

Driving Firm Growth 2024

Understanding the Differing Needs of Younger and Veteran Advisors

Produced by:

Wealth Management 

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Foreword

For much of the past two decades, despite sharp market downturns associated with the financial crisis of 2007-2008 and the Covid pandemic, equities have enjoyed a long, upward ride. Advisory practices and firms have benefitted from this trend, as well as from the demographic tailwind of Baby Boomers enjoying their peak earning and investing years.

Other forces have propelled the inorganic growth of advisory firms. These include the expansion of independent channels and record low interest rates, which — along with the aging of the advisor population and an increase in those seeking a liquidity event — have helped create a strong market for advisory firms. Recently, however, amid a higher interest-rate environment that threatens to slow the upward march of equity markets as well as M&A deals, many industry observers have turned their attention to organic growth. Has growth in assets under management resulting from market appreciation and firm acquisitions obscured a relatively low rate of inorganic growth?

To find out, we worked with our partners at Wealth Management IQ to gauge how advisors and firm/practice owners view growth, their self-perceived strengths and weaknesses in achieving growth goals, and where they might like to see changes or improvements, particularly from their marketing efforts.

Since supporting advisors in their growth trajectory is central to our mission at Commonwealth, we hope this report will serve as a useful resource for professionals as they seek to improve their service to those in need of financial advice.

Survey Highlights



Firms and practices are growing.

Last year, 29% of respondents — the largest single group — said their firm/practice grew by 5% to 9%, while 15% reported less growth and 55% reported more.



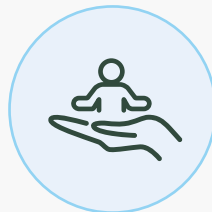
Organic and inorganic growth are equally important.

That's what 57% of all respondents say; 37% say organic growth is a higher priority.



A \$7.6 million goal.

That is the estimated median in additional assets the typical respondent expects to secure in 2024.



Referrals are tops.

More than half (54%) say referrals are their top growth driver, and 60% have a client referral program.



What advisors want most:

More administrative support and better tech tools.

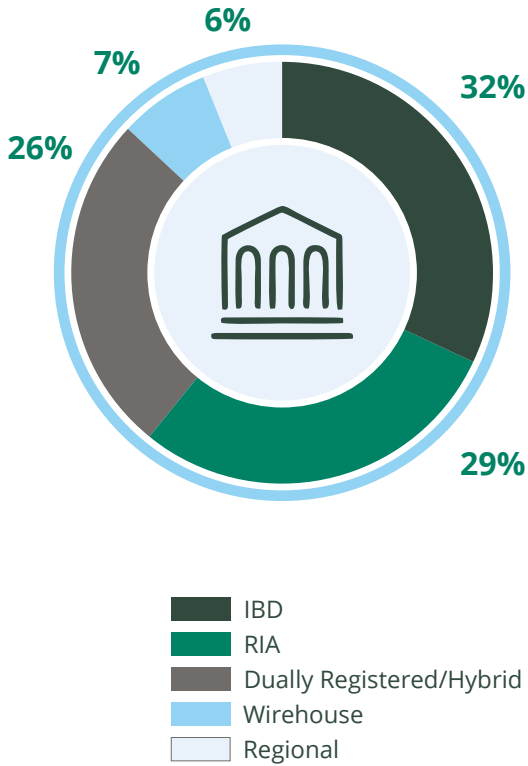


What firm leaders want most:

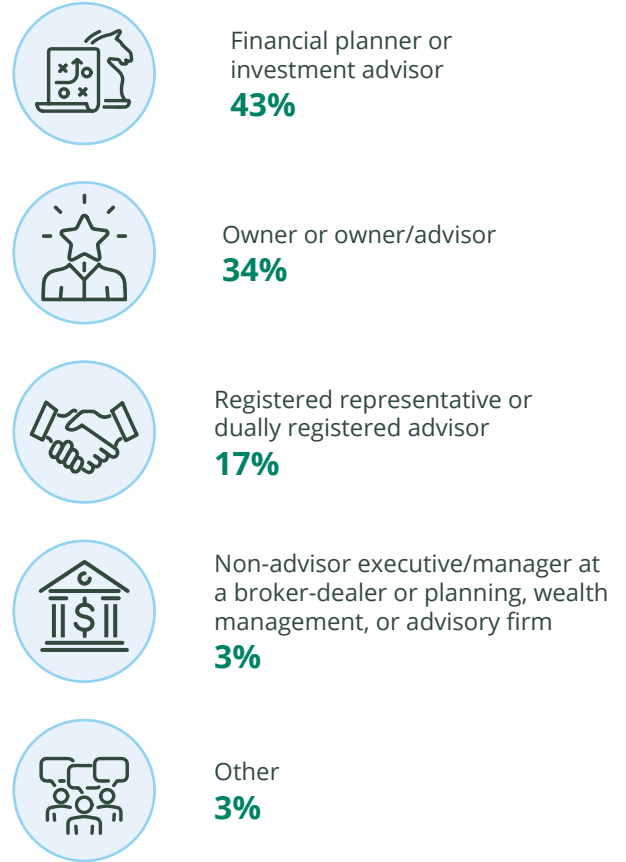
A higher priority on organic growth.

Respondents at a Glance

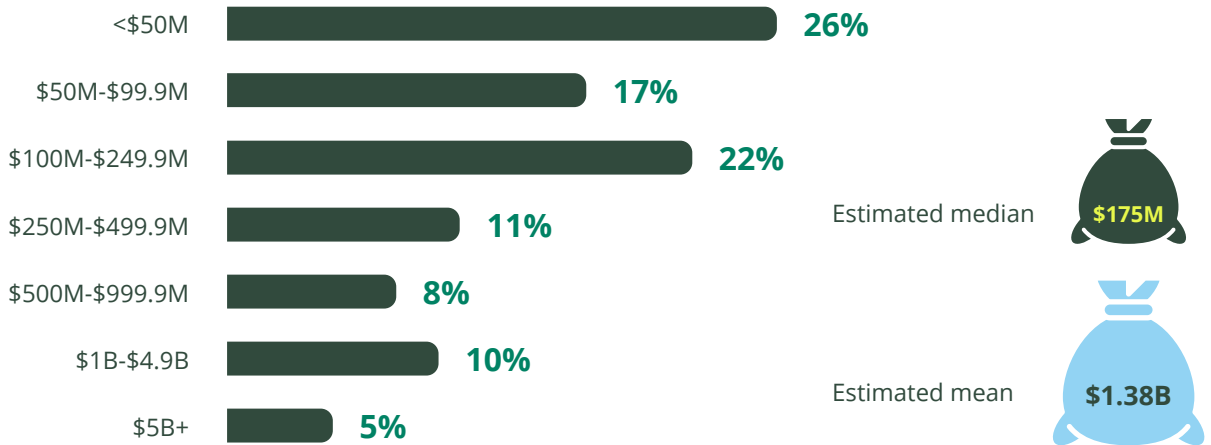
Firm Type



Primary Role

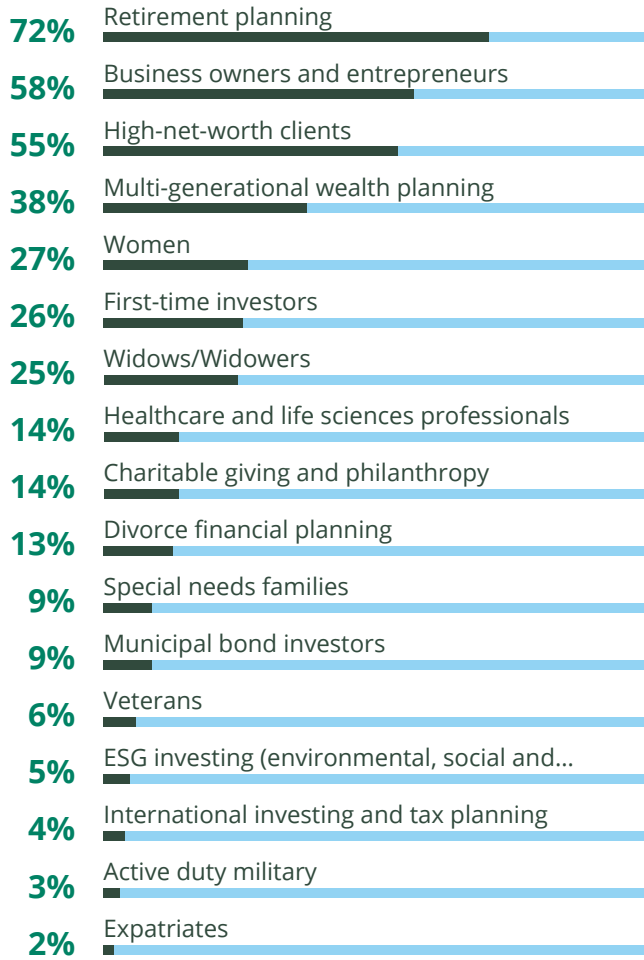


Total Assets Managed by Firm or Branch

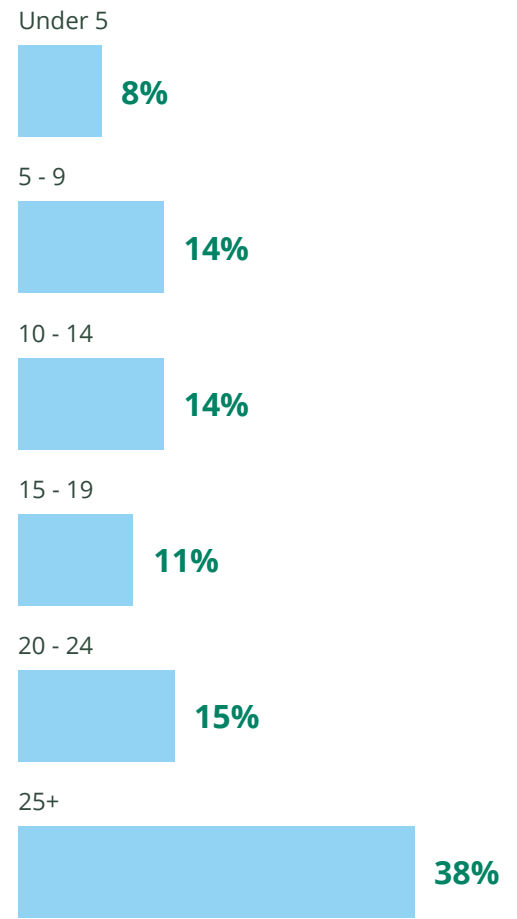


Respondents at a Glance

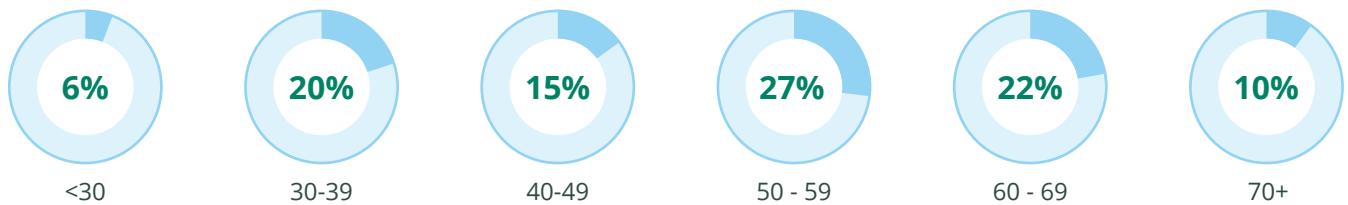
Specialty Niche Markets Served



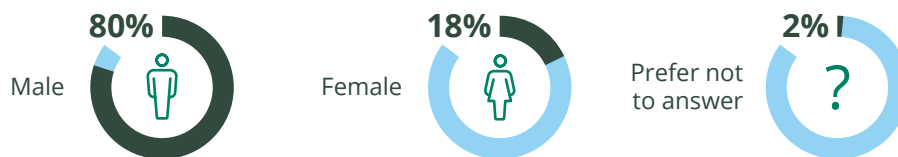
Professional Tenure (#Years)



Respondent Age



Respondent Gender



Trends in Firm Growth

While advisory firm/practice growth still appears to be correlated with market performance, survey results would seem to imply that organic growth is occurring regardless of the market's direction. In 2022, for example, when the Standard & Poor's 500 Stock Index dropped by 18.11%, survey respondents reported an estimated median increase of 7.0% in assets under management. In 2023, when the stock market recovered and the S&P Index gained 26.29%, survey respondents reported an estimated median AUM growth of 12.0%. In both years, the largest group of advisors — 29% of those offering information about 2023 and 33% of those reporting their 2022 performance — were those that indicated their annual AUM growth was between 5% and 9%.

In the broadest sense, the overwhelming majority of respondents said the most successful sources of growth at their firm were organic. More than half, 54%, said that referrals were most successful, while 37% attributed their most successful growth on other organic efforts, including marketing programs or community prospecting.

And while mergers or acquisitions may lead to a rapid, outsized spike in clients and AUM, only 8% of advisors in the current survey said that inorganic activity was their firm's most successful growth driver.

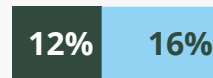
Virtually all respondents (95%) said they expect to secure additional assets in 2024. The typical respondent expects to secure an estimated median of \$7.6 million in additional assets. Most respondents (73%) have a defined target or goal for new client acquisition this year; the typical respondent expects to secure an estimated median of 12 new clients.

Annual Growth Rate Trends

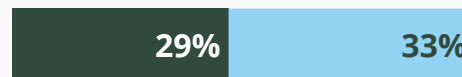
No growth



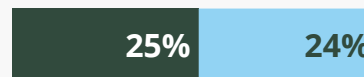
Less than 5%



5%-9%



10%-14%



15%-19%



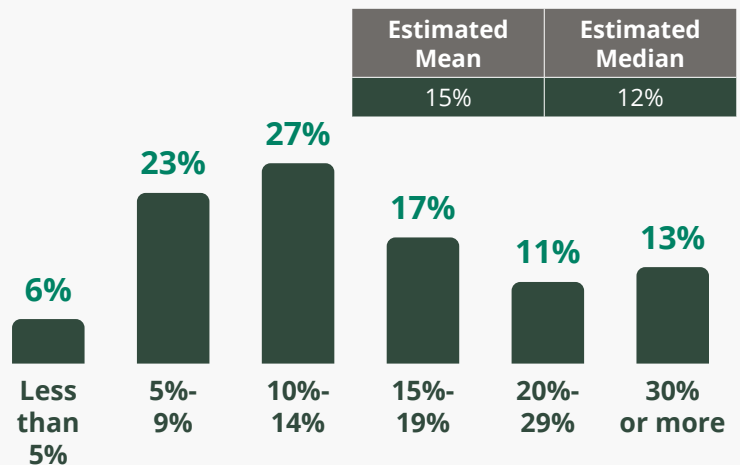
20%+



2023
2022

Estimated Mean	Estimated Median
11.3%	12.0%
9.4%	7.0%

How many new clients are you expected to secure in 2024?



Estimated Mean	Estimated Median
15%	12%

Planning for Growth

How do advisors and their firms/practices expect to attain their growth goals?

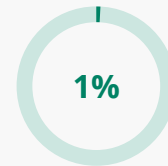
Among those respondents with a formal, written business plan in place, virtually all (92%) report those plans have a specific target for firm growth in 2024. On average, that target is an estimated 14.3%. But more than half of those surveyed (57%) don't have a formal business plan, though 21% of all advisors surveyed said they plan to create one within the next 18 months. About one in four (26%) said they do not anticipate creating a plan and 5% said that didn't know if their firm or practice has a plan. The widespread lack of a formal plan is not surprising, and confirms other advisor surveys over many years that have consistently shown only about half of advisory practices ever develop formal business plans.

Among those respondents whose firms/practices have a business plan, 52% say that the plan distinguishes between organic and inorganic growth. Thirty-nine percent don't make a distinction between the two and 9% don't know. More than half of those with a formal business plan (57%) say that organic and inorganic growth are equally important — 37% say that organic growth is a higher priority.

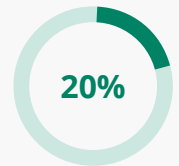
Advisor and firm marketing efforts are a key part of growth plans.

Target for 2024 Firm Growth Specified in the Written Plan

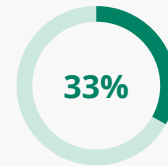
Estimated Mean	Estimated Median
14.3%	12.0%



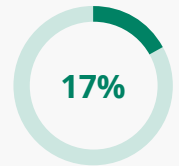
Less than 5%



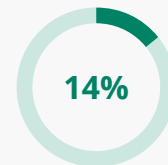
5%-9%



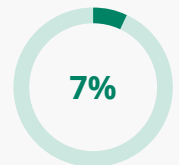
10%-14%



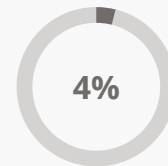
15%-19%



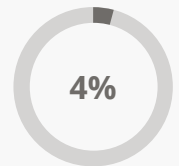
20%-24%



25%+



Don't know



NA

Marketing: Respondents' Current Efforts and Plans

Similar to the 47% of respondents who have a formal business plan, 43% report having a specific marketing plan, though 23% say they plan to develop one in the next 18 months. Thirty percent of respondents say that a marketing plan is not on their horizon in the near future, and 3% don't know.

The most commonly reported components of the formal marketing plans include clearly defined target markets (64%), clearly defined marketing objectives (59%), and specific programs for reaching target markets (56%). Less frequently cited components are metrics to assess the effectiveness of marketing efforts (39%), importance of integrating marketing efforts into overall firm operations (37%), and technology needs, such as digital marketing platforms and enhanced marketing services (37%).

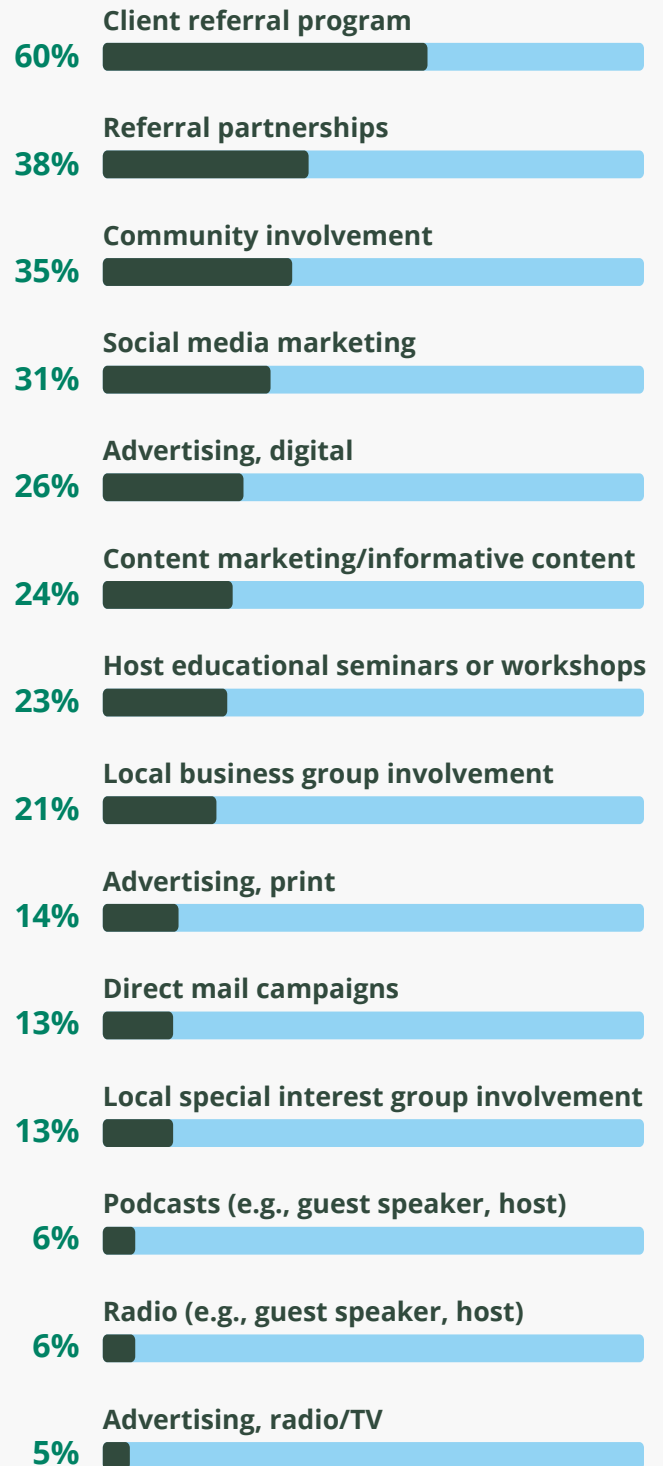
Current Tactics and Strategies

Respondents are most likely to employ a client referral program (60%) to reach their target markets. At least a third of respondents employ referral or lead-generation partnerships (38%), community involvement (35%), and social media marketing (31%).

Behind the overall results, however, lie findings that illustrate the dramatic difference in marketing approaches and activity based on an advisor's age. While all advisors emphasize referrals, advisors under 40 were more likely to engage in referral partnerships than older advisors, and also significantly more likely to use print and radio/TV advertising, content marketing, and to become involved in local business groups.

Of the marketing tactics and strategies respondents overall employ, advisors find client referral programs to be most effective (49%), followed at a distance by referral partnerships (23%). Aside from community involvement, which 14% of respondents said was most effective, and social media marketing, cited as most effective by 11%, each of the other tactics were considered most effective by fewer than 10% of respondents.

Marketing Tactics & Strategies Employed





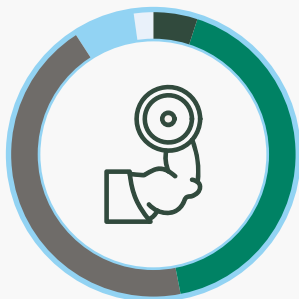
Success of Marketing Strategies

Respondents view the success of their marketing efforts in a mixed way. They are satisfied with their success in retaining current clients, which can lead to all-important referrals or can be a base for bringing in additional revenue-producing services, with 47% maintaining that those efforts are completely or very successful. In attracting new clients, however, respondents feel less satisfied. Only 31% felt their efforts in promoting their services to prospective clients are completely or very successful, while just 29% felt the same level of success in securing new clients.

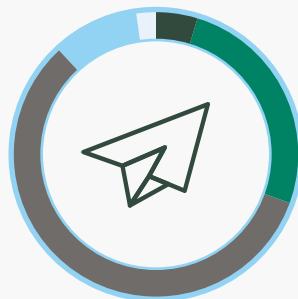
Again grouped by age, however, respondents differed substantially over how they felt about the success of their marketing efforts. With regard to strengthening their relationships with current clients, 56% of advisors under 40 characterized their marketing efforts as either completely successful or very successful. That compares with 43% of advisors between 40 and 59 who felt that way and 46% of advisors age 60 and older.

In terms of securing new clients, 43% of the youngest advisors felt their marketing efforts were completely or very successful, compared with just 25% of advisors between 40 and 59 years of age and 23% of those age 60 and older.

Completely successful
 Very successful
 Somewhat successful
 Not very successful
 Not at all successful



Strengthening my relationships with current clients



Promoting my services to prospective clients



Securing new clients

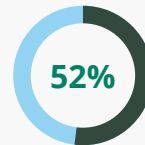
Marketing Support

“OK, but not great” may be the quickest way to summarize how advisors feel about their firm’s help with marketing. When asked how satisfied they are with the marketing support received from their firm or practice, 32% of all respondents said they were highly satisfied, but half (49%) said they were only somewhat satisfied and 20% were not very satisfied or not at all satisfied. Oddly, since younger advisors tend to be more active marketers and might be less happy if their firms weren’t supportive, younger advisors are more satisfied with the support they receive than older advisors. Of those aged 40 or younger, 45% are completely or very satisfied with the support of their firm, while only 23% of advisors ages 40 to 59 and 33% of those 60 and older felt the same way.

Most respondents (58%) report either no challenge (22%) or little challenge (36%) in getting the proper level of marketing support from their firm partners as their practices have grown, but a third (36%) find it somewhat challenging and 5% find it very challenging to get the support they would like.

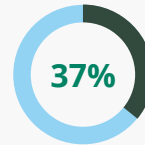
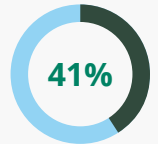
What advisors want most from their firms in the way of marketing assistance are two things: more effective technology to free time from operations to focus on marketing and a better understanding of the marketing tools available to them. Half of the advisors who responded (52%) believe the ability to automate routine tasks, which would free their time, would drive growth. In addition, 37% said they would like access to support staff to take on the administrative aspects of their marketing efforts. A significant 41% said they would like greater understanding of the marketing tools available to them.

Financial Advisor Perspective: Optimizing Firm’s Marketing & Driving Organic Growth



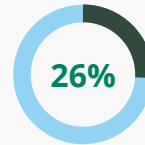
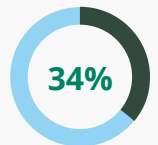
The ability to automate routine tasks, reduce the amount of time required to complete them

Better understanding of the marketing tools available to me



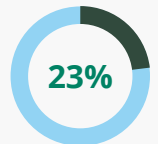
Access to support staff to take on administrative marketing tasks

Access to better marketing technology solutions



Having measurement systems to gauge the effectiveness of specific tactics

Receiving consistent support from management



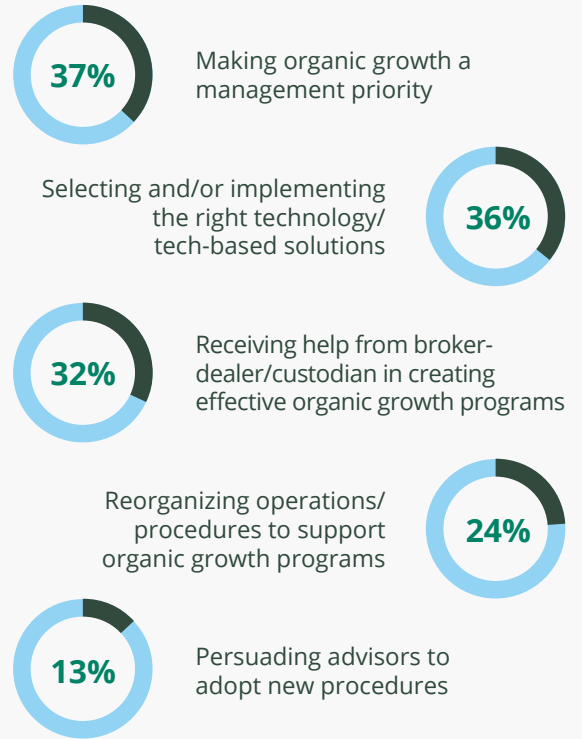
When owners and firm executives were asked which steps or actions would improve their firm's or practice's marketing effectiveness and drive organic growth, the results were somewhat different from those of advisors. While roughly one-third of both owners and advisors (35% and 34%, respectively) agreed that selecting the right marketing technology was important, 37% of owners — a larger group of owner respondents, 37%, said that making organic growth a management priority was important. In line with their feelings about organic growth, 32% of owner/executives said that receiving help from their broker-dealer or custodian in creating effective organic growth programs would be helpful.

And while more than half the advisors surveyed wanted more technology tools to help with administrative tasks, most respondents (56%) agree that their firms/practices currently provide the technology they need for effective marketing and are equipped to integrate marketing into overall operations (54%). That said, 52% would also like more help creating and executing marketing programs.

Social Media

In their marketing programs, a decisive majority of respondents (70%) use social media outlets to reach target markets. The most used platforms are LinkedIn (60%), followed by Facebook (38%) and Instagram (15%), with respondents finding LinkedIn most impactful (69%), followed by Facebook (31%) and Instagram (8%).

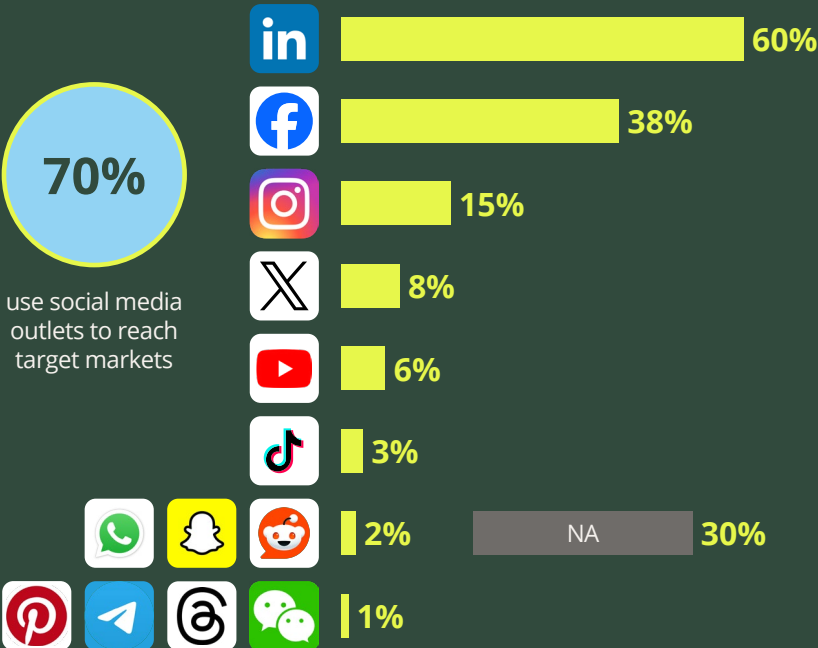
Owner/Executive Perspective: Optimizing Firm's Marketing & Driving Organic Growth



Annual Growth Rate Trends



use social media outlets to reach target markets



Takeaways

There are several explicit takeaways to be gleaned from the survey results, as well as some that may be implied from respondent demographics and results of similar surveys in the past:



Age is a key factor in how advisors approach AUM growth and marketing.

Advisors under the age of 40 are more active in their marketing efforts, more eager to add assets under management, and more satisfied with the results of their marketing efforts than older advisors. While still relying on referrals, younger advisors also are more likely to employ a variety of tools — social media, print and broadcast advertising, content marketing and others — than older advisors. What's more, younger advisors are significantly more satisfied with the success of their efforts than older advisors.



Organic growth is happening, mostly through referrals.

As in the past, most organic growth continues to be driven by referrals. Of course, when an advisor's performance on behalf of current clients is better — which typically is correlated with the market's performance — referrals are easier to come by. The challenge for advisors and firms is to highlight service factors not related to investments (planning, tax savings, etc.) that will encourage referrals, as well as to create programs designed to induce referrals, such as "bring-a-friend" events.



Specialization should be encouraged.

FOMO (fear of missing out) is often a powerful, but little discussed, factor in advisor marketing. Most advisors are reluctant to concentrate their practice on a specific demographic or interest group — or even publicize their expertise in a truly specialized area — for fear of losing an opportunity to serve a broader mix of clients. This concern is probably misplaced. The internet has upended the way potential clients seek an advisor or firm, especially when they perceive themselves to have a problem that requires the help of a professional with specific expertise. Younger advisors are more likely to see the value in niche expertise and marketing, as evidenced by the greater percentages who serve niches beyond the ones most often cited by older advisors — retirement planning, business owners and high-net-worth clients, which in truth are core segments, not niches.



Where's the plan?

The story of advisors and business and marketing plans is like the folktale of the shoemaker whose children go barefoot. While stressing the importance of financial and retirement planning for the clients, more than half the advisors in this survey — as in countless past surveys — have neither a business plan nor a marketing plan detailing how they will achieve their growth goals. To be fair, many older advisors — fewer than two in five of whom have a written business plan — probably feel that if they have successfully gotten this far without a business plan, why bother? The 57% of advisors under 40 who have a business plan should inspire all advisors to seriously consider developing business and marketing plans and for firms to encourage such plans as a roadmap to growth.



Social media = LinkedIn.

With LinkedIn far and away the most popular and effective social media platform used by advisors, investing time and resources in maximizing its value through training seems worthwhile. LinkedIn offers several tools to help users and many consultants now specialize in ways to market effectively via LinkedIn. As with any marketing effort, using LinkedIn requires time, effort, testing and measurement.

Research Methodology

Methodology, data collection and analysis by WealthManagement.com and RIA Edge in cooperation with Commonwealth. Methodology conforms to accepted marketing research methods, practices and procedures.

Beginning on May 22, 2024, WealthManagement.com emailed invitations to participate in an online survey to active users. By June 11, 2024, we had received 453 completed responses.

To encourage prompt response and increase the response rate overall, email invitations and survey materials were branded with the WealthManagement.com name and logo to capitalize on user affinity for this valued brand. Each respondent was afforded the opportunity to receive a \$10 Starbucks gift card as a token of appreciation for their participation in the survey.



About Commonwealth Financial Network[®]



Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser, provides financial advisors with holistic, integrated solutions that support business evolution, growth acceleration, and operational efficiency. J.D. Power ranks Commonwealth “#1 in Independent Advisor Satisfaction Among Financial Investment Firms 11 Times in a Row.” Privately held since 1979, the firm has headquarters in Waltham, Massachusetts, and San Diego, California. Learn more about how Commonwealth partners with approximately 2,200 independent financial advisors overseeing more than \$296 billion** in assets nationwide by visiting www.commonwealth.com.

Want to learn more? Email us at businessdevelopment@commonwealth.com.

Commonwealth received the highest score among independent advisors in the **J.D. Power 2010, 2012, 2013, 2014, and 2018-2024 U.S. Financial Advisor Satisfaction Studies**. Presented on July 10, 2024, for January to May of 2024, it is based on responses from 4,072 advisors employed by or affiliated with the firms included in the study. Not indicative of the firm’s future performance. Your experience may vary. Study is independently conducted, and the participating firms do not pay to participate. Use of study results in promotional materials is subject to a license fee. Visit jdpower.com/awards for more details.

** As of 12/31/2023

Commonwealth and Wealth Management IQ are separate and unaffiliated entities.

Wealth Management IQ

Wealth Management IQ is a dedicated division of Informa Connect that provides research, content creation and marketing services to the wealth and asset management communities.

WMIQ has a truly unique combination of:

- Deep research and analytical capabilities
- Extensive knowledge of the financial advice industry
- Content strategy and direct distribution to over 400K wealth management professionals

Our mission is to educate and inform financial advisors with our research content — and provide the companies that support and empower them with unparalleled access, intelligence and understanding of the wealth management market.

Through the audiences of **WealthManagement.com**, Trust & Estates and WMRE, WMIQ has the ability to tap into some of the most influential communities of financial advisors to conduct targeted surveys, focus groups and one-to-one interviews to inform our research projects. Our audiences of RIAs, IBDs and wirehouse advisors — and their affinity for our brands — positions WMIQ to access more engaged advisors than any other industry research provider. This reach across the entire wealth management ecosystem is a unique differentiator of WMIQ — and allows us to discover the true drivers of change, behaviors and influence throughout the industry.

