

Cultivating talent: A summary of RIA compensation strategies

Results from the 2015
RIA Benchmarking Study
from Charles Schwab

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Growth, scale, efficiency, and organizational discipline are all hallmarks of maturity, and the Registered Investment Advisor (RIA) industry is no exception. More firms are adopting best practices and analyzing and utilizing actionable information to help build scale, achieve growth targets, attract and develop talent, and establish a strategic transition of leadership.

In the 2015 RIA Benchmarking Study from Charles Schwab, firms cited recruiting as one of their highest strategic priorities for the year ahead, as many RIAs are looking to add skills and increase capabilities. This represents the greatest emphasis on hiring since our benchmarking study began,¹ and it also illustrates the degree to which firms are focused on finding and cultivating the right talent mix.

Most firms are looking to fill positions that can continue to drive growth and increase capacity, with 76% of firms planning to add relationship managers or investment professionals and 68% planning to hire support or administrative staff. A noteworthy 10% of firms are looking for “dedicated management” to run business operations, thus freeing advisors to focus on serving clients and generating new business.

To support advisory firms in addressing their strategic initiatives, Schwab designed an annual compensation study to provide detailed information and insights on compensation and benefits

topics that are important to advisors. With 7,709 total responses across 24 employee roles typically found at RIA firms, this is the leading study of compensation data in the RIA industry.

Role descriptions

The job titles with role descriptions are grouped into four categories:

- Client Account Management, Sales and Marketing
- Investments
- Operations and Administration
- Executive Management

These descriptions are intended to provide some standardization across firms by identifying common tasks that employees perform. The list is not exhaustive; you may find that your employees perform tasks that cross multiple role descriptions. Given that job titles may vary across firms, a good starting point for comparison is to examine the role descriptions and choose the role that most closely relates to the job responsibilities performed.

1. The first year of Schwab's RIA Benchmarking Study was 2006.

Client Account Management, Sales and Marketing

Director of Client Service:

- Manages the client service activities for the entire firm or a specific business area.
- Coordinates client service activities with those of sales and marketing staff.
- Supervises client service staff.
- Tracks and reports results of key service measures against firm objectives.
- Leads resolution of problems related to client service.
- May manage relationships with key clients and prospects.

Senior Client Account Manager/Relationship Manager:

- Fills most experienced advisory position within the firm.
- Serves as primary manager of existing client relationships, particularly more complex relationships.
- Formulates and implements advice, but may rely on technical specialists to develop recommendations within their area of expertise.
- Often works with, trains, and supervises other staff in client service delivery.

Client Account Manager/Relationship Manager:

- Manages existing client relationships, working either with a principal or more experienced advisor or on their own.
- Provides client service management (often to small and midsize accounts).
- Assists senior professionals in conducting client meetings.
- Resolves basic and routine client account issues.

Client Services Associate:

- Provides non-advice-related support to clients, including:
 - Preparing standard client reports
 - Maintaining contact with clients to provide or obtain updated information
 - Scheduling client meetings
 - Responding to administrative client queries

Business Development/Marketing Professional:

- Develops new business, with relatively little responsibility (less than 10% of time) for managing relationships, providing advice, or serving clients.
- May implement marketing plans and programs, assist in developing new marketing and advertising campaigns, and/or develop strategic communications deliverables.

Investments

Investment/Portfolio Manager:

- Actively manages a client portfolio using individual securities or a combination of securities and third-party managers.
- May participate in or lead development of an investment strategy.

(Note that this position describes an active-style internal manager.)

Financial Planner:

- Provides financial planning to the clients of the lead and service advisors.
- Serves as in-house expert on financial planning issues.
- Does not act as primary relationship manager.

Research Analyst:

- Performs research and analysis and/or manages investment options.
- Provides information and makes recommendations to professional staff on managers, advisory service products, investment selection, suitability guidelines, and reporting.

Paraplanner:

- Provides technical support to the Client Account Manager/Relationship Manager roles in the delivery of advice to clients.
- Responsibilities include data gathering, modeling, case design, plan development, presentation development, etc.
- May participate in client meetings, but not in an advice capacity.
- Has no decision-making authority on client matters.

Portfolio Administrator:

- Sets up and maintains client accounts.
- Compiles and completes client, custodian, and firm paperwork.
- Reviews and maintains client transactions and activity.
- Executes client and firm tasks, such as asset transfers, preparation of reports, and general support of portfolio and investment strategies.

Trader:

- Buys and sells securities as directed by the portfolio managers, advisors, or CIO.

About the 2015 RIA Benchmarking Study from Charles Schwab

Schwab designed this study to capture insights in the RIA industry, based on survey responses from individual firms. The 2015 study provides information on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance. A total of 1,007 advisory firms representing three-quarters of a trillion dollars in AUM that custody their assets with Schwab participated this year, making this the leading study in the RIA industry.

The 2015 RIA Benchmarking Study collected detailed compensation information from 716 advisory firms representing 7,709 employees across 24 roles typically found at RIA firms.

Compensation details—base salary, additional compensation (incentive compensation and compensation tied to revenue), and total cash compensation—for each role are reported independently. Total cash compensation is calculated as the median of the total cash compensation reported for each response (base salary plus additional compensation) and not as the sum of the medians of base salary and additional pay. Base salary and additional pay are representative of only those positions reporting pay for that compensation component.

Operations and Administration

Operations Director/Manager:

- Manages daily activities within the operations department (e.g., trading and reporting) and serves as an intermediary between the department and executive management.
- Typically supervises operations staff, and may be responsible for establishing or contributing ideas for department processes, procedures, and protocols.

Operations Associate:

- Performs daily activities within the operations department.
- May provide network administration/IT support to staff.

Compliance Associate:

- Working under the direction of the designated Chief Compliance Officer, assists in implementing firm's compliance program.

Office Manager/Administrator:

- Responsible for general office operations, such as internal accounting, office equipment and supplies, benefits administration, and payroll coordination.
- May also coordinate firm website or other marketing tools.

(Note: This can be a catchall role in firms that do not employ multiple staff members for each of these functions.)

Internal Accountant/Bookkeeper:

- Performs internal accounting, and generates the firm's financial statements.

Executive Assistant:

- Handles a variety of administrative functions to aid a dedicated manager of the firm.
- May perform secretarial and clerical duties as needed by the dedicated manager.

Receptionist:

- Greets and directs clients and other visitors.
- Screens and routes telephone calls.
- May perform incidental typing or other routine clerical duties.

The RIA Benchmarking Study comprises self-reported data from advisory firms that custody their assets with Schwab. Schwab did not independently verify or validate the self-reported information. Participant firms represent various sizes and business models.

The study is part of Schwab's Business Consulting Services, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting Services provides insight, guidance, tools, and resources to help you strategically manage and grow your firm.

Executive Management

Chief Executive Officer/President:

- Generally provides strategic leadership, planning, and broad executive management to achieve the firm's strategic objectives.
- Typically spends less than 50% of his or her time delivering advice and/or generating business.

(Note: If the staff member in this position spends more than 50% of his or her time delivering advice and/or generating business, use one of the professional positions as the primary role.)

Chief Financial Officer:

- Accountable for the administrative, financial, and risk management operations of the company.
- Develops financial and operational strategy and associated metrics.
- Provides ongoing development and monitoring of control systems designed to preserve company assets and report accurate financial results to firm principals and executive board.

Chief Compliance Officer:

- Develops and monitors the firm's compliance program, ensuring that all activities meet the requirements of state and federal legal and regulatory agencies.
- Acts as a liaison with regulatory agencies on compliance-related issues in response to complaints.

Chief Investment Officer/Director of Research:

- Plans and directs all aspects of an organization's investment programs.
- Oversees the research, evaluation, and selection of investment vehicles and ensures investment selections align with the organization's goals.

Chief Operating Officer:

- Directs, administers, and coordinates the activities of the organization in accordance with policies, goals, and objectives of the firm.
- Serves purely in a management function with no responsibility for revenue production.

Managing Partner:

- Owner and principal of the business, with broad responsibilities for business development, client relationships, service, and management.
- Responsible for developing new business, managing relationships, providing advice, or serving clients.
- Has shared responsibility of strategic leadership, planning, and broad executive management decisions to achieve the firm's strategic objectives.

To learn more about Schwab's RIA Benchmarking Study and other Business Consulting resources, or if you are a Schwab Advisor Services™ client and would like to participate in the next RIA Benchmarking Study, please contact your relationship manager.

National compensation results

All dollar amounts are in thousands.

		Client Account Management, Sales and Marketing					
		Director of Client Service			Senior Client Account Manager/Relationship Manager		
		161 responses			952 responses		
		PERCENTILES			PERCENTILES		
		20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
Summary	Base salary	\$56	\$90	\$167	\$66	\$125	\$210
	Total cash compensation	\$65	\$110	\$216	\$112	\$184	\$310
	Total cash compensation (including owner profit distributions)	\$70	\$120	\$274	\$118	\$200	\$375
Performance-based incentive pay	Responses with performance-based incentive pay	70%			63%		
	Discretionary	\$3	\$15	\$35	\$8	\$22	\$70
	Other ¹	\$5	\$15	\$54	\$10	\$25	\$72
Compensation tied to revenue	Responses with compensation tied to revenue	6%			23%		
	Percentage of new client revenue paid	Insufficient data			20%	31%	50%
	Percentage of existing client revenue paid	Insufficient data			10%	30%	50%
Ownership details	Total responses with ownership	41%			38%		
	Less than 5% ownership	32%			36%		
	5% to 24% ownership	29%			36%		
	25% to 49% ownership	15%			17%		
	50% or more ownership	24%			11%		
Years of experience	Less than 10 years	29%			18%		
	10 to 19 years	36%			42%		
	20 or more years	35%			40%		
Certifications	Chartered Financial Analyst (CFA)	5%			14%		
	Certified Financial Planner (CFP)	33%			58%		
	Certified Public Accountant (CPA)	9%			15%		

¹ Other performance-based incentive pay includes compensation resulting from firm goals, department or team goals, and business development results.

Client Account Management, Sales and Marketing

Client Account Manager/Relationship Manager 655 responses			Client Services Associate 740 responses			Business Development/Marketing Professional 266 responses		
PERCENTILES			PERCENTILES			PERCENTILES		
20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
\$52	\$77	\$112	\$40	\$52	\$65	\$42	\$71	\$130
\$66	\$99	\$150	\$44	\$57	\$73	\$52	\$85	\$183
\$66	\$100	\$152	\$44	\$57	\$73	\$53	\$85	\$196
75%			76%			55%		
\$5	\$11	\$26	\$2	\$5	\$9	\$2	\$9	\$30
\$4	\$10	\$29	\$2	\$5	\$9	\$3	\$12	\$52
16%			1%			17%		
15%	25%	50%	Insufficient data			23%	30%	50%
11%	41%	60%	Insufficient data			10%	35%	50%
9%			2%			16%		
66%			100%			53%		
21%			0%			21%		
10%			0%			26%		
3%			0%			0%		
53%			63%			38%		
34%			25%			27%		
13%			13%			35%		
7%			0%			5%		
53%			7%			16%		
11%			3%			4%		

National compensation results (continued)

All dollar amounts are in thousands.

		Investments					
		Investment/ Portfolio Manager			Financial Planner		
		551 responses			318 responses		
		PERCENTILES			PERCENTILES		
		20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
Summary	Base salary	\$60	\$112	\$200	\$54	\$75	\$108
	Total cash compensation	\$77	\$142	\$257	\$60	\$86	\$132
	Total cash compensation (including owner profit distributions)	\$82	\$150	\$306	\$60	\$87	\$144
Performance-based incentive pay	Responses with performance-based incentive pay	57%			68%		
	Discretionary	\$6	\$15	\$63	\$3	\$8	\$20
	Other ¹	\$6	\$15	\$60	\$3	\$7	\$15
Compensation tied to revenue	Responses with compensation tied to revenue	12%			8%		
	Percentage of new client revenue paid	20%	33%	50%	13%	30%	50%
	Percentage of existing client revenue paid	15%	30%	70%	9%	30%	56%
Ownership details	Total responses with ownership	36%			12%		
	Less than 5% ownership	30%			21%		
	5% to 24% ownership	36%			39%		
	25% to 49% ownership	13%			16%		
	50% or more ownership	22%			24%		
Years of experience	Less than 10 years	27%			55%		
	10 to 19 years	35%			24%		
	20 or more years	38%			21%		
Certifications	Chartered Financial Analyst (CFA)	39%			3%		
	Certified Financial Planner (CFP)	17%			64%		
	Certified Public Accountant (CPA)	4%			16%		

¹ Other performance-based incentive pay includes compensation resulting from firm goals, department or team goals, and business development results.

Investments											
Research Analyst			Paraplanner			Portfolio Administrator			Trader		
274 responses			167 responses			294 responses			133 responses		
PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES		
20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
\$50	\$75	\$115	\$41	\$51	\$65	\$43	\$54	\$70	\$47	\$60	\$85
\$53	\$83	\$136	\$43	\$56	\$73	\$45	\$58	\$80	\$51	\$66	\$97
\$53	\$84	\$139	\$43	\$56	\$73	\$45	\$58	\$80	\$51	\$66	\$97
73%			79%			75%			77%		
\$4	\$10	\$25	\$1	\$3	\$6	\$2	\$5	\$10	\$4	\$8	\$14
\$3	\$9	\$18	\$2	\$5	\$11	\$1	\$4	\$10	\$2	\$5	\$11
1%			2%			0%			1%		
Insufficient data			Insufficient data			N/A			Insufficient data		
Insufficient data			Insufficient data			N/A			Insufficient data		
7%			1%			2%			5%		
100%			100%			83%			100%		
0%			0%			17%			0%		
0%			0%			0%			0%		
0%			0%			0%			0%		
63%			81%			52%			54%		
25%			13%			29%			30%		
12%			6%			19%			16%		
37%			1%			0%			6%		
7%			10%			3%			3%		
3%			6%			0%			1%		

National compensation results (continued)

All dollar amounts are in thousands.

		Operations and Administration					
		Operations Director/ Manager			Operations Associate		
		281 responses			432 responses		
		PERCENTILES			PERCENTILES		
		20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
Summary	Base salary	\$60	\$82	\$107	\$40	\$50	\$69
	Total cash compensation	\$66	\$91	\$129	\$41	\$55	\$78
	Total cash compensation (including owner profit distributions)	\$66	\$92	\$134	\$41	\$55	\$78
Performance-based incentive pay	Responses with performance-based incentive pay	77%			75%		
	Discretionary	\$5	\$10	\$20	\$2	\$5	\$10
	Other ¹	\$4	\$11	\$22	\$2	\$5	\$9
Compensation tied to revenue	Responses with compensation tied to revenue	1%			0%		
	Percentage of new client revenue paid	Insufficient data			N/A		
	Percentage of existing client revenue paid	Insufficient data			N/A		
Ownership details	Total responses with ownership	11%			2%		
	Less than 5% ownership	63%			86%		
	5% to 24% ownership	25%			0%		
	25% to 49% ownership	6%			0%		
	50% or more ownership	6%			14%		
Years of experience	Less than 10 years	29%			60%		
	10 to 19 years	49%			28%		
	20 or more years	22%			12%		
Certifications	Chartered Financial Analyst (CFA)	2%			0%		
	Certified Financial Planner (CFP)	6%			2%		
	Certified Public Accountant (CPA)	3%			1%		

¹ Other performance-based incentive pay includes compensation resulting from firm goals, department or team goals, and business development results.

Operations and Administration														
Compliance Associate			Office Manager/ Administrator			Internal Accountant/ Bookkeeper			Executive Assistant			Receptionist		
57 responses			287 responses			131 responses			248 responses			201 responses		
PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES		
20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
\$48	\$62	\$88	\$43	\$57	\$78	\$40	\$60	\$80	\$39	\$50	\$60	\$30	\$38	\$48
\$49	\$66	\$89	\$45	\$63	\$89	\$45	\$65	\$87	\$42	\$53	\$66	\$32	\$41	\$53
\$49	\$66	\$89	\$45	\$64	\$90	\$45	\$65	\$87	\$42	\$53	\$66	\$32	\$41	\$53
74%			67%			63%			68%			66%		
\$3	\$5	\$10	\$2	\$5	\$14	\$3	\$5	\$12	\$2	\$4	\$8	\$1	\$3	\$5
Insufficient data			\$2	\$5	\$14	\$2	\$5	\$10	\$1	\$3	\$7	\$1	\$3	\$8
0%			1%			0%			0%			0%		
N/A			Insufficient data			N/A			N/A			N/A		
N/A			Insufficient data			N/A			N/A			N/A		
2%			3%			5%			1%			1%		
0%			56%			71%			50%			100%		
0%			22%			0%			0%			0%		
100%			11%			0%			50%			0%		
0%			11%			29%			0%			0%		
51%			35%			32%			40%			61%		
28%			37%			32%			33%			26%		
21%			28%			36%			26%			13%		
2%			0%			0%			0%			0%		
2%			0%			3%			1%			0%		
6%			1%			22%			0%			0%		

National compensation results (continued)

All dollar amounts are in thousands.

		Executive Management					
		Chief Executive Officer/ President			Chief Financial Officer		
		438 responses			69 responses		
		PERCENTILES			PERCENTILES		
		20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
Summary	Base salary	\$119	\$232	\$330	\$115	\$165	\$236
	Total cash compensation	\$149	\$260	\$427	\$127	\$188	\$295
	Total cash compensation (including owner profit distributions)	\$223	\$445	\$829	\$150	\$218	\$439
Performance-based incentive pay	Responses with performance-based incentive pay	31%			61%		
	Discretionary	\$22	\$70	\$198	\$11	\$38	\$100
	Other ¹	\$13	\$69	\$250	\$5	\$15	\$38
Compensation tied to revenue	Responses with compensation tied to revenue	7%			3%		
	Percentage of new client revenue paid	25%	50%	100%	Insufficient data		
	Percentage of existing client revenue paid	28%	61%	100%	Insufficient data		
Ownership details	Total responses with ownership	94%			64%		
	Less than 5% ownership	2%			23%		
	5% to 24% ownership	10%			52%		
	25% to 49% ownership	17%			11%		
	50% or more ownership	71%			14%		
Years of experience	Less than 10 years	2%			7%		
	10 to 19 years	19%			34%		
	20 or more years	79%			58%		
Certifications	Chartered Financial Analyst (CFA)	16%			9%		
	Certified Financial Planner (CFP)	48%			28%		
	Certified Public Accountant (CPA)	17%			44%		

¹ Other performance-based incentive pay includes compensation resulting from firm goals, department or team goals, and business development results.

Executive Management											
Chief Compliance Officer			Chief Investment Officer/Director of Research			Chief Operating Officer			Managing Partner		
132 responses			180 responses			144 responses			378 responses		
PERCENTILES			PERCENTILES			PERCENTILES			PERCENTILES		
20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH	20 TH	50 TH	80 TH
\$76	\$115	\$179	\$120	\$177	\$250	\$105	\$155	\$229	\$71	\$195	\$308
\$91	\$136	\$230	\$140	\$233	\$357	\$123	\$188	\$289	\$100	\$246	\$400
\$92	\$140	\$249	\$153	\$280	\$458	\$134	\$199	\$397	\$180	\$380	\$681
62%			61%			65%			34%		
\$8	\$18	\$43	\$17	\$50	\$121	\$10	\$32	\$96	\$30	\$79	\$210
\$3	\$14	\$45	\$16	\$39	\$90	\$16	\$30	\$63	\$18	\$60	\$160
5%			9%			6%			12%		
Insufficient data			Insufficient data			Insufficient data			25%	34%	57%
Insufficient data			10%	21%	40%	Insufficient data			30%	40%	80%
42%			69%			55%			96%		
46%			17%			28%			9%		
23%			47%			56%			23%		
20%			24%			11%			32%		
11%			12%			5%			37%		
13%			7%			14%			6%		
42%			40%			40%			29%		
45%			53%			46%			65%		
6%			61%			8%			18%		
19%			29%			21%			44%		
11%			6%			18%			17%		

About Schwab Market Knowledge Tools® (MKT)

Based on the leadership position of Charles Schwab & Co., Inc. in the RIA marketplace (nearly 7,000 advisors and over 25 years as of this printing), we are in a position to observe what works in successful advisory firms. Through Schwab's proprietary benchmarking and in-depth qualitative research with successful firms, we are able to discover and share best practices.

This white paper is part of the Schwab MKT series, an ongoing program of industry research reports, white papers, and guides from Schwab designed to keep investment advisors on the forefront of trends and competitive challenges facing the industry today. The MKT program delivers the kind of relevant and timely information needed for business planning.

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