CERULLI ASSOCIATES

Top-Performing Teams

Exploring the Benefits and Approaches of Building a Team-based Advisory Practice

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Foreword

For a financial advisor, one of the biggest challenges can be structuring and building your business to meet the needs of the future while serving the investors of today. The challenges can be varied, from a lack of capital to invest in talent to uncertainty about the most profitable path forward for a business. For this reason, nearly half the industry continues to operate in a solo structure even when we know that teams create scalability and allow for enhanced client service.

As one of the nation's largest independent providers of wealth management solutions, Osaic serves more than 11,000 independent advisors. Our mission is to help entrepreneurial advisors achieve outsized growth and productivity. We see team-based practices grow in remarkable ways and that's why we are thrilled to partner with Cerulli Associates in releasing this study on high-performing teams. This study is designed to provide greater insight on team structures and operations and share best-in-class industry research on how successful practices have built their teams.

If you're interested in learning more about how to evolve or enhance your practice for the future, Osaic has the resources, expertise, and experience to help you find the solutions that are right for you. We believe in the power of partnership and that wealth management should be transformative and not transactional. Please reach out if we can help you unlock the power of your practice.

Jamie Price
President & Chief Executive Officer, Osaic

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Executive Summary

As the wealth management landscape evolves, the concept of teaming has become a core component of achieving scale and building enterprise value for advisory practices. This white paper explores the benefits of teaming for financial advisors, highlighting how teaming can increase productivity, enhance the client experience, expand service offerings, and pave the way for succession planning. The objective of the white paper is to illustrate best practices when transitioning from a Solo practice to a team structure of varying size and provide valuable insight for advisors in their journey to building a successful practice.

- Teaming has gained momentum across the wealth management industry given the benefits of increased advisor productivity, enhanced client service and expanded service offering. Nearly half (46%) of advisors operate in a team-based structure – either as a Silo practice, Ensemble practice or Mega Ensemble, while 54% are Solo practitioners.

- Team-based practices typically manage greater AUM and are more productive compared to Solo practitioners. Team-based practices have a median of $250 million in AUM, compared to $80 million among Solo practices. In addition, team-based practices are more productive, with a median of $100 million in AUM per advisor compared to $72 million among Solo practices.

- Team-based practices are more likely to have dedicated professional and administrative staff (*e.g.*, operations, compliance, and marketing), which allows for greater specialization, creates capacity and deeper service delivery– more than one-third (36%) of team-based practices have specialists on staff, including financial planners, CIOs, investment analysts, and tax professionals.

- Teaming enables advisors to move upmarket and offer more financial planning and high-net-worth (HNW) services (*e.g.,* estate planning, charitable planning, tax planning, trust services). On average, team-based practices provide 4.7 financial planning services and 2.9 HNW services (7.6 total), compared to 4.5 and 2.2 (6.7 total) for Solo practices.

- Advisors should be cognizant of the potential challenges associated with teaming, including culture, leadership, finding and developing talent, integrating team members, and determining effective compensation structures. Strong teams require collaborative leadership and regular communication, as well as a shared vision among team members to achieve synergies.

Methodology

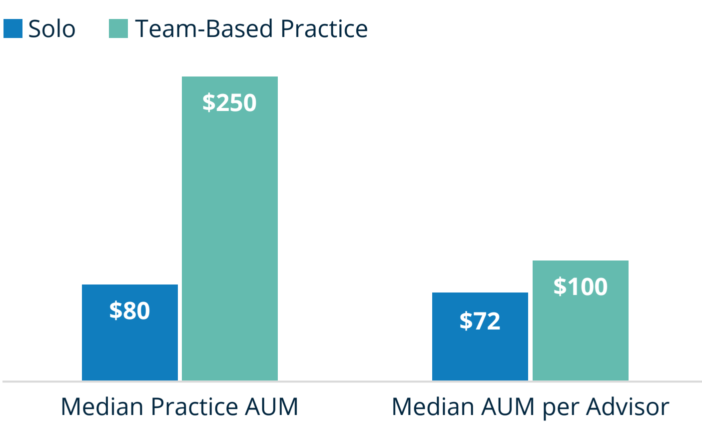
Osaic engaged Cerulli Associates to help understand advisor best practices in adopting financial planning and building team-based practices. In the first quarter of 2024, Cerulli conducted 20+ qualitative research interviews with successful advisory teams across employee and independent channels. These interviews addressed a broad range of topics, including financial planning, business development, client service models, enterprise value and teaming. Research participants were required to have a minimum of $50 million in client assets under management (AUM). This white paper also draws from Cerulli's annual financial advisor survey with more than 2,000 responses and industry-leading market sizing across wealth management channels, including wirehouses, national and regional broker/dealers (B/Ds), independent B/Ds, independent registered investment advisors (RIAs), hybrid RIAs, retail bank B/Ds, and insurance B/Ds.

Benefits of Teaming

The wealth management industry has seen a widespread increase in the development of multi-advisor practices to drive growth and achieve scale. According to Cerulli, nearly half of advisors now operate in a team-based structure as of year-end 2023. The trend of teaming is even more pronounced among the largest and most productive advisory practices. Among practices with greater than $500 million in AUM, 94.5% operate in a team-based structure, compared to only 5.5% that are Solo practitioners. Teaming has become a crucial element of growth while also serving as a prerequisite for building sustainable enterprise value within a practice. Team-based practices can deliver an enhanced client experience, increase advisor productivity, deepen walletshare, and expand service capabilities due to greater specialization and scale.

While the advantages of teaming are widespread, advisors remain challenged with how to hire, develop talent, and effectively structure their team. Many advisors have trouble transitioning from an independent practice to leading and operating a business, which requires a different skillset and shift in mindset. As teams grow, they risk facing increased complexity, internal conflict, inefficient decision-making, and differences in long-term vision for the practice. Advisors need to understand how to best structure and incentivize their team, hire staff, develop talent, integrate processes, and identify clear roles and responsibilities across the team. Ultimately, the path to becoming a large team-based practice is not for everyone, and some advisors may be better suited to work as a Solo practitioner. While both options have their own unique advantages, many advisors prefer working as a Solo practitioner given greater independence, autonomy, lower overhead expenses and the associated challenges with finding like-minded advisors with similar business models. As teaming gains traction across the industry, advisors need to fully understand the potential challenges and benefits of joining forces.

Exhibit 1 | Median AUM, Solo vs. Team-Based Practice, 2024 ($ millions)



Source: Cerulli Associates

The most successful advisory teams are better positioned to accelerate growth, enhance productivity, expand walletshare, and create built-in succession opportunities. As part of this research, Cerulli interviewed advisors across channel types to uncover the primary benefits of teaming.

- ***Increased Scale:*** Team-based practices tend to manage more assets, and exhibit stronger organic growth compared to Solo practitioners given the advantages of scale. Cerulli data suggests that team-based practices are larger, with a median of $250 million in AUM, compared to $80 million among Solo practices. Teams are also more likely to generate organic growth given their ability to scale business development efforts and generate external referral opportunities. According to Cerulli, team-based practices brought in an average of $21 million in net asset flows in 2023, compared to just $8 million for Solo practices. Given the benefits of scale, teams are more likely to generate referrals from centers of influence as well as internal referrals from other advisors within their practice. According to Cerulli, referrals from centers of influence (*e.g.*, CPAs, attorneys) account for nearly one-fifth of new clients among team-based practices, compared to 11% for Solo practices.
- ***Advisor Productivity:*** Teams benefit from streamlined resources, processes, and services as a collective group and typically operate at higher levels of productivity compared to Solo practices. According to Cerulli, team-based practices have a median of $100 million in AUM per advisor, with an average client size of $1.6 million, compared to Solo practices that have $72 million per advisor and an average client size of $1 million. Teams are also able to maintain more client relationships, averaging 356 client relationships per practice, compared to 217 client relationships for Solo practices. Not only does teaming provide practices the ability to expand and diversify their client base, but it also creates capacity for higher-value activities among senior advisors (*e.g.*, relationship management, business prospecting) that can fuel the long-term growth of the practice.
- ***Specialization:*** One of the key benefits of multi-advisor teams is the diversity of complementary skills, experience, and expertise. Combining each team member's experience allows practices to leverage their individual strengths and provide specialized services, including lending, estate planning, and tax services. By offering these specialized services, advisors can help promote their brand and marketing efforts to realize additional growth opportunities, and generate referrals among clients

seeking access to specialists. More than one-third (36%) of team-based practices employ specialized staff, including financial planning specialists or paraplanners, investment analysts/CIOs, and tax professionals, compared to only 10% for Solo practices. Teams with clear specialization and technical expertise can have a similar core process and philosophy but provide deeper advice across different client segments.

- ***Expanded Service Offering and Increased Walletshare:*** Advisors looking to move upmarket or enter into a new client segment have had success forming teams in order to broaden their service offerings. Teaming allows practices to offer more financial planning and high-net-worth (HNW) services (*e.g.*, estate planning, charitable planning, tax planning, trust services) compared to Solo practices. On average, Solo advisors offer 4.5 financial planning services and 2.2 HNW services, compared to 4.7 and 2.9 for team-based practices. An expanded set of services typically results in higher levels of walletshare, as clients tend to aggregate held-away assets with teams that can deliver comprehensive services.
- ***Succession Planning***: With a rising number of advisors preparing for retirement, they are increasingly looking to join forces in an effort to create a built-in succession plan, and secure a legacy for their practice. According to Cerulli, roughly one-third (38%) of advisors, collectively managing $11 trillion in AUM, are expected to retire in the next 10 years. While more than one-quarter of advisors do not have a succession plan in place, advisors who operate as part of a team-based practice are more likely to have a succession plan (*e.g.*, via internal/external sale). Integrating younger advisors and potential successors onto a team early in the process is key to a smooth transition, mitigating flight risk among clients once the lead advisor retires.
- ***Enhanced Client Service:*** Teaming allows advisory practices to provide a higher level of client service across client types. Many teams hire dedicated client service representatives who can streamline administrative and operational tasks, and create additional capacity for advisors to focus on developing new relationships and client engagement. Cerulli data suggests that advisors operating within a team-based practice spend less time on day-to-day operations/administrative tasks and more time on servicing ideal clients, prospecting new clients, and on practice management (*e.g.*, business planning, staff development). On average, team-based practices spend nearly 60% of their time on client-facing activities, including client service, compared to 56% for Solo practices. Additionally, teams that effectively leverage technology (*e.g.*, e-signature, CRM, video conferencing) can enhance client service, streamline operations, and expand their service offering in order to accelerate the growth of their business.
- ***Talent Development:*** Team-based practices can better attract and retain quality staff and next-gen advisors. Younger advisors are attracted to joining a growing enterprise where they can work alongside other colleagues in a collaborative environment. Nearly half (45%) of team-based practices have at least one junior advisor on staff, compared to only 13% among Solo practices. Teaming provides natural career paths and professional development opportunities for junior advisors and younger staff in support roles who can work alongside senior advisors to gain valuable experience and accelerate their career.

Exhibit 2 | Benefits of Teaming, 2024

	Solo	Team-Based Practice	All Advisors
Median Practice AUM ($ millions)	$80.0	$250.0	$130.0
Annual Net Asset Flows ($ millions)	$8.1	$21.1	$14.3
Median AUM per Advisor ($ millions)	$72.0	$100.0	$82.0
Average Client Size ($ millions)	$1.0	$1.6	$1.3
Average Number of Client Relationships	217	356	292
Practices with Specialized Staff	10.3%	35.6%	23.5%
Total Services Offered	6.7	7.6	7.1
Succession Plan	14.4%	37.4%	24.6%
Client Service	56.3%	59.3%	9.3%
Practices with Junior Advisors	13.4%	44.6%	29.7%

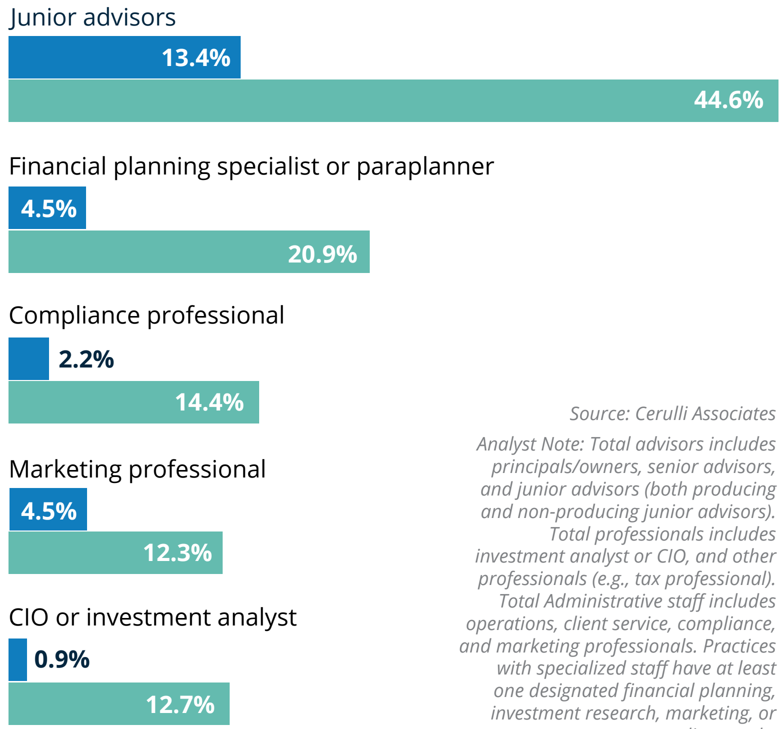
Source: Cerulli Associates

Analyst Note: Organic growth represents self reported data from advisors who gained and/or lost client assets over the last 12 months. Practices with specialized staff have at least one designated financial planning, investment research, marketing, or compliance role. Total services offered represents the average number of financial planning and HNW services provided (e.g., estate planning, tax planning, trust services). Succession plan represents the percentage of advisors that plan to sell to an existing advisor within their practice. Client service represents the average percentage of time spent on client facing activities including client service problems, client meetings, and prospecting for new clients. Junior Advisors includes both producing and non-producing junior advisors.

Exhibit 3 | Advisor Headcount and Staffing Overview, 2024

Solo Practices   Team-Based Practices

Solo	Category	Team-Based Practice
1.2	Total advisors	4
0.2	Total professional staff	0.4
0.8	Total administrative/other staff	1.8
2.2	Total headcount	6.2



Source: Cerulli Associates

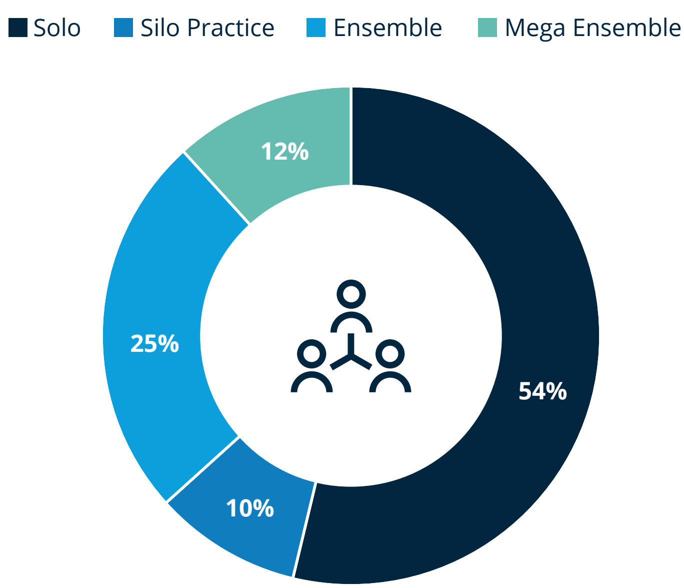
Analyst Note: Total advisors includes principals/owners, senior advisors, and junior advisors (both producing and non-producing junior advisors). Total professionals includes investment analyst or CIO, and other professionals (e.g., tax professional). Total Administrative staff includes operations, client service, compliance, and marketing professionals. Practices with specialized staff have at least one designated financial planning, investment research, marketing, or compliance role.

Team Archetypes

The natural evolution of teaming within the wealth management industry has necessitated that advisors become more creative with shaping and structuring their working relationships. Notably, this has created avenues for heightened collaboration between advisors, and delivers a more comprehensive client management approach. Although there are numerous advantages to teaming, it is only effective when the people, processes, and technology are well aligned. Advisors' decisions regarding their preferred structures are often centered around their existing relationships and the scale of their practice. In choosing their team structure, advisors should aim to maximize their drivers of growth while limiting the areas of their practice that can prove challenging. Teaming creates natural opportunities to retool existing processes and establish new frameworks for success.

Cerulli has identified four key team archetypes that can help advisors envision their practice and recognize their progress toward a team-based practice.

Exhibit 4 | Team Archetype, 2024



Source: Cerulli Associates

Exhibit 5

Team Archetype Overview, 2024

	Solo	Silo Practice	Ensemble	Mega Ensemble
Description	The solo practice is a true small business where the financial professional runs all aspects of the business. They will employ support personnel for non-producing roles, but core decision-making authority lies with the advisor.	Silo practices are two or more solo advisors who work side by side, but have associated in one form or another to share resources: personnel, office space, equipment. The main benefit is cost sharing and appearance of a larger firm when marketing. These practices typically manage <$250 million in AUM.	Ensemble teams manage <$500 million in AUM, and have foundational business structure elements such as centralized management, a support hierarchy, agreements between financial professionals. The business has one or more owners and supports advisors that are affiliated with the business through contracts.	Mega Ensembles manage >$500 million in AUM, and are often comprised of multiple layers of leadership, service teams, functions, and additional specialized roles. This is an organized form of business where clients are centrally owned by the firm, and the firm is often owned by one or more of the financial professionals associated with it.
Client Service Approach	• Individual client base • Advisor manages all aspects of the business with or without the assistance of support personnel.	• Individual client base • Advisor still manages most components of client service • Likely share some administrative staff	• Client ownership can be at the firm level or at the advisor level or combined • Centralized investment team and other specialized staff may be used	• Shared client base / owned by the firm • Dedicated client service roles • Specialized staff including financial planners or investment analysts are common
Median AUM ($ millions)	$80.0	$120.0	$220.0	$850.0
Average Client Size ($ millions)	$1.0	$0.9	$1.0	$3.6
Average Headcount	2.1	3.5	5.8	10.1
Number of Advisors	1.1	2.4	3.6	5.5
Percentage of Practices with Specialized Staff	10%	14%	38%	52%
Number of Clients per Advisor	202	96	108	99
Core Market: Percentage of HNW Clients (>$5 million)	4%	5%	8%	27%

Source: Cerulli Associates | Analyst note: Practices with specialized staff have at least one designated financial planning, investment research, marketing, or compliance role.

As financial advisor practices have increasingly expanded their value proposition beyond investment management, financial advice has reached a point where a collaborative approach lends itself to far more capabilities than those that operate independently. Some advisors choose to operate as a Solo practitioner, preferring the ability to oversee all aspects of their practice. While this style has its benefits, advisors operating in this manner are limited by their own capacity and require additional external resources to compete against more comprehensive offerings.

Advisors looking to shift their practice from a Solo or Silo practice into the Ensemble- or Mega-Ensemble practice structure, should first consider their goals and rationale for the change. One advisor shares their perspective with Cerulli: "Originally, I was part of a small producer group. I figured out that for me to create the kind of environment that I wanted for myself, my clients, and my staff, then we needed to move to an Ensemble practice model." Being cognizant of the needs of your practice over the long-term can make the shift easier and help set you up for success post-transition.

Team Implementation

How to Grow Your Business

ARCHETYPE	Solo	Silo Practice <$250m	Ensemble <$500m	Mega Ensemble ≥$500m
OPPORTUNITIES	• Growing availability of virtual resources (*e.g.*, assistants, scheduling tools) offers the ability to run a practice with low overhead. • Client development and prospecting are led by the advisor	• There are shared administrative and operational responsibilities, reducing the amount of time that each advisor spends on non-client facing activities. • Silo firms often have the ability to provide cross-practice support to other advisors, developing specialization in core competencies or improving the client service experience.	• Growth-stage practices capitalize on a lean approach, building out new offerings and working in a collaborative nature to collectively drive the business forward. • Leveraging additional resources from your B/D home office or custodian can be a significant force multiplier for firms that are growing but have not hit the point of scale where they can make non-advice-related hires (*e.g.*, marketing or technology roles).	• Diverse staffing enables practices to branch out into more high-touch services to expand their client reach. Compared to other firm structures, large teams are nearly twice as likely to offer intergenerational planning • Hierarchical structures enable the internal growth and development of junior advisors, creating strong internal succession opportunities, preserving the practice over the long term.
LIMITATIONS	Solo practices are limited by existing resources and advisor time. On average, solo practices spend 12% of their week managing the day-to-day operations of their practice, compared to 7% for large teams.	Silo practices have seen the benefits of cost-sharing personnel or space, but require a more formal structure in terms of partnership and sharing arrangements.	The early stage of scale introduces unique business challenges around growth and development such as team specialization, technology integrations, and succession planning.	Enterprise-scale practices are increasingly facing difficulties recruiting new staff and advisors readily rank human capital as a key challenge facing their practice.
TIPS FOR GROWTH	• Determine which services to offer and which ones to outsource (*e.g.*, investment management, financial planning) • Discuss with local advisors on working together under a shared group name	• Leverage a referral network to expand the number of services you can provide (*e.g.*, estate attorney, CPAs) • Discuss sharing clients and similar investment management styles with other lead advisors	• Develop internal expertise across advisors for specializations (*e.g.*, retirement planning, student loans, philanthropic giving) • Provide succession planning opportunities by investing in next-gen advisors	• Invest in specialized staff (*e.g.*, client service specialist, paraplanner, estate planner) to broaden client offerings • Leverage technology to streamline operations and offer more services

Deciding to Insource or Outsource

According to Cerulli, more than half of team-based practices offer estate planning (61%), charitable planning (55%), and tax planning (45%). However, advisors don't necessarily need to be set up as a large established team to capitalize on the benefits of specialization and drive growth. Many teams as well as Solo practices are still able to provide specialized expertise by leveraging a referral network of experts (*e.g.*, CPAs, attorneys). Given the cost and expertise required to provide these solutions, many advisors decide to outsource to a trusted partner or home-office professional. According to Cerulli, the most outsourced services include tax planning (40%), trust administration (34%), risk management/insurance (33%), estate planning (28%), bill pay (18%), and concierge services (17%), and in many cases, advisors charge a separate fee for these services. While many advisory practices lack the resources to offer these specialized services internally, leveraging a network of third-party providers and home-office resources can improve efficiencies and help firms provide these more bespoke services.

Advisors need to be strategic about which services they decide to outsource, and how they go about working with outside professionals (*e.g.*, lawyers, accountants, insurers) who can act as an extension of their practice. While not all advisors need to expand their service set to remain competitive, it can help capture new opportunities and increase client walletshare. Like any strategic decision, the addition of a service should allow advisors to better address their target market. When determining what services to provide, advisors need to reflect on their core skill set and value proposition that they provide their client base. Certain services are likely to be more economical to outsource rather than build in-house (*e.g.*, performance reporting, accounting), while other services that require very specific expertise, including tax planning, estate planning, insurance, and philanthropic planning, may be primary candidates for outsourcing. Advisors who are intentional about which services they offer can reap the benefits of outsourcing certain services while leaning into their existing strengths as a team.

As part of this research, Cerulli spoke to advisors across affiliation models and practice types on the advantages, and challenges associated with teaming. The following are two case studies, highlighting best practices from both a Solo practice and Mega Ensemble practice.

Exhibit 6 | High-Net-Worth Services Offered, 2024

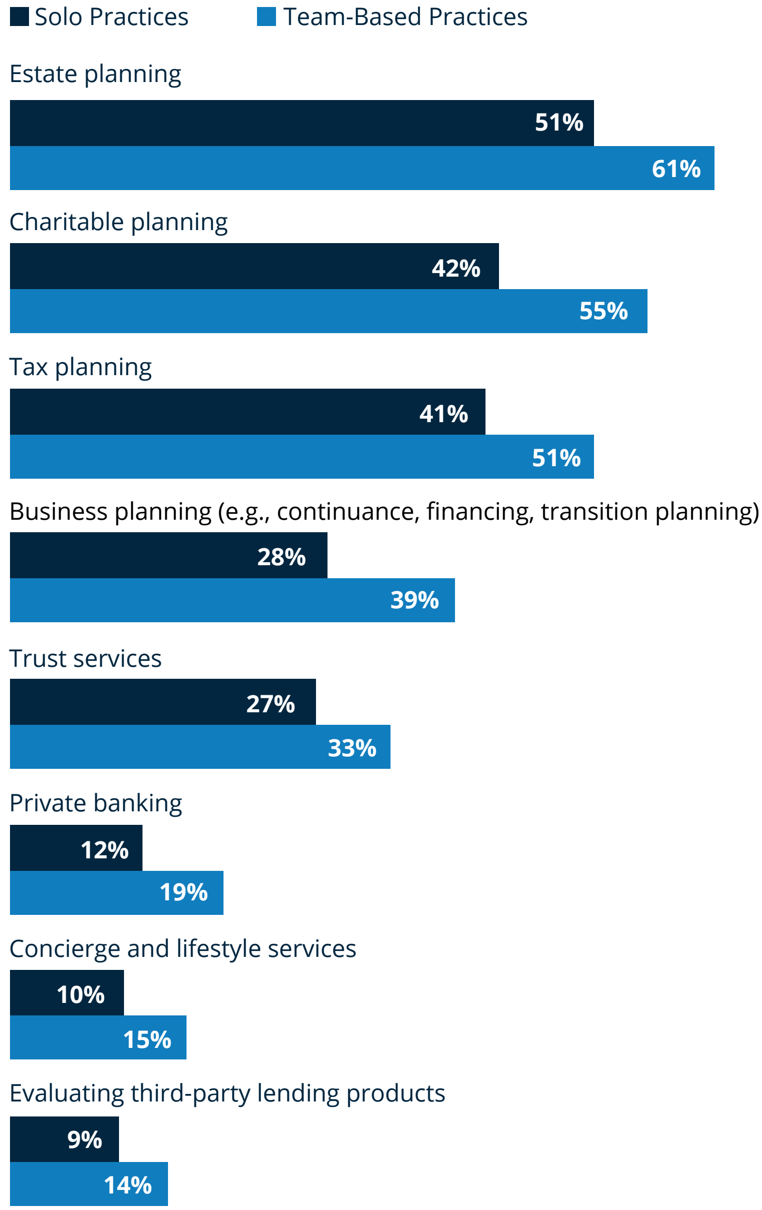
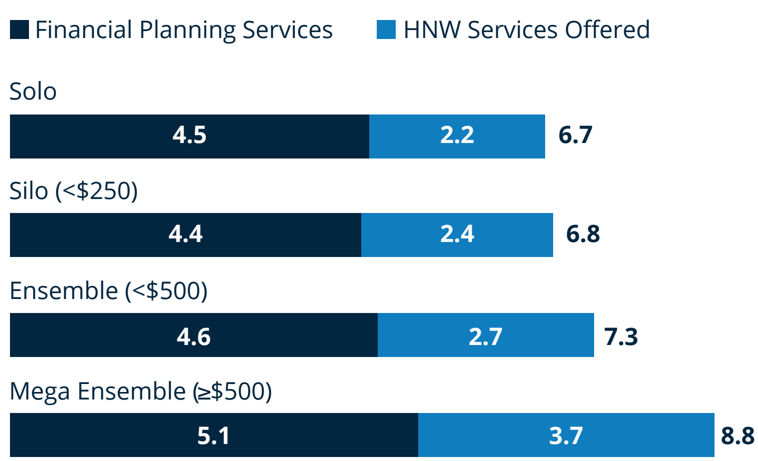
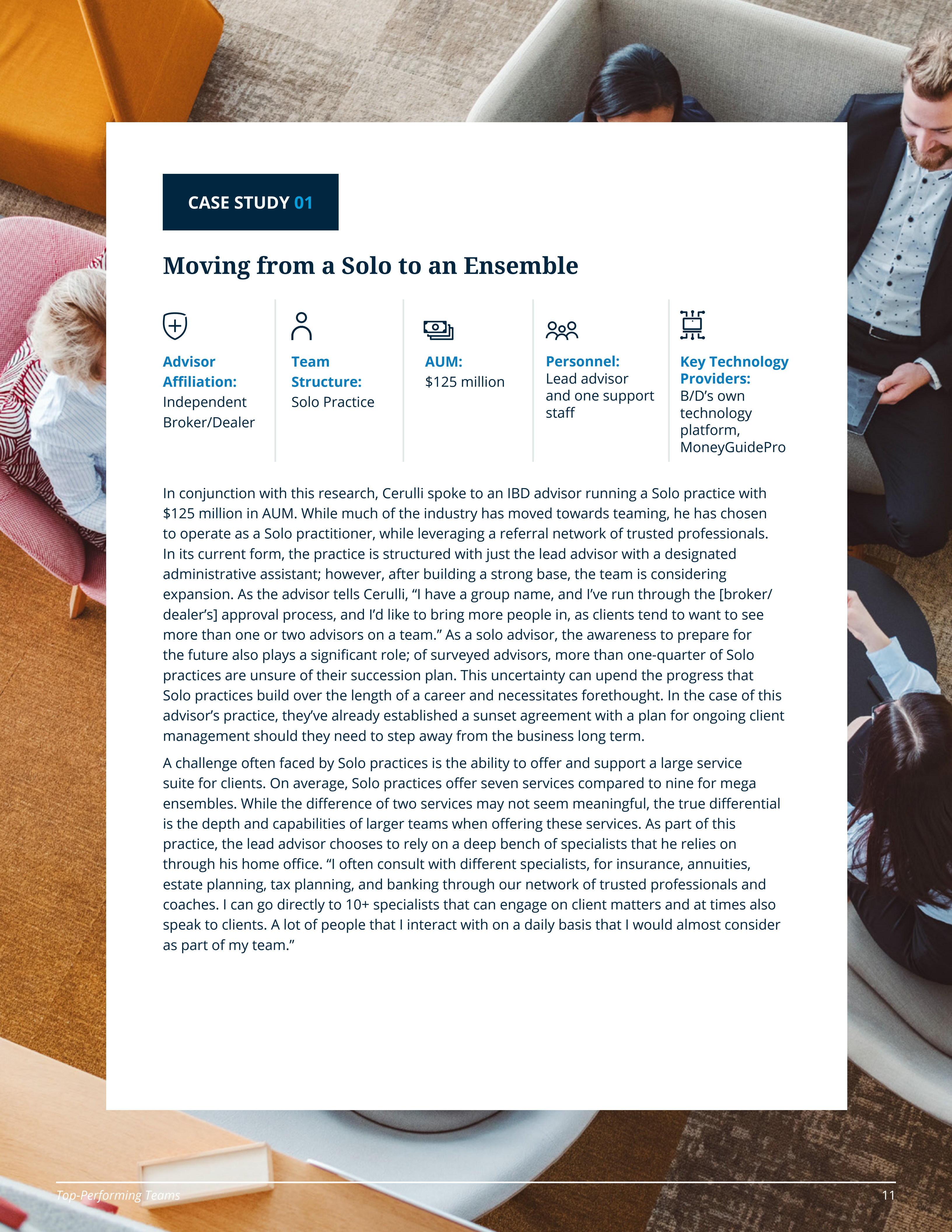


Exhibit 7 | Number of Services Offered, 2024



Source: Cerulli Associates | Analyst note: Financial planning services include retirement income planning, insurance (e.g., life, health, disability), education funding, cash management, intergenerational planning and elder care planning.



CASE STUDY 01

Moving from a Solo to an Ensemble

Advisor Affiliation: Independent Broker/Dealer

Team Structure: Solo Practice

AUM: $125 million

Personnel: Lead advisor and one support staff

Key Technology Providers: B/D's own technology platform, MoneyGuidePro

In conjunction with this research, Cerulli spoke to an IBD advisor running a Solo practice with $125 million in AUM. While much of the industry has moved towards teaming, he has chosen to operate as a Solo practitioner, while leveraging a referral network of trusted professionals. In its current form, the practice is structured with just the lead advisor with a designated administrative assistant; however, after building a strong base, the team is considering expansion. As the advisor tells Cerulli, "I have a group name, and I've run through the [broker/dealer's] approval process, and I'd like to bring more people in, as clients tend to want to see more than one or two advisors on a team." As a solo advisor, the awareness to prepare for the future also plays a significant role; of surveyed advisors, more than one-quarter of Solo practices are unsure of their succession plan. This uncertainty can upend the progress that Solo practices build over the length of a career and necessitates forethought. In the case of this advisor's practice, they've already established a sunset agreement with a plan for ongoing client management should they need to step away from the business long term.

A challenge often faced by Solo practices is the ability to offer and support a large service suite for clients. On average, Solo practices offer seven services compared to nine for mega ensembles. While the difference of two services may not seem meaningful, the true differential is the depth and capabilities of larger teams when offering these services. As part of this practice, the lead advisor chooses to rely on a deep bench of specialists that he relies on through his home office. "I often consult with different specialists, for insurance, annuities, estate planning, tax planning, and banking through our network of trusted professionals and coaches. I can go directly to 10+ specialists that can engage on client matters and at times also speak to clients. A lot of people that I interact with on a daily basis that I would almost consider as part of my team."

CASE STUDY 02

Mega Ensemble Practice

Advisor Affiliation: Independent Broker/Dealer

Team Structure: Mega Ensemble

AUM: $1.3 billion

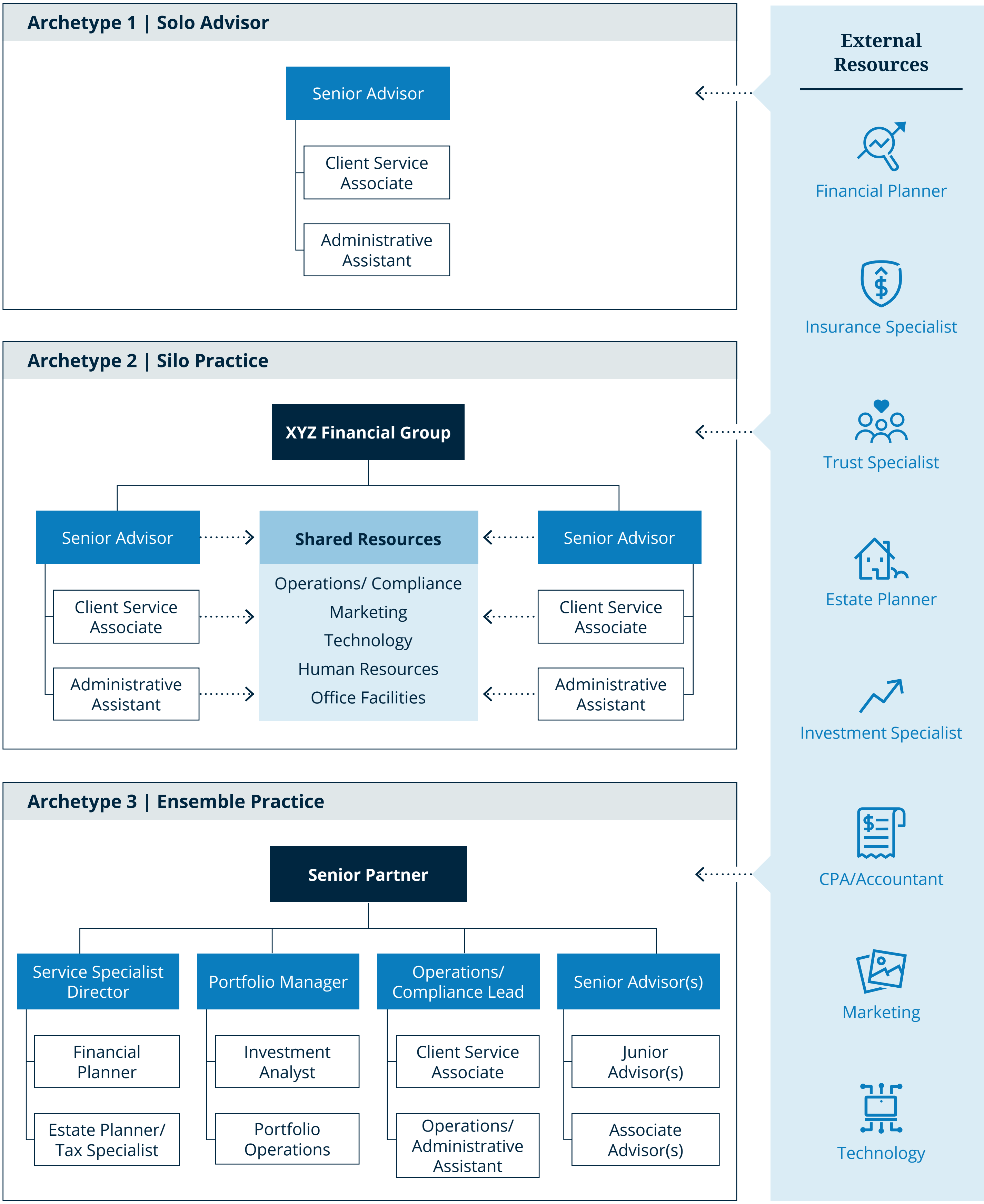
Personnel: 40+ total staff, including five Partners, 20 private wealth advisors, 15 support staff

Key Technology Providers: Envestnet, eMoney, Fidelity

Cerulli interviewed the senior partner at a large Ensemble practice who has achieved significant growth over the past several years. Operating as a collaborative and integrated practice has been a key component to the practice's organic and inorganic (via advisor acquisition) growth. The practice has expanded to over 40 staff members, including 20+ producing advisors and five senior partners that oversee key areas of the practice, providing support around planning, business development, and client relationship management. The practice has a shared revenue structure, with split expenses across the P&L through a pooled partnership model. The firm also has a unique client service model where they have built centralized hubs across certain geographic locations to centralize operations. They recently rolled out a pod-based team structure where individual teams focused on financial planning, and operational tasks provide advisors with dedicated support and managerial oversight.

The goal of building an Ensemble practice is to bring together advisors that have similar characteristics, culture, and core processes but specialize in different client niches (*e.g.*, government employees, business owners, corporate executives) and technical expertise (*e.g.*, estate planning, taxes, insurance). The senior partner explains, "We've been able to differentiate our firm by going deep in a specific area in a scalable manner." Having a team of experts has also helped the Ensemble practice drive growth, and generate referral opportunities internally. He explains, "We recognize that we can't be good at all things, and work with all types of clients. We're stronger collectively as a team by having this deeper level of specialization. A big part of why our team is successful is because people stay in their lane, while working toward a shared vision and realizing benefits of scale." Operating as a team has also allowed the firm to successfully recruit and retain employees: "We've doubled our advisorforce in a few years; people are attracted to the idea of working in a collaborative practice that is something bigger than yourself – this is key to our growth and value proposition." Having a positive team-based culture formed through strong, and collaborative leadership is a key element to growth among Mega Ensemble practices.

Exhibit 8 | Example Team Structure



Source: Cerulli Associates

Analyst Note: This chart is included only to illustrate an example framework for organizational structure across various team archetypes. External resources includes various specialist services that may be outsourced to a home-office or third-party provider. Mega Ensemble practices (Archetype 4) have a similar organizational structure to an Ensemble practice (illustrated above), but may include additional senior level partners, advisors and expanded support functions (e.g., operations, compliance, marketing).

Conclusion

Teaming continues to gain prevalence across the industry, given the benefits of increased productivity, enhanced client experience, expanded service offerings, and built-in succession opportunities. As demonstrated in this white paper, teams can outperform Solo practices as they allow advisors to achieve scale and focus on growing their business. Additionally, teaming facilitates capacity for greater specialization, which can help advisors move upmarket and expand walletshare. Teaming is most effective when there is alignment between the leadership and staff, and processes are truly integrated to achieve synergies and create scale. However, not all teams are successful, and joining forces may not be the right approach for everyone. Many Solo practices have been highly successful and are often able to leverage strategic partners and professional networks to increase capacity and drive growth. Building a successful team requires significant time and energy to find the right people with a shared goal and vision, but ultimately can offer significant benefits, growth opportunities, and increased enterprise value in the long run.