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HIGH-PERFORMING ADVISOR TEAMS

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This study of high-performing teams was conducted by Cerulli Associates in partnership with Investments & Wealth Institute and Janus Henderson Investors to identify the advantages of working in a team and to distinguish the attributes of the most productive teams.¹ For this study, teams were ranked based on the following three factors and then

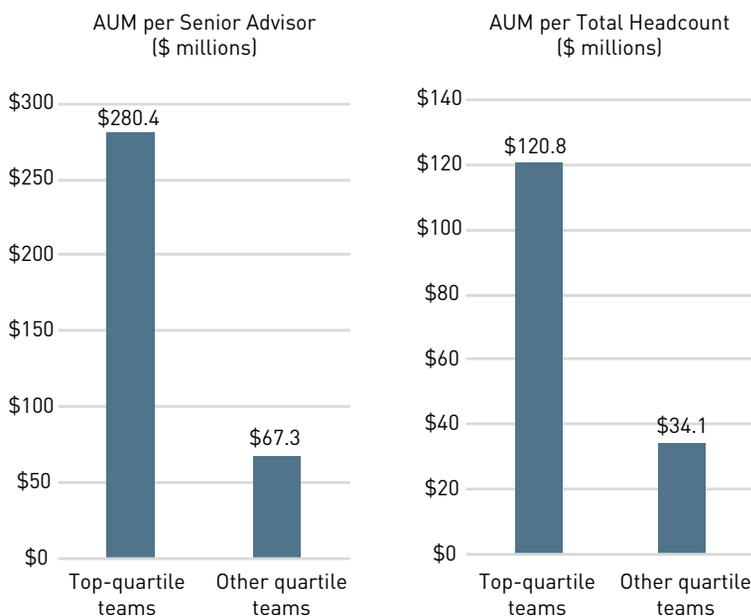
segmented into quartiles based on overall performance:

Assets under management (AUM) per producing advisor: Represents the advisor's ability to attract and retain clients.

AUM per total headcount: Represents the team's overall efficiency and ability to

scale its practice when considering the contributions of advisors and staff roles collectively.

Average client size: Represents the team's ability to attract high-net-worth investors with complex needs and higher asset levels.



Source: Cerulli Associates

FIGURE 1: PRODUCTIVITY PERFORMANCE COMPARISON, 2017

FIGURE 1 HIGHLIGHTS: High-performing teams substantially outperform other quartile teams.

KEY IMPLICATIONS: Teams ranked in the top quartile for overall performance manage 4.2 times more AUM per advisor compared to other quartile teams, excluding junior advisors. The average advisor in a top-quartile team manages \$280.4 million in AUM compared to \$67.3 million for other quartile teams. Similarly, top-quartile teams are 3.5 times more productive in terms of AUM per total practice headcount, which includes advisors and staff. The average top-quartile team manages \$120.8 million per total headcount compared to \$34.1 million for other quartile teams. This outperformance translates to higher top-line revenue generation and better bottom-line profitability.

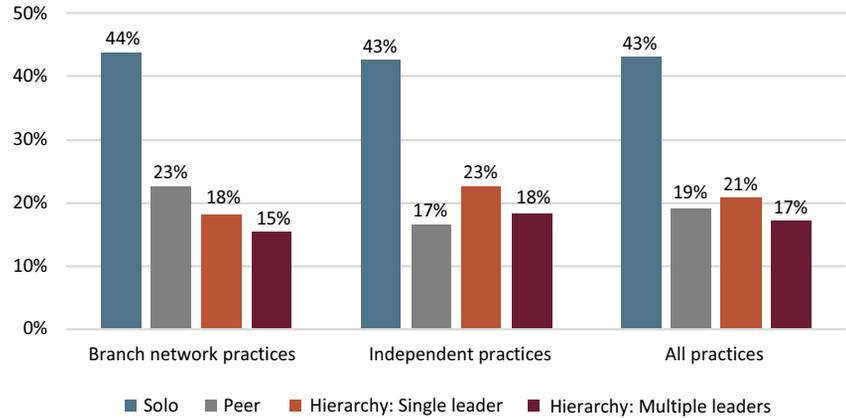
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**FIGURE 2:
TEAM STRUCTURE TYPES,
2017**

FIGURE 2 HIGHLIGHTS: Among branch network and independent practices, 57 percent of advisors operate in teams.

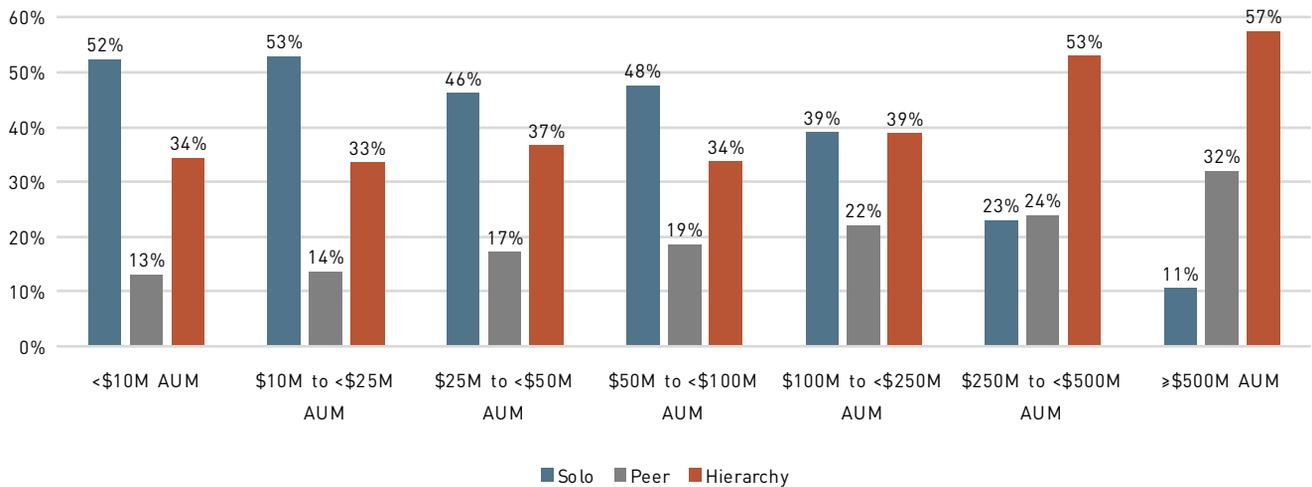
KEY IMPLICATIONS: The study explores four advisor team structures. Solo practices, defined as advisors who operate independently with no senior advisors, account for 43 percent of all practices. Peer teams, defined as advisors operating in partnerships with two or more senior advisors, account for 19 percent of all practices. Decision-making authority on peer teams is shared among the team; the senior advisors are peer advisors, and all team members operate as true equals. Hierarchy teams with a single leader account for 21 percent of all advisors. These teams have multiple layers



Source: Cerulli Associates

of hierarchy that may include senior leadership, senior advisor, or junior advisor roles, and ultimate decision-making authority rests with a single lead advisor who acts as either a principal or owner of the practice. Hierarchy teams with multiple leaders

account for 17 percent of all advisors and have multiple layers of hierarchy with two or more lead advisors who share decision-making authority and act as either the principals or owners of the practice.



Source: Cerulli Associates

**FIGURE 3:
TEAM STRUCTURE BY ADVISOR AUM, 2017**

FIGURE 3 HIGHLIGHTS: Advisors with \$100 million or more in individual AUM are more likely to operate in teams.

KEY IMPLICATIONS: Teams create opportunities for scale and growth. Advisors often

hit a growth ceiling as client bases mature and their practices reach full operating capacity. Merging with another practice or building a hierarchy-based team may present opportunities to build additional scale and increase growth. A new team may allow

senior advisors to focus on ideal clients, share resources and expand infrastructure, broaden and deepen services offered, and even renew energy and excitement about the practice.

TABLE 1:
TEAM PRODUCTIVITY, 2017

TABLE 1 HIGHLIGHTS: Teams with shared decision-making processes manage more AUM per advisor.

KEY IMPLICATIONS: Advisor teams with two or more equal decision-makers operate at higher levels of productivity compared to their peers. Sharing decision-making allows advisors to infuse leadership decisions with a diversity of input, share workload, and set responsibilities based on interests and strengths. But given these potential advantages, teams should consider taking a structured decision-making approach to ensure success. Partners should clearly define roles and responsibilities to limit ambiguity. For example, one advisor might lead the practice’s marketing initiatives, another may lead operations staff, and another may operate as the chief investment officer. It can be equally valuable to conduct a joint business-planning session annually to develop a shared vision and strategy. An annual

Channel	Team Structure	AUM per Senior Advisor (\$ millions)
Branch network	Solo	\$133.7
	Hierarchy: Single leader	\$106.0
	Peers	\$178.8
	Hierarchy: Multiple leaders	\$156.3
Independent	Solo	\$66.3
	Hierarchy: Single leader	\$67.2
	Peers	\$72.4
	Hierarchy: Multiple leaders	\$87.3

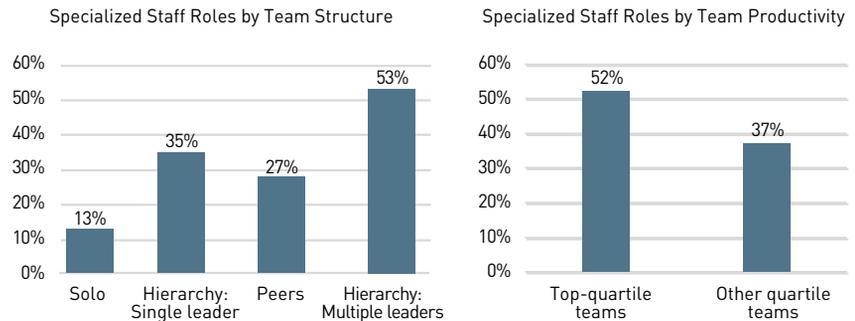
Source: Cerulli Associates

business-planning process with quarterly or semi-monthly check-in meetings can ensure that all partners are aligned about the practice’s priorities and long-term direction.

FIGURE 4:
TEAMS WITH SPECIALIZED STAFF ROLES, 2017

FIGURE 4 HIGHLIGHTS: Half (52 percent) of top-performing teams hire specialized staff roles compared to 37 percent of other quartile teams.

KEY IMPLICATIONS: Teams employ more staff than solo practices, allowing for centralization and specialization of staff roles. Top-performing teams are more likely to employ specialized staff positions such as research analysts, financial planning specialists, and marketing managers. Solo practices employ an average of one staff member (data not shown in figure 4), whereas teams employ at least twice as many, depending on the type



Source: Cerulli Associates

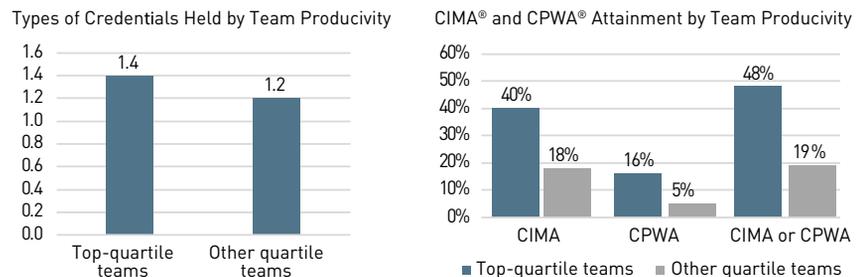
and size of the team. Practices with a single staff member typically structure the role as a multi-tasking assistant responsible for a broad mix of operations, client service, administration, marketing coordination, and

other responsibilities. Teams that share staff can centralize roles and create specialized positions that allow staff to become experts in their respective areas of responsibilities, increasing specialization and efficiency.

FIGURE 5:
TEAM CREDENTIALS, 2017

FIGURE 5 HIGHLIGHTS: Top-quartile teams have a broader mix of advanced credentials compared to other quartile teams.

KEY IMPLICATIONS: The highest-performing teams bring together a mix of advisors with different backgrounds, strengths, expertise, and interests.



Analyst Note: The types of credentials held figures represent the total number of credential types held across all members of a practice.

Source: Cerulli Associates

Top-quartile teams have an average of 1.4 different types of credentials across team members compared to 1.2 for other quartile teams. Teams should be deliberate when joining forces to ensure each advisor makes a unique contribution. Teams that bring

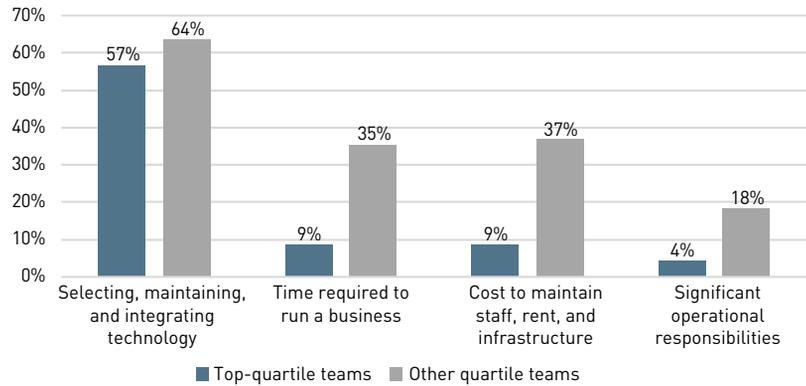
deeper expertise to solve client needs are better equipped to provide ideal outcomes. High performers emphasize the value of professional development and continuously build technical depth across their teams. A continuous investment in professional

knowledge and skills allows teams to broaden and deepen their service delivery, which in turn helps them win clients and grow their practices because they are better equipped to address their clients' complex needs and objectives.

FIGURE 6:
TOP CHALLENGES TO OPERATING AN RIA, 2017

FIGURE 6 HIGHLIGHTS: Top-quartile teams excel with process and management.

KEY IMPLICATIONS: Only 9 percent of top-quartile teams in the registered investment advisor (RIA) channel indicate that running a business and maintaining staff, rent, and infrastructure are major challenges, compared to 35 percent and 37 percent of other quartile teams. Similarly, only 4 percent of top-quartile teams indicate that significant operational responsibilities are a major challenge, compared to 18 percent for other quartile teams. As practices grow in scale and acquire numerous advisors, it becomes more important to systematize operations. For advisors who operate in solo or small



*Analyst Note: Figures represent the percentage of advisors who selected "major challenge."
Source: Cerulli Associates*

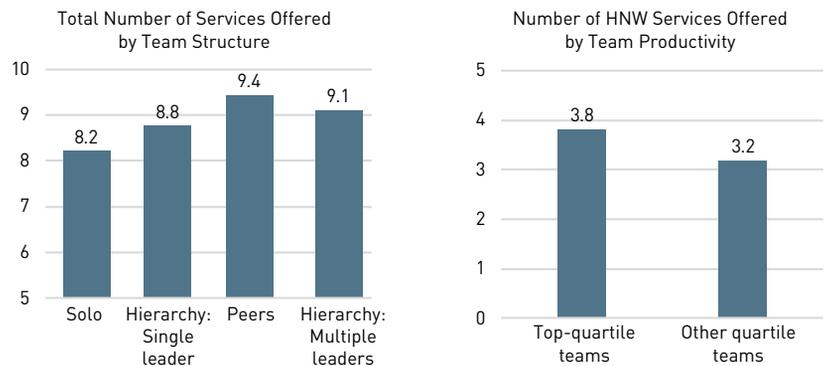
team models, this can be especially challenging as their practices evolve and grow in terms of the advisor and staff headcount. Executing consistent processes across multiple advisors is challenging when each advisor emphasizes a preferred execution.

Working together to build end-to-end processes, documentation, checklists, and technology integration ensures consistent and accurate execution, improving efficiency and the overall client experience.

FIGURE 7:
NUMBER OF SERVICES OFFERED, 2017

FIGURE 7 HIGHLIGHTS: Teams offer more services to clients than solo practices offer to clients.

KEY IMPLICATIONS: As multi-advisor teams specialize and centralize roles, they are better able to broaden and deepen their service offerings. In some cases, advisors focus on specialty areas based on their experience and expertise. This can be based on a technical specialty, such as fixed income, advanced financial planning, or tax strategies. Advisors also may specialize in providing services for specific client segments, such as business owners,



Source: Cerulli Associates

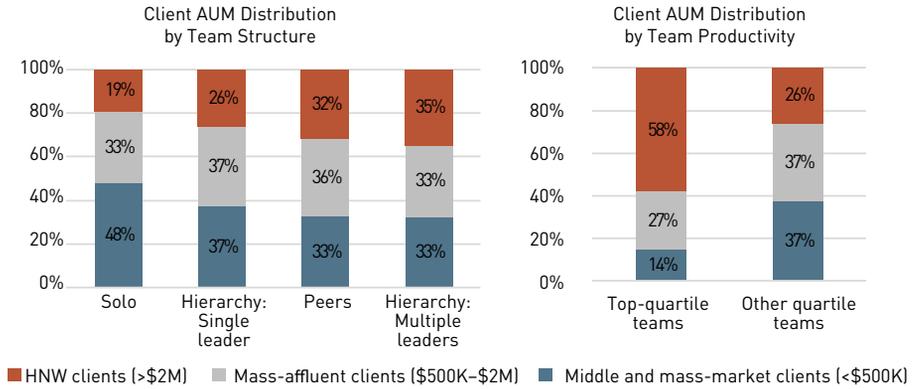
corporate executives, or physicians. Further, top-quartile teams offer more services targeting high-net-worth (HNW) clients. They are more likely to offer services such as charitable giving, estate planning, and

business-oriented services. This is a critical differentiator that allows teams to attract and serve HNW investors, helping them achieve substantial productivity gains.

FIGURE 8:
CLIENT AUM DISTRIBUTION, 2017

FIGURE 8 HIGHLIGHTS: Teams are more likely to win HNW clients. Hierarchy teams with multiple leaders have the highest percent of HNW clients with more than \$2 million in investable assets (35 percent).

KEY IMPLICATIONS: Teams, especially those with shared decision-making, are winning more HNW client relationships. Furthermore, nearly two-thirds of clients in top-quartile teams (58 percent) are HNW with \$2 million or more in assets. Top-quartile teams serve only 90 clients per senior advisor compared to other quartile teams that serve an average of 126



Source: Cerulli Associates

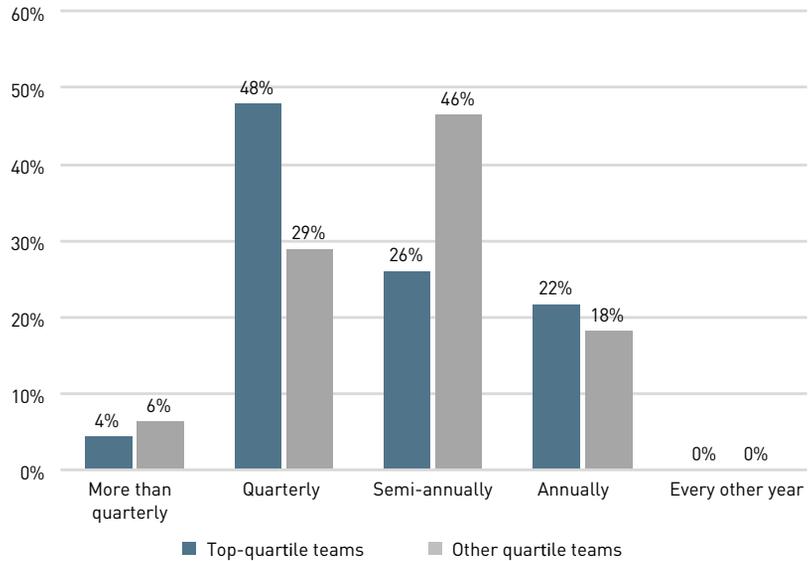
clients. The industry's highest performers serve fewer clients with a broader and more specialized service set that allows them to address the complex and challenging needs facing investors with greater levels

of wealth. The team model appears to help top-quartile teams attract HNW clients who have sophisticated planning and investment needs.

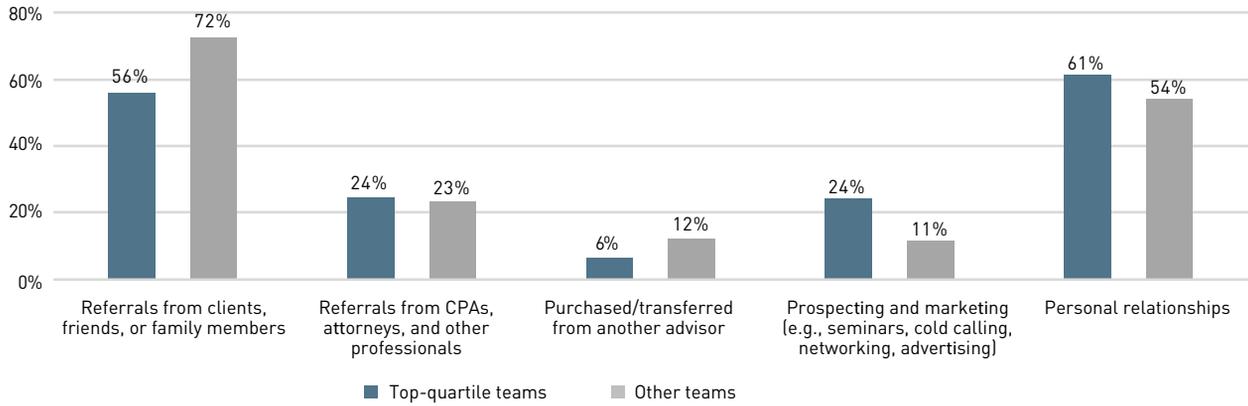
FIGURE 9:
FREQUENCY OF CLIENT REVIEW MEETINGS, 2017

FIGURE 9 HIGHLIGHTS: Top-quartile teams hold in-person client review meetings on a more frequent basis.

KEY IMPLICATIONS: Nearly half (48 percent) of top-performing teams hold quarterly in-person review meetings with clients compared to only 29 percent of other quartile teams. These high performers focus on fewer HNW client relationships and deepen those relationships through consistent, in-depth communication, which includes an emphasis on face-to-face meetings. Technology and other client communications are important to stay top-of-mind and proactive, but it is these personal connections that are critical to deepening relationships.



Source: Cerulli Associates



Analyst Note: Figures represent the percent of advisors who selected "major source."
Source: Cerulli Associates

FIGURE 10:
SOURCES OF NEW CLIENTS, 2017

FIGURE 10 HIGHLIGHTS: Top-performing teams take a more proactive approach to business development.

KEY IMPLICATIONS: Surprisingly, only 56 percent of top-quartile teams indicate

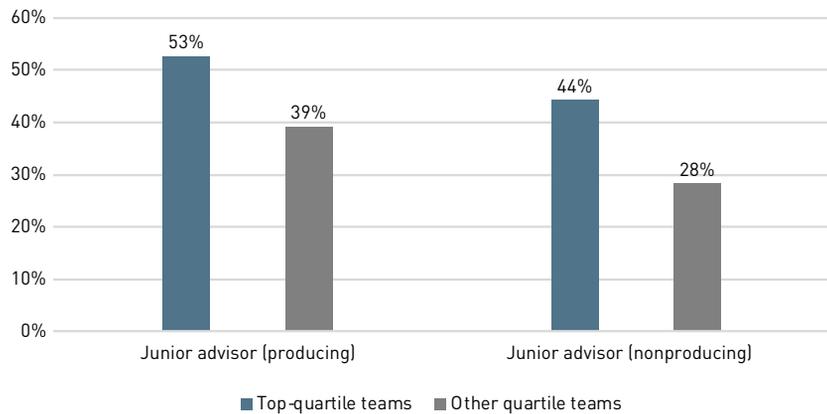
that referrals from clients, friends, and family members are a major source of new clients, whereas 72 percent of other quartile teams indicate that this is a major source. Top-quartile teams also indicate a lower likelihood of growing via inorganic opportunities such as acquiring a practice or receiving a client base from another advisor exiting the business. Top-performing teams are more likely to indicate sources that

include proactive marketing such as prospecting, marketing, and leveraging personal relationships to find new clients. The highest-performing teams are more proactive in their search for new client opportunities and they are less likely to lean on passive referrals for growth.

FIGURE 11:
PERCENT OF TEAMS EMPLOYING JUNIOR ADVISORS, 2017

FIGURE 11 HIGHLIGHTS: Top-quartile teams are more likely to employ producing and nonproducing junior advisors.

KEY IMPLICATIONS: The larger scale of teams can be conducive to the hiring of rookie advisors. Larger teams are able to attract and retain quality talent drawn to the opportunities found at growing, successful professional practices. These teams employ a larger variety of roles across experience levels, allowing new entrants to learn different aspects of the business and develop into an advisory role as part of a long-term career path. As senior advisors mature in their practices, some hire non-producing advisors responsible for serving non-ideal clients and other support. This is



Source: Cerulli Associates

not a sales-oriented position, but the non-producing advisor does fully manage client relationships and provide professional advice. The nonproducing advisor may allow a senior advisor to refocus on ideal clients and other strategic and management initia-

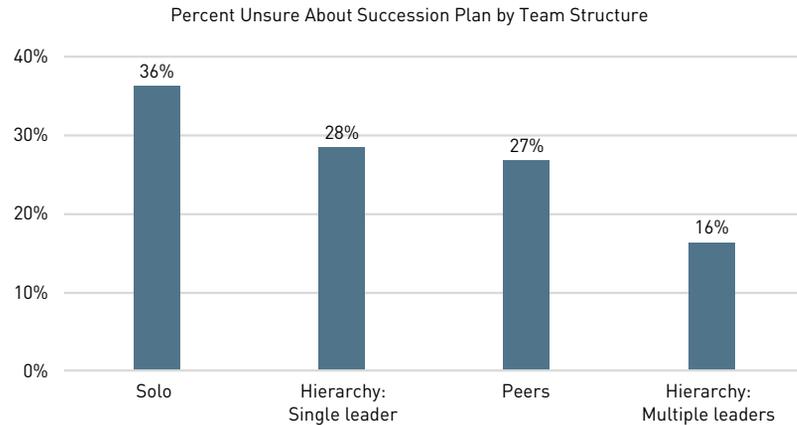
tives. This approach also may allow a senior advisor to build capacity to acquire new practices that might otherwise be difficult to manage without additional advisory support.

FIGURE 12:

**SUCCESSION
PREPAREDNESS, 2017**

FIGURE 12 HIGHLIGHTS: Team-based advisors are less uncertain about succession.

KEY IMPLICATIONS: More than one-third (36 percent) of solo advisors who plan to retire within the next 10 years say they are uncertain about their succession plans. In peer teams, by comparison, 27 percent of advisors nearing retirement are uncertain, and in hierarchy-based teams with multiple leaders, only 16 percent of advisors are uncertain. Multiple advisors within a practice across age ranges can create an internal succession option that allows a founding advisor's legacy to continue after retirement. Senior advisors who are seeking an



Source: Cerulli Associates

internal succession prefer transitioning their practices to younger advisors within the same practice because it allows them to maintain their investment, planning, and client relationship philosophy into the future.

Advisors considering internal succession ideally should identify an established advisor who is approximately 15 years younger who sees the value of investing in an inorganic growth opportunity. 🟡

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ENDNOTE

1. Janus Henderson Investors' practice management division provided additional support for the study.

About the Research Team

The team behind the high-performing teams research: Similar to the way high-performing team members work together to establish better client outcomes, three organizations joined forces to bring you fresh information on high-performing teams. Janus Henderson Investors, a leading global active asset manager dedicated to helping investors achieve long-term financial goals, provided support and direction for the research. Investments & Wealth Institute™, formerly IMCA®, a professional association, advanced education provider, and certification board for financial advisors, investment consultants, and wealth managers, provided access to its members and CIMA® and CPWA® certificants. Cerulli Associates, a research and consulting firm for comprehensive data and analysis of the global financial services industry, fielded the survey and provided the analytics and guidance for the report you are reading. The goal for our team was to bring you new insights to inform and help

improve your team. We encourage you to reach out to us with comments and questions and help continue this important dialogue on high-performing teams.

Janus Henderson Labs: Advisors who are either forming a new team or strengthening an existing team can leverage Janus Henderson's Elements of Extraordinary Teamwork (ExT) curriculum to help guide the process. Resources include educational content, step-by-step planning tools, and one-on-one consulting from practice management specialists. The curriculum emphasizes the elements of building great chemistry that is the key to teams that work, helping advisors discover compelling catalysts, self-awareness, and focus discipline.

Visit janushenderson.com/teams to access the Elements of Extraordinary Teamwork (ExT) curriculum and resources.

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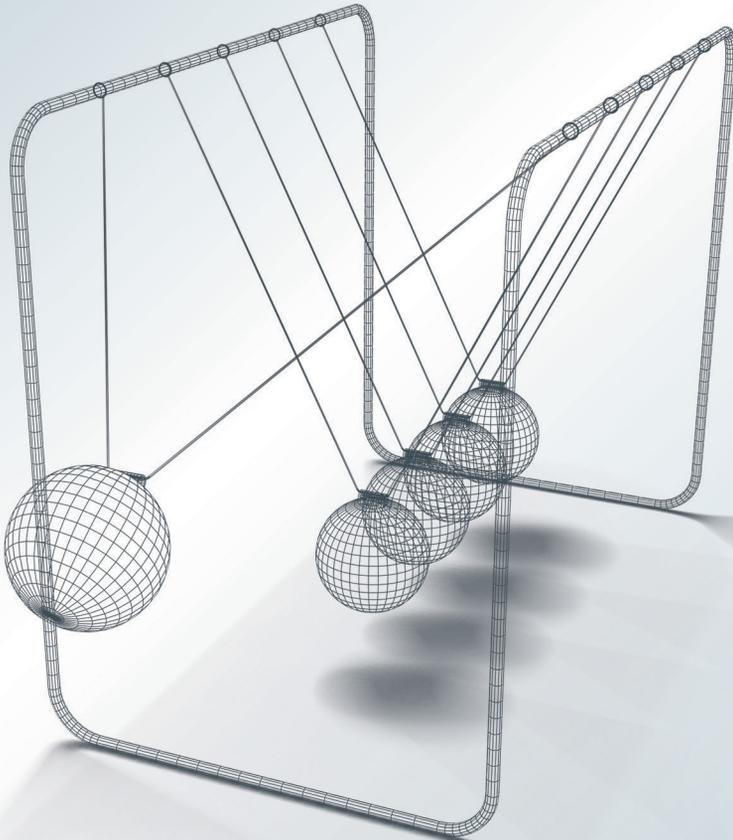
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