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FINANCIAL ADVISORS ARE IN GROWTH MODE, ACCORDING TO NATIONAL SURVEY

Registered investment advisors (RIAs) cite business growth and client satisfaction as top priorities and are starting to explore social media to acquire new clients

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March 8, 2010...ROCKVILLE, MD... Following a difficult market environment in 2008, the registered investment advisor (RIA) industry has returned to a period of growth, with increases in assets and number of clients. The 2010 Rydex|SGI AdvisorBenchmarking Semiannual (Winter 2010) Study reveals that eight in 10 RIAs have seen total assets under management increase (72%) or remain steady (8%) over the past year. Likewise, the majority of RIAs surveyed (70%) added new clients. Advisors surveyed attributed the recent growth to assets from new clients (88%), new assets from existing clients (72%) and market performance (88%).

The majority of advisors surveyed are in a growth stage of business (72%), and most see the growth trend continuing this year. Ninety-one percent expect profits to rise and 83% expect the number of clients to increase. In fact, the top two business goals cited by RIAs in 2010 are business growth (69%) and increased client satisfaction (45%). Job satisfaction also remains high for RIAs. Eighty four percent of advisors rated job satisfaction as a 4 or 5 on a scale of 1 to 5.

As growth continues to be a top priority, advisors are looking to social media for securing new clients (46%). Advisors also see social networking platforms as a way to enhance communication with current clients (35%) and as a way to advertise or promote their firms (30%). About half (42%) of advisors use LinkedIn, followed by Facebook (27%), YouTube (15%) and Twitter (13%). More than half of advisors think social media will have a lasting impact on the financial services industry.

“In order to stay ahead of the game, advisors are looking towards different and innovative ways to grow their business,” says Maya Ivanova, research manager for AdvisorBenchmarking. “Social media platforms offer advisors a modern way of networking on a large scale.”

Despite the growth in assets experienced among most advisors, the survey indicates that business spending is only up slightly. In the next 12 months, advisors expect to increase their spending in technology (40%), marketing (42%) and client appreciation activities (23%) while cutting back on non-revenue generating expenses such as travel (28%), salaries (21%) and bonuses (41%).

In addition to canvassing the RIA marketplace on social media, growth trends and business priorities, the Rydex|SGI AdvisorBenchmarking survey also delved into the use of alternative investments, most effective marketing methods and advisor stress levels in a more challenging market. These survey findings include:

- Besides client referrals, CPA and attorney referrals were the most effective ways to attract new clients and assets, according to 52% of advisors surveyed. The second most effective way to attract assets was a financial advisor referral and broker referral (17%), while web sites were ranked third (15%).
- About half (53%) of advisors rank their knowledge of alternative investments as “average.” Eighteen percent of advisors consider themselves experts. Thirty-five percent of RIAs have used alternatives for 10 years or more. Only 10% of RIAs have no experience in using alternatives.
- Most of the advisors surveyed have seven to nine years of experience using alternative investments.
- Advisors have a medium level of stress. On a scale of 1 to 10, the average level of stress is about 5.8. Compared to a year ago, the level of stress increased for 34% of RIAs and decreased for 45%. Twenty-one percent of advisors said that the level of stress remains the same compared to a year ago.
- In order to recharge themselves and provide support to clients as well as leadership to their firms, 54% of advisors have spent more time with family and friends, 50% have enhanced their exercise routine, 29% have changed their diet regimen and 23% have engaged in a personal hobby.
- RIAs who reported asset losses attributed the losses to market performance (65%). Other reasons included loss of clients (42%) or withdrawals by clients (35%).

About the Survey

The 2010 semiannual AdvisorBenchmarking study was conducted through online surveys of 356 RIA firms from November to December 2009. The analysis on Rydex|SGI AdvisorBenchmarking is based on the number of completed surveys and reflects only information from these surveys. This information is intended to be general and these overviews are no substitute for professional, legal or consulting advice. This information should not be construed as advice from Rydex|SGI AdvisorBenchmarking, Inc., AdvisorBenchmarking.com, its strategic partners or their affiliates. Rydex|SGI AdvisorBenchmarking.com is a service of Rydex|SGI AdvisorBenchmarking, Inc., an affiliate of Rydex|SGI.

About AdvisorBenchmarking, Inc.

AdvisorBenchmarking, Inc., is a research and analysis center focused on the RIA marketplace. Through its survey web site, 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|SGI.