Pathways to Growth

2024 Advisor Benchmark Study

Fourth Edition

What's behind the success of today's highest growth advisors?[1]

For one thing, they continue to invest in their skills.

In a year when stock market strength supported growth in assets under management (AUM) for most advisors, the average advisor in our survey experienced 13% growth in revenue.

Yet even as the market tide lifted almost all boats, an elite subset of advisors rose even higher, experiencing twice the growth of the average advisor. How did they do it? What skills, behaviors and processes are behind their ongoing business success?

Three areas of focus remain consistent among advisors experiencing the highest growth

1 Client acquisition

Successful advisors make client acquisition a focus. Their above-average skills in the key disciplines of branding, marketing, prospecting and referrals are driving higher referral rates and AUM growth.

2 Relationship alpha

High-growth advisors meet the needs of today's client with responsive services and resources that help those clients reach their evolving goals.

3 Strategic scale

High-growth advisors think like CEOs. They plan and strategize, implement processes and procedures, cultivate talent, and use metrics and key performance indicators (KPIs) to measure impact.

> **A different kind of study. Pathways to Growth: Advisor Benchmark Study,** the annual survey Capital Group launched in 2020, focuses on individual advisors and quantifies the link between their skills and organic practice growth.[2] By calling out high-impact skills, the study provides advisors with actionable steps to help grow their business. This has made Pathways to Growth the #1 most requested practice management topic for Capital Group, and has helped our site become an award-winning practice management resource[3] for advisors.

[1] High-growth, highest growth or fastest growing advisors: Top quintile in terms of growth as measured by a composite of assets, revenue and number of clients. Top quintile based on growth in AUM, revenue and number of households between 2021 and 2023. Percentage and absolute growth are equally weighted in the calculation.

[2] Organic growth is defined as rising assets under management not attributable to acquisitions or upward movements in capital markets.

[3] American Funds is a gold award winner in Corporate Insight's Annual Asset Management Monitor – Advisor Awards, December 2022 and December 2023. Corporate Insight recognized American Funds' PracticeLab hub, podcast and webinars as part of their 2022 and 2023 benchmarking analysis of the financial advisor sites offered by leading asset managers. Corporate Insight reviewed specific site features and distributed awards in gold, silver and bronze based on the quality of desktop tools and features in five areas: homepages, practice management resources, fund profile pages, login and registration, and portfolio diagnostic tools. Corporate Insight used its proprietary benchmarking software and ratings criteria to evaluate and compare the full digital capabilities of 20 firms' websites. For practice management resources, they evaluated firms based on positioning, range of topics, publication frequency, content format and value-added features.

Successful traits of the highest growth advisors

Since our first advisor benchmark survey in 2020, we have seen some improvement in the skills that lead to growth. Still, the highest growth practices are strongly differentiated in certain key areas.

Client acquisition

Highest growth advisors saw

30%

more growth from new clients

Develop a marketing mindset
The highest growth advisors were 77% more likely to have a written marketing plan that prioritizes activities related to retention and prospecting.

Turn prospects into clients
The highest growth practices received 65% more referrals and were 38% more effective in converting prospects into clients.

Ensure brand consistency
High-growth advisors were 75% more likely to have a process for ensuring their brand is communicated consistently across multiple client touchpoints.

Relationship alpha

Highest growth advisors are more likely to offer

10+

distinct services

Deliver "value-added" services
Although certain services have become "table stakes" for nearly all advisors, those with the highest growth offer more value-added services tailored to the dynamic needs of clients.

Focus on retirement
High-growth advisors were more likely to have 25% or more AUM in defined contribution assets and were 23% more likely to have a strategy for transitioning plan participants into prospects for their practice.

Strategic scale

Among highest growth advisors

60%

use model portfolios

Use measurement to drive efficiency
Growing advisors measure impact and success across areas, including productivity, efficiency, and return on technology investments.

Understand the power of teams
They were more likely to ensure all team members have a clear set of responsibilities that are known to all. They are also more likely to use metrics to track team performance.

Benefit from processes
They are 39% more likely to automate routine tasks and 31% more likely to have standard operating procedures (SOPs) in place for a range of activities.

Service offerings may vary by firm. Financial professionals should consult firm guidelines for more information.

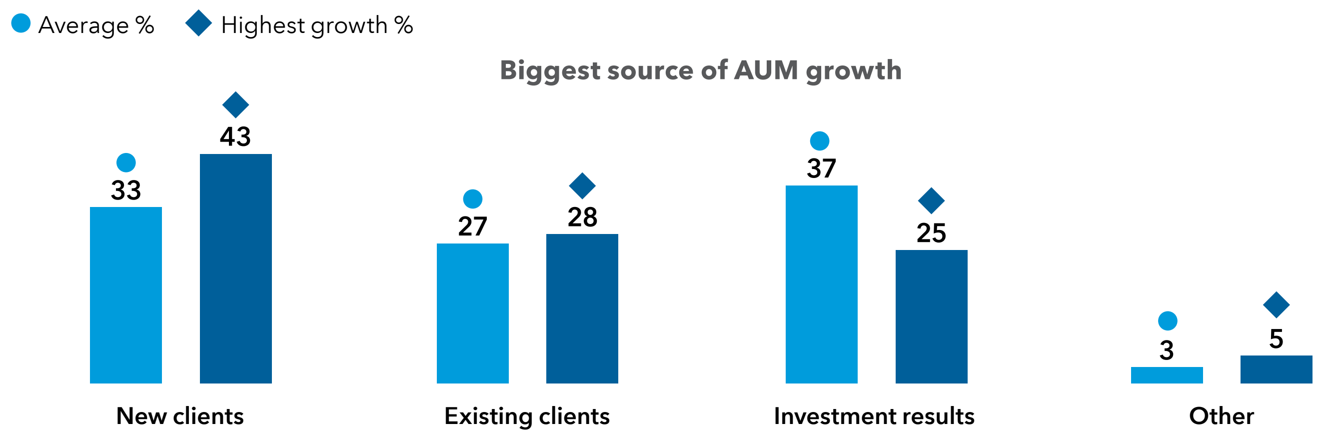
New client focus is a clear differentiator for organic growth

For all advisors in our study, 33% of AUM growth came from new clients. But high-growth advisors saw greater-than-average gains. Indeed, assets from new clients were their biggest drivers of AUM growth.

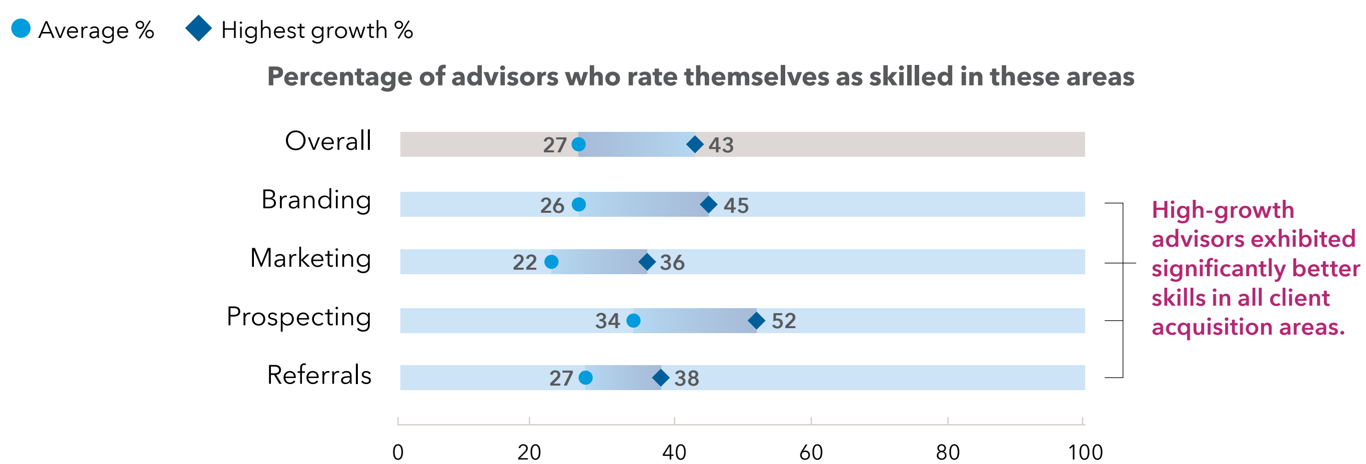
Those in the high-growth segment are more likely to focus on client acquisition and have higher levels of skill in areas like branding and prospecting. And they are much more intentional about applying these skills strategically. For example, our study shows that significantly more high-growth advisors have well-defined prospecting and referral strategies; they are also nearly 70% more likely to work with clients on a "referral story," helping clients craft the story of how they benefited from working with the advisor.

Yet despite the fact that higher growth advisors have these skills in greater measure, as a group they still fall short on an absolute basis. This makes client acquisition a significant opportunity for all advisors looking to grow organically.

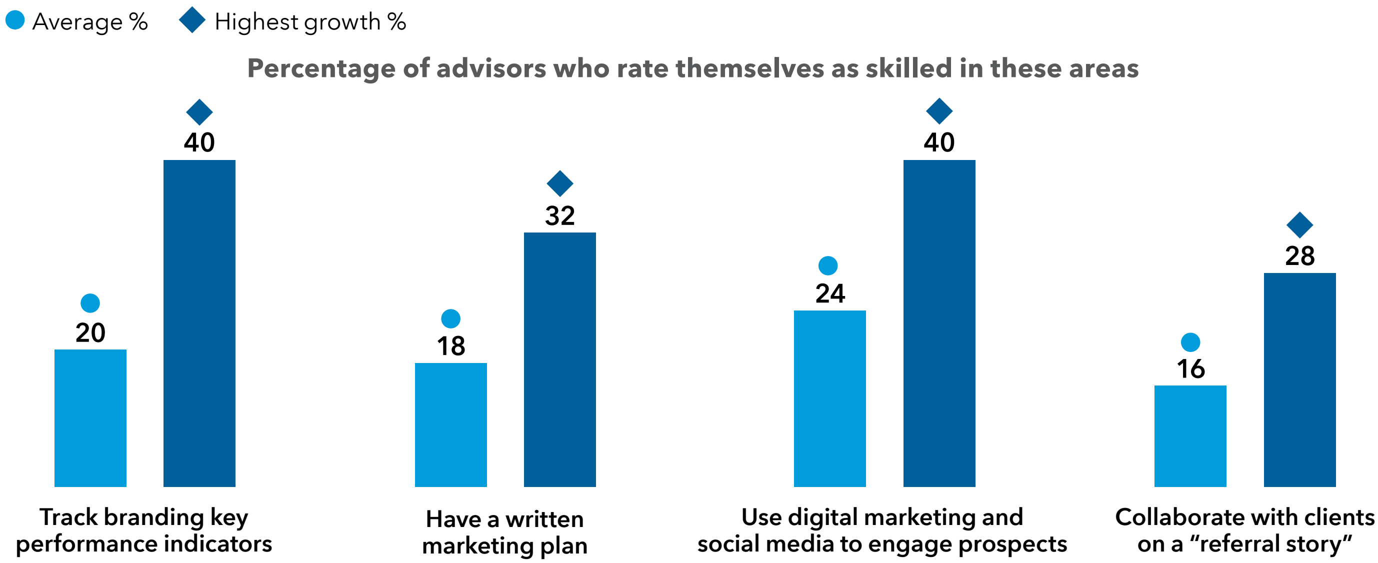
For high-growth advisors, new clients were the biggest AUM driver in 2023



Client acquisition skills: Higher for high-growth advisors but low overall



Highest growth advisors are more likely to be skilled across a range of client acquisition activities



Refining your approach to client acquisition

Here are some key behaviors associated with the highest growth practices

Developing a distinctive and defined brand story

When you understand your "why" and your position in the marketplace, you can better articulate your brand to clients and prospects. Having a written brand story and strategy helps prospects understand your perspective, your coaching capability and the impact you have in client relationships. Making your brand identity consistent across all touchpoints and arming clients with a "referral story" is crucial.

Having a marketing plan

A written marketing plan that guides your choices and activities helps sharpen your outreach. For higher growth advisors, that strategy includes promoting their services through digital channels and tracking effectiveness through metrics like lead generation and conversion rates. It also includes seeking feedback directly from clients.

Putting a premium on prospecting

New clients are the lifeblood of most practices. That puts a premium on prospecting. A defined prospecting strategy – including identifying your "ideal client" – helps advisors effectively allocate their time. Digital marketing and social media help them scale, and tracking engagement and impact lets them know what's working.

Measuring effectiveness

High-growth advisors track key performance indicators to measure the impact of their client acquisition strategies. For example, they were almost twice as likely to track data related to the success of referral generation programs.

Relationship alpha

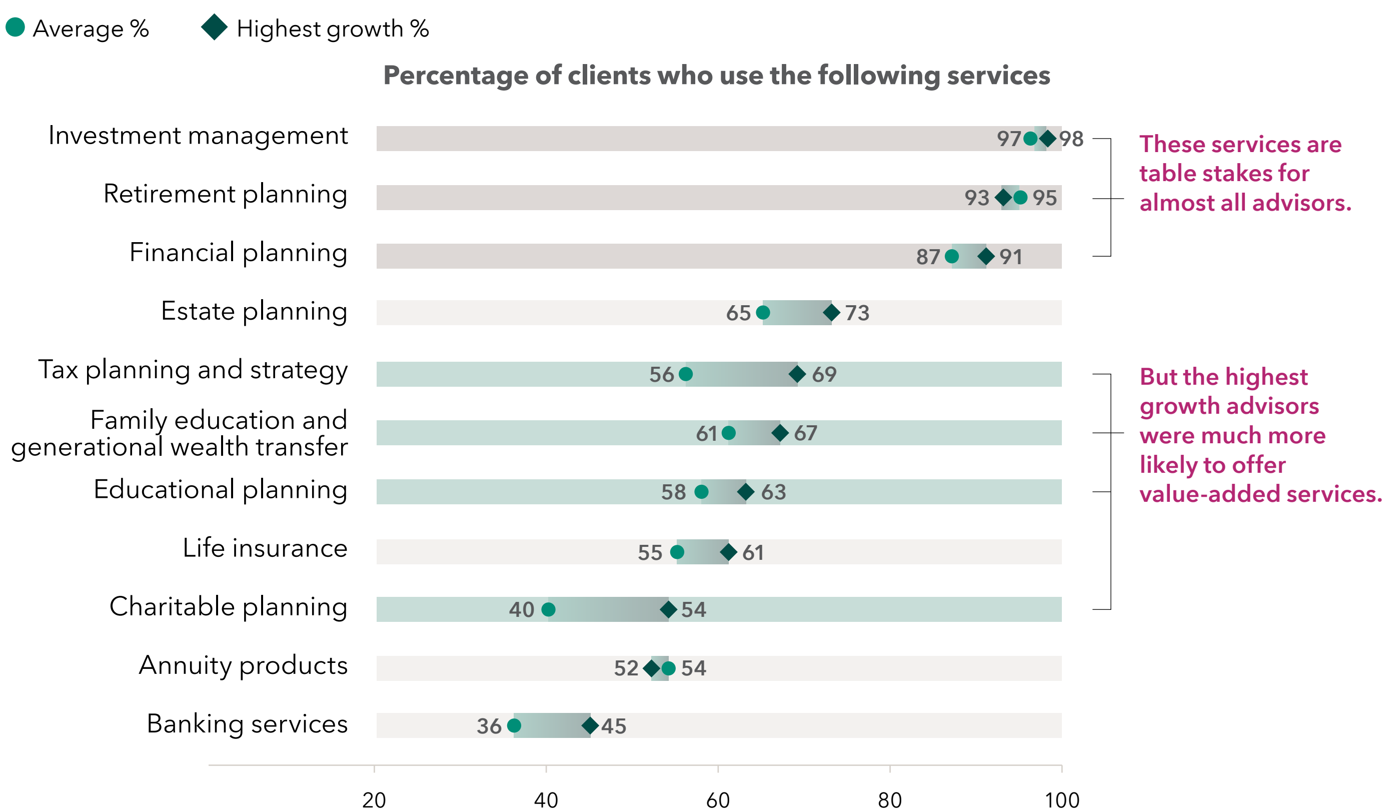
High-growth advisors offer more services to more clients

Each edition of our study has increasingly confirmed that certain services have become table stakes offerings for nearly all advisors. These include retirement and financial planning and investment management. Yet higher growth advisors elevate their client service by providing a higher number of value-added services. Indeed, offering 10 or more services is strongly correlated with higher-than-average growth.

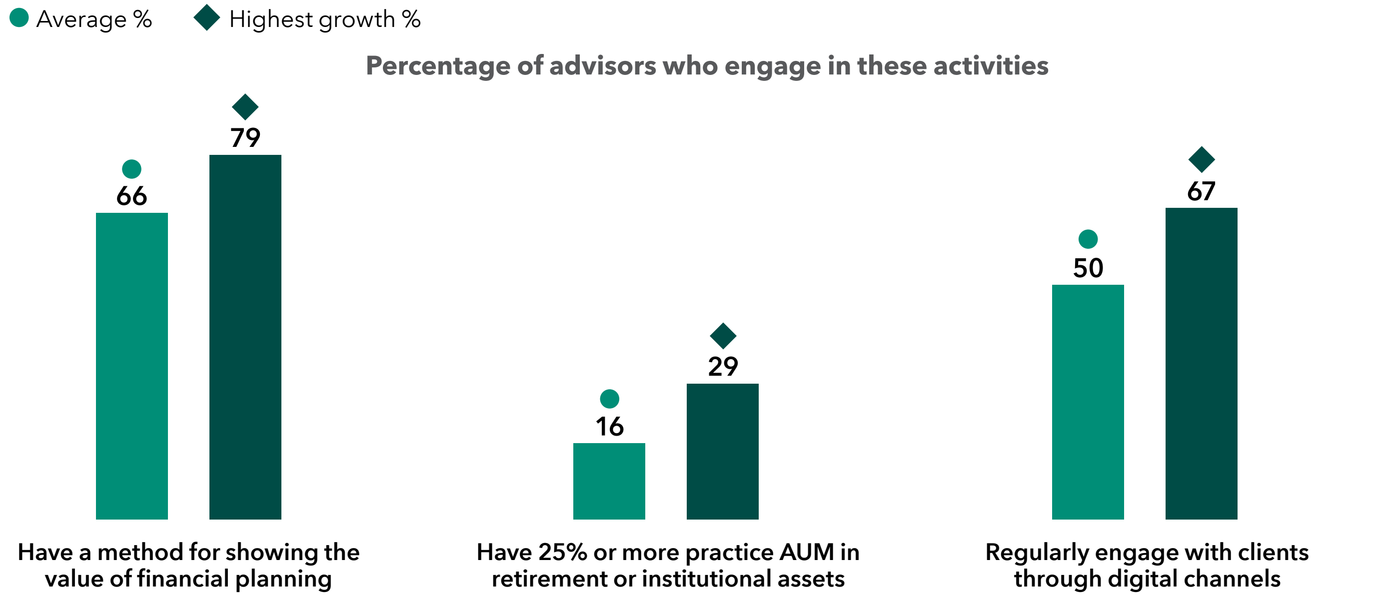
And while nearly all advisors may offer financial planning, high-growth advisors are more apt to offer financial planning to a specific profile of prospect or client. Beyond simply offering this service, they have a method for showing the value of their financial planning capabilities to prospects and new clients.

Differentiation can also be found in the area of retirement plans. A defined focus on retirement plans is strongly associated with high-growth advisors, who are more likely to have at least 25% of AUM in defined contribution or institutional assets. These advisors also have a scalable approach to servicing those still in the accumulation stage and have a strategy for transitioning them into their practices.

Highest growth advisors offer more services to all clients



Providing a customized, differentiated client experience



Delivering relationship alpha

The following focus areas help growth-seeking advisors provide a differentiated client experience

Responsive financial planning and demonstrated value

High-growth advisors have a standard process for conducting financial planning and focus their efforts on a specific profile of clients and prospects. And beyond simply having a process, they have a method for showing the value of that planning to new and prospective clients.

Standing out as more services become table stakes

Over the years, our study has shown the gap in services between the average advisor and the high-growth advisor narrowing in some areas. But important differences persist, including tax and charitable planning and estate planning services, which high-growth advisors are more apt to offer.

Retirement plans offer opportunity for differentiation

One key area of difference for high-growth advisors relates to retirement plans. High-growth advisors are 80% more likely to have institutional or defined benefit assets as a cornerstone of their AUM. They also take steps to tailor their messaging and servicing to plan participants with an eye toward eventually transitioning some into wealth management clients.

Multigenerational engagement

Perhaps counter to assumptions, high-growth advisors are more likely to have younger clients, possibly the result of working across generations within families. Advisors who embrace multigenerational engagement through strategies such as the family wealth briefing may stand a better chance of retaining or even growing their practice when life events put money in motion.

Service offerings, correspondence and communication policies may vary by firm. Financial professionals should consult firm guidelines for more information.

Strategic scale

High growth requires thinking like a CEO

High-growth advisors seek to "professionalize" their practice by implementing processes and procedures common to today's most sophisticated organizations.

They engage in dynamic business planning informed by key performance indicators. And they are more apt to have a written succession plan they've shared with their staff.

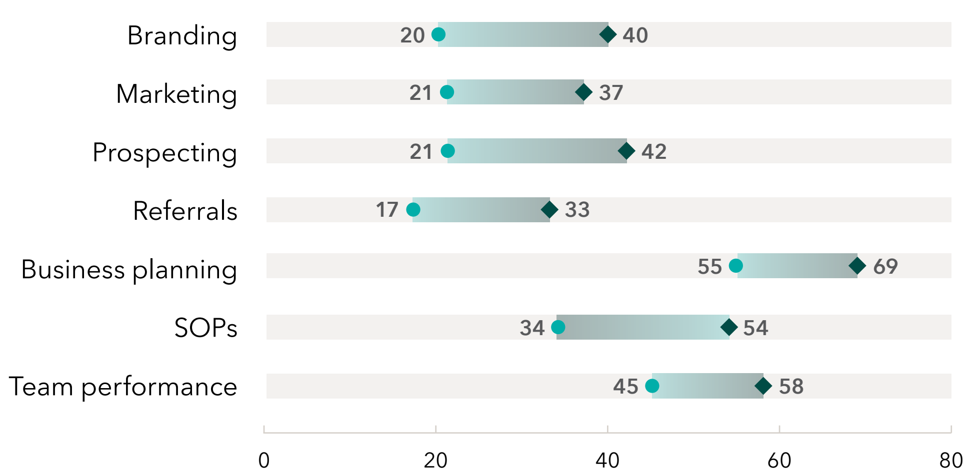
High-growth advisors seek ways to standardize and scale. They are more likely to employ SOPs for key business processes, leverage technology to automate routine processes and use third-party models at greater-than-average rates.

In leading and managing their teams, they delineate expectations, formalize responsibility and pursue transparency within the team. They also provide forums for feedback and accountability, which they help ensure through measurement.

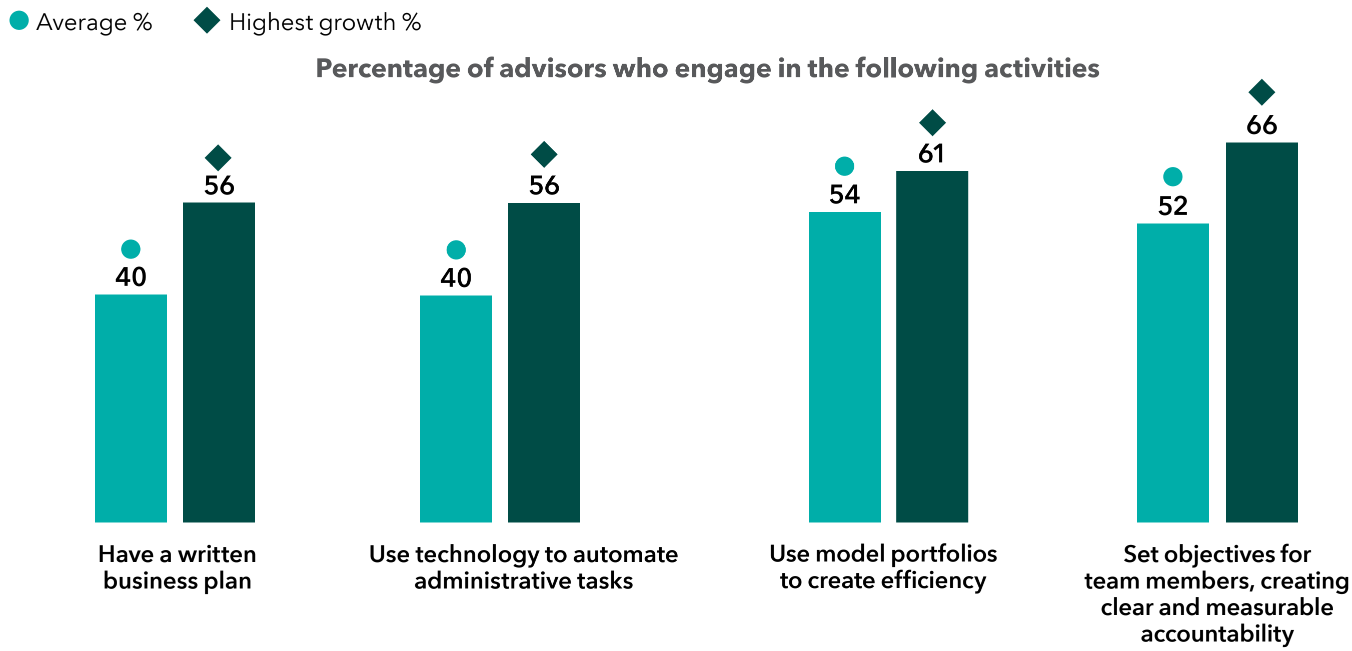
Highest growth practices promote accountability and assess impact

● Average % ◆ Highest growth %

Percentage of advisors who track key performance indicators in the following areas



Highest growth advisors use plans and processes to drive growth



Building strategic scale

Advisors seeking to accelerate their growth would do well to consider the following

Planning to succeed

High-growth advisors are more likely to engage in a number of activities related to business planning. These include developing a plan and updating it in response to shifting market conditions and client needs. They also track performance indicators, like AUM growth and profitability, and implement forward-looking tactics and initiatives based on what the plan reveals.

Implementing SOPs

The fastest growing advisors implement SOPs to help ensure consistency and to elevate the client experience. They are 31% more likely to have these services in place for key business processes, including onboarding, client reviews and account management. They are also 59% more likely to track metrics related to the effectiveness of such processes and to use that information to refine them.

Less portfolio management, more models

High-growth advisors know that time spent on client engagement has a greater impact on growth than time spent actively managing portfolios. That's in part why they use model portfolios at 13% higher rates than the average advisor.

Leadership and teaming

High-growth advisors rate themselves higher across a number of team management and leadership dimensions. Their teams are much more apt to have a clear set of responsibilities that are known to other team members; somewhat related, they are 25% more likely to set objectives that create clear and measurable accountabilities.

Even for high-growth advisors, there's room for improvement

Our study exposed gaps between the skills of average advisors and their high-growth peers. But it also revealed opportunities for all advisors. When it comes to those skills most closely correlated to growth, even high-growth advisors may be falling short in some areas.

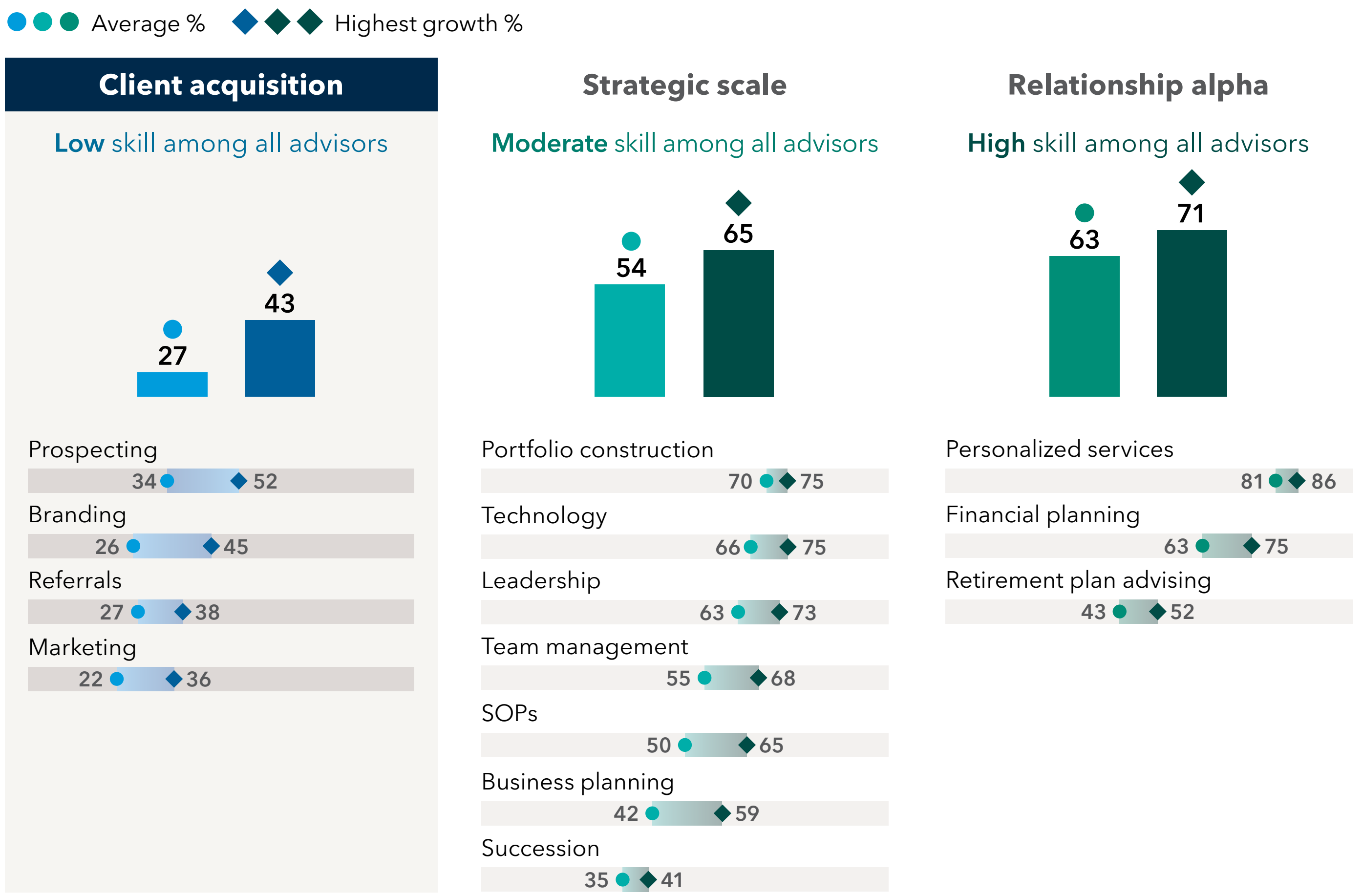
For example, although high-growth advisors are almost twice as likely to track key performance indicators related to their prospecting efforts, only 42% of high-growth advisors actually do so.

Conversely, many of the areas with the narrowest gaps, including things like tailoring services based on client needs, are skills that more than 90% of all advisors have.

The lesson? Even for high-growth advisors, there's room for improvement in the skills that matter most.

Financial advisors' self-reported skills vary greatly by focus area

Percentage of advisors reporting skill in the three areas of focus



Client acquisition skills and activities are most highly correlated to organic growth yet are among the least practiced.

Process improvements can increase team effectiveness, create a better client experience and improve efficiency.

Broadening and customizing service offerings and articulating benefits creates deeper client engagement and reinforces value.

Guidelines on roles and activities may vary by firm. Financial professionals should consult firm policies for additional information.

Six steps on your pathway to growth

The following six focus areas are correlated to the highest growth practices

1

Focus on client acquisition

- The heart of successful client acquisition is having a prospecting strategy, something high-growth advisors are 60% more likely to have.
- The skills that contribute to successful client acquisition work together; they are a meal, not a menu.
- Beyond prospecting, all advisors need a clear brand story that they deploy through effective marketing and via existing clients by means of a thoughtful referral strategy.

2

Personalize your services

- Creating a great experience for existing clients is increasingly about personalizing your services.
- High-growth advisors typically offer 10 or more different services, including those like estate and tax planning, that match the needs of high net worth clients.
- This expanded service offering becomes central to the value proposition communicated to clients and prospects.

3

Build scale and efficiency through model portfolios

- The highest growth advisors follow the advice often given to clients: Focus on what you can control.
- That means less time spent researching the market and more time spent on client acquisition.
- Although most practices spend comparable time on asset allocation, advisors in the high-growth segment were more likely to use models.

4

Build a retirement plan business with discipline

- Many advisors eschew retirement plan business because of the skills and time it requires.
- But higher growth advisors are much more likely to have 25% or more of their AUM in retirement assets.
- They are also more likely to service retirement plan clients with customized messaging and service, including a strategy for turning plan participants into prospects.

5

Team for success

- High-growth advisors don't assume team cohesion will just happen. They actively cultivate a productive, efficient and motivated team.
- They hold regular meetings with opportunities for feedback and track data related to areas like job satisfaction.
- They also set objectives, delineate and share team member responsibilities, and promote accountability.

6

Manage and measure at every step

- Among the starkest differences between high-growth advisors and their more average peers is the tendency of the former to translate their intentions into written plans and strategies.
- The difference is particularly notable within the skills linked to client acquisition. In that area, the high-growth cohort is much more likely to have plans related to branding, marketing, prospecting and referrals.

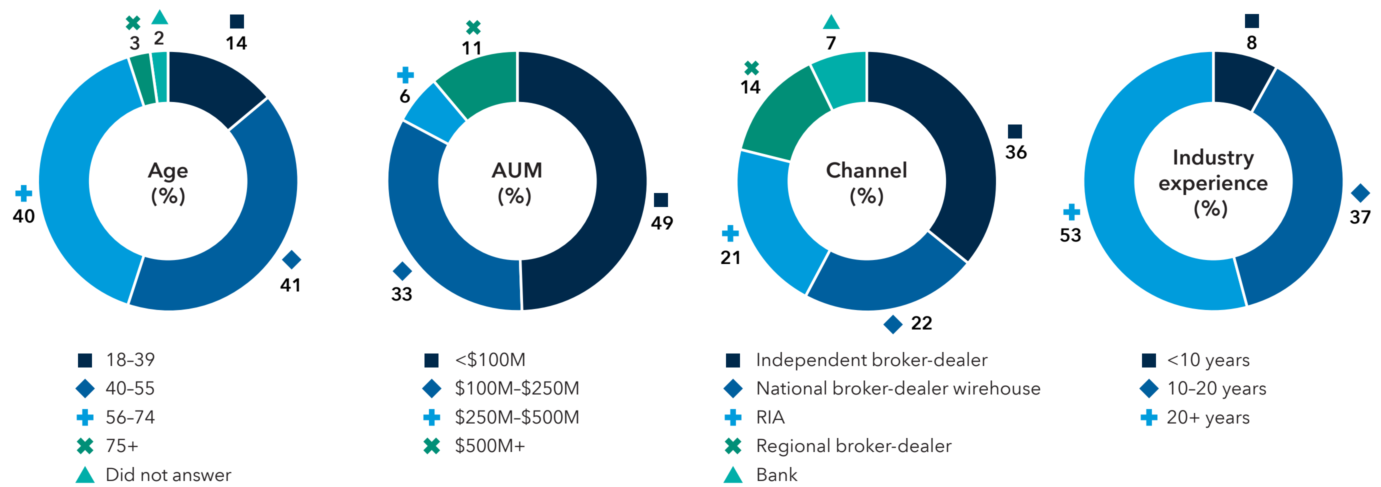
Service offerings, correspondence and communication, and role and activities guidelines may vary by firm. Financial professionals should consult firm guidelines for more information.

By the numbers

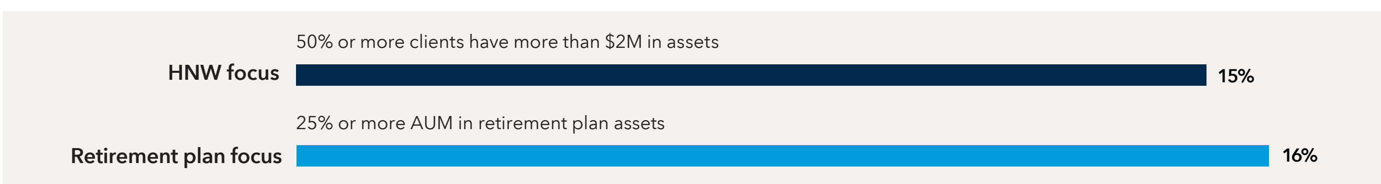
In 2024, Capital Group anonymously surveyed more than 1,500 financial professionals who together provided a representative view of the U.S. advisor landscape.

Participants ranged from seasoned veterans to those just beginning their careers, and from registered investment advisors (RIAs) to advisors at regional firms to corner-office wirehouse teams. Some practices were modest, while others had books of business numbering in the billions of dollars. Among those surveyed, some advisors had a specialty focus, for example, working primarily with high net worth (HNW) clients or providing advisor-sold retirement plans.

We analyzed results based on dozens of factors, including things like model portfolio usage, AUM growth, retirement plan assets, branding and prospecting skills, technology use, and team management behaviors.



Due to rounding, charts may not add up to 100%.



Methodology

Capital Group, partnering with behavior and analytics firm Escalent, conducted a multiyear advisor benchmarking study among thousands of financial advisors in the U.S. This study has established a benchmark for behaviors and assessed the relationship between those behaviors and practice growth using decision tree analysis and regression models. The online study was first fielded in 2020. Capital Group was not revealed as the sponsor. The data in this presentation reflects the latest wave of data collected in 2024, which reflects 2023 growth.

On or around July 1, 2024, American Funds Distributors, Inc. will be renamed Capital Client Group, Inc.