

# 3 Insights from the 2021 Fidelity RIA Benchmarking Study



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It's important for any industry to evaluate its current success state, and the financial services field is no exception. In 2021, Fidelity conducted an [RIA Benchmarking Study](#) to identify and analyze key performance metrics for RIAs. The intended goal was to evaluate individual performance rates and provide recommendations for improving revenue streams and growing clientele.

Specifically focused on business development activities, an online survey went out to 211 RIA firms in March 2021 and asked about their on-the-job experiences within the 2020 COVID pandemic landscape. Perhaps surprisingly due to 2020's economic uncertainty, growth trends continued and profitability reached new overall highs.

However, there were also plenty of findings that translate into actionable recommendations for RIAs wanting to grow business and stay competitive in a post-COVID world. Here's what researchers found.

## **Lean into Customer Experience**

A major finding highlights how important referrals continue to be for RIAs. Fifty-five percent of new assets came from client referrals with an additional 20% stemming from third-party referrals. Interestingly, only 5% of existing clients made referrals throughout the year.

Although this statistic may not make much sense at first, it actually points to the impact great customer satisfaction can have on a brand's financial success.

Even a few clients that remain highly loyal to their RIA of choice can have an outsized influence on the company's future growth. Just a handful of loyal patrons can exponentially grow business opportunities through positive word-of-mouth and direct referral information. RIAs should not minimize the importance of this conclusion and, if they aren't already, would benefit from embracing additional solutions that benefit customers. Increased efficiency, data insights, and one-on-one time with advisors can set firms apart from competitors and ensure that repeat customers turn into eventual brand advocates.

This trend holds particularly true as the demographics of RIA customers change over time. Currently, the 2021 report found that professional investment advice appealed more to older generations than individuals under 50. This finding is not particularly surprising as many individuals fail to think long-term about financial planning and wealth management until they progress further in their careers. However, capturing younger investors and turning them into loyal customers is key for businesses wanting to see future revenue opportunities. The study found that 8 in 10 Gen Y investors plan to stay with their current advisors long-term, which speaks to the potential long-term relationship that good advisors can continue to have with happy clients.

Similarly, existing audiences have become increasingly more critical to firms as more business comes from referrals and repeat customers. A few years ago, organic growth relied largely on new clients. In 2021, however, the industry report shows that a more even split now exists between old and new clients. Retaining existing investors can be done through a variety of ways, but many high-ranking firms in this area offer additional financial and philanthropic planning services in addition to basic investment plans. Providing more value and ensuring that current customers are satisfied are two potential goals that firms should seriously consider after reviewing the 2021 Fidelity RIA report.

# RIAs Should Adopt and Implement Intelligent Tech Platforms

A second major finding in the 2021 report focused on how firms across the industry are embracing digital transformation. Technological transformation initiatives appeared more frequently in organizations' business development plans for 2021, and this emphasis parallels an increasing reliance on digital marketing channels and virtual sales processes. Online advertising for individual firms increased and, unsurprisingly, in-person events and networking decreased as the pandemic shuttered businesses everywhere. However, as more employees return to in-person work, RIAs have found that online channels still hold an important place in their revenue planning for upcoming years.

As the 2021 report indicates, RIAs will likely see a mix of digital and in-person channels in the immediate future. Providing remote-first options also resonates with firm employees, who have benefited from more streamlined digital solutions that deal with compliance, data collection, reporting, and workflow. Technology leaders also tend to invest more in tech, which further cements their front-runner status in the field. These "tech embracers" maintain higher growth rates on average than their less digitally savvy competitors.

Leaning into new technology and adopting AI and data-first solutions should remain top-of-mind for RIAs heading into 2022. Not only do these new platforms make the lives of employees easier, but

they also streamline client communication and intelligent investment recommendations. New tech is here to stay, and the Fidelity 2021 report provides nuanced data that reflects just how important its impact on the industry is and will likely continue to be.

## Outsourcing Key Operations Can Be a Good Option

Finally, outsourcing is becoming an increasingly attractive option to firms that participated in the 2021 study. In early 2022, the [U.S. Securities and Exchange Commission \(SEC\) released new proposed regulations](#) that heighten firms' responsibilities to clients in the case of a cyberattack. Increased reporting of cybersecurity incidents and public disclosures that exist up to two years after the breach itself reflect the federal government's elevated attention to cybersecurity attacks and the emphasis firms should be placing within their organizations on the issue.

Experts recommend the [adoption and implementation of tech platforms that can mitigate risk and report transparently on potential security breaches](#). Not only does this fulfill federal regulations, but it also can serve to reassure customers that their information and assets are safe (or as safe as possible in an increasingly hack-happy world). Existing business intelligence systems can be supplemented with newer digital solutions that provide better data aggregation and visibility into perceived threats.

In the 2021 study, researchers found that 9 in 10 firms tend to hire outside consultants when it comes to compliance and cyber-safety. This trend is positive as it indicates that organizations are willing to

recognize their own weaknesses in these ever-evolving spaces and increasingly turn to the latest up-to-date, industry-proven expertise. This both protects firm liability in the face of a cyberattack while also securing customer assets and information.

Overall, the 2021 Fidelity RIA report highlighted trends that all financial organizations should be aware of going into 2022. Failing to act in key areas such as customer service, digital transformation, and enhanced cybersecurity efforts can impede future financial earnings and hurt consumer trust. Ultimately, this report's findings provide an ad hoc roadmap for forward-thinking businesses wanting to succeed in a world very different from the one that existed five years ago.