

# SCHWAB ADVISOR SERVICES INDEPENDENT PULSE

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*charles*  
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# Foreword

For the past 12 years, Schwab Advisor Services has asked independent advisors for their perspectives on their industry, their firms and investor clients, and the investment environment overall. Results from these surveys have been released as the [\*Independent Advisor Outlook Study\*](#) (IAOS) and, beginning in 2018, with an additional periodic version of the study, the *Independent Pulse*.

In this *Pulse* study, we sought to understand the dynamics shaping the independent advice industry with the goal of shining a light on the opportunities and challenges facing RIAs. We asked advisors to look beyond the immediate forces influencing the advice and wealth management space, and to consider six larger trends currently being navigated at the individual and societal level. Namely: increased human longevity, changing workplace dynamics (automation, changing job skills), medical advancements, information privacy and data integrity, artificial intelligence (AI), and climate change.

The data in the slides following reflects advisors' perspectives on these macro forces with respect to anticipated impact and implications on their firms and their clients.

## Key findings

- **Most impactful trends:** Longer client lifespans, information privacy/data integrity and changing workplace dynamics were cited as the leading three factors that could impact on advisors' businesses over the next decade.
- **Not all impact is created equal:** Longer client lifespans and changing workplace dynamics are expected to have a mostly positive impact on firms, while information privacy/data integrity is expected to be mostly negative.
- **Good for business and positive for clients:** Where advisors saw a positive impact for their business (longevity, workplace dynamics, AI and medical advancements), they likewise saw positive implications for clients, and vice versa (negative expectations for firms and clients for information privacy/data integrity and climate change).
- **Implications for firms:** Top trends are expected to have broad ranging impact on firms, including implications for growth and operations, talent strategies, advice/services offered and portfolio management/asset allocation.
- **Influence on clients' financial lives:** Advisors expect macro forces will impact clients' risk management, timing and duration of working life/retirement, planning goals and spending patterns/priorities.

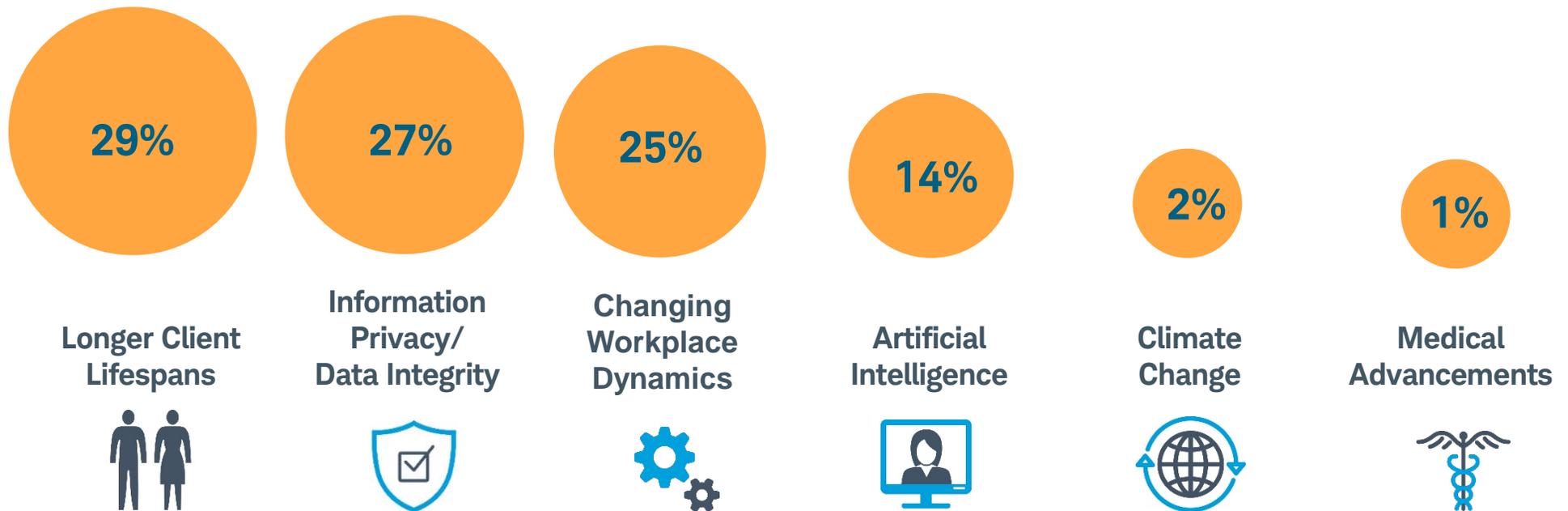
“The world in which advisors and their clients live is changing rapidly and the implications of these changes will ultimately manifest in how advisors evolve their firms to serve the changing needs of their clients.”

- Bernie Clark, head of Schwab Advisor Services

# Findings

# Trends impacting advisor firms over next decade

Top ranked



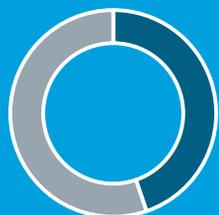
Q2. Please select which of the following you believe will have the greatest impact on your firm/business over the next 10 years. (Base: Total Advisors; Current wave = 778)  
Changing workplace dynamics is defined as: increased automation, changing job skills required.

Longer client  
lifespans



# Longer Client Lifespans: Advisors

## Impact on Advisors



**44%** believe longer client lifespans will significantly affect their businesses

**Why?**

**57%** cite ensuring clients' funds last for a lifetime

**24%**

are very concerned about the impact of longer client lifespans

**62%**

believe the impact will be mostly positive

**13%**

believe the impact will be mostly negative

### Top areas of firm that will be affected...

**74%**

Portfolio management & asset allocation

**67%**

Advice

**47%**

Firm growth

- Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
- Q3. Please share your perspective on why you believe LONGER CLIENT LIFESPANS will have the greatest impact on your firm/business in the next 10 years.
- Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
- Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
- Q6. Which aspects of your firm/business do you think will be impacted by the following?



# Longer Client Lifespans: Clients

## Impact on Clients

**64%** believe longer lifespans will have a significant impact on their clients in next 10 years



Impact on clients will be mostly...

Positive

71%

10%

Negative

Top areas of clients financial lives that will be impacted ...

84%

Planning goals

82%

Timing & duration of working/retirement

81%

Spending

Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?

Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?

Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?

Information  
privacy/  
data integrity



# Information Privacy & Data Integrity: Advisors

## Impact on Advisors



**59%** believe information privacy & data integrity will significantly affect their businesses

**Why?**

**29%** cite hackers as a threat

**24%** cite this trend as the biggest risk factor for this business

**48%**

are very concerned about the impact of information privacy

**29%**

believe the impact will be mostly positive

**41%**

believe the impact will be mostly negative

Top areas of firm that will be affected...

**88%**

Operations

**30%**

Advice

**23%**

Firm growth

Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?

Q3. Please share your perspective on why you believe PRIVACY AND DATA INTEGRITY will have the greatest impact on your firm/business in the next 10 years.

Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?

Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?

Q6. Which aspects of your firm/business do you think will be impacted by the following?



# Information Privacy & Data Integrity: Clients

## Impact on Clients

**40%** believe information privacy & data integrity will have a significant impact on their clients in next 10 years



Impact on clients will be mostly...

Positive

32%

42%

Negative

**Top areas of clients' financial lives that will be affected...**

68%

Managing risk

10%

Planning goals

10%

Wealth accumulation

- Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?  
Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?  
Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?

# Changing workplace dynamics

## Impact on Advisors



**43%** believe changing workplace dynamics will significantly affect their businesses

**Why?**

**21%** cite increased efficiency / productivity

**16%** cite the need to adapt to disruption

**Top areas of firm that will be affected...**

**75%** Operations

**55%** Talent

**53%** Firm growth

**24%**

are very concerned about the impact of changing workplace dynamics

**63%**

believe the impact will be mostly positive

**10%**

believe the impact will be mostly negative

- Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?  
 Q3. Please share your perspective on why you believe CHANGING WORKPLACE DYNAMICS will have the greatest impact on your firm/business in the next 10 years. Examples of changing workplace dynamics include increased automation, changing job skills required, etc.  
 Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?  
 Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?  
 Q6. Which aspects of your firm/business do you think will be impacted by the following?



# Changing Workplace Dynamics: Clients

## Impact on Clients

**20%** believe changing workplace dynamics will have a significant impact on their clients in the next 10 years



Impact on clients will be mostly...



### Top areas of clients' financial lives that will be affected...



Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?  
 Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?  
 Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?  
 Examples of changing workplace dynamics include increased automation, changing job skills required, etc.

# Artificial intelligence



# Artificial Intelligence: Advisors

## Impact on Advisors



**32%** believe artificial intelligence will significantly affect their businesses

**Why?**

**20%** cite a change across industries

**15%** cite increased efficiency

**19%**

are very concerned about the impact of artificial intelligence

**46%**

believe the impact will be mostly positive

**13%**

believe the impact will be mostly negative

**Top areas of firm that will be affected...**

**67%**

Operations

**61%**

Portfolio management / asset allocation

**51%**

Advice

- Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
- Q3. Please share your perspective on why you believe ARTIFICIAL INTELLIGENCE will have the greatest impact on your firm/business in the next 10 years.
- Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
- Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
- Q6. Which aspects of your firm/business do you think will be impacted by the following?



# Artificial Intelligence: Clients

## Impact on Clients

**23%** believe artificial intelligence will have a significant impact on their clients in the next 10 years



Impact on clients will be mostly...



Top areas of clients' financial lives that will be affected...



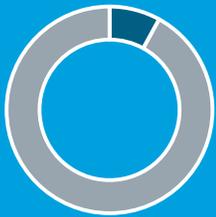
- Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
- Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
- Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?

Climate  
change



# Climate Change: Advisors

## Impact on Advisors



**8%** believe climate change will significantly affect their businesses

**Why?**

**47%** cite a high cost of environmental events

**32%** cite social impact

**13%**

are very concerned about the impact of climate change

**6%**

believe the impact will be mostly positive

**22%**

believe the impact will be mostly negative

### Top areas of firm that will be affected...

**41%**

Portfolio management / asset allocation

**24%**

Advice

**17%**

Firm growth

- Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?
- Q3. Please share your perspective on why you believe CLIMATE CHANGE will have the greatest impact on your firm/business in the next 10 years.
- Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?
- Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?
- Q6. Which aspects of your firm/business do you think will be impacted by the following?



## Impact on Clients

**12%** believe climate change will have a significant impact on their clients in the next 10 years



Impact on clients will be mostly...



**Top areas of clients' financial lives that will be affected...**



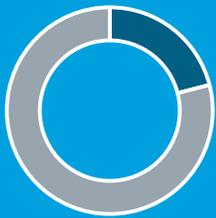
- Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
- Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
- Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?

# Medical advancements



# Medical Advancements: Advisors

## Impact on Advisors



**21%** believe medical advancements will significantly affect their businesses

### Top areas of firm that will be affected...

**48%**

Portfolio management / asset allocation

**50%**

Advice

**22%**

Firm growth

**7%**

are very concerned about the impact of medical advancements

**67%**

believe the impact will be mostly positive

**3%**

believe the impact will be mostly negative

- Q1. Please indicate the impact you believe each of the following areas will have on your firm/business over the next 10 years?  
Q3. Please share your perspective on why you believe MEDICAL ADVANCEMENTS will have the greatest impact on your firm/business in the next 10 years.  
Q4. How concerned are you about the impact of each of the following areas on your firm/business in the next 10 years?  
Q5. What type of impact do you believe each of the following areas will have on your firm/business over the next 10 years?  
Q6. Which aspects of your firm/business do you think will be impacted by the following?



# Medical Advancements: Clients

## Impact on Clients

**52%** believe medical advancements will have a significant impact on my clients in next 10 years



Impact on clients will be mostly...



### Top areas that will be impacted for clients financial lives...



- Q7. To what degree do you believe each of the following areas will impact your clients over the next 10 years?
- Q8. What type of impact do you believe each of the following areas will have on clients over the next 10 years?
- Q9. Which aspects of your clients' financial lives do you believe will be impacted by each of the items below?

# Appendix

# Methodology

## What

- The Independent Advisor Outlook Study (IAOS) is an online study conducted for Charles Schwab by Logica Research.
  - Logica Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.
  - The sampling error is +/- 3.5 percentage points at the 95% confidence level.
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## When

- The study was conducted from December 11 to December 21, 2018.
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## Who

- 778 independent investment advisors who custody assets with Schwab.
- Participation is voluntary, participants are not incentivized, and the typical (median) survey length was nine minutes.

# Firmographics

(Base: Total Advisors Responding)

Advisors Responding	Base
<b>Average Client Age by Range</b>	(n=778)
Under 50 years old	2%
50 to 54 years old	10%
55 to 59 years old	21%
60 to 64 years old	26%
65 or older	31%
Prefer not to say	10%
MEAN	61 yrs old
MEDIAN	59 yrs old
<b>Age of Advisor Responding</b>	
Under 35 years old	10%
35 to 44 years old	12%
45 to 54 years old	25%
55 to 64 years old	31%
65 and older	17%
Prefer not to say	5%
MEAN	53 yrs old
MEDIAN	52 yrs old
<b>Number of Years Worked for Independent Advisory Firm</b>	
5 years or less	24%
6 to 10 years	13%
11 to 15 years	16%
More than 15 years	46%
Prefer not to say	1%
MEAN	13 yrs
<b>Primary Role at Firm</b>	
Principal	55%
Portfolio Manager	12%
Operations staff	16%
Other	17%

Advisors Responding	Base
<b>Founding Principal (among Principals)</b>	(n=433)
Yes	78%
<b>Number of Employees at Firm</b>	(n=687)
1 to 5	47%
6 to 15	29%
16 to 50	15%
51 or more	9%
MEAN	31
MEDIAN	6
<b>Assets Under Management at Firm (AUM)</b>	(n=778)
Less than \$25M	8%
\$25M to \$100M	21%
\$101M to \$250M	19%
\$251M to \$500M	14%
More than \$500M	31%
Prefer not to answer	7%
MEAN	\$371.3M
MEDIAN	\$234.6M
TOTAL AUM REPRESENTED	\$288.9B
<b>Number of Clients Per Firm</b>	(n=618)
1 to 50	18%
51 to 100	17%
101 to 250	28%
251 or more	37%
MEAN	744
MEDIAN	180
<b>Gender</b>	
Male	72%
Female	28%

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