retirement leadership forum

WISE RHINO GROUP

Scaled Retirement and Wealth Advisory Firm Roundtable

Strategic Research and Event Commentary

March 18, 2021

Overview of the Report

On March 18, 2021, the Retirement Leadership Forum and Wise Rhino Group hosted a virtual roundtable for Scaled Retirement Advisory Firms (SRAFs), also known as Aggregators. Senior leadership from 14 different firms joined the event to discuss:

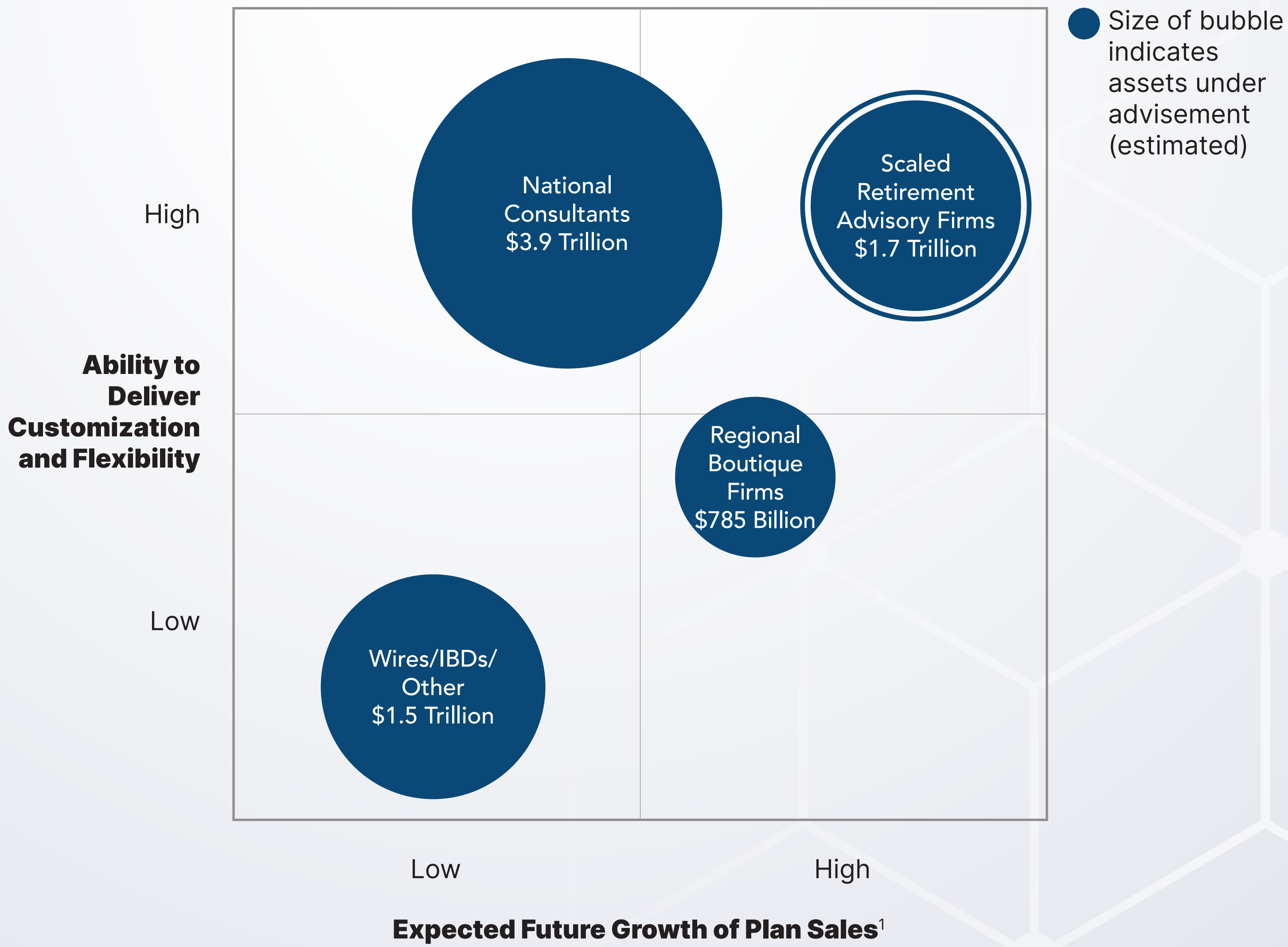
- The continued growth of the channel
- Record-level M&A activity
- Owning the participant relationship and investing in the wealth bridge
- Adding science and rigor to cross-selling efforts

This report includes key takeaways and color commentary from the event. It also includes the results of the supporting survey, to which 10 of the 16 attending firms responded.

Scaled Retirement Advisory Firms (SRAFs) continue to expand their presence in the retirement plan space. Looking at their size relative to other consultants and distributors, SRAFs account for $1.7 trillion in defined contribution assets under advisement, $400B more than 2019 when the group advised $1.3T in retirement assets. This growth comes not only from acquisitions of other advisory firms (typically from the Regional Boutique group), but by taking share and clients from the traditional Wire/IBD channel. In addition to their impressive growth trajectory, these SRAF firms also promise clients an unmatched (at least in the advisory world) ability to deliver customization and flexibility to clients.

High Potential

Retirement Opportunity by Firm Type, 2021



Source: Wise Rhino Group, RLF 2019 Recordkeeper Sales and Retention Survey

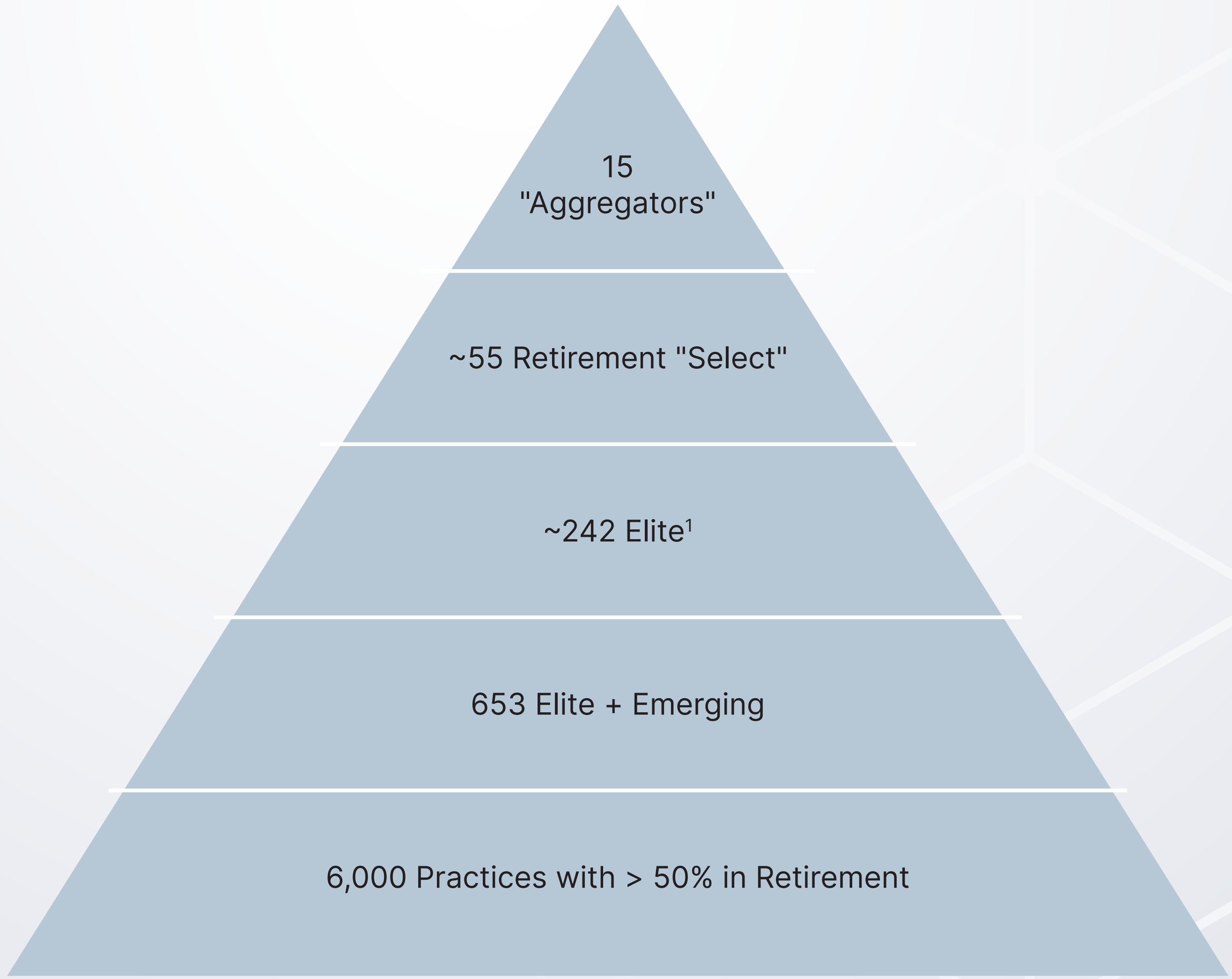
[1] Future growth positioning determined by survey of RLF Recordkeeper and DCIO members

Looking at their position in the larger advisor landscape, these firms are a subsegment of the retirement elite. Working our way from the bottom of the pyramid up, there are roughly 6,000 advisory practices generating more than 50% of their revenue from retirement plans. Within that, there are 653 Elite and Emerging firms with at least $750,000 in revenue from retirement plans. Of those, 242 Elite teams generate at least $2M in revenue from retirement plans. Near the top of the pyramid, there are 55 retirement select firms that are not only defined by the revenue coming from their plan business, but also their strong brand, superior capabilities compared to their competitors, and their regional (versus local) footprint. And finally, there are 15 aggregator or SRAF firms differentiated from the Select group not only by their large number of specialist teams, but also by their focus on acquisitions and growth that will make them national players.

For comparison, in 2019, there were more than 270 Elite firms that included more than 70 Select firms. The year-over-year decline in number is due to their acquisition by leading aggregator firms. And, while these numbers have shrunk,

An Elite Group

Segmentation of Retirement Advisory Firms and Practices, 2021



Source: WRG/RLF Analysis 2021

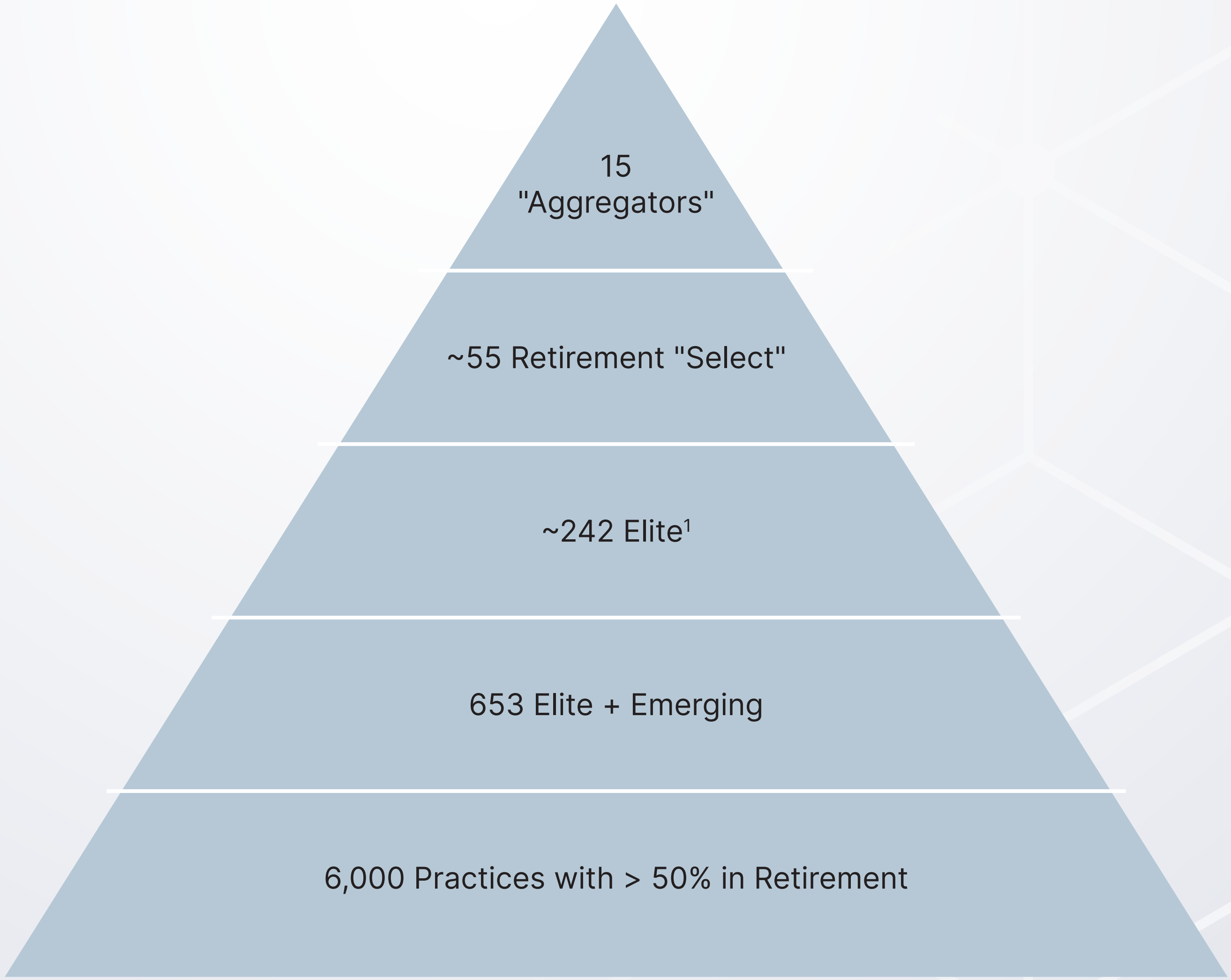
[1] Definition: Segments are determined based on a revenue requirement AND WRG qualitative assessment of brand, capabilities, and local footprint.

- Elite: ~$2M+
- Emerging: ~$750K - $2M

they still point to a sizeable pool of retirement-focused advisory teams that the SRAFs may acquire in the coming year(s).

An Elite Group (Continued)

Segmentation of Retirement Advisory Firms and Practices, 2021



Source: WRG/RLF Analysis 2021

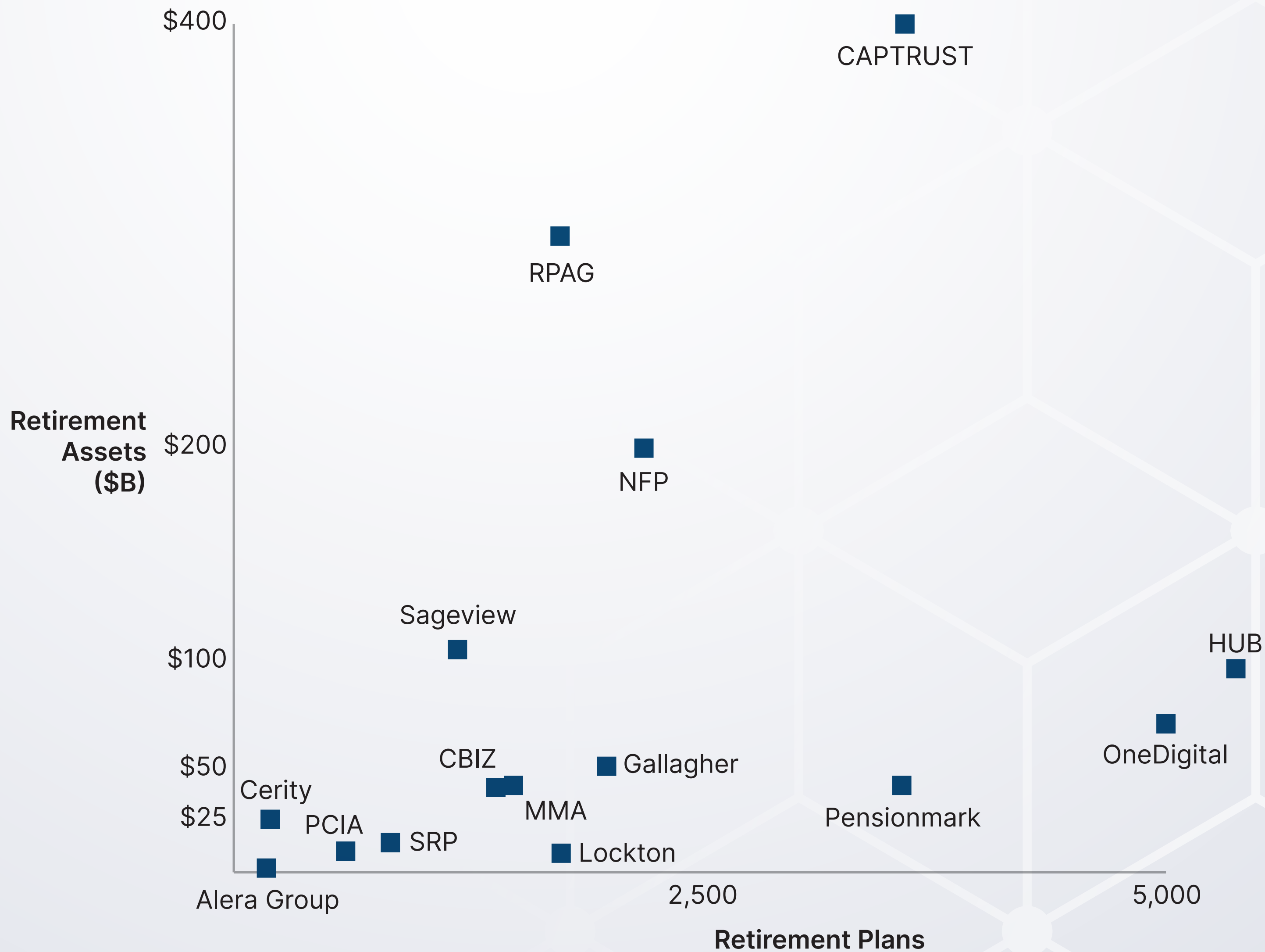
[1] Definition: Segments are determined based on a revenue requirement AND WRG qualitative assessment of brand, capabilities, and local footprint.

- Elite: ~$2M+
- Emerging: ~$750K - $2M

Despite their similar commitment and investment in the retirement plan space, SRAFs' retirement businesses look quite different. When looking at each firm's overall retirement assets and number of plans in 2020, the plan size of focus is all over the board. CAPTRUST shows as the largest retirement presence with a larger average plan size. Whereas firms like HUB and OneDigital manage more plans, but at a smaller size.

Retirement Powerhouses

SRAFs' Retirement Plan Business, 2020



Source: RLF/WRG 2021 SRAF Survey

Moving from 2020 into 2021, there was already significant acquisition driving some of these firms' retirement numbers even higher. CAPTRUST, for example, grew to $600B with the acquisition of Cammack.

Beyond their different retirement plan focuses, SRAF firms break down into a number of different types of business models: RIAs, Insurance Brokerage, Insurance Risk, and Affiliate Partners. Their competitors outside the channel, which we previously laid out on page 3, are highlighted in more detail at the bottom of this page. Among all these firms, the SRAFs are uniquely positioned to compete in the large and small plan space. Against the wires, they're differentiated by their willingness to take on fiduciary responsibility and offer more flexibility and customization of investment options. At the larger end, against national consultants, they can promise the same level of investment and plan expertise while also promising a higher level of focus on individual participant outcomes.

Acquirer Landscape

Retirement and Wealth Advisory Acquirers, 2021

RIA Aggregators

Branded Strategic Acquirers with Core Retirement and Wealth

Firm	AUA	FAs[1]
CAPTRUST	$600b	177
Sageview	$150b	68
Prime Capital	$60b	46
Cerity Partners	$28b	23
Total	**$838b**	**314**

Insurance Brokerage Strategic

Branded Strategic Acquirers with P&C and Benefits Primary Focus

Firm	AUA	FAs
NFP	$210b	157
Lockton	$95b	37
Gallagher	$47b	65
HUB	$43b	32
One Digital	$42b	34
CBIZ	$40b	25
MMA	$37b	15
Total	**$514b**	**365**

Insurance Brok. Opportunistic

Branded Opportunistic Acquirers with P&C and Benefits Primary Focus

Firm	AUA	FAs
USI	$23b	10
Alliant	$12b	11
Alera Group	$5b	9
Assured Partners	$4b	7
Baldwin Risk	$3b	4
Broadstreet	$2b	3
Total	**$49b**	**44**

Affiliate Platforms

Affiliated Tools, Services and Intellectual Capital with Some Potential Acquisitions

Firm	AUA
RPAG	$300b
GRPF	$52b
Pensionmark	$41b
Resources	$45b
SRP	$19b
VisionPoint	$9b
Intellicents	$6b
Total	**$472b**

National Consultants

Seven Firms with Largest Retirement Practices by AUA

Firm	AUA
Mercer	$1.70T
Aon	$1.60T
Callan	$228b
Meketa	$215b
RVK	$86b
Cambridge	$63b
Wilshire	$63b
Total	**$3.91T**

Boutique Consultants

Largest of the Next Seven Consulting Firms

Firm	AUA
Russell	$74b
Pension Alliance	$51b
PEI	$49b
Milliman	$34b
Buck	$31b
Ellwood	$29b
Marco	$27b
Total	**$295b**

Wealth Management

Strategic Wealth Platforms and Acquirers

Firm	AUA
Focus Financial	$95b
Hightower	$55b
Blue Spring Partners	$12b
Dynasty Financial Partners	$25b
Mariner	$22b
Cetera	$20b
Total	**$229b**

Others

Wire House and Private Equity Firms Who Are Acquiring

Firm
Wire House
Private Equity
Edelman Financial Engines
Banks
Regional Benefit Firms

Source: WRG/RLF 2021 Research

[1] Retirement Specialized Advisors

Event Takeaways:

- A lot of SRAFs realize that there is still a huge opportunity for growth beyond just adding new revenue. Firms were genuinely excited about the strategic growth potential of some of their larger acquisitions.
- Firms agreed that it feels like they are all accelerating growth rather than pulling back. One attendee wondered if and how the aggregator firms themselves may aggregate. Would some of the firms be unable to reach scale on their own and be acquired by another organization that could help them get there?

Acquirer Landscape (Continued)

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Source: WRG/RLF 2021 Research
[1] Retirement Specialized Advisors

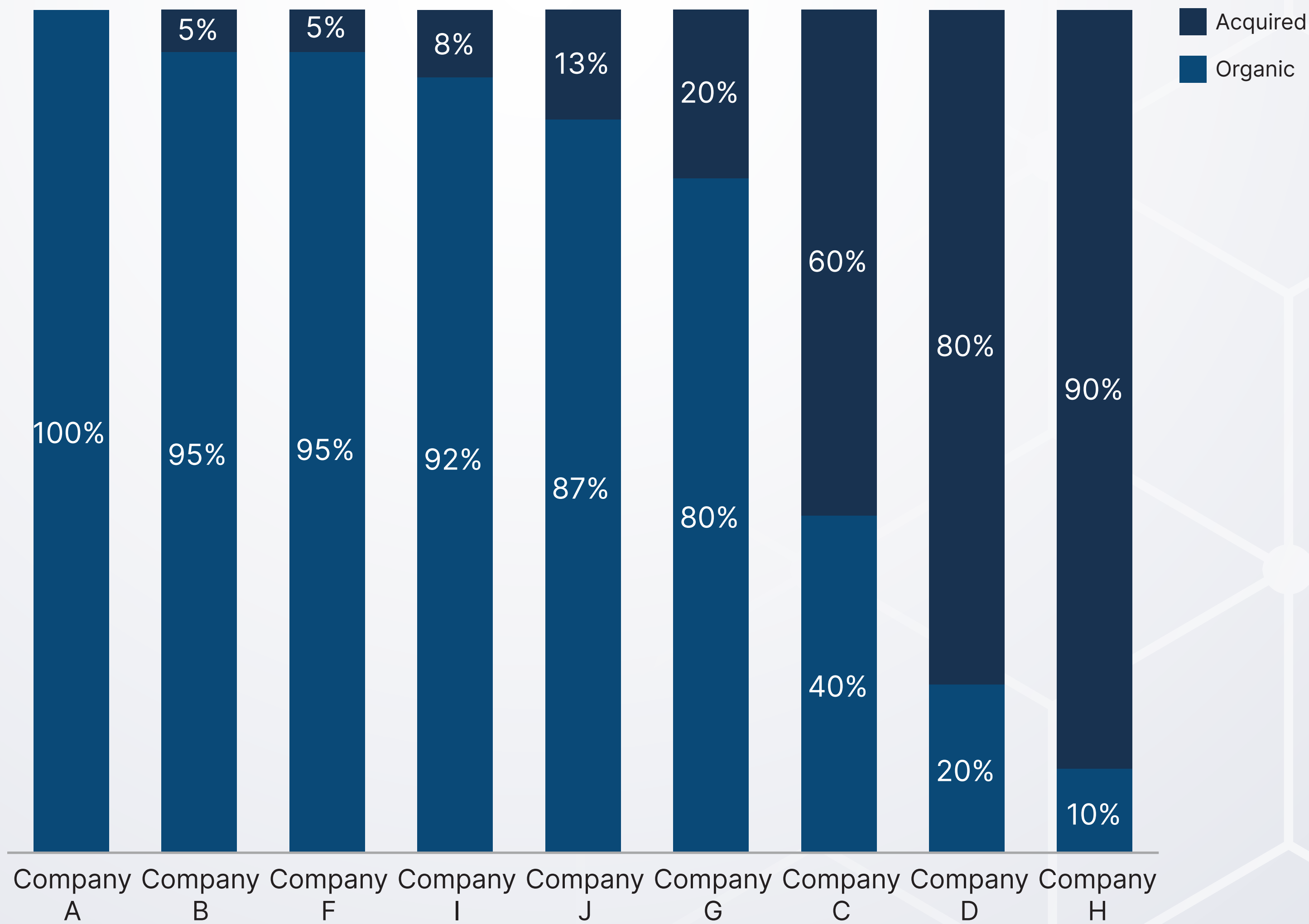
M&A Update

The appetite for growth and acquisitions is what earned SRAFs their Aggregator title. In this section, we highlight the current M&A environment, multiples being paid, the cities SRAFs are focused on, and the opportunity for SRAFs to improve how they demonstrate and communicate their value to prospective advisory firms.

While the SRAF group is categorized together based on their active aggregation of specialized retirement firms, they are all moving down different growth paths and acquiring at different rates. The breakdown of their growth — acquisition versus organic — is largely dependent on how established their retirement platform is and their talent needs.

Different Growth Paths

Percent of SRAFs' 2020 Revenue Growth that was Organic vs from Acquisitions



n = 9
Source: RLF/WRG 2021 SRAF Survey

The most active acquirers in the retirement space over the last five years include CAPTRUST, HUB, and OneDigital, with these top three firms separating themselves with 20+ acquisitions each.

"The rate of growth of the retirement business for five or six firms is beginning to separate them from the pack. As these same firms also begin to accelerate their rate of wealth advisory acquisitions, the delta will only widen. At the current rate, we project that in five years there will be six firms with more than $300m in retirement and wealth revenue, skewing the competitive landscape."

Wise Rhino Group

League Table

Total Retirement Acquisitions by Firms that Have Completed More than One Retirement Acquisition in the Last Five Years, 2017–2021[1]

Buyer	Total Transactions
CAPTRUST	26[2]
HUB	24
OneDigital	24
NFP	6
MMA	5
CBIZ	3
Focus Financial	3
BRP	2
DB Root (Dynasty)	2
Gallagher	2
Prime Capital	2
USI	2

[1] Firms that major in retirement, does not include benefits shops that might have a retirement plan business
[2] Includes wealth acquisitions

Despite a global pandemic and increasingly dizzying multiples, acquisition activity has not slowed. In 2020, there were 33 retirement transactions completed, which represents 15% growth over 2019 transactions and 50% growth over 2018 transactions. Looking ahead to the end of this year, on average, firms expect to acquire firms that represent nearly $20M in additional retirement plan revenue.

Acquisition Goals

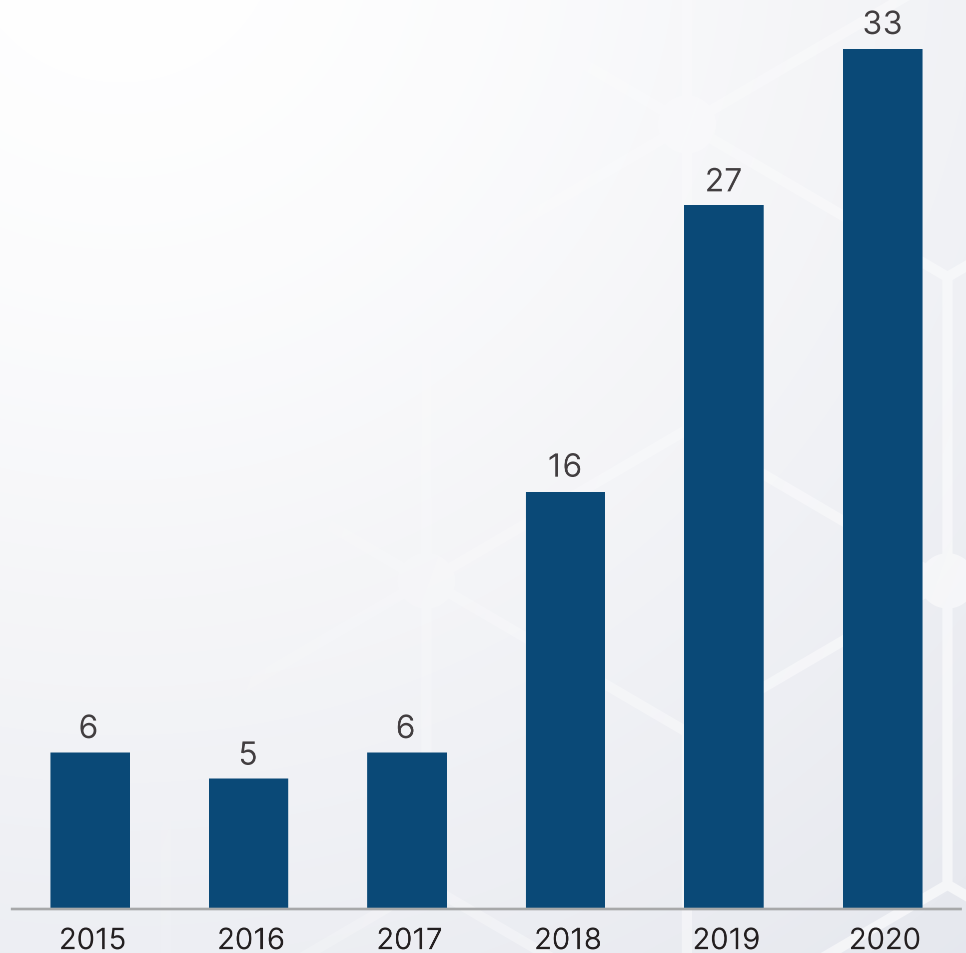
SRAFs' 2021 Acquisition Revenue Goals

Average Retirement:
$19.3 Million

Average Wealth:
$20.2 Million

n = 6
Source: RLF/WRG 2021 SRAF Survey

Retirement Transactions (Acquisitions), 2015–2020



Source: WRG

With aggregators' lofty growth goals, fierce competition for the best teams, and an ongoing infusion of capital from private equity funds, multiples continue to increase over prior years.

"At the foundation of the current all-time high multiples for retirement advisory firms is basic supply and demand dynamics, as scarcity is driving relatively high multiples. However, with each acquisition, the aggregators are getting closer to completing their "final rosters" and will begin to be more selective. In addition, led by CAPTRUSTS example, they will begin to focus more of their attention and budgets on wealth advisory acquisitions. This shift will begin to cause multiples to peak and ultimate drop."

Wise Rhino Group

The Going Rate

Multiple Range Chart and Assessment for Retirement/Wealth Advisory Firms, 2021

Retirement & Wealthy Entity Type	Description	Multiple Range
Scaled Retirement & Wealth Firm — Validated Model High Growth	CAPTRUST, Edelman Financial Engines	18.00 – 20.00X+
Insurance Brokerage — Mega	Top 5 largest firms: AON, Willis, Marsh, Brown & Brown, Gallagher	16.00 – 18.00X
Insurance Brokerage — Mid/Large	Next 6–20 firms in terms of revenue	14.00 – 16.00X
Fully Integrated Retirement & Wealth Advisory Platform with Affiliates ($10M Rev +)	Centralized platform and owned and/or affiliate firms	12.00 – 14.00X
Retirement & Wealth Advisory Regional Elite or Affiliated Firms — Roll-Up — No Platform ($8M Rev +)	Regional scaled ensemble business or roll-up of separate independent firms	10.00 – 12.00X
Retirement & Wealth Advisory Firm — Elite ($2M –8M Rev)	Elite single office	8.50 – 10.00X
Retirement Advisory Firm ($750K–2M Rev)	Emerging single office	7.00 – 8.50X
Retirement Advisory Practice/Book (< $750K Rev)	Practice/Book	5.00 - 7.00X

Source: WRG

Ninety percent of SRAFs believe that the current multiples they are paying on deals are too high relative to the value of the firm. Few firms, however, anticipate changes in the deal structures to make it more appealing for their firm and/or the sell-side advisor. In our survey, when asked how they anticipate structures will change in 2021, most indicated that they would remain unchanged across the board (although, some may change the amount of money held back in 2021).

Event takeaways:

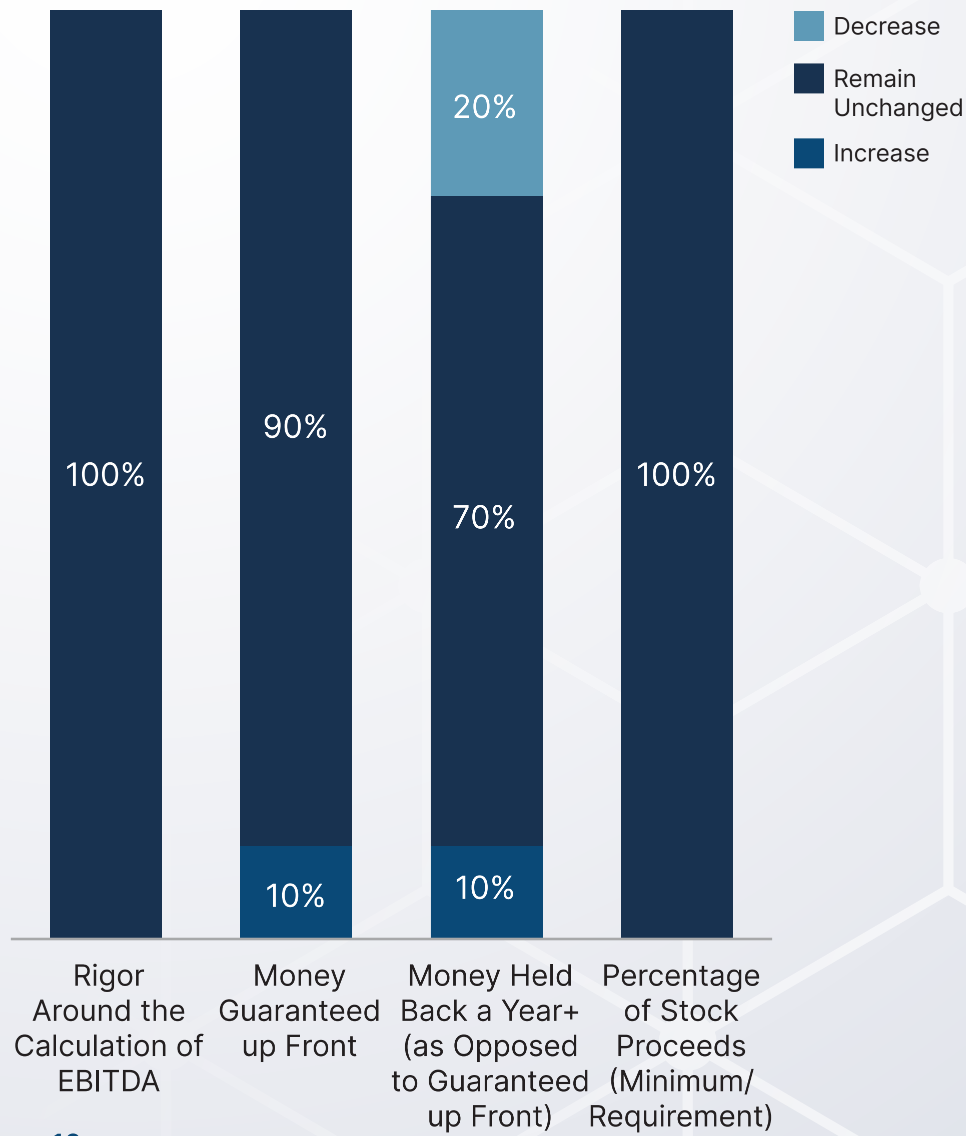
- During our event, SRAFs were also quick to point out that the structure varies greatly deal by deal. Changes in the structure will depend on what is needed to attract a prospective sell-side firm.
- Many were interested in the "payoff" of the deal or how the return justifies the cost. How are these acquired firms to prove themselves?

Pay Day

90% of SRAFs believe that the current **multiples** being paid on retirement acquisitions is **too high relative to the value** of the firms.

n = 10
Source: RLF/WRG 2021 SRAF Survey

How SRAFs Anticipate the Structure of their Deals will Change in 2021

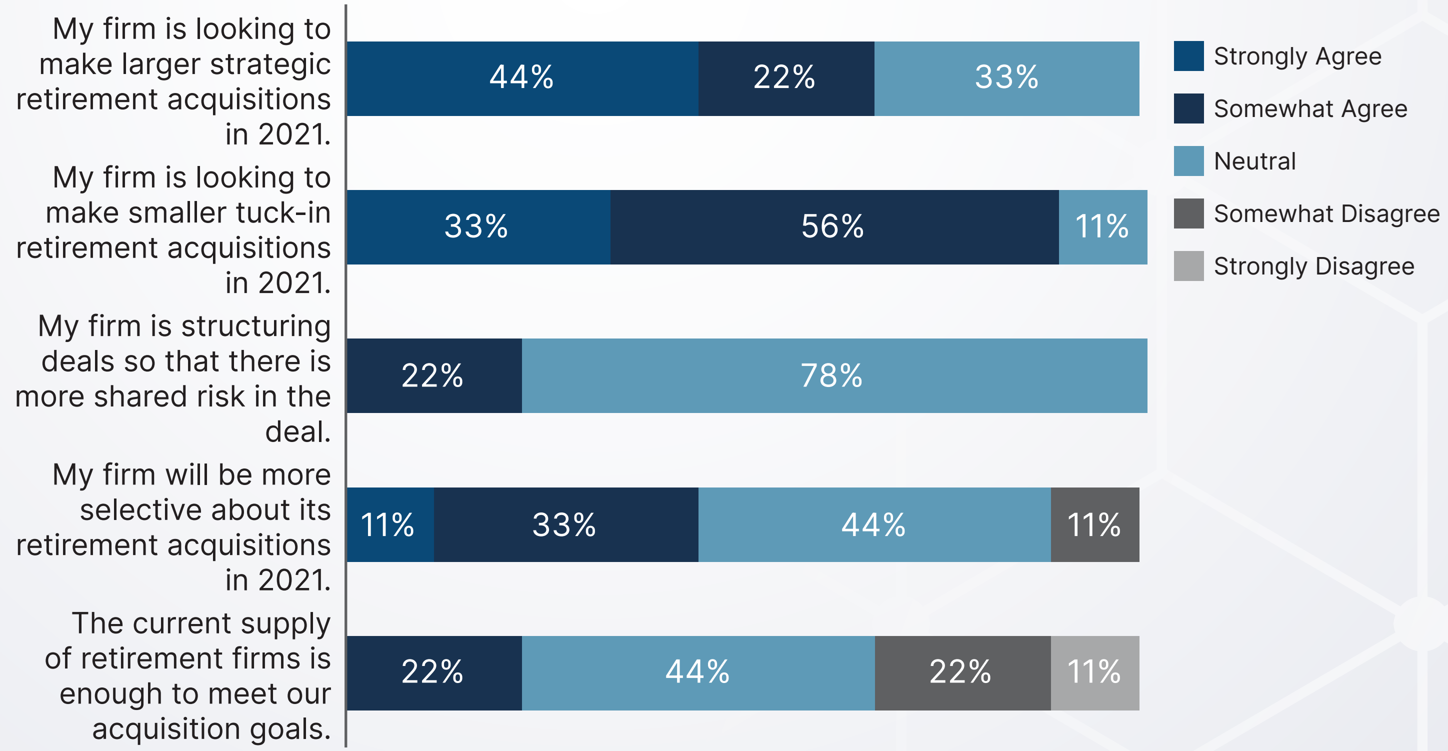


n = 10
Source: RLF/WRG 2021 SRAF Survey

Looking at the overall M&A market, firms are in the strongest agreement about the types of acquisitions they are looking for – with a majority considering both larger strategic acquisitions and tuck-in acquisitions. Forty-four percent of firms also agree that they will be more selective about retirement acquisitions going forward and 33% of firms question the pool of talent left to meet their acquisition goals.

Agree or Disagree

SRAFs' Level of Agreement with the Following Statements, 2021



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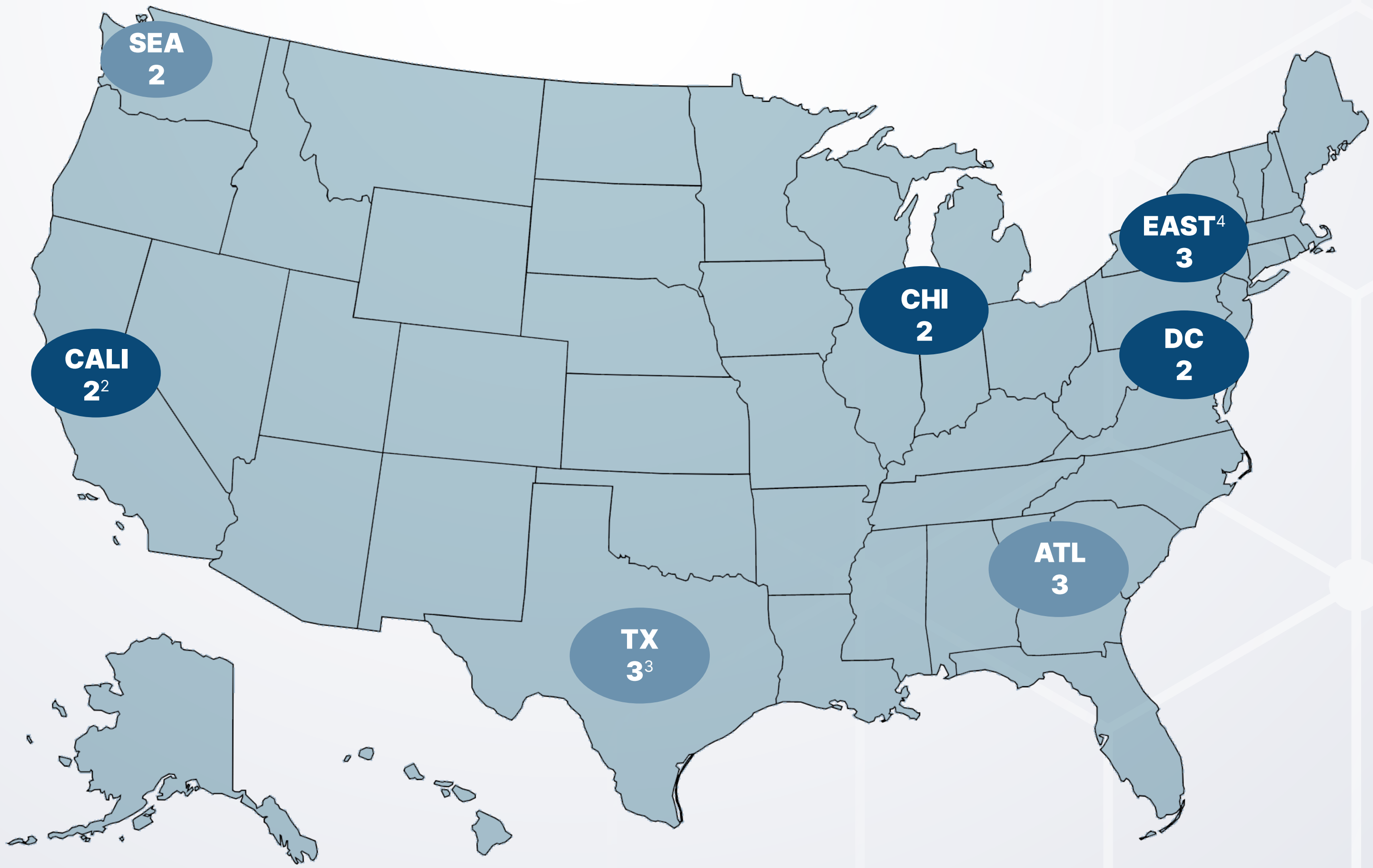
Source: RLF/WRG 2021 SRAF Survey

As firms map out a plan for moving forward, most are focused on the handful of cities and areas shown on the map. The East, Atlanta, and Texas are the most popular areas with 3 firms listing them as their top focus cities for acquisition. DC, Chicago, California, and Seattle also have more than one firm listing them as a top acquisition city.

Mapping Out a Plan

Top Areas Where Respondents Are Looking to Acquire, 2021[1]



Source: RLF/WRG 2021 SRAF Survey

[1] Firms were able to list 3 cities. Numbers represent the number of firms that mentioned the city. The map only shows cities that received more than one vote.

[2] CALI : West Coast (1), California (LA, SF or SD) (1)

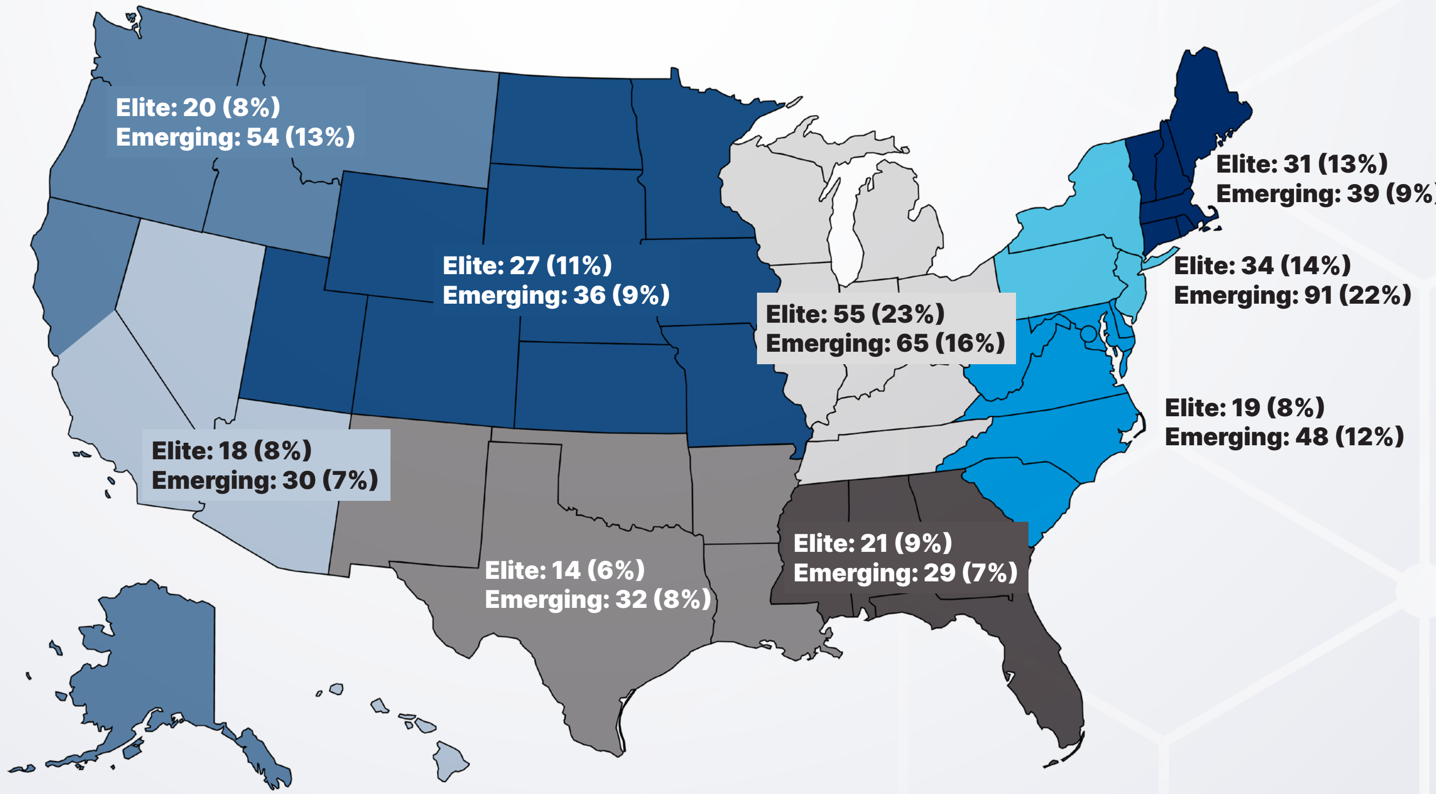
[3] TX: Dallas (2), Austin (1)

[4] EAST: East Coast (1), Northeast Major City (1), New York City (1)

Taking those target cities and matching that to the available talent in those areas, the Chicago area seems to have the best ratio of available firms to demand. And Texas looks to be the most challenging with only 48 teams across the Elite and Emerging Segments despite the strong interest in entering the market.

Finding Your Target

Concentration of Elite and Emerging Firms by Region, 2021



Definition: Segments are determined based on a revenue requirement **AND** WRG qualitative assessment of brand, capabilities, and local footprint.

- Elite: ~$2M+
- Emerging: ~$750K - $2M

Total Firms:

- Elite: 239
- Emerging: 414

Source: WRG

When it comes to how SRAFs can compete and win deals for advisory practices across these different cities, there is a lot to consider. Sell-side firms are assessing what the acquirer offers in terms of vision/mission, cultural fit, growth potential, technology platform, financial firepower, brand, and career opportunities. While all SRAFs bring a lot to the table, the Wise Rhino Group shared that many often fail to demonstrate or articulate these things.

Event takeaways:

- One firm questioned how many times the bankers are influencing what the sellers believe are important. Because it seems as though some of these firms are giving into the peer pressure of selling when they are not ready.
- Another firm pointed out that the collective grouping of firms that make up the SRAF landscape could not be more different in term of business model, culture, growth plans, etc. When they present to the sell-side, it's probably easy to fly at too high of a level and assume the seller's knowledge of the details is there. This calls for some reworking of the pitch to better articulate fit.

Table Stakes

Sellers Demand More from Buy-Side Aggregators, 2021

Commitment, Vision, & Leadership
- Clear roadmap to organic and inorganic growth
- Ability to articulate a clear vision around navigating the changing landscape

Cultural Fit
- Best fit
- Culture

Growth Engine
- Cross-selling opportunity
- Defined participant bridge strategy & infrastructure

Best in Class/Scalable Tech Platform
- Back-office, middle-office, retirement, wealth, participant advice
- Proven systems and workflows and processes

Financial Firepower
- Capital and support to grow and scale towards being a strong operating company

Brand and Expertise
- Breadth and depth of service offering — retirement, advice, wealth, benefits
- IBM

Partner and Staff Role Expansion and Career Opportunities
- Beyond the practice to Region and Nationally
- Larger company opens more possibilities for staff

Source: RLF/WRG 2021 Research

Event takeaways (continued):

- Using Zoom early in the selling process has been extremely effective for sellers (and WRG). It helps the firm evaluate if the firm is worth pursuing, or not. In the past, the seller's expectation would have been a live meeting with the buyer, often ending with a mutual understanding that things might not work. A Zoom meeting saves everyone the time and cost associated with travel.

"The aggregator buyers are getting better at understanding how to best show their relative strengths to prospect retirement advisory firms. The most effective firms have successfully integrated their field retirement talent into the sales process."

Wise Rhino Group

Table Stakes (Continued)

rlf

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Source: RLF/WRG 2021 Research

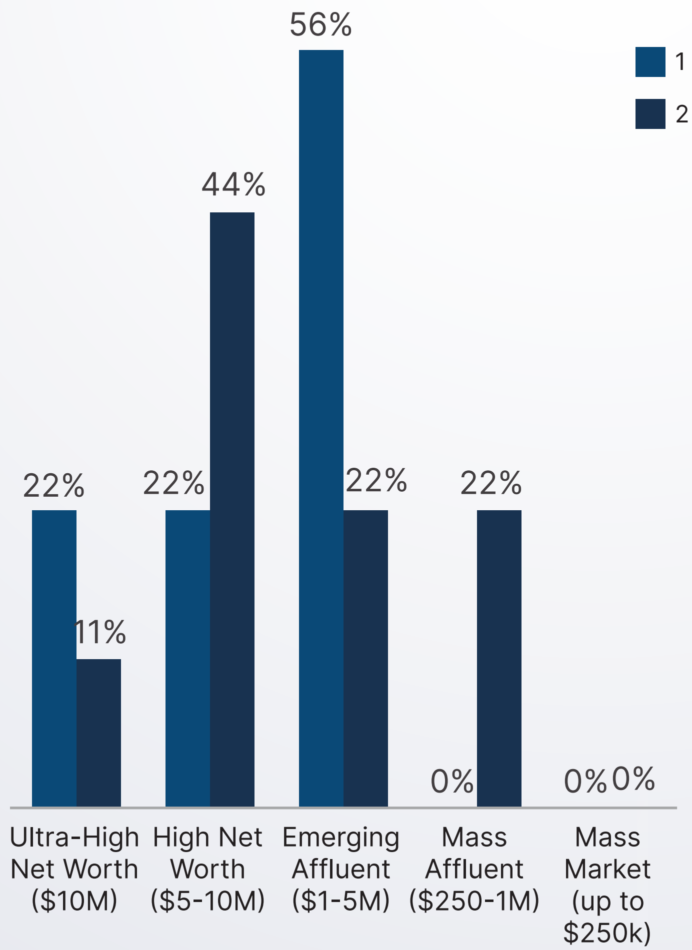
Building a Bridge

As SRAF firms continue to grow, the greatest opportunity in front of them is the participant opportunity. They can build and strengthen individual relationships through the plan and turn that into wealth business. In this section, we cover in more detail how leading firms are building advice offerings to create a bridge to the wealth business.

Before we look at the specific participant opportunity, let's set the table with an overview of SRAFs' current wealth businesses. Most firms' wealth business is centered around the $1-5M and $5-10M segment. These are also the two segments where SRAFs expect to see the most growth across the next five years.

Segmenting the Wealth Opportunity

The Two Segments that are the Biggest Focus of SRAFs' Wealth Management Business, 2021



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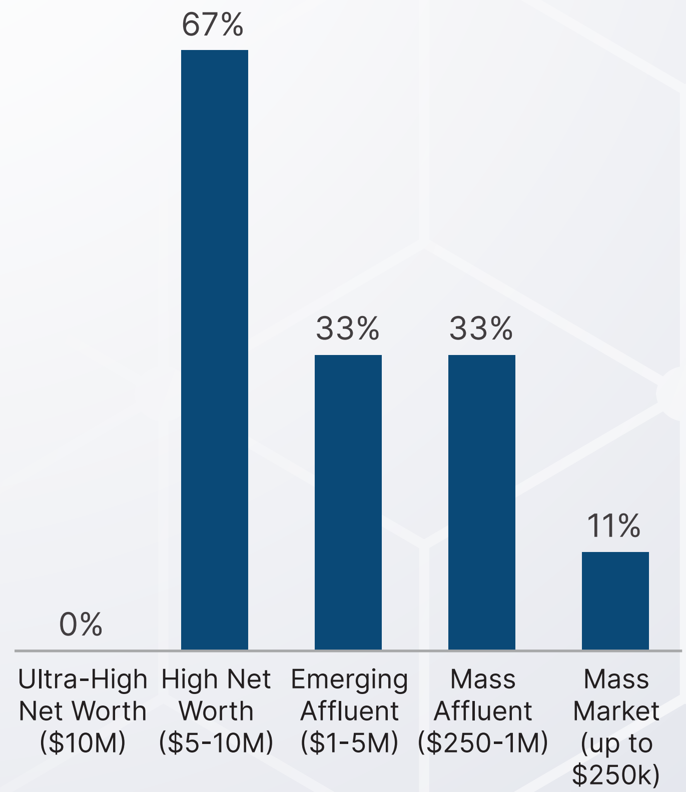
Source: RLF/WRG 2021 SRAF Survey

The Two Segments Where SRAFs Anticipate Getting the Most Clients Across the Next 5 Years, 2021



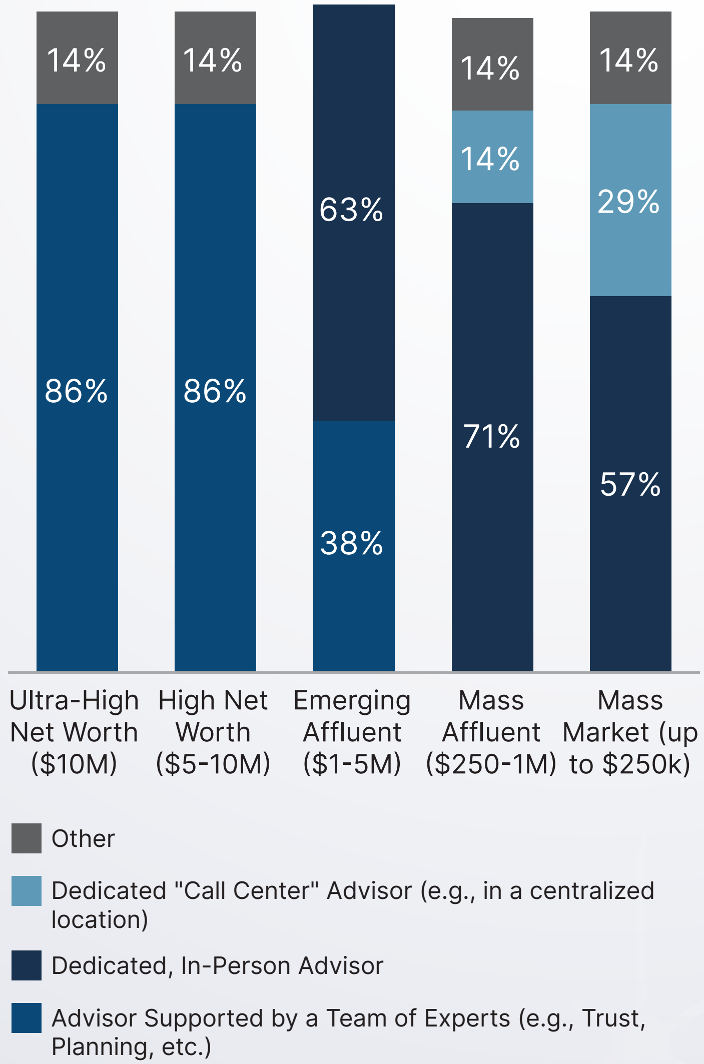
n = 9
Source: RLF/WRG 2021 SRAF Survey

The Service Model

The way that SRAFs serve wealth clients varies greatly based on the participants' wealth level and the ability of the firm to profitably serve that segment. The highest balance clients work with an advisor that is supported by a team of experts. The more affluent segments have a traditional in-person advisor relationship, and, as you get down to the mass-market, service is provided through a centralized call center and/or digital engagement.

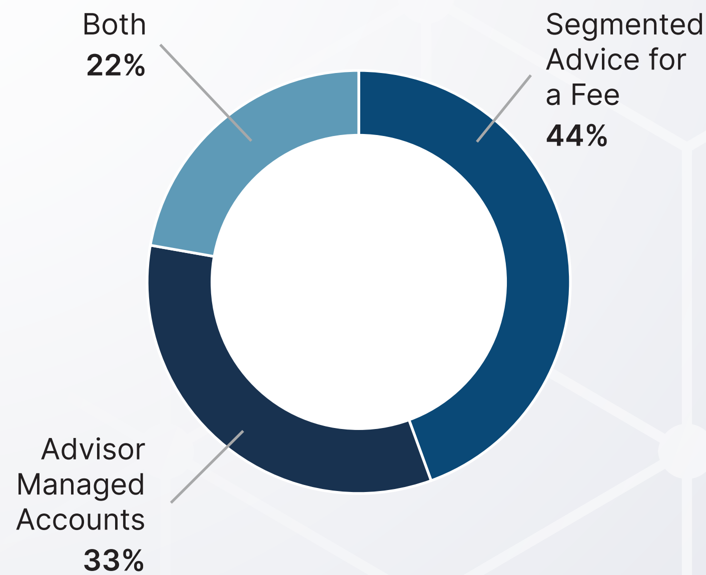
As firms look to forge participant relationships outside the plan, they are building that relationship in the plan using either advice (44%), advisor managed accounts (33%), or both (22%). It is worth noting that while the small handful of C-suite participants present an affluent opportunity, most participants in the plan will likely fall into that mass market category. And, it's also worth noting that firms looking to "own" the participant relationship will need to have various tracks and solutions based on participants' account balance, service preferences, and a host of other factors.

Model Through Which SRAFs Serve the Following Segments, 2021



n = 8
Source: RLF/WRG 2021 SRAF Survey
Note: Not all 8 firms responded for all segments

Method SRAFs View as the Most Effective Way to Win a Segmented Participants' Wealth Business, 2021



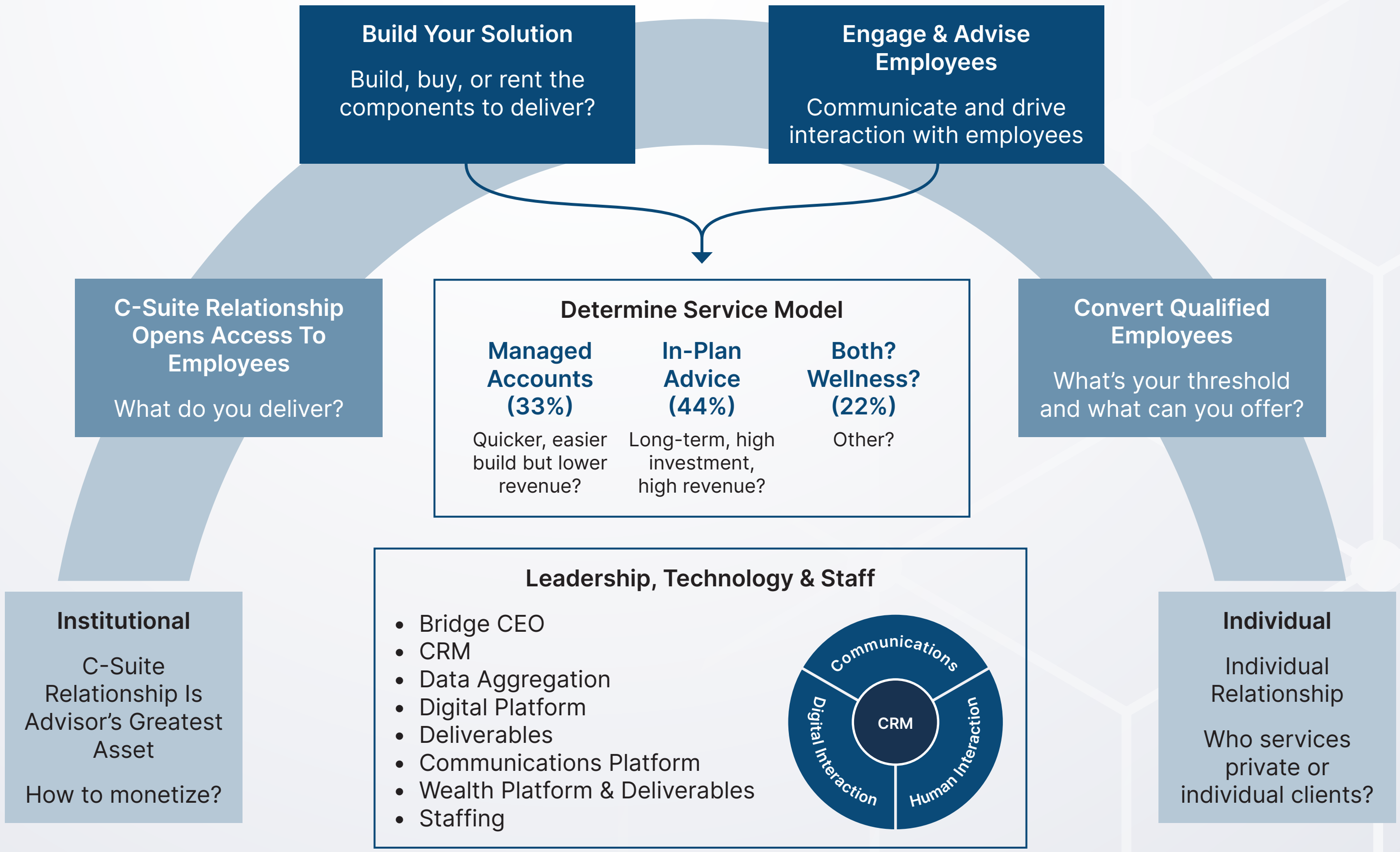
n = 9
Source: RLF/WRG 2021 SRAF Survey

Building a strong participant relationship that will give the firm the right to their wealth management business starts at the top with the executive relationship (following the outside bridge). The C-Suite relationship not only presents a high-end wealth opportunity, but support of the C-Suite will make it easier for firms to gain access to participants within the plan. At the top of the bridge, firms know they must build out solutions for all the segments of participants in their target market. This comprehensive set of solutions requires a significant investment in technology, staffing, and a whole host of other resources, and our discussions with SRAFs indicate that most firms are currently in this stage of building the bridge.

As we move into the strategy around different firm's bridges, it was clear that they are banking on different approaches. CAPTRUST has had the most notable success to date with a full-fledged advice offering already in place. It was also recently announced that they named a Head of Wealth Management to spearhead their efforts. We expect to see other firms follow suit.

Building a Bridge

Critical Components for Turning Retirement Plan Participants into Wealth Clients



Source: RLF/WRG Research

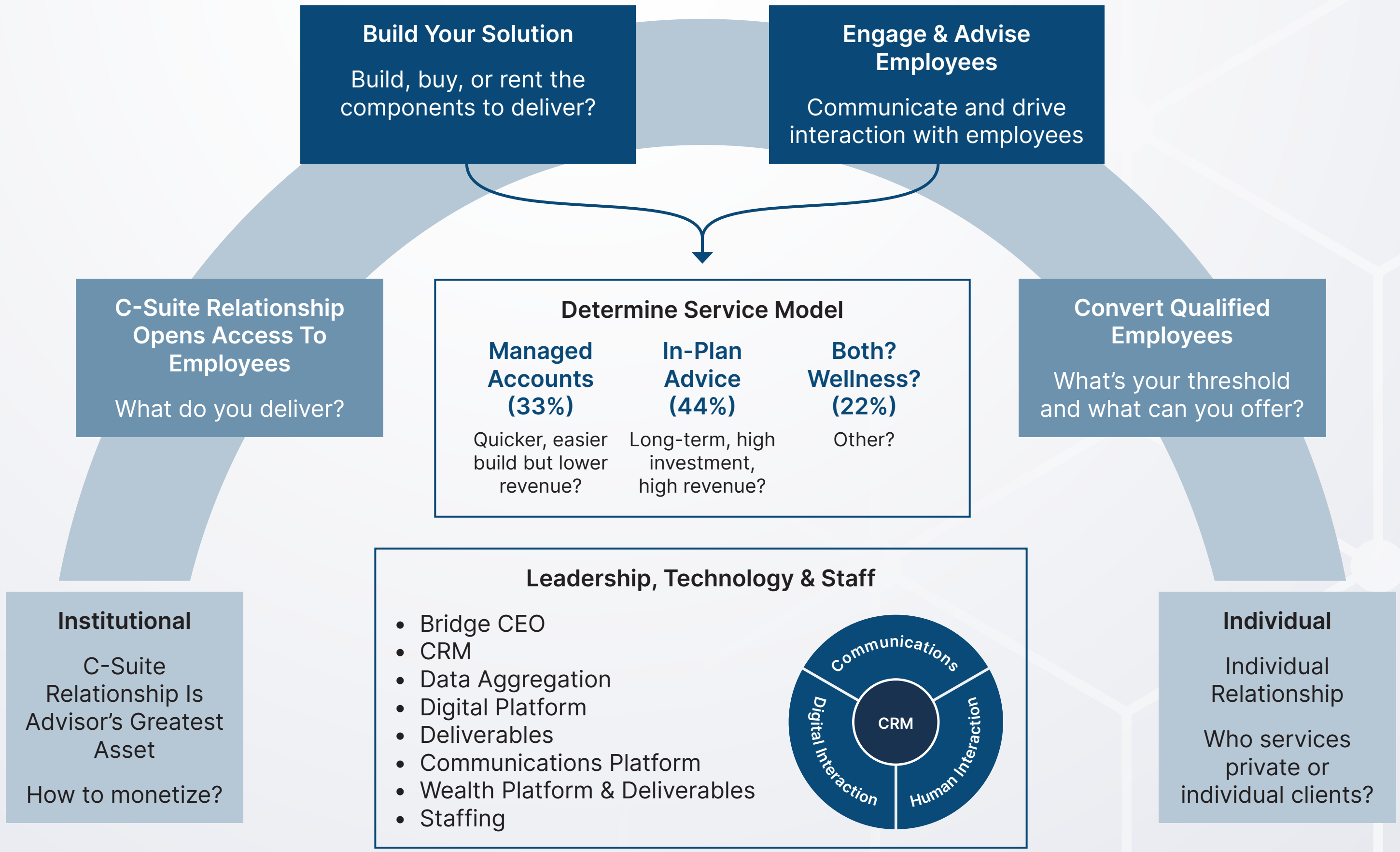
Other firms are relying more on advisor managed accounts as the bridge to participant's outside assets. And some will use a combination of both. This topic of the right "bridge" led to the most robust discussion of our event where SRAFs dug into how truly difficult it is to engage participants and build the right model.

Event takeaways:

- One firm noted that they are having pockets of success, but are now trying to determine the best way to scale the model. They are also looking opportunistically at acquisitions, specifically ones that are localized and where teams are already working together. And it will involve looking at significant investment in new hires – specifically hiring many more of next generation advisors in 2021 than previously thought.
- All agreed that there is more than one path and that each firm needs to forge a path that works best for them. For example, on a larger, 20,000-person plan, the CAPTRUST model might be more efficient, but for a 200-person plan, it's easier to build a relationship through wellness. And plan size is just one example.

Building a Bridge (Continued)

Critical Components for Turning Retirement Plan Participants into Wealth Clients



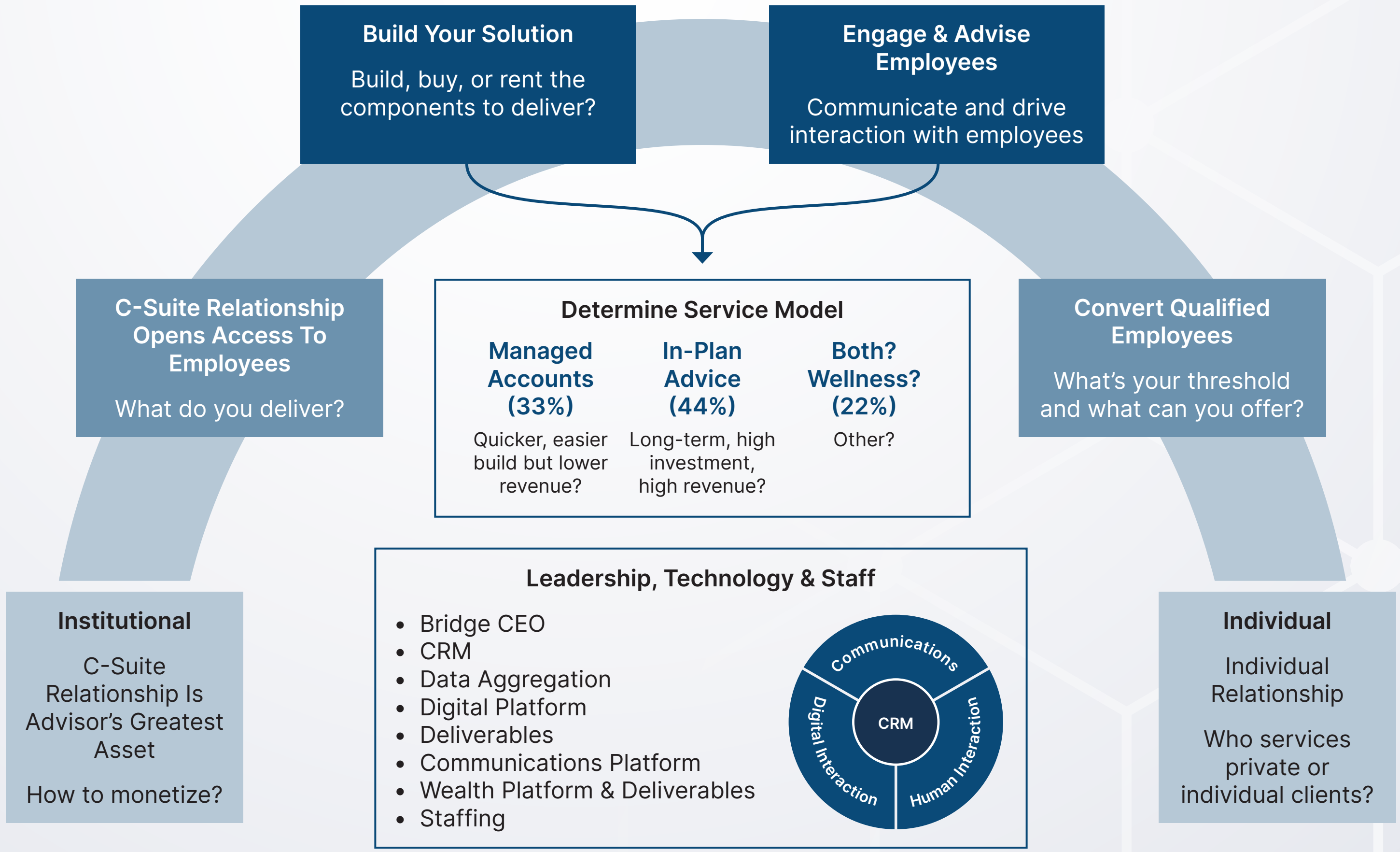
Source: RLF/WRG Research

Event takeaways (continued):

- One SRAF shared an expectation that going forward, they are going to see a mix in the types of firms acquired ranging from wealth to wellness firms.
- The pandemic and the use of video conferencing has really helped on the wellness front. Firms have seen a huge uptick of one-on-one coaching sessions because the video environment makes them easier to deliver. One firm noted the amount of engagement from HR professionals has been fantastic.
- Building a bridge needs to be a holistic approach that includes a financial wellness offering; however, attendees discussed how hard it is to monetize. The industry has struggled with this for years and there is also a debate as to who is best suited to play the role of wellness provider.
- Some firms shared that they have seen an uptick in standalone financial wellness engagements with plan sponsors where they don't have a retirement plan. It has become a new engagement for that group, and they hope to turn them into retirement plan clients.

Building a Bridge (Continued)

Critical Components for Turning Retirement Plan Participants into Wealth Clients



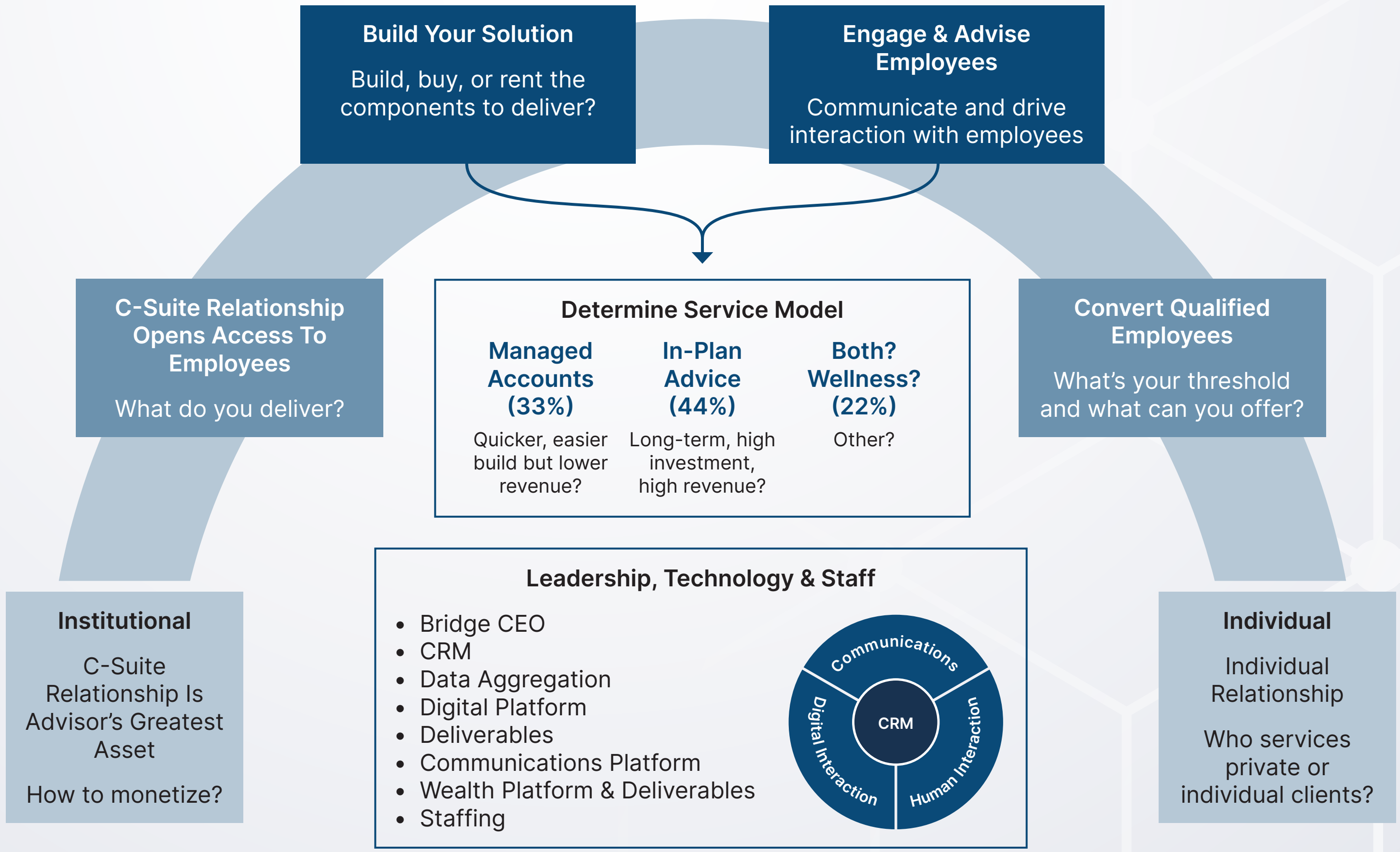
Source: RLF/WRG Research

Event takeaways (continued):

- Ultimately, moving participants along the bridge is going to come down to execution and firms noted that the pivot to wealth management has a high level of execution risk.
- One firm also commented that wealth firms typically have very unsophisticated acquisition strategies: they live and die by client referrals. Building a bridge requires a leadership piece and a tech platform to reach down to the individual.
- One attendee noted that when you look at the multiples being paid on the wealth side and then sit on the phone with these wealth prospects, it is eye-opening. These advisors have accumulated 800 firms and they really cannot grow other than asset growth inside. It is an interesting puzzle to piece together working with them and deciding if it is worth it.

Building a Bridge (Continued)

Critical Components for Turning Retirement Plan Participants into Wealth Clients



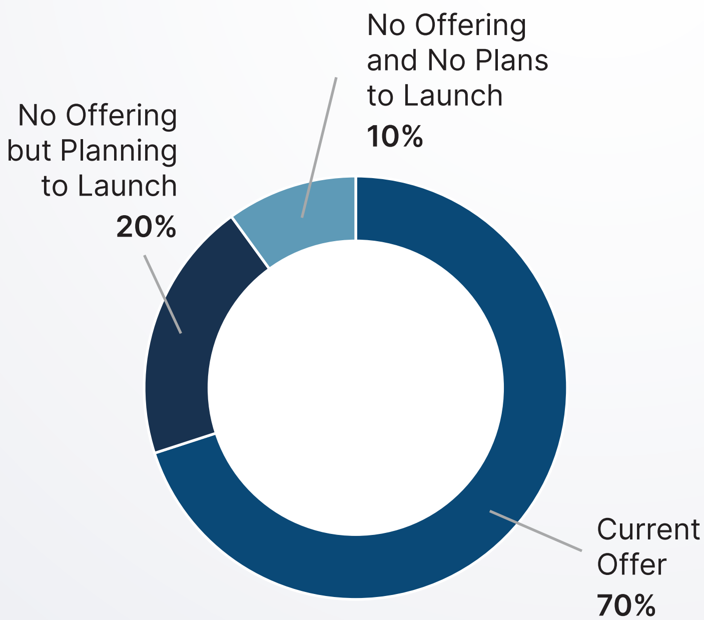
Source: RLF/WRG Research

Because advisor managed accounts allow a firm to demonstrate investment expertise and provide personalized investment options for participants, some firms view it as a foundation for the bridge we've been describing. Right now, 70% of SRAF firms offer advisor managed accounts and another 20% are in the process of launching them. Only one the surveyed firms is sitting this opportunity out.

To build their AMA offering, firms are partnering with managed account providers like Morningstar, Stadion, and NextCapital. They typically also launched their AMA offering with a key recordkeeping partner. One firm who is further along noted that they are looking to launch AMAs with their 12 top recordkeeping partners.

An AMA Bridge

Current State of SRAFs' Advisor Managed Accounts Offerings, 2021



n = 10
Source: RLF/WRG 2021 SRAF Survey

Partners Through Which SRAFs Are Offering Advisor Managed Accounts, 2021

Engines Being Used:

- Morningstar(4)
- Stadion
- NextCapital
- Self managed

Recordkeeping Partners:

- Schwab
- Empower
- "Our top 12 partners"

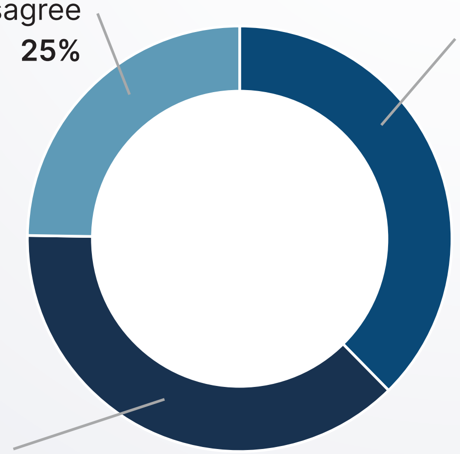
The Right Partners

To keep costs low, an integral piece of AMA offerings has been the underlying CITs that allow SRAFs to build unique investment portfolios for participants. Seventy-six percent of firms agree that they are committed to using their leverage to negotiate better pricing power on these CITs.

And, as SRAFs position themselves to successfully execute on building a bridge, they are also quickly becoming competitors to firms that have traditionally been "partners." In our 2021 survey, we asked SRAFs to indicate if they view a select list of top recordkeepers as partners, competitors, or both. Firms like Fidelity, Empower, and Vanguard, with strong strategies around the participant, show up as competitors. While firms with little interest in wealth relationships, like Ascensus, show as more exclusively partners.

That is not to say these firms can't work together if they are also competitors, but SRAFs will look to have even more clearly defined rules with their partners going forward.

SRAFs' Level of Agreement with the Statement: *My firm is committed to using our leverage to negotiate lower prices on CITs*



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Source: RLF/WRG 2021 SRAF Survey
Other includes:
- Efficiency or ability to focus on the business rather than the plan
- Limited interest

SRAFs' Opinion of Whether the Following Firms are Competitors or Partners, 2021

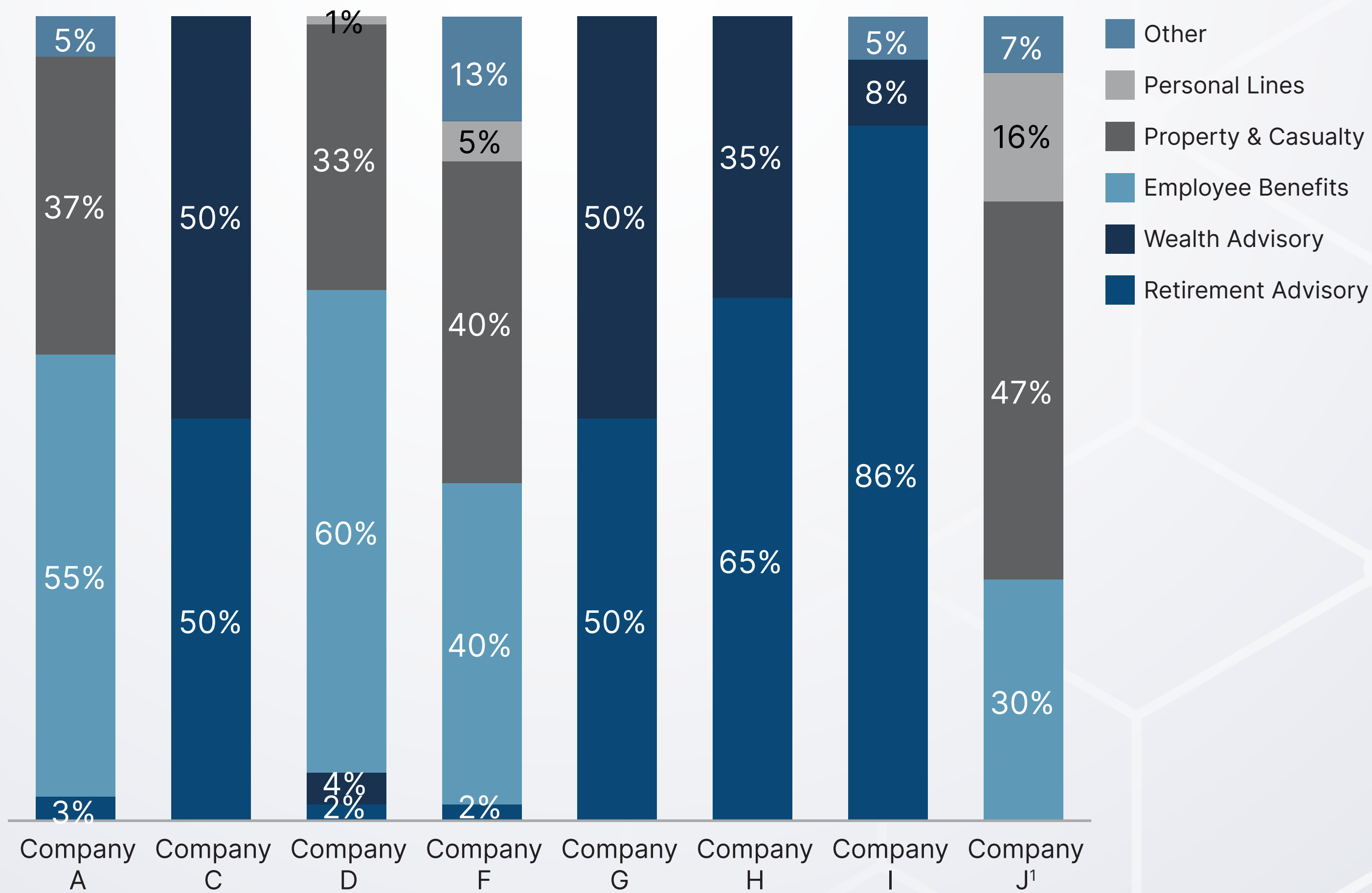
	Partner	Competitor	Both	Neither
Fidelity	0%	57%	43%	0%
Empower	14%	14%	71%	0%
Vanguard	14%	43%	29%	14%
Principal	50%	0%	50%	0%
Prudential	57%	0%	43%	0%
Ascensus	63%	0%	13%	25%

n = 8
Source: RLF/WRG 2021 SRAF Survey

In addition to the participant cross-sale, SRAFs have a number of institutional cross-sale opportunities. The opportunities are different firm by firm and depend on the lines of business in which the firms compete. Some are just participating in retirement and wealth, but other have health and welfare benefits, personal lines, and property and casualty. The specific cross-sales opportunity depends heavily on this business mix.

A Powerful, Diverse Group

Percent of SRAFs' 2020 Revenue from the Following Business Lines



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Source: RLF/WRG 2021 SRAF Survey

[1] Employee Benefits includes Retirement and Wealth

Although cross-sales have always been important, in 2021, SRAFs are approaching it with additional rigor and dedicating more resources. On this page, we have highlighted some of the shifts SRAFs have made as they double down on referrals. As cross-sales become a point of evaluation for sell-side prospects, it is not enough to have a collegial culture that encourages cooperation. SRAFs must demonstrate to sellers that referrals are engrained in the firm's DNA.

From a leadership perspective, it's no longer being left up to individual producers to go it on their own. It's a top-down and bottoms-up approach with more and more firms adding dedicated leadership to drive referral initiatives.

Compensation is no longer a check-the-box component of a bonus, but rather tied directly to quality referrals and team payout structures. Finally, home offices are arming teams with the right data to cross-sell; almost spoon-feeding them the information needed to execute. For many, this required and even still requires additional investments in technology.

A Whole New World

Cross-Selling in 2021

	Old World	New World
Culture	**Personality Match:** Aggregators acquire "similar" individuals who like working together.	**Shopping Requirement:** Sell-side firms evaluate aggregators on their ability to deliver referrals and meet cross-sale growth expectations.
Leadership	**Bottoms-up Approach:** Producer-driven.	**Cohesive, Integrated Approach:** Lead by a head of cross-sales driving consistent initiatives across territories and between business lines.
Compensation	**Qualitative Bonus:** Referrals are a check-the-box bonus requirement with little evaluation of quality or success.	**Direct Tie to Compensation:** Referrals directly tied to compensation and also a component of acquired firms' payout agreement.
Data & Analytics	**Book Review:** Reactive process where producers sit down together to review their respective book of business for cross-sales opportunities.	**Data Platform:** Firms have built comprehensive prospect lists incorporating data beyond their CRM. Profiles are "spoon fed" to producers.

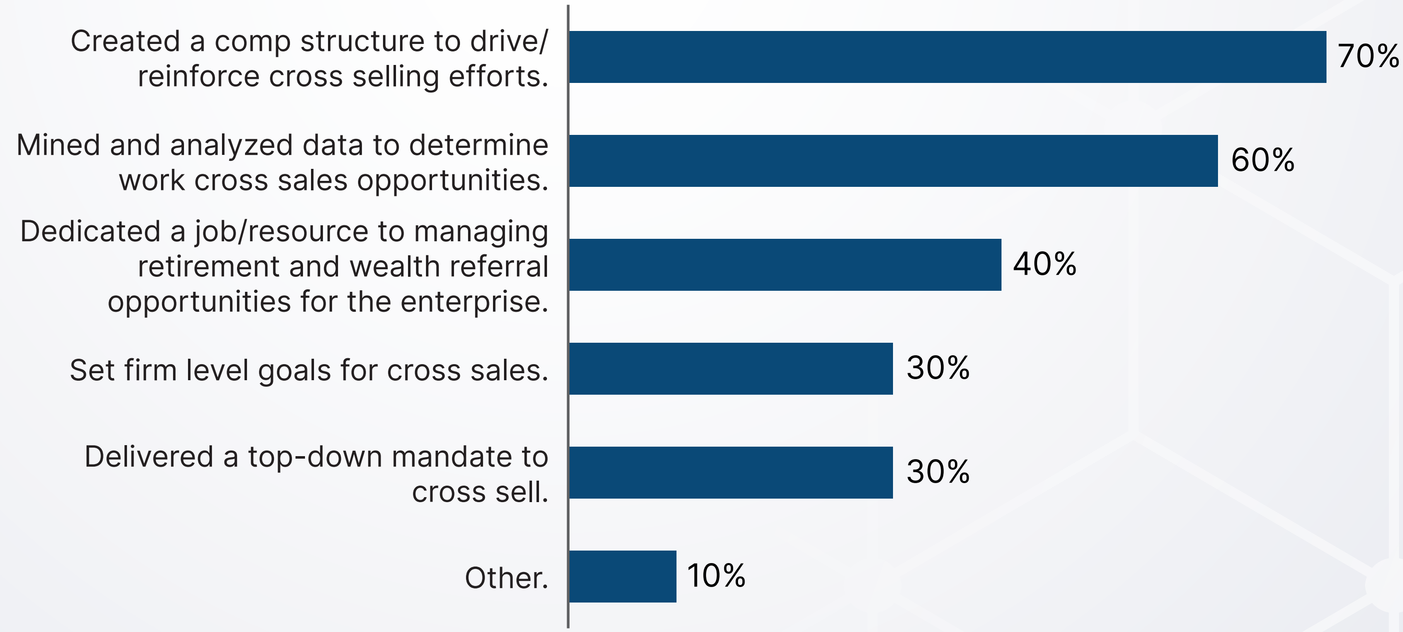
Source: RLF/WRG Research

At present, SRAFs are making the changes needed to win in this new world of referrals, but not all firms are there yet. Seventy percent of firms have improved their compensation approach and 60% have mined data to improve their referral process and success. Fewer firms have designated a head of referrals/cross-sales or delivered a top-down mandate on referrals.

Retirement and wealth are the two business lines that firms are most focused on for cross-sales, with benefits and retirement and insurance and benefits coming in second.

Doubling Down on Referrals

Percent of SRAF's that Have Taken the Following Steps to Drive Referrals Between Business Lines, 2021



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Source: RLF/WRG 2021 SRAF Survey

Business Lines Across Which SRAFs See the Biggest Referral Opportunity

44% Retirement and Wealth
22% Insurance and Benefits
22% Benefits and Retirement
11% Benefits and Wealth

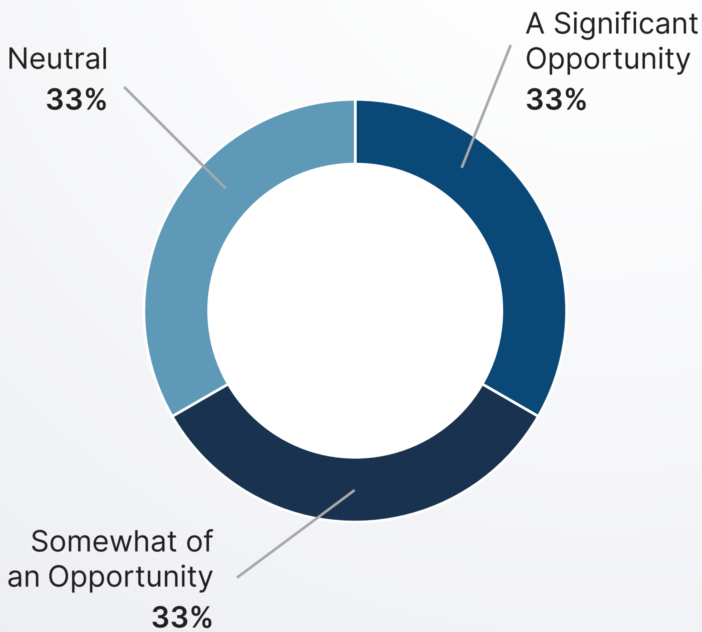
n = 9
Source: RLF/WRG 2021 SRAF Survey

Separate from cross-sales, a new "opportunity" has popped up within the retirement plan business as recent legislation allows for the formation of PEPs where the plans aren't linked as part of a group or association. For many advisory firms, this could allow them to serve small plans in a more scalable fashion. Whether or not PEPs take hold remains to be seen. Accordingly, firms are divided on their view of the opportunity with 33% seeing it as a significant opportunity, 33% saying it's somewhat of an opportunity, and the remaining 33% neutral on the topic.

Despite some of the skepticism, 44% of SRAFs have launched a PEP offering and another 11% are in the process of launching.

The PEP Opportunity

How SRAFs View the PEP Opportunity, 2021



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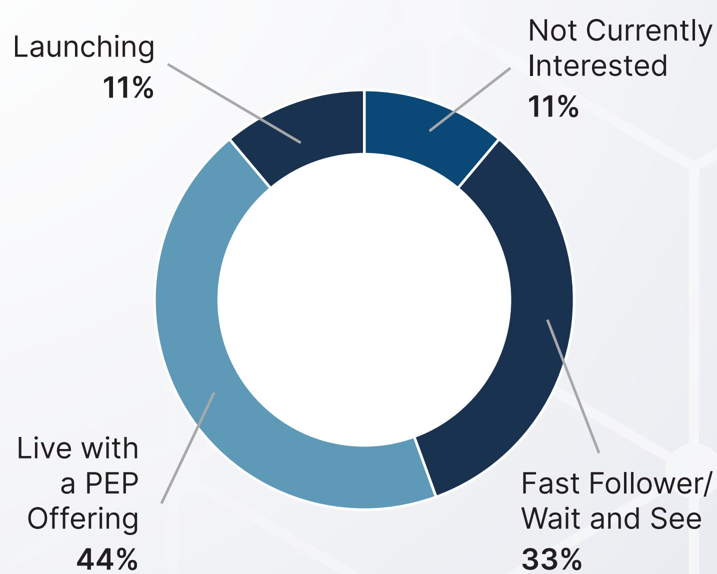
Source: RLF/WRG 2021 SRAF Survey

SRAFs Approach to the PEP Opportunity, 2021



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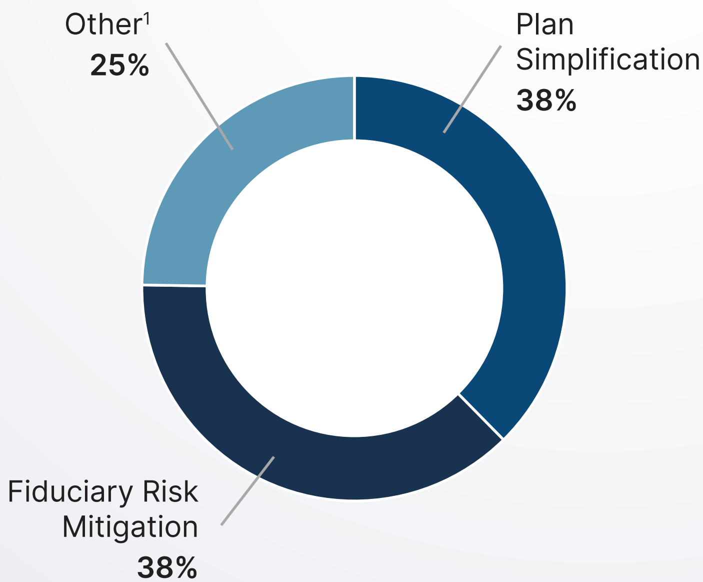
Source: RLF/WRG 2021 SRAF Survey

Sponsor Demand for PEPs?

How the PEP opportunity unfolds is largely dependent on plan sponsor adoption. SRAFs reported that most plan sponsors would view a PEP as a way to simplify the plan or mitigate fiduciary liability. And the most likely plan size SRAFs expect to be interested in PEPs are $1-10M plans.

During our research interviews, some of the firms currently offering PEPs commented on the new sales opportunities their PEPs offering has opened up. These firms weren't sure if the sponsors would adopt the product, but the ability to have the conversation and talking about their product was leading to deeper sales interactions.

SRAFs' Opinion on the Reason Sponsors Are Most Interested in PEPs, 2021



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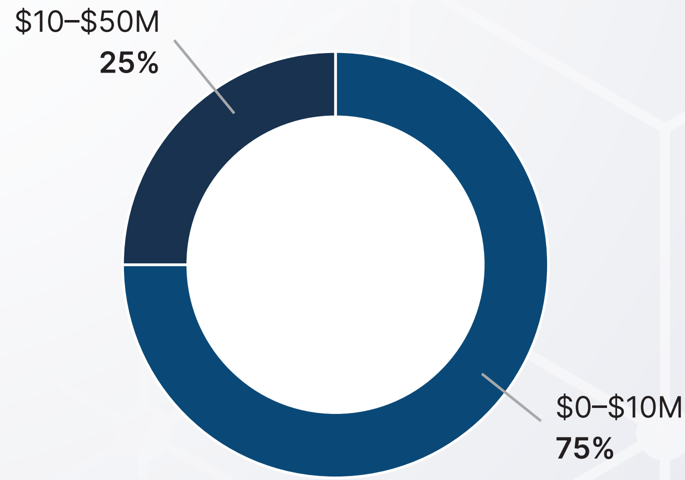
Source: RLF/WRG 2021 SRAF Survey
[1] Other includes:
- Efficiency or ability to focus on the business rather than the plan
- Limited interest

SRAFs' Opinion of the Size Plan Sponsor Most Interested in PEPs, 2021



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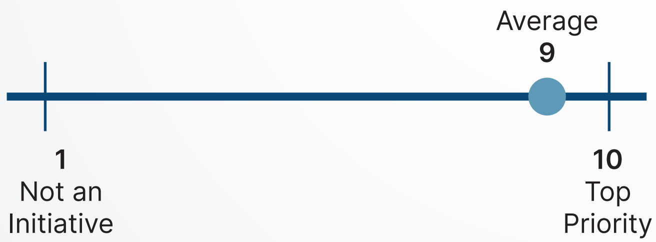
Source: RLF/WRG 2021 SRAF Survey

Finally, as SRAFs continue to acquire at a rapid pace, create additional connectivity between their business lines, and build a participant bridge, centralizing and scaling processes becomes even more important. Firms ranked improving their scale as a level 9 priority in 2021, on a scale of 1 to 10 with 10 being the highest priority. While all do have a centralized investment screening process and some have a centralized client report and RFP process, not all FAs leverage these processes. In our research interviews, firms commented that as few as 40% of their FAs use their centralized investment screening, reporting, or RFP processes.

SRAFs ability to integrate their acquisitions and continue to create/evolve scaled processes over the next 5 years will be critical to their success.

Focusing on Scale

SRAFs' Current Level of Priority for Centralizing/Scaling Processes and Taking Non-Client Facing Tasks Off Advisors Plates, 2021



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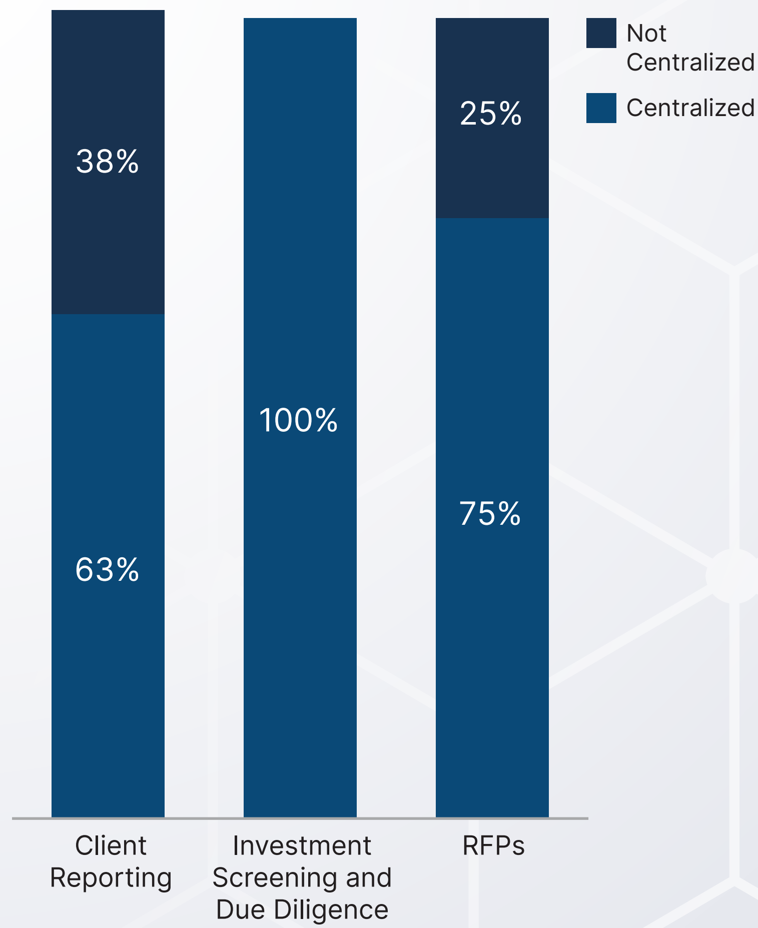
Source: RLF/WRG 2021 SRAF Survey

SRAFs that Have a Centralized Process for the Following, 2021



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Source: RLF/WRG 2021 SRAF Survey