A.T. Kearney study: The $20 billion impact of the new fiduciary rule on the U.S. wealth management industry

Perspective for Discussion

October 2016

ATKearney

Industry Perspective: Executive Summary (1 of 2)

- On April 6, 2016, the Department of Labor released the final version of its regulation, expanding fiduciary responsibility to advisors to 401K plans and IRAs—requiring all professionals to recommend what is in the "best interests" of their clients
- The new rule, expected to go into effect in April 2017, will result in several important changes, including requiring advisors to adhere to a "best-interest standard," new compliance protocols, an increased level of scrutiny on fees and advisor compensation, and accelerated product shifts to fee-based and robo-advisory.
- Our studies reveal **a $20 billion revenue impact for the industry** through 2020, along with significant asset shifts across players and formats within the wealth management value chain.
- Industry players will be impacted at all levels. To remain competitive and viable, all must aggressively address these changes

1. **Wirehouses** will accelerate their ongoing transition to fee-based advisory, while capitalizing on their ability to continue to sell high-fee proprietary products following the most recent rule revision
   (expected impact by 2020: assets: -$300 billion, -5 percent; revenues: -$4 billion, -8 percent)
2. **Broker/dealers** will see a significant sales impact as high-commission products (such as annuities) lose favor. Additionally, consolidation will likely occur as smaller independent broker/dealers struggle to comply to the new rule
   (expected impact by 2020: assets: -$250 billion, -6 percent; revenues: -$3 billion, -11 percent)
3. **Independent broker/dealers** will face the largest disruption, as the rule will strain the resources of smaller players. This will drive industry consolidation and the potential outflow of advisors to other distribution formats, like dual RIAs
   (expected impact by 2020: assets: -$350 billion, -11 percent; revenues: -$4 billion, -22 percent)
4. **Dual RIAs** will see their business model shift as "hybrids" focus in the near term on building their RIA businesses, and along with others in the industry they will accelerate the transition to more fee-based advisory
   (expected impact by 2020: assets: +$100 billion, +5 percent; revenues: -$0.5 billion, -3 percent)
5. **RIAs,** who already operate under similar fiduciary standards, will stand to gain significant market share as most are already equipped to comply with the rule
   (expected impact by 2020: assets: +$250 billion, +10 percent; revenues: +$1.5 billion, +5 percent)

ATKearney

Industry Perspective: Executive Summary (2 of 2)

6. **Robo-advisory** adoption will accelerate as accounts flow away from broker/dealers and undersized accounts are dropped as fee-based advisory changes the economics for managed advice.
(expected impact by 2020: assets: +$250 billion, +15 percent, revenues: +$1 billion, +15 percent)

7. **Self-directed** will benefit from these trends, as accounts that don't flow into robo-advisory will go directly into mutual funds and exchange-trade funds. Products will also likely be streamlined as high-fee, low-performance funds lose favor.
(expected impact by 2020: assets: +$150 billion, +4 percent, revenues: +$1 billion, +4 percent)

8. **Retirement plan administrators**, most of whom play other roles in the value chain, will need to reconsider their business model as their significant revenue source (12b-1 fees for product placements) will come under pressure.
(expected impact by 2020: assets: +$200 billion, +3 percent, revenues: -$1 billion, -5 percent)

9. **Manufacturers** will experience significant asset flow and will be incentivized to streamline product offerings, lower fees, and improve performance.
(expected impact on mutual funds by 2020: assets: -$1 trillion, -6 percent), revenues: -$14 billion, -11 percent)
(expected impact on exchange-traded funds by 2020; assets: +$1 trillion, 45 percent, revenues: +$1 billion, 30 percent)

- In all cases, industry players can take targeted actions to both minimize disruption and position themselves for longer-term growth.

- Two distinct set of measures in response to the rule stand out as a way industry players can differentiate and stand out for the future

1. **Implement key compliance measures** to ensure the company and business model are ready for the rule to take effect with minimal disruption and risks.

2. **Reposition strategy for the future** to help seize the rule as an opportunity to enhance strategies, challenge business models, and accelerate many of the ongoing efforts already taking place across the industry.

Contact information

Bob Hedges, Partner
Bob.Hedges@atkearney.com

Teresa Epperson, Partner
Teresa.Epperson@atkearney.com

Uday Singh, Partner
Uday.Singh@atkearney.com

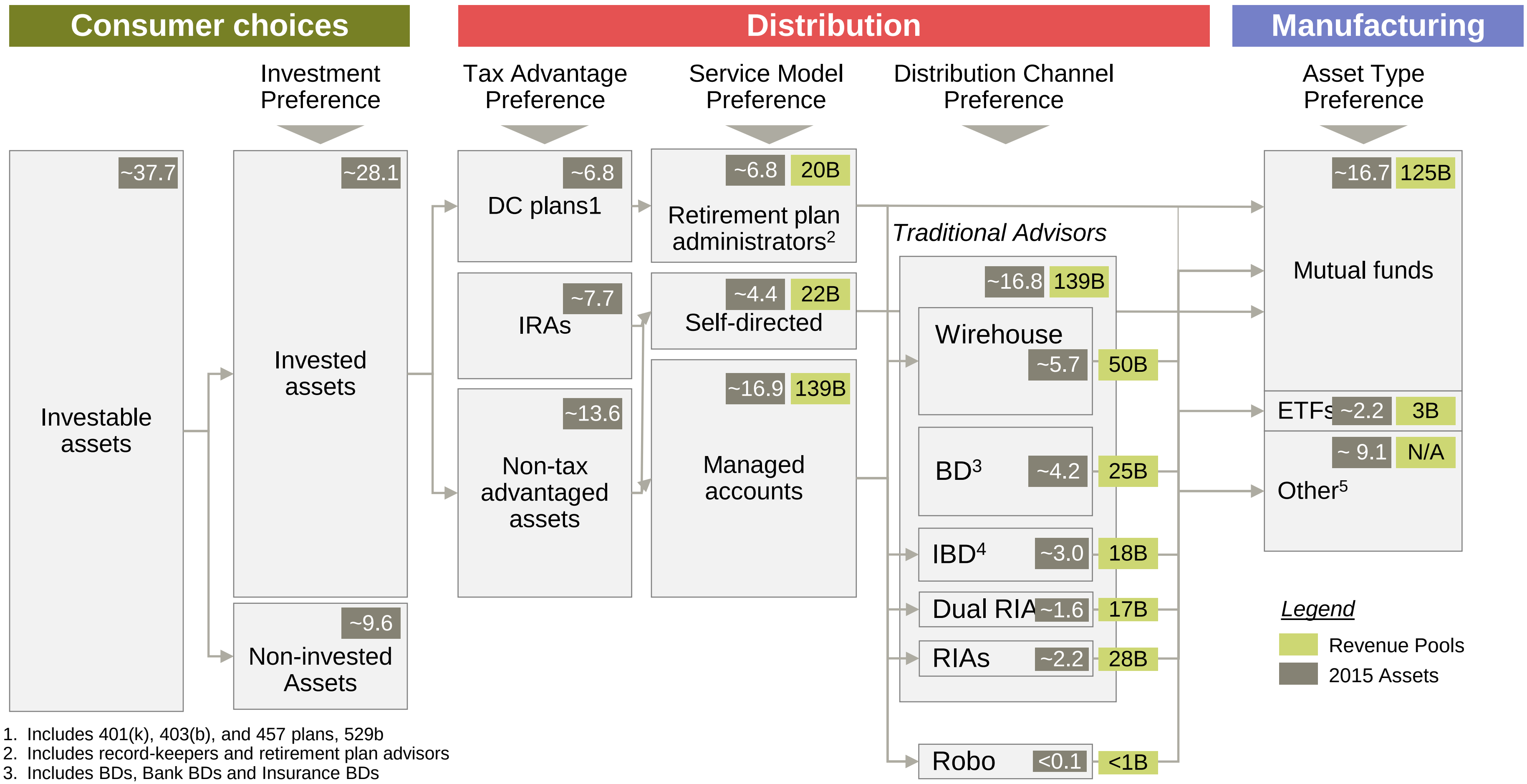
Avi Chandiramani, Principal
Avi.Chandiramani@atkearney.com

Peter Chiang, Principal
Peter.Chiang@atkearney.com

Contents

Today, the US wealth management value chain is highly complex and interdependent

Wealth management value chain and revenue pools, 2015



1. Includes 401(k), 403(b), and 457 plans, 529b
2. Includes record-keepers and retirement plan advisors
3. Includes BDs, Bank BDs and Insurance BDs
4. Includes regional BDs
5. Includes individual equity, fixed income, and alternatives

Note: DC is deferred compensation. IBD is independent brokers/dealers. RIA is registered investment advisor. ETF is exchange-traded fund.
Source: ICI Factbook 2014, Federal Reserve 2015, Cerulli Associates Advisor metrics (2013); A.T. Kearney analysis

ATKearney

On April 6th of this year, the final version of the DOL Fiduciary Rule was released and stands to make a significant impact on the industry

DOL Fiduciary Rule – A Quick Overview

The Quick Facts…

- Issued by US Department of Labor (DOL)
- Final version released April 6th, 2016 (after two previous iterations)
- Latest version incorporate revisions based on stakeholder feedback between 2010-2015
- Most provisions take effect April 2017, with full implementation by January 2018

What Changes (The Impact)…

A "Best Interest" Standard

- *All professionals offering advice on 401(k) plan assets and individual retirement accounts (IRAs) need to recommend what is in the best interests of clients*

New Compliance Challenges

- *Brokers and advisors now need to operate in a new stricter regulatory environment – this will require sizable investments in technology and compliance measures*

Increased Focus on Compensation

- *Rule will enforce a new level of disclosure and transparency to clients – accelerating the industry towards fee-based advisory*

Accelerated Changes to Business Models

- *Brokers and advisors will need to adjust product offerings and pricing as well as underlying business models (e.g. advice models toward RIAs, compensation structures)*

Source: United States Department of Labor, A.T. Kearney analysis

ATKearney

The rule will usher in several key shifts that industry players must understand to position themselves effectively for the future

Significant Shifts from the DOL Fiduciary Rule

Shift to fee-based advisory	With increased scrutiny and regulatory requirements, commission-based accounts will quickly shift toward fee-based advisory.
Decline of high-cost products	Certain high-cost investment products (such as variable annuities) will be phased out as the business model is no longer viable under the new rule.
New compliance costs	Significant up-front and ongoing investments will be needed to ensure compliance to rule including technology, legal expenses, process changes, education, and training.
Industry consolidation	The new rule will drive a new wave of consolidation as smaller companies (in particular IBDs) lack the resources to respond to the changes effectively, and as larger companies seek to increase scale
Increased competition	As more businesses move toward the RIA model, there will be increased competition, likely resulting in lower costs and enhanced delivery models and products for customers.
Dropping of undersized accounts	As firms move toward fee-based advisory, many low-balance accounts will no longer be served, shifting many assets to formats such as robo-advisory and self-directed

Source: A.T. Kearney analysis

ATKearney

Despite ongoing lobbyist attempts to repeal the rule, we believe the rule is here to stay—and more similar regulations are to come

DOL Rule – Here to Stay… (Observations)

1. **Long time coming:** The latest DOL Rule comes at the heels of years of discussion and debate over the topic, and the latest rule already offers many key concessions.

2. **Strong bipartisan support:** The rule has received strong support from President Obama as well as politicians from both sides of the aisle.

3. **Positive public reaction:** The idea of "best interest" is favorable to the public, and this rule and similar ones will only gain traction with investors.

4. **Other regulations already in the works:** The SEC and FINRA have already started drafting additional fiduciary standards that will expand regulation beyond retirement accounts.

As a result, it is important that the industry view the rule as an opportunity to enhance its long-term business strategy

ATKearney

The rule’s impact will differ across the sector, as different players will have to react differently

Impact on along Wealth Mgmt. Value Chain – A Summary View

	Key players	2015 assets	Examples	Impact	
Distribution	1 Wirehouses	~$6 trillion	• Merrill Lynch • UBS • Morgan Stanley • Wells Fargo	“Measured loss”	• Up-front investments to manage new compliance • Accelerated transition to fee-based advisory • Opportunity to continue to market proprietary products
Distribution	2 Brokers/dealers	~$4 trillion	• Bank BDs • Insurance BDs • Regional BDs	“Slowing sales”	• Slowing sales of high-commission products (such as annuities) • Push toward fee-based advisory • Wave of BD consolidation or divestitures
Distribution	3 Independent brokers/dealers	~$3 trillion	• Raymond James • Ameriprise • Small and mid-size IBDs	“Significant disruption”	• Increased regulation, straining smaller IBDs • Potential wave of IBD consolidation for scale • Incentives to drop undersized retirement accounts
Distribution	4 Dual RIAs	~$2 trillion	• Dually registered advisors • Hybrid RIAs	“Business model shift”	• Migration toward RIA business • Measured exit of commissioned advisory (to fees) • Increased risk control to identify conflicts of interest
Distribution	5 RIAs	~$2 trillion	• Independent RIAs	“Relative win”	• Already operating at “best-interest” standards • Minimal disruption to business • Inflow of assets from BD and IBDs
Distribution	6 Robo-advisors	<$100 billion	• Vanguard • Betterment • Wealthfront	“Accelerated growth”	• Inflow of assets from BD and IBDs, particularly undersized accounts • Accelerated industry adoption
Distribution	7 Self-directed	~$4 trillion	• Online platforms – Schwab – TD Ameritrade	“Beneficiary”	• Potential asset inflow from BD and IBDs (for example, undersized accounts)
Distribution	8 Retirement plan distributors	~$7 trillion	• T. Rowe Price • Fidelity	“Marginal loss”	• Revenue disruption as 12b-1 fees will be under pressure • Benefits from a slowdown in IRA rollovers from 401(k) plans
9 Manufacturers		~$20 trillion	• Vanguard • BlackRock	“Revenue disruption”	• Decline in expense ratios and accelerated flow from mutual funds to ETFs, due to increased cost and fee scrutiny

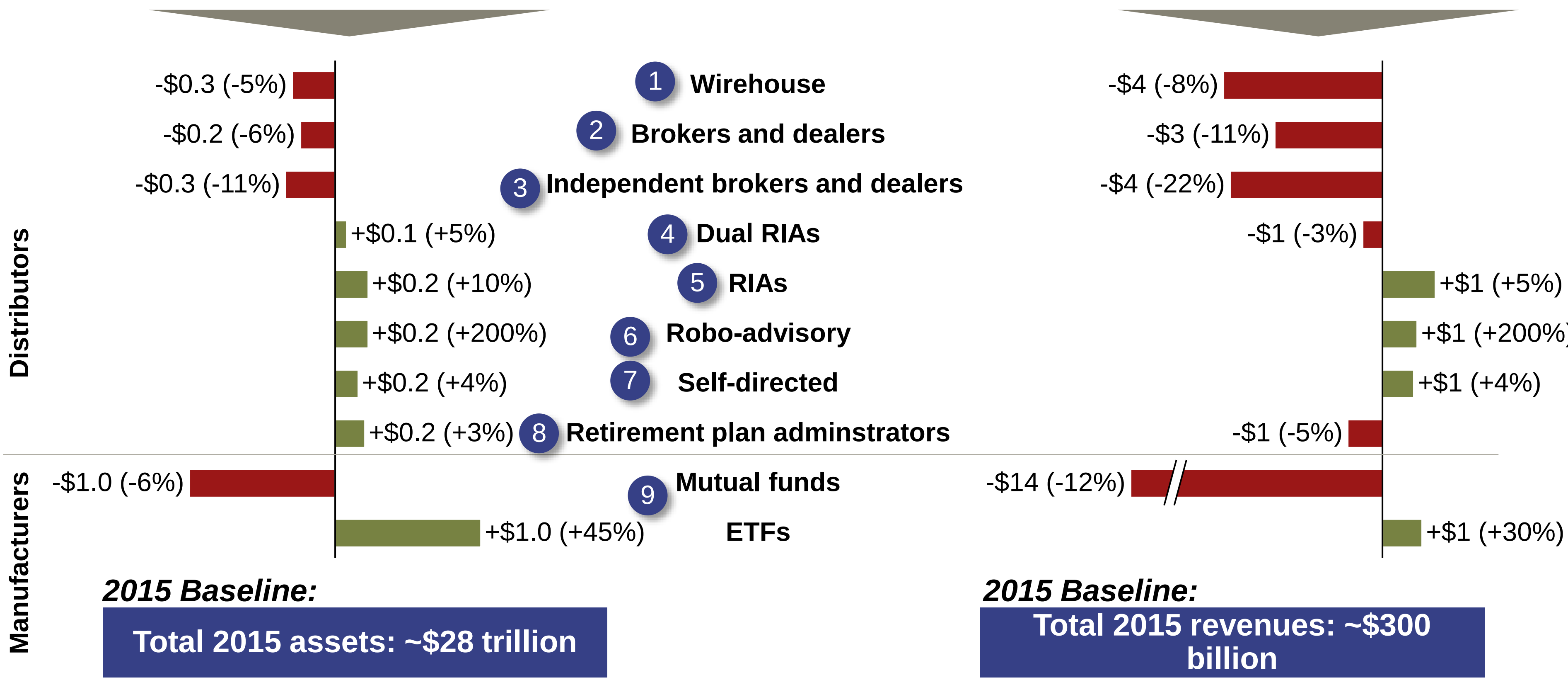
Source: Envestnet, “Market Environment & Asset Class Shifts”; Charles Schwab, “Understanding the Hybrid Practice”; A.T. Kearney analysis

ATKearney

By 2020, the DOL's new fiduciary rule will result in a $2 trillion asset shift and roughly $20 billion in lost revenue

What this really means for the Industry (by the Numbers)…

~$2 trillion asset shift | **~$20 billion in cumulative lost revenues**



Notes: A.T. Kearney analysis

ATKearney

Contents

ATKearney

In response to the rule – the industry is making targeted investments to ensure compliance by April 17th, 2017

Non-Exhaustive View

Critical Compliance Measures

Measure	Key Activities
Establish deep understanding of the rule	• Establish legal and investment team to review and understand rule and implications • Consult (as required) external experts, especially for fee benchmarks and litigation exposure • Understand Best Interest Contract Exemption (BICE) rule and which products require exemptions
Enhance compliance and governance processes	• Implement enhanced due diligence processes for selecting and monitoring products and service partners • Increase internal controls around commissions and fees, particularly for rollover accounts (especially RIAs, robo-advisors) • Establish formal mechanisms to monitor compliance in adherence to Department of Labor standards (such as, changes to investment committee review, outsourced partnership for compliance monitoring)
Invest in technology solutions and upgrades	• Leverage technology solutions (such as SS&C Advent) to support compliance • Integrate new policies and procedures as workflows into portfolio management, performance reporting, and document management systems • Implement enhanced analytics and reporting capabilities to streamline disclosures and proactively identify compliance risks
Revise disclosures and investor information	• Determine additional disclosures required and execute communication to investors (including all sales incentives, compensation, conflicts, fees, and expenses relating to advice provided) • Modify product descriptions and investor information material
Train and educate advisors	• Create training and education programs to field advisors for rapid deployment • Arm support and call center agents with information required to field both advisor and customer inquiries

In addition, industry players will need to rethink certain efforts and accelerate others to "win" in this new ecosystem

"Positioning for the Future" – Key Levers in Response to DOL Fiduciary Rule

"Rethink and adjust"

Key actions

Key action	Description
Optimize product and service strategy	Rethink or phase out commission-based and high-fee products, establish strategy to deploy BICE, and build new product pipeline based on Rule
Revise people and talent strategy	Revise strategies to accommodate shift to fee-based advisory, including: advisor training, compensation structure (away from commissions), and recruiting and retention of top advisors
Explore M&A and partnerships	Explore mergers and acquisitions as an option to increase scale and resources to comply with the rule and succeed in an increasingly cost-conscious sector

"Accelerate and magnify"

Key actions

Key action	Description
Enhance customer engagement	Find new ways to enhance customer value (such as new capabilities like robo) to seize market share as the rule forces consolidation and competition
Invest in enabling processes and technologies	Invest in and broaden technology capabilities beyond compliance, including building digital capabilities and implementing customer big data and analytics
Launch targeted marketing efforts	Deploy targeted marketing campaigns aimed at retaining and gaining market share as assets and customers flow away from traditional channels toward RIAs and robo-advisory

Note: BICE is Best Interest Contract Exemption.
Source: A.T. Kearney analysis

ATKearney

Overall impact | **"Measured loss"**

1 Wirehouses: Despite beneficial revisions in the final rule, wirehouses will still need to revise their business model

Projected impact by 2020

		Assets	Revenues
i Decline in commissions and 12B-1 income from retirement accounts	• Commission-based retirement accounts will be impacted – Retirement accounts are ~40% of wirehouse assets – Commission-based accounts are ~60% of assets	-	~$1 billion (2%)
ii Brokers shift to fee-based models (RIA, dual RIA)	• Increased regulatory scrutiny on commissions will trigger select broker/dealers to shift to advisory models (dual RIA, RIA)	~$100 billion (2%)	~$1 billion (2%)
iii Shift of low-balance retirement accounts	• Low-balance IRAs (~20% of retirement assets today) will not be valuable in fee-based model • Advisers will mostly stop service to low-balance IRAs	~$150 billion (2%)	~$1.5 billion (2%)
iv Competition in fee-based models	• The rule will increase competition in fee-based models, lowering annual management fees	-	~$0.5 billion (1%)
vi Slowdown in IRA rollovers	• Some brokers will avoid IRA rollovers, which account for ~$400 billion annually	~$50 billion (1%)	~$0.5 billion (1%)
	Total impact	~$300 billion (5%)	~$4 billion (8%)

Positioning for the future: key measures for wirehouses

Optimize product and service strategy:

- Assess commission-based IRA accounts and define strategies to convert to fee-based accounts
- Establish clear BICE guidelines and determine strategy to leverage exemption on existing products
- Identify target proprietary product portfolio to be used in retirement accounts

Revise people and talent strategy:

- Focus on converting brokers/dealers into advisors, to serve fee-based accounts
- Revise advisor compensation structure and incentives away from commissions
- Set up fiduciary help desk and identify training required on new compliance and regulation

Invest in enabling processes and technology:

- Set up governance and compliance processes for advisers working with retirement accounts
- Explore potential acquisitions or partnerships with robo-advisors to serve low-balance accounts

Note: BICE is Best Interest Contract Exemption.
Source: InvestmentNews, Morningstar; A.T. Kearney analysis

ATKearney

Overall impact | "Slowing sales"

2 Broker/dealers: They will be forced to scale down high-commission products and transition to fee-based advisory

Projected impact by 2020

		Assets	Revenues
i Decline in commissions and 12B-1 income from retirement accounts	• Commission-based retirement assets (~40% of assets) will be negatively impacted • Sales of high-commission annuity products should slow for insurance broker/dealers, as the rule forces advisers to establish BICE agreements in order to continue annuities sales	-	↓ ~$1.5 billion (6%)
ii Brokers shift to fee-based models (RIA, dual RIA)	• Increased regulatory scrutiny on commissions will trigger some broker/dealers to shift to advisory models (dual RIA, RIA)	↓ ~$100 billion (3%)	↓ ~$0.5 billion (3%)
iii Shift of low-balance retirement accounts	• Low-balance IRAs (~20% of broker/dealer assets) will not be valuable after the rule • Broker/dealers will mostly stop serving low-balance IRA accounts	↓ ~$100 billion (2%)	↓ ~$0.5 billion (2%)
vi Slowdown in IRA rollovers	• Some brokers will avoid IRA rollovers, which account for ~$400 billion annually	↓ ~$50 billion (1%)	↓ ~$0.5 billion (1%)
	Total impact	↓ ~$250 billion (6%)	↓ ~$3 billion (11%)

Positioning for the future: key measures for broker/dealers

Optimize product and service strategy:

- Evaluate product portfolio and identify products that need to be phased out (such as fixed and variable annuities)
- Establish strategy for BICE guidelines and understand the risk of exacerbating poor customer perception
- Accelerate transition to fee-based services and evaluate account thresholds to continue serving

Revise people and talent strategy:

- Launch programs to improve advisor engagement and facilitate 360-degree communications (such as forming rule transition teams made up of advisors)
- Revise advisor compensation structure to offset losses from shift away from commissions
- Implement new retention programs to minimize the outflow to dual RIAs and RIAs

Invest in enabling processes and technology:

- Set up governance and compliance processes for advisers working with retirement accounts
- Explore potential acquisitions or partnerships with robo-advisors to serve low-balance accounts

Note: BICE is Best Interest Contract Exemption.
Source: InvestmentNews, Morningstar, A.T. Kearney analysis

ATKearney

Overall impact	"Significant disruption"

3 Independent brokers/dealers: They face major disruption as smaller players strain to comply with the new rule

Projected impact by 2020

		Assets	Revenues
i Decline in commissions and 12B-1 income from retirement accounts	• Commission-based retirement assets will be negatively impacted – Retirement accounts constitute ~60% of assets – Most assets are in commission-based accounts	-	↓ ~$2.0 billion (11%)
ii Brokers shift to fee-based models (RIA, dual RIA)	• Increased regulatory scrutiny on commissions will trigger some to shift to advisory models (dual RIA, RIA)	↓ ~$200 billion (7%)	↓ ~$1.5 billion (7%)
iii Shift of low-balance retirement accounts	• Low-balance IRAs (~25% of assets) will not be valuable after the rule • Independent broker/dealers will mostly stop serving low-balance IRA accounts	↓ ~$100 billion (3%)	↓ ~$0.5 billion (3%)
vi Slowdown in IRA rollovers	• Some brokers will avoid IRA rollovers, which account for ~$400 billion annually	↓ ~$50 billion (1%)	↓ ~$0.5 billion (1%)
	Total impact	↓ ~$350 billion (11%)	↓ ~$4 billion (22%)

Positioning for the future: key measures for independent broker/dealers

Optimize product and service strategy:

- Accelerate transition towards fee-based services and evaluate account thresholds to continue serving
- Establish strategy for BICE guidelines and understand risk of exacerbating poor customer perception

Revise people and talent strategy:

- Revise advisor compensation structure to offset losses from shift away from commissions
- Implement new retention programs, and minimize outflow to dual RIAs and RIAs

Invest in enabling processes and technology:

- Set up governance and compliance processes for broker/dealers working with retirement accounts
- Conduct careful diligence on all prospective technology investments, accounting for limited resource availability

Explore M&A and partnerships:

- Pursue mergers and acquisitions to build scale and the skills needed to adjust to the new requirements

Note: BICE is Best Interest Contract Exemption.
Source: InvestmentNews, Morningstar, A.T. Kearney analysis

ATKearney

Overall impact | "Business model shift"

4 Dual RIAs: With increased pressure on broker/dealers, "hybrids" will start pivoting toward RIAs

Projected impact by 2020

		Assets	Revenues
i Decline in commissions and 12B-1 income from retirement accounts	• Commission-based retirement assets (~30% of assets) will be negatively impacted	-	↓ ~$0.5 billion (2%)
ii Brokers shift to fee-based models (RIA, dual RIA)	• Increased regulatory scrutiny on commissions will trigger some broker/dealers to shift to dual RIA.	↑ ~$150 billion (7%)	↑ ~$1.5 billion (7%)
iii Shift of low-balance retirement accounts	• Low-balance IRAs will no longer make economic sense • Dual-RIAs will discontinue service to certain low-balance commissioned IRA accounts	↓ ~$50 billion (2%)	↓ ~$0.5 billion (2%)
iv Increased competition in fee-based models	• The rule will increase competition in fee-based models lowering the annual management fees	-	↓ ~$1 billion (4%)
vi Slowdown in IRA rollovers	• Due to fiduciary rule, some brokers/advisors will avoid IRA rollovers – ~$400B IRA rollovers annually	↓ ~$50 billion (1%)	↓ ~$0.5 billion (1%)
Total impact		↑ ~$100 billion (5%)	↓ ~$0.5 billion (3%)

Positioning for the future: key measures for dual RIAs

Optimize product and service strategy:

- Accelerate transition to fee-based accounts
- Establish clear BICE guidelines and determine strategy to leverage exemption on existing products
- Evaluate economic thresholds for account balances and establish minimum balances required for service
- Assess potential impact on fees due to increased competition in RIA business and adjust proactively

Revise people and talent strategy:

- Determine broader strategy between RIA and broker/dealer business, with likely shift to enhancing advisor capabilities to serve fee-based accounts
- Implement and enhance retention programs, incorporating compensation structures
- Build recruiting strategy to attract advisors flowing out of brokers/dealers

Invest in enabling processes and technology:

- Set up governance and compliance processes for brokers/dealers working with retirement accounts

Note: BICE is Best Interest Contract Exemption.
Source: InvestmentNews, Morningstar, envestnet; A.T. Kearney analysis

ATKearney

Overall impact	"Relative win"

5 RIAs: With increased pressure on the broker/dealers, RIAs will grow as assets increase and advisors join their ranks

Projected impact by 2020

		Assets	Revenues
ii Brokers shift to fee-based models (RIA, dual RIA)	• Many advisers will not want to use BICE because of the perception issue it creates with clients • As a result, more brokers and hybrids will be joining the ranks of fee-only RIAs	↑ ~$250 billion (9%)	↑ ~$3 billion (9%)
iv Increased competition in fee-based models	• The rule will increase competition in RIAs because: – There will be larger number of RIAs – "Fiduciary" by itself will not be a unique value proposition anymore for RIAs • Competition will likely lower the annual management fees	-	↓ ~$1.5 billion (5%)
vi Slowdown in IRA rollovers	• Some advisors will avoid IRA rollovers, which account for ~$400 billion annually	↓ ~$50 billion (1%)	↓ ~$0.5 billion (1%)
	Total impact	↑ ~$250 billion (10%)	↑ ~$1.5 billion (5%)

Positioning for the future: key measures for RIAs

Optimize product and service strategy:

- Assess 401(k) rollover options and fees to avoid scenarios where the fees the client will owe the RIA for managing the IRA will be greater than the existing plan's fees
- Assess the potential impact on fees due to increased competition in the RIA business, and adjust proactively to remain competitive

Revise people and talent strategy:

- Build recruiting strategy to attract advisors flowing out of broker/dealers and hybrids

Invest in enabling processes and technology:

- Set up governance and compliance processes especially for rollover RIAs, i.e. "BICE lite"

Explore M&A and partnerships:

- Pursue acquisition opportunities as a cost of operational changes could be a challenge for small RIAs

Note: BICE is Best Interest Contract Exemption.
Source: InvestmentNews; A.T. Kearney analysis

ATKearney

Overall impact | "Accelerated growth"

6 Robo-advisors: The rule should further accelerate the adoption of robo-advisory across the wealth management industry

Projected impact by 2020

		Assets	Revenues
iii Shift of low-balance retirement accounts	• Retirement accounts that advisers deem too small to profitably provide conflict-free advice to will shift to digital advice providers and self-directed models	↑ ~$250 billion (15%)	↑ ~$1 billion (15%)
	Total impact	↑ ~$250 billion (15%)	↑ ~$1 billion (15%)

Positioning for the future: key measures for robo-advisors

Optimize product and service strategy:

- Increase focus on developing services to accelerate market-share capture
- Make required adjustments to fee structures (as required), specifically for 401(k) rollover accounts
- Consider leveraging momentum from the fiduciary rule to accelerate expansion into:
  - Becoming retirement plan distributors
  - Managing deferred compensation plans (401(k), 403(b), 457)

Invest in enabling processes and technology

- Set up governance and compliance processes, especially for rollover RIAs

Explore M&A and partnerships:

- Consider targeted partnerships with or acquisitions by wirehouses, larger broker/dealers, and RIAs, as many will be courting and pursuing robo-advisory capabilities

Source: InvestmentNews, Morningstar; A.T. Kearney analysis

ATKearney

Overall impact	"Beneficiary"

7 Self-directed: Self-directed distribution will gain from increased asset flow

Projected impact by 2020

		Assets	Revenues
iii Shift of low-balance retirement accounts	• Discount brokerages and robo-advisors will grab a share of the low-balance IRA assets that will be abandoned by full-service wealth management firms	↑ ~$200 billion (4%)	↑ ~$1 billion (4%)
vi Slowdown in IRA rollovers	• IRA rollovers (~$400 billion annually) will slow down	↓ ~$50 billion (1%)	↓ ~$0.5 billion (1%)
	Total impact	↑ ~$150 billion (4%)	↑ ~$1 billion (4%)

Positioning for the future: key measures for self-directed

Optimize product and service strategy:

- Increase focus on developing services to accelerate market-share capture

Launch targeted marketing efforts:

- Increase profile among potential new clients with comprehensive services, and efficient and highly customized processes

Explore M&A opportunities and partnerships

- Explore external partnerships with robo-advisors to capture end-to-end value proposition

Source: Morningstar; A.T. Kearney analysis

ATKearney

Overall impact	"Marginal loss"

8 Retirement plan administrators: Retirement Plan Administrators will both benefit and suffer from the rule's effects

Projected impact by 2020

			Assets	Revenues
v	Pressure on 12b-1 fees	• 12b-1 fees received by retirement plan administrators on mutual funds will decline; mutual funds account for $3 trillion invested in 401(k) assets	-	↓ ~$1.5 billion (8%)
vi	Slowdown in IRA rollovers	• Some brokers will avoid rollovers, leading to a decline in IRA rollovers from 401(k)s – ~$400B assets are rolled over to IRAs annually – A 10% decline in rollovers will prevent attrition of $200 billion in 401(k) assets over five years	↑ ~$200 billion (3%)	↑ ~$0.5 billion (3%)
		Total impact	↑ ~$200 billion (3%)	↓ ~$1 billion (5%)

Positioning for the future: key measures for retirement plan administrators

Optimize product and service strategy:

- Review business model and services provided, particularly:
  - How to offset reductions in 12b-1 income from manufacturers
  - Fee structures and pricing for plan participants
  - Option to move away from role and focus on alternate businesses (such as manufacturing, advisory)

Enhance customer engagement

- The fee structure for plan participants will likely change as a result of the rule; this change needs to be shaped and positioned carefully to customers

Source: InvestmentNews, Cerulli, Cogent; A.T. Kearney analysis

ATKearney

Overall impact | "Revenue disruption"

9 Manufacturers: Mutual fund manufacturers will need to reassess their product portfolios and expense ratios

Projected impact by 2020

			Assets	Revenues
vii	Decline in expense ratios	• Advisors will prefer lower-cost mutual funds and ETFs • Manufacturers will be taking actions to offer lower-cost mutual funds to be competitive – Move away from front-end loads – Lowering expense ratios	-	Mutual funds ↓ ~$7 trillion (6%) ETFs ↓ ~$0.5 billion (15%)
viii	Asset flow from mutual funds to exchange-traded-funds (ETFs)	• ~$1 trillion of assets could flow into ETFs by 2020, driven by: – Preference for passive investment products by financial advisors due to "best interest" – Higher adoption of robo-advisors	Mutual funds ↓ ~$1 trillion (6%) ETFs ↑ ~$1 trillion (45%)	Mutual funds ↓ ~$7.5 billion (6%) ETFs ↑ ~$1.5 trillion (45%)
		Total impact: mutual funds	↓ ~$1 trillion (6%)	↓ ~14.5 billion (12%)
		Total impact: ETFs	↑ ~$1 trillion (45%)	↑ ~$1 billion (30%)

"Positioning for the Future" –
Key Measures

Optimize product and service strategy:

- Adjust product offerings to investments that advisors and broker/dealers will use to populate IRAs and other retirement accounts, such as lower-cost passive investments
- Review fees and historic performance of products and move away from mutual funds with sales loads and higher fund expenses
- Enhance robo-advisory product offerings to harvest growth in robo-advisor assets

Explore M&A and partnerships

- Seek opportunities to acquire passive investment product capabilities (such as ETF manufacturers)

Launch targeted marketing efforts

- Promote improved product portfolios and options for advisors and investors, focused on low-fee, high-transparency, high-performance funds

Source: InvestmentNews, Morningstar; A.T. Kearney analysis

Contents

ATKearney

We assist Asset / Wealth Management players across all stages of profitability assessment, strategy formulation, and execution

Actions Required by Players – A.T. Kearney Offerings

"How will projected industry trends (e.g. DOL Rule) impact my business?"

Profitability Impact of Trends

- Estimate and map **top-line impact** of trends on business:
  - AUM flow (in / out of complex)
  - AUM shifts (across models, e.g., Direct vs. Managed, Mutual Funds vs. ETFs, etc.)
  - Pricing (across both Asset Mgmt. and Wealth Advisory)
- Estimate and map **cost impact** of trends on business:
  - Regulatory and Compliance Impacts
  - Other cost impacts
- Select customized deep-dives through **market surveys:**
  - Custom market surveys
  - Data analytics to leverage proprietary surveys

"What are my options and how should I respond?"

Strategic Options and Considerations

- Strategic options based on a review of trend impacts, such as:
  - Choices across Advisory models
  - Options to enhance / modify existing Advisory offerings
  - Asset Mgmt. model / mix options
  - Options to deal with regulatory / compliance requirements
- Evaluation of strategic options:
  - Economics modeling – AUM, pricing, costs, investment needs
  - Competitive assessments
  - Qualitative assessments – leadership agendas, brand, other considerations
  - Customized market and customer research
- Selection of go-forward options

"How do I successfully design and execute my strategy?"

Execution Set-up and Deployment

- Market definition
  - Customer segmentation
  - Segment needs
  - Customer research
- Value proposition
  - Offering / product refinement
  - Pricing strategy
  - Service model (e.g., human vs. digital, service tiering, roles, etc.)
  - Market testing of proposition
  - Partnerships / co-branding
- Operating Model
  - People / skills
  - Process / RACI
  - Tech reqs. / roadmap
- Distribution strategy
  - Advisor productivity
  - Branch role definition
  - Digital channel requirements
  - Compensation and incentives
  - Training needs
- Marketing Strategy
  - Direct mail
  - Online / digital

ATKearney

We typically co-refine and confirm our clients' mid to long-term wealth management and business strategies over ~9-12 weeks

Proposed Approach

Stage-Gate
"Confirm Strategy & Path Forward"

~3-4 weeks	*~3-4 weeks*	*~3-4 weeks*
Assess impact of DOL on business	**Identify strategic options and considerations**	**Execution Set-up and Deployment**

Assess impact of DOL on business (~3-4 weeks)

- Estimate and map top-line impact of trends, including DOL, on business:
  - AUM shifts (across models, Self-directed vs. Managed, Mutual Funds vs. ETFs, etc.)
  - Pricing (across both Asset Mgmt. and Wealth Advisory)
- Estimate and map cost impact of trends:
  - Regulatory and Compliance Impacts
  - Other cost impacts
- Select customized deep-dives through market surveys:
  - Custom market surveys
  - Data analytics to leverage proprietary surveys

Outcome:

- Top-line and bottom-line impact of trends, including DOL, on your institution

Identify strategic options and considerations (~3-4 weeks)

- Outline strategic options, including:
  - Choices & tradeoffs across Advisory models
  - Options to enhance / modify existing Advisory/brokerage offerings
  - Asset Mgmt. model / mix options
  - Options to deal with regulatory / compliance requirements
- Evaluation of strategic options:
  - Economics modeling (e.g. pricing, costs)
  - Competitive review & market positioning
  - Qualitative assessments – leadership agendas, brand, other considerations
  - Customized market and customer research
- Selection of go-forward options

Outcome:

- List of strategic options with a comprehensive evaluation & high-level business cases
- Recommended go-forward option

Execution Set-up and Deployment (~3-4 weeks)

- Execution planning based on selected option

a) Market definition
  - Customer segmentation
  - Segment needs
  - Customer research

b) Value proposition
  - Offering / product refinement
  - Pricing strategy
  - Service model
  - Market testing of proposition
  - Partnerships / co-branding

c) Operating Model
  - People / skills
  - Process / RACI
  - Tech req./ roadmap

d) Distribution strategy
  - Advisor productivity
  - Branch role definition
  - Digital channel req.
  - Compensation
  - Training needs

e) Marketing Strategy
  - Direct mail
  - Online / digital

Outcome:

- Execution roadmap (workstreams, key milestones, time plan, roles and responsibilities, risks and mitigation)

ATKearney

Appendix

- **Remaining components of the A.T. Kearney DOL Fiduciary Rule Study**
  - **Positioning for the Future – Deep Dives**
  - Approach summary and model assumptions

ATKearney

1 **Wirehouses:** Wirehouses are well-positioned to reposition the business model toward fee-based advisory

Overall impact	**"Measured loss"**

Positioning for the future: "Rethink and adjust"

Lever	What to do…
Optimize product and service strategy	• Rethink the rule's impact on **proprietary product portfolios.** In most cases, consider reintroducing and accelerating the growth of proprietary products as a key incremental revenue source while winding down underperforming funds that will lose favor over time. • Establish **clear BICE guidelines** and determine strategy for leveraging the exemption on existing products (such as those targeting ultra-high-net-worth clients). • Convert **commission-based IRA accounts to fee-based advisory accounts.** • Evaluate accounts with both IRAs and non-tax advantaged assets. Determine **strategies for managing different fiduciary responsibilities.**
Revise people and talent strategy	• Focus on converting **internal broker/dealers into advisors** • Revise **advisor compensation structure and incentives** away from commissions • Explore potential opportunities to **recruit and attract brokers from troubled broker-dealers** in months leading up to and after the rule goes into effect.
Explore M&A opportunities and partnerships	• As part of shift to the advisory business, explore potential **acquisitions of or partnerships with RIAs and robo-advisors** to gain scale and broaden capabilities

ATKearney

1 Wirehouses: Targeted investments in key areas will help minimize losses to revenue and assets under management

Overall impact	"Measured loss"

Positioning for the Future: "Accelerate and magnify"	
Lever	**What to**
Enhance Customer Engagement	• Build **communication strategy** to existing customers on impact of Fiduciary Rule and what is being done to "continue to preserve" their "Best Interest" • Accelerate efforts to **improve the end-to-end customer service**, leveraging the full scale and resources of Wirehouses (e.g. more personalized attention & service) • Improve **linkage to broader financial services needs** (e.g. personal banking, insurance)
Invest in Enabling Processes and Technologies	• Accelerate **expansion of technology capabilities** with specific focus on advanced analytics and reporting (e.g. proactive compliance issues, rollover account management) and Robo-advisory • Continuously find ways to **maximize efficiency of day-to-day compliance management** by automating the advisory workflow (e.g. Portfolio and Document Management, Performance and Fee Reporting)
Launch Targeted Marketing Efforts	• The rule will result in near-term asset outflow from Broker/Dealers – launch targeted marking effort to: ○ Win new accounts ○ Attract top-performing brokers and advisors in particular from struggling Broker / Dealers

2 **Broker/Dealers:** Broker/Dealers will need to retool their business model and consider acquisitions to gain scale

Overall impact	"Slowing sales"

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	*For long term:* • Rethink **overall business model** by (1) accelerating investment advisory services (fee-based) or (2) transitioning to becoming an operations or technology support platform for advisors (Turnkey Financial Planning Program) *For near term:* • Following a detailed review of the rule, evaluate product portfolio and identify products that need to be phased out due to existing fee or commission structure (such as annuities) • Establish a strategy for **BICE guidelines and strategy,** understanding additional risk of exacerbating poor customer perception of broker/dealers • Accelerate the transition to fee-based services and advisory, and evaluate account thresholds to continue serving (for example, accounts greater than $200,000)
Revise people and talent strategy	• Launch programs to improve **employee and advisor engagement;** facilitate 360-degree communications (such as a rule transition team made up of advisors to discuss how to retain top performers and minimize disruption) • Revise advisor **compensation structure** to offset losses from shift away from commissions • Implement **new retention programs** (such as a bonus for new ideas to improve rule compliance); minimize outflow to RIAs and wirehouses
Explore M&A opportunities and partnerships	• Explore **acquisitions of "cheap" independent broker/dealers** struggling to comply to the rule • Form new **external partnerships** (such as robo-advisors) as part of a shift to fee-based advisory • Explore **operations and technology support platforms** (such as Garrett Planning Network)

ATKearney

2 **Broker/dealers:** Long-term investments aimed at courting assets from smaller IBDs as well as affiliated advisors will be important

Overall impact	"Slowing sales"

Positioning for the future: "Accelerate and magnify"	
Lever	**What to do…**
Enhance customer engagement	• Build **communication strategy** to existing customers on the rule's impact, with a special focus on: – Key differentiators of broker/dealers and reinforcing "quality of advice" – Options for customers with low-balanced accounts who may no longer be served – For affiliated advisors, revising fee structure and potential incremental value-added services and support (such as product customization, using robo-advisory and computer algorithms) • For larger broker/dealers, offer improved **linkage to broader financial services needs** (such as personal banking, life insurance)
Invest in enabling processes and technologies	• Continuously find ways to maximize the **efficiency of day-to-day compliance management** by automating the advisory workflow (such as portfolio and document management, performance and fee reporting) • Consider opportunity to enhance or build **technology to support affiliated advisors** (such as analytics and reporting, compliance support, marketing, and education)
Launch targeted marketing efforts	• Reposition **marketing efforts on two fronts**: – To customers: market scale and depth of capabilities to attract assets flowing away from smaller independent broker/dealers – To affiliated advisors: New service offerings, fiduciary commitments to advisory, and fee structure

ATKearney

❸ Independent broker/dealers: Forced to fundamentally rethink their business models

Overall impact	"Significant disruption"

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	*For Long Term* • Rethink **overall business model** by (1) accelerating investment advisory services (fee-based), (2) transitioning to becoming an operations or technology support platform for advisors (Turnkey Financial Planning Program), or (3) shutting down business *For Near-Term* *Similar actions to broker/dealers*
Revise people and talent strategy	*Similar actions to broker/dealers*
Explore M&A opportunities and partnerships	For larger independent broker/dealers: *Similar actions to broker/dealers* For smaller independent broker/dealers: • Consider being **acquired by larger broker/dealers or dual** RIAs, with initial activities including: – Engaging bankers and lawyers to assess options – Approaching targeted broker/dealers and dual RIAs for preliminary conversations

ATKearney

3 Independent broker/dealers: The smaller IBDs will be faced with the greatest challenges

Overall impact	"Significant disruption"

Positioning for the future: "Accelerate and magnify"	
Lever	**What to do…**
Enhance customer engagement	*Similar actions to broker/dealers*
Invest in enabling Processes and Technologies	For larger independent broker/dealers *Similar actions to broker/dealers* For smaller independent broker/dealers • Conduct careful diligence on all prospective technology investments – accounting for limited resource availability • Consider **technology partnerships** to augment internal capabilities
Launch targeted marketing efforts	For larger independent broker/dealers *Similar actions to Broker / Dealers* For smaller independent broker/dealers • Focus outreach and marketing on: – Business model focused on long-term relationships – Personalized and often regionalized services

ATKearney

4 Dual RIAs: Dual RIAs will focus on growing the advisory business through attracting new advisors and targeted acquisitions

Overall impact	**"Business model shift"**

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	• Determine **broader strategy and "level of emphasis" between RIA and broker/dealers,** with likely shift to enhancing advisor capabilities and growing RIA revenue • Establish clear **BICE guidelines** and determine strategy for leveraging exemption on existing products (such as products targeting UHNW clients) • Determine **new product pipeline,** using BICE in addition to computer-based asset-allocation models • Evaluate **economic thresholds for account balances,** establishing the minimum balances required for service • Assess the potential **impact on fees due to increased competition in the RIA business;** adjust proactively to remain competitive
Revise people and talent strategy	• Build **recruiting strategy** to attract advisors flowing out of broker-dealers • Implement and enhance **retention programs** incorporating changes to existing compensation structures (such as advisor recognition, performance bonuses) • Optimize **business and staffing plan** to ensure adequate support and resource to handle increased business and assets
Explore M&A opportunities and partnerships	• Assess **acquisition targets,** particularly "cheap" independent broker/dealers (focus on complementary books of business) • Similar to wirehouses and larger broker/dealers, consider **partnerships or acquisitions** with robo-advisory firms

4 Dual RIAs: Dual RIAs will market their scale and "deeper bench" vs. traditional RIAs as a key differentiator

Overall impact	"Business model shift"

Positioning for the future: "Accelerate and magnify"

Lever	What to do…
Enhance customer engagement	• Enhance customer service and engagement by better using the strengths of both broker-dealer and RIA models, including: – Improved access to and knowledge of investment products (including select high-fee products) – Relatively streamlined transactions and faster response
Invest in enabling processes and technologies	• Balance technology investments, leveraging existing infrastructure supporting RIAs • Similar to broker/dealers, continuously find ways to maximize efficiency of day-to-day compliance management by automating the advisory workflow (such as portfolio and document management, performance and fee reporting) • In addition, invest in improving technology and data linkage across the broker/dealer and RIA businesses (such as portfolio management platform)
Launch targeted marketing efforts	• Launch marketing targeted at driving several key messages: – Deeper and broader capabilities and knowledge being dually registered – Streamlined transactions and faster response – To advisors: Scale, in addition to favorable compensation and retention programs

5 RIAs: With the new rule, RIAs can gain market share rapidly but should also be cautious about certain rollover accounts

Overall impact	"Relative win"

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	• Determine **new product pipeline,** leveraging BICE (if necessary) in addition to computer-based asset-allocation models • Evaluate **economic thresholds for account balances,** establishing the minimum balances required for service • Assess the potential impact on fees due to increased competition in RIA business, and adjust proactively to remain competitive
Revise people and talent strategy	*Similar actions to dual RIAs*
Explore M&A opportunities and partnerships	*Similar actions to dual RIAs*

5 RIAs: With the new rule, RIAs can gain market share rapidly but should also be cautious about certain rollover accounts

Overall impact	"Relative win"

Positioning for the future: "Accelerate and magnify"

Lever	What to do…
Enhance customer engagement	• Continue to focus on finding new ways to engage customers to reinforce the ongoing fiduciary and best-interest standards prior to the rule. Examples include: – Communication on the impact of the rule (minimal from the customer's perspective) – Summary communication of fee comparisons vs. performance (RIAs vs. broker/dealers) • Invest in reinforcing personal and long-term relationship
Invest in enabling processes and technologies	• Minimal incremental investments required • If resources are available, several technology investments may be worth exploring – Enhanced analytics and reporting, particularly around information disclosures, fees, and performance – Improved customer portals, such as information access and communication with advisors – Robo-advisory capabilities and partnerships
Launch targeted marketing efforts	• Launch marketing targeted at driving several key messages: – Advice has always been in the best interest of customers – Opportunity to build personal, long-term relationships – To advisors: Scale, in addition to favorable compensation and retention programs

ATKearney

6 **Robo-advisors:** Robo-advisors stand to gain significantly during this transition

Overall impact	**"Accelerated growth"**

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	• Increase focus on **developing services to accelerate market-share capture** (such as spending tracker, investment education to customers) • Make required **adjustments to fee structures (as required),** specifically for rollover accounts • Consider tapping into the momentum from the fiduciary rule to accelerate expansion into: – Becoming retirement plan distributors – Managing deferred compensation plans (401(k), 403(b), 457)
Revise people and talent strategy	N/A
Explore M&A opportunities and partnerships	• Consider targeted **partnerships with or being acquired by wirehouses, larger broker/dealers, and RIAs**; many will be courting and pursuing Robo capabilities

6 Robo-Advisors: Targeted marketing efforts can further accelerate robo-advisor adoption

Overall impact	"Accelerated growth"

Positioning for the future: "Accelerate and magnify"	
Lever	**What to do…**
Enhance customer Engagement	Minimal impact
Invest in enabling processes and technologies	Minimal impact
Launch targeted marketing efforts	• Increase profile among both potential clients and advisors – For clients: Differentiated services, efficient and highly customized products – For advisors: Easy partnerships or integration into wirehouse, broker/dealer, RIA infrastructure and processes

8 Retirement plan distributors: Retirement plan distributors will need to re-evaluate their business models and revenue streams

Overall impact	"Marginal win"

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	• Review fundamental business model and services provided, particularly: – How to offset reductions in 12b-1 income from manufacturers – Fee structures from plan participants – Option to move away from role and focus on alternate businesses (such as manufacturing, advisory)
Revise people and talent strategy	Minimal Impact • Depending on resulting business model shifts, the supporting workforce will be impacted
Explore M&A opportunities and partnerships	N/A

ATKearney

8 **Retirement Plan Distributors:** Focus should be placed on growing other parts of the business

Positioning for the Future: "Accelerate & Magnify"

Overall Impact	"Marginal Win"

Positioning for the Future
(What Industry Leaders are Doing…)

Positioning for the future: "Accelerate and magnify"

Lever	What to do…
Enhance customer Engagement	• The fee structure for plan participants will likely change as a result of the rule – these changes need to be shaped and positioned carefully to customers
Invest in enabling processes and technologies	Minimal Impact
Launch targeted marketing efforts	Minimal Impact • Changes to fee structures will require some marketing and communication coordination – particularly emphasizing: – Why there was a change to the fee structure – The value the distributors provide to plan participants

9 Manufacturers: Mutual fund manufacturers will need to reassess their product portfolios and expense ratios

Overall impact	"Revenue disruption"

Positioning for the future: "Rethink and adjust"	
Lever	**What to do…**
Optimize product and service strategy	• Adjust product offerings to investments that advisers and broker/dealers will use to populate IRAs and other retirement accounts, such as lower-cost passive investments • Review fees and historic performance of products, and move away from mutual funds with sales loads and higher fund expenses • Enhance robo-advisory product offerings to harvest growth in robo-advisor assets
Revise people and talent strategy	Minimal impact
Explore M&A opportunities and partnerships	• Seek opportunities to acquire passive investment product capabilities (such as ETF manufacturers)

ATKearney

9 Manufacturers: Mutual fund manufacturers will need to reassess their product portfolios and expense ratios

Overall impact	"Revenue disruption"

Positioning for the future: "Accelerate and magnify"	
Lever	**What to do…**
Enhance customer Engagement	Minimal impact
Invest in enabling processes and technologies	Minimal impact
Launch targeted marketing efforts	• Promote improved product portfolio and options for advisors and investors, focused on low-fee, high-transparency and performing funds

Appendix

- **Remaining components of the A.T. Kearney DOL Fiduciary Rule Study**
  - Positioning for the Future – Deep Dives
  - **Approach summary and model assumptions**

The fiduciary rule’s impact on the industry is estimated based on eight drivers within “Increased regulations” Wave of Change

Our Approach: Waves of Change

Wave 1:
Retiring Baby Boomers

Wave 2:
Generational wealth transfer

Wave 3:
Advisors continue to go independent

Wave 4:
Emergence of robo-advisors

Wave 5:
Increased regulations

Wave 6:
Pricing actions by players responding to ongoing evolution

- i Decline in commissions and 12b-1 income
- ii Brokers shift to fee-based models (RIA and dual RIA)
- iii Shift of low-balance retirement accounts
- iv Competition in fee-based models
- v Pressure on 12b-1 fees
- vi Slowdown in IRA rollovers
- vii Decline in expense ratios
- viii Asset flow from mutual funds to ETFs

Source: A.T. Kearney analysis

ATKearney

Impact of the fiduciary rule on industry assets, by cause

	2015 assets	i Commission decline	ii Advisor shift	iii Low-balance asset shift	iv Competition on fees	v Pressure on 12b-1	vi Slowdown in IRA rollovers	vii Expense ratio decline	viii Shift to ETFs	Total impact		2020 assets after DOL
	$T	$T	$T	$T	$T	$T	$T	$T	$T	$T	%	$T
Distribution Total	**$28.0**	**-**	**$0.0**	**$0.0**	**-**	**-**	**$0.0**	**-**	**-**	**$0.0**	**0%**	**$28.0**
Traditional advisors	**$16.8**	**-**	**$0.0**	**-$0.4**	**-**	**-**	**-$0.2**	**-**	**-**	**-$0.6**	**-3%**	**$16.2**
Wirehouse	$5.7	-	-$0.1	-$0.2	-	-	-$0.1	-	-	-$0.3	-5%	$5.4
Broker/ dealers	$4.2	-	-$0.1	-$0.1	-	-	$0.0	-	-	-$0.2	-6%	$4.0
Independent broker/ dealers	$3.0	-	-$0.2	-$0.1	-	-	$0.0	-	-	-$0.3	-11%	$2.7
Dual RIAs	$1.6	-	$0.2	-$0.1	-	-	$0.0	-	-	$0.1	5%	$1.7
RIAs	$2.2	-	$0.2	$0.0	-	-	$0.0	-	-	$0.2	10%	$2.5
Robo-advisors	**$0.1**	**-**	**-**	**$0.2**	**-**	**-**	**$0.0**	**-**	**-**	**$0.2**	**211%**	**$0.3**
Self-directed	**$4.4**	**-**	**-**	**$0.2**	**-**	**-**	**$0.0**	**-**	**-**	**$0.2**	**4%**	**$4.6**
Retirement plan admins	**$6.8**	**-**	**-**	**-**	**-**	**-**	**$0.2**	**-**	**-**	**$0.2**	**3%**	**$7.0**
Manufacturers	**$18.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$0.0**	**$0.0**	**0%**	**$18.9**
Mutual funds	**$16.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-$1.0**	**-$1.0**	**-6%**	**$15.7**
Exchange-traded funds	**$2.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$1.0**	**$1.0**	**45%**	**$3.2**

Source: A.T. Kearney analysis

ATKearney

Impact of fiduciary rule on industry revenues, by cause

	2015 revenues	i Commission decline	ii Advisor shift	iii Low-balance asset shift	iv Competition on fees	v Pressure on 12b-1	vi Slowdown in IRA rollovers	vii Expense ratio decline	viii Shift to ETFs	Total impact		2020 revenues after DOL
	$B	$B	$B	$B	$B	$B	$B	$B	$B	$B	%	$B
Distribution Total	**$181**	**-$4.7**	**$2.1**	**-$1.3**	**-$2.9**	**-**	**-$0.9**	**-**	**-**	**-$9.3**	**-5%**	**$172**
Traditional advisors	**$139**	**-$4.7**	**$2.1**	**-$3.2**	**-$2.9**	**-**	**-$1.3**	**-**	**-**	**-$10.1**	**-7%**	**$129**
Wirehouse	$50	-$1.0	-$0.8	-$1.3	-$0.6	-	-$0.5	-	-	-$4.1	-8%	$46
Broker/ dealers	$25	-$1.4	-$0.5	-$0.7	$0.0	-	-$0.2	-	-	-$2.8	-11%	$23
Independent broker/ dealers	$18	-$1.9	-$1.3	-$0.6	$0.0	-	-$0.2	-	-	-$4.0	-22%	$14
Dual RIAs	$17	-$0.5	$1.6	-$0.6	-$0.9	-	-$0.2	-	-	-$0.5	-3%	$17
RIAs	$28	-	$3.1	$0.0	-$1.5	-	-$0.3	-	-	$1.4	5%	$29
Robo-advisors	**$0**	**-**	**-**	**$0.9**	**-**	**-**	**$0.0**	**-**	**-**	**$0.9**	**211%**	**$1**
Self Directed	**$22**	**-**	**-**	**$1.0**	**-**	**-**	**-$0.2**	**-**	**-**	**$0.8**	**4%**	**$23**
Retirement plan admins	**$20**	**-**	**-**	**-**	**-**	**-$1.5**	**$0.6**	**-**	**-**	**-$0.9**	**-5%**	**$19**
Manufacturer	**$129**	**-**	**-**	**-**	**-**	**-**	**-**	**-$7.5**	**-$6.0**	**-$13.5**	**-10%**	**$115**
Mutual funds	**$125**	**-**	**-**	**-**	**-**	**-**	**-**	**-$7.0**	**-$7.5**	**-$14.5**	**-12%**	**$111**
Exchange-traded funds	**$3**	**-**	**-**	**-**	**-**	**-**	**-**	**-$0.5**	**$1.5**	**$1.0**	**30%**	**$4**

Source: A.T. Kearney analysis