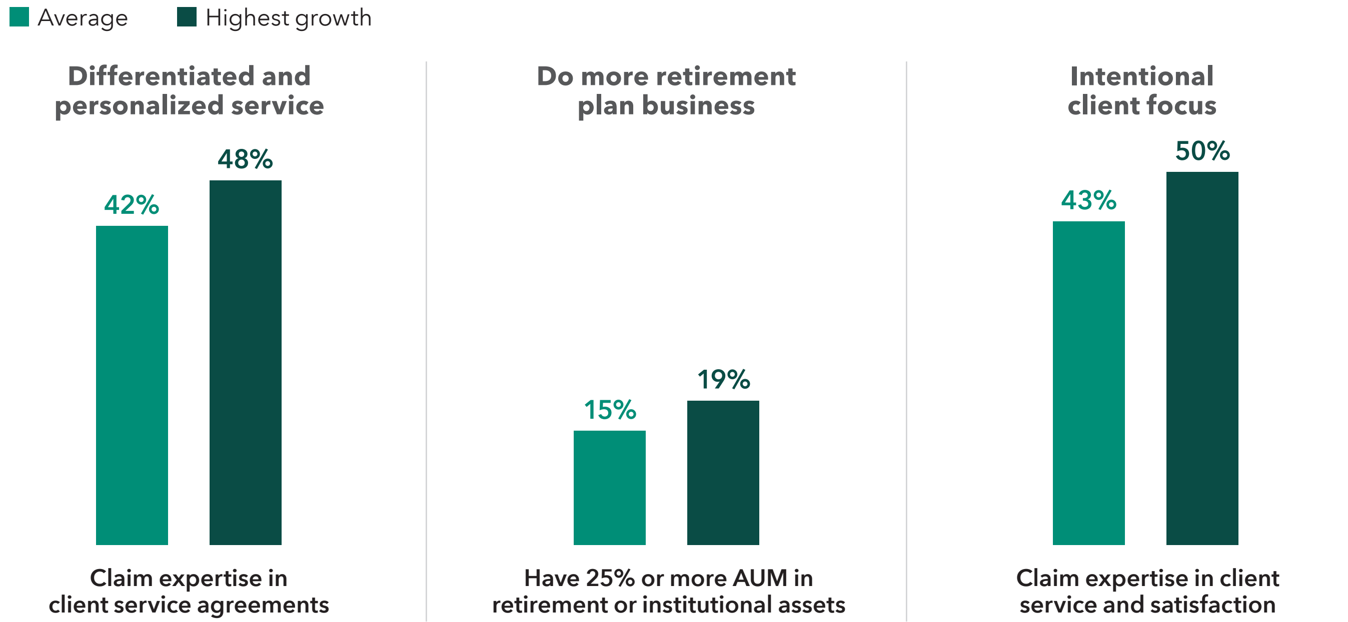
Our original study found that certain products and services are "table stakes" offerings for all practices. These include retirement and financial planning and investment management. In previous years, offering more "value-added" services, such as estate planning, tax planning and banking, correlated with high-growth practices.

In our latest findings, the average practice is usually offering these types of services. However, the highest growth segment continues to distinguish itself by providing more client-centric services at significantly higher rates. These include areas like charitable planning and educational planning, as well as guidance on generational wealth transfers. High-growth advisors also target a wider range of customer profiles and generations, and are more likely to have at least **25% of AUM** in defined contribution or institutional assets.

Highest growth practices offer more services to all clients



Enhanced client service and retirement plan business



Delivering relationship alpha

The following steps help growth-seeking advisors provide a differentiated client experience:

Set client satisfaction goals

Goal setting is an important practice management skill of its own, but higher growth advisors were more likely to set goals for client retention. During a challenging year, this meant paying more attention to client needs. The highest growth advisors had 18% more client interactions.

Look beyond investment management

The fastest growing advisors in our study spent 18% less time on investment management than the average advisor. Instead, they were more likely to offer services focused on supporting specific financial goals, such as educational planning, charitable planning and generational wealth transfer.

Consider retirement plan business to diversify and create sticky assets

Having a higher percentage of AUM in institutional or defined contribution assets was a mark of high growth in our study. Beyond providing a reliable source of assets, retirement plan business may help lead to new sources of clients through professional referrals and conversion of plan participants.

Multigenerational engagement

Targeting a broader range of generations can be an investment in future growth and can help expand your practice. Creating a tier of services for younger generations could also build loyalty among existing clients who want help providing financial guidance to children and grandchildren.

Service offerings, correspondence and communication policies may vary by firm. Financial professionals should consult firm guidelines for more information.

Strategic scale

Running your practice like an enterprise

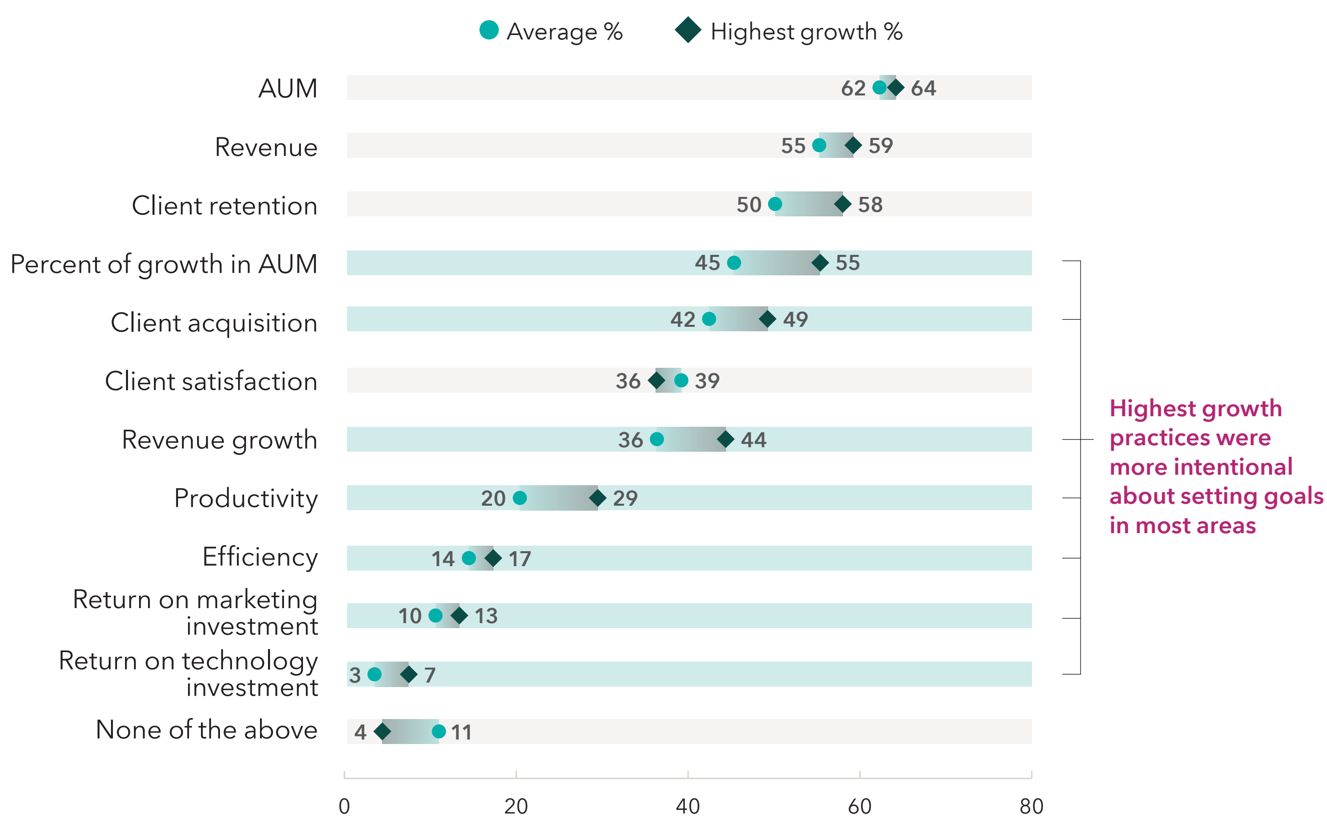
While it may come as no surprise that advisors on average are dedicating **80%** of their time to client and investment management, our findings continue to indicate that allocating more time to business and practice management can lead to higher growth.

Time spent researching and monitoring the market decreased for the highest growth advisors in our survey, while time spent on practice management increased slightly. The highest growth advisors in our survey spent **18%** less time on investment management but **35%** more time on team management and nearly **24%** more time on marketing and client acquisition.

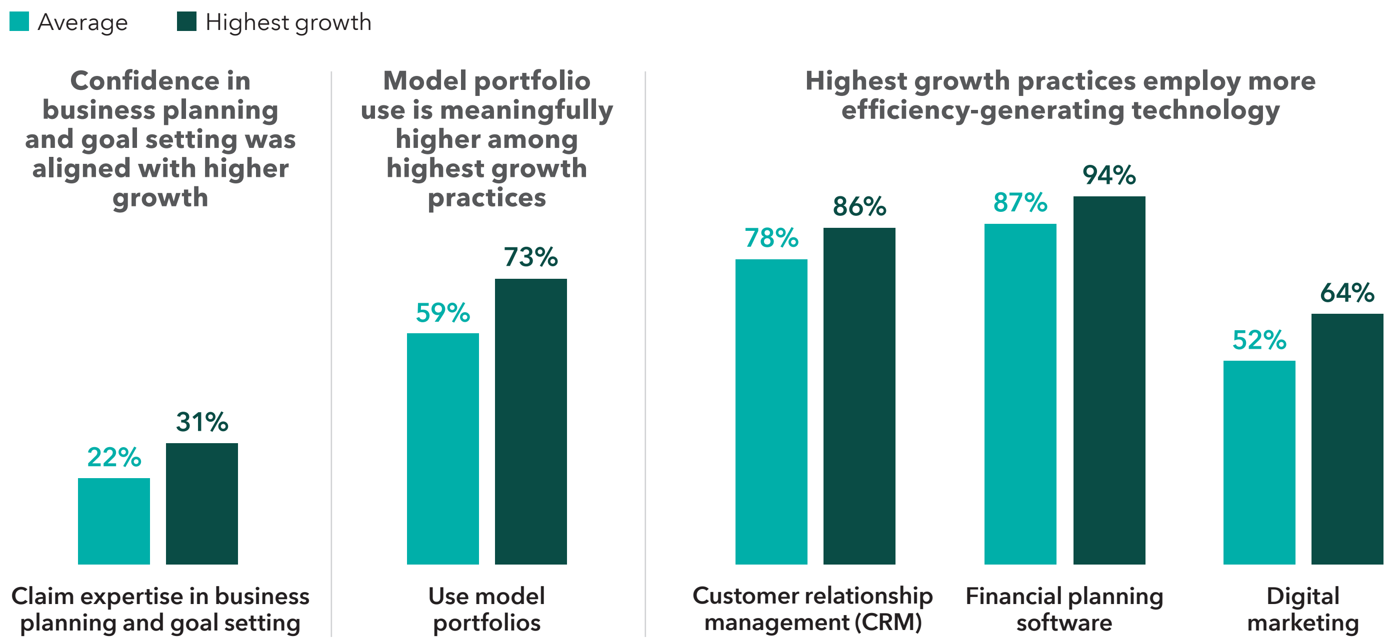
Advisors in the highest growth segment continued to be intentional about goal setting in areas like efficiency, productivity and AUM growth. Perhaps as a mark of those efficiency and productivity efforts, nearly three out of four of these high-growth practices use model portfolios.

Highest growth practices actively pursue efficiency and productivity

Share of advisors who set defined and measurable goals in the following areas



Highest growth practices actively pursue efficiency and productivity



Building strategic scale

Advisors seeking to accelerate their growth could do well to consider the following:

Set clear and measurable business goals

High-growth advisors were 37% more likely to claim expertise in business planning, and they are also more likely to set and regularly measure goals, including client acquisition goals, client retention goals and efficiency goals.

Implement standard operating procedures (SOPs)

Fastest growing advisors were more likely to have SOPs in place in their practices. Establishing processes for prospecting, onboarding and service can make advisors more confident in their capability in client targeting and acquisition, as well as client service and satisfaction. Clear and consistent instructions for a practice's standard of care can help make daily activities more efficient and deliver a seamless client service experience.

Seek efficiency through models and technology

Advisors in the highest growth segment were 24% more likely to use model portfolios and spent less time monitoring the markets. They also used technology tools to handle portfolio management, trading/rebalancing, customer relationship management (CRM) and documents at higher rates than advisors as a whole.

Take a team approach

Team management tends to go hand in hand with increased productivity, and high-growth advisors were 75% more likely than the average advisor in our survey to feel confident about their team management, compensation and recruiting. The high-growth segments spend comparatively more of their time on team management and far less time on client book management than the average advisor.

How advisors spend their time

The study showed that advisors are generally allocating their time in the following order: client management, investment management and practice/business management.

On average, advisors are dedicating 80% of their time managing client relationships and investments. This remains unchanged from the previous year. However, there are still certain behaviors that differ meaningfully based on the advisors' growth profiles. For example, the highest growth group spends 14% more time on practice management and 35% more time on team management. This highest-growth group also spends 9% less time on client book management but allocates 24% more time to marketing and client acquisition.

Time spent in the following areas

Client relationship management

- Preparing for and conducting client meetings
- Sending or responding to direct client emails/calls
- Conducting wealth/financial planning outside of investment management
- Preparing or conducting client education or training
- Client marketing

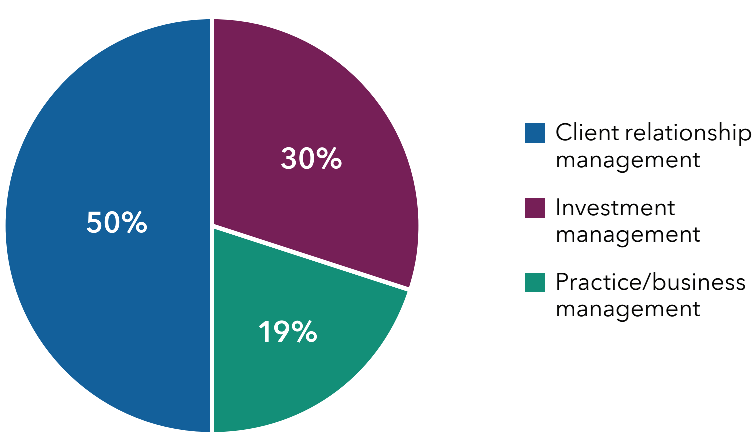
Investment management

- Researching and monitoring the market
- Asset allocation
- Conducting overall due diligence on funds or models
- Rebalancing clients' portfolios
- Adding/replacing investments on favored funds list

Practice/business management

- Client book management
- Prospecting
- Marketing/client acquisition
- Overall business strategy
- Investor understanding
- Technology
- Team management
- Succession planning

Average



Highest growth

Figures may not add up to 100 due to rounding.

Guidelines on roles and activities may vary by firm. Financial professionals should consult firm policies for additional information.

Five steps on your pathway to growth

The following five steps can help advisors reallocate their time toward activities correlated to the highest growth practices:

1

Establish goals for marketing and client acquisition:
When it comes to attracting new clients, being purposeful matters. Advisors who spent more time on key marketing disciplines like branding and prospecting, as well as those with higher levels of marketing activity, grew faster. Try experimenting with different types of marketing, including digital channels such as search, social and targeted email.

2

Expand your product and service offering:
Financial planning and investment management are standard offerings for nearly all practices. Highest growth advisors provide a broader range of services in value-added areas such as education planning and generational wealth transfer. In building these skills, you may be able to broaden your professional networks and create connections with multiple generations of the same family, which is correlated to higher growth.

3

Standardize your practices related to client service:
Establishing clear processes helps foster a higher functioning team and a better client experience. Use of SOPs was common among high-growth advisors in our latest study. Onboarding SOPs were particularly common among highest growth practices, with more than 60% using them.

4

Spend less time monitoring the market and build scale and efficiency through model portfolios:
Highest growth advisors follow the advice often given to clients: Focus on what you can control. That means 19% less time spent researching the market. And although most practices spend comparable time on asset allocation, advisors in the high-growth segment were more likely to use models.

5

Spend more time optimizing your team performance:
A productive, efficient team sits at the center of many of the high-value activities uncovered in our study. Highest growth advisors spend more time on team management and less time on client book management. Taking more of a leadership role may help you create a stronger foundation for your practice, and can help produce a more seamless client experience.

Service offerings, correspondence and communication, and role and activities guidelines may vary by firm. Financial professionals should consult firm guidelines for more information.

Methodology

Capital Group, partnering with behavior and analytics firm Escalent, conducted a multiyear advisor benchmarking study among a representative total of nearly 3,000 financial advisors in the U.S. This study established a benchmark for behaviors and assessed the relationship between those behaviors and practice growth. The online study was first fielded in 2020. Capital Group was not revealed as the sponsor. The data in this presentation reflects the latest wave of data collected in 2023, which reflects 2022 growth.

In 2023, Capital Group anonymously surveyed more than 1,500 financial professionals who together provided a representative view of the U.S. advisor landscape.

YEAR
2023

PARTICIPANTS
1,500+

Participants ranged from seasoned veterans to those at the outset of their careers, and from registered investment advisors (RIAs), to advisors at regional firms, to corner office wirehouse teams. Some practices were modest, while others had books of business that numbered in the billions of dollars. Some advisors have a specialty focus, for example working primarily with high net worth clients or providing advisor-sold retirement plans.

We analyzed results based on dozens of factors, including things like model portfolio usage, AUM growth, retirement plan assets, efficiency models, technology adoption and practice management behaviors. Decision tree analysis and regression models were used to understand success linkages.