

Plan, Diversify, and Differentiate: Three Strategies of High-Performing Advisors¹

The recent *Fidelity® Advisor Insights* study¹ involving over 800 financial advisors showed that many have increased their assets under management (AUM) and compensation over the last year. However, a group of High-Performing Advisors really stands out from the pack with average AUM that was 75% higher than that of other advisors, and average compensation that was more than double.² Given the relative success of this group, other advisors may want to consider looking at their actions. High-Performing Advisors surveyed typically:

- 1. Put pen to paper** and create formal career goals, a succession plan, and a marketing plan.
- 2. Build a portfolio for the future** by targeting Gen X/Y investors,³ using Centers of Influence (COIs) to build referrals, and pruning less profitable clients from their practices.
- 3. Avoid following the herd and differentiate** their businesses to create a strong value proposition.

This paper looks at some of the traits of High-Performing Advisors to see what insights may be uncovered to help other advisors take their businesses to a new level.

Inside:

- ✓ Read how High-Performing Advisors are heeding their own advice
- ✓ Delve into the profile and traits of High-Performing Advisors
- ✓ Consider three important strategies that helped High-Performing Advisors excel

¹For this paper, High-Performing Advisors are surveyed advisors across banks, broker-dealers, independent broker-dealers, insurance companies, regional broker-dealers, registered investment advisors (RIAs), and wirehouses who have above-average AUM (\$100 million versus \$57 million for other advisors), which they have also increased over the past year; have above-average percentage of their clients' total investable assets (84% versus 72% for other advisors); and are highly satisfied with their current career. See page 2 for additional study details.

²The experiences of those surveyed may not be representative of the experiences of other advisors and are not an indication of future success.

³Ages 21 to 48.

High-Performing Advisors Heed Their Own Advice

Almost all participants (95%) in the recent *Fidelity® Advisor Insights* study grew their books in the last 12 months. In addition, average AUM at \$62 million and average compensation at \$240,000 were at their highest levels since 2007.

Within the study, a group of High-Performing Advisors had average AUM that was 75% higher than that of other advisors, and average compensation that was more than double. What were they doing that made this possible? Do they provide insights for others to consider to help them further grow their businesses? We explore some of the traits of High-Performing Advisors to see what may be contributing to their above-average results.

Advisors work hard to help their clients think about financial security and the steps they need to take to position themselves well for the future. This often starts with discussions about financial and retirement planning, and the creation of written documents that can serve as useful guides. It also typically includes a review of different

asset allocation strategies, and the types of securities that could be held in a portfolio to potentially take advantage of market opportunities, while minimizing risk. This all may be rounded out with sound advice about creating a strategy unique to a client's needs, and avoiding the latest investment trends that could be short-lived and not offer ample diversification.

This valuable guidance helps keep investors focused on their longer-term goals. Our study showed that many High-Performing Advisors are following this advice as well and are taking steps to:

1. Put pen to paper.
2. Build a portfolio for the future.
3. Avoid following the herd.

95%

Percentage of advisors
who grew their book
of business in the last
12 months

**\$442,000
versus
\$212,000**

Average compensation of
High-Performing Advisors
versus other advisors

The 2013 *Fidelity® Advisor Insights* study, previously named *Broker and Advisor Sentiment Index*, is the seventh iteration of the study. This was an online, blind survey (Fidelity not identified) fielded during the period of August 8–21, 2013. Participants included 813 advisors from across multiple firm types who work primarily with individual investors and manage a minimum of \$10 million in individual or household investable assets. Firm types included a mix of banks, broker-dealers, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and wirehouses, with findings weighted to reflect industry composition. Bellomy Research, an independent third-party research firm not affiliated with Fidelity Investments, conducted the study.

We define High-Performing Advisors as a subgroup of surveyed advisors who have been performing much better than others as shown by their substantially higher AUM and compensation. In addition, they manage the entire portfolio for 60% of their clients, compared to 46% for other advisors, tend to be more fee-

based, and are more likely to work in a team configuration. They also form deeper client relationships, with 61% knowing almost everything about their clients, including details about their personal lives (versus 53% for others). All of this has enabled many of them to earn a very attractive income, with 55% making \$350,000 or more in 2013.

So, are they high performing because they are taking their own advice when it comes to planning, building a portfolio for the future, and not following the herd? Based on the findings of our research, the answer appears to be yes. Below, we examine their behaviors that may help point to best practices for other advisors to consider.

The Profile and Traits of High-Performing Advisors

	HIGH-PERFORMING ADVISORS		OTHER ADVISORS	
	45	AVERAGE AGE	47	
	16	TENURE	15	
	\$100 MILLION	AVERAGE AUM	\$57 MILLION	
	240	AVERAGE NUMBER OF CLIENTS	260	
	\$417,000	AVERAGE AUM PER CLIENT	\$219,000	
	\$442,000	AVERAGE COMPENSATION	\$212,000	
	55%	% OF COMPENSATION FROM FEES	39%	
	84%	% WORKING IN A TEAM CONFIGURATION	48%	

1. Put Pen to Paper

Advisors tell clients to be prepared with an estate plan and a rainy day fund; High-Performing Advisors seem to be planning as well.

Advisory businesses can be quite complex. In addition to providing sound financial guidance and an excellent client experience, advisors need to be thinking about the general

health of their practice, and how they can grow and sustain their asset base over time. Among other things, this requires having a vision of where the business is headed, ideas about how

to attract and retain new clients, and considerations about who will take over the reins down the road.

Close to two-thirds of High-Performing Advisors surveyed set formal career goals for themselves, while just over half of the other advisors surveyed do so. They are also much more likely to have planned out different areas of their business. This is especially the case with succession and business continuity planning.

In addition, since High-Performing Advisors are more likely to work in teams of some sort, they have done more planning on team-related issues.

	HIGH-PERFORMING ADVISORS	OTHER ADVISORS
Set formal career goals	63%	52%
Have a written succession plan	52%	27%
Have a written business continuity plan	58%	37%
Have a written marketing plan	56%	50%

This includes taking steps to clarify how decisions will be made and how monies and expenses will be shared. It also includes having documented plans in the event that the team

dissolves at some point in the future. All of this helps take ambiguity out of the relationship to support a positive working environment.

2. Build a Portfolio for the Future

Advisors tell clients to build a portfolio for the future; many High-Performing Advisors are taking steps to realign their client base.

It is a well-known fact that roughly 10,000 Baby Boomers⁴ are turning 65 every day,⁵ which means they are moving into the asset-drawdown phase of their lives. This presents a challenge for advisors overall, since 70% of their clients are Baby Boomers and Silvers.⁶ Despite clear warning signs that the population is aging, 43% of advisors surveyed do not feel it is important to evolve their practice to meet the needs of a younger population.

High-Performing Advisors seem to be more strategic in their outreach activities. More High-Performing Advisors are targeting Gen X/Y

	HIGH-PERFORMING ADVISORS	OTHER ADVISORS
% who target Gen X/Y investors	42%	17%
% who ask less profitable clients to leave the firm	30%	16%
% who target the high-net-worth	60%	29%
% who target investors with a specific service need	26%	18%

investors than other advisors, and they are not shy about asking less profitable clients to leave the firm. They are also more likely to target high-net-worth investors, as well as investors with a specific service need, such as tax and estate planning.

Not surprisingly, of all advisors, Gen Y are more likely to target Gen X/Y investors (44% do so), perhaps because they think they will come across as too young and inexperienced with older groups, or feel they have a better rapport with clients their own age.

⁴Ages 49 to 68.

⁵Pew Research Center, December 29, 2010; <http://www.pewresearch.org/daily-number/baby-boomers-retire/>

⁶Ages 69+

This lack of activity on the part of other advisors to try and attract younger clients and those with specific needs may stem from the difficulties many face when it comes to marketing, with 62% saying it is a challenge to increase efforts and effectiveness on this front. Overall satisfaction with organizational support for lead generation and client referrals is also low for other advisors (18% are satisfied). Of all advisors surveyed, women are more comfortable with marketing, and are much more likely to target specific niches. Over half (51%) of female advisors are looking to attract professionals like doctors and dentists (versus 40% for all advisors), and 45% are looking to attract women as clients (versus 18% for all advisors). The latter

	HIGH-PERFORMING ADVISORS	OTHER ADVISORS
% concerned about finding talent	29%	17%
% involved in outside referral networks	54%	44%
% who track client/prospect interactions using CRM	56%	46%

may be something for consideration since there is a significant demographic shift underway that will impact the make-up of financial advisors' client bases, with female investors expected to amass \$22 trillion in assets by 2023.⁷

In addition to realigning their client bases, High-Performing Advisors surveyed are more concerned about finding talent to achieve the strategic direction they have for their practice.

They are also more actively involved in establishing referral networks of professionals outside the advisory industry that include accountants and attorneys, and are more likely to track their client and prospect interactions using customer relationship management (CRM) systems to stay on top of developments.

3. Avoid Following the Herd

Advisors tell clients to create a strategy that is unique to their needs; many High-Performing Advisors are taking steps to differentiate their businesses.

While advisors may feel they are differentiating themselves in a crowded and competitive marketplace, the survey shows that often their value propositions seem very similar. Two-thirds of all advisors say they stand out from the competition by being available to give clients personal attention, and almost half (46%) tout their years of experience. Only one in five (19%) differentiate themselves by saying they focus on certain types of clients (e.g., certain age, profession, level of investable assets, and geographic region). Many seem to

struggle with developing strategies or a marketing message that can help set them apart from others.

High-Performing Advisors seem to have found ways to differentiate themselves. As we have mentioned, they are more likely to work in teams to support their clients, and they feel this approach enhances their client coverage and enables them to provide better service. Not surprisingly, they are more likely than others to point this out as a unique attribute (36% versus 19%).

**36%
versus
19%**

Percentage of High-Performing Advisors who point to teaming as an important differentiator versus other advisors

⁷"Women and Wealth: The Invisible Opportunity," Wells Fargo and the Cannon Financial Institute, November 2012; The Boston College Center on Wealth and Philanthropy, October 2007.

High-Performing Advisors also seem to approach teaming in a more integrated and mutually beneficial way than other advisors. They are twice as likely as other advisors to pool revenues across clients, and 40% reward individuals for the team’s success (versus 24% for others). Teaming with complementary advisors who offer unique or different services can help expand the offering, which may be promoted as an additional client benefit.

High-Performing Advisors also offer a wider variety of services than other advisors—either by themselves or through their teams. They are more likely to offer core services, such as specialized investment management and equity compensation planning. They are also more likely to offer estate planning and gifting programs, cash management and bill payment, and personal trust services. While reducing the need for clients to find other advisors for specialized offerings, this strategy may also enable High-Performing Advisors to engage their clients’ families and heirs to help ensure continuity of the relationship.

81% versus 64%

Percentage of High-Performing Advisors who credit technology with increasing their effectiveness versus other advisors

SERVICES PROVIDED	HIGH-PERFORMING ADVISORS	OTHER ADVISORS
Specialized Investment Management	87%	75%
Equity Compensation Planning	67%	52%
Estate Planning and Gifting	73%	64%
Cash Management and Bill Paying	45%	31%
Personal Trust Services	33%	18%

High-Performing Advisors are more likely to tailor their approach to each client’s long-term goals (67% versus 58% for others). They are also heavier users of technology, and have made more of an effort to use technology to better collaborate and engage with clients (70% versus 62% for others). More High-Performing Advisors also

feel they get a significant return on their technology investment (61% versus 47% for others), which perhaps is why over half (52%) are willing to spend money in this area, while only 35% of other advisors are willing to do so.

Insights from High-Performing Advisors

While business has been good for advisors overall, and asset levels and compensation have recently risen, High-Performing Advisors are taking additional steps to help ensure the future looks just as attractive. Exploring the activities of High-Performing Advisors may provide helpful insights when it comes to planning, building a client portfolio that will be healthy for tomorrow, and creating a strong value proposition to stand apart from the crowd.

HABITS of High-Performing Advisors



Planning



Taking steps to reposition
their business for
tomorrow's investor



Teaming



Leveraging
technology



Differentiating
their practice

High-Performing Advisors provide insights for other advisors to consider to help enhance their businesses.

- There seems to be a **direct link between planning and growth**, and advisors may want to consider developing a range of plans for their business. Based on the traits of High-Performing Advisors, this could start with a business continuity plan to protect the practice, and clear action steps to help ensure longer-term business objectives are met. This could be complemented with a marketing plan that identifies the ideal client for the practice and related business development activities, such as referral strategies and the development and nurturing of COIs. With this in hand, advisors could then turn to succession plans to help ensure sustainability over time.
- Changing market dynamics call for advisors to take a close look at **building their client portfolios for the future**. They may want to consider putting more energy into acquiring younger clients entering and living in their prime accumulation years, and taking a close look at client profitability. For targeting younger investors, they will have to understand their unique needs and preferences, and position their message and service offering accordingly to be an attractive option. Based on steps we have seen advisors take, this could include leveraging Web-based capabilities to have a support and delivery model that is potentially more cost effective for these investors who typically have fewer investable assets than Baby Boomers. For unprofitable clients, they may want to consider introducing them to other advisors willing to take on the business.
- **Differentiation is important** and advisors may want to consider taking the time to understand what is unique about their practice, and creating a compelling story that captures this. They may also consider taking steps to adjust their business model to ensure they are truly different from others. According to our research, this could include creating teams to enhance client service levels, adopting technology more widely to serve and engage with clients, and building out capabilities to meet a broader set of investor needs.



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