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## **INVESTMENT ADVISORS REPOSITION THEIR BUSINESSES IN TOUGH ECONOMIC TIMES BUT REMAIN OPTIMISTIC, ACCORDING TO NATIONAL SURVEY**

*Facing tough market conditions, advisors place greater emphasis on utilizing alternative investments in retirement income planning.*

**February 18, 2009...ROCKVILLE, MD...**In the midst of difficult economic conditions, advisors are looking at different approaches for positioning their businesses and overcoming the many challenges facing them. A recent Rydex AdvisorBenchmarking survey reveals that most firms (89%) are interested in finding operational efficiencies to boost their productivity, with more than half of the advisors surveyed (61%) planning to automate certain functions and tasks. Forty-five percent are planning to focus on a specific client base and 39% plan to invest in training their employees. Only a very small percentage of advisors (11%) have no plans to make any changes to their current practice models.

“AdvisorBenchmarking findings show that as the nation’s current financial situation worsens, advisors are exploring different avenues to offset any losses in revenue and to ensure that they are being as efficient and productive as possible,” says Maya Ivanova, research manager for Rydex AdvisorBenchmarking.

Effective time management is at the top of the list for many advisors seeking to enhance productivity. Of those advisors surveyed, 71% prioritize daily tasks. Some (41%) are eliminating non-essential work, while others (39%) are delegating or subcontracting work in order to focus on other projects, such as strategic planning.

“Like many businesses today, advisory firms are making adjustments to focus resources on retaining existing clients, while adding new ones,” says Ivanova. But despite recent changes, she points out that certain aspects of the business remain underutilized.

When it comes to attracting new clients, for instance, the majority of advisors do not employ web-based marketing—a relatively inexpensive and measurable way to reach specific audiences. The majority of advisors (73%) said that none of their clients were acquired through online marketing and even more (77%) don’t use social networking web sites to promote their business or network with other professionals.

Not only are advisors taking measures to reposition their firms amid difficult market conditions, but they are also considering adjustments to clients’ investment portfolios. AdvisorBenchmarking findings reveal that RIAs are emphasizing alternative investments, particularly when it comes to retirement income planning.

“Alternative investments have historically demonstrated a low correlation to traditional stock and bond assets,” says Ivanova. “We’re seeing both advisors and their clients look

to alternatives for their potential to mitigate risk and enhance returns through diversification.”

More than half of advisors surveyed (57%) rated the importance of being able to use alternative investment products within retirement solutions such as IRAs and 401(k)s as 3.5 on a scale from 1 to 5, with 5 being the most important. Twenty percent of their clients, who are mostly high-net-worth individuals, are expressing an interest in directing their own pension investments to alternative investments.

While 38% of advisors recommend 5%-10% of their clients' pension investments to be allocated to alternative assets, 22% recommend an even higher 11%-20% allocation.

It is important to note that although 2008's market events have been unprecedented, more than a quarter of advisors (27%) project that the S&P 500 will be up about 10% in November 2009 from its November 2008 levels.

Other survey findings include:

- About half (48%) of advisors say that at least 40% of their clients had unrealistic stock market expectations prior to the market turmoil.
- The top three retirement services that advisors incorporate into their business and discuss in client meetings and communications are retirement income reviews and tools (66%), retirement rollover planning (58%) and annual retirement income reviews (55%).
- The most common types of retirement income products that advisors recommend to their clients are fixed-income products (68%) and funds designed to preserve as much principal as possible (40%).
- Almost all advisors (98%) believe that open-ended mutual funds will be a primary vehicle or product focus for 2009 for investments while 83% believe the same will apply for ETFs.
- When selecting ETFs for their clients' portfolios, investment objective and index exposure are the most important criteria, according to 60% of advisors surveyed. The second and third most important decision-making criteria are fees (45%) and benchmark tracking accuracy (35%), respectively. It's interesting to note that more than a third of advisors (38%) do not find Morningstar rankings (or rankings from other research providers) important as a decision criteria for ETF investment.
- Most (83%) of advisors consider themselves knowledgeable on the differences between ETNs and ETFs, with almost all of them (97%) believing that they are very knowledgeable on the tax consequence differences between the two.

### **About the Survey**

The Winter 2009 Semiannual Rydex AdvisorBenchmarking Study was conducted through online surveys of 213 RIA firms during November 2008.

### **About AdvisorBenchmarking, Inc.**

AdvisorBenchmarking, Inc., is a research and analysis center focused on the RIA marketplace. Through its survey web site, [www.AdvisorBenchmarking.com](http://www.AdvisorBenchmarking.com), the firm conducts multiple surveys every year of advisors covering a host of business and

investment management practices. The findings and analysis of the data are then released to the marketplace in the form of annual studies, quarterly research notes and monthly newsletters. The service is aimed at helping advisors grow and enhance their firms by comparing their businesses to others, highlighting the best practices of the most successful advisors in the business. AdvisorBenchmarking is an affiliate of Rydex Investments.

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