

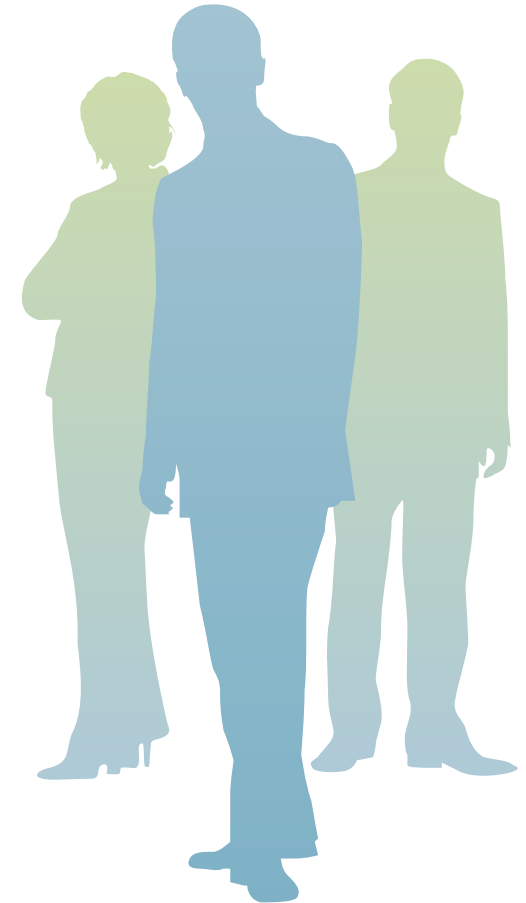


2013 Benchmarking Study

Insights on Building a 360 Wealth Advisory Business

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Practice Management Group

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Loring Ward is an Advisory & Investment Management firm committed to helping you deliver better client experiences:

- Founded in 1990
- \$11 billion in AUM
- 100 employees, Headquartered in Silicon Valley, CA
- Worked with Dimensional Fund Advisors (DFA) since 1992

As of 3/14. Dimensional Fund Advisors is unaffiliated with LWI Financial Inc.

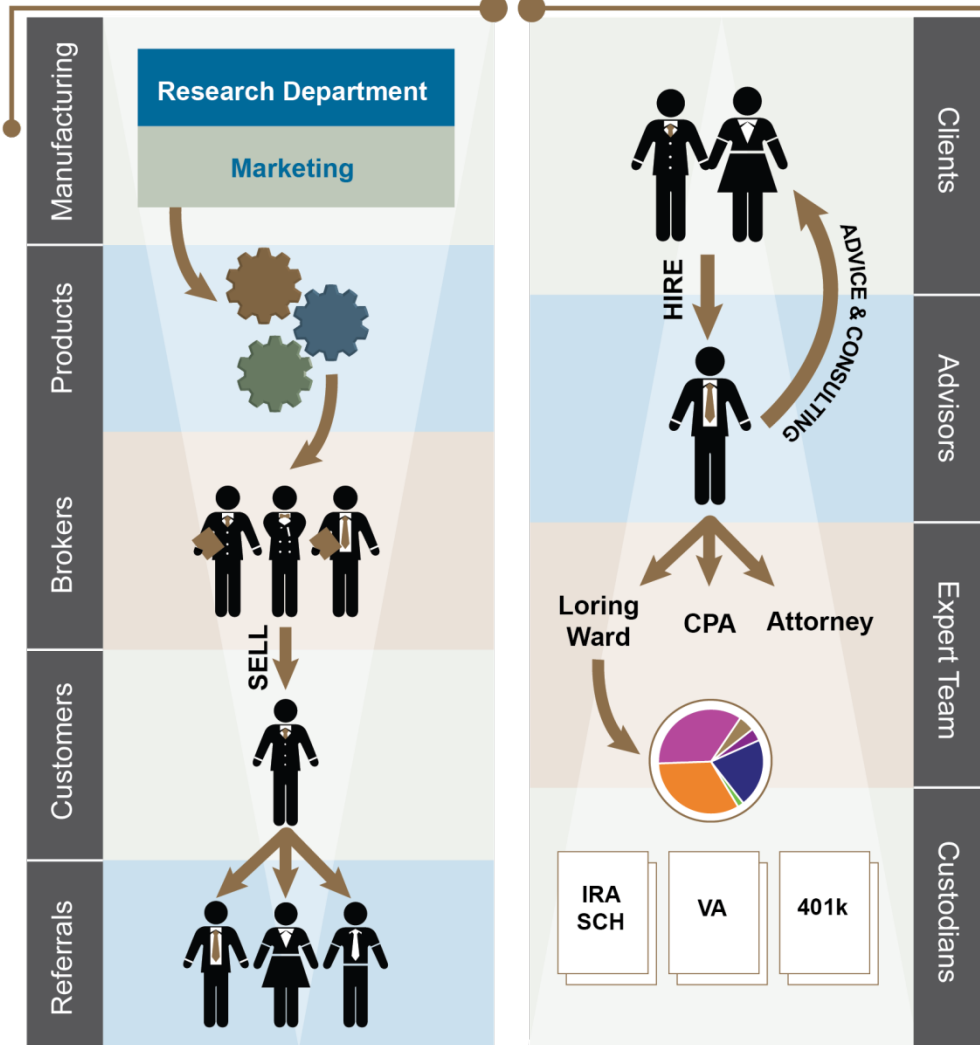
Today's Agenda

- Industry Evolution
- Background on the Benchmark Study
- Key Themes that Emerged
- Future considerations

Financial Services has evolved over past 24 years— from product salesmanship to consultative advice

Traditional
“Product-Centric”
Wall Street Model

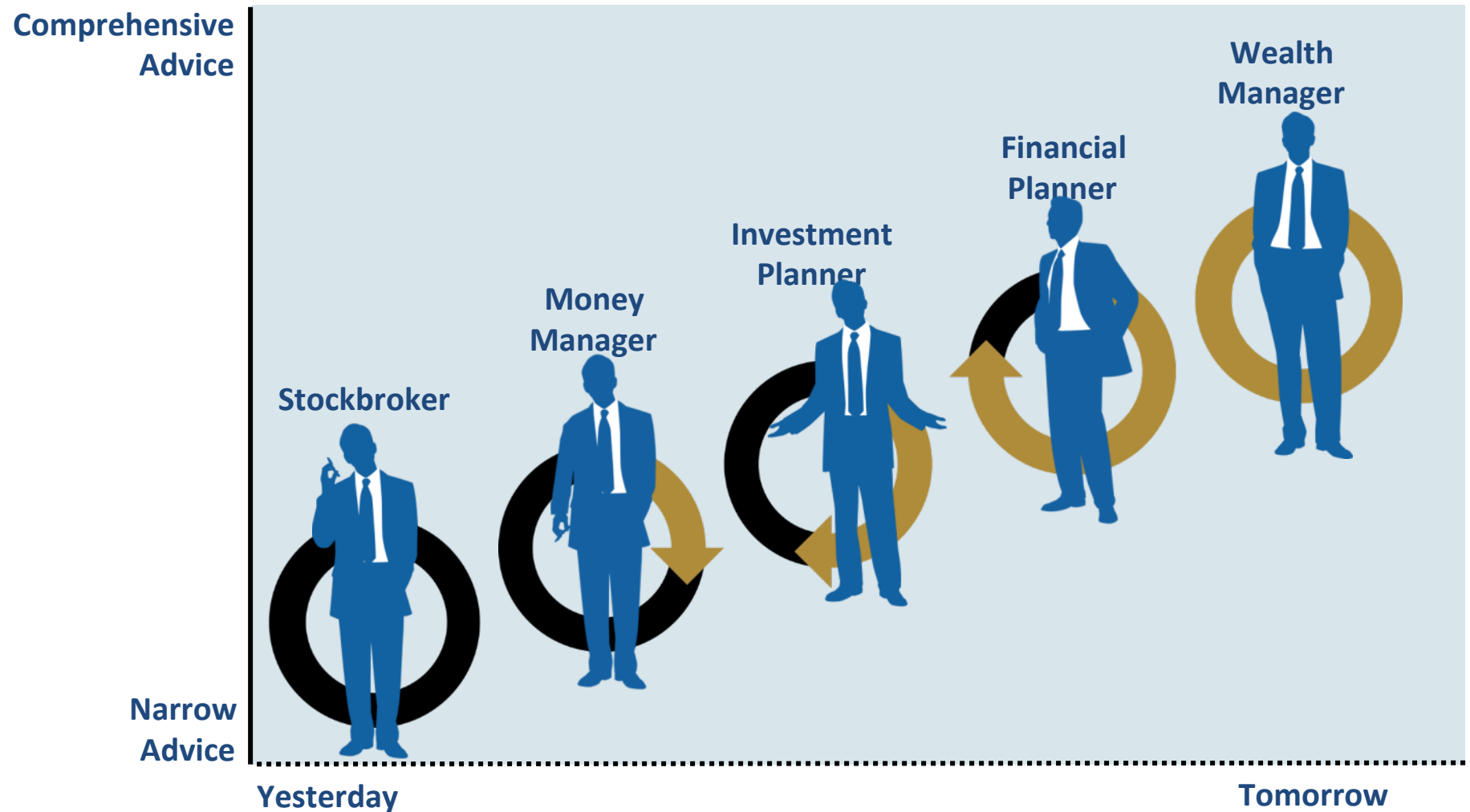
Product-centric



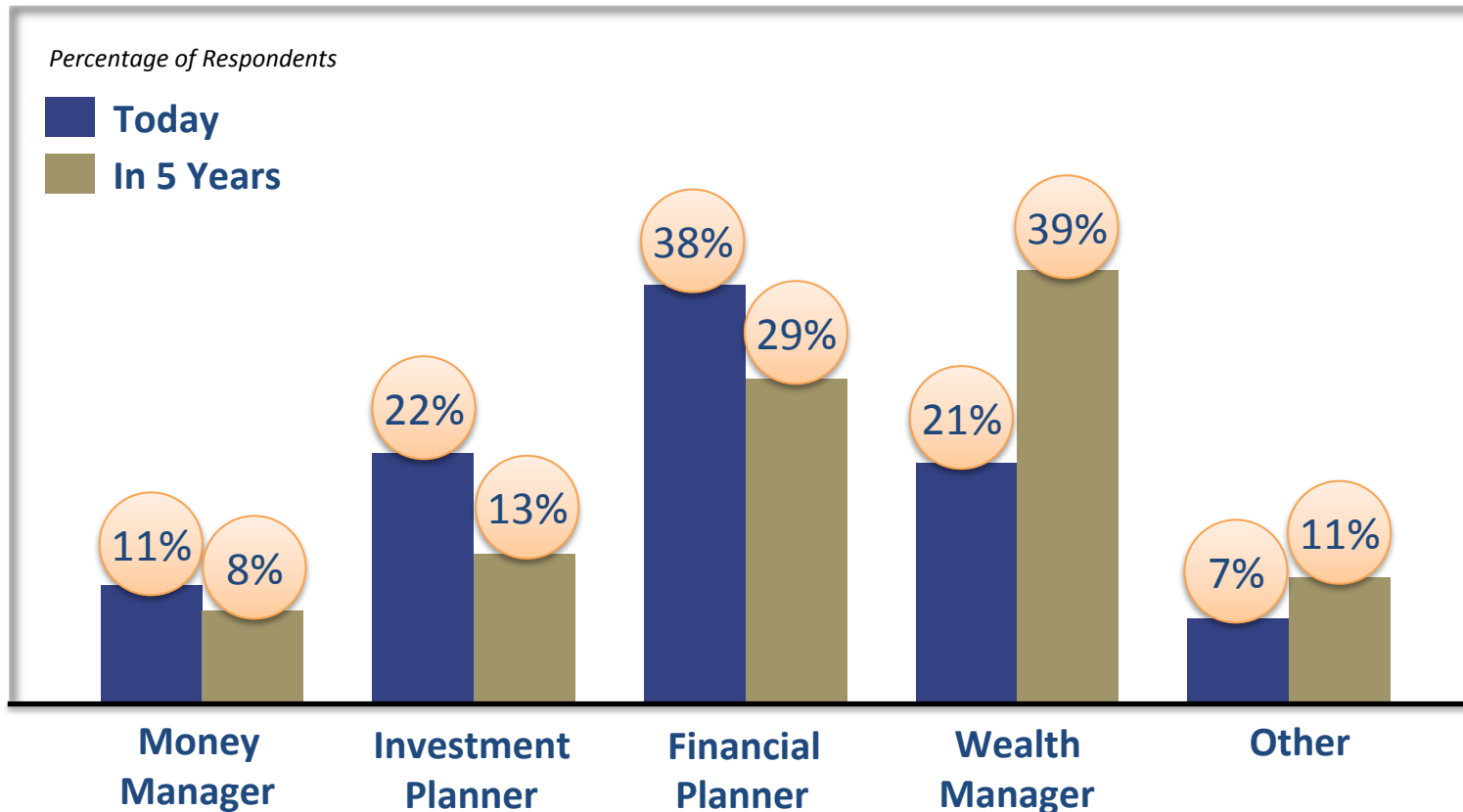
Wealth Advisory
Model

Advice-centric

As financial services has changed, so has role of the independent advisor...



And *change* will continue to evolve, arguably more rapidly in the future

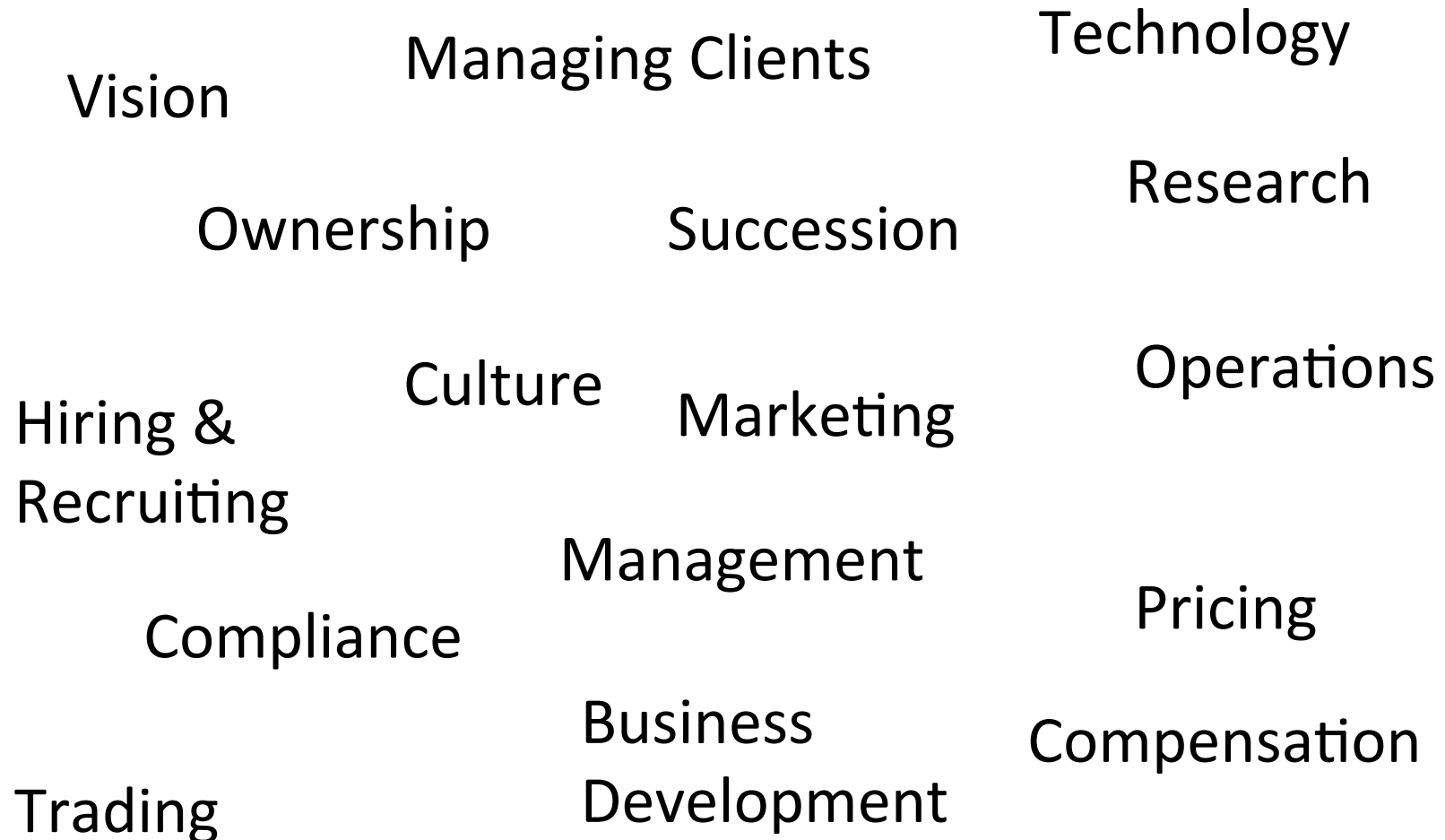


Source: *The Future of Practice Management*, Financial Planning Association, 12/13

DFA's Benchmarking Study helped clarify what drives successful advisory firms

- ~400 firms
- 4th year
- Themes:
 - Growth
 - Staffing
 - GenX
 - Profitability
- 2014 Preview
- Overuse of “best practices”
- Window into performance
- Understand firm's overall health
- What drives the health
- Management tool

Managing an advisory business is increasingly complex...



Advisors who delegate non client-facing responsibilities can focus on...

Vision
Managing Clients
Ownership Succession
Culture Marketing
Business Development Pricing
Helping More Clients

Our study is tailored to the unique wealth advisory businesses we serve

Survey Demographics

- 90 Firms
- ~\$6B AUM/\$3B Loring Ward
- Diverse models
- 2012 data

Peer-groups (AUM):

- \$0-25M
- \$25-50M
- \$50-100M
- \$100 +M

Service Models

- Investment Planner
- Financial Planner
- Wealth Manager

Data Analysis

- Tax-prep revenue
- Tenure
- Highest Growth
- Highest Profitability

Today's challenges are not new

CURRENT CHALLENGES

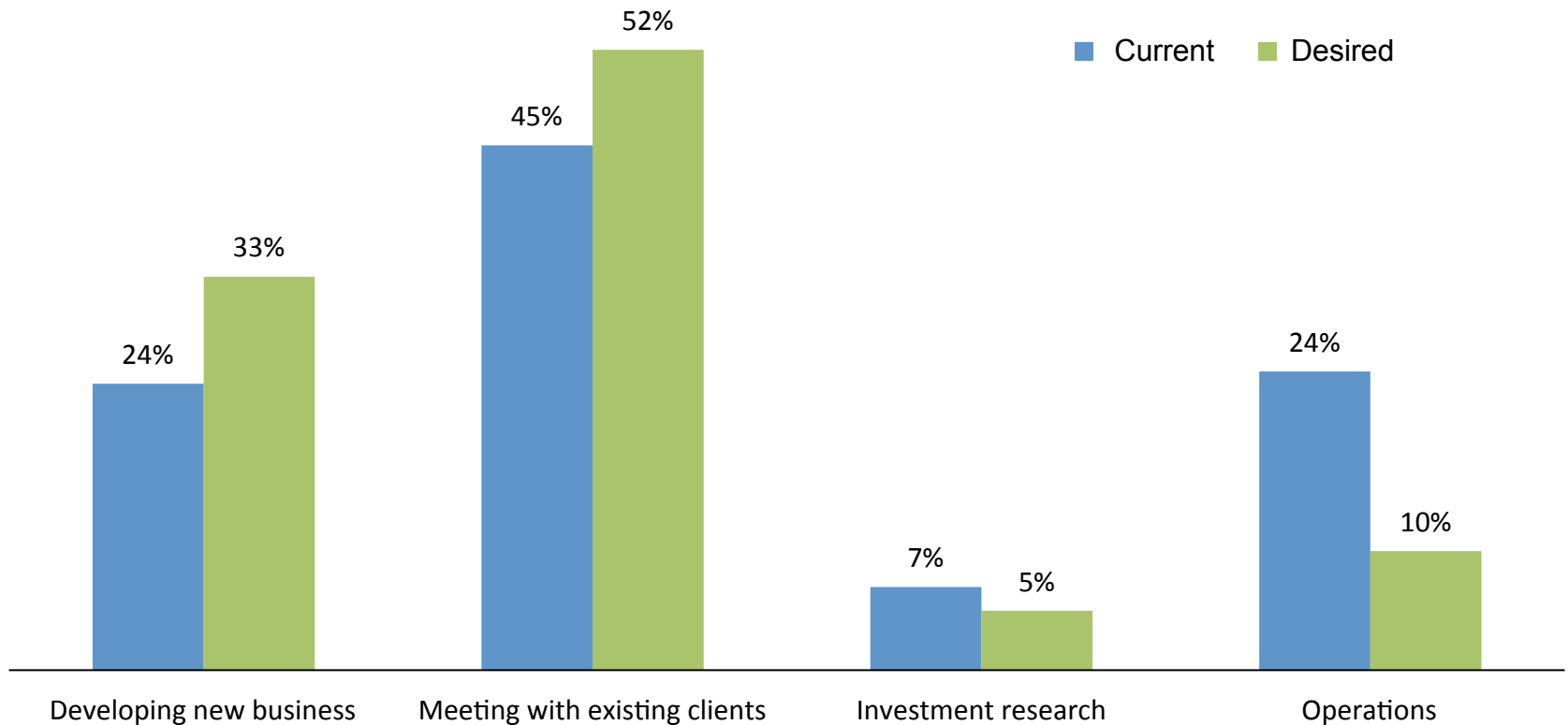
	All participants	Billable assets: <\$50MM	Billable assets: ≥\$50MM	Dimensional Study
Generating new client leads	54%	64%	44%	#1
Marketing	45%	59%	30%	#3
Systematizing workflow processes	28%	27%	28%	#2
Differentiating firm from competitors	25%	25%	26%	#5
Managing existing clients	22%	20%	23%	#6
Improving profitability	17%	11%	23%	#11
Converting prospects to clients	15%	23%	7%	#8
Recruiting, hiring, and retaining	13%	16%	9%	#4
Managing technology	11%	9%	14%	#9
Planning for succession	10%	9%	12%	#12

Future challenges are familiar

FUTURE CHALLENGES


	All participants	Billable assets: <\$50MM	Billable assets: ≥\$50MM	Dimensional Study
Generating new client leads	41%	45%	37%	#1
Managing existing clients	32%	32%	33%	#3
Marketing	31%	39%	23%	#4
Planning for succession	29%	20%	37%	#5
Differentiating firm from competitors	20%	30%	9%	#7
Managing compliance	18%	14%	23%	#6
Recruiting, hiring, and retaining	17%	16%	19%	#2
Managing technology	16%	16%	16%	#8
Systematizing workflow processes	15%	23%	7%	#9
Improving profitability	13%	16%	9%	#11

Time is *your* most valuable commodity



3 themes emerged across all segments

1. Growth
2. Marketing
3. Human Capital & Succession



LORING WARD ADVISOR BENCHMARKS STUDY

2013 Business Assessment Report

CUSTOM REPORT PREPARED FOR: Firm definition

Your Peer Groups		
	Firm count	% of participants
Firm definition: Financial planner	30	41%
Firm definition: Wealth manager	33	38%
Firm definition: Investment planner	18	21%
All participants	87	100%

Gathered from 87 firms, the benchmarking data describes a cross-section of advisory firms that work with Loring Ward. These firms represent approximately \$5.9 billion in assets. To the left is a breakdown of the peer groups your responses have been compared to.

The Advisor Benchmarks initiative is designed to provide a platform that helps firms implement strategies in pursuit of growth and success. The program has been built for you to provide insight into what other firms are doing and to provide data and analysis that you can utilize in your firm. As you review the report, consider that the most important role of benchmarking is to provide your firm with a point of reference.

Please contact your regional director if you have questions or need further assistance.

ASSETS, CLIENTS, AND REVENUE

Approximately what was your firm's three-year and five-year annualized asset growth rate for the period ending December 31, 2012?
(For participants in existence during three- and five-year periods.)

	Firm definition: Financial planner	Firm definition: Wealth manager	Firm definition: Investment planner	All participants
Three-year growth rate	133%	20%	20%	67%
Average	20%	19%	12%	17%
Median	13%	19%	10%	14%
Five-year growth rate	22%	56%	20%	35%
Average	13%	19%	10%	14%
Median	23%	20%	14%	20%
Desired annual growth rate	15%	15%	15%	15%
Average	23%	20%	14%	20%
Median	15%	15%	15%	15%
Gap between desired and forecasted annual growth rate	20%	15%	15%	15%
Average	11%	27%	14%	20%
Median	5%	20%	15%	15%
Annual billable asset growth rate for the following periods (Average for firms reporting billable assets for all three periods.)				
2011	8%	8%	5%	5%
2012	8%	8%	5%	5%
2013 (anticipated)	8%	8%	5%	5%
Assets	\$43.6MM	\$57.7MM	\$40.0MM	\$40.0MM
% Growth	N/A	N/A	N/A	N/A
Assets	\$65.1MM	\$73.3MM	\$42.5MM	\$42.5MM
% Growth	10%	10%	18%	18%
Assets	\$92.6MM	\$92.1MM	\$48.5MM	\$48.5MM
% Growth	19%	23%	21%	21%
Annual client growth rate for the following periods (Average for firms reporting clients for all three periods.)				
2011 (anticipated)				
2012	180	147	242	172
% Change	0%	7%	2%	0%
2013 (anticipated)	197	162	256	196
% Change	10%	10%	6%	6%
Beginning total clients (1/1/2012)	165	147	229	172
New clients	19	16	23	19
Lost clients	9	10	10	9
Ending total clients (12/31/2012)	180	162	242	196
% Change	10%	10%	6%	6%
Annual revenue growth rate for the following periods (Average for firms reporting revenue for all three periods.)				
2011	7%	7%	5%	5%
2012	7%	7%	5%	5%
2013 (anticipated)	7%	7%	5%	5%
Revenue	\$0.45MM	\$0.58MM	\$0.30MM	\$0.45MM
% Growth	N/A	N/A	N/A	N/A
Revenue	\$0.28MM	\$0.35MM	\$0.23MM	\$0.28MM
% Growth	7%	10%	10%	10%
Revenue	\$0.56MM	\$0.66MM	\$0.36MM	\$0.56MM
% Growth	14%	10%	10%	10%



2013 Benchmarking Study

GROWTH

What's the most effective means of growing a wealth advisory firm?

What is the largest source of new clients?

A. Advertising

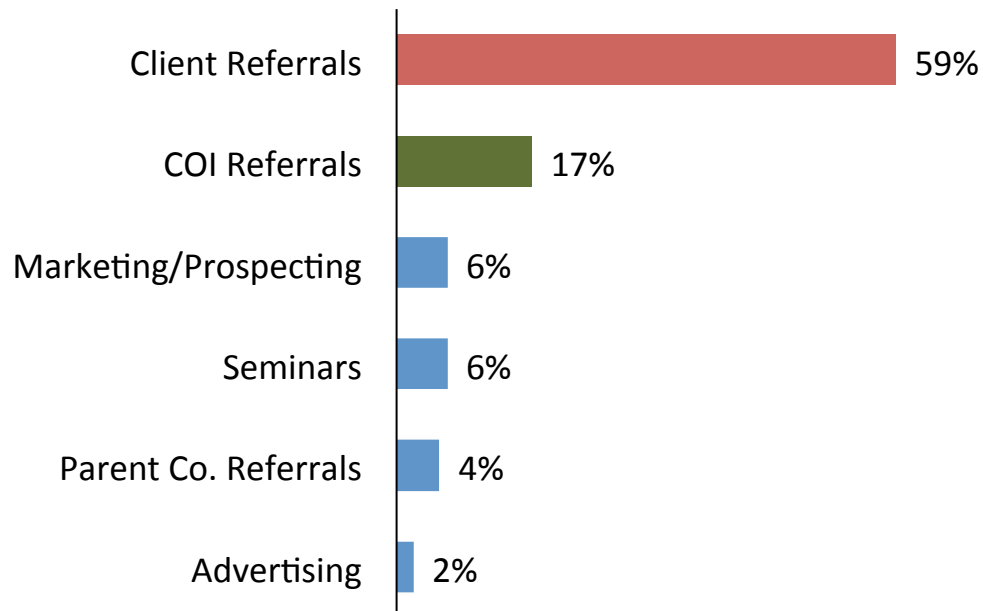
B. Client Referrals

C. Marketing/Prospecting

D. Centers of Influence (COIs)

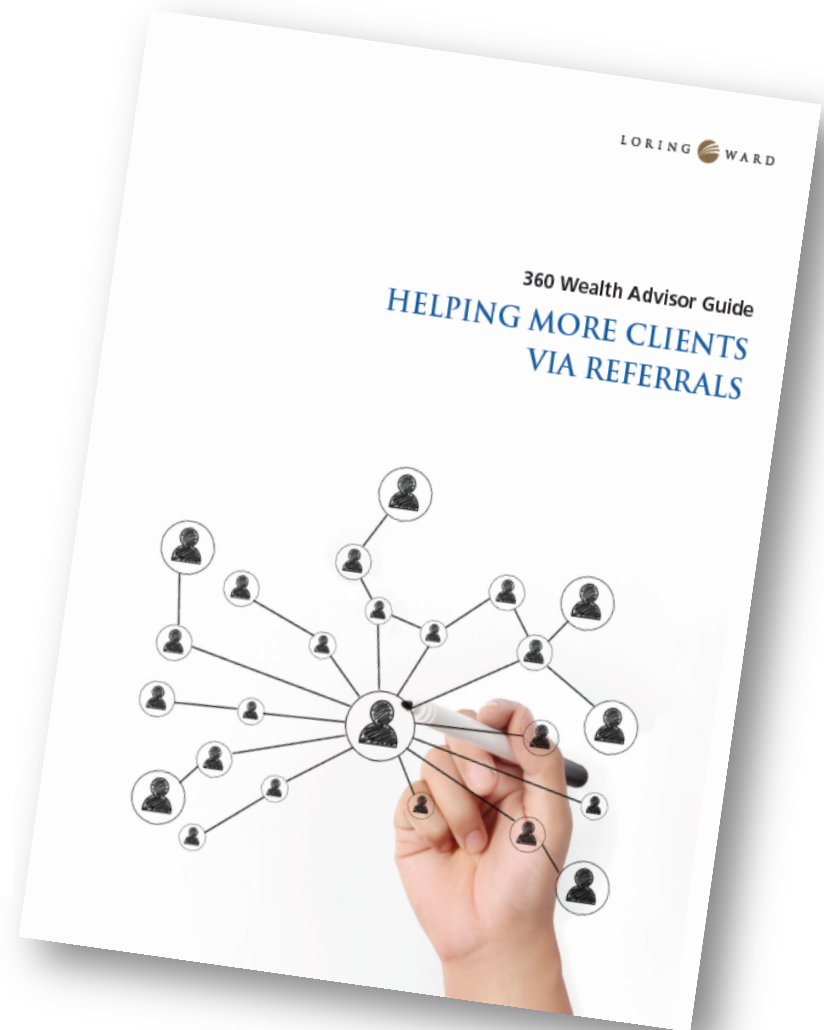
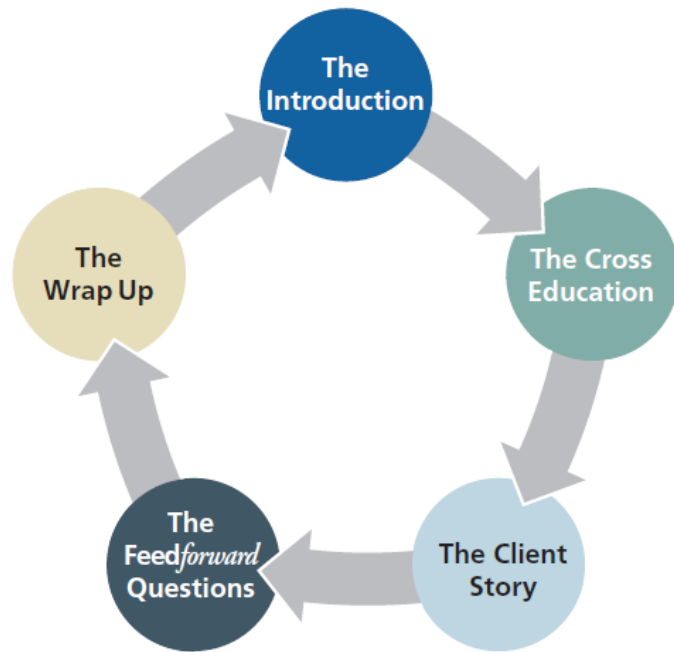
Referrals are primary driver of both assets and new clients

SOURCES OF NEW CLIENTS

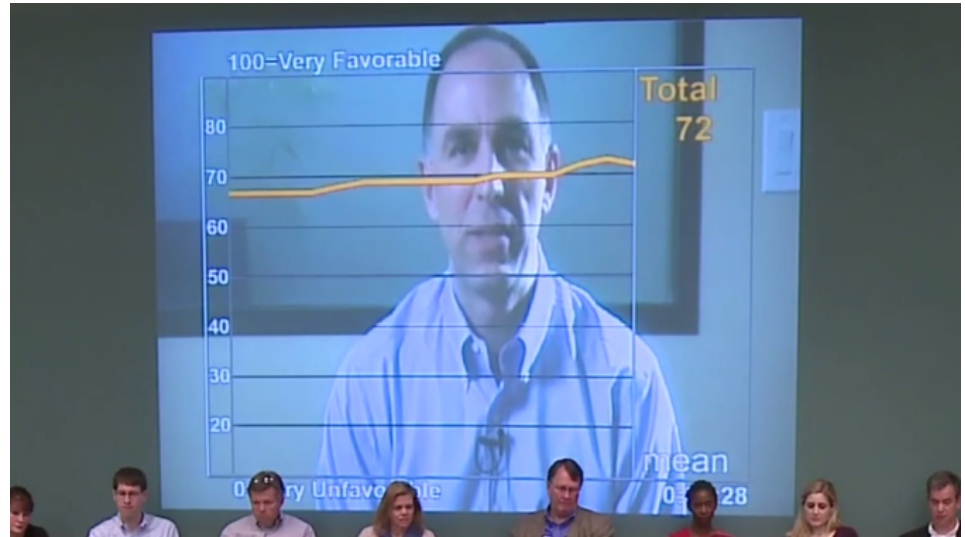


- 24% of firms have a process in place to ask for referrals.
 - Advisors that have a process have a 75% closure rate vs. 60% with referrals.
- 91% of participants are working with COIs.
 - CPAs, attorneys, and mortgage brokers are most common.

The 360 Wealth Advisor's Guide to Referrals



Building better relationships with COIs





2013 Benchmarking Study

MARKETING & DIFFERENTIATION

Do you have a Marketing Strategy?

What percentage of advisors have no marketing strategy?

- A. 9% Advisors with a marketing strategy grew assets 19% faster.
- B. 19%
- C. 29%
- D. 39%

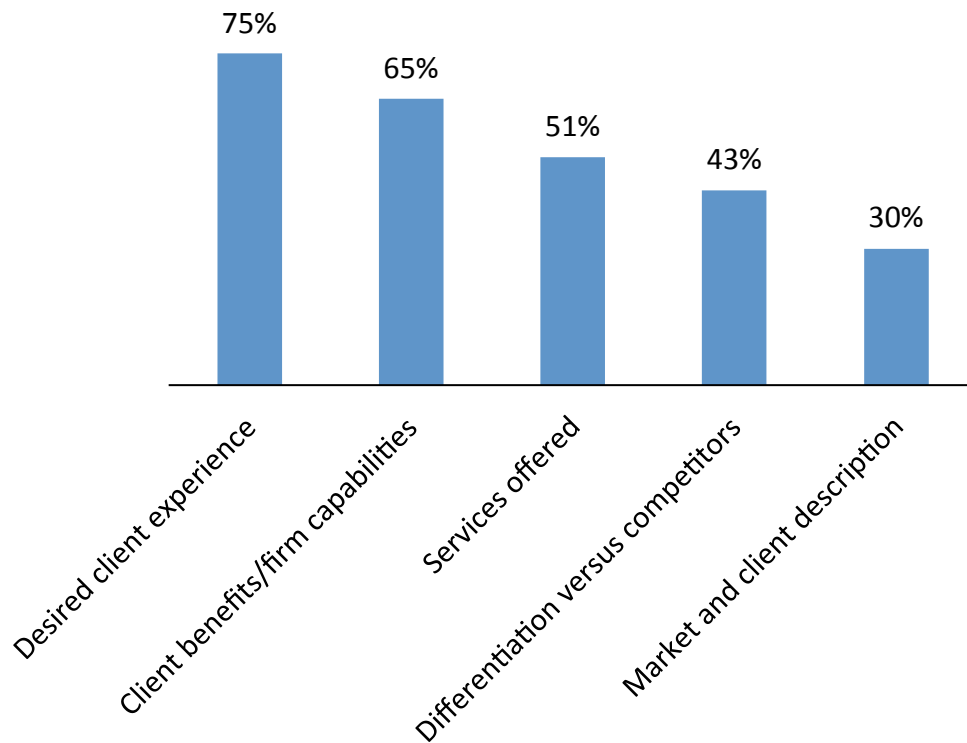
Is your plan written *and* integrated?

ACTIVITIES

Client events for current clients	53%
Newsletter or blog	47%
Social media	40%
Networking groups (i.e., local association chapters)	39%
Educational seminars	35%
Special events for prospects and referral sources	30%
Sponsorship of community events or groups	25%
Advertising	20%
No marketing strategy in place	9%

What's the impact of your value proposition?

WHAT ADVISORS INCLUDE THEIR VALUE PROPOSITION



Value Proposition

- Advisors with value proposition:
 - 40% higher asset growth over past 2 years
 - Added 29% more clients.
 - 30% lower client turnover
- 33% of firms with value proposition report all employees understand and can articulate it

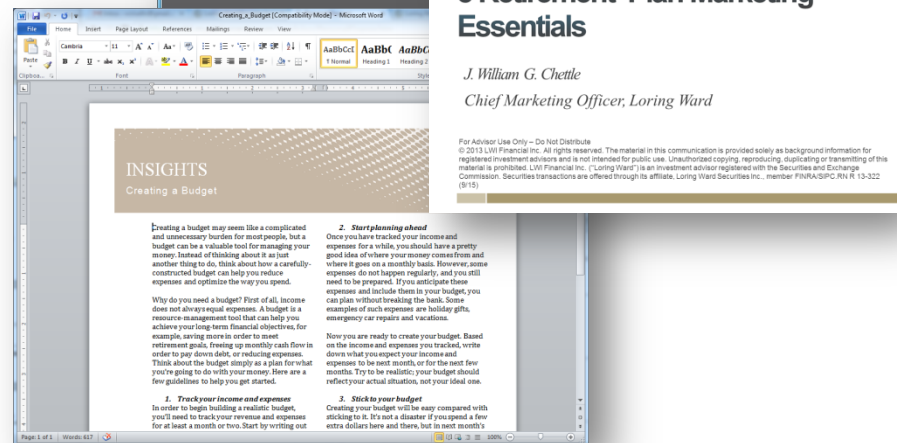
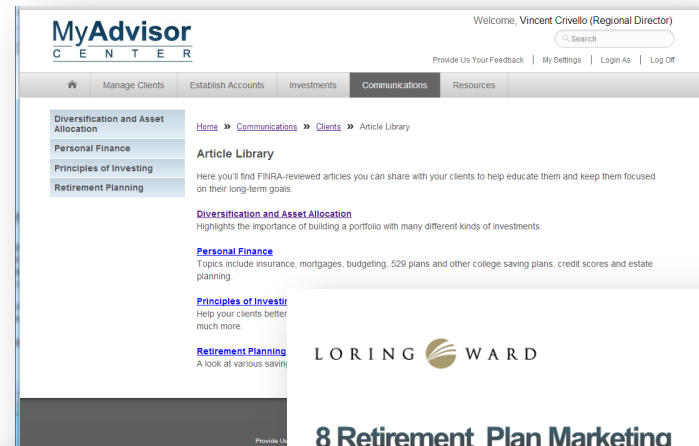
Where can you get additional marketing support and content?

Content

- Monthly *Financial Insights*
- Article library
- Portfolio & Investment Updates (*Portfolio Perspectives*)
- Topical white papers
- White label videos

Insights & Support

- Branding
- Social Media
- Positioning
- Strategy



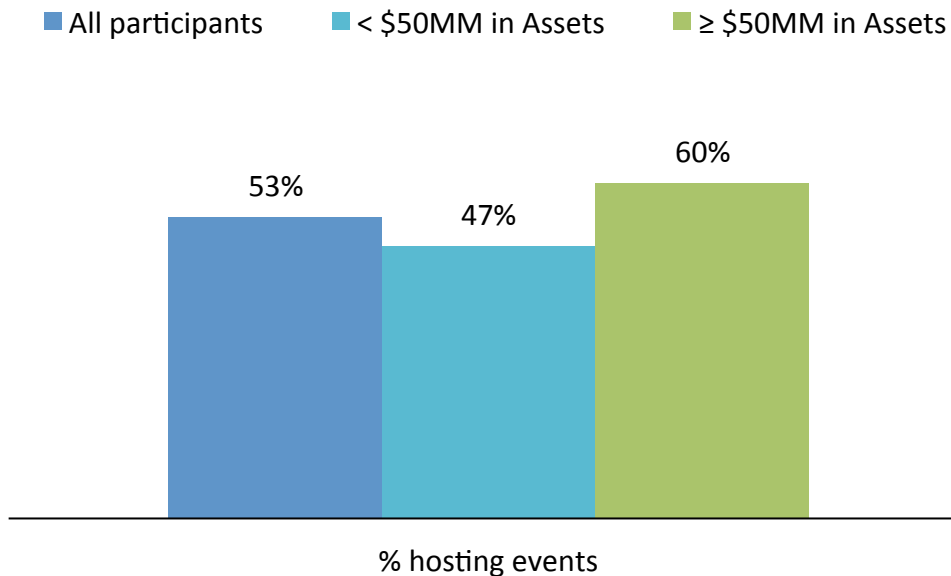
Are you doing enough with client educational & appreciation events?

ACTIVITIES

	All Participants	Dimensional Study
Client events for current clients	53%	60%
Newsletter or blog	47%	67%
Social media	40%	33%
Networking groups (i.e., local association chapters)	39%	45%
Educational seminars	35%	43%
Special events for prospects and referral sources	30%	40%
Sponsorship of community events or groups	25%	46%
Advertising	20%	31%
No marketing strategy in place	9%	11%

Events are an integral part of the majority of practices—especially larger firms

ADVISORS HOSTING EVENTS



- Hosting 3.2 events for current clients and 2.4 each year for prospects.
- Hosting events is the top revenue initiative firms plan to implement.

Results are from Loring Ward 2013 Advisor Benchmarks Survey.

We support advisor events in a number of important ways...

- Presentations
 - Design, Build, Protect
 - Asset Class Investing
 - Quarter-in-Review
- Invitation Templates
- Regional Director
- Exceptional Event FAQ



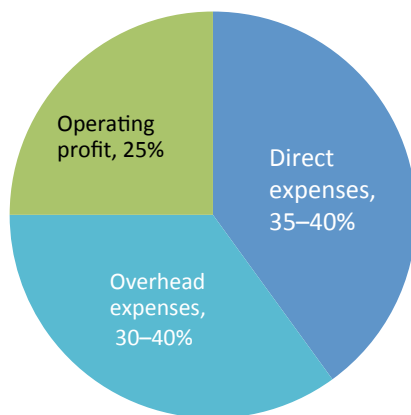


2013 Benchmarking Study

HUMAN CAPITAL & SUCCESSION

Managing human capital is your strongest business lever

TARGET MARGINS



Direct expenses:

- Fair compensation for sales and labor

Overhead expenses:

- Cost of supporting sales

Operating profit:

- Risk/reward for being an owner

INCOME STATEMENT BREAKDOWN

Revenue	100%
Direct expenses	<u>40%</u>
Gross profit	60%
Overhead expenses	<u>35%</u>
Operating profit	<u>25%</u>

For illustrative purposes only. Not actual results.

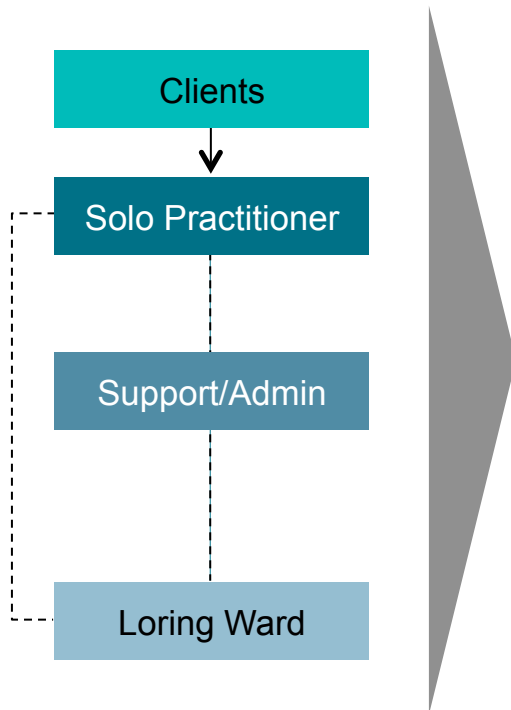
Aligning hiring with your growth strategy

HIRING ACTIVITY			
	New hire past 12 months	Replacement hire past 12 months	Plan to hire in next 12 months
Professionals	10%	4%	12%
Technical and Support	7%	4%	13%
Administrative	23%	21%	22%

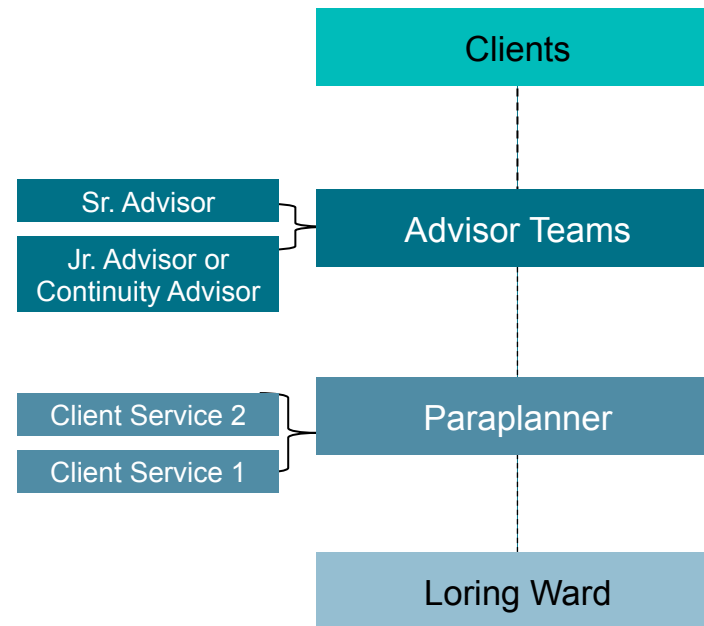
- Top recruiting challenge: finding qualified candidates
- 56% of new hires in past three years no longer with the firm
- Top 3 sources of successful recruitments:
 - Referrals from current employees
 - Online and industry job boards
 - Referrals from service providers /vendors

Organizing for future growth, succession, and continuity

SOLO PRACTITIONER

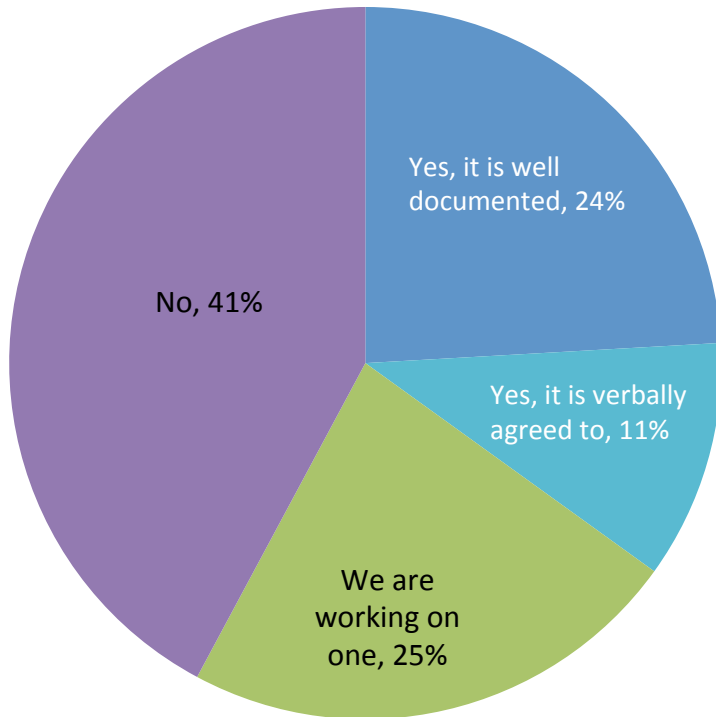


LEVERAGED MODEL



The succession gap *in your practice*

SUCCESSION PLAN STATUS



- Less than 1 in 3 firms has a succession plan in place.
- Preferred exit strategies include:
 - Transfer/sell to a family member
 - Sell to a junior advisor
 - Sell to existing owners

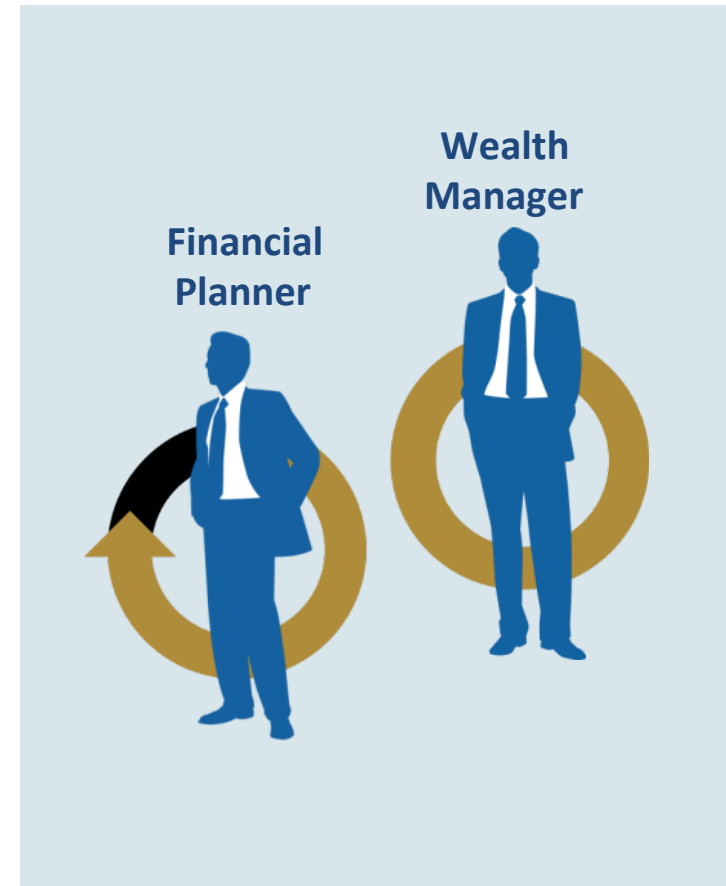


2013 Benchmarking Study

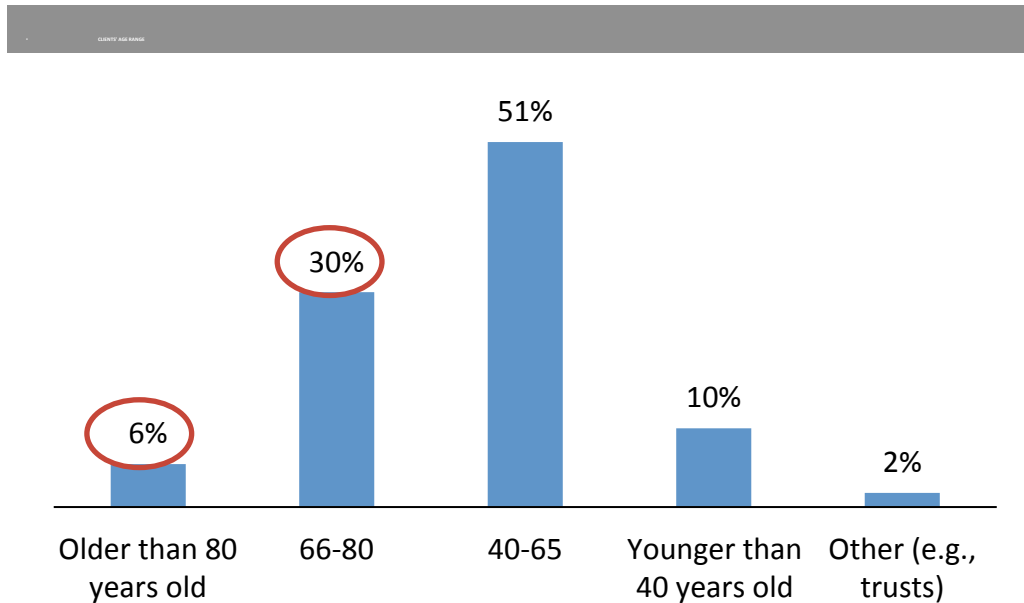
LOOKING AHEAD

Key themes in 2014 and beyond....

- Optimizing Workflow
 - Balance Sheet & Goal Reporting
 - Coordination w/ COIs
- Differentiating Value
 - 300K “advisors”
 - Robo Advisors
- Technology
 - CRM
 - Integration



The succession gap *outside* your practice



- 45% of clients' assets are retained when one parent dies
- Only 2% of assets retained when second parent dies¹

1. Based on research by Merrill Lynch (<http://wealthmanagement.com/financial-planning/getting-boot>). Results are from Loring Ward 2013 Advisor Benchmarks Survey.



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