

Adding Expertise to an Advisor's Practice: The Value of CIMA Certification

APRIL 2013

A RESEARCH STUDY CONDUCTED BY THE AITE GROUP

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IMPACT POINTS

- This report identifies and quantifies the value of the Certified Investment Management Analyst® (CIMA®) certification to financial advisors, team practices, and clients. The analysis, commissioned by Investment Management Consultants Association (IMCA), is based on an Aite Group financial advisor survey fielded between late December 2012 and January 2013 to two distinct advisor groups: CIMA professionals and a separate group of financial advisors who work primarily with individuals and families. The CIMA survey gathered input from 199 CIMA professionals, and the general advisor population survey attracted 403 financial advisors, a sample that is representative of the general financial advisor population in the United States.
- CIMA professionals have achieved significant career success, and they earn higher incomes than do other financial advisors. More than 80% of CIMA professionals have achieved ownership at their practice, compared to 60% for other financial advisors, and over 60% earn at least US\$215,000, compared to 18% for other advisors.
- CIMA professionals are more likely to work for wirehouses than other firm types; almost half of CIMA professionals work for one of the four wirehouse firms compared to 14% of the general financial advisor population. Adoption of CIMA certification at wirehouses aligns with wirehouses' strategy of moving up-market to focus on the needs of high-net-worth individuals.
- Many CIMA practices adopt a wealth management business model, assembling advisors with different designations to create well-rounded practices composed of generalists and specialists. CIMA practice members are more likely to describe their firm as a "wealth manager" than are other financial advisors.
- Both solo and team practices that have CIMA professionals manage more than twice the assets per client compared to other practices, and they generate more than twice the revenue per client. The findings are consistent when adjusting for the impact of other certifications (Certified Financial Planner®, CFP®, and Chartered Financial Analyst®, CFA®), advisor years of experience, and firm type.
- Compared to other practices, CIMA practices invest more of their clients' investments in individual securities, exchange-traded funds (ETFs), and alternative investments and less of their clients' assets in mutual funds, annuities, and insurance products. This choice of instruments indicates that CIMA professionals aim to build portfolios with both low-cost instruments and instruments that have the potential for stronger returns than the traditional basket of mutual funds.
- CIMA practices are more likely to follow an investment policy process for their clients compared to other practices; three-quarters of CIMA professionals indicate establishing an investment policy with clients with which they monitor the performance of investment managers.

INTRODUCTION

Financial advisors have many designations to choose from to build and demonstrate expertise for the benefits of their careers, practices and clients. In July 2012, Aite Group published a report on the contributions of the CFP certification to wealth management practices¹. In the current report, Aite Group looks into a designation that is not as widely held across financial advisors (slightly more than 6,500 professionals hold the designation), but one that presents significant benefits to wealth management practices. This certification, the Certified Investment Management Analyst or CIMA designation, is owned by IMCA, which formed in 1985 to deliver investment consulting and wealth management credentials as well as educational offers (membership, conferences, research, and publications). CIMA certification comprises one of two certifications offered by IMCA—the other certification is the Certified Private Wealth Advisor® (CPWA). CIMA certification enhances advisors' skills with building and managing investment portfolios that align with clients' investment objectives and life goals.²

IMCA commissioned Aite Group to identify and quantify the value of CIMA certification to practices, advisors, and clients in Q4 2012. This report presents the findings of Aite Group's independent analysis comparing CIMA professionals and CIMA practices to advisors and practices without a CIMA certification. Quantitative metrics used for the comparisons include:

- Financial advisor income
- Practice revenue, clients, and assets
- Target client segment
- Share of investment wallet

The report also shares the views of CIMA professionals on the contribution of CIMA certification to their practices, including their investment management knowledge and their confidence with offering investment management services to clients.

The analysis finds that CIMA professionals and practices generate stronger business results than do other financial advisors and practices. They are also more likely to work with high-net-worth individuals compared to other practices. While the analysis does not prove a causal relationship between CIMA certification and advisor/practice success, it does attempt to show the positive influence of CIMA certification by controlling for several well-known success factors, such as the presence of other designations (CFP and CFA certifications), advisor years of experience, firm type, and practice structure.

1. See Aite Group report: *Adding Expertise to a Financial Advisor's Practice: Measuring the Contributions of CFP Professionals*, July 2012.

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THE CIMA CERTIFICATION PROCESS

Obtaining CIMA certification is a rigorous undertaking, though it requires less time to complete than other well-known financial services certifications such as the CFA designation. Completing the CIMA certification process typically takes one year and involves two exams and one week-long executive education program:

- The qualification exam is a two-hour exam that candidates can prepare for through CIMA's online education platform or by using other third-party review materials.
- Advisors who pass the qualifying exam must attend a week-long education program through either the University of Chicago or The Wharton School.
- Following completion of the education program, advisors must then pass the certification exam in order to receive CIMA certification. The exam is a four-hour exam with 100 multiple-choice questions and 10 non-scored pretest questions.

The average pass rates for each exam range between 55% and 60%, which is in line with the pass rate for the CFP certification and higher than the pass rate for the CFA (only 38% pass the first exam).

To maintain their certification, CIMA professionals are required to earn and report 40 hours of continuing education credit over a two-year period, including two hours in the field of ethics.

METHODOLOGY

The research findings in this Impact Report are based on an online Aite Group survey that was fielded between December 2012 and January 2013 to two distinct financial advisor groups:

- 199 CIMA professionals
- 403 financial advisors, representative of the general U.S. financial advisor population:
 - This survey included responses from an additional eight CIMA professionals, or 2% of the general population survey sample
 - Financial advisors completing the survey aimed at the general population of advisors were required to work primarily with individual investors and to have at least one of the following licenses: a Series 6, 7, 65, or 66

Overall, the study compares 252 practices with at least one CIMA professional to 349 practices that have no CIMA professionals.

Given the number of advisors participating in this research, the data discussed in this report pertaining to the sample of CIMA professionals has a 7-point margin of error at the 95% confidence level, and the data from the sample of other financial advisors has a margin of error of 5 points at the 95% confidence level.

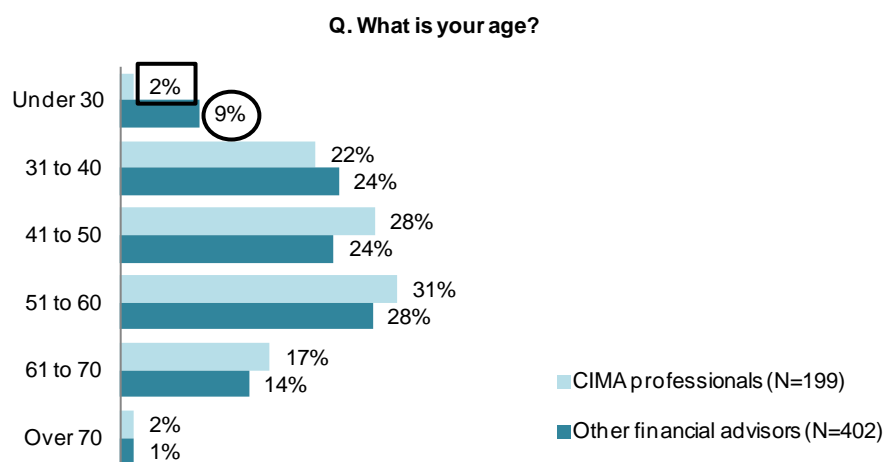
SURVEY POPULATION OVERVIEW

This section compares key demographic and professional characteristics of CIMA professionals and financial advisors from the general population survey. CIMA professionals are less likely than other advisors to be under the age of 30, and they have generally worked as financial advisors for longer than other advisors. The analysis also finds that CIMA professionals are more likely to work at a wirehouse firm —Merrill Lynch, Morgan Stanley, UBS, or Wells Fargo Advisors—than are other advisors; almost half of CIMA professionals surveyed work for one of these four firms.

AGE

Across all advisors surveyed, both CIMA professionals and other advisors, the median age of advisors falls between 41 and 50. While the median CIMA professional has a similar age profile to other advisors, CIMA professionals are less likely to be under the age of 30 (2% of CIMA professionals versus 9% of the general advisor population), indicating that the knowledge and expertise required to prequalify for the exam may require a certain number of years of experience and self-learning (Figure 1).

Figure 1: Financial Advisors by Age Group



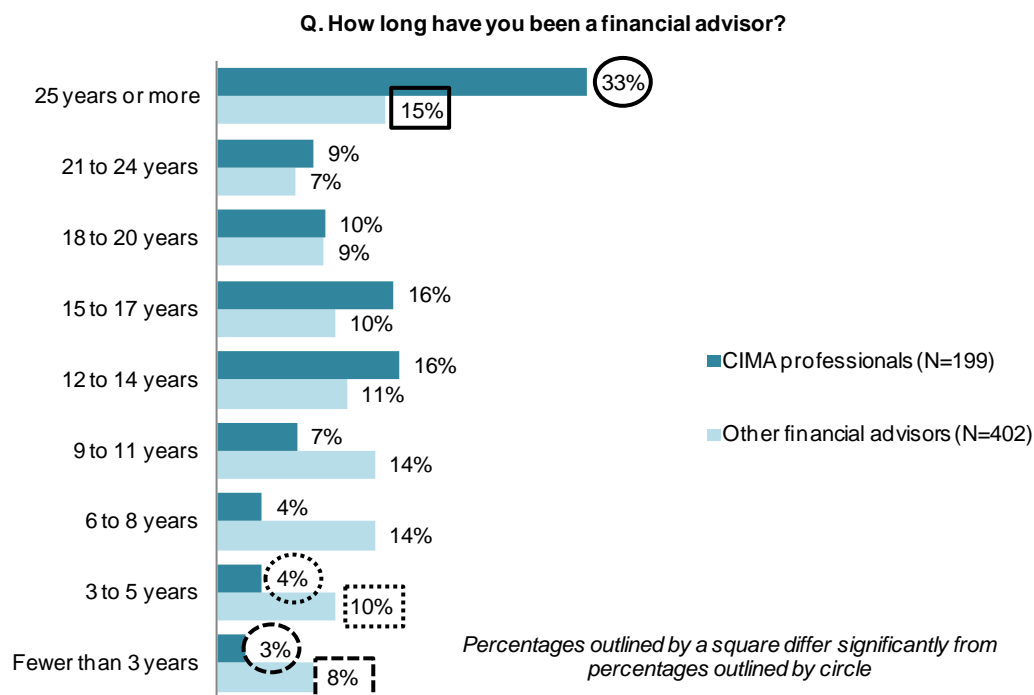
Source: Aite Group survey of 199 CIMA professionals and Aite Group survey of 402 U.S. financial advisors, Q4 2012 and Q1 2013

INDUSTRY EXPERIENCE

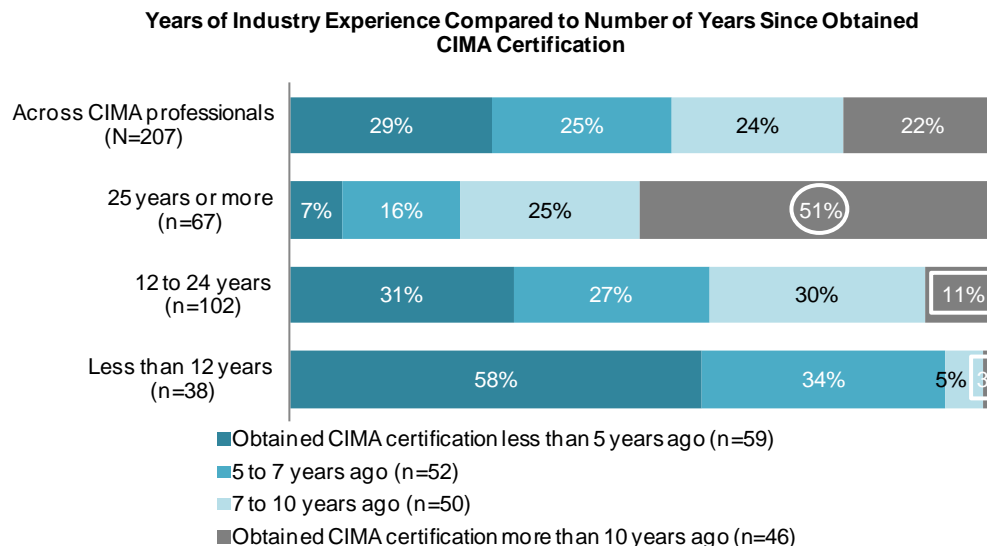
CIMA professionals have four to eight more years of industry experience than do other advisors. The median CIMA professional has accumulated 18 to 20 years of industry experience, whereas other advisors have accumulated between 12 and 14 years of experience. The proportion of advisors with 25 years or more of industry experience is significantly higher among CIMA professionals than among the general advisor population, indicating that CIMA professionals

tend to stay with their financial advisor careers longer than the average financial advisor (Figure 2). About half of these experienced CIMA professionals obtained CIMA certification 10 or more years ago, suggesting that the designation may have contributed to advisors' persistence with their careers (Figure 3). Certainly obtaining certification increased career satisfaction for many CIMA professionals, as will be discussed in the section "CIMA Professionals' Perspectives on CIMA."

Figure 2: Financial Advisors by Years of Industry Experience



Source: Aite Group survey of 199 CIMA professionals and Aite Group survey of 402 U.S. financial advisors, Q4 2012 and Q1 2013

Figure 3: CIMA Professionals—Industry Experience vs. Years with CIMA Certification

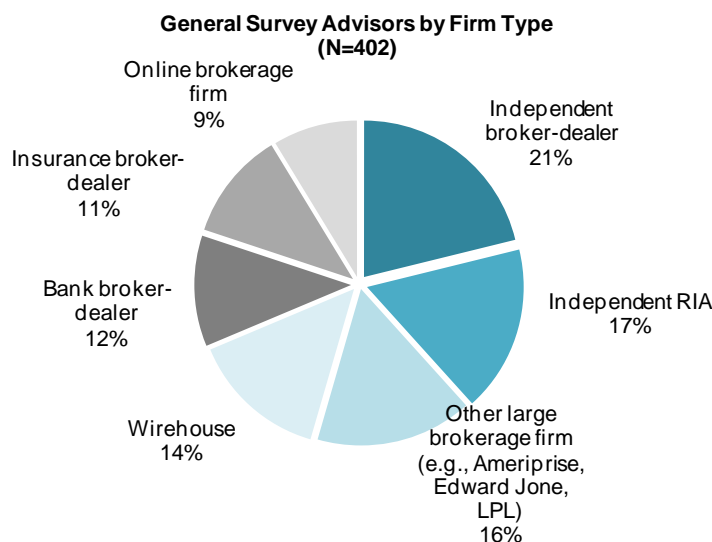
Percentages outlined by a square differ significantly from percentages outlined by circle

Source: Aite Group survey of 207 CIMA professionals, Q4 2012 and Q1 2013 (includes 8 CIMA professionals from the general advisor population survey)

COMPARISON BY FIRM TYPE

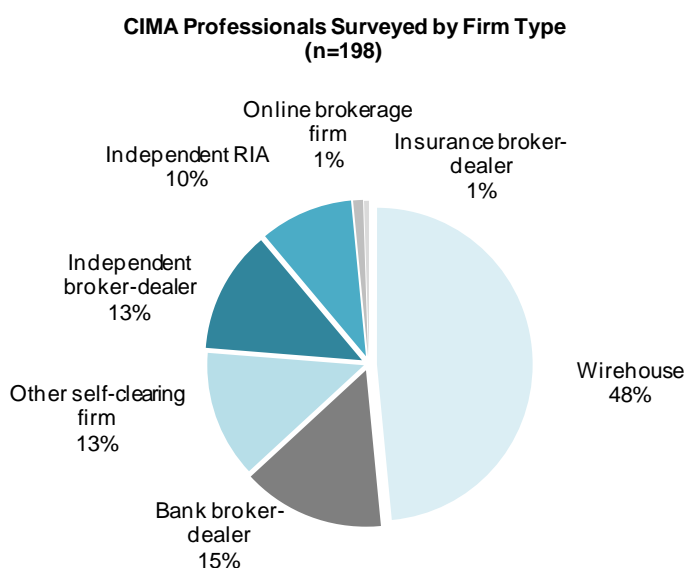
The advisor survey represents seven types of wealth management firms. These include independent broker-dealers (21% of general population advisors), independent registered investment advisors (RIAs, 17%), large brokerage firms other than wirehouses (16%), and wirehouses (14%). These samples are representative of the actual advisor market share for each of these firm types (Figure 4).³

3. See Aite Group report *New Realities in Wealth Management: Firms at a Standstill, Investors in Flux*, May 2012.

Figure 4: Representation of Firm Types—General Advisor Population

Source: Aite Group survey of 199 CIMA professionals and Aite Group survey of 402 U.S. financial advisors, Q4 2012 and Q1 2013

By contrast, almost half of CIMA professionals are employees of wirehouses. CIMA professionals are less likely to work at insurance broker-dealers and independent RIAs compared to other advisors (Figure 5). Adoption of CIMA certification at wirehouses fits with the strategy these firms are pursuing to move up-market and cater primarily to the needs of high-net-worth investors.

Figure 5: Representation of Firm Types—CIMA Professionals

Source: Aite Group survey of 199 CIMA professionals and Aite Group survey of 402 U.S. financial advisors, Q4 2012 and Q1 2013

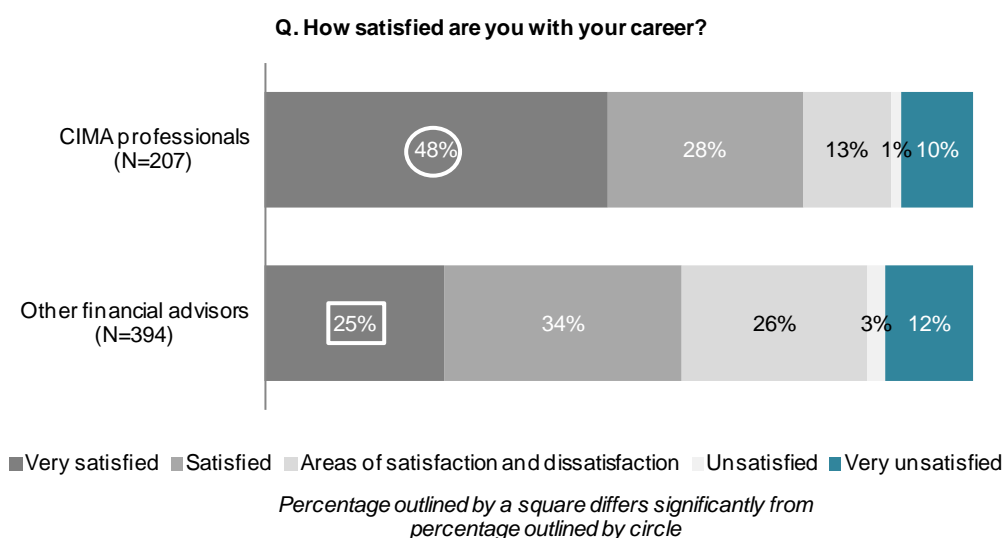
CIMA PROFESSIONALS' CAREER ACHIEVEMENTS

This section compares the career achievements of CIMA professionals to those of other financial advisors, including practice ownership, income, career satisfaction, and other professional designations earned.

CAREER SATISFACTION

The prior section revealed that CIMA professionals tend to stay with their financial advisor careers longer than do other advisors. Therefore, it comes as no surprise that CIMA professionals show more satisfaction with their careers compared to advisors who lack CIMA certification; almost half of CIMA professionals surveyed indicate that they are "very satisfied" with their careers, whereas one-quarter of other financial advisors say the same (Figure 6).

Figure 6: Career Satisfaction—CIMA Professionals vs. Other Financial Advisors



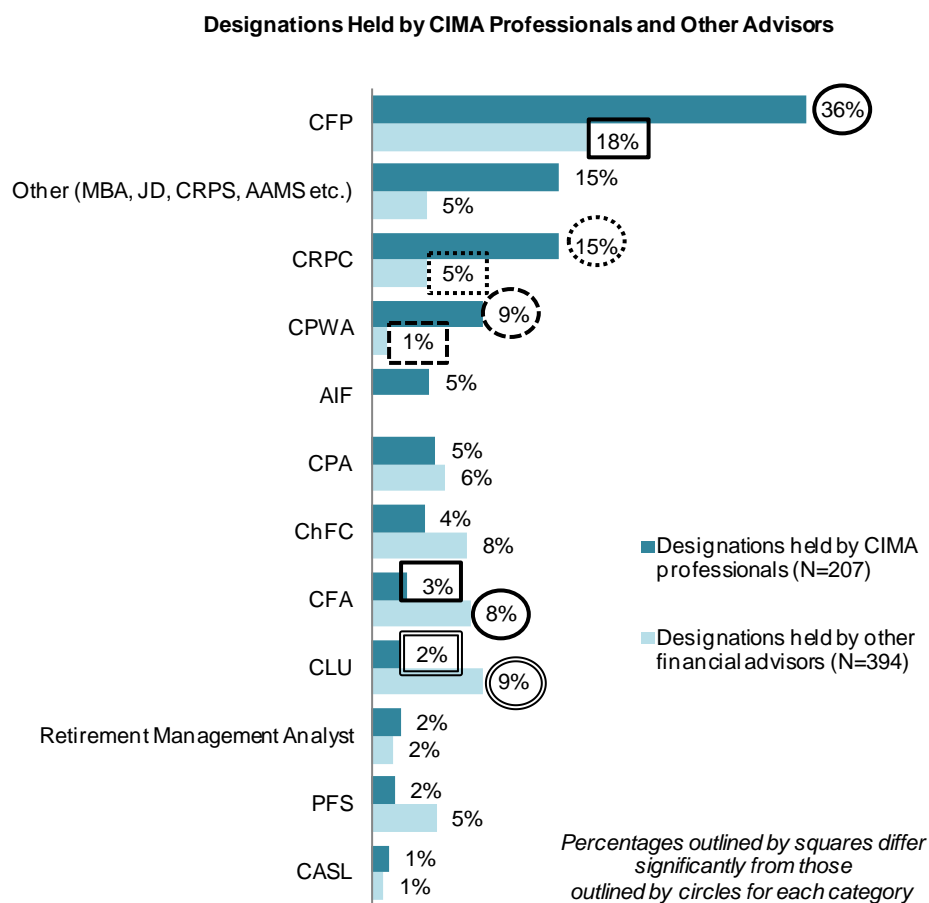
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

OTHER PROFESSIONAL DESIGNATIONS

CIMA professionals are more inclined than other financial advisors to earn designations. A majority of CIMA professionals have an additional designation, whereas fewer than half of other financial advisors have at least one designation. The most commonly held designation for CIMA professionals is the CFP certification (36% of CIMA professionals), followed by the Chartered Retirement Planning Counselor (CRPC®, 15%), and the CPWA (9%). The large percentage of CIMA professionals with CFP certification indicates that many CIMA professionals are able to deliver both specialized, investment-focused advice as well as more general personal finance advice. This profile also aligns well with the business model focus of many CIMA professionals, as a majority of CIMA practices (defined as one practice member having a CIMA certification)

indicate that financial planning and investment management are equally important for their practice (Figure 7).

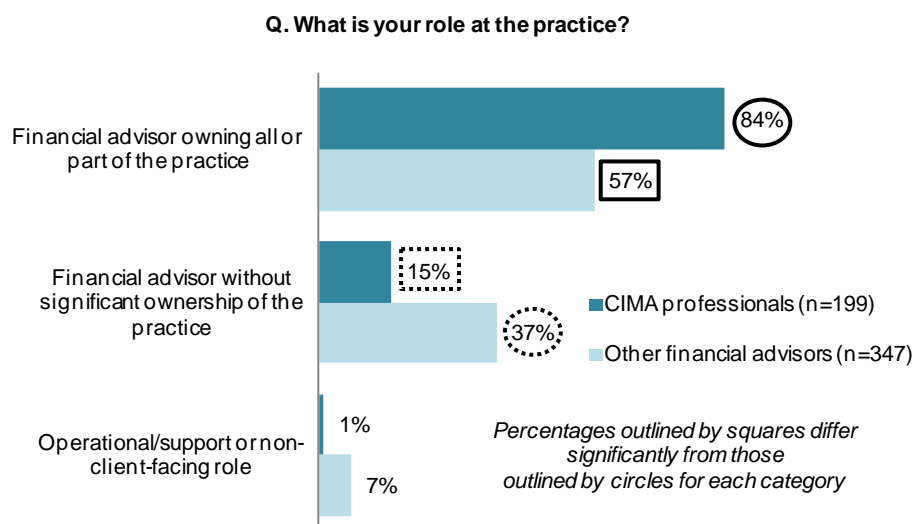
Figure 7: Financial Designations Held —CIMA Professionals vs. Other Financial Advisors



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

PRACTICE OWNERSHIP

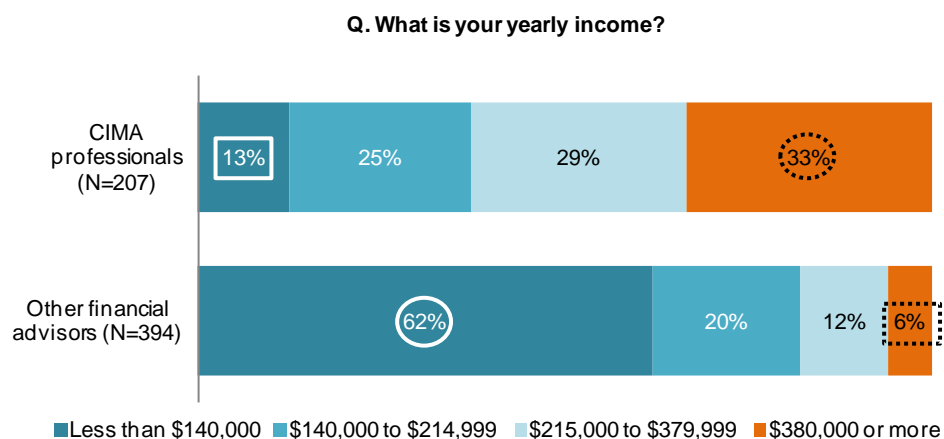
The dedication of CIMA professionals to their careers over the years pays off, as CIMA professionals are more likely to earn practice ownership compared to other advisors. Over 80% of CIMA professionals surveyed are owners/part-owners of their practices, whereas just fewer than 60% of other financial advisors are owners (Figure 8).

Figure 8: Practice Ownership—CIMA Professionals vs. Other Financial Advisors

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

FINANCIAL ADVISOR INCOME

CIMA professionals report earning a higher annual income compared to other financial advisors. Slightly more than half of CIMA professionals surveyed earn US\$215,000 or more in income and just over one-third earn US\$380,000 or more. By contrast, 18% of other financial advisors earn at least US\$215,000 and only 6% earn at least US\$380,000 (Figure 9).

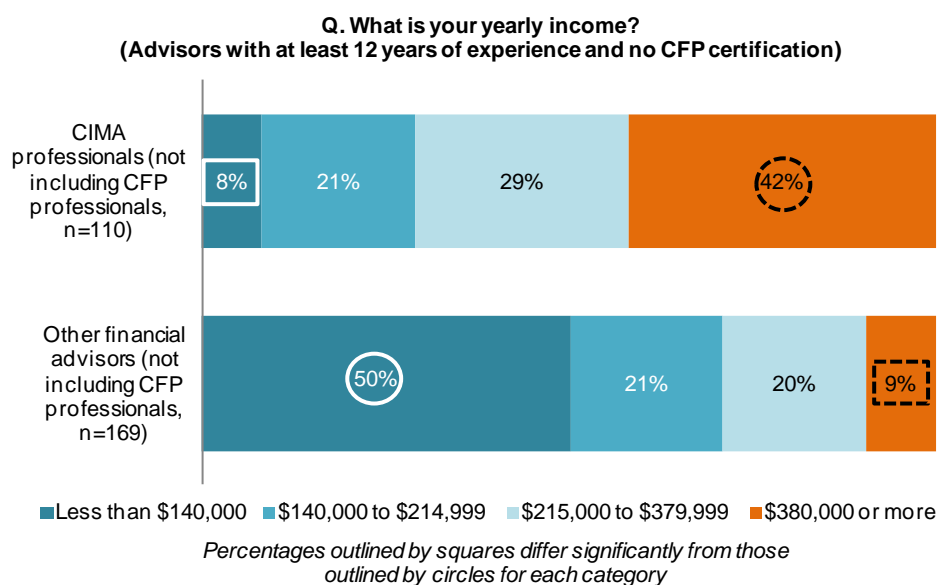
Figure 9: Income—CIMA Professionals vs. Other Financial Advisors

Percentages outlined by squares differ significantly from those outlined by circles for each category

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

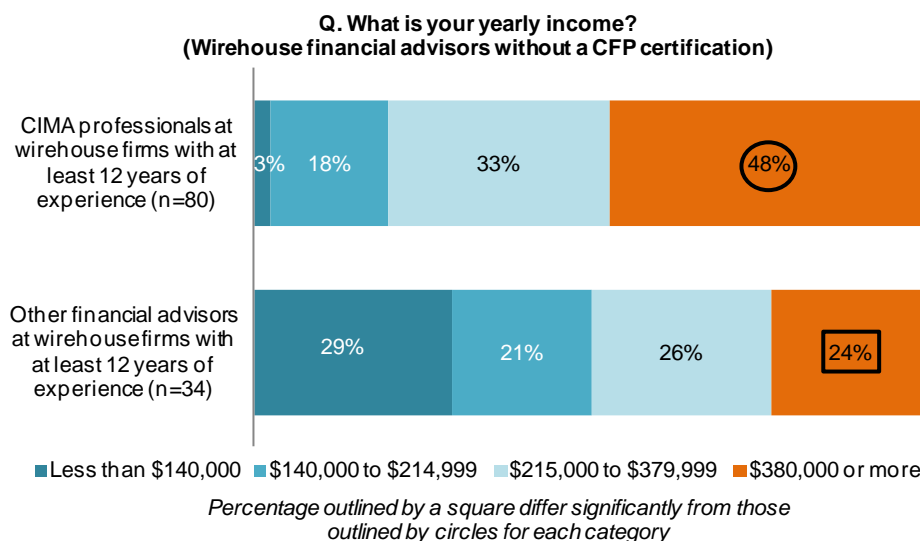
These income differences do not change when adjusting for the impact of CFP certification and years of industry experience. A comparison of financial advisors who have at least 12 years of experience and no CFP certification reveals that CIMA professionals are four times as likely to earn US\$380,000 or more in income compared to other financial advisors (Figure 10).

Figure 10: Income Adjusted for the CFP Certification—CIMA Professionals without a CFP Certification vs. Other Financial Advisors



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

Comparing financial advisors with 12 years' minimum experience at the same type of firms, wirehouses, also shows CIMA professionals earning more than other financial advisors. Almost half of CIMA professionals who work at wirehouses and have at least 12 years of industry experience earn at least US\$380,000, whereas one-quarter of wirehouse advisors without CIMA certification and similar industry tenure earn the same (Figure 11).

Figure 11: Income at Wirehouse Firms—CIMA Professionals vs. Other Financial Advisors

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

The high income of CIMA professionals is partly the result of the career achievements discussed above, including their experience, practice ownership, and dedication to enhancing their skills and knowledge through designations. Their financial success is also due to the success of the practices they work for. We review the characteristics of CIMA professionals' practices in the section "Characteristics of CIMA Practices."

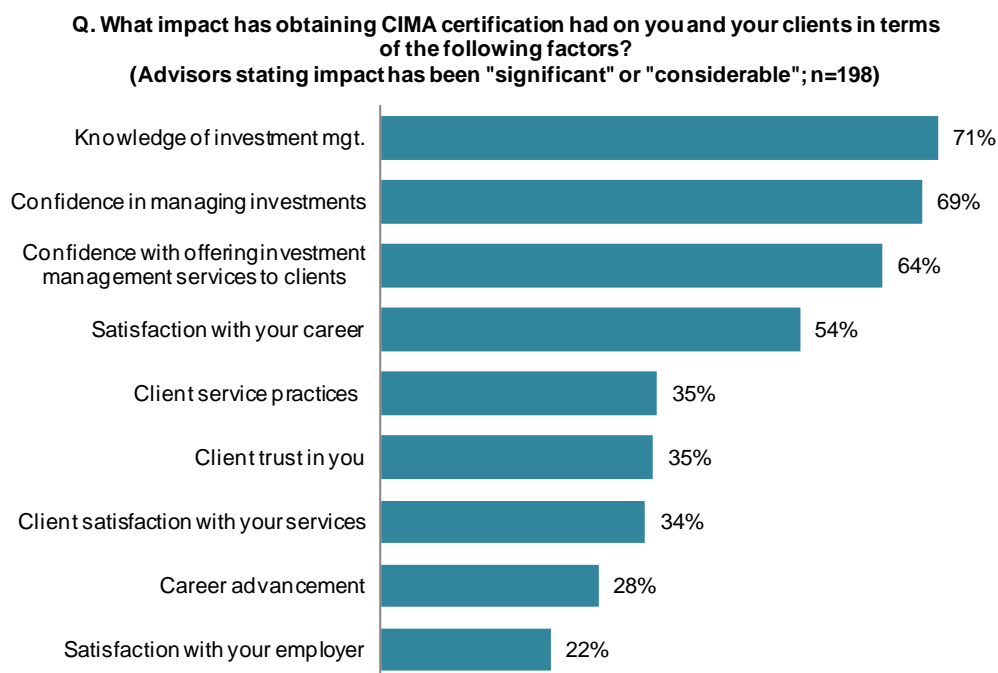
CIMA PROFESSIONALS' PERSPECTIVES ON CIMA

The findings discussed in the previous section imply that CIMA certification has some bearing on the career and financial success of CIMA professionals. This section shares direct feedback from CIMA professionals on how they see CIMA certification impacting their business and their clients.

IMPACT OF CIMA CERTIFICATION ON ADVISORS AND CLIENTS

More than half of CIMA professionals indicate that obtaining CIMA certification had a significant or considerable impact on their knowledge of investment management, their confidence with managing investments, and their confidence with offering investment management services to clients. More than half also indicate greater satisfaction with their careers as a result of obtaining CIMA certification. These views are no different among recent CIMA professionals and CIMA professionals who obtained the certification 10 or more years ago. These results indicate that CIMA certification brings tangible benefits to the advisor and that these four letters are not just obtained for branding and marketing purposes. In fact, only 35% of financial advisors say that CIMA certification had a "significant" or "considerable" impact on clients' satisfaction with the practice and on their trust in the advisor (Figure 12). Clearly, clients do benefit significantly from their advisors' expanded knowledge base and greater confidence.

Figure 12: Greatest Impact of CIMA Certification: Knowledge and Confidence

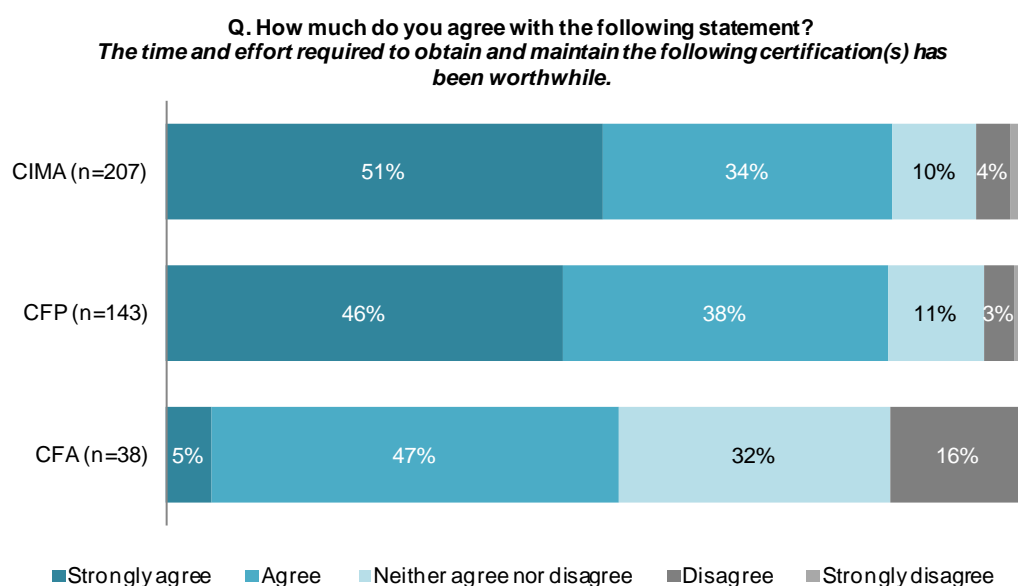


Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

VALUE OF CIMA CERTIFICATION

Almost all CIMA professionals (85%) agree that obtaining CIMA certification was worth their time and effort. Advisors who obtained the CFP certification shared similar views about obtaining CFP certification, including both CIMA professionals and other financial advisors who have CFP certification. By contrast, fewer advisors who have a CFA certification (5%) "Strongly agree" that obtaining the CFA is worth the time and effort (Figure 13). This may be due to the fact that the CFA certification is a particularly rigorous process that takes three years and requires passing three exams. In addition, the CFA is a better match for advisors or portfolio managers who analyze individual companies and securities; financial advisors today deliver less security-specific advice than they used to and more advice on asset allocation and instruments, such as mutual funds and ETFs which reflect the performance of asset classes or sectors.

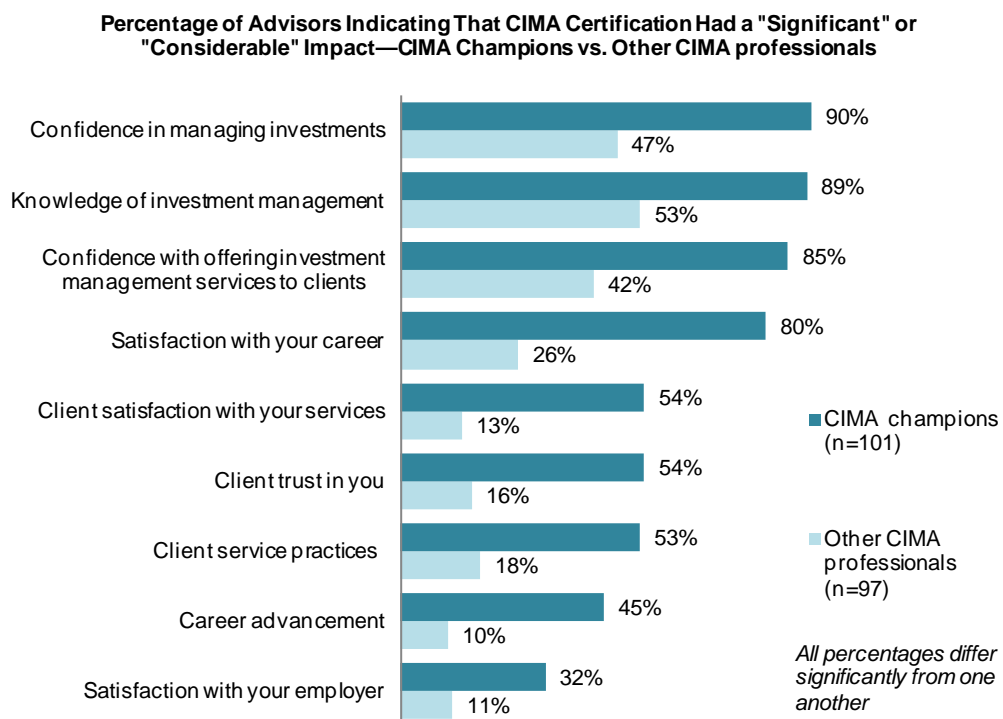
Figure 13: The Value of CIMA, CFP, and CFA Certifications



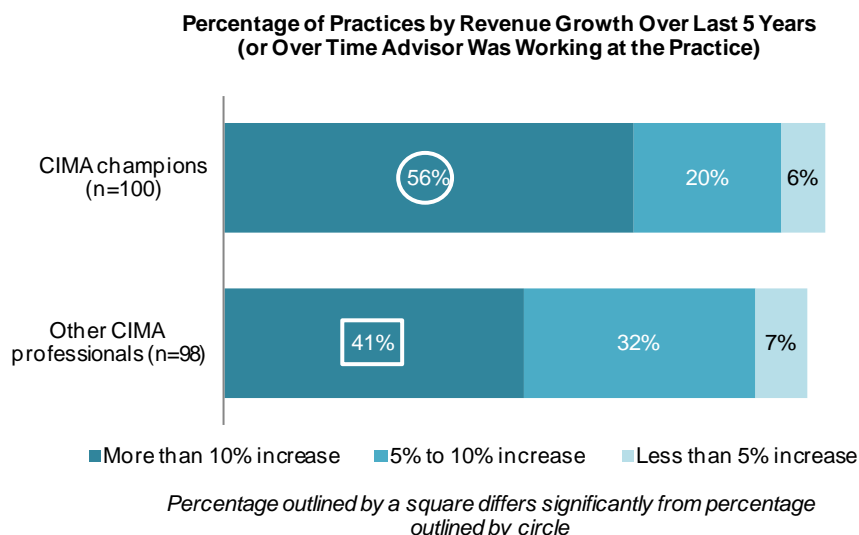
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CIMA professionals who "strongly agree" that obtaining CIMA certification was a worthwhile investment in time and effort are more likely to indicate that the process of earning the certification has had a "significant" or "considerable" impact on their business compared to other CIMA professionals (Figure 14). For this group of advisors, which Aite Group calls "CIMA champions," CIMA certification seems to have paid off in the form of higher revenue growth as well. We observe that this group was more likely to report revenue growth of 10% or more the last five years more compared to the other group of CIMA professionals; more than half of champions experienced double-digit growth compared to 40% for other CIMA professionals (Figure 15). Thus, not all CIMA professionals have the same view of CIMA certification; for at least one out of two CIMA professionals CIMA certification has delivered multiple tangible benefits.

Figure 14: Differences in Opinions on CIMA Impact—CIMA Champions vs. Other CIMA Professionals



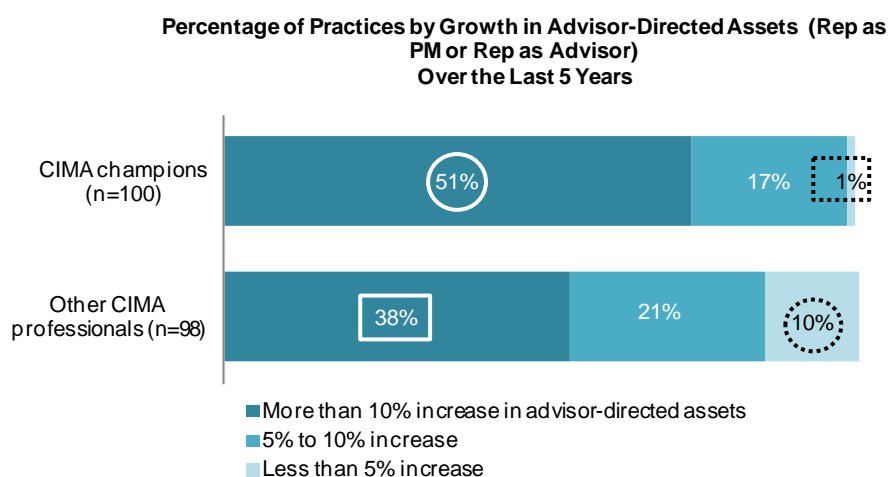
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

Figure 15: Last 5 Years' Revenue Growth: CIMA Champions vs. Other CIMA Professionals

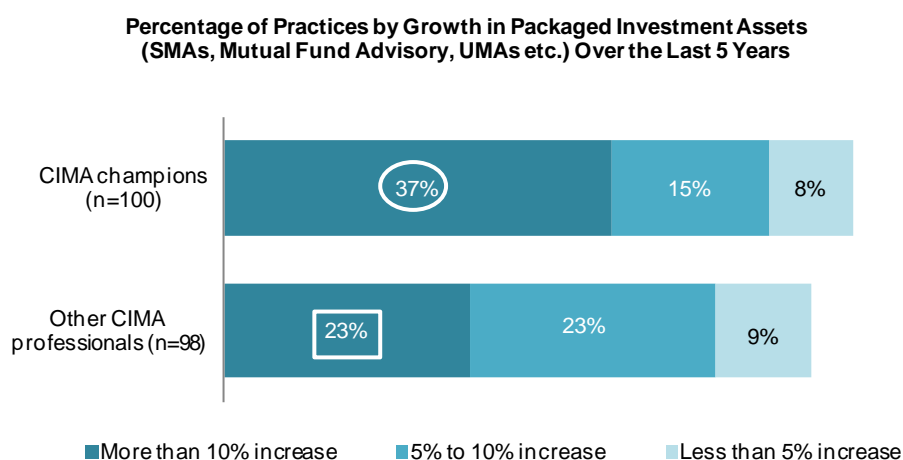
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CIMA champions also report stronger growth in fee-based assets, both advisor-directed assets (rep-as-portfolio-manager [PM] and rep-as-advisor asset management styles) and packaged investment management approaches (mutual fund advisory, ETF advisory, separately managed accounts, and unified management accounts). Given that CIMA certification is focused on building advisors' knowledge and confidence with managing investments following a fiduciary standard of care, one would expect that CIMA certification would help advisors transition more of their client assets to fee-based accounts and platforms. For over half of CIMA professionals who realize the most value from the certification process, advisor-directed fee-based assets grew more than 10% each year over the last five years (Figure 16). Other CIMA professionals also report growth in advisor-directed and packaged fee-based assets, but they were less likely to experience double-digit growth of these assets.

Figure 16: Last 5 Years' Growth in Fee-Based Assets: CIMA Champions vs. Other CIMA Professionals



Percentages outlined by squares differ significantly from those outlined by circles for each category



Percentages outlined by squares differ significantly from those outlined by circles for each category

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CHARACTERISTICS OF CIMA PRACTICES

This section and the following two on practice financial performance and investment vehicles shift the focus of the analysis from financial advisors to practices. Practices can include one client-facing financial advisor, referred to as a "solo practice," or multiple client-facing advisors, referred to as a "team practice." Practices that are called "CIMA practices" in this report have at least one CIMA professional on staff.

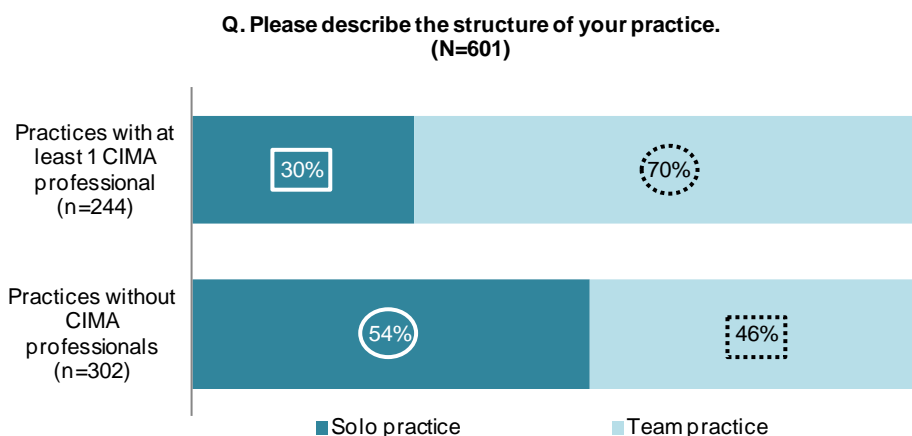
STRUCTURAL CHARACTERISTICS

The most common CIMA practice is a team practice with one CIMA professional and one CFP professional on the team (these could be the same advisor with both designations).

TEAM PRACTICES

CIMA practices are more likely to be structured as a team compared to other practices; 70% of CIMA practices characterize themselves as team practices, whereas fewer than half of practices without a CIMA professional on staff indicate they are team practices (Figure 17).

Figure 17: 70% of CIMA Practices Are Team Practices



Percentages outlined by squares differ significantly from those outlined by circles for each category

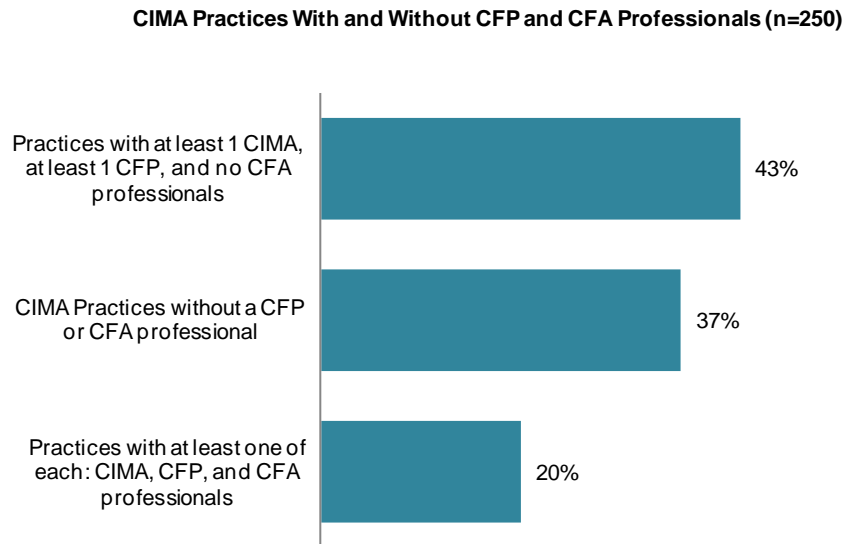
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

Team practices are often able to generate better financial performance based on revenue per client and revenue per financial advisor compared to solo practices because of the productivity and expertise gained from bringing multiple experienced financial advisors together. The higher performance of team practices relative to solo practices contributes, no doubt, to the income advantage of CIMA professionals.

THE PRESENCE OF OTHER DESIGNATIONS IN CIMA PRACTICES

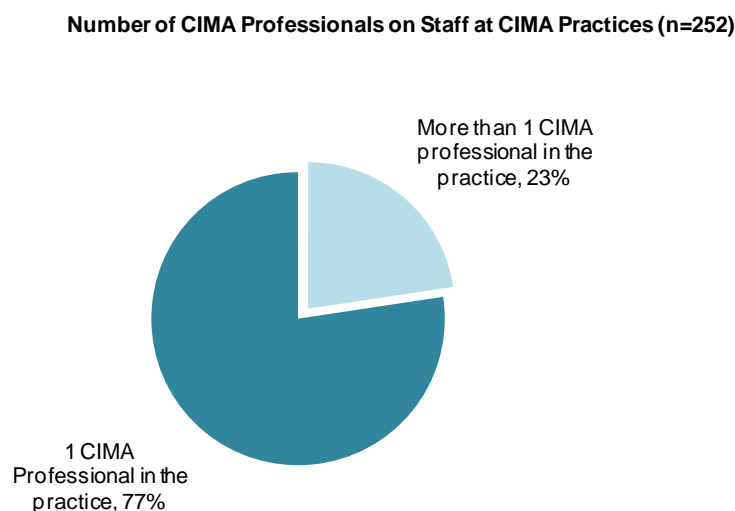
The most common CIMA practice has one CIMA professional and one CFP professional (over 40% of practices; Figure 18). For one-third of these practices, the same advisor has both designations.

Figure 18: Designations Represented in CIMA Practices—CFA and CFP Professionals



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

A majority (77%) of CIMA practices have one CIMA professional on staff. Those with more than one CIMA professional tend to be large practices, and they have a median of three CIMA professionals (Figure 19). As discussed in the next section, "Business Model Characteristics," these CIMA practices derive significantly more business from institutions (e.g., endowments and foundations) compared to practices with one CIMA professional.

Figure 19: Most CIMA Practices Have One CIMA Professional on Staff

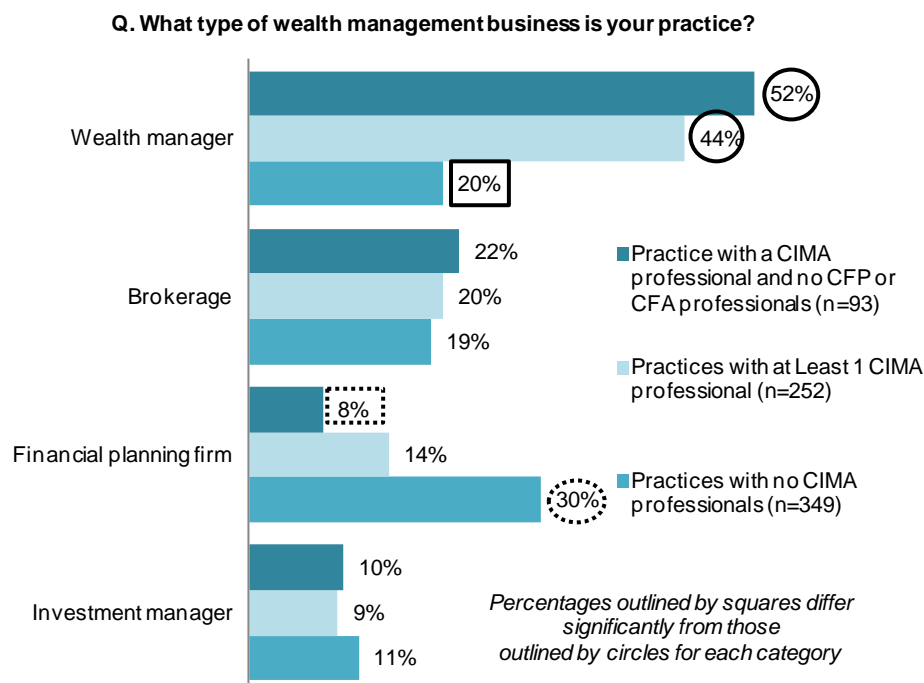
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

BUSINESS MODEL CHARACTERISTICS

WEALTH MANAGER VALUE PROPOSITION

When CIMA practice members describe the type of firm they work for, they are more likely to express that they work for a wealth manager than a brokerage, financial planning, or investment management firm (Figure 20). These findings are unchanged when analyzing CIMA practices that do not have a CFP or CFA professional on staff; just over half of these practices indicate that they work for a wealth manager. By contrast, only 20% of practices without a CIMA professional say the same.

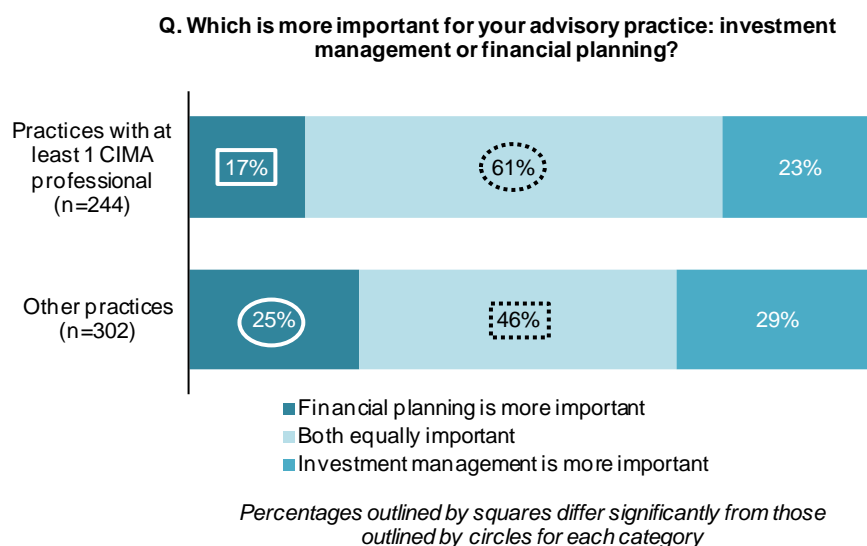
CIMA professionals are instrumental to team practices that cater to clients' entire wealth management needs. They serve as the investment management specialist(s), joining financial advisors with a more general knowledge base and financial professionals with complementary specializations (i.e., estate planning and insurance). Together, these experts are able to provide the full suite of wealth management services to their clients. In solo practices, CIMA professionals often have a CFP certification to complement their CIMA certification. This combination results in a well-rounded financial advisor who is able to act as an investment management specialist and provide general financial advice across the full range of wealth management areas.

Figure 20: CIMA Practices are Wealth Managers

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

In line with their focus on delivering wealth management services, CIMA practice members tend to view financial planning—the process of understanding clients' complete financial situation and goals and recommending solutions aligned to these goals—as just as important a service as investment management (Figure 21). CIMA practices often bring together generalists (often holding CFP designations) and specialists in one practice such that they can cover a broad array of wealth management topics and also deliver best-in-class investment management services under one roof. This value proposition is likely to appeal to busy high-net-worth professionals or executives who often seek both types of services for their families.

Figure 21: CIMA Practices View Financial Planning and Investment Management as Equally Important

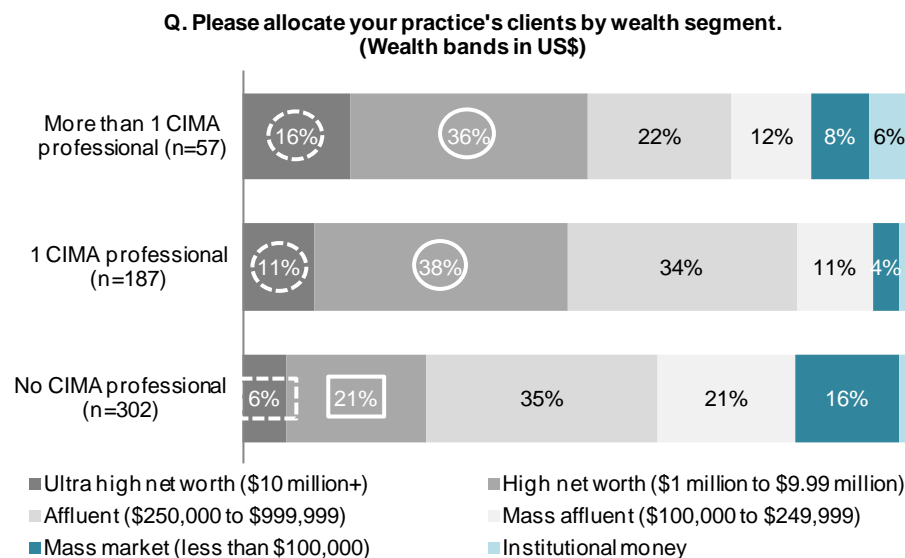


Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CLIENT PROFILE

Practices seeking to win the hearts and wallets of high-net-worth individuals must adopt a wealth management model that is based on understanding clients' comprehensive needs and delivering fiduciary advice and services to meet those needs. It comes as no surprise, then, that CIMA practices are more likely to work with high-net-worth individuals compared to other practices. Approximately half of a CIMA practice's clients are high net worth or ultra high net worth, while less than one-third of clients in other practices fit this wealth profile (Figure 22). These results are similar for practices with one CIMA professional and multiple CIMA professionals on staff.

Practices with more than one CIMA professional have a larger percentage of institutional clients who contribute about a third of the revenue for these practices. By comparison, about 15% of practice revenue comes from institutional clients for both single CIMA professional practices and practices without a CIMA professional. Practices with more than one CIMA professional are able to leverage their significant investment management expertise to broaden their market reach. Institutional clients can be more profitable than individuals and families since they typically bring more assets to the practices without requiring significantly more of a CIMA professional's effort and attention.

Figure 22: CIMA Practice Clients by Wealth Segment

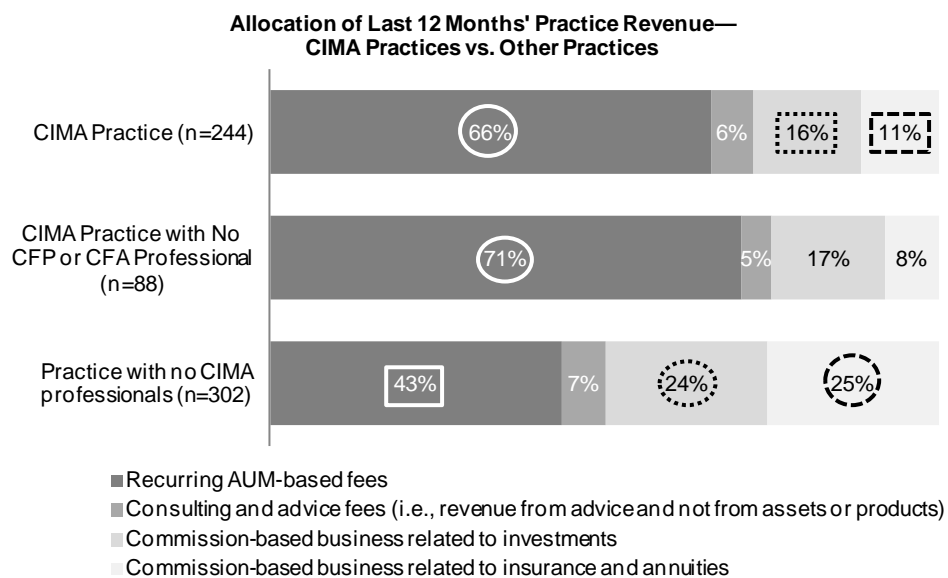
Percentages outlined by squares differ significantly from those outlined by circles for each category

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

REVENUE MODEL

Relative to practices without CIMA professionals, CIMA practices generate significantly more revenue from assets-under-management (AUM)-based fees than from commissions. Other practices generate significantly more revenue from investment commissions (24% versus 16%, on average) and from insurance and annuities commissions. CIMA practices without CFP or CFA professionals generate slightly more revenue from AUM-based fees, but overall have a similar revenue makeup as the larger group of CIMA practices (Figure 23).

CIMA practices and CIMA professionals are dedicated to working with clients to grow and manage their investment portfolios for the long term, based on their investment objectives and the investment policy statement. Compensation for this type of client engagement typically recurs and is based on the value of clients' assets with the practice. High-net-worth clients, who have many wealth management providers to choose from, are attracted to practices with this revenue model because it aligns with their interests and those of advisors/portfolio managers; both are incented to optimize investment returns net of product fees and taxes over a long time horizon.

Figure 23: CIMA Practice Revenue—Commission vs. Fee-based

Percentages outlined by circles differ significantly from other percentages in same category

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

FINANCIAL PERFORMANCE COMPARISON

Findings in this section reveal that CIMA practices manage more assets and generate higher revenue than do practices without CIMA professionals. Comparisons of similar practices based on practice structure (team versus solo), advisor years of experience, and firm type (wirehouses) show that CIMA professionals consistently generate more revenue per client compared to other practices.

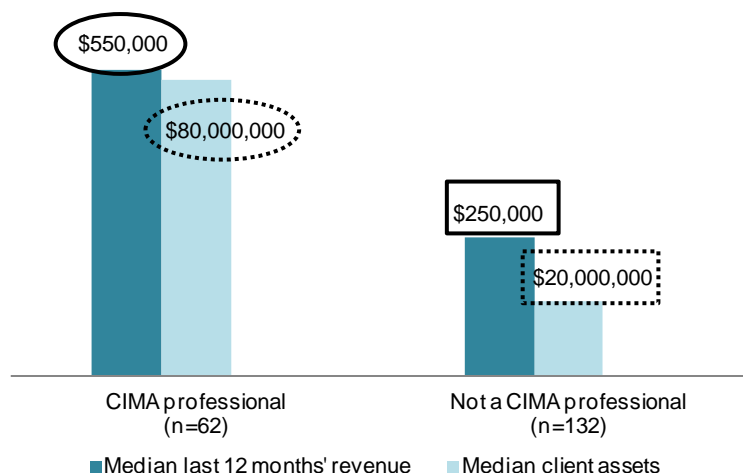
SOLO PRACTICES

A comparison of solo practice advisors who derive at least 70% of revenue from families and individuals (i.e., less than 30% from institutions) and who have at least three years of industry experience reveals the following:

- The median book size of solo CIMA practices surveyed (one client-facing advisor) is four times larger than the median book size of other solo practices (US\$80 million vs. US\$20 million) and median revenue is about twice as large (US\$550,000 versus US\$250,000; Figure 24)
- Revenue per client differences between practices are equally important when comparing assets per client and revenue per client
- Eliminating the impact of CFP or CFA certification on solo practices does not impact the findings; solo CIMA practices without CFP or CFA certifications generate almost three times the revenue per client that other practices achieve (a median of around US\$4,700 versus a median of around US\$1,700 per client; Figure 25)
- The analysis also controlled for advisor years of industry experience and found similar results; solo practices led by CIMA professionals who have more than 25 years of experience generate higher revenue per client than do solo practices led by other financial advisors with more than 25 years of experience (chart not shown but available to interested parties)

Figure 24: Solo Practice Comparison—Book Size and Revenue

Median Book Size and Last 12 Months' Revenue
 (Solo practices with at least 70% of revenue from families/individuals and advisors with at least 3 years of industry experience)

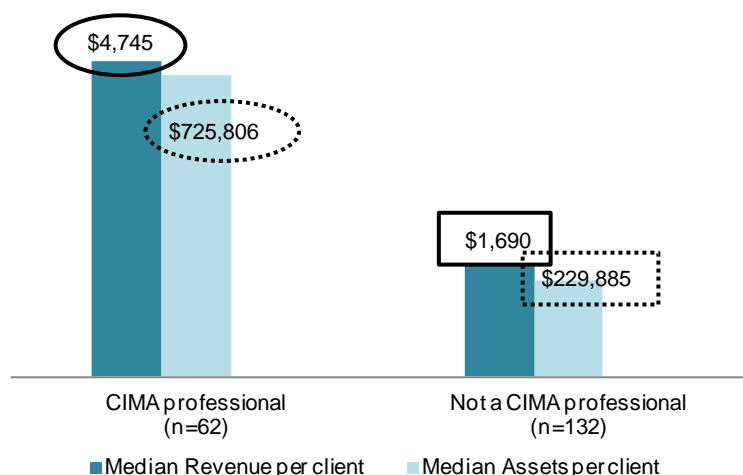


Values outlined by rectangles differ significantly from those outlined by circles for each category

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

Figure 25: Solo Practice Comparison without CFP or CFA Impact—Assets and Revenue per Client

Comparison of Median Revenue and Assets per Client—Solo Practices
 (CIMA professionals that lack a CFP or a CFA designation and for whom at least 70% of revenue comes from families/individuals; n=204)



Values outlined by rectangles differ significantly from those outlined by circles for each category

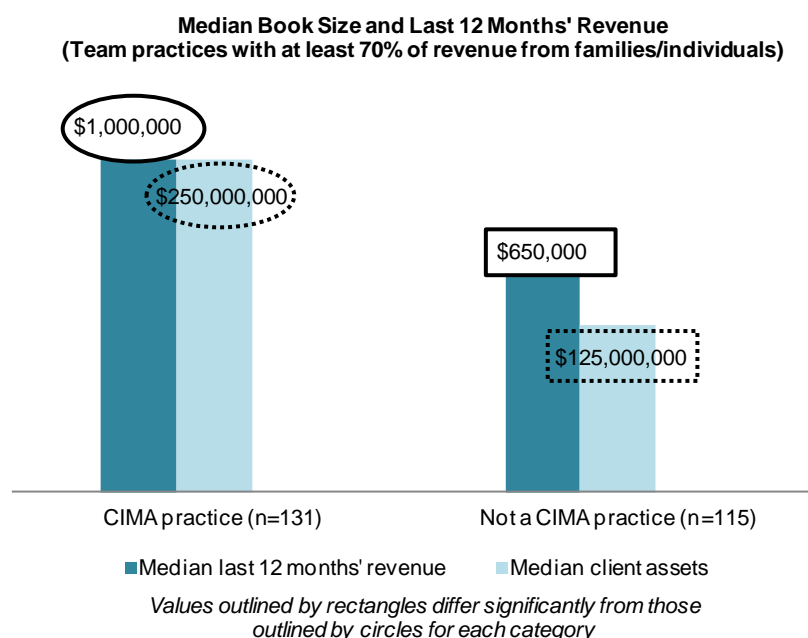
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

TEAM PRACTICES

Practices with at least one CIMA professional manage more assets and generate more revenue compared to team practices that do not have a CIMA professional on staff. The median team CIMA practice manages US\$250 million in client assets and generates US\$1 million in revenue while other team practices manage US\$125 million in client assets and generate US\$650,000 in revenue (Figure 26).

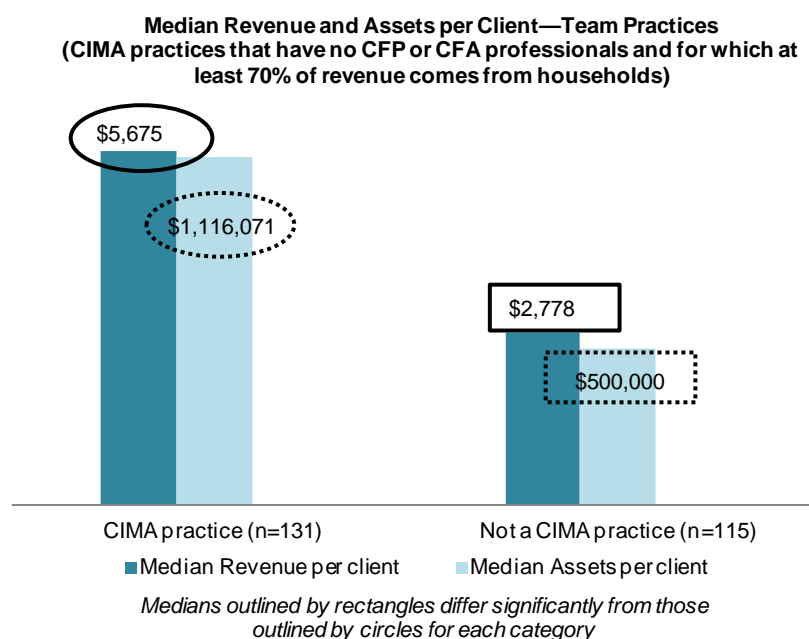
Differences between team practices are not as large as they are for solo practices due to the fact that advisors who form teams are already established advisors that seek to take their success to the next level. Both CIMA and other team practices generate more revenue per client compared to solo practices. After adjusting for the CFP and CFA certification, CIMA team practices generate more revenue per client (about twice as much) than other team practices (Figure 27).

Figure 26: Team Practice Comparison—Median Book Size and Revenue



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

Figure 27: Team Practice Comparison without CFP or CFA Impact—Assets and Revenue per Client



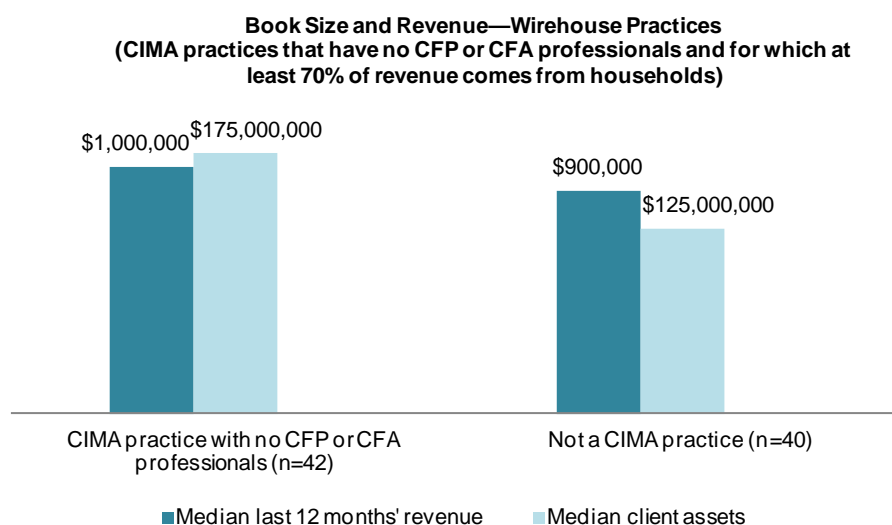
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

WIREHOUSE PRACTICES

In an effort to compare similar practices and eliminate common success factors outside of CIMA certification, the analysis evaluated practices from the same type of firm; specifically, from wirehouses Bank of America Merrill Lynch, Morgan Stanley, UBS, and Wells Fargo. CIMA practices with CFP and/or CFA professionals were excluded from the analysis. Wirehouse practices are known for generating high revenue, on the order of US\$700,000 to US\$900,000 for the average practice. In such a high-performing environment, are CIMA practices still generating better business results than other practices?

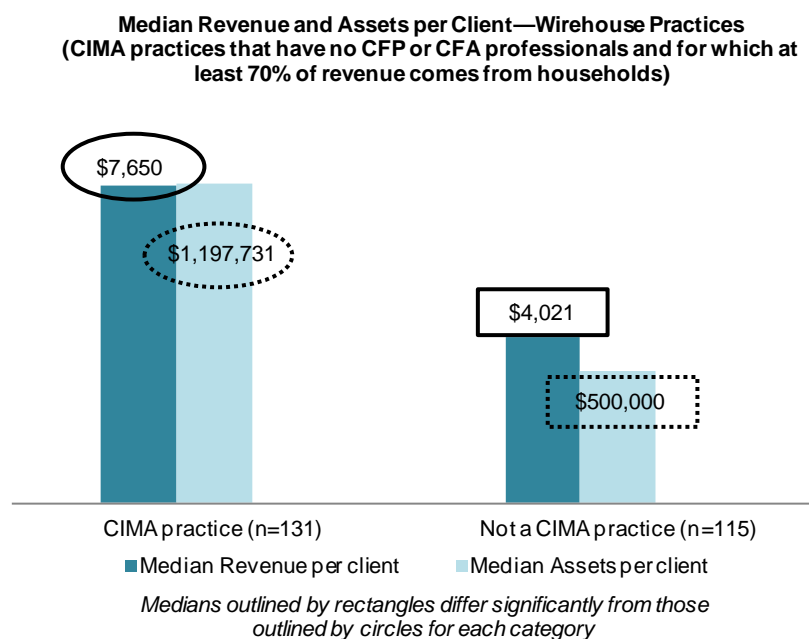
The analysis reveals no difference in the absolute revenue and client assets between the two types of practices, but it does show a difference when comparing assets and revenue per client (Figure 28 and Figure 29): CIMA practices at wirehouses generate almost twice the revenue per client of other practices and they manage approximately twice the assets per client (a median of US\$1 million versus US\$500,000).

Figure 28: Wirehouse Practice Comparison without CFP or CFA Impact—Book Size and Revenue



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

Figure 29: Wirehouse Practice Comparison without CFP or CFA Impact—Revenue per Client and Assets per Client

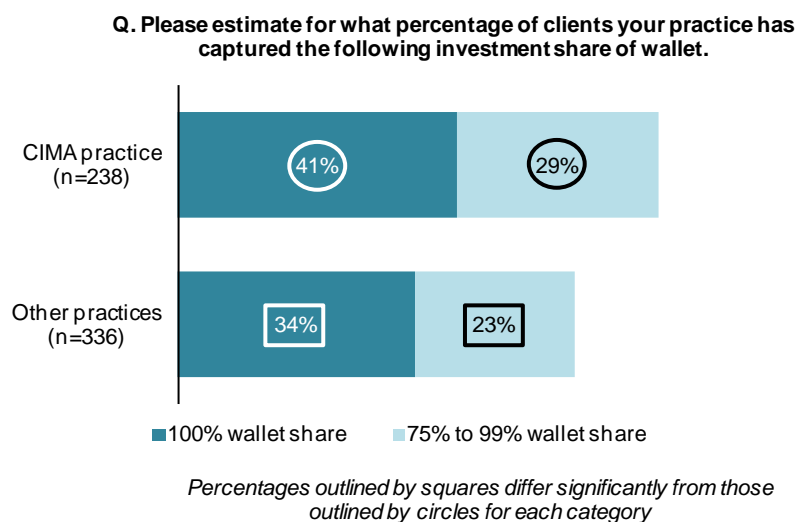


Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CIMA practices at wirehouses attract wealthier clients, which allow them to concentrate on fewer clients. Another driver of higher assets and revenue per client are the deep relationships that CIMA practices have built with clients. CIMA practices report capturing a larger share of clients' investment wallet relative to other practices (Figure 30, investment wallet share is defined as the share of clients' total investments held with the practice or firm):

- CIMA practice members indicate that 70% of clients allocate 75% or more of their investments to their practice
- By contrast, other practice members estimate that 55% of their clients have allocated 75% or more of their clients' investment assets to their practice

Figure 30: CIMA Practices Capture a Larger Share of Investment Wallet



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

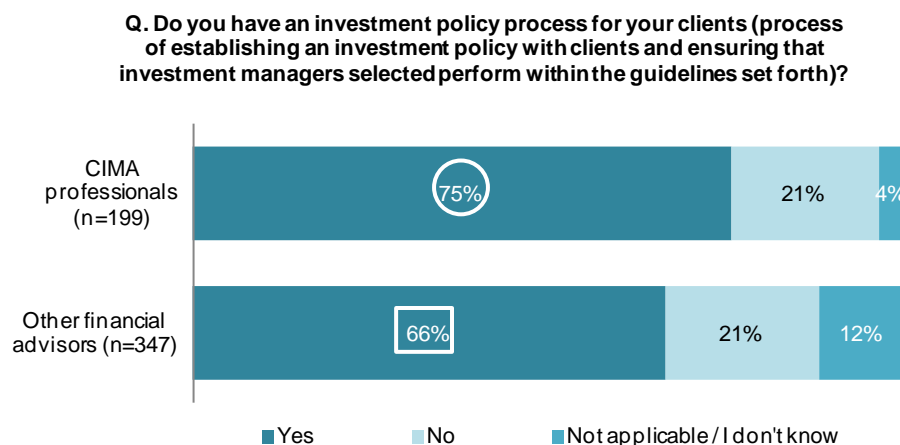
INVESTMENT STRATEGIES AND VEHICLES

This section explores differences between the investment strategies and investment vehicles employed by CIMA practices and practices without CIMA professionals. CIMA practices are trained through their curriculum and exam preparation to manage investments in accordance with their clients' best interests, whether they manage investments in their practices (Rep-as-Advisor or Rep-as-PM approach), or whether they leverage external investment managers. The investment process and strategies they employ indicate that these practices are frequently reviewing their clients' portfolios to ensure they are performing in accordance with the guidelines of the household. In addition, their choice of investment vehicles shows that CIMA practices attempt to build diversified portfolios with low-cost products. These behaviors are the right ones for maximizing portfolio return and minimizing fees and taxes.

PROCESS AND STRATEGIES

CIMA practices are more likely to follow an investment policy process for their clients than are other practices. Three-quarters of CIMA professionals indicate establishing an investment policy with clients in which they monitor the performance of investment managers. By comparison, 66% of other financial advisors follow the same process (Figure 31).

Figure 31: The Practice of Establishing an Investment Policy Process



Percentage outlined by a square differs significantly from percentage outlined by a circle

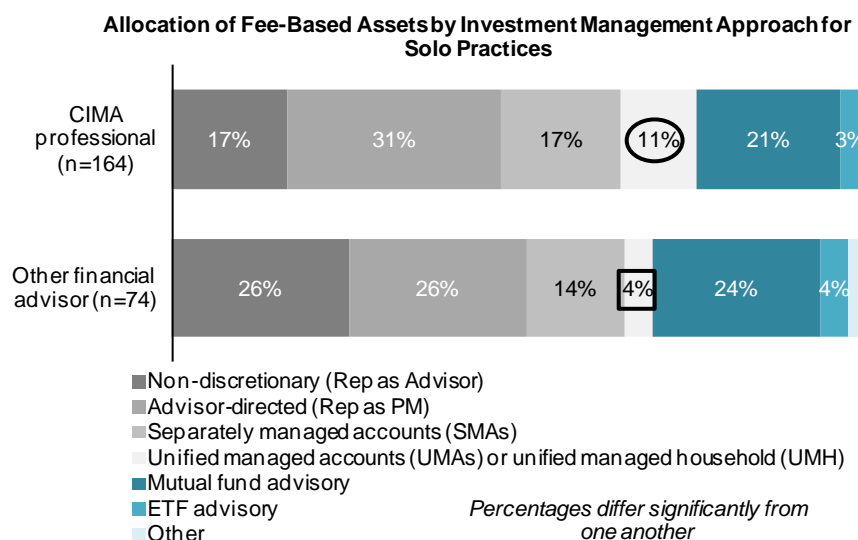
Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CIMA practices manage more of their clients' investments on a discretionary basis, either through a Rep-as-PM model, where the CIMA practice manages client assets directly (close to 40% of discretionary assets) or through packaged investment manager offerings (either managed by the practice, the firm, or by an external manager). In team practices, only 11% of fee-based assets are managed on a non-discretionary basis, whereas other team practices

manage twice the assets in this manner (Figure 32). This difference indicates that investors have confidence in their practice's ability to manage investments without their oversight.

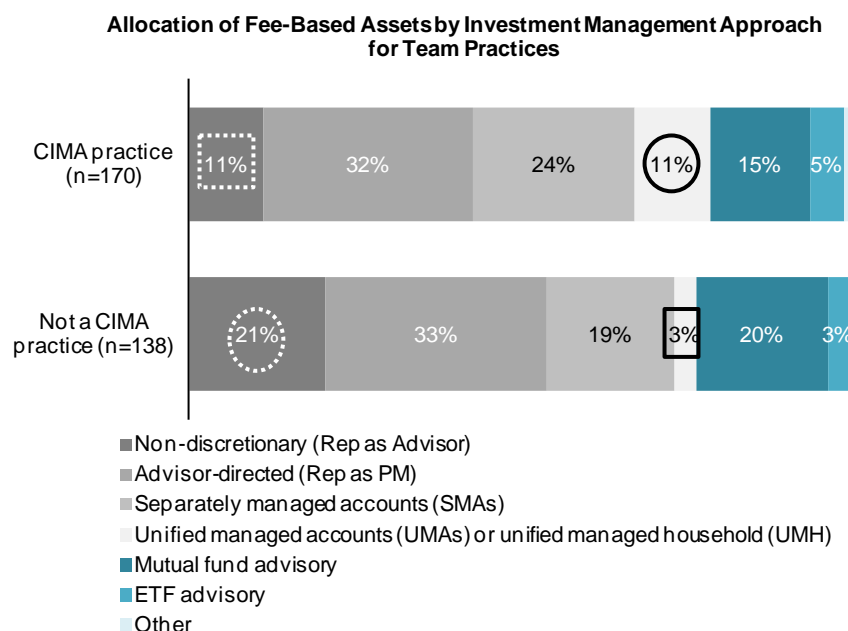
The second difference between CIMA practices and other practices is their larger adoption of unified managed accounts (UMA); CIMA practices manage 11% of client assets through UMAs, while other practices manage 4% (3% for team practices; Figure 32 and Figure 33). CIMA practice allocation to UMAs is still small but will grow; close to 20% of financial advisors indicate that the UMA approach will be their fastest-growing investment management strategy over the next three years. By contrast, only 4% of other practices say the same. Adoption of UMAs shows that more CIMA practices attempt to manage clients' investments holistically, through a single account for multiple types of investment approaches and vehicles. Management of investments through UMAs typically allows clients to minimize taxes from investment sales since the technology can take into account all (or a large percentage) of a client's investment portfolio when computing optimal rebalancing actions. By contrast, clients who require investment management services that span multiple accounts may not benefit from a holistic rebalancing process, as most rebalancing tools address each account individually.

Figure 32: Allocation of Fee-Based Assets across Investment Management Strategies—Solo Practices



Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

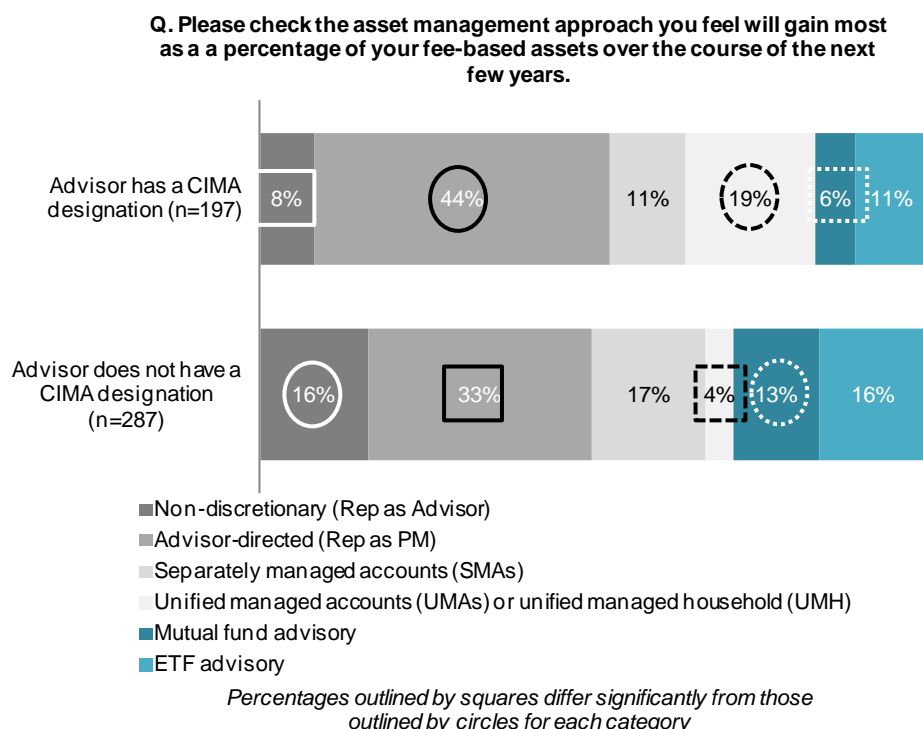
**Figure 33: Allocation of Fee-Based Assets across Investment Management Strategies—
Team Practices**



*Percentages outlined by squares differ significantly from
those outlined by circles for each category*

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

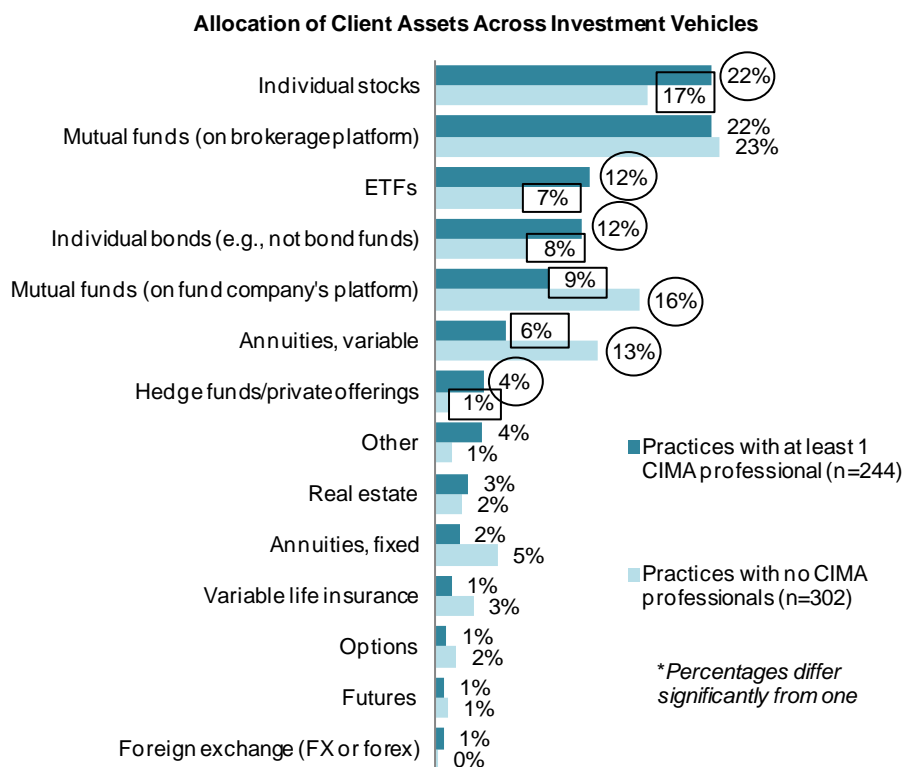
CIMA professionals have very different views on the growth prospects of different asset management styles compared to other financial advisors. In addition to their views on the UMA strategy discussed previously, they are also more likely to state that the advisor-directed, or the rep-as-PM approach, will grow most; 44% share this view, while 33% of other financial advisors say the same (Figure 34). While CIMA professionals are more inclined to apply their investment management expertise by managing investments under their direction, they are less likely to opt for a standard mutual fund advisory product. The rep-as-PM approach comes with additional risk for the practice and firm, but with more monetary reward; financial advisors who manage their clients' investments retain more of the investment management fee.

Figure 34: CIMA Practice Views on Investment Strategy Growth for Next 3 Years

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

INVESTMENT VEHICLES

CIMA practices invest more of their clients' investments in individual securities, ETFs, and alternative investments and less of their clients' assets in mutual funds, annuities, and insurance products (Figure 35). This choice of instruments indicates that CIMA professionals aim to build portfolios with low-cost instruments and with vehicles that can generate stronger returns compared to mutual funds. The larger allocation to individual securities reflects CIMA professionals' abilities to recognize opportunities at a micro level. While CIMA practices may spend more time than other advisors analyzing individual securities, the results suggest that they devote less attention to selecting specific mutual funds. The lower adoption of direct purchases of mutual funds from fund providers (9% of client assets versus 16% for other practices) indicates that CIMA practices are not as keen as other advisors are to work with specific fund families and mutual funds; they leverage mutual funds to achieve clients' asset allocation goals.

Figure 35: Allocation of Client Assets across Investment Vehicles

Source: Aite Group survey of 207 CIMA professionals and Aite Group survey of 394 financial advisors without CIMA certification, Q4 2012 and Q1 2013

CONCLUSION

Since the 2008 financial crisis, wealth management firms have been scrambling to find cost savings and revenue-generating opportunities to make up for lackluster asset growth. Firms see great opportunity with improving profitability by attracting high-net-worth clients and by growing share of wallet with their existing high-net-worth clients. To better serve this segment, firms are encouraging their financial professionals to work together (either through formal teams or through referral arrangements) to address these clients' comprehensive needs. This report demonstrates that CIMA team practices are particularly successful in attracting high-net-worth clients who are willing to confide most of their investment assets to the practice. Wealth management firms should learn from these practices and attempt to incubate more of these successful practices.

- CIMA team practices also include advisors with other designations, in particular advisors with CFP designations. The combination of generalist and specialist advisors is a winning one. Financial planning-oriented advisors win clients' initial trust in the practice and connect clients to investment experts, CIMA professionals, who then play the critical role of retaining and further deepening investment share of wallet with their stellar investment management service.
- Wealth management firms that are serious about attracting high-net-worth clients and the next generation of wealthy investors need to get strategic about converting more of their advisors into CIMA professionals. Firms should also look to help high-net-worth-focused advisor teams achieve the right combination of advisors and skill sets (CIMA professionals, CFP professionals, and others) to better meet wealthy investors' complete financial needs.
- In addition to growing the population of CIMA professionals within the firm, wealth managers must also consider how to best leverage the CIMA professionals they do have to disseminate best practices and raise the quality of investment management across the firm.
- While wealth management firms may view the preference of CIMA professionals, and other financial advisors, for advisor-directed asset management as a significant firm risk that needs to be contained, CIMA professionals are likely the most able of advisors to directly manage client investments. Wealth management firms may consider conditioning the advisor-directed service on obtaining a CIMA certification (for solo practices) or on hiring a CIMA professional to the practice.

ABOUT AITE GROUP

Aite Group is an independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, securities & investments, and insurance, Aite Group's analysts deliver comprehensive, actionable advice to key market participants in financial services. Headquartered in Boston with a presence in Chicago, New York, San Francisco, London, and Milan, Aite Group works with its clients as a partner, advisor, and catalyst, challenging their basic assumptions and ensuring they remain at the forefront of industry trends.

AUTHOR INFORMATION

Sophie Schmitt

+1.617.338.6002

sschmitt@aitegroup.com

CONTACT

For more information on research and consulting services, please contact:

Aite Group Sales

+1.617.338.6050

sales@aitegroup.com

For all press and conference inquiries, please contact:

Aite Group PR

+1.617.338.6050

pr@aitegroup.com

For all other inquiries, please contact:

info@aitegroup.com

ABOUT IMCA

Established in 1985, IMCA is a nonprofit professional association and credentialing organization with more than 8,900 individual members. IMCA members collectively manage more than \$1.9 trillion, providing investment consulting and wealth management services to individual and institutional clients. Since 1988, IMCA has offered the Certified Investment Management Analyst® (CIMA®) certification, which earned accreditation by the American National Standards Institute (ANSI) in April 2011, making it the first financial services credential in the United States to meet international standards (ISO 17024) for personnel certification. IMCA's Certified Private Wealth Advisor® (CPWA®) certification is suited for wealth management professionals working with high-net-worth clients. In 2012, IMCA conferences and workshops hosted approximately 4,000 attendees.

CONTACT

For more information about IMCA, visit www.IMCA.org.

For all media inquiries, please contact:

IMCA Corporate Communications

303.850.3079

communications@imca.org

For all other inquiries, please contact:

info@imca.org

303.770.3377

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IMCA HISTORY

1985

Investment Management Consultants Association (IMCA) is founded by eight investment consultants to broaden public understanding of investment consulting and increase the professionalism of those providing consulting services through education, a code of ethics, and certification. The IMCA *Code of Professional Responsibility* is adopted.

1986

IMCA publishes the first issue of *The Monitor*, renamed *Investments & Wealth Monitor* in 2008.

1988

The first CIMA certification course and exam are held in partnership with Wharton College. Thirty-one individuals are certified.

1993

IMCA *Performance Reporting Standards* are adopted to provide guidance on the collection, analysis, and reporting of performance data to clients.

1998

IMCA publishes the first issue of the *Journal of Investment Consulting*.

2002

IMCA merges with the Institute of Certified Investment Management Consultants and adopts the IMCA *Standards of Practice* to provide guidance to investment management consultants in the course of conducting their practices.

2004

IMCA adopts *Disciplinary Rules and Procedures*.

2008

IMCA hosts the first CPWA class of 40 professionals in conjunction with The University of Chicago Booth School of Business.

IMCA publishes the first issue of *Research Quarterly*.

2010

IMCA consolidates two National conferences into the new IMCA Annual Conference, which hosts 1,600 advanced investment and wealth management professionals in Orlando.

2011

CIMA certification earns accreditation by the American National Standards Institute (ANSI), making it the first financial services credential in the United States to meet international standards for personnel certification.

IMCA launches *Best of IMCA* advanced workshop series.

IMCA Annual Conference hosts a record 1,900 advanced professionals in Las Vegas.

2012

IMCA performs first job task analysis in wealth management, defining it as a distinct practice of advising high-net-worth clients with specialized expertise and skills.

2013

IMCA membership surpasses 9,000

