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ADVISOR BENCHMARKING 2009 Semiannual Survey Highlights—Winter

National survey finds that advisors are optimistic about 2009 being a positive year for the stock market, while they focus on enhancing effectiveness and efficiency in their practices to weather unprecedented market conditions.

The most recent AdvisorBenchmarking survey of 213 RIA firms, conducted online in November 2008, explored the current industry trends for advisory firms. With challenging business positioning in tough economic conditions, advisors are increasingly looking for ways to enhance their efficiency and effectiveness in their practice. Other notable trends include challenges related to marketing, an emphasis on investment management and retirement income planning, and a strong interest in utilizing ETFs.

Organizational Efficiency

- Most firms (89%) are interested in finding operational efficiencies to boost their productivity. In their quest toward heightened effectiveness, more than half of the advisors surveyed (61%) plan to automate certain functions and tasks, while nearly half of the advisors surveyed (45%) plan to focus on a specific client base and 39% plan to invest in training their employees. Only 11% of advisors surveyed are not planning to make any changes to their existing practice models.
- When we asked advisors what time management techniques they utilize, prioritizing daily tasks came out ahead with 71% of advisors use this technique. Forty-one percent of advisors eliminate non-essential work and 39% delegate or subcontract work in order to give themselves enough time for strategic planning.

Marketing

- Of the advisors surveyed, most (73%) have not acquired clients as a result of online marketing. Twenty percent of financial professionals said that less than 10% of their clientele came from online marketing.
- Most of the advisors surveyed (77%) don't use social networking web sites to promote their business or to network with other professionals such as CPAs, lawyers and other RIAs. Only 21% of advisors use Linkedin.com.
- Direct mail to solicit new clients is the most challenging marketing activity—advisors rated the degree of difficulty for this type of marketing as 3.05 on a scale of 1 to 4, with 4 being the most difficult. Advertising and online marketing were rated 2.84 and 2.78 respectively. The least challenging marketing activity is ongoing client communication (1.46).

Investment Management and Retirement Income Planning

- About half (48%) of advisors say that at least 40% of their clients had unrealistic stock market expectations prior to the market turmoil.
- 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.
- The top three retirement services that advisors 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%).
- Twenty percent of advisors' clients are expressing an interest in directing their retirement investments to alternative investments. Among those clients, most are high-net-worth individuals.
- More than half of the 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 of 1 to 5, with 5 being the most important and 1 being the least important.
- Thirty eight percent of advisors surveyed recommend 5%-10% of their clients' pension retirement investments be allocated to alternative assets. Twenty-two percent of advisors surveyed recommend a 11%-20% allocation to alternative assets.

ETFs

- Open-ended mutual funds and ETFs will be a primary vehicle or product focus for 2009 for investments, according to 98% and 83% of advisors respectively.
- Most (80%) of the advisors surveyed said that they are knowledgeable on the differences between ETNs and ETFs, with almost all of them declaring themselves 'very knowledgeable' on the tax consequence differences between ETNs and ETFs (97%). Only about a third (30%) are knowledgeable on tracking error differences between the two.
- When advisors research different ETF choices, more than half (55%) use the Morningstar ETF center, 40% use the Yahoo! Finance ETF Center and about one third (34%) use ETF provider sites.
- 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 of the advisors (55%) surveyed review the ETF universe and their clients' ETF holdings monthly.

Rydex AdvisorBenchmarking offers advisors best practices research, valuable resources and practice consulting on the RIA marketplace. This important research allows advisors to learn how to better manage and grow their advisory firm. Rydex AdvisorBenchmarking offers these services as a value-add and at no charge to our clients and prospects.

About Rydex AdvisorBenchmarking, Inc., an affiliate of Rydex Investments:

Rydex AdvisorBenchmarking is a research and analysis center focused on the registered investment advisor (RIA) marketplace. Every year through its survey web site, www.AdvisorBenchmarking.com, the firm conducts multiple surveys of advisors, covering a host of business management and investment management practices. The findings and analysis of the data are then released to the marketplace as annual studies, quarterly research notes and monthly newsletters. The service is aimed at helping advisors grow and enhance their firms by comparing how their businesses fare against other advisors. Advisors also learn best practices of the most successful advisors in the business. AdvisorBenchmarking is an affiliate of Rydex Investments.

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