

# *High-Performing Advisors*

## **DRIVERS OF THEIR HIGH MARGINS**



*The Harnessing Growth Series*

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# About the Study

Many forces influence growth of advisors' businesses. These dynamics — both internal and external — cause advisors to review their business models and the value proposition they provide to clients. However, some advisors excel in their practices compared to their fellow professionals across different distribution channels. What are some of the characteristics and differences in practices that drive these high-performing advisors? Identifying these characteristics is important when the typical distinctions and specializations among advisors in different distribution channels are increasingly fading, with technology and regulations increasingly homogenizing the advisor practices.

This survey of advisors across advisory practice models in insurance and investment firms explores the profiles of today's financial professionals and the drivers of productivity and efficiency. This report focuses on responses of 1,263 advisors across six channels who meet the following criteria:

- Three or more years of industry experience;
- Under the age of 70;
- Primary customers are retail clients; and
- A minimum gross income which varies by channel (please see key definitions below)

The study findings can help insurance companies as well as other financial services organizations align their products and service models to engage with practices of high-performing advisors across the channels as traditional demarcations in the industry continue to blur.

## Key Definitions

**Career agent:** An insurance agent, advisor, or registered rep primarily affiliated with one insurance carrier but who also could be selling products of other carriers. Minimum gross income in 2017 was \$50,000. (n: 211)

**Independent insurance agent:** An independent *insurance* agent or broker *not* exclusively affiliated with any one carrier. Minimum gross income in 2017 was \$70,000. (n: 196)

**Bank financial advisor or consultant:** A registered representative or advisor working in a bank or credit union. Minimum gross income in 2017 was \$70,000. (n: 128)

**Full-service broker-dealer representative:** A registered representative working for a national wirehouse or a regional full-service broker-dealer. Minimum gross income in 2017 was \$150,000. (n: 243)

**Independent broker-dealer:** A registered representative or advisor working for an independent broker-dealer or securities firm. Minimum gross income in 2017 was \$100,000. (n: 255)

**RIAs or fee-only advisors:** Fee-only or dually-registered fiduciary advisors whose compensation is primarily fees on assets under management (AUM), retainer or hourly compensation, or a mix of fees and commissions. Minimum gross income in 2017 was \$100,000. (n: 230)

# Summary

Gross revenue per client (GRPC) is a multifaceted metric that advisors and carriers can use to evaluate the efficiency of an advisor's practice. GRPC looks at common growth metrics such as client growth and income growth to create a metric that can lead to identifying areas of efficient and sustainable growth within an advisor's practice. GRPC embodies strong performance, efficiency, depth of client engagement, as well as identifies areas of opportunity for growth or weaknesses in an advisor's practice.

Looking at common growth metrics such as growth in number of clients, growth in gross or net income, or growth in assets under management (AUM) through a singular lens does not always paint the true picture of current growth and potential growth within an advisor's practice. GRPC measures quantifiable growth in addition to how well advisors are utilizing the breadth of products and services as well as client growth to identify what factors help increase margin in an advisor's practice.

**High-performing advisors are defined in the report as the top 25 percent of advisors in terms of average gross revenue per client in their respective channels.**

**Success is often not in the number of clients an advisor serves, it is serving the clients to their fullest potential and being rewarded for doing so. High-performing advisors do precisely that.**

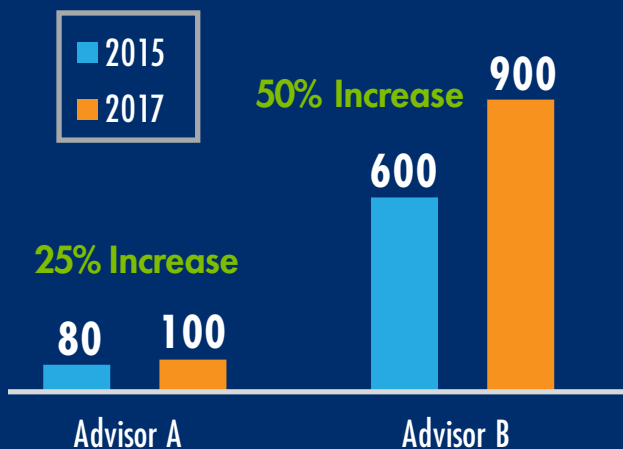
**Note:** *Because of the requirement of minimum gross income for advisors in each channel with at least three years of experience, the advisors in the survey may represent advisors with higher than the average income in their practices. The terms gross revenue and gross income are used interchangeably.*

# A Case Study of Two Bank Advisors

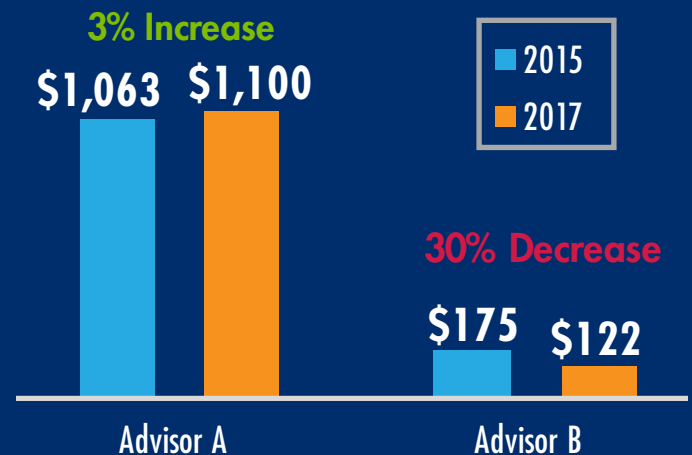
The case study demonstrates the importance of gross revenue per client and highlights the inter-relationship between growth in clients and revenue per client in determining the gross income in advisor practices. Advisor A experienced mild client growth (25 percent) between 2015 and 2017 while Advisor B had double the growth of Advisor A with respect to number of clients. However, Advisor A maintained the gross revenue per client at the same level while Advisor B's gross revenue per client diminished by 30 percent during the period. Despite having a mild growth in clients, Advisor A could improve her gross income by 29 percent by maintaining a high gross income per client.

	Advisor A Top 25%	Advisor B Bottom 25%
Tenure in financial services	18 years	10 years
Firm	Regional bank	Community bank
Number of clients – 2015	80	600
Number of clients – 2017	100	900
Client growth	+25%	+50%
Gross income per client – 2015	\$1,063	\$175
Gross Income per client – 2017	\$1,100	\$122
Gross income per client growth	+3%	-30%
Gross income – 2015	\$85,000	\$105,000
Gross income – 2017	\$110,000	\$110,000
Gross income growth	+29%	+5%

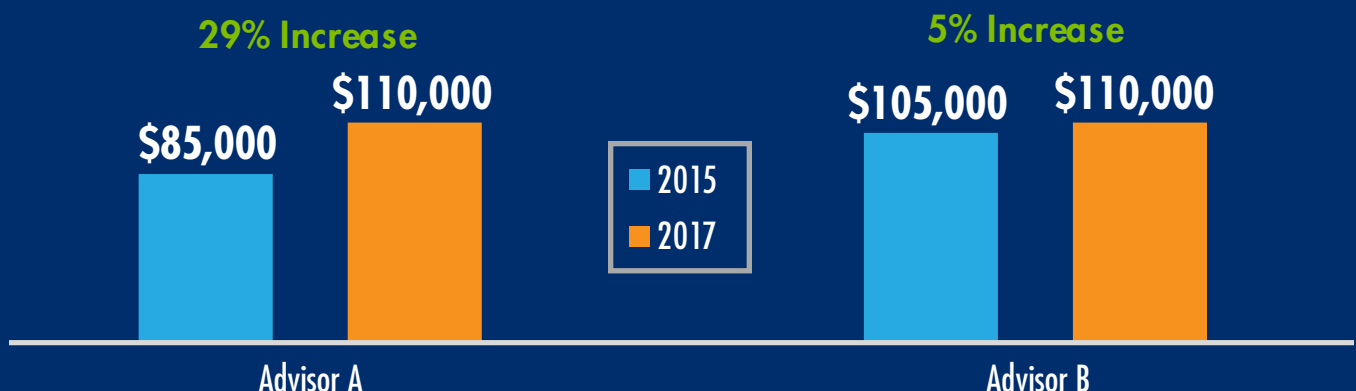
## CLIENT GROWTH



## GROSS INCOME PER CLIENT 2015 – 2017



## GROWTH IN GROSS INCOME



# Key Takeaways

## PROFILE IDEAL CLIENTS AND GET MORE OF THE SAME

High-performing advisors work with fewer clients, and add fewer clients, but continuously maintain or improve gross revenue per client over time. These common traits are found among the top 25 percent of advisors across all channels.

Advisors or their firms cannot be appealing to everyone or serve everyone efficiently. They need to build a profile of their ideal client based on revenue generated by that client, products and services they offer that align with that client's needs, investment goals and strategies, and a strong sense of communication and loyalty in the advisor and client relationship. Ranking the current clients by revenue and services utilized is a good way for an advisor to identify the optimal clients in their practice. Once the key characteristics of these clients are recognized, it is easy to define the core value proposition that aligns with the most desired prospects and clients.

**One important benefit of creating such a profile is that it allows an advisor to bring the most value to the advisor-client relationship from the beginning.**

Advisors who have defined their ideal client know what they need to look for when initially prospecting or meeting with a client. Streamlining the process of adding clients not only increases advisor productivity by being able to turn away "low potential" prospects early in the process, it also allows potential clients to avoid being matched with the wrong advisor. Advisors should add new clients only if they fit the parameters of the advisor's strategy and the advisor can produce enough revenue from that client to cover their time.



## IMPROVE REVENUE PER CLIENT – BY CROSS-SELLING AND PERSONALIZATION

High-performing advisors typically have earned more professional designations — denoting a higher skill level and knowledge — and the ability to offer a wider variety of products and services to meet clients' comprehensive needs. In addition to providing advisory services, many offer less conventional services like estate and trust planning.

Today, technology assists advisors in running cost-effective practices. From increasing efficiencies in client on-boarding and client management to mitigating administrative and compliance loads, and creating and implementing optimal portfolios for clients, technology has allowed advisors to control cost and increase capacity.

But as the availability of technology expands, more advisors will benefit from it, thereby eliminating the competitive advantage enjoyed by the few now. Advisors will need to look for new ways to expand. They may consider broadening the scope of investment guidance and advice, including offering retirement income and estate planning. High-performing advisors distinguish themselves by offering services like estate and trust planning and retirement income planning for all. Other less conventional services like Social Security claiming

strategies, healthcare planning (including critical illness and long-term care insurance) and tax planning — either in-house or outsourced — are helping advisors cater to the growing needs of an aging client base. Offering diversified and tailored value-added services benefits the clients and their families while boosting revenue for advisors. For example, many large broker-dealer houses are facilitating cash management and bill paying services for their clients.

LIMRA Secure Retirement Institute's early study shows that many clients do not know what services their advisors offer, but once they know, they tend to use them.<sup>1</sup> For example, only half of high-net-worth clients think their advisors offer estate and trust planning services; but of the clients who do know, nearly 60 percent use the services. If the advisor does not clearly communicate the services they offer, the client may not know to ask, and there is a lost opportunity.

<sup>1</sup> *High-Net-Worth Investors and Their Retirement Planning*, LIMRA Secure Retirement Institute, 2015.



## CATER TO MORE AFFLUENT CLIENTS

Because of their skills and comprehensive offerings, high-performing advisors can typically serve clients with higher household assets.

The wider skill sets and service offerings of high-performing advisors attract affluent clients. Advisors who are able to execute on specific or customized strategies that meet the unique needs of these affluent clients will tend to gain their business over other advisors who cannot offer such services in-house. For less affluent clients, digital tools such as robo-advisors, can be offered at attractive costs to both advisor and clients.

The majority of advisor clients are Baby Boomers or older and retired or close. LIMRA Secure Retirement Institute analysis shows that 83 percent of total investable assets in the U.S. are in the hands of retiree and pre-retiree Baby Boomers.<sup>2</sup> Advisors need to test different strategies to engage the emerging affluent, the majority of whom are Gen Xers.



**Older clients can also open opportunities for advisors to build intergenerational relationships – an opportunity to showcase value and secure the next generation of clients.**

When advisors shine on the unique values they offer, it helps them bring in new clients through referrals on a selective basis. If the advisors are specialized, such ideal client profiles may help them to locate more in a particular niche market.

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<sup>2</sup>The Retirement Income Reference Book — Fourth Edition, LIMRA Secure Retirement Institute, 2018.





## DO MORE RETIREMENT INCOME PLANNING

High-performing advisors in all channels tend to offer retirement income planning to all of their clients, and have completed more formal retirement income plans for their clients than other advisors. Advisors in insurance-focused channels who offer retirement income planning to all clients receive 2.5 times more in gross revenue per client than advisors who do not offer income planning. Advisors in investment-focused channels who offer retirement income planning to all clients generate nearly double the gross revenue per client than advisors who do not offer income planning.

Advisors offering retirement income plans for all clients – in both insurance- and investment-focused channels – earn higher average gross revenue per client than advisors who do not offer retirement income plans. Among many other activities and offerings that advisors provide, a clear correlation can be seen between offering retirement income planning and gross revenue per client. Retirement income planning provides an opportunity for the advisor to learn more about a client's assets and potentially consolidate those assets with the advisor.

Clients with a plan consolidate in a big way. The improved client confidence, satisfaction, and trust that comes from a formal retirement income plan lead to greater asset consolidation with the advisor. More than half of affluent retirees with a formal plan, for example, have consolidated 90 percent or more of their assets with their advisors – more than double the clients with similar assets who don't have a plan.<sup>3</sup> That means more sales in appropriate retirement product and solutions and more AUM.

<sup>3</sup> *The Retirement Income Reference Book – Fourth Edition*, LIMRA Secure Retirement Institute, 2018.

# Detailed Report

Average revenue per client is primarily a measure to gauge the depth and richness of client engagement. It is a valuable measure for judging potential clients. This measure is also helpful for exposing trends in client expansion and contraction, evaluating pricing for products and services, and reviewing how revenue per client is trending. However, revenue per client is only one measure at the advisor's disposal (and it can offer a distorted view with a small sample of big clients) and should be used along with other performance measures like recurring revenue, net revenue, etc.

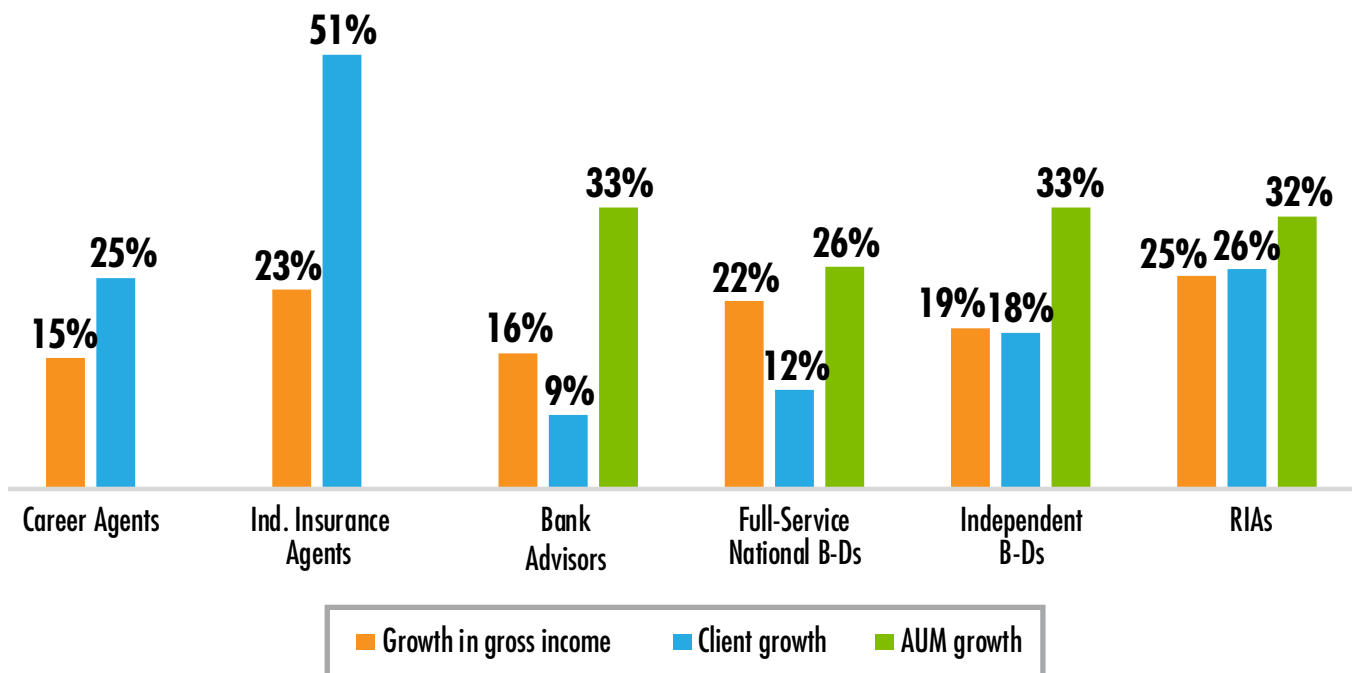
## Trends in Growth in Gross Income, Client Base, and AUM Between 2015 and 2017

Working with fewer clients and becoming more productive is one of the effective ways to grow advisors' practices. A LIMRA-EY study<sup>4</sup> shows that gross income of advisors, assets under management (AUM), as well as average number of clients grew in all channels between 2015 and 2017 (Figure 1).

That signifies real, positive growth for the industry and may indicate increased productivity. It also means as advisors are growing their practices, they are retaining more clients, deepening their relationship with clients by providing more products and services, and are selling more.

FIGURE 1

### GROWTH IN GROSS INCOME, CLIENTS, AND AUM BETWEEN 2015 AND 2017



**Note:** Between 12/31/2015 and 12/31/2017, S&P 500 and Dow Jones Indices grew nearly 31 percent and 42 percent respectively.

<sup>4</sup>Harnessing Growth: The LIMRA-EY Experienced Financial Advisor Study, LIMRA-EY, 2018.

Digital tools and robo-advisor options may be helping advisors provide investment advice to more clients, and become more productive. In advisory practices, the growth in gross income is essentially a function of growth in clients and growth in revenue per client facilitated by revenue from AUM or sales of advisory products and services. One important way to measure success is to see whether growth in revenue is faster than the growth in assets or the number of clients or AUM.

### Average Gross Revenue and Average Number of Clients for Channels

Both gross income and gross revenue per client varies from channel to channel. The difference is stark particularly between advisors who are insurance-focused (career agents, independent insurance agents, or MLEAs) and investment-focused professionals (advisors in banks, independent broker-dealer firms, full-service national broker-dealers, and RIAs). Insurance-focused financial professionals typically rely on a high volume of transactions and serving more clients as compared to the relationship nature of investment-focused practices.

This is partly evident in how advisors in each channel spend their time managing existing client relationships. The insurance-focused advisors typically spend an average of around 40 percent of their time on their existing client base. By contrast, investment-focused advisors spend on average nearly 60 percent of their time on their existing clients – 50 percent more time than insurance-focused advisors (Please see Appendix B-4 for time spent on new or existing clients in each channel.). Incorporating relationships and more investment services have an important impact on gross revenue per client compared to growth in number of clients (Figure 2). The chart shows both mean and median values to show any dispersion as well as the nature of distribution.



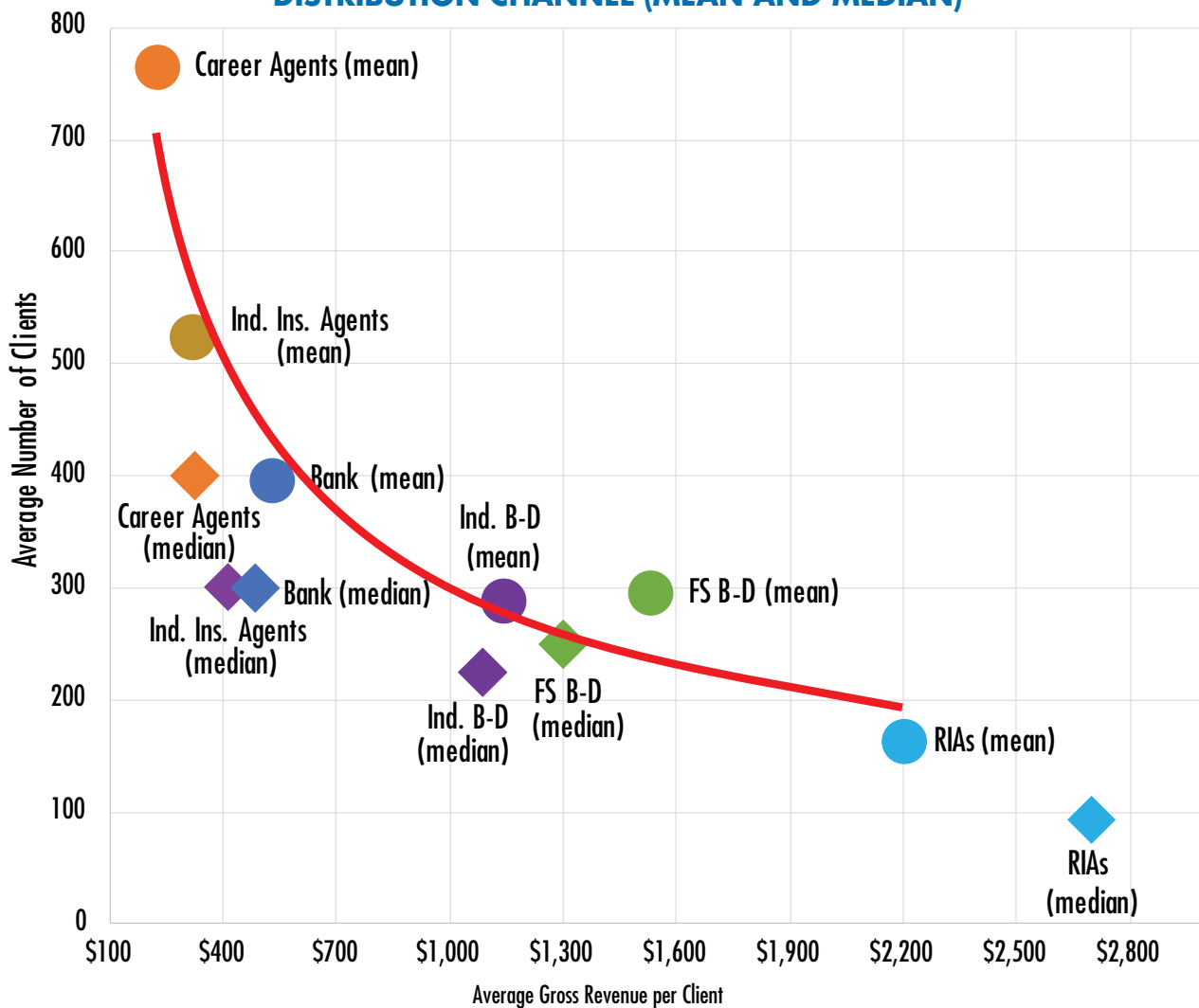
**The benefits of investing  
time in existing client  
relationships pays off as  
professionals shift more  
of their business from  
transactions to relationships.**

Among all of the six distribution channels, RIAs are working with the fewest number of clients averaging (mean) 163 clients but earning average revenues of nearly \$2,200 per client. At the other end of the spectrum, career agents average (mean) \$222 per client (nearly 1/10th of what RIAs generate) while serving nearly 800 clients (For mean and median value for individual channels please refer to Appendix B-1). The average gross income for advisors in each channel is simply the product of average number of clients and average gross revenue per client.

The median values for respective channels are not far off from their mean values except for RIAs. For insurance-focused advisors (career agents and independent insurance agents) the median advisors typically generate quite similar average revenue per client, but with fewer number of clients. The mean and median values of average number of clients and average revenue per client for bank advisors, independent B-Ds, and full-service national B-Ds are quite close. The large dispersion of median values from the mean values in the RIA channel is caused by differences in fee-only and dually-registered advisors. Dually-registered advisors, which represent about 15 percent of the sample in this study, have significantly lower gross incomes and more clients, ultimately pulling down the average gross revenue per client metric.

FIGURE 2

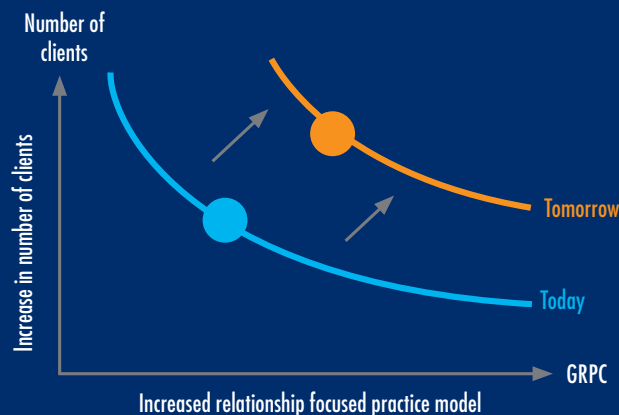
**AVERAGE GROSS REVENUE AND AVERAGE NUMBER OF CLIENTS FOR EACH DISTRIBUTION CHANNEL (MEAN AND MEDIAN)**



**Note:** Average gross revenue per client in each channel is calculated as follows:

Average gross revenue per client =  $(\sum \text{Total 2017 Gross Revenue for All Advisors}) / (\sum \text{Total Number of Clients in 2017 for All Advisors})$

# Ideal Path for Growing Practice Models



Advisors can either slide along the blue line, increasing number of clients (a leftward slide) or increasing the depth of their engagement with their clients (a rightward slide). Based on the trend, a rightward movement along the blue curve has a more profound effect on increasing gross revenue per client than a leftward movement.

The ideal goal is to increase in the number of clients while also increasing revenue per client, shifting the advisor off the line blue line to the orange line. At this point, the combination of increased clients and greater revenue per client will generate the highest potential revenue for the advisor.

Efficient advisors will maximize their income by increasing or maintaining the revenue per client even by serving fewer clients. The most productive advisors in each channel will try to shift upward and to the right of the red dotted line in Figure 2 by maximizing average revenue per client as well as number of clients in the book.

A close inspection of the most high-performing advisors (top 25 percent in each channel in terms of gross income per client in 2017) in each channel shows that the most high-performing advisors separate themselves out from their colleagues by doing exactly that. They tend to get higher income by maximizing or maintaining average gross income attributed to each client, even when they often lag in procuring new clients in their books.

## Factors Behind Growth in Advisors' Practices

Gross income is the result of two factors – the number of clients in the advisor's book and gross revenue earned per client. A simple model for growth in an advisor's practice is predicated on whether the advisor can get more new clients, increase the revenue per client, or ideally, both.

Besides selling more products and services, increasing the revenue per clients often includes a consolidation of the existing clients' assets with the advisor.

Having a larger base of assets to work with means different investment horizons for different portions of those assets, so advisors need to incorporate a broader range of products and services to meet those needs. The set of charts in Figure 3 on the following page includes four measures:

1. Average gross income in 2017
2. Growth in gross income during 2015–2017
3. Growth in clients during 2015–2017
4. Growth in gross revenue per client during 2015–2017 for each channel split by advisor quartiles

The objective is to see how high-performing advisors (the top quartile) build their practices around their clients. We will look at an insurance and an investment-focused channel for each of the four measures listed above to demonstrate the metrics of high-performing advisors compared to their peers. Please find all four measures by channel in Appendix A.

## Figure Explanations

### Figure (a)

The sets of figure (a) in each channel show the four quartiles with their gross revenue in 2017 in relation to their average gross revenue per client. It is noticeable that the top 25 percent of advisors in all channels – in terms of average gross income per client – are also earning on average distinctly high gross income.<sup>5</sup> The average gross income of the four quartiles for advisors in all channels indicates a linear upward pattern – high-performing advisors with high gross revenue per client are also enjoying high average gross income.

### Figure (b)

The sets of figure (b) show the percentage growth in gross income from 2015 to 2017. While all four quartiles experienced an increase of gross income in their practices over the period, it should be noted that top 25 quartile keep maintaining a moderate growth in gross income – at the similar pace with other advisor quartiles. Their growth in income in every channel is on par or close to other quartiles, which is an incredibly difficult task considering their high average income.

### Figure (c)

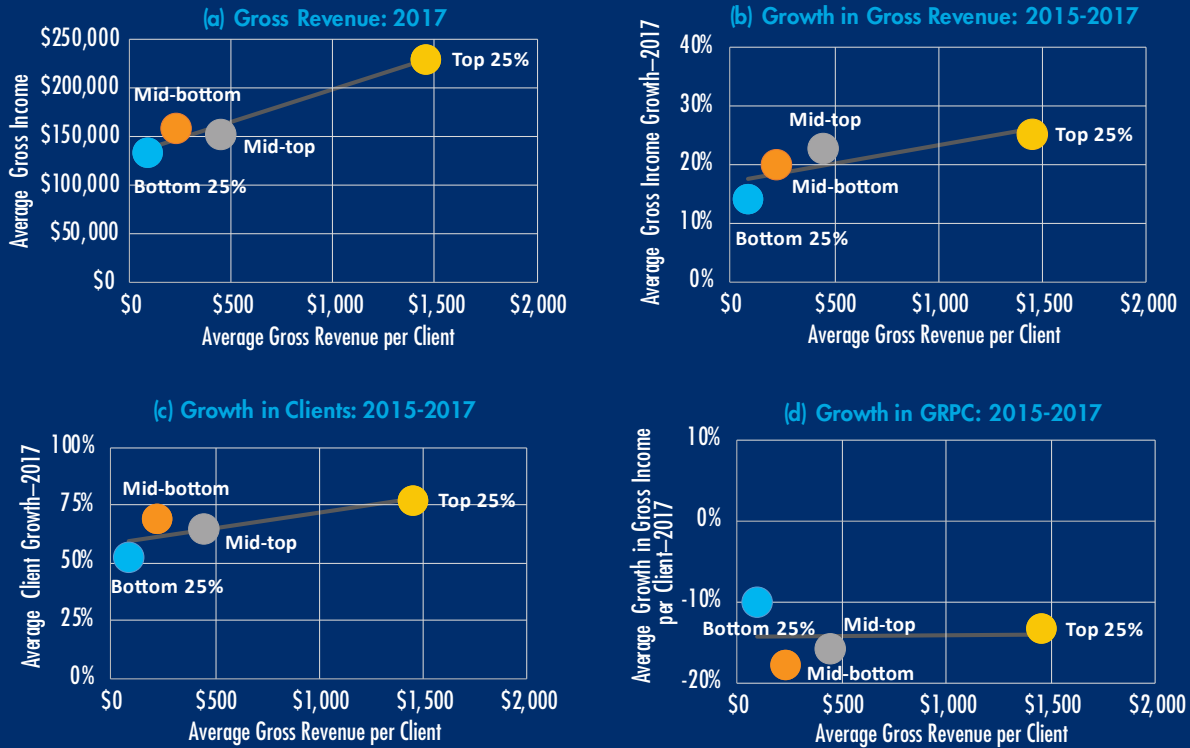
Figure (c) shows that all segments in every channel experienced a positive growth in their clientele – ranging from 20 to 30 percent for investment-focused professionals and 50 percent or more for insurance-focused advisors over the period of 2015 to 2017. Generally, the top 25 percent of high-performing advisors in all channels have experienced less growth or, in some cases, are on par with others. For example, the number of clients in the top 25 quartile in all investment-focused channels suffered less growth compared to other quartiles.

<sup>5</sup> However, the average income of these advisors – though clustered by average gross revenue per client – are relatively high; not all of them may fall into a top 25 quartile of advisors grouped in terms of gross or net income.

FIGURE 3

# RELATIONSHIPS AMONG 2017 GROSS INCOME, GROWTH IN GROSS INCOME, GROWTH IN AVERAGE NUMBER OF CLIENTS, AND GROWTH IN GROSS REVENUE PER CLIENT FOR EACH DISTRIBUTION CHANNEL

## Insurance-Focused – Career Agents



## Investment-Focused – Independent Broker-Dealers







### Figure (d)

However, the sets of figure (d) show growth in average revenue per client for quartiles in each channel and therefore illustrate the strength of high-performing advisors. They also explain how the top quartile – despite having mild or less growth in clientele – still keeps the pace of growth of their income high. In every channel, the top 25 percent are likely to maintain or improve their gross revenue per client compared to others – both from their new and existing client base.

Two characteristics are to be noted in the above set of figures:

- The group of top 25 percent of advisors outdistance themselves from the other three quartiles by a fair margin. The lower three quartiles remain in a cluster – in terms of their average gross income and their income growth over the period.

The trends are the same for both insurance-focused and investment-focused advisors – they differ only by the magnitudes of each variables. In each of the distribution channels, the following findings are common:

- The top 25 percent of advisors irrespective of distribution channels, are quite far ahead of their colleagues in receiving more gross revenue per client.
- In many channels, the high-performing advisors are experiencing less growth or on par growth in clients compared to others. However, the fewer new clients, in all channels, are off-set by higher yield in average gross revenue by the high-performing advisors as they push themselves diagonally to the right to improve revenue per client.
- In each channel, advisors in all quartiles have experienced growth in number of clients. However, it is the top 25 percent advisors who maintain a high revenue yield per client and thus outdistance themselves in terms of gross income compared to others. It suggests that the top advisors have been successful in building a practice with an ideal client base who offer the highest revenue potentials.

- All advisors experienced growth in their gross income as well as the number of clients during the period 2015 – 2017, partly fueled by equity market gains. However, only by maintaining a high average gross revenue per client for existing as well as new clients (the latter is more difficult), the top advisors may sustain the growth of their practices.

# Common Threads

There are certain characteristics that all high-performing advisors share irrespective of their channels. Below are the most common threads observed across all channels among high-performing advisors. These common patterns behind advisors' success show a natural sequence: Designations allow advisors to offer more specialized and varied services. These specialized and varied services meet the needs of affluent clients, particularly retirement income planning, which may help in consolidating clients' assets with advisors and thus help them maintain or improve gross revenue per client.

## Professional Designations Help

Designations earned by an advisor often reflect skill, expertise, and specialization, and more importantly, imply the competence of advisors to offer multiple products and solutions. The top quartile of advisors in terms of revenue per clients typically, on average, have earned more professional designations than advisors in lower quartiles (Table 1). For example, in the career channel, the top quartile advisors, on average, have 1.04 designations compared to 0.75 for bottom quartile career agents. Also, the percent of

advisors without any designations is lower in the top quartile in all channels compared to other quartiles.

However, designations like Chartered Financial Analyst (CFA), Certified Public Accountant (CPA), or Certified Financial Planner (CFP) impart advisors meaningful wider investment management and planning credentials as well maintain an ethical standard to always put the client's interest first. Other designations like Chartered Life Underwriter (CLU), Certified Investment Management Analyst (CIMA), etc., may connote specializations within a particular discipline. Generally, the top quartile of advisors in all channels have more CFAs, CPAs, and CFPs than other quartiles. These professional designations enable advisors to offer a variety of planning and investment-related guidance and advice to their clients.

## Ability to Offer Multiple Products and Services

In terms of products and services, the lines between high-performing insurance-focused and investment advisors are beginning to blur.<sup>6</sup> Regulations and

**TABLE 1**  
**AVERAGE NUMBER OF PROFESSIONAL DESIGNATIONS BY CHANNELS AND QUARTILES**

Distribution Channel	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
<i>Insurance-focused</i>				
Career agent	1.04	0.98	0.94	0.75
Ind. insurance agent	1.11	0.37	0.56	0.48
<i>Investment-focused</i>				
Bank	0.72	0.77	0.55	0.68
Full-service national B-D	0.98	0.78	0.72	0.77
Independent B-D	1.23	1.00	1.27	0.65
RIA	0.26	0.98	0.95	0.98

<sup>6</sup>Harnessing Growth: The LIMRA-EY Experienced Financial Advisor Study, LIMRA-EY, 2018.

technology continuously work to break down barriers among channels and force companies and advisors to change their practices accordingly. No longer are distribution channels and their advisors isolated regarding the products they sell, the markets they serve, or the services they require from their organizational partners.

Offering an expanded menu of services and products to meet clients' needs for investment, retirement, insurance, and estate planning enables advisors to deepen their relationship with their clients as well as helps to maximize the revenue per client.

Offering services like retirement income planning and asset/portfolio management are staples for investment-focused advisors. However, offering these

services are instrumental in differentiating the top and bottom quartile of insurance-focused advisors (Table 2). The top 25 percent of advisors among insurance-focused advisors are often more likely to offer these two services than the bottom quartile advisors.

As such, the percentage of revenue earned from advisory services by the top quartile is higher than other advisors (See Appendix B-8).

The top advisors in all channels (except the RIAs) are also more likely to offer planning for estates and trusts to their clients compared to other advisors (Table 3). Estate and trust planning are the culmination of retirement income planning as their goal is to maximize the terminal value of the client's assets.

**TABLE 2**  
**PERCENT OF REVENUE FROM ADVISORY SERVICES — BY QUARTILE**

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Insurance-focused advisors				
Career agents	17%	15%	7%	5%
Ind. insurance agents	13%	2%	1%	1%
Investment-focused advisors				
Bank advisors	44%	34%	28%	28%
Full-service national B-Ds	50%	51%	51%	39%
Independent B-Ds	47%	38%	35%	28%
RIAs	85%	79%	74%	71%

**TABLE 3**  
**PERCENT OF ADVISORS OFFERING ESTATES/TRUST PLANNING — BY QUARTILE**

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Insurance-focused				
Career agents	50%	35%	27%	21%
Ind. insurance agents	38%	32%	19%	9%
Investment-focused				
Bank advisors	53%	23%	50%	36%
Full-service national B-Ds	70%	55%	59%	57%
Independent B-Ds	52%	31%	39%	33%
RIAs	31%	25%	32%	46%

## Catering to More Affluent Client Base

With expanded products and service offerings, the top 25 percent of advisors by average revenue per client attract a more affluent client base. A majority of insurance-focused advisors and most investment-focused advisors say their clients come from households with \$250,000 or more in investable assets (Figure 4). Building a client base with considerable assets means advisors can increase revenue per client by offering a broader range of products and services that are tailored to meet the unique needs of these more affluent clients.

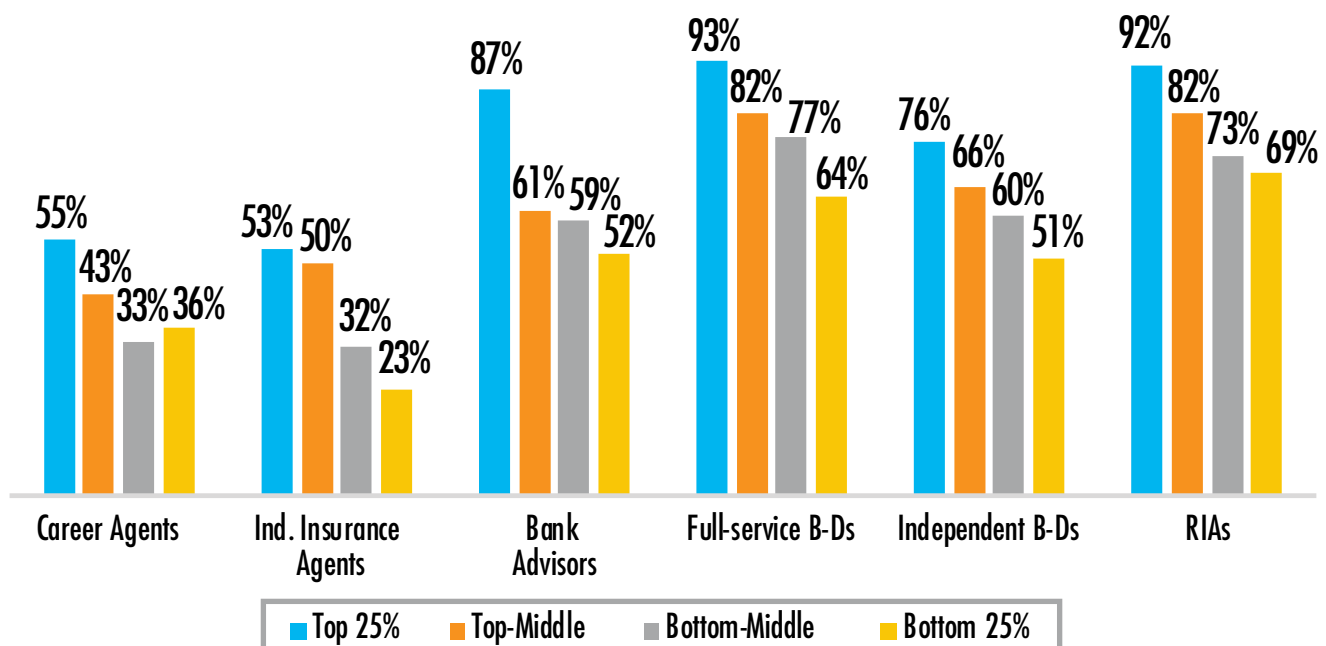
The fact that high-performing advisors in most channels grow more slowly in terms of number of clients than other quartiles suggests that these top advisors are selective and monitor the revenue potential per client.

There is no discernible difference in clients served by generational composition by the top 25 percent of advisors and others. In the insurance-focused channels, slightly less than 40 percent of clients are Baby Boomers and in the investment-focused channels, Boomers constitute around half of the clientele.

**High-performing advisors  
do what they are good at  
and have clients  
who benefit from that  
expertise.**

FIGURE 4

### ADVISOR QUARTILES WITH PERCENT OF AFFLUENT (ASSETS \$250K+) CLIENTS IN THE BOOK



## Doing More Retirement Income Planning



Offering and implementing retirement income plans separates the top 25 percent of advisors from the others in their distribution channels. For channels with a lower average gross revenue per client (career, independent insurance agent, and banks), top quartile advisors are significantly more likely to offer retirement income planning than those in the bottom quartile (Figure 5). This is a key difference, because as the advisors in the top quartile of these channels expand their services and shift more towards a relationship-based practice model, they are able to generate more revenue for each client they have. This trend is less pronounced for investment-focused advisors as they already have a relationship-focused practice. Top quartile independent B-Ds show higher offering of retirement income planning but there is minimal difference between full-service B-Ds and RIAs, most likely attributed to more focused strategies that do not always pertain to generating income for retirement.

More importantly, the practice of offering retirement income planning for clients results in a higher percentage of clients with a formal income plan (Figure 6). In all channels, the high-performing advisors almost always report having completed retirement income planning for a higher percentage of their clients compared to others. However, these are self-reported numbers and do not indicate that all advisors' definition and depth of retirement income planning are the same.

The influence of offering retirement income planning to clients can be monetized for insurance-focused and investment-focused advisors (Figure 7). Looking at the breadth of offering retirement income planning to clients (to all, a selective group, only if clients ask, or none at all) and the corresponding average revenue per client, shows the advisors offering retirement income planning to all clients typically yield higher revenue per client for both insurance-focused and investment-focused advisors. Among the insurance-focused channels, the advisors offering retirement income planning to all clients typically reap 2.5 times higher average revenue per client than advisors who do not offer retirement income planning. Investment-focused advisors who offer retirement income planning for all clients receive double the average gross revenue per client than advisors who do not offer any retirement income planning. The trend also indicates that the more immersed these advisors are in retirement income planning, the more they benefit in improving average revenue per client. (For average gross revenue per clients for advisors in individual channels, please see the Appendix B-5).

FIGURE 5

**PERCENTAGE OF ADVISORS IN QUARTILES OFFERING RETIREMENT INCOME PLANS TO ALL CLIENTS**

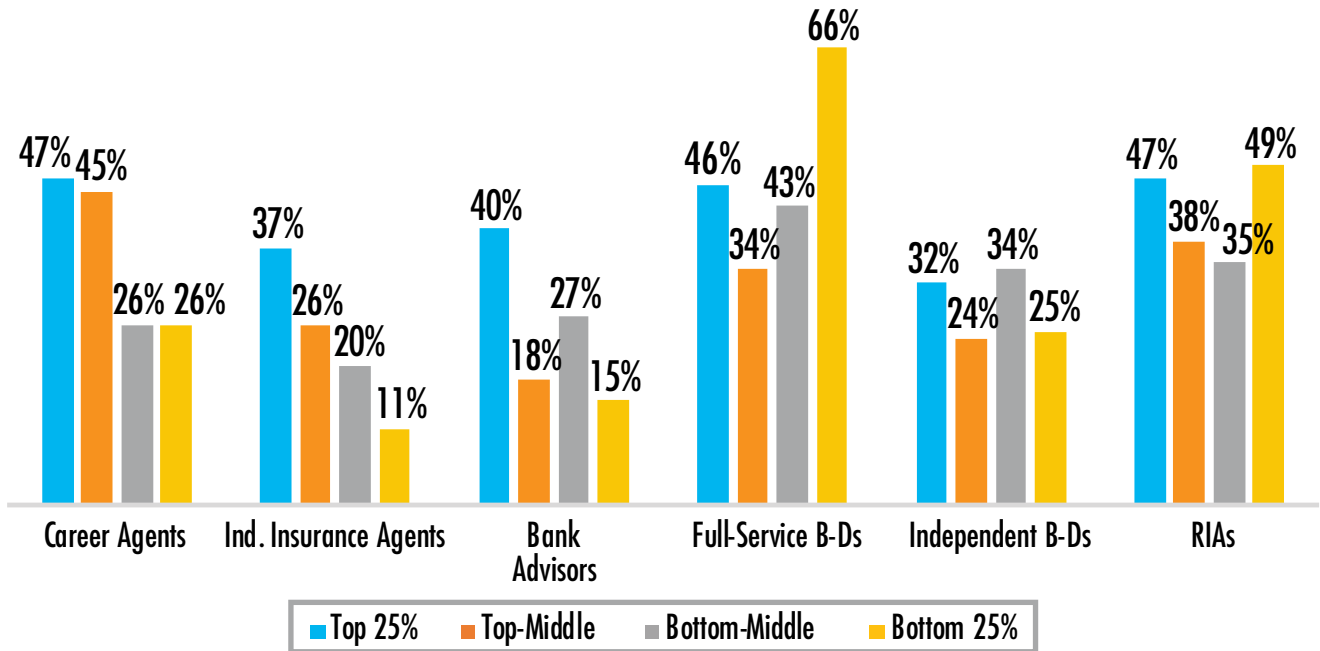
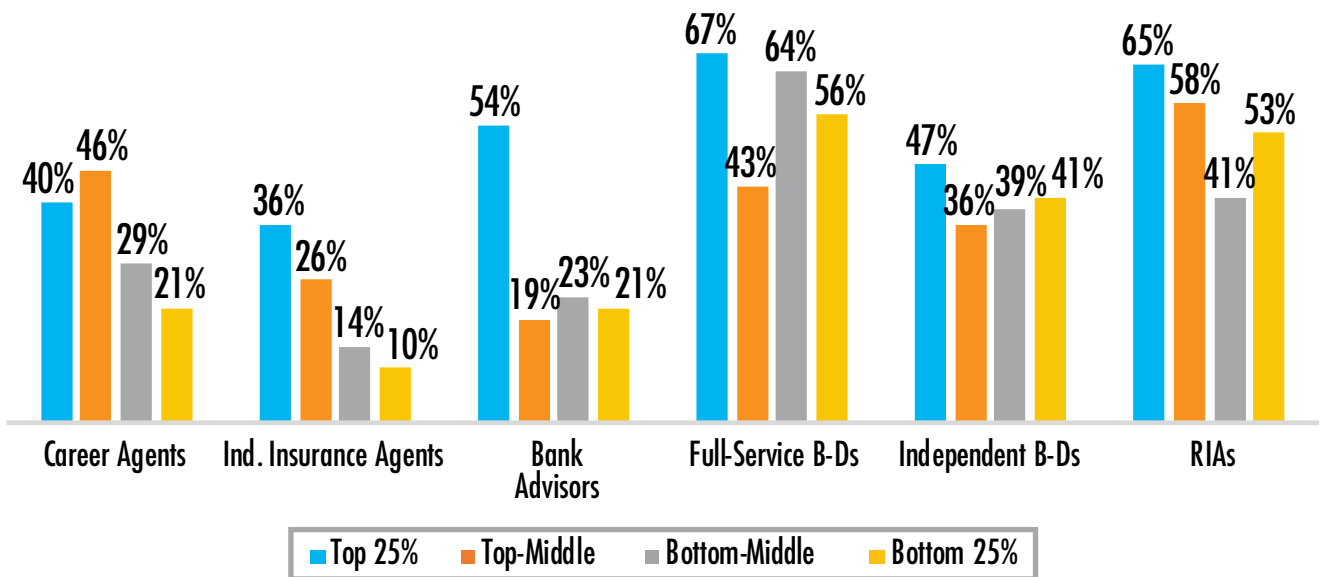


FIGURE 6

**PERCENTAGE OF ADVISOR QUARTILES: PREPARED INCOME PLANS FOR 50 PERCENT OR MORE OF CLIENTS**

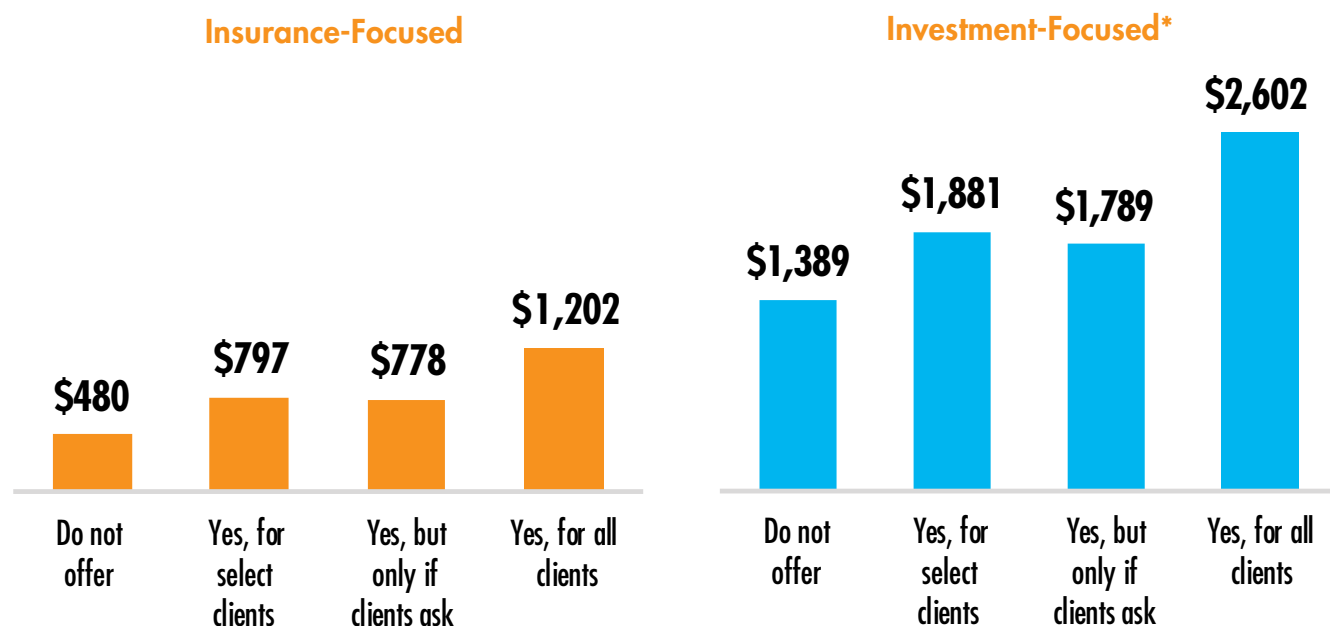


The reasons are simple. To prepare a retirement income plan, advisors must know where the assets are, the expected retirement lifestyle of both spouses, their estate and gifting needs, and the need for guaranteed income based on clients' preferences for retirement income.

Also more clients with a plan are likely to refer their friends and families compared to clients without a plan. Offering retirement income planning to all eligible clients in the book is an important contributing factor in client growth and average income per client for both insurance-focused and investment-focused advisors (Appendix B-3).

FIGURE 7

### GROSS REVENUE PER CLIENT FOR ADVISORS BY EXTENT OF RETIREMENT INCOME PLANNING OFFERINGS



**\*Note:** Investment-focused advisors include bank advisors, independent B-Ds, full-service national B-Ds and only dually-registered RIAs. Fee-only, independent RIAs who largely draw their revenue from fees on assets under management are excluded.

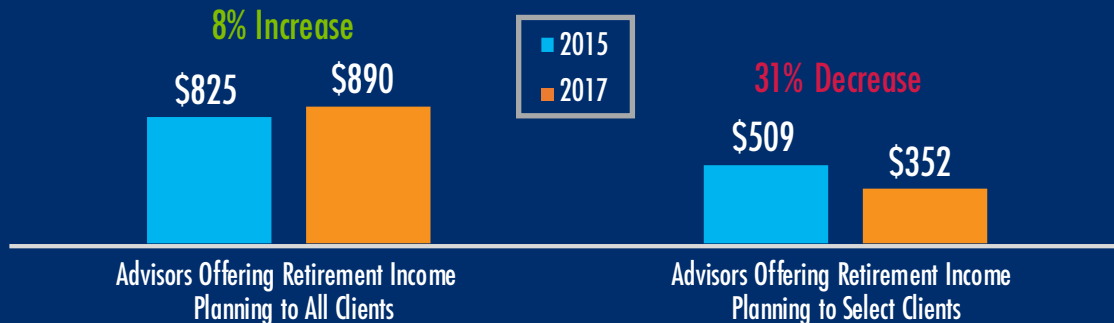


# A Case Study of Insurance-Focused Advisors With CFP Designations\* Offering Retirement Income Plans to All or Select Clients

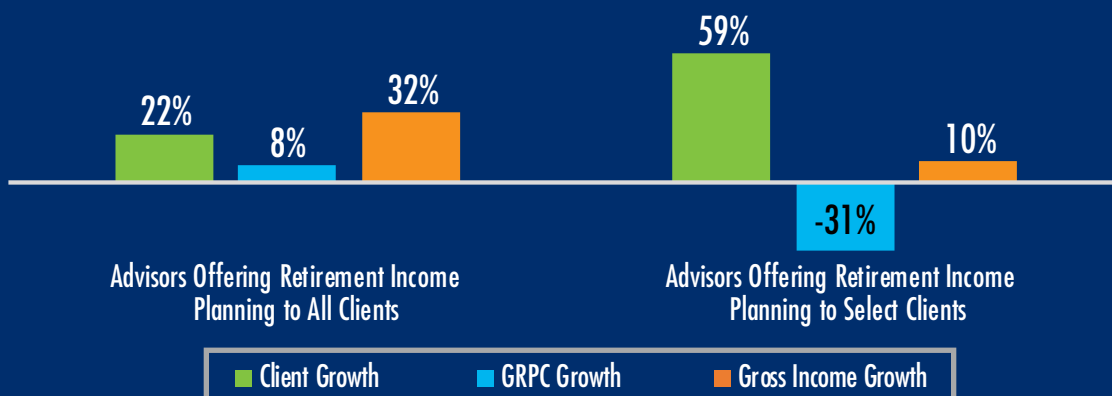
	Advisors Offering Retirement Income Planning to All Clients	Advisors Offering Retirement Income Planning to Select Clients
Average # of Clients – 2015	271	397
Average # of Clients – 2017	332	629
Client Growth	+22%	+59%
Average Gross Revenue per Client – 2015	\$825	\$509
Average Gross Income per Client – 2017	\$890	\$352
Gross Income per Client Growth	+8%	-31%
Average Gross Income – 2015	\$223,869	\$201,921
Average Gross Income – 2017	\$295,120	\$221,678
Gross Income Growth	+32%	+10%

The case study highlights the importance of offering retirement income planning to all clients. Even when we look at advisors with a CFP designation in insurance-focused channels, offering retirement income planning to all clients makes a difference. When offered to all clients, it leads to higher gross revenue per client (GRPC) compared to GRPC of advisors who offer planning to select group of clients.

## AVERAGE GROSS REVENUE PER CLIENT (GRPC) FOR INSURANCE-FOCUSED ADVISORS WITH CFP DESIGNATION



## GROWTH METRICS FOR INSURANCE-FOCUSED ADVISORS WITH CFP DESIGNATION AND RETIREMENT INCOME PLANNING OFFERED



\*Based on 50 insurance-focused advisors with a CFP designation with almost equal number of advisors offering retirement income planning to all or select clients.

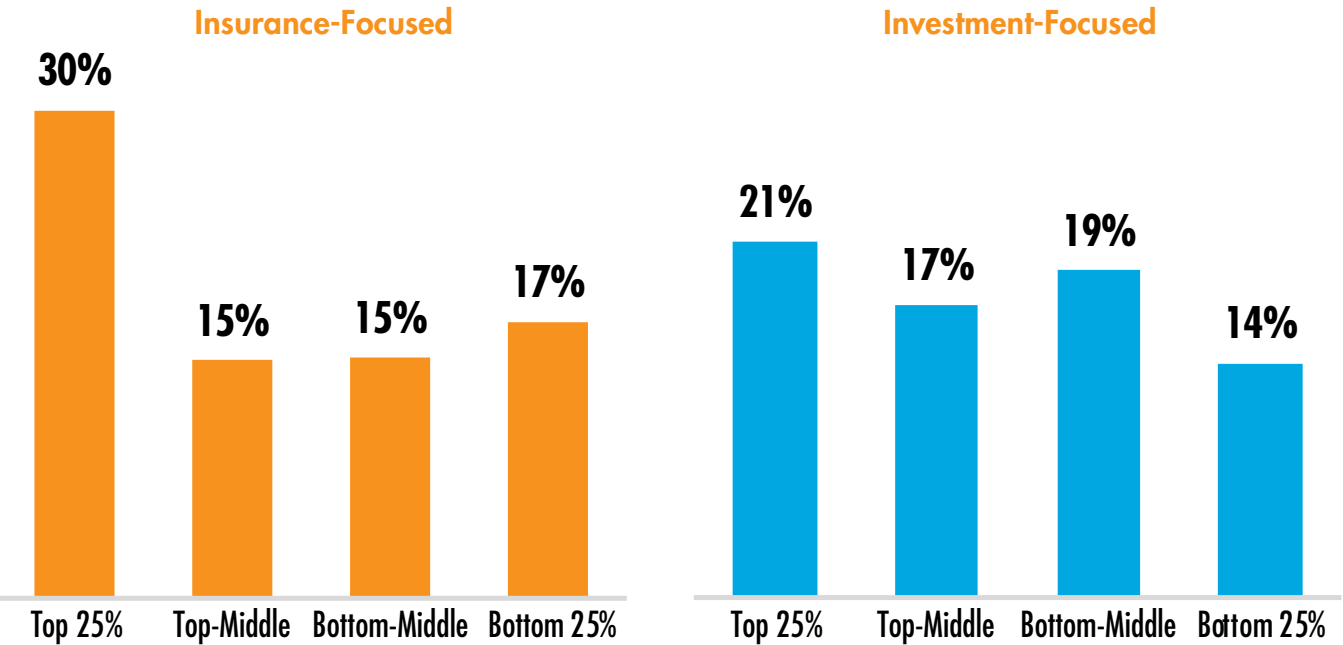
# Other Threads In the Weave

## Hiring Talents

Many advisors are investing in tools and implementing new sales and service methods to stay at the forefront of change. Though we see all advisors spending on innovative tools for their practices, high-performing advisors are more likely to invest in human capital by hiring staff with analytic and digital skills. In all of the distribution channels, the top 25 percent of advisors stress more on hiring talent with analytical and digital skills as part of their investment in innovation compared to other advisors (Figure 8). In some distribution channels, however, hiring is not a decision directly influenced by individual advisors.



FIGURE 8  
PERCENT OF ADVISORS INVESTING IN HIRING TALENT



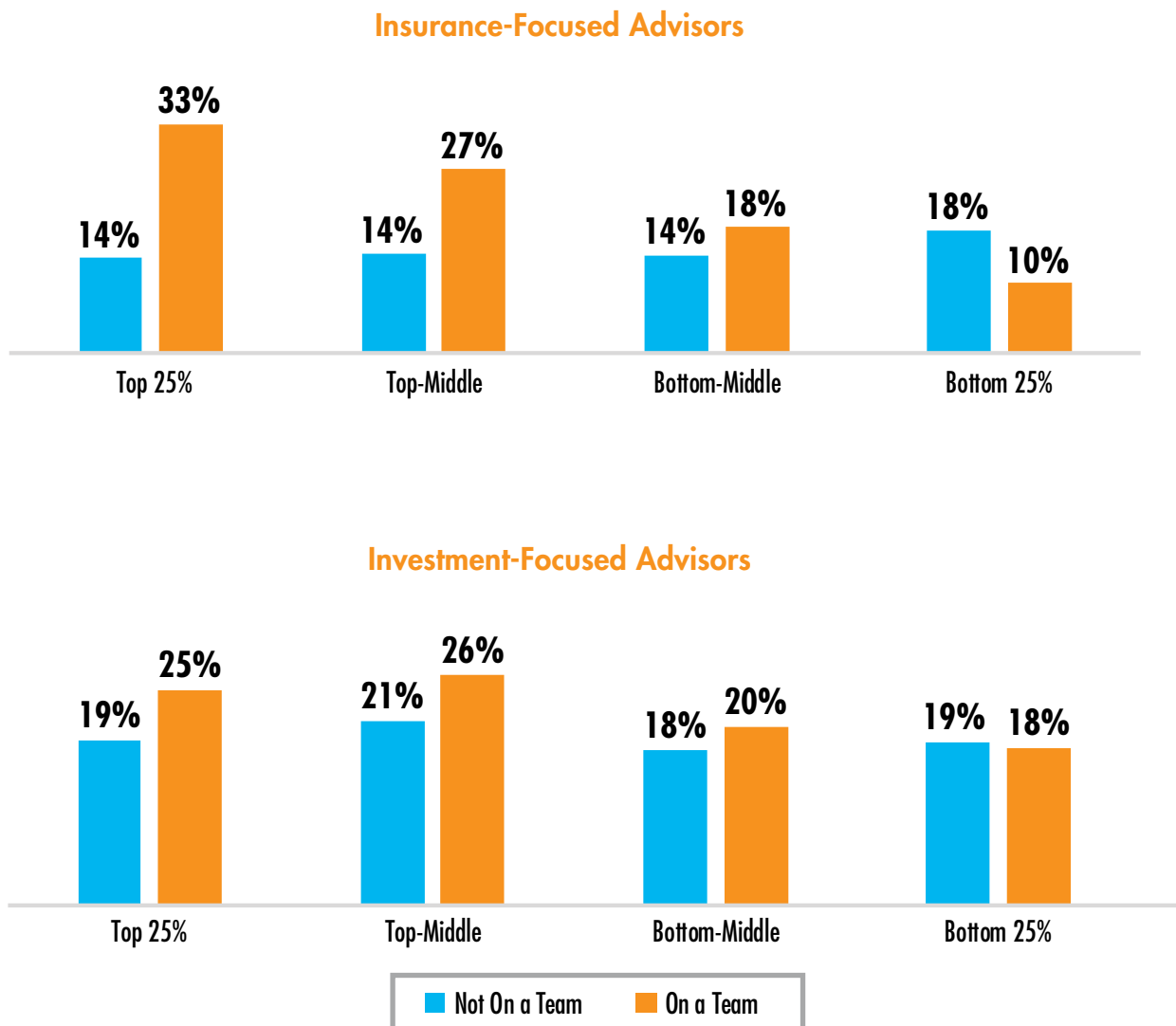
## Teaming

Evolving client needs and expectations gives rise to the need for teaming. Teaming up with other advisors or practitioners means the firm or advisors can offer compelling benefits in the form of specializations such as attorneys, estate planners, annuity specialists, accountants, etc. Such teaming can attract affluent clients and help with their retention. Less than half of insurance-focused advisors and nearly 60 percent of investment-focused advisors say they are part of a team (Appendix B-6). RIAs are the least likely to be in a team

and many of the high-performing RIAs (many of whom are fee-based asset managers) are not on a team.

When insurance-focused advisors work as part of team, the growth in the gross income is noticeable compared to advisors who are not (Figure 9). Because the majority of investment-focused advisors work on a team already, the difference in growth of gross revenue is less pronounced for them.

**FIGURE 9**  
**GROWTH IN GROSS INCOME BY ADVISOR QUARTILES BASED ON AVERAGE REVENUE PER CLIENT**



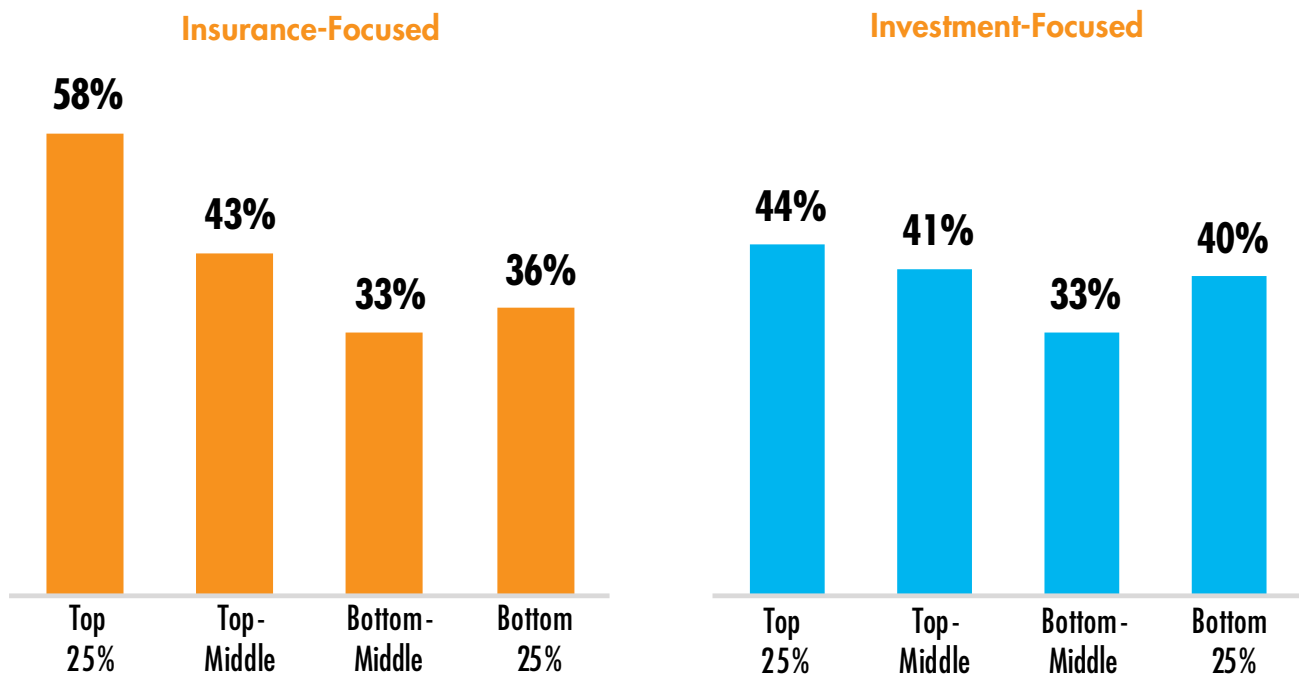
## Early Adoption of Technology

High-performing advisors, particularly in insurance-focused channels, are more likely to adopt new technology in its early stages for their business. They either actively pursue new technology or buy into new technology early (Figure 10). An earlier LIMRA Secure Retirement study<sup>7</sup> shows most advisors are interested

in improved tools in two major areas: marketing and client acquisition and ongoing client engagement.

As early adopters, top performing advisors introduce new ways to streamline process in their practice, driving efficiencies and improving margins.

**FIGURE 10**  
**PERCENTAGE OF ADVISOR QUARTILES FOR TECHNOLOGY ADOPTION – EITHER ACTIVELY PURSUE OR BUY NEW TECH EARLY**

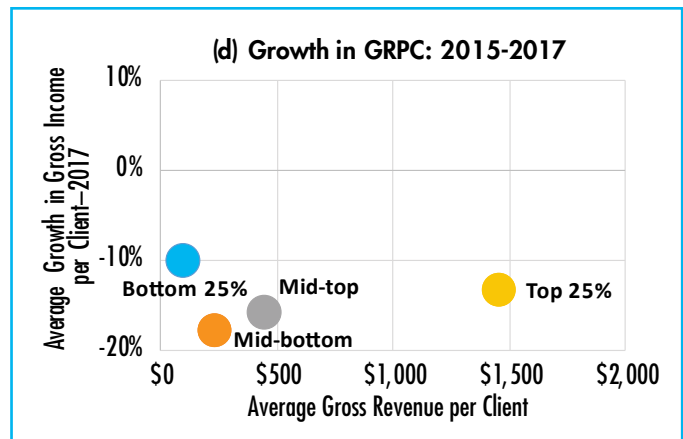
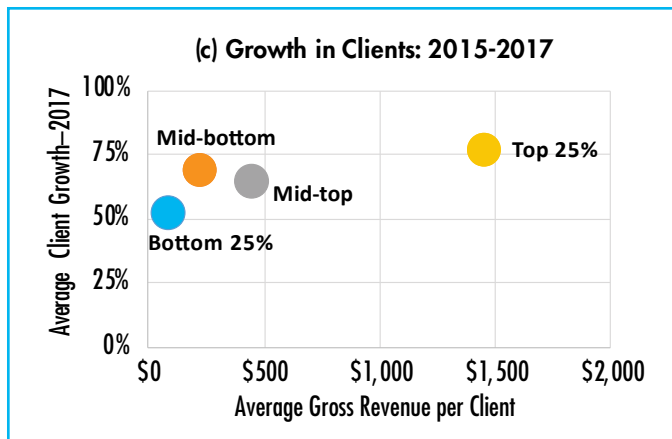
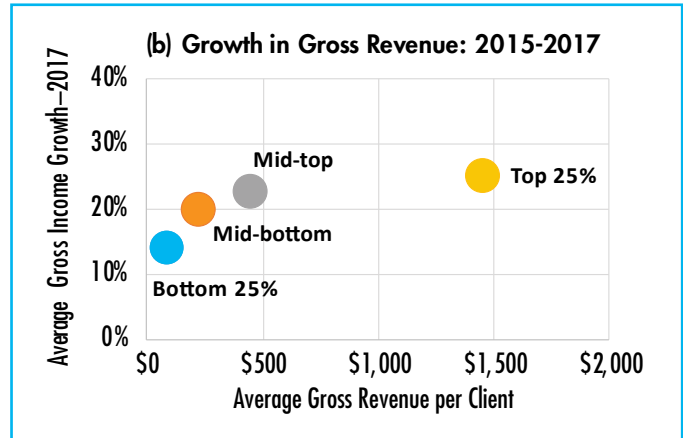
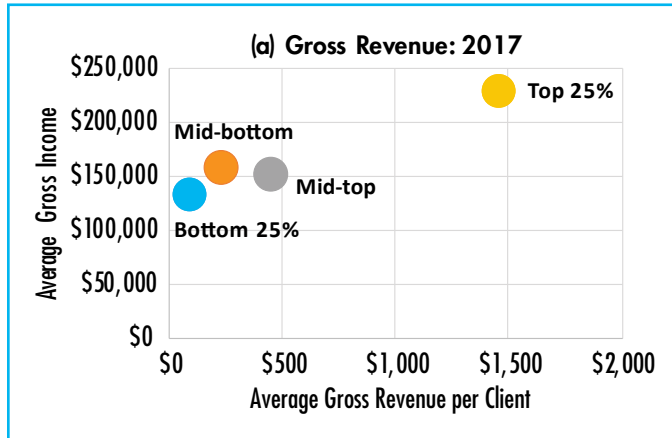


<sup>7</sup> The Retirement Income Reference Book – Fourth Edition, LIMRA Secure Retirement Institute, 2018.

# Appendix A

Note: Each set of figures in Appendix A may show different scales on the Y-axis. Values in the X-axis – average gross revenue per client – are shown on the same scale for each distribution channel. Please note growth is not the rate of growth.

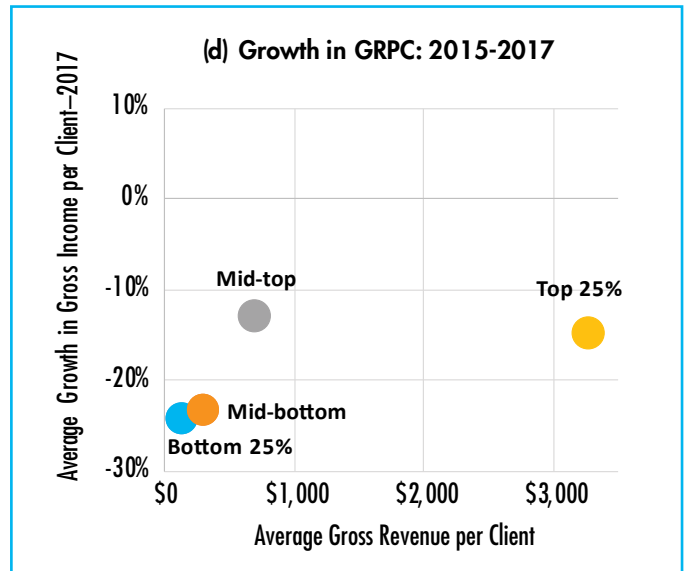
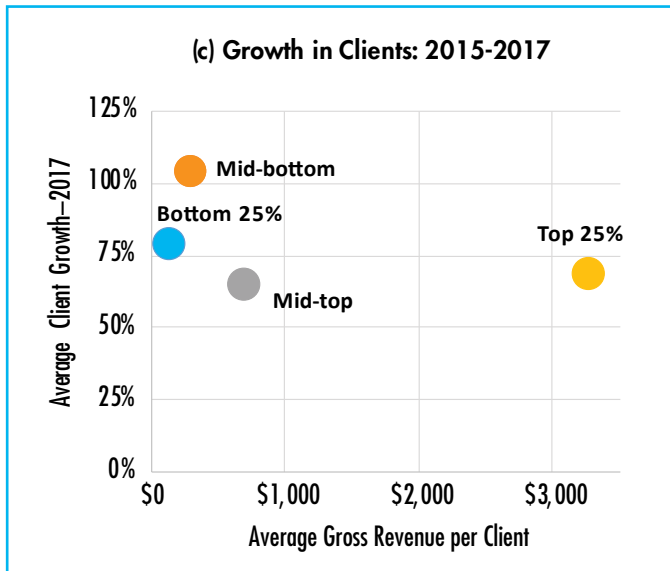
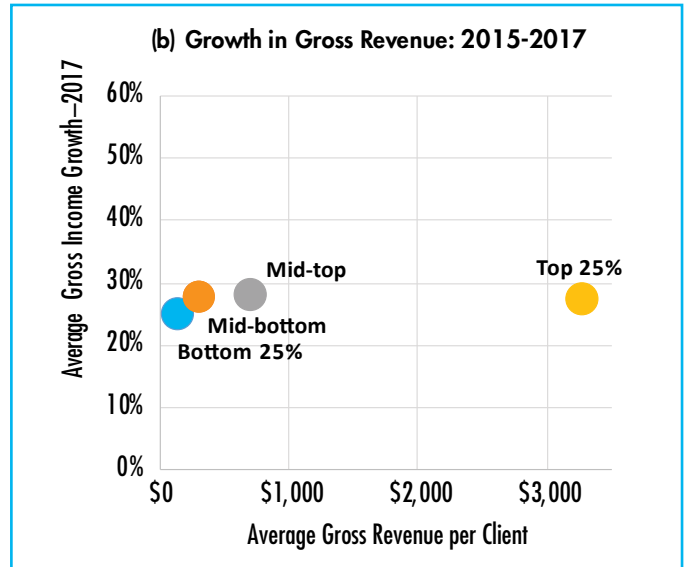
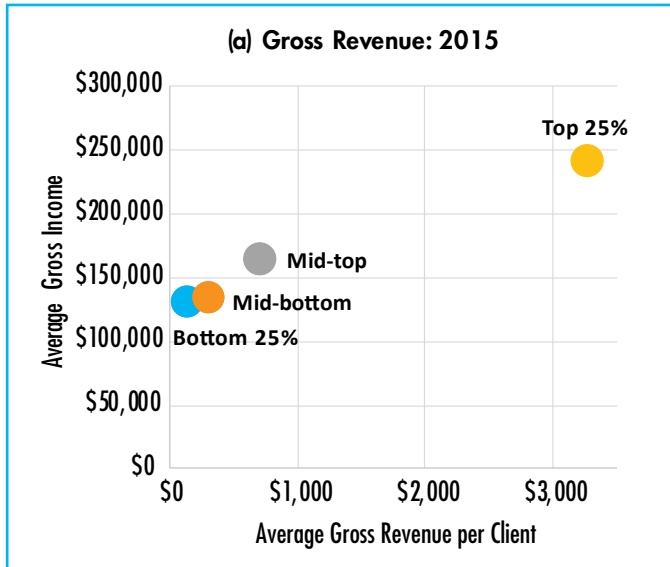
## INSURANCE-FOCUSED ADVISORS Career Agents



■ Bottom 25%   ■ Mid-bottom   ■ Mid-top   ■ Top 25%

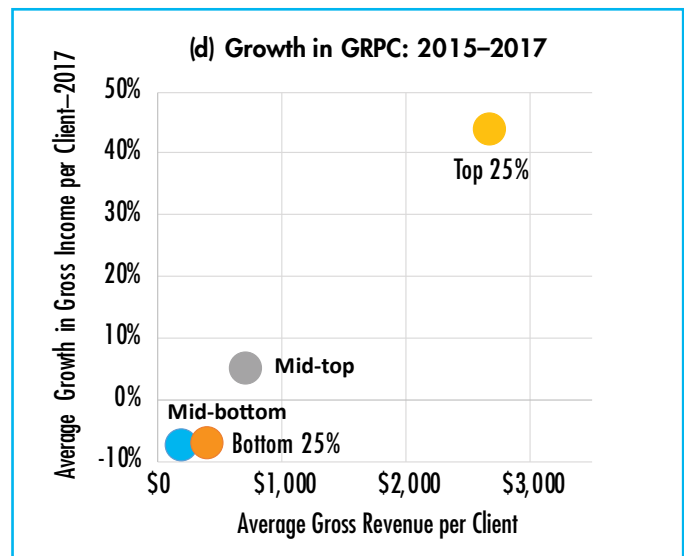
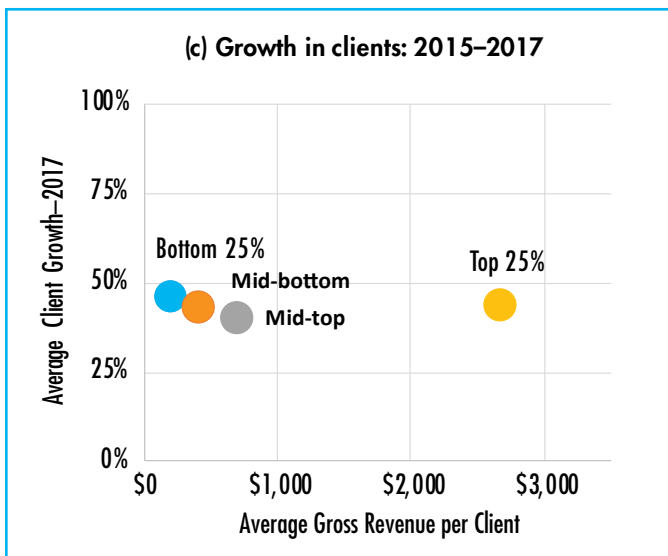
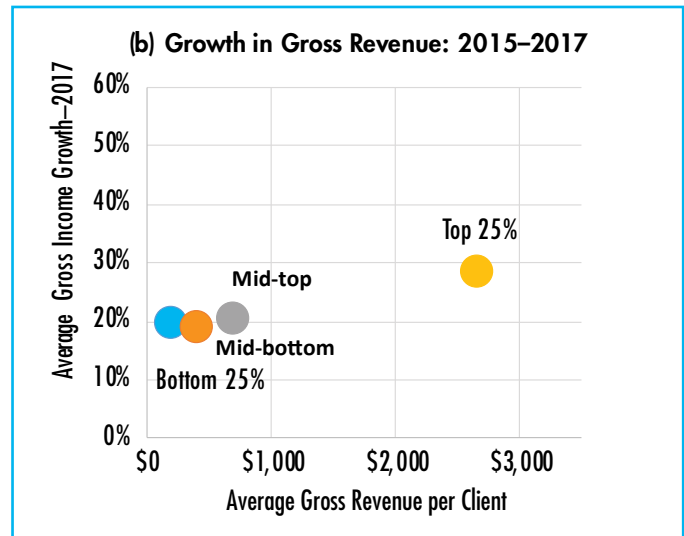
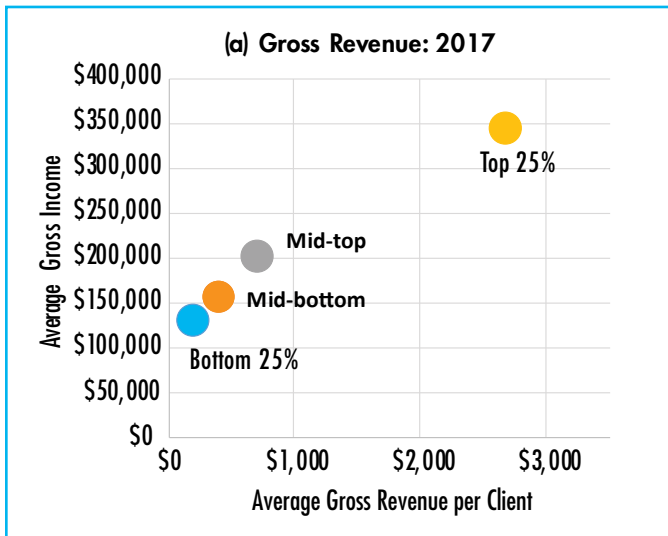
## INSURANCE-FOCUSED ADVISORS

### Independent Insurance Agents



## INVESTMENT-FOCUSED ADVISORS

### Bank Advisors

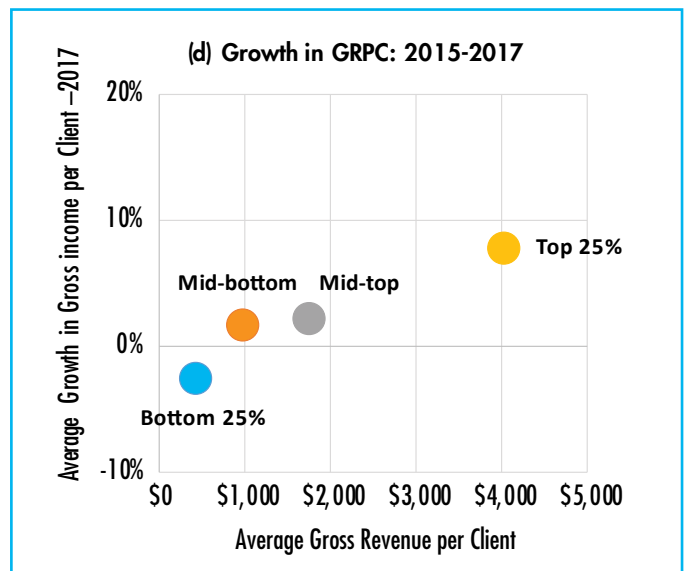
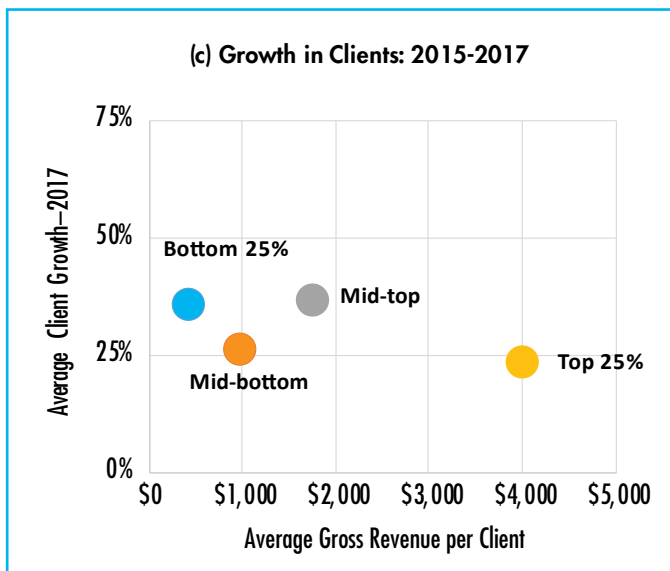
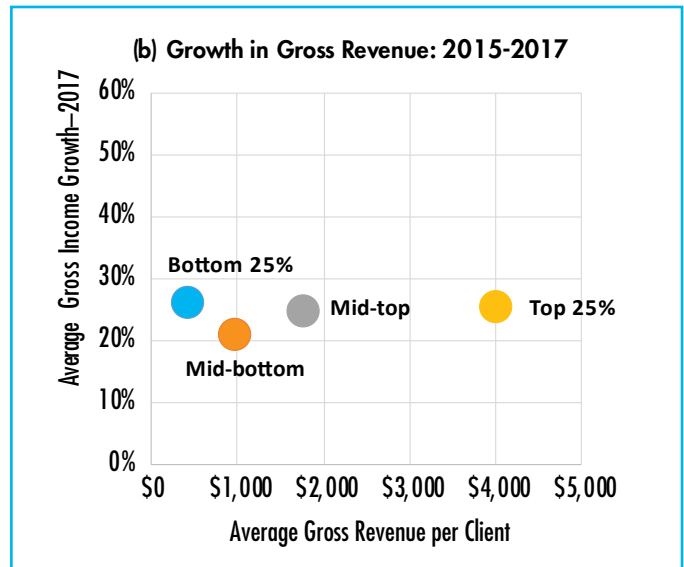
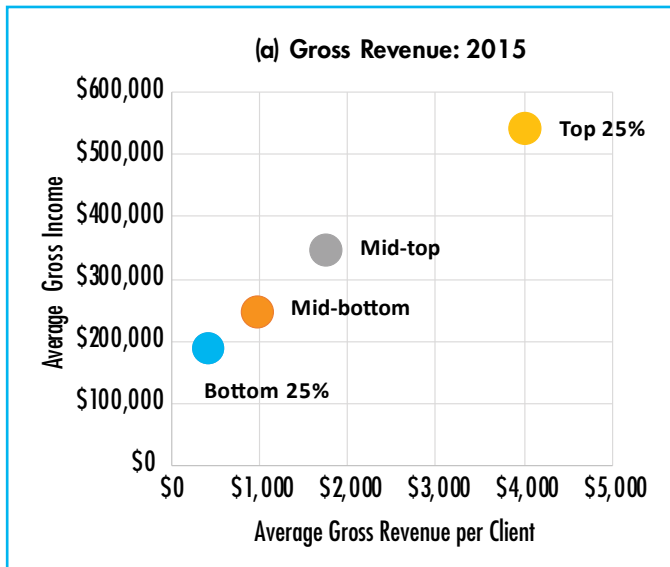


■ Bottom 25% ■ Mid-bottom ■ Mid-top ■ Top 25%

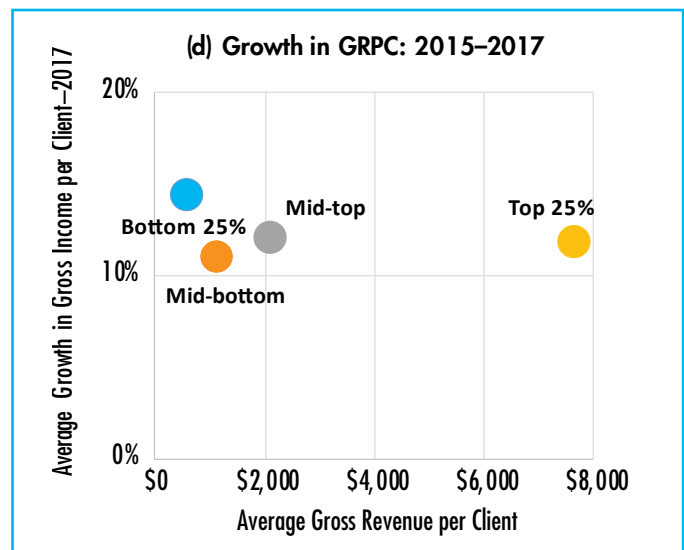
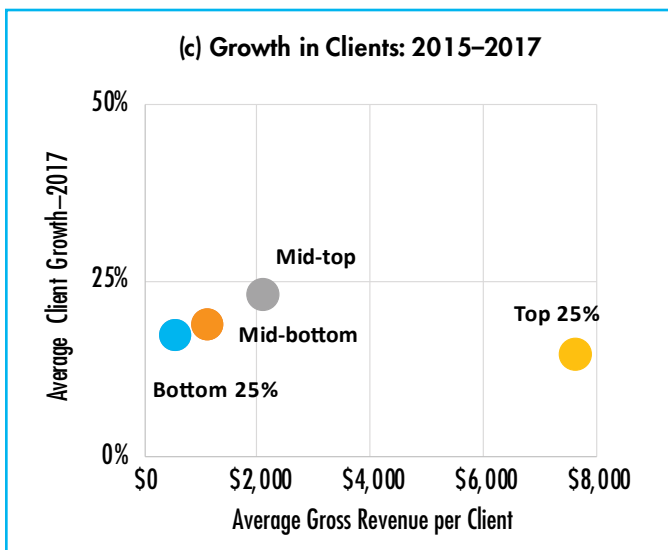
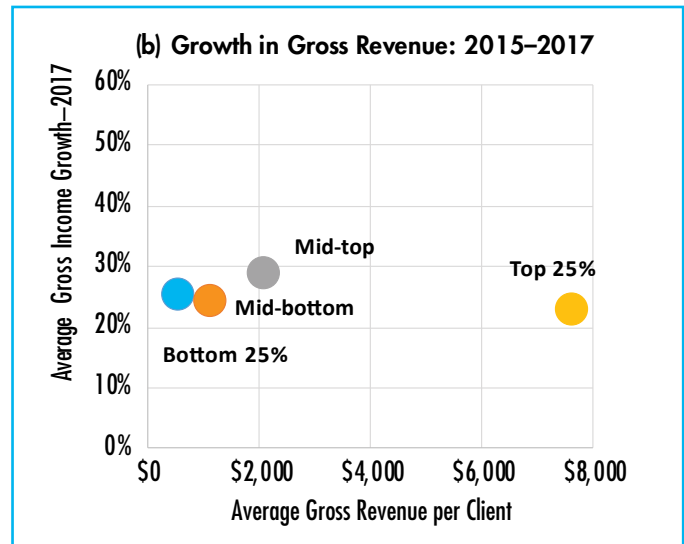
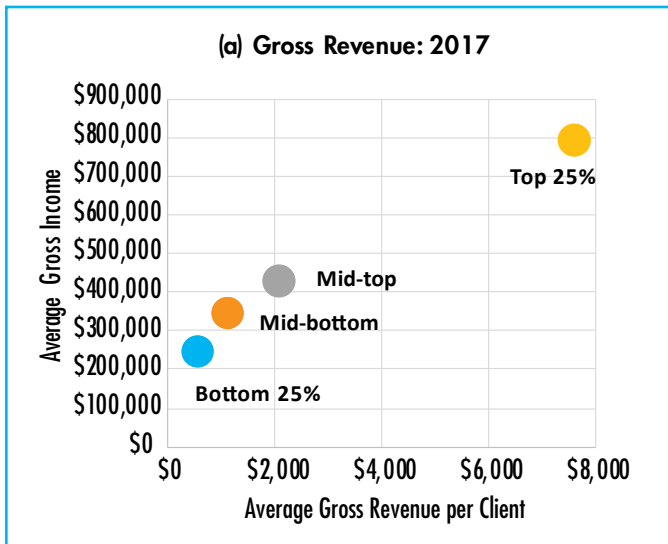


## INVESTMENT-FOCUSED ADVISORS

### Independent Broker-Dealers

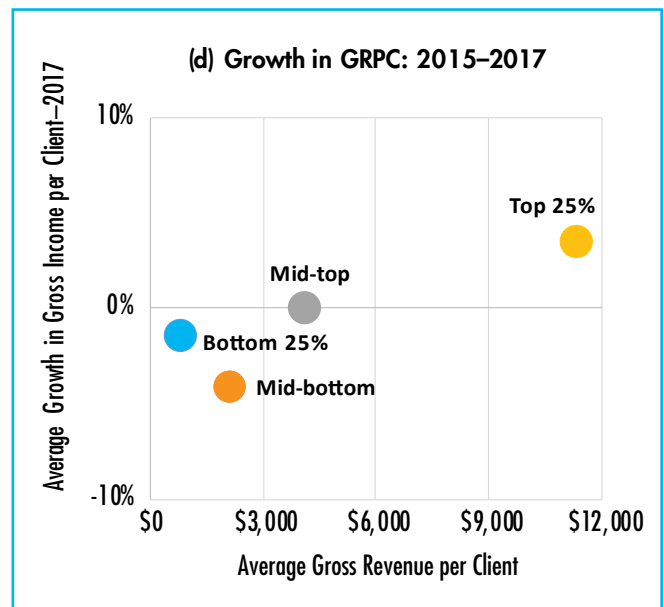
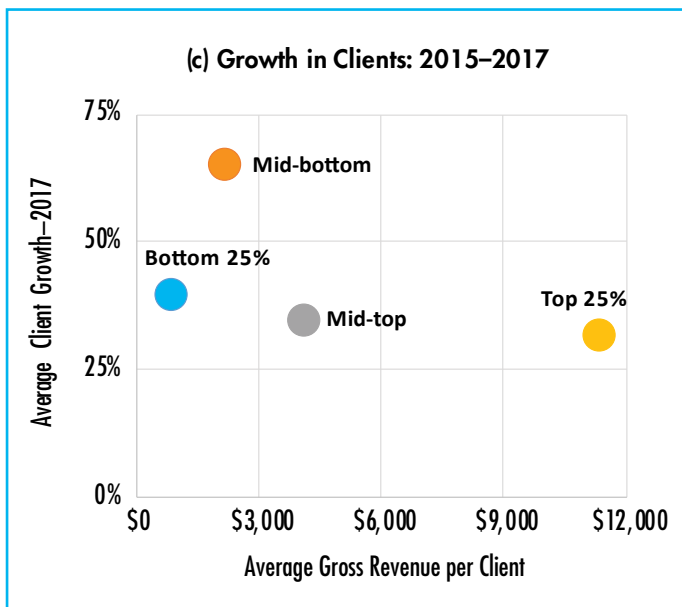
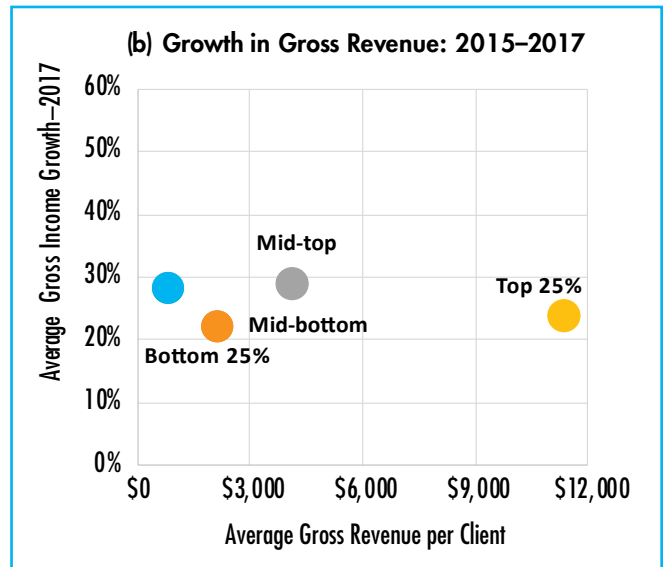
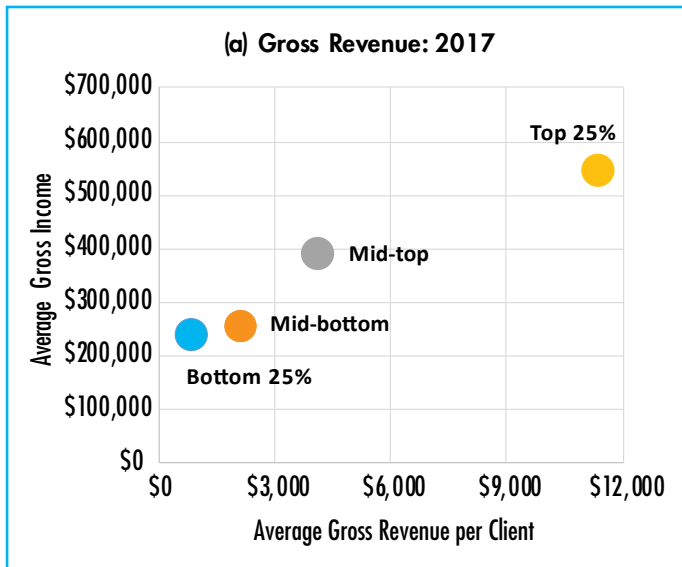


## INVESTMENT-FOCUSED ADVISORS Full-Service National Broker-Dealers



■ Bottom 25%   
 ■ Mid-bottom   
 ■ Mid-top   
 ■ Top 25%

## INVESTMENT-FOCUSED ADVISORS RIAs



# Appendix B

## 1. Values for Individual Channel Average GRPC and Average Number of Clients From Figure 2

### Mean Values

Channel	Gross Revenue per Client	Number of Clients
Career agent	\$222	766
Ind. insurance agent	\$320	524
Bank advisor	\$527	397
Ind. broker-dealer	\$1,138	290
Full-service broker-dealer	\$1,527	296
RIA	\$2,200	163

### Median Values

Channel	Gross Revenue per Client	Number of Clients
Career agent	\$323	400
Ind. insurance agent	\$417	300
Bank advisor	\$482	300
Ind. broker-dealer	\$1,089	225
Full-service broker-dealer	\$1,300	250
RIA	\$2,703	93

## 2. Offering Asset/Portfolio Management Services by Advisor Quartiles

Channel	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Insurance-focused				
Career agent	92%	94%	79%	72%
Ind. insurance agent	58%	36%	30%	26%
Investment-focused				
Bank advisor	88%	100%	93%	94%
Full-service B-D	100%	100%	100%	100%
Independent B-D	100%	100%	98%	100%
RIA	95%	98%	100%	100%

### Offering Retirement Income Planning

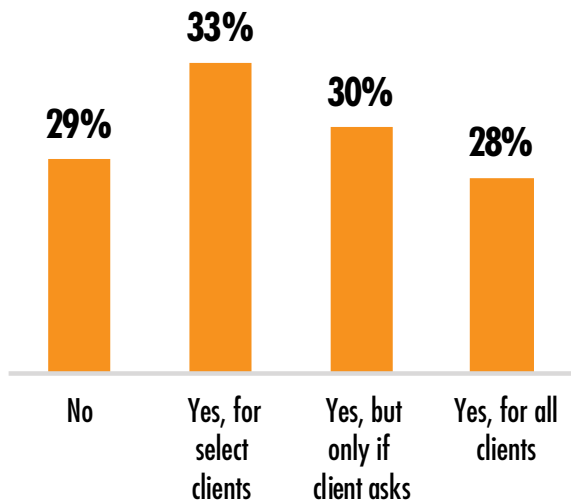
Channel	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Insurance-focused				
Career agent	96%	98%	90%	87%
Ind. insurance agent	81%	89%	70%	55%
Investment-focused				
Bank advisor	91%	100%	97%	94%
Full-service B-D	100%	100%	100%	100%
Independent B-D	100%	98%	98%	100%
RIA	88%	91%	98%	97%

### 3. Metrics: Growth in Clients and Gross Income

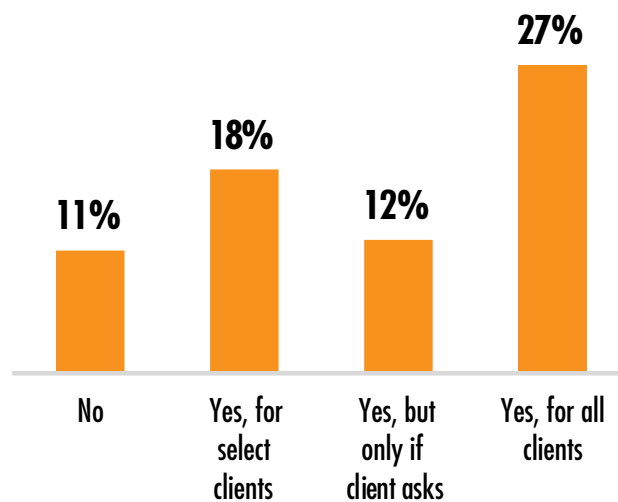
Based on Breadth of Retirement Planning Services Offerings

#### Insurance-Focused Advisors

2015 to 2017 Client Growth

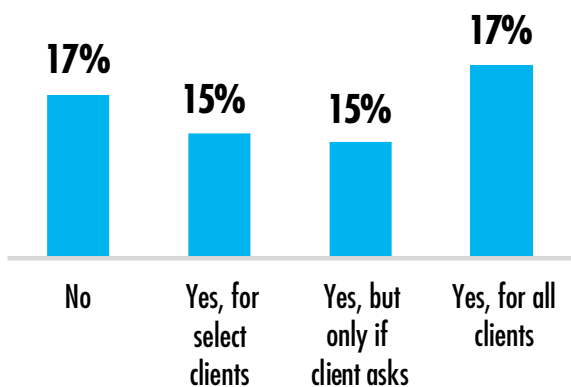


2015 to 2017 Gross Income Growth

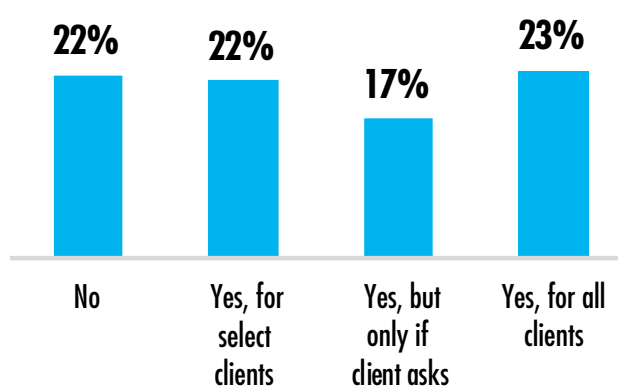


#### Investment-Focused Advisors

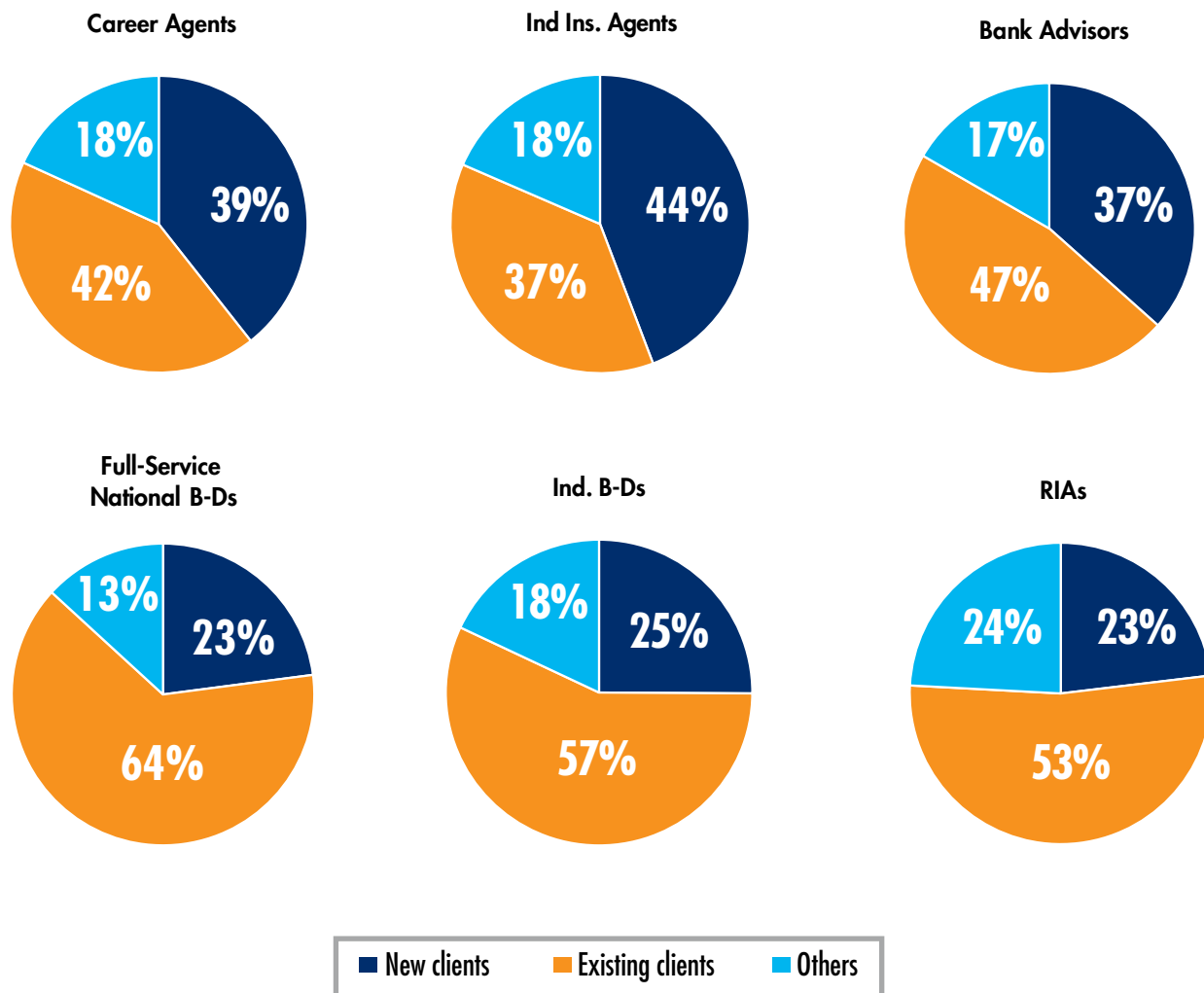
2015 to 2017 Client Growth



2015 to 2017 Gross Income Growth

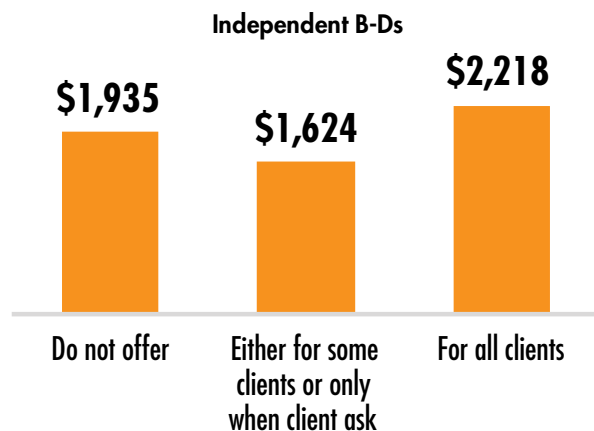
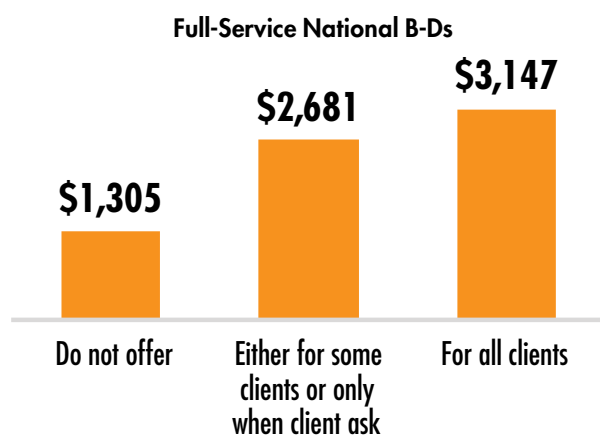
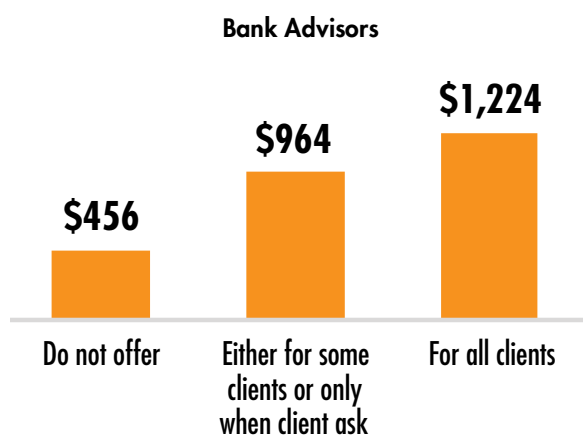
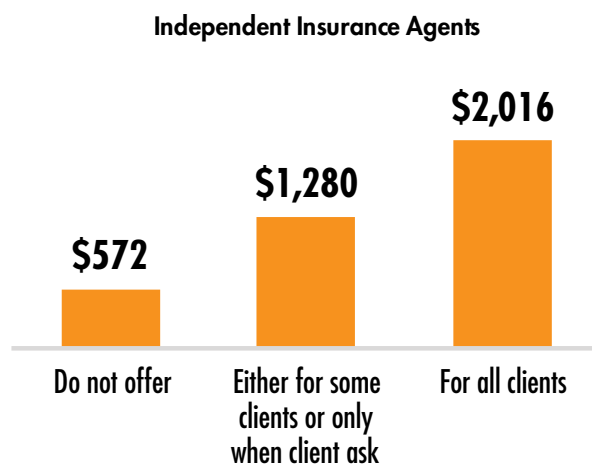
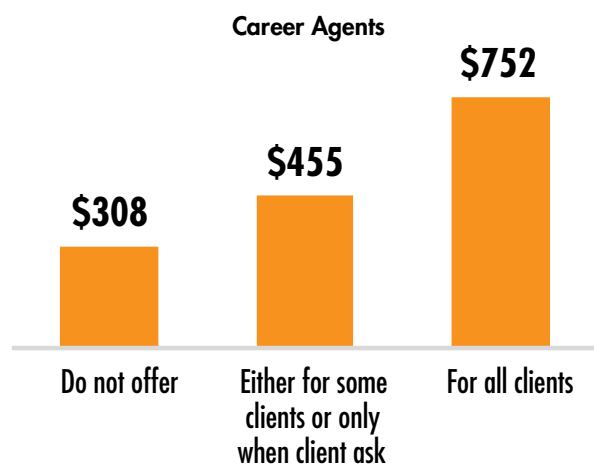


**4. How Much Time Do Advisors Spend on Building Relationships With New and Existing Clients?**



## 5. Average Gross Income per Client

Based on Breadth of Retirement Planning Services Offered\*



\*RIAs are not shown as the majority of RIAs are fee-only asset managers.



## 6. Teaming – Based on Advisor Quartiles by Gross Revenue per Client

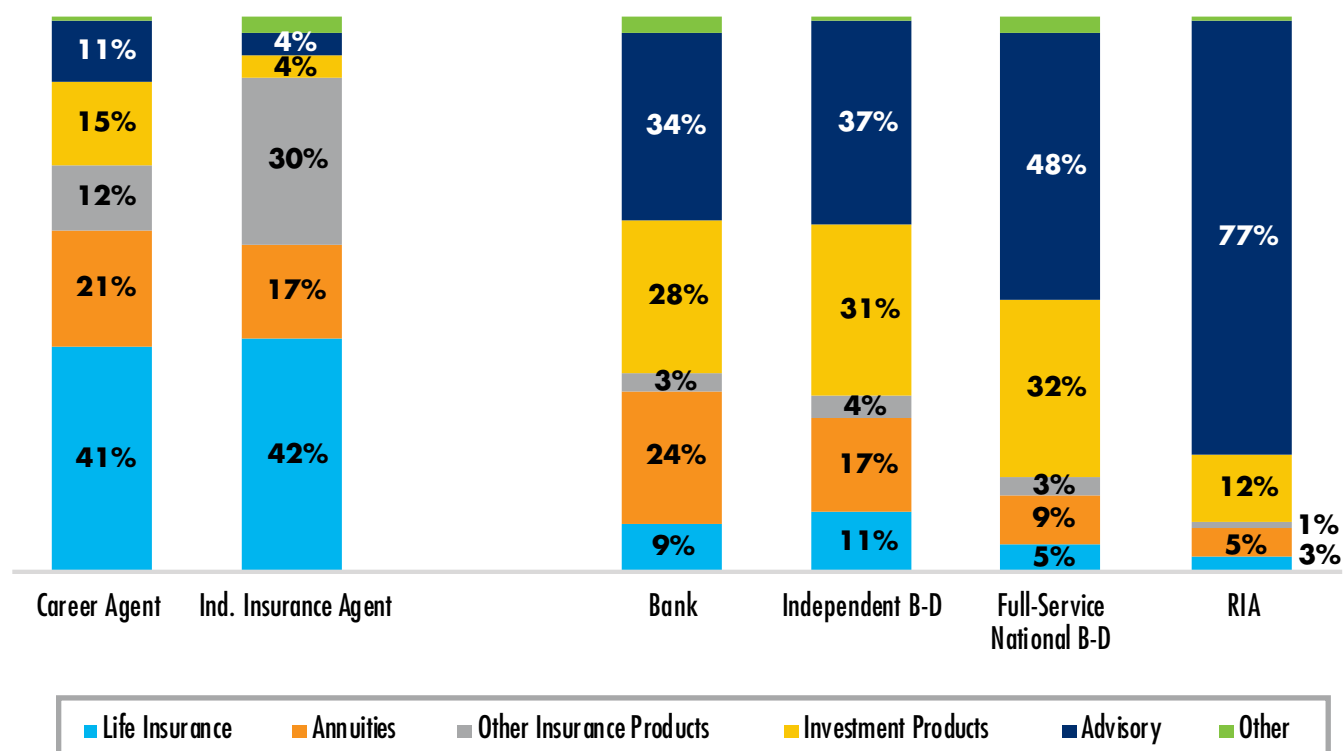
Percent of Advisors On a Team

Channel	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Insurance-focused				
Career agent	46%	31%	40%	57%
Ind. insurance agent	48%	40%	35%	42%
Investment-focused				
Bank advisor	63%	23%	30%	48%
Full-service national B-D	59%	57%	39%	31%
Independent B-D	53%	49%	42%	38%
RIA	34%	35%	43%	61%

## 7. Advisor Business Mix for Each Distribution Channel

### Insurance-Focused Advisors

### Investment-Focused Advisors



## 8. Business Mix for Advisor Quartiles by Gross Revenue per Client for Each Distribution Channel

### Career Agents

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Life Insurance Products	40%	38%	41%	45%
Health Insurance Products	6%	8%	15%	10%
Annuities	19%	16%	23%	24%
Investment Products	16%	20%	13%	12%
Property & Casualty	1%	2%	0%	3%
Advisory Services	17%	15%	7%	5%
Other	1%	1%	1%	1%

### Independent Insurance Agents

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Life Insurance Products	39%	43%	46%	37%
Health Insurance Products	17%	16%	33%	42%
Annuities	18%	30%	11%	11%
Investment Products	8%	2%	4%	1%
Property & Casualty	3%	2%	2%	4%
Advisory Services	13%	2%	1%	1%
Other	2%	5%	3%	4%

### Bank Advisors

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Life Insurance Products	13%	6%	11%	8%
Health Insurance Products	2%	2%	3%	3%
Annuities	13%	27%	28%	27%
Investment Products	26%	29%	27%	29%
Property & Casualty	1%	0%	0%	1%
Advisory Services	44%	34%	28%	28%
Other	1%	2%	3%	4%

### Full-Service National B-Ds

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Life Insurance Products	5%	5%	5%	6%
Health Insurance Products	2%	2%	2%	2%
Annuities	8%	9%	10%	11%
Investment Products	33%	31%	30%	37%
Property & Casualty	1%	0%	0%	1%
Advisory Services	50%	51%	51%	39%
Other	1%	2%	2%	4%

### Independent B-Ds

	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Life Insurance Products	9%	9%	10%	15%
Health Insurance Products	3%	3%	4%	3%
Annuities	13%	16%	18%	19%
Investment Products	26%	31%	32%	35%
Property & Casualty	0%	0%	0%	0%
Advisory Services	47%	38%	35%	28%
Other	2%	2%	1%	0%

### RIAs

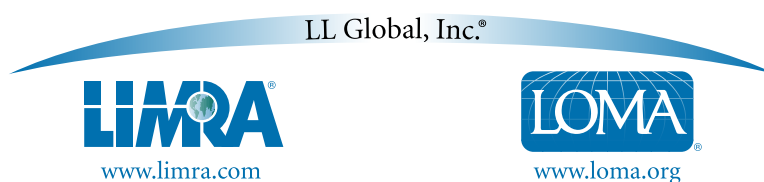
	Top 25%	Top-Middle	Bottom-Middle	Bottom 25%
Life Insurance Products	1%	4%	3%	5%
Health Insurance Products	1%	1%	1%	2%
Annuities	3%	4%	5%	8%
Investment Products	10%	10%	15%	11%
Property & Casualty	0%	0%	0%	1%
Advisory Services	85%	80%	75%	71%
Other	0%	1%	1%	2%

## About the LIMRA-EY Experienced Financial Advisor Study

To explore the needs and attitudes of financial professionals, EY and LIMRA jointly conducted an online quantitative survey of approximately 1,500 financial advisors from seven common insurance, investment, and advisory practice models. Respondents had a minimum of three years of sales experience in the industry and met minimum income thresholds for their practice models. The questions focused on:

- Recent and future growth
- Drivers of productivity
- Technology usage
- Services and support they expect from their organizational partners

The survey findings can help insurance companies and other financial services organizations align their products and service models to engage with different types of advisors as traditional boundaries in the industry continue to blur.



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